

ORGANIZATION OF MISO STATES, INC.
BOARD MEETING MINUTES
April 8, 2004

Approved May 13, 2004

Commissioner Susan Wefald, President of the Organization of MISO States, Inc. (OMS), called the April 8, 2004 Meeting of the OMS Board of Directors to order via conference call at approximately 2:00 p.m. (CDT) The following commissioners participated in the meeting:

Susan Wefald, North Dakota
Margaret Barnabee, proxy for Kevin Wright, Illinois
Steve Gaw, Missouri
Peter Lark, proxy for Laura Chappelle, Michigan
Diane Munns, Iowa
LeRoy Koppendrayner, Minnesota
Greg Jergeson, Montana
Robert Garvin, Wisconsin
David Hadley, Indiana
Tim Texel, proxy for Louis Lamberty, Nebraska
Judy Jones, Ohio
Mark David Goss, Kentucky

Others on the meeting call

John Harvey, Iowa
Bill Vanderlaan, Illinois
Randy Rismiller, Illinois
Nancy Campbell, Minnesota DOC
Ken Nickolai, Minnesota
Mike Proctor, Missouri
Tim Texel, Nebraska
Jan Karlak, Ohio
Klaus Lambeck, Ohio
Jack Dwyer, Iowa OCA
Jerry Lein, North Dakota

Bill Malcolm, MISO
Jim Holsclaw, MISO
Samantha Slater, EPSA
Tom Wrenbeck, International Transmission Co
Andrew Dotterweich, Consumers Energy Co.
Daryl Hanson, Ottetail Power Co.
JoAnn Thompson, Ottetail Power Co.

Bill Smith, OMS
Julie Mitchell, OMS

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 March 12, 2004 Board Meeting

The Directors voted to unanimously approve the minutes of the March 12, 2004 Board meeting as distributed by Sec. Bert Garvin. Bert Garvin, WI offered the motion, Leroy Koppendrayner, MN seconded.

Review of Actions of the Executive Committee on March 25.

President Wefald highlighted details of the March 25 OMS Executive Committee meeting:

- Discussion of selection of a research project to propose for DOE funding. This was referred to the OMS Executive Committee from the last OMS BOD meeting. The Siting & Transmission Planning Work Group brought a proposal for the Executive Committee to the coordination of planning between MISO and PJM. However the Executive Committee wanted some questions researched before selecting a project for DOE funding, so further discussion was tabled until the next executive committee meeting.

- Next, the Executive Committee looked at which OMS Work Group should follow the work of the Readiness Advisor and report progress to the OMS BOD. The Executive Committee appointed both the Seams WG and the Market Timelines and Implementation WG to follow the issue and report to the board.
- Klaus Lambeck gave an update on some planned work of the Siting and Transmission Planning WG. He will continue with his report at the next Executive Committee Meeting.
- The Executive Committee earmarked funds to be available for travel reimbursement to the June 16 OMS BOD Meeting in Madison, WI. Applications for this special funding should be directed to the OMS Executive Director, Bill Smith.

Treasurer's Report

[\(draft attached to Minutes\)](#)

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

- With respect to cash on hand for March 2004, Peter explained that to date OMS has received \$350,000 from MISO. As of March 31, 2004 OMS balance in Bank One was \$225,259.85. Total disbursements for March were \$31,711.32; and for the calendar year 2004 \$102,505.33.
- With respect to the travel aspect of the report, for March 2004 effective April 1, 2004 - all requests for travel expense approval and reimbursement shall be sent to the OMS office. Please refer to Bill Smith's memo dated March 30 for reminders and clarifications regarding the OMS Travel Policy.
- The OMS Treasurer will continue to issue the checks and will still approve payroll and office expenses.
- Please note the upcoming OMS BOD meeting after the MARC Conference in Madison, WI June 16 will not be an official OMS designated BOD meeting for travel purposes; that is, travel expenses for Board members to attend the meeting are not automatically approved. Requests for travel approval will be considered on a case by case basis.

Steve Gaw, Missouri, moved to accept the Treasurer's report as presented. Diane Munns, Iowa, seconded. The treasurer's report was unanimously approved.

New Business

President Wefald listed the agenda items under "New Business" to be discussed in the following order:

1. OMS Work Group Chairs to discuss their planned comments to the FERC on the MISO Market Tariff Discussion Item.
2. OMS to approve new timetable because the FERC has allowed extra time (until May 7) for filing comments on the MISO Market Tariff. Voting Item.
3. PJM/MISO Seams elimination cost adjustment or SECA. Discussion Item.
4. Progress Report on the large generation interconnection issues - Randy Rismiller
5. MISO Advisory Committee Issue or Reactive Power
6. Executive Director's Report

Action Item 1 - OMS Work Group Chairs began discussion of the planned comments to the FERC from their work groups on the MISO Market Tariff.

Resource Adequacy & Capacity Markets WG - Jan Karlak (chair) reported that Richard Doying listened to the OMS comments from the RAWG to his draft module E. Redline version as well as the clean version are both available. RAWG meeting on April 12 will look at the consistency of the report and will report findings to OMS Executive Committee.

Congestion Management & FTR Allocation WG - Mike Proctor (chair) - No Report

Seams Issues WG - Bob Nelson (chair) - No Report

Market Rules & Implementation Timelines WG - Nancy Campbell (chair) reported that her work group needs to look further at the comments they've prepared. Nancy has questions about priority of "tier one - point to point transmission". Modeling problems with FTR. Requested legal help concerning MISO not filing their business practices manual yet with the FERC. Nancy suggested the Iowa Utilities Board study the legal issues surrounding this filing.

Market Monitoring & Market Power Mitigation WG - David Hadley (chair) reported that the work group met by conference call early in the week in general the tariff responsive to the work group's dialogue. Group continuing to look into and identifying more items for wordsmithing. Looking at the type of markets to be monitored and the way they're listed and defined and the threshold for narrow constrained areas. Dr. Patton in direct testimony noted that there were new parts to the tariff expressly contributed to the OMS Market Monitoring WG.

One of the areas of earlier concern was the definition of state agencies to allow participation of appropriate parties. As well as elevating the status of state commissions to that of MISO and the market monitoring of the FERC itself to access of data. The Work Group will be finalizing issue statements and then sending around the document; with the intention of the group to model its comments on their original comments.

Pricing Work Group - Randy Rismiller (chair) With respect to issues in energy market tariff they have not convened the group to specifically consider such issues. As a group the Pricing WG did not work on the tariff comments.

President Wefald called for additional suggestions in preparing tariff comments:

Nancy Campbell offered more items for consideration: she will assign these issues to members of her work group to address.

- Control area of responsibilities
- Issue of grandfathered agreements
- Transition period for MISO to set a date for grandfathered agreements (30.8.4) - what legal problems will be faced as a result.
- Section 40.6 - how marginal losses allocated.
- How confident are we about virtual bid offers - see section 39.2.9

Others issues to be considered in tariff comments:

- Blackout report recommendation issue to go further than just the tariff itself. (Dave Hadley)
- This issue most applicable to the retail open access states among us. MISO's tariff does not have convenient features to allow FTRs to move during load switching. Illinois commission staff looking at developing some language which would provide a means for FTRs to move with their load switches in retail access states. (Randy Rismiller)

John Harvey suggests:

- 1) OMS tell FERC that MISO does a good job with stakeholder issues.
- 2) System support resources in vertically integrated states - there may be a fit with RAWG in maintaining the security of the system.
- 3) Although metrics not a part of MISO comments themselves - they will not be addressed by transmission owners

President Wefald stated readiness metrics need to be updated in comments. OMS needs to be sure all terms are in the tariff-- not just rely on Business Practices Manual. She suggested that Board Members select a staff member who is an attorney to listen in to our meetings for consultation purposes.

Action Item 1 a. Approval of New TEMT Schedule.

- President Wefald read the following Timetable for Comments to FERC on MISO Energy Market Tariff to the board for its approval:

March 31 - MISO filed tariff.

April 23 - Work groups should submit draft language to Nancy Campbell, Bill VanderLaan, Bill Smith.

April 28 - OMS office will circulate draft comment to FERC.

May 5 - Special OMS Board meeting to approve comments to FERC.

May 7 - Comments will be filed at FERC

Discussion: The OMS Special Board Meeting scheduled for April 19 to approve comments to the FERC will be changed to May 5. When comments are finalized, Jan Karlak asked that they be posted to the OMS Web site. Margaret Barnabee indicated that Illinois needs to receive all votes of commissioners before they can approve comments. Therefore afternoon of May 5 would work well for her commission as long as no substantive changes are made to comments between April 28 and May 5. Nancy Campbell, Bill Vanderlaan and Bill Smith all agreed that final comments could be readied for circulation among commissions by April 28.

Diane Munns offered a motion to accept the revised schedule as listed, Steve Gaw seconded. The schedule was approved unanimously.

Action Item 2 - Seams Elimination Cost Adjustment Settlement Conference - Bill Smith

FERC Docket Nos. EL02-111-004 and EL03-212-00

FERC's order came out March 19 approving settlement. The next event was April 7; pursuant to the event the Chief Judge called a procedural conference attended by 100 people. His report will be circulated. The first half of the time between now and October 1 is essentially given over to Transmission owners to do the work with some confidentiality for the data, but at the same time to expose the highlights of that process to the judge and to other parties so they can gauge whether the progress that is necessary is happening. The second part of the time block is given over to a stakeholder process with three public meetings mentioned.

President Wefald asked whether OMS should intervene. OMS has not intervened as yet, but Bill recommended that OMS intervene formally, so that OMS has the opportunity to comment in the future. Since some states have already intervened individually (OH,MN,PA,MD) why should OMS intervene? Bill stated that it may impact all the states - but the extent of the impact is variable.

Dave Hadley commented that MISO transmission owners are active in this, OMS can explore the specifics later after input from the OMS work group.

Diane Munns moved that OMS intervene in this proceeding, Dave Hadley seconded. Approved without objection.

Action Item 3. Report from OMS Pricing WG on Large Generator Interconnection Issues

Randy Rismiller reported on the dates of work done by the Pricing Work Group. Two main categories of work: one is associated with Order 2003 - the cost allocation for network upgrades. The other is not yet officially assigned to OMS Pricing WG, but falls within the type of work the Pricing WG is doing -- Long term transmission pricing structure for existing network transmissions.

1) OMS is familiar with Order 2003 and the comments sent to FERC last month. FERC has issued an order on rehearing which they've called Order 2003-A. In this order they have adopted a policy concerning credits that is more like what what OMS comments recommended rather than the refund concept initially in order 2003. And for Kentucky's benefit, President Wefald thanked Randy for bringing that to OMS's attention. Martha Morton and Randy worked together to develop language adopted by OMS board and sent to FERC.

Order 2003 requires MISO to submit a compliance filing to adopt the changes FERC adopted in 2003 and MISO's compliance filing would be due April 26. If FERC follows the normal compliance procedure, comments would then be due the middle of May.

2) The other activity occurring is the MISO Stakeholders Regional Expansion Criteria & Benefit Task Force. This group has met several times; with the goal to devise benefit measures and cost allocation approaches for all new transmission facilities - whether or not they stem from generator interconnection, request for transmission service or load growth. In accord with OMS desire that FERC make a new filing to replace its order 2003 filing by August 3, 2004. The task force's goal is to complete its work by that date.

Pricing Work Group work comes from three areas associated with three different types of network upgrades:

- 1) Network upgrades associated with generator interconnections - primarily order 2003 and somewhat the RECB Task Force.
- 2) Network upgrades associated with all other new transmission facilities in the RECB Task Force.
- 3) Cost Allocation for existing transmission facilities and recovery of revenues associated with existing transmission facilities will now be in settlement proceedings pursuant to the EL02-111 and EL03-212 case to develop long term transmission pricing structure with the Midwest ISO and PJM.

Diane Munns moved and David Hadley seconded the motion that OMS should intervene in the cases EL02-111-004 and EL03-212-002. The motion for intervention carried unanimously by a voice vote of the directors.

Action Item 4. MISO Advisory Committee Issues reported by Steve Gaw

Vice President Gaw provided a MISO A/C agenda and read the motion to go before the Advisory Committee concerning reactive power. Issue will again be in front of the advisory committee for a vote. At the last OMS BOD Meeting (March 12) OMS voted to instruct the MISO representatives to abstain from a vote. President Wefald referred to the Mar 12 minutes for review. "OMS BOD abstained from a vote until the tariff was ready to be filed with the FERC; and then would vote on whether or not to offer comments."

Jim Holsclaw of MISO was asked to give further explanation of the Reactive Power motion process. He indicated that there are now two motions: one that Michael Smith submitted earlier, and a second motion just received today from the transmission owners that MISO file a schedule 2 with self-provision language as well as a determination or needs test. On April 14, Marty Blake will present for the transmission owners and Mark Volpe will present for MISO. After discussion there will be a vote taken by the MISO A/C and then depending on the vote outcome, it will be filed at the end of April.

President Wefald asked if there is a deadline for filing revisions; must it be voted on in April? Mr. Holsclaw indicated that OMS will still have an opportunity to comment, as there is no deadline for filing this reactive power motion.

Discussion ensued. A motion was offered by Steve Gaw and seconded by Bert Garvin that OMS as a group abstain from voting on MISO's Reactive Power motions until all the OMS board of directors have a clearer understanding of both motions. Voting to abstain at this time does not mean that OMS does not consider the motions to be both urgent and critical. But it will allow more time for the issues to be studied. The motion passed unanimously by voice vote.

President Wefald plans to ask the OMS Executive Committee to assign Reactive Power to an OMS work group for further study.

At 3:00 pm President Wefald left the call leaving Vice President Gaw to preside the remainder of the meeting.

Executive Director's Report - Bill Smith

[\(attachment\)](#)

Bill Smith highlighted several items contained in his report which was provided to the board.

- OMS board of directors asked to receive the second motion on reactive power, just recently received and referred to by Steve Gaw previously in the meeting. The Executive Director will provide this information along with Judge Wagner's report.
- Order 453 case - which OMS intervened in December 2003 - is scheduled for oral arguments in the DC circuit April 23. MISO is an intervener. All will have five minutes to speak. MISO will spend three minutes on its issue, and allow OMS 90 seconds through MISO's counsel on our issue which is the rate freeze non-preemption issue.
- On April 14 prior to the MISO Advisory Committee meeting, OMS representatives will meet with the transmission owners at 9:00 am and at 9:30 am with FERC staff. No FERC commissioners will be present.
- DOE Proposal. The DOE found OMS Transmission Work Group's proposal very interesting. They are studying the budget impact of it and the availability of consultants to do it. This doesn't mean that OMS is committed to choosing this proposal, but the OMS Executive Committee wanted a "reality check" of it before accepting the proposal.
- The Executive Director has provided board members with some additional information on metrics, including John Harvey's (Iowa Utilities Board) data on FTRs and Readiness Metrics.

Announcements

Prior to leaving the call, President Wefald made the following announcements:

- **OMS Board of Directors will meet again May 5, 2004 for a Special Meeting @ 2:00 pm CDT**
- **The next OMS Regular BOD Meeting will be held May 13, 2004 @ 2:00 pm CDT**

Vice President Gaw asked for the names of those OMS representatives planning to attend the MISO Advisory Committee Meeting April 14. Planning to attend are: John Harvey will attend for Diane Munns, Iowa. Bob Pauley will attend for David Hadley, Illinois. David Sapper will attend for Bert Garvin, Wisconsin. Steve Gaw, Missouri. Bill Smith, OMS

Vice President Gaw adjourned the meeting at 3:27 pm central time.