

**The Organization of MISO States Board of Directors will hold a meeting, by conference call, August 12 at 2:00 central time (CDT).** The call in number is 877-452-6418. The conference code is 701-328-2400 followed by the # sign. Board members who cannot attend the call should notify Bert Garvin to designate a proxy for this meeting.

### **Agenda**

Attendance

Recognition of Proxies

Declaration of a Quorum

Call meeting to Order

Approval of the Minutes of the June 25th\*, July 8th and July 27th Board Meetings – Secretary Bert Garvin (see attachments)

Review of the Actions of the Executive Committee on July 29

Treasurer's Report – Treasurer Laura Chappelle\*

### **Business Items**

1. **Possible action items: MISO Advisory Committee Issues** – VP State Gaw (This material will be distributed August 9, or when MISO Advisory Committee Agenda is available,)
2. **Action item – Does OMS wish to file comments with DOE on National Interest Electric Transmission Bottlenecks?** (This is preliminary to a formal rulemaking by DOE on this subject and preliminary comments are due within 60 days of publication in the federal register. Publication occurred on July 22, 2004. No comments are prepared yet, this discussion will determine if the board wishes to work on these comments) If yes, should these comments be assigned to the Transmission Planning and Siting Working Group? (see attachment)
3. **Action item: Guidelines for OMS Voting Process** – President Susan Wefald (See attachment)
4. **Update on Planning and Siting Survey and Planning and Siting Activities at MISO** – Klaus Lambeck

### **Administrative Update**

Executive Director Report – Bill Smith (see attachment)

Summary of the Long Term Pricing Meeting - July 12 (see attachment)

MISO Responses to Questions Presented at NARUC Meetings in Salt Lake City (see attachment)

**Announcements:** Next Board Meeting will be held Thursday, September 9.

\* Draft Minutes of the June 25 OMS Special Board Meeting, the OMS Treasurer's Report for July 2004 and the MISO A/C Agenda will be sent separately on August 9 or before.

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Organization of MISO States  
Report of the Treasurer  
Laura Chappelle, Michigan PSC  
to the  
Board of Directors  
August 12, 2004

**Report for July 2004**

**Cash on Hand**

To date, we have received \$450,000 from the MISO and are holding the remaining balance in our account at Bank One. As of July 31, 2004, our balance in the Bank One account was \$234,089.12.

**Expenditures to Date**

Total disbursements for July 2004 were \$22,639.65 Total disbursements for the 2004 calendar year are \$216,772.42.

**IRS Tax Update**

OMS has officially received its' IRS Non-Profit Tax Exempt Status 501c(4). At the OMS Executive Committee Meeting on July 29, 2004, the committee voted to adopt a 7/01/03 – 6/30/04 Calendar Tax Year for the IRS Form 990 Filing. Bill Smith and Julie Mitchell worked diligently to provide the additional data necessary to secure the OMS tax-exempt status in a timely manner. Their thorough job is to be commended.

**New Budget**

We are working with Bill Smith and Commissioner Wefald on a new draft budget to present to the Executive Committee and the Board. It looks like this will be ready for discussion in early fall.

**TREASURER'S REPORT**  
**Organization of MISO States (OMS)**  
**July 31, 2004**

7/31/2004  
TOTALS

Commercial Checking with Interest

Beginning Balance as 7/1/04

\$ 206,681.18

7/15/2004	Wire Transfer	50,000.00	
7/31/2004	Interest Payment	<u>47.59</u>	
	Total Deposits		\$ 50,047.59

Checks and Charges

Date	Check #	Descriptions		
7/09/04	1421	Travel Advance for MISO/PJM Joint Stakeholders Mtg/IA	233.40	
7/09/04	1422	Infomax Office Systems, Inc. (August Copier Rental)	170.66	
7/09/04	1423	100 Court Investors LLC/OMS Rent & Parking for August	874.21	
7/09/04	1424	VOID		
7/09/04	1425	Madison Concourse Hotel-OMS BOD Mtg in WI-MARC 2004	405.73	
7/09/04	1426	Iowa Utility Association- Breakfast held at MARC 2004/ED	13.50	
7/09/04	1427	Pennsylvania Public Utility Comm.-Travel to OMS BOD Mtg/PA	437.47	*
7/09/04	1428	Travel to June MISO Advisory & BOD Mtgs /IA	333.12	
7/09/04	1429	Travel to TOCWG Mtg held June 28/IA	380.10	
7/09/04	1430	Travel Advance to MISO Mtg-TOCWG/IA	240.00	
7/09/04	1431	Travel Advance to MISO Mtg-TOCWG/IA	240.00	
7/09/04	1432	Dept of Admin., Intertechnologies Group-OMS MRIT Conf Call	245.82	
7/09/04	1433	InterCall- June Conference Calls	459.13	
7/12/04		Paychex, Inc	70.80	
7/22/04	1434	Bank One- July Credit Card Payment	1,022.04	
7/22/04	1435	MISO/PJM Joint Stakeholders Mtg (RTOR) Carmel (7-12-04)/MI	299.59	*
7/22/04	1436	NARUC & MISO Mtg 7/11-15/04	349.36	*
7/22/04	1437	DWX Internet	35.00	
7/22/04	1438	Triplett Office Essentials-Office Supplies	174.38	
7/22/04	1439	Triplett Office Essentials-Office Supplies	20.48	
7/26/04	1440	OMS/Subscription-Platts	1,820.00	*
7/26/04	1441	MSU Siting Workshop-Parking/MI	5.00	*
7/29/04	1442	August MISO Advisory & BOD Meeting-Travel Advance/IA	225.00	*
7/29/04	1443	July MISO Advisory Meeting/MO	81.85	*
7/29/04	1444	Missouri PSC/July MISO Advisory Meeting	283.25	*
7/29/04	1445	MISO/PJM Joint Stakeholders Mtg (RTOR) Carmel (7-12-04)/MN	265.12	*
7/29/04	1446	Travel Advance- MISO/PJM Joint Stakeholders Mtg (8-04)/IA	310.00	*
7/29-30/04		July Payroll (inc. Employer & Employee taxes)	13,644.64	
		Total Checks and Charges		<u>22,639.65</u>
		Net Activity		<u>27,407.94</u>

CHECKING ACCOUNT BALANCE 7/31/04

\$ 234,089.12

Notes: \* Indicates that check was still outstanding at the time the Bank Account was reconciled.

OMS Executive Director Report  
To Board of Directors August 3, 2004

FERC Activity

1. MISO Transmission and Energy Market Tariff – Docket No. ER04-691 and Grandfathered Agreements Docket No. EL04-104
  - GFA's: FERC's May 26 order, 107 FERC ¶61, 191, set up a three-step process for consideration of grandfathered agreements. Step 1 filings were made June 25. Step 2 hearings were reported to the FERC on July 28 by the ALJs. Their 4 page presentation is attached. Their findings of fact are posted in the docket at [http://elibrary.FERC.gov/idmws/file\\_list.asp?accession\\_num=20040729-0017](http://elibrary.FERC.gov/idmws/file_list.asp?accession_num=20040729-0017). Exceptions to the Commission are due August 17. Following that, the Commission is expected to conclude with its Step 3 findings.
  - Non-GFA issues: This item was noticed for the July 28 FERC meeting, but was deferred.
2. Through and Out Rates – Docket No. EL02-111-004
  - Transmission owners released four proposals on July 1:
    - Zonal license plate
    - Regional postage stamp
    - Highway/byway with split made on voltage
    - Flow based approach
  - Scheduled regional stakeholder meetings:
    - July 12, 2004, in Carmel, Indiana. See Randy Rismiller's summary, attached to the August 12 meeting notice
    - August 12, 2004, in Baltimore, Maryland
    - September 13, 2004, in Carmel, Indiana.
  - A settlement conference will be held by Chief ALJ Wagner on August 6. My expectation is that this session will be aimed at reducing the number of options.
  - A proposal called the Multiple Element Long-Term Design (MELD) was circulated by Transmission-dependent utilities late on July 30. The proposal includes many sub-options and lacks information specific to any zone or utility, thus is hard to evaluate.
3. Reactive Power, Schedule 21, Docket No. ER04-961. OMS filed comments on the filing on July 29. About three dozen comments were filed. MISO plans to file an answer to these pleadings on August 16.
4. NESCOE filing, Docket No. EL04-112. The petition filed by the New England Governors to form an RSC met with several protests and comments. Issues raised include filing rights, independence, stakeholder roles, funding, access to information, and scope of RSC.

#### DOE Activity

1. The DOE issued a proposed rulemaking on National Interest Electric Transmission Bottlenecks (NIETB). The full text was published in the Federal Register July 22, pg 43833, and is at [http://www.electricity.doe.gov/documents/nietb\\_frnoi.pdf](http://www.electricity.doe.gov/documents/nietb_frnoi.pdf). Comments are due September 20.
2. I am working with the DOE Office of Electric Transmission and Distribution to request funding for roll-out of RTO101. The proposal would provide funding for presentation of the material for each OMS state.

#### MISO Activity

1. An ad hoc committee has been formed to monitor cost increases, beginning with the \$56 million increase announced in June. Commissioner Garvin has been asked to work with this committee.
2. FERC has approved Ameren's acquisition of Illinois Power and IP's participation in MISO.

#### Other OMS Activity:

1. Approximately half the responses to the NRRI questionnaire have been received.
2. We are finalizing IRS Form 990 for filing.

#### Public Relations

1. July 12-13 – During the NARUC meetings, Commissioner Wefald participated in a panel on Regional State Committees to the Electricity Committee. I met with the Staff Subcommittee on Executive Management for a similar discussion.
2. I met with MISO staff on several subjects on July 28. Among these are formulation of the OMS budget, costs of RTO 101, and responses to the questions raised in the MISO breakfast with regulators at the NARUC meetings. I also participated in a meeting with the NARUC exchange between the Indiana Commission and the Albanian Commission.
3. Pending speaking/meeting invitations:
  - September 9-10 – NARUC Benchmarking conference with Baltic regulators.
  - September 14 or 15 – Coalition of Midwest Transmission Customers in conjunction with MISO A/C meeting.
  - October 12 – Iowa Industrial Energy Group

## **Summary of the July 12 MISO/PJM Stakeholder Meeting Regarding the Long-Term Transmission Pricing Proposals**

### **I. Background**

On July 23, 2003, FERC issued an Order in Docket No. EL02-111 directing that the through and out rates between MISO and PJM be eliminated.<sup>1</sup> In that Order, FERC imposed a process that would lead to the filing of one or more long-term transmission pricing proposals by October 1, 2004. FERC intends to put a long-term transmission pricing approach into effect on December 1, 2004. The MISO and PJM transmission owners held numerous meetings among themselves throughout the earlier months of 2004. On July 1, four draft long-term transmission pricing proposals were issued to all stakeholders—each proposal supported by one or more transmission owning utility.

The draft transmission pricing proposals are: (1) license plate; (2) postage stamp; (3) highway/byway; and (4) flow based. These four proposals can be considered as lying along a continuum. At the one end is continuation of license plate rates. This proposal is likely to be supported by low transmission cost utilities and opposed by high transmission cost utilities. At the other end of the continuum is the postage stamp rate proposal. This proposal is likely to be supported by high transmission cost utilities and opposed by low transmission cost utilities. The two proposals in the middle are highway/byway and flow based. Each of these proposals would allocate some portion of the transmission revenue requirement to local uses and some portion to regional uses. The highway byway proposal would make this split primarily by transmission line voltage. The flow-based proposal would do this by using a load-flow simulation model.

### **II. Summary of July 12 Stakeholder Meeting**

The first meeting of all MISO/PJM stakeholders to discuss the long-term transmission pricing proposals was held on July 12 in Carmel, IN. The meeting was attended by more than one hundred people, with additional people participating by phone. In attendance for the state regulators were Frank Bodine (IA), Nancy Campbell (MN), Don Howard (OH), Dave Johnston (IN), Lisa Pappas (MI), and Randy Rismiller (IL).

FERC's Chief ALJ, Curtis L. Wagner Jr., was present and described the official context of the case and set the ground rules for the meeting. Ron Jackups was master of ceremonies for the meeting, and had assistance from Ed Stoneburg and Ralph Bourquin. Prior to the presentation of the four proposals, Marty Blake explained the joint groups' efforts to develop a uniform data protocol that would allow the outputs of the four proposals to be compared on an apples-to-apples basis. The postage stamp proposal was presented by Greg Ioanidis; the license plate proposal was presented by Telly Spanos; the highway/byway proposal was presented by Dave Scarp; and the flow-based proposal was presented by Steve Henderson.

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<sup>1</sup> *Midwest Independent Transmission System Operator, Inc., et al.*, 104 FERC ¶ 61,105 (2003)

Several hours were spent in question and answer mode for the participants to better understand the four proposals. The balance of the meeting was spent with participants expressing criticism or support for one or more of the proposals. Much of the time in the clarification portion of the meeting, as well as in the criticism portion of the meeting, was spent discussing the flow-based proposal. However, no tally was conducted of which parties support which proposals. In particular, many transmission owners did not declare support for any particular proposal.

A transcript of the July 12 meeting (245 pages) is available on FERC's web-site under Dkt. No. EL02-111-000.

### **III. Next Steps**

The next joint stakeholder meeting is scheduled for August 12 in Baltimore and the last joint stakeholder meeting is scheduled for September 13 in Carmel. FERC's Chief ALJ, Mr. Wagner, has also scheduled a settlement conference for August 6 in Washington and urged the parties to "be ready to discuss fine-tuning the four current proposals in an attempt to arrive at a single proposal."

**Organization of MISO States Process for Approving Position  
Statements for FERC and MISO  
Discussion Document – Draft Only  
July 29, 2004 Version (Yellow Highlights Changes)**

<b><u>Voting Process</u></b>	<b><u>Notes</u></b>
<p>All members are encouraged to vote on <u>the final document rather than to abstain.</u> If procedural reasons preclude a member from voting, members are encouraged to state this at the beginning of the discussion of the document.</p>	<p>What can OMS do to encourage all states to vote on issues documents?</p>
<p>Members who have to abstain in the vote on the final document are encouraged to share their thoughts in the discussion of the issues, so that OMS members have as complete an understanding of the issues as possible prior to voting.</p>	
<p><u>Voting on different points of view within a document:</u> If discussion and study of issues documents brings forward more than one point of view on a specific issue <i>within the document</i>, board members may be asked to indicate which position they favor. The first priority will be to work to develop consensus language on these specific issues <i>within the document</i>. <b>If consensus language can not be adopted, varying positions would be fully explained including the basis for any differences. The document will indicate which states favor specific positions.</b> The goal of the document is to reflect differences in a positive manner in order to provide as much information as possible to the recipient of the final document.</p>	<p><b><u>Bylaws language: Article IV Board of Directors - # 8. Positions on Policy Issues.</u></b> The Board of Directors will give direction to formation of issue statements, which will then be referred to member state and provincial regulatory authorities. A position approved by a majority of the Board or Directors may be issued as the Organization's position with identification of the participating and non-participating Member authorities. (goes on to describe rights of states, how the board may authorize intervention, etc.) <b>(Inserted new language suggested by Commissioner Munns July 8)</b></p>
<p>Only members present at the meeting, by proxy or in person, may vote on an issue document. <b>(Excused absence language has been deleted, per discussion at July 8)</b></p>	<p>In September, February, March and May we allowed members who were not participants in the voting meeting to be able to vote to sign</p>



<p>board meeting.)</p>	<p>on to the document. This suggested guideline would change that process.</p> <p>(Laura Chapelle and Steve Gaw said on July 8<sup>th</sup> that they would work on language for this section)</p>
<p>Some members may need time after the board meeting for procedural reasons to confirm their vote. The Board may grant members up to 24 hours to confirm their vote with the Secretary and the Executive Director, depending on the filing schedule.</p>	<p>Do we want this to be a shorter time period? The problem with late votes is that states may be uncertain whether they should start drafting separate remarks.</p> <p>(New language drafted by Wefald as a result of comments at July 8 Board meeting.)</p> <p>(Commissioner Munns offered to write new suggested language for this section.)</p>

**Organization of MISO States Process for Approving Position  
Statements for FERC and MISO  
Discussion Document – Draft Only  
July 29, 2004 Version (Yellow Highlights Changes)**

<b>Stage 1</b> Majority of OMS members will agree that they wish to file comments on an issue.	
<b>Stage 2</b> Discussion of the document, including proposed changes and subsequent voting on proposed changes takes place.	
<b>Voting Process</b>	<b>Notes</b>
All members are encouraged to vote on <u>the final document rather than to abstain</u> . If procedural reasons preclude a member from voting, members are encouraged to state this at the beginning of the discussion of the document.	What can OMS do to encourage all states to vote on issues documents?
Members who have to abstain in the vote on the final document are encouraged to share their thoughts in the discussion of the issues, so that OMS members have as complete an understanding of the issues as possible prior to voting.	
<u>Voting on different points of view within a document</u> : If discussion and study of issues documents brings forward more than one point of view on a specific issue <i>within the document</i> , board members may be asked to indicate which position they favor. The first priority will be to work to develop consensus language on these specific issues <i>within the document</i> . <b>If consensus language can not be adopted, varying positions would be fully explained including the basis for any differences. The document will indicate which states favor specific positions.</b> The goal of the document is to reflect differences in a positive manner in order to provide as much information as possible to the recipient of the final document.	<u>Bylaws language: Article IV Board of Directors - # 8. Positions on Policy Issues.</u> The Board of Directors will give direction to formation of issue statements, which will then be referred to member state and provincial regulatory authorities. A position approved by a majority of the Board or Directors may be issued as the Organization's position with identification of the participating and non-participating Member authorities. (goes on to describe rights of states, how the board may authorize intervention, etc.) <b>(Inserted new language suggested</b>

	by Commissioner Munns July 8)
<p>Only members present at the meeting, by proxy or in person, may vote on an issue document. (Excused absence language has been deleted, per discussion at July 8 board meeting.)</p> <p>States not present at the meeting may choose to sign on to the final document within a reasonable period of time, but may not propose any changes to the document.</p>	<p>In September, February, March and May we allowed members who were not participants in the voting meeting to be able to vote to sign on to the document. This suggested guideline would change that process.</p> <p>(Laura Chapelle and Steve Gaw said on July 8<sup>th</sup> that they would work on language for this section)</p>
<p>Some members may need time after the board meeting for procedural reasons to confirm their vote. The Board may grant members up to 24 hours to confirm their vote with the Secretary and the Executive Director, depending on the filing schedule. Members who are granted up to 24 hours, may vote within that timeframe but may not propose any changes to the document. The final vote will not be determined until the members who have been granted up to 24 hours have confirmed their vote.</p>	<p>Do we want this to be a shorter time period? The problem with late votes is that states may be uncertain whether they should start drafting separate remarks.</p> <p>(New language drafted by Wefald as a result of comments at July 8 Board meeting.)</p> <p>(Commissioner Munns offered to write new suggested language for this section.)</p>
<p><b>Stage 3</b> If the final vote reflects that a majority of members wish to file the comments, the comments will be filed.</p>	

Notes from John Harvey, Iowa, on comments to DOE and Information letter from Chris Mele, NARUC on National Interest Transmission Bottlenecks

Given the differing positions in NARUC, including the Electricity Committee, on federal involvement in electric transmission issues, it seems unlikely that NARUC would be able to come up with a consensus position that gives strong guidance to the DOE on National Interest Electric Transmission Bottlenecks (NIETBs). OMS would be much more likely to be able to reach such a consensus. The Transmission Planning & Siting WG, led by Klaus Lambeck, deals with these types of issues, but the solutions to solving these bottlenecks are broader than the scope of that WG. The solutions also involve issues of equity, such as consistency of costs and benefits--who pays. The Pricing WG, led by Randy Rismiller, is involved in those issues, including: (1) Order 2003; (2) Regional Expansion Criteria & Benefits; and (3) Day-3 Transmission Pricing (being covered at the PJM - Midwest ISO Joint Stakeholder Workshop). Because of the split in Midwest Markets between PJM, MISO, and even MAPP and SPP; some concerns related to NIETBs probably need the attention of the Seams WG, led by Commissioner Nelson. It would seem reasonable, assuming the OMS wishes to give advice to DOE, for the Executive Committee to ask for volunteers and request that the OMS Board appoint an ad hoc WG to deal with this work.

I'd be very surprised if the Western States (and perhaps others) don't weigh in and it'd surprise me if we'd want them to speak for us by default.

John Harvey

From: Chris Mele [mailto:CMele@naruc.org]  
Sent: Friday, July 23, 2004 9:55 AM  
To: Electricity listserve (E-mail)

Subject: FYI - DOE Elec Transmission Bottleneck Proposal

My apologies if you have already received this information.

July 22, 2004

Department of Energy Seeks Public Input on Designation of National Interest Electric Transmission Bottlenecks

WASHINGTON, DC -- The U.S. Department of Energy (DOE) today requested public comments on issues relating to the identification, designation and possible mitigation of National Interest Electric Transmission Bottlenecks (NIETBs). The call for public input will help DOE fulfill recommendations from the President's National Energy Policy and the National Transmission Grid Study.

"By publicly identifying and designating National Interest Electric Transmission Bottlenecks, the Department of Energy seeks to help mitigate transmission bottlenecks that are a significant barrier to the efficient operation of regional electricity markets, threaten the safe and reliable operation of the electric system, or impair national security," Secretary of Energy Spencer Abraham said.

DOE requested comments to assist in the development of procedures for identifying, designating and addressing NIETBs. Commenters are invited to focus on several key questions:

\* What should be the criteria for designation of NIETBs?

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\* What should be the role of transmission grid operators, utilities, other market participants, regional entities, states, federal agencies, Native American tribes and others in the process of identifying, designating and addressing NIETBs?

\* How might DOE identify bottlenecks in regions where much pertinent data are not available, in contrast to regions where transmission expansion plans have been developed and made public?

\* What actions should DOE undertake to facilitate and monitor progress towards mitigation of designated NIETBs?

The full text of the Notice of Inquiry was published in the Federal Register today and is posted on the Office of Electric Transmission and Distribution's website, [www.electricity.doe.gov/bottlenecks](http://www.electricity.doe.gov/bottlenecks) <<http://www.electricity.doe.gov/bottlenecks>>. Written comments can be filed electronically to [bottleneck.comments@hq.doe.gov](mailto:bottleneck.comments@hq.doe.gov) <<mailto:bottleneck.comments@hq.doe.gov>> no later than 60 days after Federal Register publication. Comments can also be filed at the address listed below:

Office of Electric Transmission and Distribution, TD-1  
Attention: Transmission Bottleneck Comments  
U.S. Department of Energy  
Forrestal Building, Room 6H-050  
1000 Independence Avenue, S.W.  
Washington, D.C. 20585

Comments received will be posted on the Office of Electric Transmission and Distribution's website.

On July 14, 2004, DOE held a public workshop on NIETBs in Salt Lake City, Utah, immediately following the conclusion of the National Association of Regulatory Utility Commissioners Summer Committee Meeting. The purpose of this workshop was to learn from stakeholders what they believe to be the major issues associated with the designation of NIETBs and how they believe the process should be designated to maximize its benefits to the users of the grid and to electricity consumers.

For more information, please visit [www.electricity.doe.gov/bottlenecks](http://www.electricity.doe.gov/bottlenecks) <<http://www.electricity.doe.gov/bottlenecks>>.

Media contact: Chris Kielich, Tom Welch, 202/586-5806

Chris Mele  
NARUC  
Legislative Director, Energy  
[cmele@naruc.org](mailto:cmele@naruc.org)  
202-898-2206  
"9/11/01 ALWAYS REMEMBER"



MIDWEST INDEPENDENT TRANSMISSION SYSTEM OPERATOR, INC.

» *John J. Kozyrski*  
Director, External Affairs

DIRECT DIAL 317-249-5799

DIRECT FAX 317-249-5206

July 30, 2004

Dear Chairmen and Commissioners:

It was a pleasure visiting with many of you at NARUC in Salt Lake City. Many thanks for making room in your busy schedules to meet with us to receive a Midwest ISO update from our President and CEO Jim Torgerson.

During our meeting and at the conference, we received several questions of general interest. We prepared responses in the attached summary for your information.

Your support and participation individually and through the OMS is most appreciated. We look forward to continuing our work with you as we approach implementation of our Day -2 operations. To meet your future needs, please call our state relations staff below or myself for assistance.

- Bill Malcolm, Manager of State Relations: 317-249-5426 (bmalcolm@midwestiso.org)
- Sherman Elliott, Manager of State Relations: 217-553-3456 (sellott@midwestiso.org)

Sincerely yours,

A handwritten signature in black ink, appearing to read "John J. Kozyrski", is written over the typed name and title. The signature is fluid and cursive.

John J. Kozyrski  
Director, External Affairs  
Midwest ISO

Enclosure

Distribution:

Chairman Diane Munns, IA  
Commissioner Elliott Smith, IA  
Chairman William McCarty, IN  
Commissioner Judith Ripley, IN  
Commissioner Larry Landis, IN  
Commissioner Robert B. Nelson, MI  
Chair Leroy Koppendrayer, MN  
Commissioner Ken Nickolai, MN  
Chair Steve Gaw, MO  
Commissioner Jeff Davis, MO  
Commissioner Lin Appling, MO  
Commissioner Robert M. Clayton, MO  
Commissioner Greg Jergeson, MT  
Commissioner Jay Stovall, MT  
Commissioner Susan E. Wefald, ND  
Commissioner Lowell C. Johnson, NE  
Commissioner Glen R. Thomas, PA  
Commissioner Robert Garvin, WI

cc:

Chairman Edward C. Hurley, IL  
Commissioner Mary Francis Squires, IL  
Commissioner Kevin K. Wright, IL  
Commissioner Lula M. Ford, IL  
Commissioner Erin O'Connell-Diaz, IL  
Commissioner David E. Ziegner, IN  
Commissioner David W. Hadley, IN  
Commissioner Mark Lambert, IA  
Chair Brian J. Moline, KS  
Commissioner John Wine, KS  
Commissioner Robert Krehbiel, KS  
Chairman Mark Goss, KY  
Vice Chairman Gary W. Gillis, KY  
Commissioner Martin J. Huelsmann, KY  
Commissioner Ellen Williams, KY  
Chair J. Peter Lark, MI  
Commissioner Laura Chappelle, MI  
Commissioner Marshall Johnson, MN  
Commissioner Phyllis Reha, MN  
Commissioner Connie Murray, MO  
Chairman Robert Rowe, MT  
Vice Chair Thomas Schneider, MT  
Commissioner Matt Brainard, MT  
Chairman Gerald L. Vap, NE  
Vice Chairman Rod Johnson, NE

Commissioner Frank E. Landis, Jr., NE  
Commissioner Anne C. Boyle, NE  
President Tony Clark, ND  
Commissioner Kevin Cramer, ND  
Chairman Alan R. Schriber, OH  
Commissioner Ronda Hartman Fergus, OH  
Commissioner Judith A. Jones, OH  
Commissioner Donald L. Mason, OH  
Commissioner Clarence D. Rogers, Jr., OH  
Chairman Terrance J. Fitzpatrick, PA  
Vice Chairman Robert K. Bloom, PA  
Commissioner Kim Pizzingrilli, PA  
Commissioner Wendell F. Holland, PA  
Chairman Robert K. Sahr, SD  
Commissioner James A. Burg, SD  
Commissioner Gary W. Hanson, SD  
Chairperson Burnie Bridge, WI  
Mr. John Harvey, IA  
Mr. Phil Casey, IL  
Mr. Ken Roth, MI  
Mr. Greg White, MI  
Ms. Marla Larson, MT  
Executive Director, Mr. Tim Texel, NE  
Ms. Jan Karlak, OH  
Executive Director, Mr. Bill Smith, OMS  
Mr. John Levin, PA  
Mr. David Sapper, WI  
Mr. Scott Smith, WI

Mr. Jim Torgerson, Midwest ISO  
Mr. John Bear, Midwest ISO  
Mr. Alex DeBoissiere, Midwest ISO  
Mr. Karl Zobrist  
Ms. Sheila Hollis  
Mr. David Svanda  
Mr. Clair Moeller, Midwest ISO  
Mr. John Kozyrski, Midwest ISO  
Mr. Sherman Elliott, Midwest ISO  
Mr. Bill Malcolm, Midwest ISO





## Salt Lake City Questions

### **Can MISO provide the cost impact of its grid management services and markets on a typical consumer? Can MISO estimate any benefits to that consumer?**

The cost to provide the grid management services of the Midwest ISO is captured in Schedule 10 of its tariff. For a typical residential customer consuming 1,000 kwh per month, the resultant cost is \$.15 each month. The Midwest ISO has not quantified an offsetting benefit to this monthly amount, however, the services provided are extensive and support the reliable transmission of electricity across its footprint. Below is a summary of the grid management services currently provided:

- Operating the transmission system, including management of the transmission reservation and scheduling processes, provision of the OASIS system, and tariff administration.
- Maintaining short-term reliability of the electric grid through services such as system monitoring, coordination of power system modeling, outage maintenance coordination and operating procedure coordination. Midwest ISO coordinates both within the Midwest region as well as with neighboring regions.
- Coordinating long-term expansion plans within the Midwest and with neighboring regions
- Managing congestion across the grid.
- Serving as provider of last resort for ancillary services other than scheduling, system control and dispatch.

For the market, the Midwest ISO has analyzed the near-term economic benefits associated with centralized economic dispatch of generation under the Midwest ISO Energy Markets Tariff (TEMT). The study identified significant cost savings from the use of economic dispatch in place of existing congestion management tools, such as Transmission Loading Relief (TLR) procedures, that ration the use of available transmission capacity.

The near-term economic benefits of centralized dispatch were examined from two perspectives. First, the Midwest ISO studied the effects of the TEMT from a market perspective and calculated its impact on reducing wholesale power prices. The analysis treated the entire Midwest ISO region in this manner. Centralized dispatch is expected to



reduce 2005 wholesale power prices by approximately \$713 million per year. To the extent that these savings are transferred to a typical residential consumer, this represents a potential monthly savings of \$1.18.

We also analyzed the impact of the TEMT from a cost perspective and calculated its impact on the cost of providing utility service. This perspective takes into consideration generation costs, purchased power costs, and revenues from power sales by MISO companies to non-MISO areas. The entire Midwest ISO region was treated as if it were within cost-of-service jurisdiction. Under this case, centralized dispatch is forecasted to reduce 2005 power costs in MISO by \$255 million or a \$.42 per month savings for a typical residential customer.

These assessments establish a range of savings applicable to a typical residential customer within the Midwest ISO footprint based upon the two alternatives examined. In each case there is a net benefit. The direct savings enjoyed by any specific consumer will depend on a variety of factors including whether the customer is in a retail access or cost-of-service jurisdiction, the impact of transmission congestion on power costs in the area, and the regulatory treatment of utility costs and revenues. For specific consumers, the relative importance of each perspective will depend on the regulatory framework or contracts that govern their retail rates.

These economic dispatch benefits represent only a portion of the value of Midwest ISO energy markets. The TEMT will improve reliability and enhance control over grid operations by replacing imprecise congestion management procedures with real-time regional dispatch. Moreover, transparent price signals will provide incentives for more efficient investment, operations, and demand response that over time could produce substantially greater economic benefits than those that have been quantified to date.

There are, of course, offsetting costs associated with the implementation and operation of the market. Midwest ISO market implementation and operations costs will be captured in under Schedules 16 and 17 of the Midwest ISO tariff and are projected to be \$127 million per year, or \$.21 per month for a residential customer. The results of the above evaluations are illustrated below. Also included in the illustration are the Schedule 10 costs associated with our grid management services. The resultant net benefit from this summary represents the total monthly cost impact for a typical residential consumer located within the Midwest ISO footprint.

	<b>Wholesale Market Perspective</b>	<b>Cost of Service Perspective</b>
Market Benefit	\$1.18/Mo	\$0.42/Mo
Cost - Market	\$0.21	\$0.21
Cost - Grid Management	\$0.15	\$0.15
<b>Net Benefit</b>	<b>\$0.82/Mo</b>	<b>\$0.06/Mo</b>



## **Could Midwest ISO please provide a bid-to-bill example of a demand side resource in MISO's Day 2 environment?**

### **In the Day-Ahead Market**

Suppose Market Participant 1 (MP1), as the load-serving entity, expects its load to be 200 MW in the next day. In the Day-Ahead Market, MP1 submits a fixed demand bid for 200 MW by 9:00 a.m. EST, which is the closing time for submitting bids and offers in the Midwest ISO Day-Ahead Market. Fixed demand bids are price takers in the market. MP1 wants to buy energy from the market for this 200 MW. Suppose the market clears at \$30 (The Locational Marginal Price or LMP is \$30 at MP1's Commercial Price node or CPnode). Then MP1 has a Day-Schedule of 200 MW at its CPnode.

Over the course of the day before the Operating Day, MP1 can revise its outlook regarding scheduling load and generation, depending on its flexibility. From its 200 MW of load, 50 MW is pumping load that has some flexibility whether it runs or not. At a price of \$100 or greater, the pumping load would be discontinued.

### **In the Real-Time Market**

MP1 can submit an offer - a Demand Response Resource (DRR) offer - for 50 MW at \$100. This means if the LMP at the CPnode for this pumping load is greater than or equal to \$100, MP1 is willing to curb the pumping load. Midwest ISO must be able to dispatch the pumping load as a DRR to offer into the Real-Time market. Suppose the DRR offer clears in real time at \$100. The Midwest ISO dispatches the pumping load through MP1 for 50 MW. Then, MP1 reduces its load to 150 MW in real time equal to 200 MW from the Day-Ahead schedule minus the 50 MW DRR.

### **How the Demand-Side Resource is Billed or Settled**

*In the Day-Ahead Market:*

Fixed demand: 200 MW x \$30 = \$6000 charge

*In the Real-Time Market:*

DRR: 50 MW x \$100 = -\$5,000 credit

*Resulting Net Charge:*

\$6,000 - \$5,000 = \$1,000 charge



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## **How is, or will, distributed generation be taken into account in our transmission planning forecast? How is, or will, distributed generation be taken into account in MISO control area operators' forecasts?**

Distributed generation is netted from substation load in performing transmission reliability studies. At this time, if the transmission owner has known committed distributed generation, the Midwest ISO assumes these impacts are provided in planning model load forecasts. As we go forward, the Midwest market design provides for incorporation of distributed generation as a demand response resource. As the market develops, Midwest ISO is committed to developing means of estimating the potential, growth, and impacts of such resources through the expansion planning process.

## **What happens to MISO if FERC Commissioners change?**

Nothing happens to an organization regulated by the FERC in whole or in part or to the standing orders relating to its affairs upon a change in FERC Commissioners. The Midwest ISO's current tariff is on file with the FERC. The Midwest ISO has certain compliance obligations outstanding under extant orders, e.g. queue reprocessing, Order 2003, 60-day reporting. These all continue. Indeed, there is no current Commissioner who voted on the initial 1998 orders concerning the Midwest ISO; nonetheless, those orders remain valid. Filed rates remain the company's filed rates.

## **Will parties to Grandfathered Agreements (GFAs) be allowed to avoid taking on congestion costs while still receiving the benefits of their contracts?**

GFA parties have some options regarding how their contracts are treated under the proposed Midwest ISO Energy Markets Tariff (EMT).

Under Option A, GFA parties can receive Financial Transmission Right (FTR) obligations as a hedge against congestion costs as long as their GFA schedules are submitted into the Midwest ISO's Day-Ahead Market.

Under Option B, GFA parties can receive a full credit or rebate against all congestion costs associated with their GFA schedules, as long as they schedule in the Day-Ahead Market.



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Under Option C, GFA parties can elect to receive neither FTRs nor a full rebate against day-ahead congestion costs.

In addition, GFA parties can always convert their contracts to OATT service under the Midwest ISO tariff, and receive comparable treatment to what all other Midwest ISO market participants will receive under the EMT.

The contractual parameters of the GFA contract between the two or more parties should remain the same, unless the parties choose to alter them.

### **Does Midwest ISO's State Estimator look at single or multiple contingencies in performing its calculations?**

The Real Time State Estimator / Contingency Analysis performs approximately 5,500 contingencies in less than 5 minutes. These contingencies are primarily single contingencies. However, there are a limited number of double contingencies (less than 5%). These double contingencies were added at the request of the Transmission Owners to address specific operating conditions related to their system needs.

### **Is MISO administering its seams in a manner beneficial to its members?**

Yes. The seams are being proactively and comprehensively addressed through Joint Operating Agreements with Midwest ISO's surrounding entities - PJM, TVA, SPP, MAPP, and IMO.

To date, Joint Operating Agreements have been implemented with PJM and TVA. These agreements reflect a robust, iterative process that engaged the membership in education, modification, and support of the concepts and details prior to formal approval and execution.

This process continues with the other entities, which are engaged in advanced negotiations with Midwest ISO. Final drafts for each are pending. A summary of each agreement follows:

#### **PJM-MISO**

The PJM-MISO Joint Operating Agreement is divided into two parts, Phase I and Phase II.

**Phase 1** establishes the process and data exchange for allocating reciprocal flowgate capabilities between PJM and MISO. These allocations are called NNL (Network and Native Load) limits. The obligation extends to monitoring and controlling these flowgates in a coordinated manner observing the AFC and the NNL limits. Thus, the JOA satisfies or exceeds the criteria established by the Federal Energy Regulatory



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Commission and governs the reliability aspects of the impacted region. The JOA resolves seams issues, providing for the exchange of SCADA data, management of loop flows, flowgates, generation dispatch, planned outages, states of emergency, long-term transmission planning, and other relevant areas. This phase is also commonly called Market-to-non-Market.

**Phase II**, commonly called Market-to-Market, establishes the additional data exchange and business processes necessary for market capability. The core processes implemented allow for Locational Marginal Pricing (LMP) based congestion management between the PJM and MISO markets. The market-to-market transaction scheduling processes and the LMPs at the market border points must be coordinated in order to efficiently manage interregional power flows. This interregional coordination process will ensure appropriate LMP values at the market borders and will eliminate potential inefficiencies and gaming opportunities that could be caused by uncoordinated congestion management between the adjacent markets. Phase II is in the final stages of project definition and in the early stages of development. Implementation is expected to occur in time to allow thorough testing and refinement prior to Midwest ISO's March 1, 2005, market launch.

## **TVA – PJM – MISO**

This is a three-way agreement that extends the same basic principles, data standards, and protocols among three intersecting operations - TVA, PJM, and MISO.

Similar to the MISO-PJM structure, the TVA agreement is divided into two components. However, the definitions of Phase I and II differ.

**Phase I** of the TVA agreement establishes the standards and protocols of data exchange, standardized with the original MISO-PJM definitions. This data exchange is the common foundation that the Midwest ISO and PJM are seeking in all agreements so that RTOs in the Eastern Interconnect can operate from a common basis of understanding.

Phase I is in development and execution, with full production planned for September 2004.

**Phase II** agreement is in final negotiations, and will contain all the details of congestion management in a Market-to-non-Market environment.

Implementation of Phase II with TVA – PJM is planned for fourth quarter, 2004.

The TVA – PJM – MISO agreements are not expected to include a Market-to-Market structure because TVA is not planning on operating a market in the near term.



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## **SPP – MISO**

Detailed negotiations between Southwest Power Pool and Midwest ISO anticipate an agreement to be finalized by August 1. This date is in advance of the original Aug. 20, 2004, date, accelerated by the FERC's order to SPP to have a signed Joint Operating Agreement with Midwest ISO by August 1.

The agreement is expected to contain the same concepts, principles, and protocols as the PJM – MISO Phase I agreement; data exchange and congestion management in a Market-to-non-Market environment

## **MAPP – MISO**

The Mid-Continent Area Power Pool (MAPP) and MISO are also in the final stages of agreement negotiations, with implementation expected for fourth quarter, 2004.

The final agreement is expected to contain the same capability as the PJM Phase I, including the data exchange and the congestion management processes in a Market-to-non-Market environment.

## **IMO – MISO**

IMO and Midwest ISO entered into an Interim Coordination Agreement on June 30, 2004, to address reliability coordination at the three points of interconnection with IMO - ITC, Minnesota Power, and Manitoba Hydro.

The agreement provides for the exchange of basic operating data, including outages, and was drafted to contemplate future expansion in a more extensive agreement.

A key provision is the creation of a Coordination Committee to implement details of the agreement and to address future operating issues. The Coordination Committee would address (among other things):

- Data exchange requirements, formats, and methodologies
- Developing and issuing operating instructions and security limits
- Implementing the respective requirements of each NERC and appropriate regional coordinating council with respect to the Midwest ISO transmission system and Ontario transmission system
- Providing assistance in an emergency, and system restoration.

**ORGANIZATION OF MISO STATES, INC.**  
**SPECIAL BOARD MEETING MINUTES**  
**June 25, 2004**

**NOTE: Draft**

Commissioner Susan Wefald, President of the Organization of MISO States, Inc. (OMS), called the June 25, 2004 Special Meeting of the OMS Board of Directors to order via conference call at approximately 9:00 a.m. (cdt). The following directors were present for the meeting:

Susan Wefald, North Dakota  
Mike Proctor, proxy for Steve Gaw, Missouri  
Bob Nelson, proxy for Laura Chappelle, Michigan  
Bert Garvin, Wisconsin  
Kevin Wright, Illinois  
David Hadley, Indiana  
John Harvey, proxy for Diane Munns, Iowa  
LeRoy Koppendrayner, Minnesota  
Greg Jergeson, Montana  
Tim Texel, proxy for Louis Lamberty, Nebraska  
Kim Joyce, proxy for Glen R. Thomas, Pennsylvania  
Talina Mathews, proxy for Mark David Goss, Kentucky

Absent:           Manitoba  
                      Ohio  
                      South Dakota

Also Present:

Margaret Barnabee, Illinois  
Matt Lacey, Minnesota Dept. of Commerce  
Steve Gaw, Missouri  
Jerry Lein, North Dakota  
Marla Larson, Montana  
Bill Smith, OMS Executive Director

Raksha Krishna, EEI  
Bill Malcolm, MISO  
Dave Svanda,  
Julie Voeck, ATC

The Directors and proxies listed above established the necessary quorum for the meeting of at least eight Directors being present.

President Wefald announced that there would be one item of business on the meeting agenda:

- **Shall OMS send in comments to the FERC on Grandfathered Agreements today (June 25)?**

President Wefald asked if directors would like to begin the meeting with Mike Proctor going through the document and explaining the comments. David Hadley requested Bill Smith to provide some historical significance of the GFA issue before Mike Proctor's explanation.



Bill Smith highlighted the importance of OMS filing these comments:

- On March 31, MISO filed its Energy Market Tariff. On May 7 OMS commented on that filing. One of the major points of the comments was that there should be a hearing on the GFAs to question the 2008 date MISO had proposed to terminate grandfathered rights and to question the justice and the reasonableness of the relationships MISO had proposed to modify the agreements.
- FERC granted a hearing (not the hearing OMS requested, but a hearing nonetheless) to deal with the justice and the reasonableness of modifications of the contract rights for these transmission agreements.
- FERC established a three-part process:
  1. **Fact -finding.** To give FERC specific knowledge of who the buyer is, who the seller is, and how many megawatts are involved in each of these 300-400 agreements. Hearing to begin Monday, June 28; testimony to be filed in MAPP on June 25.
  2. **Paper hearing.** FERC will take evidentiary input, but it is not subject to cross examination. This part of the process will give FERC the information and useable evidence on which to determine whether any of the 300 plus contracts should be modified.
  3. **What FERC will do at the end.** FERC will take both parts, weave them together and offer a decision.
- The OMS Executive Committee met on June 24 and decided not to participate in the fact-finding part of the hearing; Bill felt this was an appropriate response for the states to take, since this deals with contract by contract questions in which the states don't have to have a particular opinion as to the terms of any given contract.
- In terms of how the FERC evaluates all of the contracts in totality was what the OMS would be addressing at the June 25 OMS Special Board Meeting. Since OMS requested a hearing and was given one, Bill felt that OMS would lose credibility with the FERC if it didn't file comments.

President Wefald then asked Mike Proctor to explain the draft comments regarding the treatment of Grandfathered Agreements section by section. This document was distributed to all board members with agenda materials.

### **Section I. The Purpose of these Comments**

Bert Garvin raised a question about the last paragraph in Section I. He supported deletion of certain "boilerplate" language contained in the introduction that suggested OMS is encouraged by the direction of the MISO TEMA on the grounds that this language was inconsistent with OMS's substantive comments and misleading. President Wefald asked him to wait until after the entire document had been explained at which time individual concerns would be addressed.

### **Section II. A. GFAs Are Contractual Arrangements Involving Economic Limits for the Participants**

Mike Proctor explained that this introductory section dealt with three areas:

1. Generation imbalance costs
2. Generation energy losses
3. Transmission costs

### **Section II. B. Energy Imbalance Costs**

Mike Proctor indicated that the FERC has asked for input on reliability; this section addressed reliability. MISO does need to have in the day ahead market, accurate schedules for the GFAs. GFAs are a significant factor in the MISO and without accurate information in the day ahead market, reliability would not function correctly.

Marla Larson, Montana felt the last sentence of the last paragraph in Section B was unclear and requested that the wording be changed from:

" Moreover, it is clear that the energy imbalance market is **not a key component** to dealing with GFAs as long as buyers are not forced to schedule their loads and pay energy imbalance charges."

to read: " Moreover, it is clear that the energy imbalance market is **not a major issue when dealing** with GFAs as long as buyers are not forced to schedule their loads and pay energy imbalance charges."

President Wefald and Jerry Lein from North Dakota were concerned about the 3% schedule deviation referred to in Section II, Part B, third paragraph on page four. Mike Proctor explained that "3%" was just an example not a recommendation by the work group. Jerry Lein asked what the basis of the 3% figure was. Bob Nelson said the "3%" came from Schedule 4 of the tariff.

Dave Hadley referred to the carry-over paragraph on page 5 of section B concerning "third party impacts." He felt there was some confusion in the language and asked that it to be changed from:

"Because any adjustments to schedules will only affect the settlement position of the supplier, there are no third party impacts from allowing GFAs to adjust schedules subsequent to the close of the Day-Ahead market."

To read:

**"Any adjustments to schedules will only affect the settlement positions of the supplier,<sup>1</sup> however, there may be third party impacts related to congestion costs as noted in the following sections "C" and "D" from allowing GFAs to adjust schedules subsequent to the close of the Day-Ahead market."**

#### **Section II. C. Cost of Energy Losses.**

David Hadley suggested that in the first whole paragraph of Page 6, first sentence; the reference to **"Option B"** needs an asterisk and a footnote to explain what Option B is.

#### **Section II. D. Transmission Congestion Costs, Parts 1,2,3,4**

Mike Proctor explained that section D dealt with the forgiveness of congestion costs under option B. Some commissioners were concerned with the last sentence in Section II. D. Part 2. which discussed "GFAs representing 40% less of total peak load."

Mike Proctor described this sentence as dealing with the reliability issue.

Bert Garvin suggested adding a footnote to the sentence to read: "GFA's could account for nearly half the market in congested areas like Wisconsin. Option B could produce considerable infeasibility especially during peak times when energy prices as well as congestion are likely to be high."

Mike Proctor suggested striking this last sentence of the paragraph and inserting Bert Garvin's footnote to the previous sentence in the paragraph.

Consensus was reached by the directors to amend the last paragraph of Part 2., page 8 to read:

**"The physical aspects of Option B could have an impact on the reliability of the power system in the case where scheduling the GFA energy would result in the Day-Ahead markets not having a feasible solution. In such cases, the Midwest ISO would be required to cut the GFA schedules in order to arrive at a feasible solution.\*"**

**\* GFA's account for nearly half the market. For congested areas, Option B could produce considerable infeasibility especially during peak times when energy prices as well as congestion are likely to be high."**

There were no further comments or questions about **"Parts 3 and 4 in Section II. D."** or the **"Conclusion."**

At this point in the meeting, President Wefald asked the directors to return to **Section 1. The Purpose of These Comments**, the first full paragraph on page 2. She then asked Bert Garvin to offer his concerns.

Bert Garvin asked that the first sentence in the first full paragraph on page 2 be amended with a footnote from Wisconsin to read:

"Wisconsin believes the continued use of this phrase in all OMS pleadings is misleading in light of the concerns expressed in the comments filed by OMS in our May 5 filing of Docket #ER04-691-000 and of Docket #ER04-691-000 in August."

President Wefald indicated that her fellow North Dakota commissioners were also concerned about the same sentence. Bert Garvin asked if North Dakota wished to join Wisconsin in the footnote. Susan Wefald felt her fellow North Dakota commissioners wished to delete the entire sentence. Leroy Koppendrayner, Bob Nelson, Greg Jergeson also supported taking this sentence out of the document. Steve Gaw indicated that Missouri would also agree to delete this carryover language and John Harvey suggested that this sentence as well as the third sentence in the paragraph be deleted.

The directors agreed that the first full paragraph on page 2 would read:

**"OMS stands ready to assist both the Commission and the Midwest ISO in putting the finishing touches on the Midwest's market design and moving to the market implementation stage. The following comments should be viewed in the context of the full discussion of the OMS positions submitted in response to the MISO's March 31, 2004 filing in ER04-691."**

Bert Garvin agreed that the paragraph no longer needed the footnote he had offered from Wisconsin.

President Wefald then asked for a roll call vote to determine which states were in support of approving this document and filing the comments with the FERC on June 25, 2004.

**Does your state generally support these comments?**

Missouri - Yes  
Michigan - Yes  
Wisconsin - Yes  
Iowa - Yes  
Illinois - Yes  
Indiana - Yes  
Kentucky - Abstained for procedural reasons  
Minnesota - Yes  
Montana - No\*  
Nebraska - Abstained  
Ohio - Absent  
Pennsylvania - Abstained  
South Dakota - Absent  
Manitoba - Absent  
North Dakota - Yes

**Document Approved:**

- 8 - in favor of supporting document
- 1 - opposed
- 3 - procedural abstentions
- 3 - absences

\* At the end of the voting, Greg Jergeson clarified his "No" vote.

At the directors request, Bill Smith agreed to contact the "absent" states to ask them if they wished to be included as a "yes" or "no" on the final document before it is submitted it to the FERC June 25 before the 4:30 pm (edt) deadline.

President Wefald congratulated Mike Proctor's Congestion Management and FTR Allocation Work Group for the fine job they did on these comments.

**Meeting adjourned at 10:05 am (cdt)**

**ORGANIZATION OF MISO STATES, INC.**  
**SPECIAL BOARD MEETING MINUTES**  
**July 27, 2004**

**NOTE: Draft**

Commissioner Susan Wefald, President of the Organization of MISO States, Inc. (OMS), called the July 27, 2004 Special Meeting of the OMS Board of Directors to order via conference call at approximately 3:00 p.m. (cdt). The following directors were present for the meeting:

Susan Wefald, North Dakota  
Steve Gaw, Missouri  
Laura Chappelle, Michigan  
David Sapper proxy for Robert Garvin, Wisconsin  
John Harvey, proxy for Diane Munns, Iowa  
Kevin Wright, Illinois  
Bob Pauley, proxy for David Hadley, Indiana  
Talina Mathews, proxy for Mark David Goss, Kentucky  
LeRoy Koppendrayner, Minnesota  
Greg Jergeson, Montana  
Tim Texel, proxy for Louis Lamberty, Nebraska  
Judy Jones, Ohio  
Glen R. Thomas, Pennsylvania  
Greg Rislov, proxy for Gary Hanson, South Dakota

Absent: Manitoba

Also Present:

Matt Lacey, Minnesota Dept. of Commerce  
Jan Karlak, Ohio  
Rob Mork, Indiana Office of Utility Consumer Council  
Jerry Lein, North Dakota  
Marla Larson, Montana  
Kim Joyce, Pennsylvania  
Bill Smith, OMS Staff

Raksha Krishna, EEI  
Dave Taylor, Grid America

The Directors and proxies listed above established the necessary quorum for the meeting of at least eight Directors being present.

President Wefald announced that there would be one item of business on the meeting agenda:

**Action Item: Shall OMS submit comments to the FERC regarding reactive power by July 30?**

In order to determine if the OMS BOD would choose to submit comments, President Wefald introduced the Final Draft Version of the OMS Comments to the FERC on MISO's Schedule 21 as forwarded by email to members of the OMS BOD on July 23, 2004 at 2:56 pm (cdt) by Bill Smith.

Once the correct document was determined, President Wefald began discussing the twelve page document page by page, asking for comments, questions and corrections.

- **Page One** - no comments or corrections were offered on the background section.
- **Page Two** - contains a listing of Summary Comments "A" through "E". Jan Karlak suggested conforming each summary after the Comments are approved to reflect subsequent changes to the document.
- **Page Three** - discussion of reactive power. -- no changes.
- **Page Four -section "A. FERC should Reject the Proposed Schedule 21"**  
Bob Pauley indicated Indiana does not support this paragraph - he felt the TOs at the MISO meeting were not opposed to Schedule 21, and OMS rejecting it in this document came as a surprise to Indiana.  
President Wefald asked if Indiana would like to have a comment at the bottom of the page indicating Indiana's position, or if Indiana planned to vote no?  
Discussion followed. (Steve Gaw agreed with Bob Pauley's view...that from a practical standpoint the VITOs were not going to put up a big fight. But Bill Smith looked at his meeting notes and thought they would probably protest.  
Jan Karlak indicated that it was her Work Group's understanding that the VITOs were opposed to changing Schedule 2 and so at the last minute MISO decided to file this separate schedule 21 which would only address independent power producers, which would socialize the cost across the entire MISO footprint. But it was this socialization of cost which created some difficulty for some staff members of the working group, which resulted in what is presented in this document. Jan said this language is radically different from the original schedule 2.)

Bob Pauley answered President Wefald's question by saying Indiana's preference would probably be to vote no, but if OMS should choose to go along with it, Indiana might choose to insert a comment in this section or might decide to file separate comments.  
Glen Thomas pointed out that Pennsylvania agreed with Indiana on this issue.

President Wefald asked Bob Pauley to work on language Indiana would want to have inserted in this document.

- **Page Five. "B An Alternate to a Needs Test Requested by Vertically-Integrated Transmission Owners in the MISO.** Jan Karlak mentioned that the "blue" highlighting showed rearranged language and correction of typos.  
Bob Pauley felt that Missouri's comments were correct about a "Needs Test", but there was general agreement among the transmission owners that they didn't know how to do it.
- **Page Six** - background information.
- **Page Seven - B.1. OMS Recommendation: A Multi-zonal Approach to Cost Recovery:**  
Steve Gaw, Missouri suggested adding a footnote at the end of first sentence following the word "footprint." Footnote would read: "**The Missouri Commission does not necessarily support a "multi-zonal" approach to the pricing of ancillary services. The Missouri Commission, however, would support a needs test determination.**"

As an alternative, David Sapper, Wisconsin suggested deleting the words in the first paragraph of B 1. "**ancillary services such as**" The sentence would then read "**As an**

**alternative to a needs test, the OMS recommends that FERC require MISO to implement a "multi-zonal" approach to the pricing of Schedule 2 services in its footprint."**

Jan Karlak spoke to the "ancillary services" issue after Dave Sapper's comment. Steve Gaw asked to check with Mike Proctor to verify whether Missouri would use Wisconsin's language or would insert the footnote that he initially requested.

Glen Thomas indicated that Pennsylvania has problems with "multi-zonal approach". Reactive power is really about reliability - giving RTOs flexibility. He agrees with MISO's view and can't support multi-zonal approach.

Bob Pauley had concerns about the lack of specificity relating to "homogeneous systems" and "multi zonal approach." Indiana could not be in support of the document's ambiguous language.

Laura Chappelle, Michigan agrees with Steve Gaw's concerns about the multi zonal approach. Michigan also has problems with the entire document and its rejecting of the proposed schedule 21. Michigan would consider agreeing to a footnote in favor of a needs test.

John Harvey spoke up at this point and raised the issue that Michigan and Missouri are at opposite ends of the spectrum - even though both disagree with the multi-zonal approach. Jan Karlak asked President Wefald if two footnotes in the document might be appropriate.

At this point, President Wefald asked Laura Chappelle to draft language for a footnote for the states in favor of a needs test.

Steve Gaw then complimented Jan Karlak and her working group on the work that went into this Reactive Power document.

- **Page Eight.** Marla Larson, Montana noted: In the last paragraph on page 8, there is a typo in the first sentence - **change "B.1" to "C.1"**

Bob Pauley objected to the sentence "**Such a discrepancy is discriminatory.**" in the second paragraph of **C.1. OMS Recommendation: Penalties Linked to Performance** Because of this language, Indiana would not support the document.

Steve Gaw asked Bob Pauley if Indiana objected to the one sentence or the whole paragraph itself. Bob Pauley felt that the one sentence caused some heartburn. It is doubtful Indiana will sign on, because the threshold problem is "undue discrimination."

John Harvey, Iowa, is concerned about penalties not being equitable in schedules 21 and 2. Jan Karlak responded that her work group felt that there should be even-handed treatment of all providers of reactive power. What is a problem is that independent producers of reactive power are not getting paid. Jan Karlak explained that there is a great discrepancy between schedule 21 and schedule 2. She described some of the discrepancies.

Greg Jergeson commented on the document as a whole; highlighting the need for FERC to offer a technical conference to describe what really ought to be in a schedule 21. (Page 11 of the document describes the need for a renewed stakeholder process.)

Instead of devoting time to this small issue (in dollar terms), Bob Pauley felt OMS should devote its resources to more substantive issues dollar-wise. Jan Karlak responded - while it appears to be a small issue monetarily -- her working group felt there was a bigger

principle involved. Even though it represents only a few pennies per customer; should MISO be allowed to socialize costs over the entire footprint, when not every producer is affected?

John Harvey offered his agreement with Jan Karlak and her working group's thinking on the issue of socializing costs.

- **Page 9 and Page 10 - Lost Opportunity Costs**

Leroy Koppendrayer asked why the comments suggest "lost opportunity costs" when they weren't requested by the IPP? This appears to be a broad brush approach.

Jan Karlak responded that lost opportunity costs were mentioned in the Troy case that was finally settled and they are a feature of how recovery is handled in PJM, California, and several other states where the issue in schedule 2 is involved. MISO intends to address this issue when the market is launched.

Greg Jergeson wants another choice added (see page 11) or at least a change in the wording.

- **Page 11** in the first paragraph at the top of the page. Jan Karlak suggested the wording be changed from:

"Many of these issues can be controversial. For example, in the matter of compensation for "lost opportunity costs," some State Commissions such as \_\_\_(x)\_\_\_, \_\_\_(y)\_\_\_, and \_\_\_(z)\_\_\_, feel such compensation is inappropriate or requires more research, discussion or negotiation, while other OMS States feel such compensation is appropriate after the launch of a MISO centrally-dispatched security constrained energy market. In order to expedite this recommended stakeholders process for further discussion and resolution, the OMS requests that FERC provide a target date for the filing of a revised Schedule 2 by the Midwest ISO no later than December 1, 2004."

To this language:

**Many of these issues can be controversial. For example, in the matter of compensation for "lost opportunity costs," some State Commissions such as (x)\_\_\_ (y)\_\_\_ (z)\_\_\_ feel such compensation may or may not be appropriate, but requires more research, discussion or negotiation. Other OMS States feel such compensation is appropriate after the launch of a MISO centrally-dispatched security constrained energy market. In order to expedite this recommended stakeholders process for further discussion and resolution, the OMS requests that FERC direct the MISO to eliminate undue discrimination between schedule 2 and 21 no later than December 1, 2004.**

President Wefald asked for a roll call vote of states in general support of filing the document with the FERC. Greg Jergeson, Montana so moved. John Harvey, Iowa seconded the motion.

**Do states generally support comments?**

South Dakota - Yes

Nebraska - Yes

Indiana - No

Iowa - Yes

Pennsylvania - No

Kentucky - Abstained - procedurally unable to vote

North Dakota - Yes

Wisconsin - Yes



Illinois - Yes  
Michigan - No  
Missouri - Yes  
Minnesota - Yes  
Ohio - Abstained \* (OMS BOD later agreed to offer Ohio 24 hours to vote)  
Montana - Yes  
Manitoba - Absent

**Motion Carried:**

9 - in favor of supporting document  
3 - opposed  
2 - procedural abstentions  
1 - absence

Wisconsin voted Yes contingent on state names being added to the paragraph on page 8.

Once it was determined that the comments were generally approved by a majority of states, President Wefald returned to page 11 of the comments to ask which states wished to have their names mentioned in the following sentence beginning:

"For example, in the matter of compensation for "lost opportunity costs," some State Commissions such as (x)\_\_\_\_ (y)\_\_\_\_ (z)\_\_\_\_"

The states wishing to have their names included in this sentence on page 11 were:

**Minnesota, Illinois, Wisconsin, South Dakota, Montana, Iowa, Missouri, North Dakota**

At this point in the meeting, President Wefald asked the directors to return to **Page 8** of the comments to discuss the second paragraph of **section C.1**.

Discussion began about the sentence "Such a discrepancy is discriminatory." Mike Proctor suggested the sentence be changed to "**Such a discrepancy may be unduly discriminatory.**" Bill Smith clarified the meaning of "unduly" to suggest that it means "different burdens imposed without justification." In light of this clarification, the directors accepted this wording change.

John Harvey spoke at this point and indicated Iowa is not in support of the last sentence in this paragraph. "**Accordingly, the OMS recommends that this schedule 21 penalty provision be added to a revised MISO Schedule 2.**" President Wefald polled each of the states who supported the document individually and the consensus reached suggested deleting this sentence from the comments.

Jan Karlak then suggested a similar problem exists in another section of **Page 8, section C.2.** and therefore recommended the first sentence in this section be changed:

"The OMS recommends that MISO include "more detail, including the penalty provisions of Schedule 21 mentioned in C.1. above, with any evaluation of performance conducted fairly and impartially by the Midwest ISO, in a revised version of MISO's original Schedule 2."

The directors from the states generally approving the comments agreed to delete the phrase "**in a revised version of MISO's original Schedule 2.**" from the previous sentence; and to strike any mention of MISO's original Schedule 2 where it appears in the remainder of the document.

See **Page 9**, first paragraph, second sentence. " To that end, a mandatory "response time" requirement, based on a generation resource's design and operating characteristics should be included in

Schedule 2 to assure there is no unwarranted delay in the generation resources' response to the control area operator's call for changes in reactive power and voltage control."

To be consistent, the directors agreed to delete the phrase "**should be included in Schedule 2**".

Jan Karlak then offered to make changes to the document's "Summary of Comments" to make them consistent with the changes already agreed to by the OMS BOD. President Wefald asked her to do so. And also directed the executive director to make the requested changes to the document and forward it to the Ohio Commission to be voted on at its Board Meeting tomorrow.

After changes to the document were completed, the Comments were to be filed with the FERC by July 30, 2004.

[Note: On July 28, 2004 Ohio approved the comments and requested its name be added to the list on Page 11; Nebraska requested that its name be added to the Page 11 list as well.]

Jan Karlak was thanked by the directors for her dedicated work effort on this issue.

**Meeting adjourned at 4:35 pm (cdt)**

**ORGANIZATION OF MISO STATES, INC.  
BOARD MEETING MINUTES  
July 8, 2004**

**DRAFT**

Commissioner Susan Wefald, President of the Organization of MISO States, Inc. (OMS), called the July 8, 2004 Meeting of the OMS Board of Directors to order via conference call at approximately 2:05 p.m. (CDT) The following commissioners participated in the meeting:

Susan Wefald, North Dakota  
Kevin Wright, Illinois  
Steve Gaw, Missouri  
Laura Chappelle, Michigan  
Diane Munns, Iowa  
Bob Pauley, proxy for David Hadley, Indiana  
Burl Haar, proxy for LeRoy Koppendrayner, Minnesota  
Greg Jergeson, Montana  
Robert Garvin, Wisconsin  
Judy Jones, Ohio  
Tim Texel, proxy for Louis Lamberty, Nebraska  
Glen Thomas, Pennsylvania  
Greg Rislov, proxy for Gary Hanson, South Dakota

Kentucky absent  
Manitoba absent

Others present on conference call:

Margaret Barnabee, Illinois  
Jan Karlak, Ohio  
Kevin Holtsberry, Ohio  
Nancy Campbell, Minnesota  
John Harvey, Iowa

The directors and proxies listed above established the necessary quorum for the meeting of at least eight directors being present.

**Approval of Minutes of the June 11, 2004 Special Board Meeting**

Bert Garvin moved for approval of the June 11 Special Board Meeting minutes and Laura Chappelle seconded.

The Directors voted to unanimously approve the minutes as distributed by Sec. Bert Garvin.

**Approval of Minutes of the June 16 OMS Board Meeting**

Bert Garvin moved for approval of the June 16 OMS Board Meeting minutes and Laura Chappelle seconded.

The Directors voted to unanimously approve the minutes as distributed by Sec. Bert Garvin.

**Review of Actions of the Executive Committee on June 24**

President Wefald reviewed the following actions of the June 24 OMS Executive Committee meeting:

- Mark Griffin and others from MISO answered questions from the Executive Committee concerning MISO budget increase.
- Discussed whether OMS wished to hire a legal consultant to represent OMS in the FERC Grandfathered Agreements proceedings. Consensus from Executive Committee was that OMS does not wish to hire a legal consultant, but does want to develop a process for hiring

an attorney and determine in which situations it would be helpful for OMS to hire outside counsel. Bill Smith is to report back to the Executive Committee at the July Meeting with a draft proposal letter for hiring legal assistance.

- Executive Committee assigned the issue of Demand Response to the Market Implementation Group with Bill Smith to find three or four staffers to comprise a task force to work this issue
- Executive Committee agreed to ask the DOE to fund expenses for RTO 101 to be presented to a larger audience and expanded to chapters 2 and 3. Status Report from Bill Smith to be presented on this issue at the next Executive Committee meeting the end of July.

### **Treasurer's Report**

Laura Chappelle presented the Treasurer's Report previously sent by e-mail to OMS board members.

- **Cash On Hand**

This month OMS resumed receiving monthly installments of \$50,000 from MISO. To date, OMS has received \$400,000 from the MISO and are holding the remaining balance in our account at BankOne. As of June 30, 2004 our balance in the BankOne account was \$206,681.18

- **Expenditures to Date**

Total disbursements for June 2004 were \$23,242.14. Total disbursements for the 2004 calendar year are \$171,213.04 (Commr. Chappelle reminded the board, the OMS budget for the year 2004 is \$800,000.)

- **Training Expenses**

The OMS Office Manager has received training in QuickBooks and should have the 2003 and 2004 transactions entered by end of July. The treasurer has also purchased QuickBooks training tapes, which can be utilized by the OMS Staff and the OMS Treasurer. Comm. Chappelle also indicated OMS Staff would have a projected budget overview available by the August or September BOD Meeting.

The OMS Treasurer's report was accepted as presented.

### **New Business**

#### **Action Item 1. MISO Advisory Committee Issues - Steve Gaw**

V.P. Gaw indicated the only voting item OMS should be aware of for the upcoming MISO Advisory Committee Meeting is the **MISO Governance Guide** (the enhanced version) provided to the OMS BOD with agenda materials. President Wefald asked if there were changes made to the guide that the OMS BOD should note. Steve Gaw said the guide is similar to what was discussed at the last OMS BOD meeting, and should require no further direction than what was given last month to the MISO representatives. Wisconsin and Missouri were in accord with the governance guide -- considering the changes are just about improving the process.

V.P. Gaw was unaware of any other action items, unless there would be some type of late breaking issue. Bill Smith mentioned that John Harvey had just sent him an email about **Item. 4 C "Coordinating the Commercial Metrics with the other Metrics and with the Business Practices MISO Has In Place"** which may involve MISO assigning the topic to a MISO task force. This will probably be a non-controversial item.

Due to the dates of NARUC's Summer Meetings, John Harvey, representing Diane Munns, is planning to call-in to the MISO A/C meeting to give his report. Bill Smith and Steve Gaw are

planning to attend both NARUC and MISO's A/C and BOD meetings; and David Sapper will be in Carmel for Bert Garvin.

**Item 2. Discussion of Guidelines for OMS Voting Process** - President Wefald  
President Wefald sent out the Voting Process draft to BOD members. Asking for comments or changes, President Wefald read the draft, paragraph by paragraph, to determine which areas of **the Process for Approving Positions for FERC and MISO Discussion Document** needed changing.

**Paragraph 1. All members are encouraged to vote on the final document rather than to abstain. If procedural reasons preclude a member from voting, members are encouraged to state this at the beginning of the discussion of the document.**

- Judy Jones in Ohio said that their Utility Board cannot really vote on some issues, because in Ohio there must be a week's notice for any items to be voted on. Ohio's regular meeting date is Wednesday afternoon @ 1:30 pm (edt.)
- Illinois has the same problem as Ohio. Kevin Wright feels final document would need to be ready one week earlier for Illinois to get it on the agenda.
- Diane Munns feel OMS work groups need to be encouraged to work toward earlier deadlines -- and have these enforced by executive director.

**Paragraph 2. Members who have to abstain in the vote on the final document are encouraged to share their thoughts in the discussion of the issues, so that OMS members have as complete an understanding of the issues as possible prior to voting.**

\* see Diane Munns comments after paragraph 5

**Paragraph 3. Voting on different points of view within a document: 1.If discussion and study of issues documents brings forward more than one point of view on a specific issue *within the document*, board members may be asked to indicate which position they favor. 2.The first priority will be to work to develop consensus language on these specific issues *within the document*. 3. If consensus language can not be adopted, footnotes in the document will indicate which states favor specific positions. 4. If fewer than a majority of member states indicate that they favor one position *within the document*, this one position will not be considered the "OMS position." 5.The goal of the document is to reflect differences in a positive manner in order to provide as much information as possible to the recipient of the final document.**

- Laura Chappelle spoke about the need for more dialog and less fighting over positions. She urged board members to strive for a 2/3 vote cushion on controversial items; and strive to get in different viewpoints within a document.
- Laura Chappelle wanted to delete #4 sentence "If fewer than a majority of member states indicate that they favor one position *within the document*, this one position will not be considered the "OMS position." Leave all the other sentences in this paragraph alone.
- Diane Munns would like the wording in paragraph 3 to read:  
Leave sentence # 1 and #2 alone. Change sentences # 3 and #4 to: "If consensus language can not be adopted, varying positions would be fully explained including the basis for any differences. The document will indicate which states favor specific positions.  
Leave sentence #5 as is.

- Diane Munns also feels that if a state has a different position, they should write that position for the document and not expect others to write it for them.
- Both Bert Garvin and Judy Jones agreed with Diane's suggested changes.

**Paragraph 4. Only members present at the meeting, by proxy or in person, may vote on an issue document. However, members who request an "excused absence" by writing to the Secretary of OMS prior to the meeting, will preserve up or down voting privileges on the issue document approved by the Board of Directors.**

- Pres. Wefald indicated this paragraph is a change from the way OMS has been voting.
- Steve Gaw objected to this paragraph, because he doesn't think a vote should change after the meeting. Steve thinks directors ought to be present at the time of the vote to hear the discussion.
- Laura Chappelle agrees with Steve and offered new wording for paragraph 4. **"Board Members are encouraged to be in attendance. However..."**
- Laura Chappelle and Steve Gaw would continue to work on language for this point and will send to Bill Smith and Susan before the next BOD meeting.
- Kevin Wright and Judy Jones were against the "excused absence" category; because they consider that the purpose of a proxy.
- There was a consensus of directors that an "excused absence" that preserves voting rights is not what is preferred.

**Paragraph 5. Members who are present at the decision meeting may request up to 24 hours for procedural reasons to confirm their vote to the secretary and the Executive Director.**

- Bill Smith was concerned that 24 hours is too much time to confirm a vote.
- President Wefald suggested that the sentence end with **"or to be determined by the board"**
- Diane Munns offered a change in wording to Paragraph 5 and will write something within the next two weeks concerning members who have to abstain from voting due to procedural reasons.

President Wefald suggested that anyone having any further suggested changes to forward them to her before the August BOD meeting.

### **Item 3. Update of OMS Reactive Power Comments to FERC - Jan Karlak**

President Wefald gave a short introduction of the reactive power issue. Jan Karlak provided board members a short review of the issue on Tuesday, July 6. Jan explained that the Reactive Power Briefing Paper is posted on the OMS Web Site. Her working group (RAWG) continued working on the issue and Jan Karlak sent out on July 8 a draft of the Reactive Power Comments. (OMS did not intend to vote on the document at the July 8 BOD meeting.) Jan Karlak gave a status report to help the Board determine whether or not OMS should ask for an extension to file with the FERC by July 30.

President Wefald asked the board to approve OMS requesting an extension from the FERC to file comments on the reactive power issue at a later date. She also offered to schedule a Special OMS Board Meeting later in July to allow member states to discuss whether to send OMS comments or whether the states would file comments on their own. The executive director indicated that the FERC may consider a two-week extension but probably not any longer. Greg Jergeson moved for

OMS to request an extended filing date to July 30 for the reactive power comments. Judy Jones seconded. Motion carried without dissent.

A draft of the Reactive Power Comments has been posted on the OMS web site, and President Wefald asked for comments or corrections to the draft to be submitted to Jan Karlak following the commissioners return from NARUC -- no later than July 20.

**Action Item 4. New Transmission Expansion Pricing Proposal - Randy Rismiller**

Randy Rismiller gave a brief report on the stakeholders meetings he attended in Carmel and how the meeting issues relate to the work of the OMS Pricing Work Group. The long-term transmission pricing issue came out of FERC's order that eliminates the MISO and PJM through and out rates. FERC has set up a process for filings of transmission pricing proposals (or preferably a single proposal) by October 1, 2004. FERC's desire is to put the long term transmission pricing method into effect on December 1, 2004. The MISO and PJM transmission owning utilities have met several times recently to discuss this issue. On July 1, there were four draft long-term transmission pricing proposals issued by the transmission owners. At least one of the transmission owners supported each of the four proposals. The proposals are: "License Plate" (what we have now), "Postage Stamp", "Highway Byway" and "Flow Based." Randy considered the four proposals to follow along a continuum - with "License Plate" rates at one end of the continuum supported by low transmission cost utilities and opposed by high transmission cost utilities. At the other end of the continuum is the "Postage Stamp" proposal, which conversely is supported by high transmission cost utilities and opposed by low transmission cost utilities. The two proposals in the middle -- The "Highway Byway" and the "Flow Based" would each allocate some portion of the transmission revenue requirement that is the fixed cost grid to local uses and some portion to regional uses. The Highway Byway proposal would make the split on a transmission line voltage basis. The Flow Based proposal would use a low flow simulation model.

The first stakeholder meeting to discuss these proposals will be in Carmel July 12. The second meeting is scheduled for August 12 in Baltimore. The third meeting is set for September 13 in Carmel, Indiana. Randy Rismiller will attend the first meeting in Carmel along with Nancy Campbell from Minnesota, Lisa Pappas, Michigan and Frank Bodine, Iowa.

President Wefald asked what the expected outcome of the three meetings is to be. Randy responded that the intent is for stakeholder feedback on the proposals with the hope that the stakeholders would rally around one of the four proposals so that an October 1, 2004 FERC submission could be accomplished.

These proposals deal with existing transmission facilities -- the Regional Criteria and Benefit Task Force dealt with new or expanded facilities.

Conference call capability will be available for the July 12 meeting - Randy Rismiller will send details to the OMS office for email distribution to the states.

Bert Garvin asked Randy Rismiller about the direction long term transmission pricing is headed and if he thinks the License Plate pricing will be endorsed for existing facilities with Highway Byway rates for future expansion? John Harvey responded that he's heard about compromises between Highway Byway and Flow Based, but it's too early to tell.

**Item 5. Transmission and Siting Work Group Principles - Klaus Lambeck**

Mike Proctor was not available for this meeting, so the updated report on GFAs was not presented.

**Administrative Update: Executive Director's Report - Bill Smith**

Referring to the written report emailed to directors prior to the meeting, Bill Smith highlighted several items:

- The executive director distributed a free memo from Bill Mogel and Bob Gee about the progress of the GFA hearing. FERC is posting transcripts, but is about a week behind in posting.
- **Transmission and Siting Survey. Nine states have completed and returned the survey. We still need surveys from the others. Bill Smith and Bob Burns will happily assist any state having difficulty completing the survey. Please contact one or the other for assistance.**
- Material the IRS requested to complete the OMS 501 (c) (4) application was submitted July 7.
- Bill asked for a volunteer board member or commission staffer to represent OMS at the Ontario Municipal Distributors Association meeting in Kenora, Ontario August 9 or 10. Neither Bill Smith or Susan Wefald is available to attend.

## **ANNOUNCEMENTS**

- **Next Regular OMS Board Meeting will be held Thursday, August 12.**
- **MISO is hosting a breakfast at NARUC in the Solitude Room at 7:30 am Monday morning. OMS attendees are invited to meet MISO's new COO, John Bear.**
- **OMS Nominating Committee plans to have their initial slate ready for the August Board Meeting.**

Meeting adjourned at approximately 3:30 pm (cdt.)