

**ORGANIZATION OF MISO STATES, INC.**  
**BOARD MEETING MINUTES**  
**August 12, 2004**

**APPROVED September 9, 2004**

Commissioner Susan Wefald, President of the Organization of MISO States, Inc. (OMS), called the August 12, 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  
John Harvey, proxy for Diane Munns, Iowa  
David Hadley, Indiana  
LeRoy Koppendraye, Minnesota  
Greg Jergeson, Montana  
David Sapper proxy for Bert Garvin, Wisconsin  
Jan Karlak, proxy for Judy Jones, Ohio  
Tim Texel, proxy for Louis Lamberty, Nebraska  
Glen Thomas, Pennsylvania  
Gary Hanson, South Dakota

Kentucky absent  
Manitoba absent

Others present on conference call:

Klaus Lambeck, Ohio  
Andy Dotterweich  
Arlen Frederick, American Transmission

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 25, 2004 Special Board Meeting**

Leroy Koppendraye moved for approval of the June 25 Special Board Meeting minutes and Gary Hanson seconded.

The Directors voted to unanimously approve the minutes as amended with the typo on page 4 corrected.

**Approval of Minutes of the July 8, 2004 OMS Board Meeting**

Leroy Koppendraye moved for approval of the July 8 OMS BOD Meeting minutes and Gary Hanson seconded.

The Directors voted to unanimously approve the minutes as distributed.

**Approval of Minutes of the July 27, 2004 Special Board Meeting**

Leroy Koppendraye moved for approval of the July 27 Special Board Meeting minutes and Gary Hanson seconded.

The Directors voted to unanimously approve the minutes as distributed.

**Review of Actions of the Executive Committee on July 29.**

President Wefald reviewed the following actions of the July 29 OMS Executive Committee meeting:

- Executive Committee authorized the executive director to file IRS Form 990 for the year July 1, 2003 to June 30, 2004.
- Reviewed and suggested changes to the D.C. Counsel Solicitation Letter draft prepared by Bill Smith, to be reviewed again by the Executive Committee at its August meeting.

### **Treasurer's Report**

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

- **Cash on Hand**  
To date, OMS has received \$450,000 from MISO and is holding the remaining balance in the OMS account at Bank One. As of July 31, 2004, the 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. \*  
*\* Note: Treasurer's correction 9/9/04 - "Last month's total of \$216,772.42 reflected total disbursements as of July 31, 2004, not total disbursements for the 2004 calendar year."*
- **IRS Tax Update**  
POMS has officially received its IRS Non-Profit Tax Exempt Status 501 (c) (4). At the OMS Executive Committee Meeting on July 29, 2004, the committee voted to adopt a 7/01/03 – 6/30/04 Tax Year for the IRS Form 990 Filing.
- **New Budget**  
Laura Chappelle is working with Bill Smith and Commissioner Wefald on a new draft budget to present to the August Executive Committee and the Board. It will be ready for discussion in early fall.

\*Gary Hanson suggested that Visa payments on the itemized treasurer's report be broken down to specify the reason for the individual charges.

The OMS Treasurer's report was accepted as presented.

### **New Business**

#### **Non-Agenda Item. FERC Order of August 6, 2004 / Rehearing Points - Bill Smith**

After indicating he had briefly read through the order, Bill Smith offered these as key points OMS needs to explore further:

- **Settlement Judge Procedures on Control Area Functions.** Bill Smith was not sure OMS has a position to express, but it is an issue OMS may want to follow.
- **Access to Confidential Data.** FERC has rejected the filing that OMS worked with MISO to develop, asking that MISO make it look like PJM's. (see pages 155-158 of FERC order.) Rehearing would be due on or before September 5.

President Wefald asked David Hadley if his work group was ready to work on rehearing comments. David indicated the Market Monitoring Work Group would have rehearing comments in draft form available two weeks (August 23) before the filing date of Sept. 5.

David Sapper then asked if the OMS would consider hiring DC counsel on a short term basis to monitor the issue of control area functions (pp 41-45 of the FERC order.) David felt that OMS should monitor and remain interested in the settlement conference that begins next Monday, August 16 because of the obvious reliability implications. He indicated Bob Gee was on this conference call and would be willing to represent OMS in this way.

David Hadley asked that Mr. Gee identify the concerns that are on the surface of this issue so that the OMS board might have a better thought process on what it should do.

President Wefald asked that Bob Gee offer his ideas of how he could be of help to OMS, noting that OMS is in the process, but not yet ready, to hire counsel since the solicitation letter has just been circulated.

Bob Gee offered information on how he, in connection with the firm of Dorsey & Whitney, could assist OMS. He felt the issue concerns MISO's proposal to consolidate the control regions in all of its service territory. The cost responsibility, legal liability, and functional reallocation proposal are part of its tariff filing. This is a significant issue because it involves the NERC guidelines, which are currently voluntary. At the settlement conference this Monday at 10 am, the FERC has urged the parties to get together with the settlement judge. He didn't know how long the event would last -- one day or several days. The reason to participate? If a party hasn't been involved in the conference, it's difficult afterward to enter an objection.

President Wefald asked if OMS should have someone monitor the settlement conference to keep abreast of what is going on. Bill Smith offered that Judge Cintron is the settlement judge, and the judge would determine if a call-in procedure would be available.

David Hadley felt that it's a huge job for Bill Smith to monitor every state, every work group and every issue. He therefore thinks that on some issues OMS will need to hire outside counsel. President Wefald asked if this particular issue is one that OMS wishes to weigh in on. John Harvey offered that control areas was not an issue that OMS offered comments on in the docket and he felt that OMS would have a steep learning curve to participate in this issue now. Therefore he didn't feel outside counsel at this time would be warranted. Laura Chappelle concurred with John Harvey, as did Kevin Wright. All felt that Bill Smith could monitor Judge Cintron's meeting. (Bill indicated that he would be on vacation until August 24, and would be free to follow the meetings after that date.)

Any states who have information on the control issue may want to make it available. David Sapper hopes that there will be commission staff to listen in to the call. John Harvey volunteered Gary Stump and Parveen Baig from the Iowa Utilities Board to listen in on Judge Cintron's settlement conference.

Glen Thomas indicated that he and the Pennsylvania staff worked very hard on the "Confidentiality" issue and would be willing to help David Hadley's work group with the rehearing comments.

Kevin Wright is pessimistic about rehearing; he feels that FERC will probably stay with the PJM approach over MISO's. Steve Gaw felt that as a matter of principle, OMS should register its position even though it may not win. He felt that it plays into a bigger notion as to how big a role our states are playing. (Steve Gaw indicated he would be calling David Hadley about what appropriate comments should be made about this matter at the next A/C meeting.)

President Wefald asked if anyone had any questions about the Executive Director's Report, highlights of which follow below. There were no questions, so Bill Smith, calling in from vacation, was able to sign off the call.

### 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 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:
    - a. Zonal license plate
    - b. Regional postage stamp
    - c. Highway/byway with split made on voltage
    - d. Flow based approach
  - Scheduled regional stakeholder meetings:
    - e. July 12, 2004, in Carmel, Indiana. See Randy Rismiller's summary, attached to the August 12 meeting notice
    - f. August 12, 2004, in Baltimore, Maryland
    - g. 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. Bill Smith is 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. OMS staff is 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. Bill Smith met with the Staff Subcommittee on Executive Management for a similar discussion.
2. Bill Smith met with MISO staff on several subjects on July 28. Among these were 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. Bill 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

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

Steve Gaw indicated he just provided the OMS BOD with a revised copy of the MISO Finance Subcommittee Charter draft. This document would more formally put in place the mechanism for review of MISO expenditures. Steve Gaw's concern with the Charter draft and the Mission Statement centers on whether or not there is sufficient wording to give enough authority to do what is necessary; his recommendation would be to require more supervision and oversight.

Steve welcomed any specific suggestions. He felt that OMS needs to take a position that more still needs to be done on the oversight issue. Steve's questions for the meeting had to do with specific changes in wording of the document; and asked if John Harvey and David Sapper, who have been following the issue closely, felt that these changes were sufficient, wondering if this is the right subcommittee to do this work.

John Harvey expressed concern about a lack of staff support from MISO, which he deemed inadequate. If there is anything confidential, or proprietary, OMS will not see it. John feels this could be just be an OMS rubber stamping of MISO finances. Jan Karlak agreed. If costs will likely be passed on to consumers then all expenses should be made public.

Bill Malcolm, MISO, offered a comment at this point. Bill indicated MISO doesn't want to provide competing vendors with an idea of how much MISO is prepared to spend beforehand, due to the fear that vendors wouldn't offer their best prices.

At this point President Wefald indicated that without having any specific language from the three MISO representatives to consider, she asked that the OMS BOD allow the three reps to continue to work on supporting language reflecting the views expressed today - whether it's confidentiality, staff support or more oversight, and to vote accordingly. David Hadley agreed that that would be a good plan, since it has worked in the past.

Steve Gaw also mentioned that Bert Garvin wants to continue working on the Finance Subcommittee as well as having David Sapper participate on the Ad Hoc Committee.

Steve Gaw pointed out another MISO Advisory Committee issue that's to be voted on. MISO is having trouble with participation in the work group that deals with procedure, and had considered disbanding it. But felt its function is too important to abandon. So MISO's considering forming a core group of a minimum of five of the stakeholder sectors to be assigned the task of participation.

MISO has a resolution that states this. President Wefald agreed with Steve Gaw's recommendation suggesting that OMS support this resolution.

**Action Item 2. Does OMS Wish To File Comments with DOE on National Interest**

**Electric Transmission Bottlenecks (NIETB)?** David Hadley moved that the OMS BOD review and make a recommendation as to whether OMS should file comments to DOE on the NIETB.

Laura Chappelle seconded.

President Wefald wished to determine if Klaus Lambeck of the Ohio Commission was present at the meeting. She stated that if OMS wanted to file comments with DOE on the NIETB, Klaus Lambeck was in the public workshop held in Salt Lake City in July and one of the suggestions would be that these comments be assigned to Klaus and the Transmission Planning and Siting WG.

Jan Karlak mentioned that the memo provided with this meeting agenda from John Harvey on the NIETB issue cited other OMS work groups as well; the Seams and Pricing Work Groups. Jan Karlak suggested that these other viewpoints be considered. President Wefald thought that it would be fine to get other working groups involved, but that there was a short time to study and prepare comments that DOE wants to see by September 20. Recommended comments would need to be presented at the OMS BOD Meeting on September 9. If OMS chooses to proceed with preparing comments, it would be President Wefald's hope that the Transmission Planning and Siting Group prepare the comments, seeking input from Seams and Pricing Work Groups.

Jan Karlak indicated that Ohio intended to file their own comments, and that Klaus Lambeck might be stretched a little thin trying to prepare comments for both Ohio and OMS. She wondered if the other work groups could contribute more.

Laura Chappelle recommended that Bill Smith call the heads of the these work groups to see if they would be willing to study a certain piece of the issue and make a recommendation. President Wefald reminded Laura Chappelle that Bill Smith was on vacation and that she could ask Julie at the OMS office to contact these work group chairs.

Klaus Lambeck then commented on John Harvey's memo indicating that the premise of the memo suggested different positions in NARUC, but that OMS could more likely come up with a consensus position. President Wefald indicated that it would be helpful for OMS to know what Ohio's crafting, suggesting that it would help formulate the views of others on those issues. She then asked if other states were planning to send in their own comments: Wisconsin responded that it was considering filing and Michigan indicated that it is planning to follow the issue very closely.

President Wefald asked Klaus if he was willing to circulate what he's drawing up for Ohio on these process issues. Klaus responded that he didn't know if the comments would be available in time. David Hadley then suggested that a conference call among the chairs be held to determine the work plan.

After a unanimous voice vote of the board for OMS to proceed with the study of the NIETB issue and with the preparation of draft comments, President Wefald then announced that she would arrange a conference call between the chairs of the Seams, Pricing and Transmission Planning and Siting Work Groups to determine who would work on what sections for a report back to the OMS BOD.

**Action Item 3. Guidelines for OMS Voting Process**

President Wefald introduced the document to be reviewed. (The document to be discussed has highlighted areas in yellow and blue.) It incorporated comments from Laura Chappelle and Steve

Gaw. President Wefald then asked for a motion to accept the whole document as written with the exception of the areas to be deleted.

The first section for deletion began with the first sentence in the first paragraph of page two of the document; it also included the following sentence which is in parentheses.

"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.)"

To be replaced with:

"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."

Steve Gaw clarified why he objected to Susan's requested change. Steve felt that first sentence must remain in the document as did Laura Chappelle. But both agreed that the next sentence in parenthesis should be deleted.

**Delete:**

**(Excused absence language has been deleted, per discussion at July 8 board meeting.)"**

Motion was offered by Steve Gaw and seconded by Laura Chappelle for the document to be approved as presented:

Steve Gaw offered a friendly amendment to the paragraph on page 2 that reads:

**"Members who are granted up to 24 hours, may 'confirm or change' their 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."**

Steve and Laura both felt it important for members to be present when voting on an issue takes place; otherwise states might not choose to participate when items come up for a vote. Laura Chappelle felt that the strong message should be that OMS needs board members present and voting. This language would allow for a state to still sign on to a document, but not change the document after a vote.

David Sapper, proxy for Bert Garvin, suggested that "all members must cast a vote." This new language says that if you're going to vote, you have to vote initially. Bert Garvin is not in favor of allowing abstentions. Laura Chappelle indicated that an abstention is a vote, and should be allowed; Steve Gaw agreed.

There was a unanimous vote on accepting the document with the previous changes as an OMS working document.\*

Laura Chappelle explained the addition of Stages 1, 2 and 3. to the document - trying to make clear that in deciding if OMS wants to send comments it is a straight majority vote.

\* The Voting Process Part 2. document, as approved by OMS BOD on August 12, 2004, follows the completion of these minutes.

**Action Item 4. Update on Planning and Siting Survey and Planning and Siting Activities at MISO - Klaus Lambeck**

Twelve states have submitted their surveys. Manitoba, Indiana, Kentucky and Wisconsin have not responded or have not "fully" responded. Klaus Lambeck continued by saying that Bob Burns is now in the final process of condensing answers and is preparing a summary.

President Wefald suggested that the states with missing information be told that they must have something in by August 30. She then asked board members present from these states to direct their information as soon as possible to Bob Burns.

Klaus Lambeck was then asked about MISO's progress on Planning and Siting Principles. Klaus has had no contact except MTEP IV. (Which Klaus defined as MTEP 2003-2009 and is on the MISO web site.) Klaus indicated he has had no contact with Jeff Webb of MISO. President Wefald then asked that Klaus check with Jeff Webb to determine when his work group plans to meet next and report any progress to the board.

### **Announcements:**

- Greg Jergeson of the Nominating Committee stated that the minutes of the last meeting indicated that the Nominating Committee would be providing a report of the slate of nominees to be voted on at the OMS annual meeting in December.

The committee has met and has determined they must set up an order in which they determine which states would qualify for certain positions. Once the various scenarios are factored, at the next committee meeting, a process will be determined as to how the officers will be chosen, and the slate information will be provided at the October or November OMS BOD meeting. The Nominating Committee will report on its progress at the September OMS BOD meeting.

- David Hadley requested a clean copy of the Voting Process Document. He also mentioned that he was out of the country and not available for the vote on the Reactive Power comments filed by OMS on July 30; therefore Indiana and some other states will be submitting their own comments on the issue August 12. He wanted the OMS to know that Indiana was not trying to do something clandestine; but was simply not able to participate as suggested in the voting process document.
- Jan Karlak announced that there would be a meeting with the RAWG and the MISO stakeholders on Monday, August 16. Jan contacted MISO to find out the process for all the conditions and requirements and was contacted by Mike Robinson of MISO who is in the process of prioritizing all of their actions. President Wefald responded that she will contact Jan directly about this information as it would be helpful for the work groups to know what actions they may need to be taking. A meeting of work group chairs to review and plan for upcoming actions was mentioned.
- Next OMS Board Meeting will be held by conference call on September 9 at 2:00 pm (cdt)

Meeting adjourned at approximately 3:40 pm (cdt.)

**Organization of MISO States Process for Approving Position  
Statements for FERC and MISO (Part 2 – Voting Process)  
August 12, 2004**

**Stage 1** Majority of OMS members will agree that they wish to file comments on an issue.

**Stage 2** Discussion of the document, including proposed changes and subsequent voting on proposed changes takes place.

**Voting Process**

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.

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.

Voting on different points of view within a document: 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. The first priority will be to work to develop consensus language on these specific issues *within the document*. 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. 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.

Only members present at the meeting, by proxy or in person, may vote on an issue document. 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.

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 confirm or change their 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.

**Stage 3** If the final vote reflects that a majority of members wish to file the comments, the comments will be filed.