

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

**APPROVED February 13, 2004**

Commissioner Susan Wefald, President of the Organization of MISO States, Inc. (OMS), called the January 12, 2004 Meeting of the OMS Board of Directors to order via conference call at approximately 2:00 p.m. Central. The following directors were present for the meeting:

Susan Wefald, North Dakota Steve Gaw, Missouri Diane Munns, Iowa Greg Jergeson, Montana Robert Garvin, Wisconsin Judy Jones, Ohio Kevin Wright, Illinois Laura Chappelle, Michigan LeRoy Koppendrayner, Minnesota Gary Hanson, South Dakota David Hadley, Indiana Gary Gillis, Kentucky

There were no proxies. The directors listed above established the necessary quorum for the meeting of at least eight directors being present.

**Agenda Item 1: Approval of Minutes of the December 8 and 11, 2003 Meetings**

The directors voted to approve the minutes for the December 8 and 11, 2003, meetings.

**Agenda Item 3 (taken out of order): Treasurer's Report**

Commissioner Chappelle reported the following:

To date, OMS has received \$350,000 from MISO and is holding that money in an interim account at BankOne. Total disbursements for Dec \$7,095.11 leaving balance of \$327,567.87. Monthly funds transfers from MISO were suspended for October, November, and December 2003 and expected to resume January 2004. Total expenditures to date as of December 31, 2003: \$22,778.43. She budgeted \$31,500 travel costs for the OMS Annual Meeting in December, but ended up using about \$9,221. Of this amount \$2, 891.50 was dispersed in 2003.

Cmr. Chappelle asked that anyone seeking reimbursement for Annual Meeting travel expenses send the travel request this week. She is still working on our safe keeping receipt and on getting Bill Smith a credit card for acquisitions. There were no questions.

## **Agenda Item 2: Discussion of December 30, 2003, OMS Executive Committee meeting**

President Wefald reported that meeting covered a lot of issues on today's agenda:

- .  EEI study on the states' planning and siting regulations
- .  FERC Order 2003
- .  FERC ordering AEP into PJM. The Executive Committee decided OMS should not participate in this docket; it is more appropriate for individual state participation
- .  Update on administrative matters from Bill Smith

## **Agenda Item 4: New Business**

### EEI Study on States' Siting Regulations

Cmr. Munns thinks it's important to have a comprehensive survey of rules, laws, procedures for each state so that OMS can try to streamline. If federal energy bill passes, we'll have some ideas in place to meet 12 month deadline for FERC backstop. EEI and Brattle Group would help, but OMS could take the lead. This is not going to be an analysis, but only a factual survey. This study would only cover the MISO states and it would set an example for the rest of country. Commissioner Munns just received the proposal and has not had time to digest it. This study would probably take the next 6 months to complete. No questions.

Cmr. Koppendray's motion: The OMS will work with EEI on a survey of existing legal provisions on siting. Commissioner Hanson seconded the motion. Motion passed. Cmr. Munns will distribute the proposal to everybody. Cmr. Munns will ask EEI if a letter is necessary and will follow up with Cmr. Wefald.

### Order 2003

Cmr. Wefald read the following four proposed motions that she sent in an e-mail. These four motions replaced the two originally suggested in the January 2, 2004 meeting notice.

2A. Shall the OMS Board endorse the Principles document dated December 11, 2003 that was presented by Mr. Rismiller to the OMS Board at the December 11, 2003 OMS Annual Meeting as general guiding principles?

2B. Shall the OMS Board decline, because of timing constraints, to make a specific

recommendation to the Midwest ISO at this time about what specific cost allocation tariff language to include in its January 20 Order 2003 compliance filing?

2C. Shall the OMS Board direct the OMS Pricing Working Group to draft comments consistent with the OMS Pricing Principles, for the FERC on MISO's Order 2003 compliance filing, for Board consideration?

2D. Shall the OMS Board express its desire that MISO continue to work with the OMS Pricing Group, and others as necessary, to fine-tune a cost allocation approach incorporating a rigorous

benefits analysis and implementing the other cost allocation principles in the OMS Principles document with the intent for MISO to make a revised cost allocation tariff filing on or before October 1, 2004 to go into effect on or before December 1, 2004?

Randy Rismiller, Chair of the OMS Pricing Work Group, provided background. Randy indicated that the Pricing Work Group urges a yes vote on Motion 2A.

Cmr. Hadley moved that the OMS Board should endorse the Principles document dated December 11, 2003 that was presented by Mr. Rismiller to the OMS Board at the December 11, 2003 OMS Annual Meeting as general guiding principles. Cmr. Wright seconded. No discussion. Motion passed.

Randy reported that five proposals were considered at the January 7, 2004, MISO-OMS meeting on Order 2003. One proposal allocated cost to generators; one assigned cost to TOs in the zone where interconnection happens; one proposal was to develop beneficiaries test. At that meeting it was decided there wasn't time to develop benefits test by the January 20, 2004, FERC filing deadline. There was a split straw vote at the MISO-OMS meeting, with about half the votes for assigning costs to generators, and the other half of the votes for assigning costs to the local TO. There were a few votes for developing benefits test, however. Randy advised that rather than endorse any proposal for MISO to file and leave it up to MISO to file what it wants.

Cmr. Hadley asked for clarification about whether OMS should file comments at FERC. Cmr. Wefald pointed out that the OMS can provide comments to MISO before filing comments at FERC. If OMS endorses option 2C, the OMS would make substantive comments at FERC about the direction that MISO should go with this tariff.

Randy pointed out that it's not a question of having time to review the five proposals, it's that getting benefits test into tariff language would take a lot of time and

effort. MISO says it will take months to develop a benefits test and associated tariff language

Cmr. Munns suggested that if OMS knows that options 1 or 2 do not comply with OMS principles then OMS should not be silent. Cmr. Chappelle agrees that option 3 is not fully developed but OMS should tell MISO that option 3 most closely reflects the OMS position. Cmr. Munns pointed out that this is an area where FERC wants OMS to provide direction. Randy likes that idea if the Board believes MISO proposal 3 is most consistent with OMS principles, as Randy believes, then that would be good advice to give MISO.

Cmr. Garvin agreed with Randy and said OMS should suggest that MISO file its *pro forma* tariff on an interim and then work with OMS to develop permanent tariff language consistent with option 3. Cmr. Jones: stressed that Options 1 or 2 do not meet OMS principles, especially by not respecting state authority or prerogatives. Nancy Campbell agreed with that point.

This issue (2B) was set aside momentarily to work on motion language.

Cmr. Hadley moved (2C) that the OMS Board direct the OMS Pricing Working Group to draft comments consistent with the OMS Pricing Principles, for the FERC on MISO's Order 2003 compliance filing, for Board consideration. Cmr. Gaw seconded his motion. Motion 2C was thus approved.

Discussion turned to motion 2D. Randy Rismiller says it will take significant time to develop permanent tariff language. This motion would set a deadline for when the permanent tariff goes into effect, such as the market start-up date of Dec. 1, 2004. That would require MISO to make a tariff filing on October 1, 2004.

Cmr. Munns moved that the OMS Board should express its desire that MISO continue to work with the OMS Pricing Group, and others as necessary, to fine-tune a cost allocation approach incorporating a rigorous benefits analysis and implementing the other cost allocation principles in the OMS Principles document with the intent for MISO to make a revised cost allocation tariff filing on or before October 1, 2004 to go into effect on or before December 1, 2004. Cmr. Hadley seconded her motion.

Cmr. Munns asked how the MISO's planned tariff filing in March fits with the Order 2003 tariff filing. She pointed out that the two tariff filings need to be consistent. Randy said he doesn't think there's necessarily a direct relationship between the two tariffs – they don't rely upon each other. The December 1, 2004 implementation deadline would give MISO time to develop its Order 2003 tariff.

John Harvey asked Bill Smith if a suspension of a tariff would take 5 months? If MISO does not file tariff until October, will it be ready before market start-up? Will FERC do a minimal suspension? Bill Smith said maybe so, and that FERC could also conditionally approve the Order 2003 tariff. John Harvey suggests that transmission pricing/cost allocation issues need to be resolved quickly. MISO needs a sense of urgency

– it seems that 9 or 10 month delay does not show urgency. Making the target date as late as December may not satisfy everyone.

Cmr. Wefald asked if June 1 is a better target date for development of benefits test. Rismiller said the MISO Benefits Task Force will have its own timeframe. August 1, 2004 would give MISO six months.

Cmr. Hadley pointed out that Randy said that MISO stakeholders agree that October 1, 2004, is the best target but the necessary work couldn't be done before then. Cmr. Hadley is comfortable with October 1. Cmr. Hadley asked if the OMS could work faster than the MISO stakeholder work group. Randy pointed out that the OMS working group will be reactive to what MISO develops based on the OMS principles.

Cmr. Munns pointed out that if an October deadline is set, that will be the soonest that the work will be completed. She does not think she's comfortable, but it is difficult to revise that date without the necessary information about MISO's process.

Cmr. Jergeson recommends that OMS accept the premise of the motion without setting dates and set date later based on recommendation from Randy's work group about when work can be finished. Randy said that that is certainly an option to consider.

Cmr. Wefald suggested revising Cmr. Munns' motion to omit "on or before October 1, 2004 to go into effect on or before December 1, 2004" with the understanding that that part of the motion will come back to the Board next month. Cmr. Munns, who made the original motion, is comfortable with that revision. Cmr. Hadley is also comfortable. Motion passed.

Discussion returned to motion 2B: Cmr. Chappelle offered language for a motion that was discussed. Cmr. Munns asked for a wording clarification. Cmr. Koppendraye pointed out that there was not language about "all beneficiaries." Cmr. Garvin recommended removing the reference to "direct assignment"

Cmr. Koppendraye seconded the motion. Cmr. Chappelle then e-mailed her motion to the Board.

### **Tariff Issues**

Nancy Campbell discussed her tariff issues list. She suggests the following changes to the version she presented at the December OMS Annual Meeting:

1. 1. Item No. 2 Grandfathered Agreements was assigned to the OMS Congestion Management and FTR Workgroup.
2. 2. Part 4 - Staged Implementation of the Market - I listed states/individuals who expressed an interest in this issue.

3. Per your request I place a \* (asterisk) next to items that should receive a greater priority.

Cmr. Koppendrayer made a motion to amend the tariff issues list accordingly; Cmr. Hanson seconded his motion.

Cmr. Hadley stated that there was a conference call on Dec 18 to discuss access to market information; the next call is on Jan 16. Hadley assumed that the tariff issue regarding sharing market data with states will be taken up by the market monitoring working group. Nancy agreed to give market monitoring group responsibility for this issue. This works well since Randy Rismiller, who was previously assigned this issue, is on the Market Monitoring Working Group. Cmr. Munns suggested that the Market Monitoring Working Group seek legal advice on the issue of access to market data.

Cmr. Garvin suggested that Mike Proctor's FTR Working Group put together information on uplift before the February OMS Board meeting. Cmr. Wefald agreed that this should be addressed at the February meeting.

The motion on revising the tariff issues list passed.

#### Process for OMS to hire consultants

Bill Smith discussed hiring consultants. He said there is a DOE funding opportunity. DOE has earmarked \$175K for current fiscal year. DOE will make money available through grants for which OMS would need to apply. DOE could also direct a national laboratory to work with the OMS. Bill Smith will investigate these options.

President Wefald pointed out that OMS has \$150K budgeted for outside consultants. She recommended that working groups should decide if they need consultant help and to contact Bill and Executive committee for requests for more information. .

Discussion returned to Order 2003 motion 2B. Cmr. Chappelle moved the following:

The OMS Board shall notify the MISO that Proposal 3, from the January 7, 2004, MISO Pricing Stakeholder meeting, comes the closest to satisfying the "Principles for Allocating Transmission Upgrade Costs Associated with New Generator Interconnection" adopted by the OMS Board on January 12, 2004 ("Cost Principles").

However, the Board notes that Proposal 3 is not sufficiently detailed to encompass certain concerns of the OMS, including but not limited to:

1) recognition of state sovereign authority over certain transmission

- issues; 2) a more specific and appropriate allocation of costs to beneficiaries based upon OMS's Cost Principles, and
- 3) the use of LMP/production as a costing model.

Cmr. Koppendraye seconded the motion. The motion passed. Cmr. Wefald clarified that this is substitute for the original motion 2B. The OMS is not declining to offer comments due to time constraints.

### MISO Advisory Committee agenda items

Cmr. Gaw noted that the agenda contains two non-substantive votes that OMS will pass on. Mike Proctor described two upcoming AC voting items that come from MISO's Market Subcommittee.

Mike said the most controversial voting item is the Cinergy proposal on FTR allocation that differs from MISO's proposal. The MISO MSC passed the Cinergy proposal with a 15-13 vote. OMS working group met on January 5. Cinergy proposal addresses issue of comparability of new versus existing transmission. The Cinergy proposal makes new transmission service comparable to existing transmission service in the initial FTR allocation. Several states, especially open access states supported that aspect of the proposal, but Cinergy does not necessarily provide hedges for baseload generation. Mike attempted to develop compromise and feels that most states want to continue to develop a compromise that protects baseload and provides comparability for new transmission.

Cmr. Wefald recommended that the OMS tell the AC that the OMS needs more time to review the proposals. Mike agreed and suggested that the OMS take that position in the AC vote on the Cinergy proposal. Cmr. Hadley pointed out that the Cinergy proposal had weaknesses that are addressed by the MISO proposal – is there a way to develop a compromise given that Cinergy recognized the problems with its proposal? Mike thinks Cinergy would be willing to work on a compromise and that he was surprised that the Cinergy motion was up for a vote at the AC since that vote could end discussion about a compromise.

Cmr. Gaw agreed with Cmr. Hadley's points and said that at end of the day, the OMS still needs to make a decision about giving direction to the OMS representatives on the AC about how to vote. Cmr. Garvin said he would prefer to abstain on the Cinergy vote. Cmr. Hadley agreed with abstaining and pushing the parties to resolve the differences. Cmr. Gaw is still concerned that if the Cinergy motion passes that will end discussion on a compromise, thus the OMS should be careful not to let its abstention jeopardize the OMS desire to work on a compromise. Cmr. Hadley does not want either motion on the FTR allocation method to succeed.

The Board decided that if there is a procedural motion at the AC meeting, the OMS should move to table the motion; if there's a motion on the merits of an FTR allocation method, the OMS should vote to abstain.

Mike pointed out there's another vote on emergency redispach cost recovery. Cmr. Wefald said we don't have any information and that the OMS should abstain on that vote. Mike pointed out that the close MSC vote on this issue suggested that it was controversial.

#### Executive Director report

Cmr. Wefald is going to direct Bill Smith to circulate the Executive Director report he will give at the MISO AC meeting.

#### Other business

Cmr. Garvin asked if any other Board members would like to take a position on whether or not MISO should sufficiently analyze staged market implementation. Cmr. Munns pointed out that the issue is not a voting item for the AC. Mike Proctor said any voting item needs to be circulated a week before the AC meeting. Cmr. Garvin said that Wisconsin supports MISO continuing to analyze staged market implementation. Cmr. Wefald and Gaw agreed that there is a lot of interest in this issue.

Cmr. Munns asked about the rule for getting voting items on the MISO AC agenda. Cmr. Gaw asked Bill Malcolm to clarify the MISO AC procedural rules. Cmr. Hadley pointed out that there is a one week notice provision in the MISO by-laws although exceptions can be made in emergency situations. Cmr. Wright agreed with Cmr. Hadley's description of the AC procedural rules.

The next OMS Board meeting is currently scheduled for February 12, but that is a state holiday in some places. The executive committee will discuss the next Board meeting date and it may move to February 11.

These minutes are respectfully submitted by Bert Garvin, OMS Secretary.