

ORGANIZATION OF MISO STATES, INC.
BOARD MEETING MINUTES
October 14, 2004

Approved November 10, 2004

Commissioner Susan Wefald, President of the Organization of MISO States, Inc. (OMS), called the October 14, 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
Mike Proctor, proxy for Kevin Wright, Illinois
Steve Gaw, Missouri
Laura Chappelle, Michigan
John Harvey, proxy for Diane Munns, Iowa
David Hadley, Indiana
Talina Mathews, proxy for Mark David Goss, Kentucky
Burl Haar, proxy for LeRoy Koppendrayer, Minnesota
Greg Jergeson, Montana (left meeting at 3:05 pm)
Bert Garvin, Wisconsin
Kevin Holtsberry, proxy for Judy Jones, Ohio
Tim Texel, proxy for Louis Lamberty, Nebraska
Glen Thomas, Pennsylvania
Gary Hanson, South Dakota

Manitoba absent

Others present on conference call:

John Perkins, Iowa OCA
Jennifer Easler, Iowa OCA
Matt Lacey, Minnesota Dept. of Commerce
David Woodsmall, Missouri
Bob Pauley, Indiana
Bob Nelson, Michigan
Randy Rismiller, Illinois
Judy Jones, Ohio (late)
Diane Munns, Iowa (late)

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 September 9 OMS BOD Meeting

Bert Garvin moved for approval of the September 9 OMS BOD Meeting minutes and Gary Hanson seconded. The Directors voted to unanimously approve the minutes as distributed.

Approval of Minutes of the September 2 OMS Special BOD Meeting

Bert Garvin moved for approval of the September 2 OMS Special BOD Meeting minutes and Greg Jergeson seconded. The Directors voted to unanimously approve the minutes as distributed.

Approval of Minutes of the September 14 OMS Special BOD Meeting

Bert Garvin moved for approval of the September 14 OMS Special BOD Meeting minutes and Gary Hanson seconded. The Directors voted to unanimously approve the minutes as distributed.

Treasurer's Report

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

Cash on Hand

To date, the OMS has received \$550,000 from the MISO and are holding the remaining balance in an account at Bank One. As of September 30, 2004, the balance in the Bank One account was \$294,335.09.

Expenditures to Date

Total disbursements for September 2004 were \$20,228.32 Total disbursements for the 2004 calendar year are \$233,726.08.

Audit Proposals

After reviewing the three audit proposals submitted, Treasurer Chappelle concurred with the recommendation of the Executive Director to select Ryun, Givens, Wenthe & Company as auditor. The board concurred and authorized the Executive Director to sign the necessary documentation to hire the firm. We will have them perform a full audit of the OMS records for the Fiscal Year beginning July 2003. See the memo to Laura Chappelle from Bill Smith dated October 1, 2004 regarding the "Selection of Auditor."

Receiving no objection to the report, The OMS Treasurer's report was filed as distributed.

Review of Actions of the Executive Committee on September 23

President Wefald indicated that the Executive Committee did not take any action at its September 23 meeting, but indicated there was much discussion on a number of issues.

- Randy Rismiller updated the committee on the Pricing Work Group's issues including the long term transmission pricing case, MISO's order 2003 Large Generator Interconnection Compliance Filings and MISO's RECB Task Force issues.
- Discussion of "Work Group Preparation of Draft Comments-Part 1" on the OMS process for approving position statements for FERC and MISO. Necessary changes were made to the document to present to the OMS board for approval.
- Discussion of issues: Access to Confidential Data, Grandfathered Agreements, NOIs, and the status of the work groups in comment preparation.
- The Executive Director reported on RTO 101 state presentations (to start November 1), the attorney solicitation process, and the status of the OMS Audit.

New Business

1. Action item: Shall OMS submit comments to FERC before October 15 on long term transmission pricing? Randy Rismiller and Bob Nelson

Randy Rismiller reported the Pricing Work Group met via conference call October 6 to discuss the two FERC filings submitted October 1 - the United Plan and the Regional Pricing Plan. The WG summarized the two filings, so they had a good understanding of what was actually in the filings. The WG developed a list of substantive issues but could not agree to positions on those issues. Some board members grumbled at the shorter FERC turnaround for comments than is typical. The Work Group could not reach consensus on any of the broad substantive issues or the procedural issues. At the call's conclusion they felt the states should file their own comments and those states preparing comments might wish to share their comments form with an eye toward joint comments.

President Wefald then asked Randy Rismiller if the document on long term pricing provided for this meeting was reviewed by the OMS Pricing Work Group. He indicated it was not, and his work group had no input in it.

Bob Nelson then indicated that the Seams Work Group had not reviewed the document for long term pricing structure. The document had only been discussed via emails in his group. Bob agrees with Randy that there is no OMS consensus on this filing.

President Wefald then asked for a motion to consider the document entitled "Request Regarding Long-Term Pricing Structure of the Organization of MISO States" as a possible filing to the FERC on behalf of the OMS. Greg Jergeson asked who had drafted the document. John Harvey, Iowa, indicated it was drafted by Mike Proctor, Missouri and himself. No motion from any OMS members was offered. President Wefald indicated thoughts included in this document, especially the shortness of turnaround time by FERC, may be included in individual state filings.

2. Possible Action Item: MISO Advisory Committee Issues - Steve Gaw

Mike Proctor presented information about possible voting items on the October MISO A/C Agenda on behalf of Steve Gaw.

- Mike indicated he felt OMS should support Kevin Murray's proposal (MISO A/C agenda item D) on control area responsibilities. After reading the proposal, President Wefald asked Bert Garvin and John Harvey their feelings about the issue. Both John and Bert agree that OMS should support the motion. OMS directors also agreed that OMS MISO reps should support this MISO A/C motion, subject to discussion at the meeting.
- The second motion of the MISO A/C brought up for OMS consideration is agenda item 4G. This item concerns approval of three trading hubs in the MISO footprint as requested by the MISO Market Subcommittee. John Harvey, Mike Proctor and Bert Garvin all agreed that OMS should support this motion. The OMS board of directors agreed to support this motion subject to discussion at the meeting.

At the request of some of the officers, President Wefald considered agenda item #5 at this point in the meeting.

5. Action Item: Receive Report of Nominating Committee and approve a decision matrix for OMS Nominations Committee - Greg Jergeson

President Wefald asked Greg Jergeson the OMS Nominating Committee chair to explain the committee's report. Greg indicated that the committee was submitting two separate plans for selecting officers.

- Option One - Proposal recommended by Commissioners Kevin Wright and Judy Jones - suggests a long term plan from 2004 to 2007 with a president from a retail choice state acting every other year. Tries to offer a balance of geographic area. Suggests a rotation for office of President and Vice President.
- Option Two - Proposal offered by Commissioner Greg Jergeson - a plan that limits itself to the recommendation of an officer slate for the upcoming year. He feels it is up to each board to determine who should be on the next year's board.
- Both plans honor the commitment to Wisconsin to serve as the lead state.
- Bert Garvin indicated the bylaws would have to be changed if Option One is adopted. Judy Jones thought the bylaws would not have to be changed to adopt Option One, because each year would be a new vote.
- Bob Pauley moved for the board to consider Nominating Committee Option 1 Selection of Officers. Kevin Wright seconded the motion. After some discussion,

Greg Jergeson moved to postpone the vote on the motion until the OMS Special BOD Meeting on October 22. Diane Munns seconded.

- Roll Call vote of the directors was taken. Directors were asked:

Do you favor postponing the vote on the Nominating Committee motion to October 22?

North Dakota	yes
Missouri	yes
Wisconsin	yes
Iowa	yes
Illinois	yes
Indiana	abstained
Kentucky	yes
Michigan	yes
Minnesota	yes
Montana	yes
Nebraska	yes
Ohio	yes
Pennsylvania	yes
South Dakota	yes

Manitoba - absent

13 - yes
1 - abstention
1 - absent

Motion carried to postpone the vote on the Nominating Committee motion to the October 22 OMS Special BOD meeting.

- At the conclusion of the vote, Kevin Wright asked that further study of the by-laws be made. Bill Smith indicated that both plans were compliant with the precise terms of the bylaws; the forward looking part of Option One is not binding; nominating committee is given the ticklish job of putting together a balanced ticket.
- President Wefald asked for other plans that might address the issue better.

Additional plans should be sent to Bill Smith first to see if they comply with the bylaws; and then be made available to the whole board by Monday, October 18.

3. Action Item: Shall the OMS Approve Part 1. Process for Approving Position Statements for FERC and MISO - Susan Wefald

President Wefald explained that this document was discussed at the September OMS BOD meeting, and changes were made after that meeting. It was then presented to the Executive Committee at their meeting where additional improvements were made. It is now available for the directors to consider for approval. Bob Nelson moved to accept Part One of the "OMS Process for Approving Position Statements." John Harvey seconded the motion.

Roll Call vote of the states was taken: Do you approve part one of the document as presented:

North Dakota -	yes
Missouri -	yes
Michigan -	yes

Wisconsin - yes
Iowa - yes
Illinois - yes
Kentucky - absent
Montana - abstained*
Minnesota - yes
Nebraska - yes
Ohio - abstained
Pennsylvania - yes
South Dakota - yes

Manitoba - absent
Indiana - absent

10 - yes
2 - abstentions
3 - absent

* Montana voted yes on October 14 at 5:09 pm

Motion carried. Part 1. Process for Approving Position Statements for FERC and MISO was approved. (Approved document follows)

4. Action Item: Approve timetable to elect working group chairs - Susan Wefald

President Wefald read the following to the directors:

Our OMS Working Group chairs have been in place since July 2003 when membership of each working group elected their own chairs. It seems only fair to the chairs and to the membership of each working group to provide for a systematic way to re-elect chairs or elect new chairs. I suggest that working groups should meet, by conference call, for the purpose of selecting chairs in the two weeks prior to our annual meeting, December 9, 2004 and report results of these meetings to Executive Director, Bill Smith. Then, at the OMS annual meeting, Bill Smith will announce chairs of all of our working groups for the coming year.

She then moved that this timetable for electing working group chairs for 2005 be adopted. Bob Nelson seconded the motion. The directors unanimously approved this timetable by voice vote without further discussion.

Bill Smith was directed to pass this information to the working group chairs.

6. Action Item: Select Auditor for OMS - Bill Smith

Bill Smith presented a report distributed to the OMS BOD for consideration.

He indicated he had reviewed the proposals of three firms to perform audit functions for the OMS. The three firms are:

- Denman & Company
- Ryun, Givens, Wenthe & Company
- McGowen, Hurst, Clark & Smith

Bill felt that all three firms demonstrate significant professional experience and more than adequate depth of personnel to provide the service we need. All firms were diligent in asking questions to understand OMS's operations. All offer related services such as tax preparation and advice. The firms are all located in Des Moines, which should eliminate any need for travel.

- The differentiating factor is price. Two firms estimate the costs of a full audit in the range of \$3000 per year. The Ryun firm estimates \$1600. This firm's cost for other services is commensurately lower than the estimates given by the other firms.
- On this basis Bill Smith recommended OMS engage Ryun, Givens, Wenthe & Company to provide audit services to OMS. If the OMS BOD concurs, this item will be added to the agenda of the next Executive Committee meeting for action.
- Randy Rismiller asked if OMS is required to have an audit. Bill responded that there are two requirements:
 - a) in the MISO funding agreement with OMS
 - b) article 10 of the OMS bylaws.

The OMS board approved the audit recommendation.

7. Additional Action Item: Should OMS support MISO and PJM's request for stakeholder discussions on JOA allocations for new transmission service.

Bob Nelson of the Seams Work Group presented a rationale for OMS to submit a reply brief on flowgate capacity. He then moved that OMS accept a draft of Reply Brief to FERC provided to OMS Directors by email on October 13 at 2:32 pm cdt. Kevin Wright seconded the motion. The comments indicate that OMS agrees with PJM and MISO that there should be a stakeholder process to resolve seams issues.

A roll call vote was taken to accept comments:

North Dakota -	requested additional 24 hours to vote*
Missouri -	requested additional 24 hours to vote
Michigan -	yes
Wisconsin -	yes
Iowa -	yes
Illinois -	requested additional 24 hours to vote*
Indiana -	requested additional 24 hours to vote*
Kentucky	requested additional 24 hours to vote
Minnesota -	requested additional 24 hours to vote*
Montana -	absent
Nebraska -	abstain
Ohio -	requested additional 24 hours to vote
Pennsylvania -	requested additional 24 hours to vote*
South Dakota -	requested additional 24 hours to vote*
Manitoba -	absent

* Submitted affirmative votes before filing deadline.

Executive Director's Report - Bill Smith

Bill Smith presented the Executive Director's Report forwarded to all commissioners with the OMS BOD meeting agenda. Highlights of the report included:

- Pricing issue - states are encouraged to file on through and out rates, even though they may be late, he feels FERC will read it.
- Bill sent out FERC orders on the Southwest Power Pool that had interesting language.
- RTO 101 - is in the contracting mode with Lawrence Berkeley labs. Individual states will be able to schedule time for presentations.
- OMS received 12 applications from attorneys, in hopes of getting 2-3 pre-approved.

Announcements:

- OMS Special BOD Meeting - October 22 at 9:30 am cdt
- OMS Work Group Chairs and Key Staff Meeting in Carmel, October 21

Meeting adjourned at approximately 3:40 pm (cdt)

Organization of MISO States Process for Approving Position Statements for FERC and MISO

Approved October 14, 2004

Goals:

- 1) Help states form positions on issues
 - a. Perform thorough analysis of issues
 - b. Test differences and sharpen analysis through discussion of differences in order to gain better understanding of the issues
- 2) Express collective position of states to decision maker
 - a. Build consensus when possible
 - b. Allow parallel presentation of contrasting viewpoints

Section 1

Assignment of topics to a Working group, or Working groups:

The OMS Executive Committee assigns all new topics to either an existing working group or to a new working group when needed. When a topic in an active docket has already been assigned to a working group, the Executive Director (ED) is authorized to make follow-up assignments. As time is of the essence in such cases, the ED shall timely make such assignments and shall immediately inform the Executive Committee. The ED may delegate this responsibility as necessary.

Review of OMS Work Plan by Executive Committee:

The ED shall include in his/her monthly report, or as necessary, a list of FERC and MISO (or other) actions expected in the coming 60 days that may require Working Group assignment. The Executive Committee shall review the list of action items provided by the ED each month and shall direct the ED to give early warning of possible assignments to OMS working groups. The ED shall inform the Executive Committee, via electronic mail, of the completion of such notifications.

Approving the Timetable for Issues Documents:

Providing the greatest possible lead time, the ED, in consultation with the president, will prepare a schedule which outlines a time line of when document issues must come to the OMS Board's attention. The schedule shall include the date that the Board decides issues that will be included in the document, the date that first (and second drafts when possible) will be shared with the membership, and the date that the board will be taking final action on the document.

The Board of Directors will approve the time line of when document issues must come to the OMS Board's attention. *Board members are encouraged to note key dates and work to facilitate appropriate action by their Commission so that Board members can vote on the document.*

The Board schedule will include a board meeting when Commissioners determine what issues will be included in the document, and give general policy direction to the working groups. Working groups are encouraged to develop “principles” or a short outline that the Board can consider as it advises on policy direction. *Exceptions: Sometimes proceedings that OMS wishes to comment on may have a very short timeline. In these situations, the board may not have time to take these all the above steps. In those situations, the board will determine how it wishes to proceed.*

Preparation of the Issues Document:

Working groups, which are involved in the document, will encourage members to volunteer to write sections of the issues document. Assignments should be reported to the ED of OMS.

Working groups shall promptly set up their own internal schedule to review all sections of an issues document. The working group’s internal schedule must coordinate with the Board’s approved time line of when document issues must come to the OMS Board’s attention. (see above) The ED shall track Working Group progress and, in the event he/she becomes concerned that progress is inadequate, shall first consult with the working group chair. If such consultation fails to resolve the problem, the Executive Committee shall be informed immediately.

Working groups shall strive for consensus. When working groups know there are strong differences that should be expressed on a specific issue in the document, comments reflecting two or more positions may be developed by the working groups.

All members of a working group shall have the opportunity to read a “draft” section of an issues document, and offer suggestions and changes at least once prior to submittal to the Executive Director for inclusion in an OMS document. If more than one workgroup is assigned to work on an issue, each working group must have an opportunity to read a “draft” section and offer suggestions and changes at least once prior to submittal to the Executive Director for inclusion in the OMS document.

When two or more working groups have provided sections of the draft documents, the ED shall assure the internal consistency of the completed document, whether draft or final.

The chair or chairs of the working groups involved shall submit the document to the ED in a timely manner.

The ED will only include information in issues documents that follows the procedure outlined in this section “Preparation of the Issues Document.” *Exceptions: There may be situations when short timelines, or other factors, do not allow all steps of this process to take place. The ED should then note, in an attachment to the draft document, which steps have not taken place in preparation of the document.*

Approved at OMS BOD Meeting 10/14/04

Timetable to Elect OMS Working Group Chairs

Our OMS Working Group chairs have been in place since July 2003 when membership of each working group elected their own chairs. It seems only fair to the chairs and to the membership of each working group to provide for a systematic way to re-elect chairs or

elect new chairs. I suggest that working groups should meet, by conference call, for the purpose of selecting chairs in the two weeks prior to our annual meeting, Dec. 11, 2004 and report results of these meetings to Executive Director, Bill Smith. Then, at our annual meeting, Bill Smith will announce chairs of all of our working groups for the coming year.

Organization of MISO States
Report of the Treasurer
Laura Chappelle, Michigan PSC
to the
Board of Directors
October 14, 2004

Report for September 2004

Cash on Hand

To date, we have received \$550,000 from the MISO and are holding the remaining balance in our account at Bank One. As of September 30, 2004, our balance in the Bank One account was \$294,335.09.

Expenditures to Date

Total disbursements for September 2004 were \$20,228.32 Total disbursements for the 2004 calendar year are \$233,726.08.

Audit Proposals

After reviewing the three audit proposals submitted, I concur with the Executive Director on the choice of Ryun, Givens, Wenthe & Company. The Executive Director will sign the necessary documentation to hire the firm. We will have them perform a full audit of the OMS records for the Fiscal Year of July 2003 – June 2004. See the memo to Laura Chappelle from Bill Smith dated October 1, 2004 regarding the “Selection of Auditor.”

TREASURER'S REPORT
 Organization of MISO States (OMS)
 September 30, 2004

9/30/2004
TOTALS

Commercial Checking with Interest

Beginning Balance as 9/1/04 \$264,503.95

9/15/04	Wire Transfer	50,000.00	
9/30/04	Interest Payment	<u>59.46</u>	
	Total Deposits		\$ 50,059.46

Checks and Charges

Date	Check	Descriptions		
9/8/04	1469	August MISO Advisory & BOD Meetings /MO	99.32	*
9/8/04	1470	August MISO Advisory & BOD Meetings /MO	98.57	*
9/8/04	1471	Missouri PSC-August MISO Advisory & BOD Meetings	280.49	
9/8/04	1472	Wisconsin PSC-August MISO Advisory & BOD Meetings	605.16	
9/17/04	1473	Infomax Office Systems, Inc	170.66	
9/17/04	1474	100 Court Investors LLC/OMS Rent & Parking for Sept.	874.21	
9/17/04	1475	Bank One- September Credit Card Payment	511.48	(1)
9/17/04	1476	Meals and Taxi for D.C. Travel/ED	24.16	
9/17/04	1477	InterCall- July Conference Calls	589.18	
9/17/04	1478	MISO Mtg-9/1-6/04	525.69	
9/24/04	1479	Travel Advance to MISO Mtg-October Mtg	200.00	
9/24/04	1480	Meals for September MISO Mtgs/ED	25.52	*
9/30/04	1481	September MISO Market Subcommittee Mtg/MO	198.36	*
9/30/04	1482	September MISO Advisory & BOD Meetings /MO	106.52	*
9/30/04	1483	Missouri PSC-September MISO Advisory Meeting	282.90	*
9/30/04	1484	September MISO Advisory Meeting/MO	90.52	*
9/30/04	1485	September MISO Market Subcommittee Mtg/IA	388.59	*
9/30/04	1486	Wisconsin PSC-September MISO Advisory Meeting	530.71	*
9/30/04	1487	Wisconsin PSC-September MISO Advisory, BOD & Adhoc Mtgs	585.93	*
9/30/04	1488	DWX Internet-October	35.00	*
9/30/04	1489	Triplett Office Essentials-Office Supplies	31.03	*
9/29-30/04		September Payroll (inc. Employer & Employee taxes)	13,974.32	
		Total Checks and Charges		<u>20,228.32</u>

Net Activity 29,831.14

CHECKING ACCOUNT BALANCE 9/30/04 \$294,335.09

Notes * Indicates that check was still outstanding at the time the Bank Account was reconciled.
 (1) Credit Card charges include travel expenses for the Exec. Director of \$258.65, Federal Express Shipping Fees of \$: and Qwest Communication Bill of \$218.63 (Phone charges).



Organization of MISO States

100 Court Avenue, Suite 218
Des Moines, Iowa 50309

Phone: 515-243-0742
Fax: 515-243-0746
www.misostates.org

To: Hon. Laura Chappelle
OMS Treasurer
From: Bill Smith
Date: October 1, 2004
Re: Selection of Auditor

I have reviewed the proposals of three firms to perform audit functions for the OMS. The three firms are:

- Denman & Company
- Ryun, Givens, Wenthe & Company
- McGowen, Hurst, Clark & Smith

All three firms demonstrate significant professional experience and more than adequate depth of personnel to provide the service we need. All firms were diligent in asking questions to understand OMS's operations. All offer related services such as tax preparation and advice. The firms are all located in Des Moines, which should eliminate any need for travel.

The differentiating factor is price. Two firms estimate the costs of a full audit in the range of \$3000 per year. The Ryun firm estimates \$1600. This firm's cost for other services is commensurately lower than the estimates given by the other firms.

On this basis I recommend we engage Ryun, Givens, Wenthe & Company to provide audit services to OMS. If you concur, we will add this item to the agenda of the next Executive Committee meeting for action.



Organization of MISO States

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To: OMS Directors
Pricing WG
Seams WG
From: Bill Smith
Date: October 7, 2004
Re: Regional Long-Term Pricing Filings

On the agenda for the OMS Board meeting of October 14 is an action item regarding comments on Regional Long Term Pricing. No recommendation will be forthcoming from the Pricing and Seams Working Groups, based on their examination of this issue. This memo summarizes the issue to alert you to the possible need for individual state comments and to assist in their preparation.

Background: On October 1, two pricing plans were filed at FERC. These plans are the result of a long procedural history.

- On July 23, 2003, FERC ordered the elimination of "through and out rates," rates applied to transactions from MISO members to PJM members or vice-versa. This action was intended to end the application of multiple rates ("pancaking") to a single transaction within the enlarged joint and common market area. FERC has consistently pursued a common market as mitigation for the convoluted boundary caused by the RTO membership choices of individual utilities.
- The through and out rates were to end on March 1, 2004, and were to be replaced by "Seams Elimination Charge Adjustment" (SECA). An intensive settlement process led to an agreement, approved by FERC in March 2004. This agreement extended the through and out rates until December 1, 2004, and provided that a long-term regional pricing plan would be filed by October 1, 2004.
- The settlement process was continued to provide a forum for the development of the long-term regional pricing plan. The expectation was that the transmission owners would develop that plan by July 1 without the participation of other stakeholders. The period from July 1 to October 1 would be used to gain stakeholder involvement and support.

- The transmission owners were not able to reach agreement on a plan. Three stakeholder meetings were held in July, August, and September. Instead of giving detailed consideration to a completed pricing plan, these stakeholder sessions were given presentations of several alternative plans. By September, the elements of those plans had been combined into two different proposals.
- Those two plans, now labeled the Unified plan and the Regional Pricing Proposal (RPP), were filed with FERC on October 1.
- FERC set a comment date of October 15. This is several days earlier than expected. FERC staff called me to explain that FERC internal dates had to be modified to meet the December 1 effective date, taking into account the Thanksgiving holidays.

The proposals:

Both plans are designed to replace the through and out rates. One proposal identifies the amount of revenue involved at approximately \$3.5 billion.

The regional rate structure would apply to transactions rising in one RTO and sinking in the other. It does not affect traffic across other MISO or PJM seams.

Unified plan features:

The Unified Plan is sponsored by 19 MISO transmission owners, 10 classic PJM transmission owners, and many other stakeholders, including the Michigan and Pennsylvania Commissions.

Its sponsors identify the following features and benefits:

- Regional revenue requirements are allocated to each transmission zone and added to the existing rates.
- This structure is consistent with existing PJM and MISO rates structures.
- It is based on existing revenue requirements and can be implemented without additional proceedings.
- It used historic information for sales volumes.
- It provided rate stability until 2008.
- It minimizes cost shifts.
- It treats all facilities as having regional value.

RPP features:

The RPP is sponsored by Allegheny Power, Ameren, AEP, Exelon, Illinois Power, and LG&E.

Its sponsors identify the following features and benefits:

- It allocates 13% of cost responsibility based on usage of the grid, also referred to as a flow-based method. Flow-based methods are consistent with FERC rate design policy.
- It allocates 21% of cost responsibility on a voltage-based or "highway" component. This method correlates to capacity and reliability benefits.
- The remaining cost responsibility is kept on a license plate basis.
- It avoids "license-plate" methods the FERC disfavors.
- It evens out costs of regionalization.
- It mitigates cost allocations to four high-import zones through 2008 and limits reductions to four other zones.
- It provides for updates by June 2005 to reflect new RTO members.
- It continues through 2008.

Review by OMS Work Groups: This is a rate design case. Revenue requirements differences between the plans are incidental. Like all rate design cases, fairness is in the eye of the beholder. For the same reasons that utilities favor one plan or the other based on its effects on their system, it is likely that regulators' positions will not align with each other. In other words, the OMS working groups predict significantly different points of view among the OMS states, making it improbable that any substantive OMS comment could attract a majority of eight states. Ohio and Illinois plan to submit individual comments. Michigan and Pennsylvania are sponsors of the Unified plan. Working group members feel a priority to prepare comments for their states. Members offered to share drafts with each other for information and possible joint filings.

Issues that appear to lead to different opinions include cost allocation methods and results, treatment of new facilities, use of historic or projected volumes and updating procedures, mitigation measures, and equalization of cost burdens among old and new RTO members.

Options for FERC:

Both plans are positioned for FERC to approve. Approval of the Unified plan without hearing appears procedurally uncomplicated, because it has met the transmission owner approval requirements. Adoption of the RPP without hearing is less certain; because of smaller numbers, it has not met those requirements and therefore requires additional findings by FERC.

FERC's other choices would include directing a compliance filing with features of either or both plans or additional features, extension of the through and out rates for an additional period, or suspension of the Unified plan for five months to allow for hearing or negotiation.

Options for OMS:

Assuming OMS will not file a substantive comment on the two filings, our choices are these:

- Draft a procedural statement indicating differences of position and pointing to individual state filings, mentioning lack of stakeholder engagement on the final proposals, and stating a preference for procedures that avoid intensive hearings during the next 90 days up to the start of the MISO energy market.
- Take no further action on these filings at this time.
- Make no filing at this time, but support collaboration among states that want to consider joint filings, and if possible, to mediate differences of viewpoint.
- Other?

OMS Executive Director Report
To Board of Directors October 5, 2004

FERC Activity

1. MISO Transmission and Energy Market Tariff – Docket No. ER04-691 and Grandfathered Agreements Docket No. EL04-104. The FERC issued its order on the tariff on August 6, 2004. We are pursuing four issues that follow from the order.
 - State Commission Access to Confidential Data. OMS filed rehearing on September 3. FERC granted 120 days for additional discussion and an Offer of Proof.
 - Market Readiness. FERC asked OMS to address readiness issues. Market Rules and Implementation WG is preparing draft language for the OMS Board's consideration on October 22.
 - Control area functions issues were set for a settlement judge procedure. Settlement meetings were held on August 23, September 9 and 20. The resulting Agreement will be filed today. FERC gets a 4 part package. Part 1 is an agreement between MISO and individual balancing authorities [mostly TOs, but other control areas like DTE and the Wisconsin Companies] for balancing area services. Part 2 is tariff changes to eliminate from the tariff items that are in part one and clarifications FERC wanted on MISO's status as planning authority. Part 3 is tariff change to limit exposure of MISO and the balancing authorities for conducting those activities. Part 4 is a brief set of MISO tariff changes to establish the basis for a pass through charge to any zone that can justify revenue requirements for complying with balancing authority duties not already recovered elsewhere. Comment date will probably be around October 25.
 - FTR allocation. OMS filed a rehearing on one issue with respect to seasonal resources on September 3.
 - GFAs: The FERC acted on the ALJ findings on September 16. Eleven contracts from the Minnkota/OTP area were set for settlement judge proceedings before Judge Nancy, who has scheduled a conference on October 15.
2. Through and Out Rates – Docket No. EL02-111-004, ER05-6
 - The Unified and Blended plans were filed on October 1. Comments are due October 15. The Pricing and Seams WGs are preparing draft comments for OMS Board consideration on October 14.
3. Financial Reporting and Cost Accounting, Oversight and Recovery Practices for Regional Transmission Organizations and Independent System Operators, RM04-12.
 - On September 16, FERC issued a Notice of Inquiry asking comments on these issues. Comments are due November 4. An ad hoc task force under the leadership of David Sapper of the Wisconsin PSC is preparing draft comments for the consideration of the OMS Board on October 22.
4. Reactive Power, Schedule 21, Docket No. ER04-961. Awaiting FERC action.

5. NESCOE filing, Docket No. EL04-112. Awaiting FERC action.

DOE Activity

1. National Interest Electric Transmission Bottlenecks (NIETB) proposed rulemaking. Comments were filed September 17.
2. I am continuing to work with the DOE Office of Electric Transmission and Distribution and Lawrence Berkeley National Laboratory for funding of RTO101 presentations.

Other OMS Activity:

1. NRRI and the Brattle Group have completed a draft of the report on the first 11 states that responded to the questionnaire on siting procedures. Three more responses have been received. We expect the results should be releasable soon.
2. Audit proposals were received. A recommendation will be considered by the OMS Board on October 14.
3. The IRS Form 990 is ready for filing after consultation with the selected auditor.
4. Attorney proposals (13) were received on September 30. Commissioner Garvin will work with me to prepare recommendations.
5. On October 21, work group chairs and other key staff will meet in Carmel.

Public Relations

1. Pending speaking/meeting invitations:
 - October 12 – Iowa Industrial Energy Group.
 - October 19 – Meeting with Manitoba Hydro staff at Carmel.