

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

**Approved August 12, 2004**

Commissioner Susan Wefald, President of the Organization of MISO States, Inc. (OMS), called the July 8, 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  
Kevin Wright, Illinois  
Steve Gaw, Missouri  
Laura Chappelle, Michigan  
Diane Munns, Iowa  
Bob Pauley, proxy for David Hadley, Indiana  
Burl Haar, proxy for LeRoy Koppendrayner, Minnesota  
Greg Jergeson, Montana  
Robert Garvin, Wisconsin  
Judy Jones, Ohio  
Tim Texel, proxy for Louis Lamberty, Nebraska  
Glen Thomas, Pennsylvania  
Greg Rislov, proxy for Gary Hanson, South Dakota

Kentucky absent  
Manitoba absent

Others present on conference call:

Margaret Barnabee, Illinois  
Jan Karlak, Ohio  
Kevin Holtsberry, Ohio  
Nancy Campbell, Minnesota  
John Harvey, Iowa

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 June 11, 2004 Special Board Meeting**

Bert Garvin moved for approval of the June 11 Special Board Meeting minutes and Laura Chappelle seconded.

The Directors voted to unanimously approve the minutes as distributed by Sec. Bert Garvin.

**Approval of Minutes of the June 16 OMS Board Meeting**

Bert Garvin moved for approval of the June 16 OMS Board Meeting minutes and Laura Chappelle seconded.

The Directors voted to unanimously approve the minutes as distributed by Sec. Bert Garvin.

**Review of Actions of the Executive Committee on June 24**

President Wefald reviewed the following actions of the June 24 OMS Executive Committee meeting:

- Mark Griffin and others from MISO answered questions from the Executive Committee concerning MISO budget increase.
- Discussed whether OMS wished to hire a legal consultant to represent OMS in the FERC Grandfathered Agreements proceedings. Consensus from Executive Committee was that

OMS does not wish to hire a legal consultant, but does want to develop a process for hiring an attorney and determine in which situations it would be helpful for OMS to hire outside counsel. Bill Smith is to report back to the Executive Committee at the July Meeting with a draft proposal letter for hiring legal assistance.

- Executive Committee assigned the issue of Demand Response to the Market Implementation Group with Bill Smith to find three or four staffers to comprise a task force to work this issue
- Executive Committee agreed to ask the DOE to fund expenses for RTO 101 to be presented to a larger audience and expanded to chapters 2 and 3. Status Report from Bill Smith to be presented on this issue at the next Executive Committee meeting the end of July.

### **Treasurer's Report**

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

- **Cash On Hand**

This month OMS resumed receiving monthly installments of \$50,000 from MISO. To date, OMS has received \$400,000 from the MISO and are holding the remaining balance in our account at BankOne. As of June 30, 2004 our balance in the BankOne account was \$206,681.18

- **Expenditures to Date**

Total disbursements for June 2004 were \$23,242.14. Total disbursements for the 2004 calendar year are \$171,213.04 (Commr. Chappelle reminded the board, the OMS budget for the year 2004 is \$800,000.)

- **Training Expenses**

The OMS Office Manager has received training in QuickBooks and should have the 2003 and 2004 transactions entered by end of July. The treasurer has also purchased QuickBooks training tapes, which can be utilized by the OMS Staff and the OMS Treasurer. Comm. Chappelle also indicated OMS Staff would have a projected budget overview available by the August or September BOD Meeting.

The OMS Treasurer's report was accepted as presented.

### **New Business**

#### **Action Item 1. MISO Advisory Committee Issues - Steve Gaw**

V.P. Gaw indicated the only voting item OMS should be aware of for the upcoming MISO Advisory Committee Meeting is the **MISO Governance Guide** (the enhanced version) provided to the OMS BOD with agenda materials. President Wefald asked if there were changes made to the guide that the OMS BOD should note. Steve Gaw said the guide is similar to what was discussed at the last OMS BOD meeting, and should require no further direction than what was given last month to the MISO representatives. Wisconsin and Missouri were in accord with the governance guide -- considering the changes are just about improving the process.

V.P. Gaw was unaware of any other action items, unless there would be some type of late breaking issue. Bill Smith mentioned that John Harvey had just sent him an email about **Item. 4 C "Coordinating the Commercial Metrics with the other Metrics and with the Business Practices MISO Has In Place"** which may involve MISO assigning the topic to a MISO task force. This will probably be a non-controversial item.

Due to the dates of NARUC's Summer Meetings, John Harvey, representing Diane Munns, is planning to call-in to the MISO A/C meeting to give his report. Bill Smith and Steve Gaw are

planning to attend both NARUC and MISO's A/C and BOD meetings; and David Sapper will be in Carmel for Bert Garvin.

**Item 2. Discussion of Guidelines for OMS Voting Process** - President Wefald  
President Wefald sent out the Voting Process draft to BOD members. Asking for comments or changes, President Wefald read the draft, paragraph by paragraph, to determine which areas of **the Process for Approving Positions for FERC and MISO Discussion Document** needed changing.

**Paragraph 1. All members are encouraged to vote on the final document rather than to abstain. If procedural reasons preclude a member from voting, members are encouraged to state this at the beginning of the discussion of the document.**

- Judy Jones in Ohio said that their Utility Board cannot really vote on some issues, because in Ohio there must be a week's notice for any items to be voted on. Ohio's regular meeting date is Wednesday afternoon @ 1:30 pm (edt.)
- Illinois has the same problem as Ohio. Kevin Wright feels final document would need to be ready one week earlier for Illinois to get it on the agenda.
- Diane Munns feel OMS work groups need to be encouraged to work toward earlier deadlines -- and have these enforced by executive director.

**Paragraph 2. Members who have to abstain in the vote on the final document are encouraged to share their thoughts in the discussion of the issues, so that OMS members have as complete an understanding of the issues as possible prior to voting.**

\* see Diane Munns comments after paragraph 5

**Paragraph 3. Voting on different points of view within a document: 1.If discussion and study of issues documents brings forward more than one point of view on a specific issue *within the document*, board members may be asked to indicate which position they favor. 2.The first priority will be to work to develop consensus language on these specific issues *within the document*. 3. If consensus language can not be adopted, footnotes in the document will indicate which states favor specific positions. 4. If fewer than a majority of member states indicate that they favor one position *within the document*, this one position will not be considered the "OMS position." 5.The goal of the document is to reflect differences in a positive manner in order to provide as much information as possible to the recipient of the final document.**

- Laura Chappelle spoke about the need for more dialog and less fighting over positions. She urged board members to strive for a 2/3 vote cushion on controversial items; and strive to get in different viewpoints within a document.
- Laura Chappelle wanted to delete #4 sentence "If fewer than a majority of member states indicate that they favor one position *within the document*, this one position will not be considered the "OMS position." Leave all the other sentences in this paragraph alone.
- Diane Munns would like the wording in paragraph 3 to read:  
Leave sentence # 1 and #2 alone. Change sentences # 3 and #4 to: "If consensus language can not be adopted, varying positions would be fully explained including the basis for any differences. The document will indicate which states favor specific positions.  
Leave sentence #5 as is.

- Diane Munns also feels that if a state has a different position, they should write that position for the document and not expect others to write it for them.
- Both Bert Garvin and Judy Jones agreed with Diane's suggested changes.

**Paragraph 4. Only members present at the meeting, by proxy or in person, may vote on an issue document. However, members who request an "excused absence" by writing to the Secretary of OMS prior to the meeting, will preserve up or down voting privileges on the issue document approved by the Board of Directors.**

- Pres. Wefald indicated this paragraph is a change from the way OMS has been voting.
- Steve Gaw objected to this paragraph, because he doesn't think a vote should change after the meeting. Steve thinks directors ought to be present at the time of the vote to hear the discussion.
- Laura Chappelle agrees with Steve and offered new wording for paragraph 4. **"Board Members are encouraged to be in attendance. However..."**
- Laura Chappelle and Steve Gaw would continue to work on language for this point and will send to Bill Smith and Susan before the next BOD meeting.
- Kevin Wright and Judy Jones were against the "excused absence" category; because they consider that the purpose of a proxy.
- There was a consensus of directors that an "excused absence" that preserves voting rights is not what is preferred.

**Paragraph 5. Members who are present at the decision meeting may request up to 24 hours for procedural reasons to confirm their vote to the secretary and the Executive Director.**

- Bill Smith was concerned that 24 hours is too much time to confirm a vote.
- President Wefald suggested that the sentence end with **"or to be determined by the board"**
- Diane Munns offered a change in wording to Paragraph 5 and will write something within the next two weeks concerning members who have to abstain from voting due to procedural reasons.

President Wefald suggested that anyone having any further suggested changes to forward them to her before the August BOD meeting.

### **Item 3. Update of OMS Reactive Power Comments to FERC - Jan Karlak**

President Wefald gave a short introduction of the reactive power issue. Jan Karlak provided board members a short review of the issue on Tuesday, July 6. Jan explained that the Reactive Power Briefing Paper is posted on the OMS Web Site. Her working group (RAWG) continued working on the issue and Jan Karlak sent out on July 8 a draft of the Reactive Power Comments. (OMS did not intend to vote on the document at the July 8 BOD meeting.) Jan Karlak gave a status report to help the Board determine whether or not OMS should ask for an extension to file with the FERC by July 30.

President Wefald asked the board to approve OMS requesting an extension from the FERC to file comments on the reactive power issue at a later date. She also offered to schedule a Special OMS Board Meeting later in July to allow member states to discuss whether to send OMS comments or whether the states would file comments on their own. The executive director indicated that the FERC may consider a two-week extension but probably not any longer. Greg Jergeson moved for

OMS to request an extended filing date to July 30 for the reactive power comments. Judy Jones seconded. Motion carried without dissent.

A draft of the Reactive Power Comments has been posted on the OMS web site, and President Wefald asked for comments or corrections to the draft to be submitted to Jan Karlak following the commissioners return from NARUC -- no later than July 20.

**Action Item 4. New Transmission Expansion Pricing Proposal - Randy Rismiller**

Randy Rismiller gave a brief report on the stakeholders meetings he attended in Carmel and how the meeting issues relate to the work of the OMS Pricing Work Group. The long-term transmission pricing issue came out of FERC's order that eliminates the MISO and PJM through and out rates. FERC has set up a process for filings of transmission pricing proposals (or preferably a single proposal) by October 1, 2004. FERC's desire is to put the long term transmission pricing method into effect on December 1, 2004. The MISO and PJM transmission owning utilities have met several times recently to discuss this issue. On July 1, there were four draft long-term transmission pricing proposals issued by the transmission owners. At least one of the transmission owners supported each of the four proposals. The proposals are: "License Plate" (what we have now), "Postage Stamp", "Highway Byway" and "Flow Based." Randy considered the four proposals to follow along a continuum - with "License Plate" rates at one end of the continuum supported by low transmission cost utilities and opposed by high transmission cost utilities. At the other end of the continuum is the "Postage Stamp" proposal, which conversely is supported by high transmission cost utilities and opposed by low transmission cost utilities. The two proposals in the middle -- The "Highway Byway" and the "Flow Based" would each allocate some portion of the transmission revenue requirement that is the fixed cost grid to local uses and some portion to regional uses. The Highway Byway proposal would make the split on a transmission line voltage basis. The Flow Based proposal would use a low flow simulation model.

The first stakeholder meeting to discuss these proposals will be in Carmel July 12. The second meeting is scheduled for August 12 in Baltimore. The third meeting is set for September 13 in Carmel, Indiana. Randy Rismiller will attend the first meeting in Carmel along with Nancy Campbell from Minnesota, Lisa Pappas, Michigan and Frank Bodine, Iowa.

President Wefald asked what the expected outcome of the three meetings is to be. Randy responded that the intent is for stakeholder feedback on the proposals with the hope that the stakeholders would rally around one of the four proposals so that an October 1, 2004 FERC submission could be accomplished.

These proposals deal with existing transmission facilities -- the Regional Criteria and Benefit Task Force dealt with new or expanded facilities.

Conference call capability will be available for the July 12 meeting - Randy Rismiller will send details to the OMS office for email distribution to the states.

Bert Garvin asked Randy Rismiller about the direction long term transmission pricing is headed and if he thinks the License Plate pricing will be endorsed for existing facilities with Highway Byway rates for future expansion? John Harvey responded that he's heard about compromises between Highway Byway and Flow Based, but it's too early to tell.

**Item 5. Transmission and Siting Work Group Principles - Klaus Lambeck**

Mike Proctor was not available for this meeting, so the updated report on GFAs was not presented.

**Administrative Update: Executive Director's Report - Bill Smith**

Referring to the written report emailed to directors prior to the meeting, Bill Smith highlighted several items:

- The executive director distributed a free memo from Bill Mogel and Bob Gee about the progress of the GFA hearing. FERC is posting transcripts, but is about a week behind in posting.
- **Transmission and Siting Survey. Nine states have completed and returned the survey. We still need surveys from the others. Bill Smith and Bob Burns will happily assist any state having difficulty completing the survey. Please contact one or the other for assistance.**
- Material the IRS requested to complete the OMS 501 (c) (4) application was submitted July 7.
- Bill asked for a volunteer board member or commission staffer to represent OMS at the Ontario Municipal Distributors Association meeting in Kenora, Ontario August 9 or 10. Neither Bill Smith or Susan Wefald is available to attend.

## **ANNOUNCEMENTS**

- **Next Regular OMS Board Meeting will be held Thursday, August 12.**
- **MISO is hosting a breakfast at NARUC in the Solitude Room at 7:30 am Monday morning. OMS attendees are invited to meet MISO's new COO, John Bear.**
- **OMS Nominating Committee plans to have their initial slate ready for the August Board Meeting.**

Meeting adjourned at approximately 3:30 pm (cdt.)