

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

APPROVED April 8, 2004

Commissioner Susan Wefald, President of the Organization of MISO States, Inc. (OMS), called the March 12, 2004 Meeting of the OMS Board of Directors to order via conference call at approximately 2:00 p.m. Central time. The following people participated in the meeting:

Susan Wefald, North Dakota
Kevin Wright, Illinois
Steve Gaw, Missouri
Bob Nelson for Laura Chappelle, Michigan
John Harvey for Diane Munns, Iowa
LeRoy Koppendray, Minnesota
Greg Jergeson, Montana
Robert Garvin, Wisconsin
Bob Pauley for David Hadley, Indiana
Kim Wissman for Judy Jones, Ohio
Tom Maher for Terrance Fitzpatrick, Pennsylvania

Jack Dwyer, Iowa OCA
A.W. Turner, Kentucky
Janet Hanneman, Michigan
Nancy Campbell, Minnesota DOC
Barb Adrian, Missouri
Mike Proctor, Missouri
Tim Texel, Nebraska
Jan Karlak, Ohio
Bill Smith, OMS

Patrick Clarey, FERC
Chris Miller, FERC
Bill Malcolm, MISO
Samantha Slater, EPSA
Andrew Dotterweich, Consumers Energy Co.
Daryl Hanson, Ottetail Power Co.

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 February 13, 2004 Board Meeting *(approved 2/13/04 minutes attached)*

The Directors voted to approve the minutes for the February 13, 2004 Board meeting as presented by Sec. Bert Garvin.

Review of Actions of the Executive Committee on February 27

President Wefald highlighted details of the February 27 OMS Executive Committee meeting:

- Agreed to assign responsibility for OMS's participation in MISO's new Regional Expansion Criteria and Benefits Task Force to the Pricing Work Group and the Siting & Transmission Work Group.
- Approved fifteen \$500 travel stipends (one per state) to attend the National Council on Electricity Policy, Midwest Transmission Siting Dialogue, April 5-6, at Michigan State University in East Lansing, MI. The second day of the workshop is organized by the Institute of Public Utilities at MSU. In order to encourage attendance at both days of the workshop, Bob Nelson of the Michigan Commission negotiated a special discounted registration fee for the first day of \$125. (It's regularly \$295.) OMS Board is circulating the brochure about this conference to all of OMS. Contact Bill at the OMS office for more information.
- Discussed a process for handling conflicting positions in OMS comments.
- Approved employment agreement for Julia Mitchell.

Treasurer's Report

(draft attached to Minutes)

Janet Hanneman provided the Treasurer's Report previously sent by e-mail to OMS board members.

- Janet explained that to date OMS has received \$350,000 from MISO. As of February 29 our balance was \$256,914.76. Total disbursements for February were \$46,832.96; for the calendar year \$70,794.01. Since the inception of OMS \$93,713.74 has been spent. The reason for the high total in February was that two months payroll were booked in one month; costs of OMS general liability coverage and D & O insurance were paid February 4, although coverage was in effect January 1.
- Bill Smith's Visa card arrived February 7.
- Julia Mitchell's contract was signed.

New Business

1. Report and action item - Report from Resource Adequacy Work Group

Jan Karlak, Chair

(Approved Principles document

attached.)

Jan Karlak presented an overview of RAWG's work and explained the Resource Adequacy & Capacity Market Principles.

- She thanked individual members of RAWG so that state commissioners would know how hard these WG members worked on the product. Individuals cited were: Jerry Lein, ND; Bill Bokram, MI; Parveen Baig, IA; Martha Morton, KY; Terry McGilvra, IA; Randy Rismiller, IL; John Levin, PA; Don Neumeyer, WI; David Sapper, WI.
- OMS Board received final comments late Thursday, March 11.
- Principles were considered by the OMS Resource Adequacy Working Group along with the MISO's Supply Adequacy Working Group to come up with a resource requirement and capacity market concept for the Midwest ISO. The purpose is a more thoughtful and better design that will accommodate all of the various differences and diversity in the MISO footprint. Three states in the MISO footprint have retail choice. A majority of states in MISO footprint are currently in MAPP – with its own special requirements for resource adequacy. MISO's footprint is in close proximity to PJM – which has its own long-standing resource adequacy requirements and capacity markets.
- RAWG looked at other models in the marketplace and in the rest of the country. The principles are primarily a high level list of considerations to design resource requirements as well as capacity markets. Principles are a result of an intensive joint effort of OMS commission staffers in RAWG as well as stakeholders and MISO SAWG as well.
- Because the group met again after the principles were distributed to the Board, the principles were revised. #10 Principle was amended to read:
"Require an annual forward-looking report to include a long-term MISO load forecast and supply plan for meeting capacity and reserve requirements with accredited and deliverable capacity."
- The amended language deal with a requirement that currently exists in MAPP and doesn't necessarily exist in MAIN or ECAP. Instead of assigning that responsibility to any entity serving load it leaves the question open to be discussed or debated as part of the Work Group's working plan.

No questions. Leroy Koppendrayner moved and Kim Wissman (proxy for Judy Jones, OH) seconded the motion to accept the Principles as amended. Unanimously approved by directors in a voice vote.

2. Action Item. OMS approved comments on the MISO Market Tariff to submit to MISO March 15, 2004. *(approved Comments attached to minutes)*

Bob Nelson moved and Leroy Koppendrayer seconded the motion to discuss the draft of MISO Market Tariff Comments received via email on March 12. Directors unanimously approved.

Nancy Campbell, MN, Market Rules and Implementation Work Group Chair, offered these remarks concerning changes made to the Comments:

- Changes were made to use language consistent with the comments of September 15.
- Title changed to include "Western Seams"
- Other changes were those offered from other work group chairs, and reflect changes already approved in the Principles of RAWG.

President Wefald asked for discussion. Several friendly amendments were offered:

- Page 3, paragraph 5, State Commission Access to Confidential Information, a footnote was added: "This concurrence is based on our understanding that the tariff does not preclude discussion of confidential information with other persons authorized to receive it."
- Page 19, paragraph 1, third sentence amended to read: "OMS supports moving to a later deadline. MISO should prove it can solve day-ahead schedules using the SCUC and SCED by the scheduled deadline."
- Page 20, paragraph 1, sentences 2 and 3 should read: "MISO must work to resolve the seams issues addressed in the Energy Market Tariff prior to implementing the market to ensure adequate reliability in the MAPP region and for purposes of the entire MISO footprint. A conference addressing the seams issue was held on March 2, 2004 by MISO in Bloomington, MN."

Bob Nelson moved and Leroy Koppendrayer seconded the motion to accept the amended Comments on the MISO Market Tariff draft to submit to MISO March 15, 2004.

After individual polling, the yes votes carried, and the motion passed.

Vote: Illinois – Yes	Missouri - Yes
Indiana – Yes	Montana - Yes
Iowa - Yes	Nebraska – Abstains/ procedural reasons
KY – Absent	North Dakota - Yes
Michigan - Yes	Ohio - Abstains/ procedural reasons
Manitoba – Absent	Pennsylvania - Yes
Minnesota -Yes	South Dakota –Absent
	Wisconsin - Yes

3. OMS approved a schedule for filing comments on the MISO Market Tariff to the FERC on April 19. *(approved schedule attached to minutes)*

Bob Nelson moved and Bert Garvin seconded a motion to accept a timetable for comments to FERC on MISO Energy Market Tariff as prepared by Bill Smith. By voice vote, directors approved unanimously.

4. MISO Advisory Committee Issues *(attached to minutes)*

A. Readiness

Steve Gaw sent out material concerning this action item, but was unavailable at this time on the conference call. President Wefald requested that John Harvey, Iowa, report on the Readiness Issue. John Harvey referenced item 3.g on the MISO Advisory Committee agenda. JH expressed concern that readiness may not be demonstrated footprint wide. Readiness Metrics, he feels, needs to be

appropriate both for reliability and commercial readiness for market implementation. Bert Garvin wants MAPP readiness presented on a more formal basis.

After much discussion President Wefald requested that Bert Garvin, John Harvey, Diane Munns, and Steve Gaw work together to present the Executive Committee a recommendation on how the readiness issue should move forward. The Executive Committee will then decide which work group to assign the issue. This work group will present to the OMS BOD at the April 2004 meeting.

B. FTR Allocation

Next, John Harvey brought up for discussion the issue of data integrity in the FTR Allocation model. JH feels it needs to be addressed at the next MISO A/C meeting. Mike Proctor responded that MISO is taking action on this. The MISO Market sub committee is setting up a Transmission Rights Task Force. It is charged with the successful implementation of the FTR Allocation Process – and that includes the integrity of data input.

The OMS Board declined to have John present these concerns to the Advisory Committee as OMS concerns. John said he would raise his concerns as an Iowa issue. The OMS Board will wait for Iowa and Wisconsin to report on what MISO offers before presenting as an OMS issue.

C. Reactive Power

The board discussed supporting a MISO Tariff amendment on reactive power. The consensus was that it is a complicated issue that will affect each state differently. Individual BOD polling showed a preference to abstain from voting on the amendment at the March Advisory Committee meeting.

Illinois - Abstain	Montana - Abstain
Indiana -Abstain	Nebraska - X
Iowa – For Amendment	North Dakota – For Amendment
Kentucky - X	Ohio – For Amendment
Manitoba - X	Pennsylvania - X
Michigan - Abstain	South Dakota - X
Minnesota - X	Wisconsin – Against Amendment
Missouri – Against Amendment	

X – absent; no vote

This tariff amendment will not be part of the Energy Market Tariff, and MISO has not filed it with the FERC yet, but the MISO board will likely discuss it. President Wefald suggested that when it is filed, OMS offer comments at that time.

5. Selection of a Research Project for DOE Funding *(attached to minutes)*

Discussion was brief. Bob Pauley, Indiana requested Vegetation Management be considered. Greg Jergeson, Montana suggested research on demand response. Bert Garvin, Wisconsin volunteered to work with Greg Jergeson on demand response research since Wisconsin is already doing some.

Due to length of meeting, President Wefald suggested OMS BOD give individual ideas for projects to be funded to Executive Committee Members. The Executive Committee will select a DOE project at its next meeting.

Executive Director's Report

Bill Smith reported:

- More information continuing to be added to the OMS Web Site. Requested feedback on its functionality.
- OMS BOD meeting minutes are being prepared by OMS staff.

- OMS Travel Process for Approvals and Reimbursements is to be transferred to the OMS office starting in April.
- FERC Items of Note:
 - 1) On March 12 FERC's ALJ released the decision on the AEP case, ordering AEP to join PJM, finding that AEP has made that promise, and that Virginia and Kentucky laws should be exempted because they are not of the kinds that may limit FERC's obligation to increase cooperation.

 - 2) SECA settlement was filed March 5. FERC expected to rule on Friday, March 19. Bill anticipates discussion of a permanent rate structure to begin; and he will encourage the OMS Executive Committee to assign it to an OMS Work Group. Both the Pricing and Seams work groups have expressed an interest in working on the issue.

Announcements:

President Wefald made the following announcements:

- The next regular OMS Board Meeting will be on Thursday April 8, at 2:00 pm CDT.
- A Special Meeting of the OMS Board to discuss Market Tariff Issues will be on April 19 at 2:00 p.m. CDT.

The Meeting adjourned at 3:55 central time.