

**ORGANIZATION OF MISO STATES, INC.  
SPECIAL BOARD MEETING MINUTES  
CONFERENCE CALL  
FEBRUARY 25, 2004**

**Approved 6/16/04**

Commissioner Susan Wefald, President of the Organization of MISO States, Inc. (OMS), called the February 25, 2004 Meeting of the OMS Board of Directors to order via conference call at approximately 3:00 p.m. Central. The following directors were present for the meeting:

Susan Wefald, North Dakota	David Hadley, Indiana
Robert Garvin, Wisconsin	Judy Jones, Ohio
Laura Chappelle, Michigan	Gary Hanson, South Dakota
Kevin Wright, Illinois	Greg Jergeson, Montana
Steve Gaw, Missouri	Diane Munns, Iowa
Talina Mathews for Gary Gillis, Kentucky	
Tim Texel, Nebraska	
Burl Haar for LeRoy Koppendrayer, Minnesota	
Matt Lacey for Nancy Campbell, Minnesota DOC	

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

Comm. Wefald called the meeting to order and took up new business.

**Action Item 1:        Shall OMS file comments with the FERC (on or before February 27) on FERC Order 2003 Large Generator Interconnection Issues?**

Comm. Wefald said at least eight states need to approve the comments for the OMS to file them. She suggested that the OMS use the language from the OMS comments on MISO's July 2003 tariff filing to designate which states supported the comments.

Comm. Hadley pointed out that the comments recommend a technical conference conducted by the OMS. He asked for discussion about the reason for this suggestion and the role of OMS in conducting a technical conference.

Randy Rismiller noted that MISO's FERC filing (Attachment X) said MISO will determine distribution upgrades that are necessary, measure the costs and assign the costs. Randy further noted that MISO made no showing that it had the skills to do those things. Randy thought some state commissions might want

other states to bear some of the distribution upgrade costs, thus Randy thought OMS might have a role in the processes MISO's FERC filing envisions.

Comm. Hadley said the draft comments do a good job of discussing previous FERC decisions.

Comm. Wefald read suggested language that would designate which states are joining the OMS comments. Bill Smith clarified that the language Comm. Wefald suggested was from the OMS comments on MISO's July 25, 2003 tariff filing.

Comm. Jones moved that the OMS file comments on FERC Order 2003 Large Generator Interconnection Issues. Comm. Hanson seconded the motion for discussion purposes.

Comm. Garvin called roll for a vote

South Dakota:	Impressed with the draft comments and supports them.
North Dakota:	Supports the OMS comments; will file own comments, too.
Missouri:	Generally supports the OMS comments.
Michigan:	Generally supports the OMS comments.
Wisconsin:	Generally supports the OMS comments.
Iowa:	Generally supports the OMS comments.
Illinois:	Abstains for internal scheduling reasons. Intends to file comments at FERC in support of the OMS comments, but no formal position at this time.
Indiana:	Generally supports the OMS comments.
Kentucky:	Generally supports the OMS comments.
Montana:	Generally supports the OMS comments.
Nebraska:	Abstains for internal scheduling reasons.
Ohio:	Generally supports the OMS comments and appreciates the work done.
Minnesota:	Generally supports the OMS comments.
MN DOC:	Generally supports the OMS comments.

Comm. Wefald asked Bill Smith to contact Pennsylvania and Manitoba and ask if they would join the OMS comments. Bill Smith said he has had a nice exchange of phone calls and e-mails with the chair of the Manitoba Power Board and that they were waiting for the new chair to get settled.

Comm. Munns pointed out that the Order 2003 technical conference will have a large legal component and urged that OMS put a legal team on this issue. Comm. Wefald said that was a good suggestion.

**Action Item 2: Shall OMS approve the Principles for Restoration of Prorated FTR's and Uplifting Potential Revenue Shortages Related to FTR Allocations?**

Comm. Wefald said she had sent out a chart (attached) to work from. She noted that the OMS FTR Working Group had reviewed Wisconsin's suggested changes and would offer advice.

Comm. Garvin moved for the adoption of the Principles as amended according to his suggestions.

Commissioner Chappelle asked to work from pages 7 and 10 from the original FTR Principles document. Comm. Wefald said that information was on the chart she had distributed. Comm. Wefald said the OMS Board had agreed at the last meeting to only look at pages 7 and 10 from the original FTR Principles document. Comm. Garvin said he had comments on more pages of that document than only pages 7 and 10, as highlighted in his e-mail (attached below, including the document FTR Principles – WI comments.doc). In the interest of time, however, he said he was willing to limit discussion to the principles listed in pages 7 and 10 of the original FTR Principles document.

Comm. Munns seconded the motion for the purpose of discussion.

Comm. Wefald asked Comm. Garvin to explain his suggested changes, with Mike Proctor explaining the OMS FTR Working Group's position after. Comm. Chappelle asked that Mike Proctor give his presentation first; Comm. Wright supported that approach. Mike Proctor discussed the Principles that were initially put before the Directors and what the OMS FTR Working Group thought of Comm. Garvin's suggestions (as discussed in the attached e-mail from Mike).

Mike explained the compromise language for the hold harmless principle that the FTR WG felt more comfortable with as a whole. The compromise language is:

Hold Harmless: The initial FTR allocation, restoration and uplift processes should ensure that an existing transmission customer does not have to pay for additional congestion costs compared to what it pays today for TLRs through redispatch cost.

Mike said the FTR WG did not want to tie hold harmless to some specific historical measure of congestion costs.

Comm. Garvin said he was delighted that OMS would adopt hold harmless as a principle. He suggested improving the compromise hold harmless principle by adding the following sentence to the end of the compromise principle: "MISO should make hold harmless the paramount objective for its initial FTR allocation."

Comm. Chappelle said she had not had time to discuss Comm. Garvin's proposed changes with other Michigan commissioners; her staff has been trying to understand this issue. She asked if this was the best way to proceed – to bring in last minute changes to a document that is supposed to be voted on. If it was just her, she could vote, but Michigan's other commissioners had not had time to be fully briefed.

Comm. Wefald asked for other comments on the timeliness of Comm. Garvin's suggested changes.

Comm. Munns said the OMS FTR WG had not had a chance to review Comm. Garvin's changes. She said giving people time is an important issue. She said she does not feel comfortable, at this time, considering language that has not been vetted by the working group.

Comm. Wefald asked Comm. Garvin if he was okay with the OMS Board only taking up issues that had been vetted by the working group and not taking up new ideas that are just now being raised.

Comm. Garvin responded that his suggested change is not a new idea – his suggested change was previously sent in an e-mail (attached). He said all he was asking the OMS to do was to clarify that hold harmless is the paramount objective, consistent with guidance that FERC has already provided in its February 24, 2003 order.

Comm. Wefald asked if anyone else feels they need more time to review Comm. Garvin's suggested changes. She recommended that Comm. Chappelle abstain from this vote. She also pointed out that there will be time before the OMS Board considers the tariff comments for Comm. Chappelle to discuss the issues with the other Michigan commissioners.

Comm. Wefald suggested that the OMS tackle the principles one at a time, using the working group's language for the FTR principles.

She asked how many people feel comfortable with the working group's language for hold harmless. All responses were in the affirmative. Comm. Chappelle abstained.

Comm. Garvin asked if the OMS Board was taking up his proposed additional sentence. Comm. Wefald said that's right: we're not taking that up at this time. We're just working from the working group's recommendations.

Mike Proctor said the working group recommended approval of Wisconsin's "enforceability" principle. Comm. Wright questioned Mike's report that the working group had approved that principle. Mike said there were no expressed objections to that language on the working group call. Mike said the working

group did recognize, however, that there was some expressed concern regarding how to come up with a tariff provision that would enforce the hold harmless condition. Comm. Wright asked what additional enforceability we would need if the tariff is going to be enforced by FERC.

Comm. Garvin said there would be related tariff provisions, but the OMS needs to provide MISO guidance to clarify for everyone how to resolve the open legal issue of the role of OMS in restoring prorated FTRs and the allocation of uplift and safety net costs. Comm. Garvin said that kind of clarification is needed and should be stated as a principle, since the question of OMS's role keeps coming up. He said the burden should be on MISO right now to clarify what mechanism will be used to enforce hold harmless. Mike added that in MISO's draft tariff, MISO proposes to limit the hold harmless issue to jurisdictional utilities on an individual state basis. Comm. Wefald said the OMS is not a decision maker and that the MISO tariff would make an individual state the decision maker.

Comm. Jergeson raised a procedural issue, pointing out that the relevant motion was to adopt all of Comm. Garvin's suggested changes, not just the one regarding the hold harmless principle. Even though the group expressed comfort in working from the FTR Working Group's recommendations, there was no motion or vote taken to do so.

Comm. Garvin withdrew his original motion and made a new motion to adopt the language agreed upon by the FTR Working Group for the hold harmless principle, which is:

Hold Harmless: The initial FTR allocation, restoration and uplift processes should ensure that an existing transmission customer does not have to pay for additional congestion costs compared to what it would have paid if the market structure had not been changed.

Comm. Hadley seconded the motion. The motion passed; Commissioners Chappelle and Jones abstained.

Comm. Garvin reminded the Board that he had made a motion to add the following sentence to the end of the "hold harmless" Principle: "MISO should make hold harmless the paramount objective for its initial FTR allocation." The motion failed for a lack of a second. Comm. Wefald acknowledged that motion had failed for lack of a second.

Comm. Garvin made a motion to adopt the language agreed upon by the FTR Working Group for the "enforceability" principle:

Enforceability: There must be an enforcement mechanism to ensure that the initial FTR allocation, restoration and uplift processed hold harmless existing transmission customers.

Comm. Munns seconded it. Comm. Wright voted no; Commissioners Chappelle and Jones abstained. The motion passed.

Comm. Garvin agreed to drop his suggestion for the “eligibility” principle.

Comm. Garvin made a motion to adopt a revision to the “transition” principle, so that it would read:

Transition - Any requirement for customers to take counter flow FTRs should be phased out according to the perceived (or observed) need for FTR restoration. The OMS should provide MISO guidance on this phase-out.

Comm. Wefald said this language was not recommended by the working group. Comm. Jergeson seconded the motion.

A roll-call vote was taken:

North Dakota: No

Missouri: No

Michigan: No

Wisconsin: Yes

Iowa: No

Illinois: No

Indiana: No

Kentucky: No

Montana: Yes

Nebraska: Abstain

Ohio: Abstain

South Dakota: Yes

Minnesota: No

Comm. Garvin’s motion on the “transition” principle failed.

Comm. Garvin said he would drop his recommended change for the “safety net” principle.

Comm. Garvin made another motion to adopt his suggested positive definition of “cost causer”: “Cost causers are defined as 1) MISO market participants whose CFTR nominations deviate from historic transmission use; or 2) neighboring systems that cause HARM to other market participants.”

Comm. Garvin noted that the OMS FTR Working Group developed a negative definition – “Market participants who are ‘harmed’ will not be considered ‘cost causers’ and will not be forced to pay for their own FTR ‘hold harmless’ relief – that satisfies some of his concerns. He pointed out that the Principles that were

being considered made reference to the principle of cost causation but lacked a positive definition of "cost causer". He said he thought that if the OMS is going to adopt a principle of cost causation, the OMS should positively define "cost causer". Comm. Hadley suggested that Comm. Garvin amend his motion to only include the negative definition agreed upon by the working group. Comm. Garvin declined his suggestion. Comm. Garvin's motion failed for a lack of a second.

Comm. Munns made a motion to adopt the following principle:

"Uplifts of FTR revenue inadequacies should not provide incentives to discourage or delay the implementation of congestion mitigation measures."

Comm. Wright seconded her motion and the motion carried.

**Action Item 3: Shall the OMS Board approve provision of Officers and Directors Liability Insurance effective January 1, 2004?**

Comm. Wright made the motion. Comm. Jergeson seconded the motion. Comm. Chappelle noted that the OMS has received a bill for the insurance for \$3,702, which includes \$3,500 for Directors Liability insurance as well as other insurance for other provisions like property and workers' compensation. Comm. Jones said she has asked the Ohio Attorney General's office to review the insurance and she is not prepared to vote today. Comm. Munns said it was a relatively small price to pay for this insurance. Comm. Jergeson said it would be redundant to protections under state immunity but that it cannot do any harm. Comm. Chappelle encouraged others to take this first step and noted that this can be refined later. Comm. Jones abstained. The motion carried.

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**From:** Garvin, Bert PSC

**Sent:** Monday, February 23, 2004 11:26 AM

**To:** Wefald, Susan E.; Binek, William W.; Clark, Tony T.; Cramer, Kevin; 'scdevon@michigan.gov'; 'gforrest@gov.mb.ca'; 'blballi@michigan.gov'; 'jchanne@michigan.gov'; 'kkfeldp@michigan.gov'; 'lhpappa@michigan.gov'; 'mlhiser@michigan.gov'; 'rbnelso@michigan.gov'; 'paul.hudson@puc.state.tx.us'; 'wcjones@michigan.gov'; 'julie@misostates.org'; Lein, Jerry R.; 'johlevin@state.pa.us'; 'christopher.miller@ferc.gov'; 'loul@worldnet.att.net'; 'iowaoca@mail.oca.state.ia.us'; 'kmroth@michigan.gov'; 'bill@misostates.org'; 'phyllis.reha@state.mn.us'; 'alan.mitchell@mnplan.state.mn.us'; 'alan.schriber@puc.state.oh.us'; Bie, Ave PSC; 'b.moline@kcc.state.ks.us'; 'BBorum@urc.state.in.us'; 'becky.klein@puc.state.tx.us'; 'bill.smith@iub.state.ia.us'; 'bob.cupit@state.mn.us'; 'bob.sahr@state.sd.us'; 'bpauley@urc.state.in.us'; 'browe@state.mt.us'; 'burl.haar@state.mn.us'; Bridge, Burnie PSC; 'bvanderl@icc.state.il.us'; 'cericson@icc.state.il.us'; Berndt, Christy PSC; 'clark.kaml@state.mn.us'; 'conniemurray@psc.state.mo.us'; 'Dahl.Harris@state.nm.us'; Ebert, Dan PSC; 'Dan.Johnson@puc.state.oh.us'; Sapper, David PSC; 'dhadley@urc.state.in.us'; 'diane.munns@iub.state.ia.us'; 'Don.Howard@puc.state.oh.us'; 'don.mason@puc.state.oh.us'; Neumeyer, Donald PSC; 'dziegner@urc.state.in.us'; 'ehurley@icc.state.il.us'; 'elliott.smith@iub.state.ia.us'; 'frank.bodine@iub.state.ia.us'; 'gary.hanson@state.sd.us'; 'gjergeson@state.mt.us'; 'gloria.butler@iub.state.ia.us'; 'Greg.Rislov@state.sd.us'; 'gregory.scott@state.mn.us'; 'gwgillis@mail.state.ky.us'; 'j.bell@kcc.state.ks.us'; 'j.wine@kcc.state.ks.us'; 'jan.karlak@puc.state.oh.us'; 'jcoffman@ded.state.mo.us'; 'jess.totten@puc.state.tx.us'; 'jim.burg@state.sd.us'; Feit, John PSC; 'john.harvey@iub.state.ia.us'; 'john.j.smith@state.sd.us'; 'jripley@urc.state.in.us'; 'jstovall@state.mt.us'; 'judy.jones@puc.state.oh.us'; 'julie.parsley@puc.state.tx.us'; 'k.clem@kcc.state.ks.us'; 'k.leaf@occmil.occ.state.ok.us'; 'kevin.holtsberry@puc.state.oh.us'; 'Kim.Wissman@puc.state.oh.us'; 'kwhitney@state.mt.us'; 'kwright@icc.state.il.us'; 'lenamantle@psc.state.mo.us'; 'leroy.koppendraye@state.mn.us'; 'lford@icc.state.il.us'; 'louis.sickmann@state.mn.us'; 'malarson@state.mt.us'; 'mark.lambert@iub.state.ia.us'; 'mark.musser@gov.state.ok.us'; 'Markoligschlaeger@psc.state.mo.us'; 'marshall.johnson@puc.state.mn.us'; 'martin.huelsmann@mail.state.ky.us'; 'Matthew.Lacey@state.mn.us'; 'mbarnabe@icc.state.il.us'; 'mbrainard@state.mt.us'; 'mikeproctor@psc.state.mo.us'; 'msquires@icc.state.il.us'; 'nancy.campbell@state.mn.us'; 'parveen.baig@iub.state.ia.us'; 'rkind@ded.state.mo.us'; 'robert.spurlin@mail.state.ky.us'; 'Rolayne.Wiest@state.sd.us'; 'ronnie.fergus@puc.state.oh.us'; 'rrismill@icc.state.il.us'; Smith, Scott PSC; 'sogur@icc.state.il.us'; 'stevedottheim@psc.state.mo.us'; 'stevegaw@psc.state.mo.us'; 'talina.mathews@mail.state.ky.us'; 'tefitzpatr@state.pa.us'; 'thmaher@state.pa.us'; 'tschneider@state.mt.us'; 'ttexel@prb.state.ne.us'; 'wmccarty@urc.state.in.us'; 'rfyoung@state.pa.us'

**Cc:** Andrew Dotterweich; Beth Soholt; Bill Malcolm (E-mail); Charles Gray (E-mail); Damon Xenopoulos; Daryl Hanson; David Donovan; David Svanda; Jim Torgerson; Julie Voeck; Kcolton (E-mail); Landgren; Michael McLaughlin; Patrick Clarey; Rgillen (E-mail); rlbregre; Robert Mork; Samatha Slater; Sarah McKinley; slgaarde

**Subject:** OMS Board Meeting Feb. 25--Deferred Discussion on FTR Allocations Working Group

Susan and Mike Proctor--

I wanted to follow up on the February 13th OMS Board's discussion of Mike's working group's draft principles for restoration of prorated FTRs and Uplifting Potential Revenue Shortfalls Relating to FTR allocations, as found in your February 13th presentation. As you may recall, the OMS did not have sufficient time to adequately discuss your

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presentation during our call and it will be the subject of further discussion on this week's conference call with our OMS colleagues. During the call I mentioned a few areas where OMS might want to clarify your draft principles and briefly discussed those issues with you at the MISO advisory committee meetings last week in Carmel, Indiana. President Wefald suggested during the call that I send you a written response that identify any suggested changes in advance of the next OMS Board conference call.

The purpose of this e-mail is to briefly highlight a few areas where OMS may want to clarify and build upon your excellent presentation that aptly summarizes the status of FTR allocation principles and concepts. I have also attached a redline version of your February 13th presentation that includes some suggested changes and offers a number of comments prepared by David Sapper and me.

While we have offered a number of comments and suggested changes to the February 13th draft, the most substantive changes I would offer for your consideration are summarized below.

**1. The OMS principles should include hold harmless as the paramount policy objective of MISO's initial FTR allocation.**

The purpose of this suggested change is to make explicit as a principle the FERC's findings in its February 24, 2003 order that holding existing transmission customers whole should be the MISO's primary objective for its initial FTR allocation. The other policy objectives identified in the FERC's order were: to provide an allocation of FTRs that is simultaneously feasible in a security constrained power flow; and to provide a fair allocation that is consistent with how the underlying costs of the system are recovered.

It is equally important to recognize that at the heart of the conflict between the hold harmless and simultaneous feasibility objectives is the issue of the extent to which MISO's initial FTR allocation is based on historical uses of the transmission system. Therefore it's important to note that FERC states in its February 24, 2003 order that it expects "that Midwest ISO's tariff will clearly indicate that the selection of Candidate FTRs is based on historic uses of the system." If the OMS Board decides not to support FERC's previous findings and expectations, the principles should clearly express this preference.

**2. The OMS principles should include enforceability of FTR restoration and uplift decisions.**

Absent in the draft principles document is any discussion of the need for tariff language that would ensure the legal enforceability of FTR restoration and uplift decisions. The OMS may include this suggestion in its tariff comments, but because the principles will guide the OMS tariff comments, the principles should include the need for appropriate tariff language (as opposed to language in MISO's business practice manuals, for example). Also, giving this point the weight of a principle may encourage MISO to clarify its tariff, for both OMS and market participants, to answer an open legal question over the potential role of OMS in restoring prorated FTRs and administering the allocation of uplift and/or "safety net" payments and costs. Such a

clarification is needed and the principles document should identify and/or address the issues raised by the following questions: Will OMS serve as the arbiter of the proposed dispute resolution process mentioned in the principles? Will OMS be the deciding authority on how to either determine or allocate uplift and/or safety net payments and costs?

3. **"Cost causer" should be defined.**

This is among the thorniest tariff issues that MISO and OMS must tackle. Allocating the costs of FTR restoration and uplift according to the principle of cost causation amounts means that "cost causers" pay for the hold harmless solution. The absence of any clear understanding of the term "cost causer" frustrates any effort to hold harmless a market participant. By advancing a more explicit definition of a "cost causer" for MISO's tariff, both OMS and MISO will have a better understanding of the nexus between this term and the "hold harmless" policy objective and processes.

The attached proposed redline revision of your February 13th presentation contains our attempt at a definition of "cost causer". Since there is still so much work to be done in this area, for the purposes of the principles document, we opted for a more general definition. Under our proposed definition, a "cost causer" would be generally identified as either 1) a MISO market participant, whose candidate FTR nominations deviate from their historical uses, or 2) a neighboring system, which cause harm to other market participants. As the OMS FTR WG was already recognized, the causes of any FTR-related "harm" experienced by MISO market participants may originate outside the MISO system. These issues are too important to be brushed aside in the tariff because of the legal and technical complexities. These issues may be addressed to some extent in MISO's joint operating agreements and/or "arrangements" with non-MISO entities.

4. **The OMS principles should include an equitable sunset provision for FTR restoration and uplift.**

The principles should state that FTR restoration and uplift should be phased out according to the need for FTR restoration and uplift and that the OMS should provide MISO guidance on this phase-out. The concern that uplift will discourage or delay network improvements needed to alleviate congestion should be based on facts and not theoretical speculation. These facts could be taken into account in MISO and/or OMS reviews of "petitions" for FTR restoration or uplift. Further, if "harmed" market participants are already building or formally planning to build new generation and transmission facilities that are designed to reduce congestion, the receipt or potential to receive uplift can not be considered an incentive to discourage or delay network improvements needed to alleviate congestion.

Thank you for your consideration of these suggestions and comments. I hope we can fully discuss the principles on the next OMS Board conference call.

Bert



Principles for  
Uplift-WI comments.c

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-----Original Message-----

From: mike.proctor@psc.mo.gov [mailto:mike.proctor@psc.mo.gov]  
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To: bill@misostates.org  
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Subject: Report on the OMS FTR Allocations Working Group Call

Bill,

Susan Wefald asked me to send you a report on the conference call of the OMS FTR Allocations Working Group concerning the proposals from Wisconsin on Principles for FTR Restoration and Uplift. My understanding is that you will forward this report to the OMS Board of Directors for their consideration when they vote on these principles tomorrow.

Because of the lateness of timing on being able to set up this conference call, not all working group members were able to participate. However there was a good representation that included representatives from the following state commissions: Missouri, Indiana, Iowa, Kentucky, Wisconsin, Illinois, Minnesota and Ohio. In addition the Iowa consumer group and FERC were listening to the call.

1) Regarding Wisconsin's proposed Hold Harmless principle, the group agreed to support the condition with the following rewording:  
Hold Harmless: The initial FTR allocation, restoration and uplift processes should ensure that an existing transmission customer does not have to pay for additional congestion costs compare to what it would have paid if the market structure had not been changed.

In addition there was a fairly extensive discussion of the relationship of hold harmless to an FTR allocation method that is based on historic uses of the system. The original MISO FTR allocation procedure restricted

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nominations in the first two tier to generation sources having a certain capacity factor or better. This is an attempt to ensure that generation sources that have historically used the transmission system most would be fully allocated FTRs. However, there is recognition of flaws with using capacity factor as the only measure of eligibility. The draft MISO tariff FTR allocation process reflects, in part, historical use through FTR restoration of prorated FTRs from base load generation sources.

2) Regarding Wisconsin's proposed Enforceability principle, the group agreed to the wording, and moreover agreed that any hold harmless condition must be enforceable through the inclusion of specific tariff language.

3) Regarding Wisconsin's proposed changes to the wording of the Eligibility principle, the group did not discuss this wording change. I missed going over this in our discussions.

4) Regarding Wisconsin's proposed changes to the wording of the Transition principle, after much discussion, the group decided to keep the original wording. It is important to point out that the three-year phase in is recommended by the group for this specific requirement for customers to take counter flow FTRs. There is a transition period associated with uplifts discussed further down the list where the group had differences.

5) Regarding Wisconsin's proposed change to the wording of the Safety Net principle, the group did not support adding the word "observed" as this would restrict the safety net to after the fact ("ex post") measures of significant financial harm. While the group did not necessarily oppose after-the-fact measures, we did not want to exclude possible "ex ante" safety nets.

6) Regarding the Wisconsin's proposed definition of cost causer, there was agreement that the proposed definition wasn't what was being contemplated under the uplift principle - "Uplifts of FTR revenue inadequacies should not be applied when costs can be allocated to and recovered from cost causers." Specifically, what was being contemplated when that principle was written was a situation in which a transmission customer was incurring congestion costs but was not taking any actions to mitigate those costs, or determined that the level of congestion costs were less costly than the costs of

mitigation. In these cases, the principle is that rest of the MISO footprint should not have to pay for these costs in an uplift charge.

In our discussions, we learned that Wisconsin's definition was aimed more at excluding certain market participants from the definition of cost causer. Specifically, if a market participant was harmed either because other MISO market participants were allocated FTRs that deviated from their historical use of the transmission system, or because of the use of the MISO system allowed to neighboring, non-MISO members, then the harm (in the form of congestion costs) should not be attributed to that market participant as a cost causer.

7) Regarding the third uplift principle on not providing incentives to discourage or delay the implementation of congestion mitigation measures, several varied views were expressed. Everyone continued to support the original language in the principle, but each state had views on what should be added. Illinois and Ohio expressed a preference for a 3 year limit to be added to the principle. Iowa felt more comfortable with a 4 year limit. Indiana was comfortable with a 3 to 4 year limit but would add an exemption for special cases. Missouri, Iowa and Kentucky agreed with this proposal, and Iowa recommended that specific and tough criteria would need to be set for an exemption. Wisconsin supported its proposed language that would not set a definite limit, but instead would require an annual review process to determine whether or not to extend the uplift period.

Finally, several of the members of the working group wanted to express a recommendation that those entities that have concerns about being harmed, it is time to bring forward to the OMS the specifics of their concerns. It is our understanding that many utilities have performed studies in which certain assumptions regarding allocations of FTRs have been made and analysis has been performed regarding the extent to which those allocations will be an effective hedge against congestion costs. In order for us to better understand concerns and to be able to better design safety nets or alternative allocation methods, we need to have specifics. We also need the

Midwest ISO's involvement in this evaluation process to determine whether assumed allocations of FTRs are reasonable and to give all market participants an idea of what can be expected in FTR allocations if the process set out in its draft tariff are implemented.

My hope is that this report will be of value to the OMS Board in making its decision regarding principles for Restoring FTRs and Uplift.

Thank You,  
Mike Proctor, Chairman  
OMS Working Group on FTR Allocations

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<b>OMS Principles for FTR Restoration</b>	
Original Version	Wisconsin's Revisions (In <b>Bold</b> )
	<b><u>Hold Harmless:</u> The initial FTR allocation, restoration and uplift processes should ensure that an existing transmission customer does not have to pay for additional congestion costs compared to what it pays today for TLRs through redispatch cost.</b>
	<b><u>Enforceability:</u> There must be an enforcement mechanism to ensure that the initial FTR allocation, restoration and uplift processed hold harmless existing transmission customers.</b>
<u>Eligibility</u> - If prorating of nominated FTRs results in an existing transmission customer being harmed, the prorated FTRs would be eligible for restoration.	<u>Eligibility</u> - If <b>MISO confirms that</b> prorating of nominated FTRs <b>is likely to</b> result in an existing transmission customer being harmed, <b>MISO would deem certain</b> prorated FTRs as eligible for restoration.
<u>Restoration Process</u> – To the extent that present-day financial outcomes for holders of existing firm transmission service do not reflect enduring costs caused by others, the restoration of prorated FTRs should, to the maximum extent possible, reflect those present-day financial outcomes.	No changes.
<u>Transition</u> – Any requirement for customers to take counter flow FTRs should be limited to the first three years of FTR Allocations.	<u>Transition</u> - Any requirement for customers to take counter flow FTRs should be <b>phased out according to the perceived (or observed) need for FTR restoration. The OMS should provide MISO guidance on this phase-out.</b>
<u>Safety Net</u> – Only in cases of significant financial harm to an existing transmission customer, where either base FTR restoration cannot be achieved without	<u>Safety Net</u> - Only in cases of <b>observed</b> significant financial harm to an existing transmission customer, where either base FTR

violating simultaneous feasibility or where base FTR restoration is not sufficient, should forms of uplifting the cost of the FTR restoration be used.	restoration cannot be achieved without violating simultaneous feasibility or where base FTR restoration is not sufficient, should forms of uplifting the cost of the FTR restoration be used.
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<b>OMS Principles for Uplift</b>	
Original Version	Wisconsin's Revisions (In <b>Bold</b> )
<p>Uplifts of FTR revenue inadequacies should satisfy FERC's Order to MISO dated February 24, 2003, in Docket No. EL03-35-000 at ¶ 64:</p> <p>"... to hold existing transmission customers whole with respect to congestion-related charges under MISO Day-2 operation to the extent possible given the objective of simultaneous feasibility."</p> <p>FERC's White Paper at p. 10</p> <p>–"... these rights would be allocated according to existing contracts and existing service arrangements in order to hold customers harmless."</p> <p>and FERC's White Paper Appendix at p. 17.</p> <p>–"... ensure that each existing firm customer receives FTRs or ARRs, based on the regional choice, equivalent to the customer's existing firm rights. This includes whether any revenue shortfalls would be recovered through an uplift charge that applies to all customers in the region or over narrower class of customers, e.g., only to customers in certain zones within the region."</p>	No changes
<p>Uplifts of FTR revenue inadequacies should not be applied when costs can be allocated to and recovered from cost causers.</p>	No changes
	<p>Cost causers are defined as 1) MISO market participants whose CFTR nominations deviate from historic transmission use; or 2) neighboring</p>

	systems that cause HARM to other market participants.
	Market participants who hare “harmed” will not be considered “cost causers” and will not be forced to pay for their own FTR “hold harmless” relief.
Uplifts of FTR revenue inadequacies should not provide incentives to discourage or delay the implementation of congestion mitigation measures.	Uplifts of FTR revenue inadequacies should not provide incentives to discourage or delay the implementation of congestion mitigation measures. <b>These considerations should be taken into account by MISO’s review process for FTR restoration eligibility, including evidence of “moral hazard” as well as current and future plans to improve generation and transmission infrastructure.</b>