

**ORGANIZATION OF MISO STATES, INC.
BOARD MEETING MINUTES
August 11, 2005**

Approved October 13, 2005

Kevin Wright, President of the Organization of MISO States, Inc. (OMS), called the August 11, 2005 Meeting of the OMS Board of Directors to order via conference call at approximately 2:00 p.m. (CDT) The following commissioners or their proxies participated in the meeting:

Kevin Wright, Illinois
Bob Pauley, proxy for David Hadley, Indiana
Frank Bodine, proxy for John Norris, Iowa
Laura Chappelle, Michigan
Ken Nickolai, Minnesota
Steve Gaw, Missouri
Greg Jergeson, Montana
Tim Texel, proxy for Louis Lamberty, Nebraska
Susan Wefald, North Dakota
Judy Jones, Ohio
Kim Joyce, proxy for Kim Pizzingrilli, Pennsylvania
Gary Hanson, South Dakota
Dan Ebert, Wisconsin

Kentucky absent
Manitoba absent

State Agency Members Present:

Randy Rismiller, Illinois
Bill VanderLaan, Illinois
Charlie Iannello, Illinois
Nancy Campbell, Minnesota
Marla Larson, Montana
Jerry Lein, North Dakota
Kevin Holtsberry, Ohio
David Sapper, Wisconsin
Rob Mork, Indiana Consumer Council
Jack Dwyer, Iowa OCA

Others Present:

Jim Torgerson, MISO
Sherman Elliott, MISO
Andy Dotterweich
Purvi Patel, ITC
Warren Day
Dave Svanda
Peggy Ladd, Ameren
Bill Smith, OMS Staff

The directors and proxies listed above established the necessary quorum of eight board members present.

Approval of the Minutes of the June 22, 2005 OMS Board Meeting

Ken Nickolai moved and Steve Gaw seconded the motion to adopt the minutes of the June 22 meeting as presented. By a unanimous voice vote of the directors present, the minutes of the June 22, 2005 OMS Board meeting were approved.

Although the directors received additional minutes to consider for approval, there was consensus among the directors to hold over until the September 8 OMS Board Meeting the vote to approve the

minutes of the June 30 and July 14 meetings so that greater attention could be paid to reviewing them.

Review of Actions of the Executive Committee on August 4

President Wright reported on the following business items from the OMS Executive Committee at its August 4 meeting:

- The MISO Advisory Committee Meeting on August 17 will be discussed as business item 2.
- The OMS Nomination Committee for 2006 was activated. Greg Jergeson, Montana, will again serve as chair.
- Discussed directing Bill Smith to prepare preliminary OMS 2006 budget - also on this meeting agenda.
- Discussed OMS's participation and presentation at the annual MISO Stakeholder's meeting to be held in Carmel, September 14 (also on this meeting's agenda.)

Treasurer's Report - Steve Gaw presented the Treasurer's report. Total disbursements for July, 2005 were \$21,530.21. As of July 31, 2005, \$80,799.12 was the remaining balance in OMS Chase BankOne account. In addition, OMS has \$300,000 in three certificates of deposit. A \$100,000 CD comes due September 16, 2005. With no corrections to the report requested, Laura Chappelle moved for acceptance of the Treasurer's report. Gary Hanson seconded. By a unanimous voice vote of the directors present, the treasurer's report was accepted as reported. (Treasurer's report follows minutes.)

Business

1. Briefing on MISO Issues - Jim Torgerson, MISO President

The following are highlights from Jim Torgerson's comments:

- Most recent FTR allocation was completed July 29. As far as the percent of nominations or allocations that were made, we had 92 % allocation of the nominated megawatts, which was very similar to what was done back in May. It seemed to go really smoothly and in a lot less time.
- Task teams are working in 7 areas, still digging into data information. We are not aware of any major issues - at least anything that's been uncovered at this point. This is due to the fact that we're still going through the discovery process.
- SAIC, who is also doing some work for MISO, has cross-referenced the tariff with all the business practice manuals, and has come up with 200 tariff provisions they are putting into a matrix with interviews the week after next to see how we're actually performing relative to the tariff and the business practice manuals. And then to how we're actually doing in reality.
- As far as the weather and the load so far - it has been warmer than last year.
 - * Peak day August 3 - 112,200 megawatts
 - * Claire Moeller predicted August 3 earlier in the year and was only 1,000 megawatts off.
- Report going out to the Advisory Committee today - showing what the load was in July. On average there were about 9900 megawatts available and that was with derates and outages. The forecast we had seems to be holding pretty true. MISO has about 130,000 megawatts available at any given time, and then with the derates, the outages, what's reserved for reserves and so forth. The forecast we had is about right. MISO's was able to meet the load the first day we had our first peak, and has continued to do so.
- What we're really trying to focus on is the revenue sufficiency guarantee - the payment is a lot of money. In June it was \$60 million, in July it dropped to \$44.9 million. A couple of things we've done...We've put in six queries that run at midnight every night and identify the area where we have problems with the data flowing into the settlement system. We then highlight those areas and address those that need to be taken care of. There are

patches for the software - called "snapshots" -- to fix the software. The other problem area - the coalesce - is the situation when market participants change their offer curves but do not change the no-load and start-up costs, and our software was substituting a zero, when fixed, will correct about 80% of the start stop signal problems.

- MISO looking hard at:
 - "Revenue Inadequacy" - could end up as a deferred regulatory asset
 - "Overcollected Losses" - can be refunded to customers as over-collected fuel charges
- Analysis of Price Volatility - MISO prices are the same as NY and PJM ISO. This makes us feel good about where our prices are.
- Mr. Torgerson then spoke about the MISO Annual Stakeholder Meeting to be held in Carmel, Indiana - September 13-14. Here are the details he provided:
 - Tuesday, September 13 - Golf outing, Kick-Off dinner
 - Wednesday, Sept 14 - Inaugural Stakeholder Meeting from 10 am to 4 pm at the Sheraton in Carmel
 - * Each sector will provide key points they want to share
 - * Management team to follow
 - * Reception at Sheraton - 5:30 to 6:30 pm
 - MISO board meeting Thursday, September 15

At this point in the meeting, Mr. Torgerson responded to questions from the directors. The following is a response to a question asked:

Concerning the Market Overview Report* on August 3 which characterizes the 13,000 megawatts of generation available but held back. Although it may look like it's being held back to drive up price, the problem is with how the report reads. Reports in the future will include a finer level of detail. To explain further - the six queries that run every night didn't get into production that night. It took nearly four hours to get the software "back" - to get the fix done. The software will clear up the start and stop.

* Market Overview Report issued daily on MISO website.

2. Report - MISO Advisory Committee Issues - Dan Ebert, Vice President

Dan mentioned the OMS report to the MISO Advisory Committee sent out to directors prior to the meeting. The report listed FERC activity, DOE activity and OMS activity. Dan then referred to potential voting items:

- Motion to approve the MTEP 2006 Scope (Dan recommended that OMS AC reps abstain from voting on this issue as has been the board's position in the past)
- Market Practices Subcommittee Charter motion - (Dan said he felt the OMS AC reps should consider discussion and vote accordingly.)
- MISO Finance Subcommittee is reviewing the 2006 capital budget. Dan asked the directors if they felt the OMS should weigh in on the budget "big ticket items." (discussion on this topic was postponed until later in the meeting, when Joe Buckley, OMS Finance Subcommittee representative joined the call.)

After some discussion, **Ken Nickolai moved that the OMS Advisory Committee reps abstain from voting on the MISO Agenda Item 3F. -MTEP-06 Scope and to vote their consciences on the Market Practices Subcommittee Charter motion. Laura Chapelle seconded the motion. By a unanimous voice vote of the directors present, the motion passed.**

3. Report - Nominating Committee - Greg Jergeson

Greg Jergeson reported that the nominating committee would meet August 15 for its first meeting. The Nominating Committee members are Greg, Susan Wefald and Laura Chappelle. President Wright reminded the directors that the current officers are not available for re-election. The committee indicated it should have a slate ready for the October meeting.

4. Report - OMS Budget 2006 - Bill Smith

Bill Smith reported that he'd been directed by the Executive Committee to prepare a status quo budget. A request was also made to include 2004 actual, 2005 half-year actual figures. It will be ready for the Executive Meeting on August 25 and available for action by the board on September 8.

5. Issues for Discussion with MISO at Annual Stakeholders Meeting - Kevin Wright

President Wright encouraged directors to attend the annual stakeholders meeting in Carmel September 14. Ken Nickolai indicated that although he will be at NARUC Rate school at the time of the stakeholders meeting, someone from Minnesota will attend. He also expressed gratitude to Jim Torgerson for his briefings at the OMS board meetings since the market's start. Susan Wefald felt the Resource Adequacy White Paper along with Pricing Issues are two topics that could be discussed at the stakeholder meeting.

Logistical Points Concerning Stakeholders Meeting:

Bill Smith referred to information sent out in emails about the stakeholders meeting.

- OMS will reimburse one member per state who would like to attend the meeting.
- IPP sector meeting and dinner will be moved to October
- OMS Work Group Chairs face-to-face meeting to be held in September will be moved to the October date.

2. Continuation of MISO Advisory Committee Issues Report - Joe Buckley

Joe Buckley, OMS Finance Subcommittee representative, commented on MISO's 2006 capital budget:

- At MISO's Finance Subcommittee first meeting, the charter was reviewed and the members were able to determine what the Finance Subcommittee could and could not do.
- The charter makes it clear that it is not the role of the Finance Subcommittee to make a recommendation on the appropriateness of the proposed budget.
- It is the role of the Finance Subcommittee to review materials provided the committee by management on the budget to give feedback on the proposed expenditures.
- As a result, the committee has taken a different tack. They've looked at process; MISO's internal development process, how compensation is determined, how bonus payments are calculated, MISO officer calculation - even though they've been told MISO's human resources department handles compensation. They've reviewed costs from 2002 - 2005 to see how capital costs have changed.
- MISO uses the "portfolio weighted average model" - which ranks projects. Projects taken to MISO AC to determine which projects should be done next. Not exactly how businesses typically evaluate project weight.
- It is clear to the Finance Subcommittee that they are not to second guess the budget - they are to look at process and to make sure the process is transparent.
- A lot of play as to how "weight" is given to certain projects.
- Lots of IT expenses, Subcommittee suggested MISO purchase with other ISOs.

Susan Wefald suggested that specific recommendations on the MISO budget be brought back to the OMS board. She asked that Dan Ebert and Joe Buckley provide this information. Proposed MISO budget is due September 15. Board Approval on the budget takes place at the December meeting. President Wright asked Joe and Dan to work out some issues for consideration at the OMS Board Meeting September 8.

6. Presentation of "Reliability First Corporation" - Jim Keller, WE Energies

President Wright introduced Jim Keller, former chair of MISO's Advisory Committee. Jim explained that Reliability First - the new NERC - will be operational by the end of the year. His presentation follows the minutes.

7. Regional Electricity Transmission Issues in the Energy Bill (H.R.6) - Bill Smith

The following chart lists the highlights of the energy bill as Bill Smith presented the issues to the board members at the meeting. In bold are the issues Bill referred to as most important to OMS.

<u>Section</u>	<u>Date</u>	<u>Agency action</u>	<u>OMS participation</u>
1211	6 months	FERC rulemaking on Electricity Reliability Organization (ERO)	Observe
1221	1 year	DOE to establish National Interest Electric Transmission Corridors FERC rulemaking on procedures for backstop applications (no deadline) Statute allows Interstate Siting Compact DOE to sign MOU with other federal agencies on authorizations on federal land	Statute requires DOE to consult; DOE may welcome active OMS participation Comment; offer to assist in preparation Discuss Observe
368(b)	4 years	Multiple agencies to designate corridors for transmission and other facilities on federal lands	Observe
1233(b)	1 year	FERC rulemaking on long-term transmission rights and recognize native-load obligations	Comment; assist in preparation
1234	90 days	DOE study on economic dispatch	Participate (?)
1241	1 year	FERC rulemaking on incentive transmission rates and investment incentives	Comment
1252(e)	1 year	FERC report on regional coordination of demand response	Observe/comment
316 and 1281	180 days	FERC/CFTC must reach memorandum of understanding on energy trading	Observe
1298	1 year	FERC must convene regional joint boards on economic dispatch	Individual states participate
1839	180 days	FERC and DOE to report to Congress on sharing real-time operating information among RTOs and transmission owners in the Eastern Interconnect	Observe
1815	1 year	Five agency task force to report on competition within wholesale and retail markets	Observe

Administrative Update – Executive Director, Bill Smith

Bill Smith highlighted some of the items of particular interest to OMS from his report previously distributed to directors

- State Commission Access to Confidential Data - OMS has had discussions with MISO staff and they're ready to make a filing (August 19.) OMS will have to decide whether to comment by September 9. Bill was hopeful that the September 8 board meeting would offer adequate time to vote on the issue should the MM&M WG decide to develop comments.
- The Ad Hoc group preparing comments on FERC's NOPR on Accounting and Financial Reporting for RTOs has a draft of NARUC comments. The NARUC draft will be circulated and OMS members may feel they have nothing more to add to it. FERC comments are due August 26. This matter could also be dealt with at the September 8 OMS BOD meeting, if OMS has something else to add and wants to file supporting comments 14 days late.

The three major issues OMS needs to focus on in the upcoming fall months are:

- RECB - The circulation of a questionnaire will be brought back to the August 19 meeting for initial action by the RECB Task Force, that will lead to a draft filing. Although the date is flexible, MISO's target filing date is September 19. Bill assumes OMS will have some draft on which to comment by the September board meeting. Therefore he intends to hold space open on the September 8 board meeting agenda for discussion of a RECB draft.
- Capacity Markets - The Resource Adequacy Work Group met with MISO's SAWG on August 3. MISO's "White Paper on Resource Adequacy for the Midwest ISO Energy Markets" was released at that meeting. The essence of the paper is that MISO does not intend to have an organized capacity market in the MISO region. PJM is working toward another answer. The timeline on this is also aggressive; MISO intends to make an informational filing on September 27. There will be an opportunity for OMS to comment on this as well, probably within the next month.
- The MRWG is following the Joint and Common Markets discussion and gave survey responses to MISO/PJM staff on August 10 with a target toward an October finale.

Announcements

- The next OMS Board Meeting will be held Thursday, September 8 at 2:00 pm (CDT)
- The next OMS Executive Committee Meeting will be held Thursday, August 25 at 2:00 pm (CDT)

Meeting Adjourned at 3:50 pm

OMS

Organization of MISO States
Report of the Treasurer
Steve Gaw, Missouri PSC
to the
Board of Directors
August 11, 2005

Report for July 2005

Cash on Hand

This fiscal year OMS has received \$200,000.00 from MISO and is holding the remaining balance in the OMS account at Chase Bank One and in three Certificates of Deposit. As of July 31, 2005, our balance in the Chase Bank One account was \$80,799.12. The Certificates of Deposit are valued at \$100,000.00 each. The Certificates are issued by Wells Fargo Bank Iowa, West Bank and Bank of America. Total Cash on Hand as of July 31, 2005 was \$380,799.12.

Expenditures to Date

Total disbursements for July 2005 were \$21,579.75.



TREASURER'S REPORT
Organization of MISO States
July 31, 2005

TOTALS

Certificates of Deposit

\$300,000.00

Commercial Checking with Interest

Beginning Balance as 7/1/05

\$ 49.54 \$ 102,329.33

7/31/05 Interest on Checking

Total Deposits

\$ 49.54

Checks and Charges

Date	Check #	Descriptions	
7/11/2005	WD	Paychex - June Payroll Processing Fees	\$ 86.50
7/25/05	1710	ED - Travel to MARC & OMS BOD and WG Chair Mtgs. 6/21-23/05	333.75 *
7/25/05	1711	IA - Travel to MISO A/C, BOD & RECB Mtgs. 6/15-17/05	825.00 *
7/25/05	1712	IA - Travel to MISO Market Subcommittee Mtg. & Ancillary Services 7/8/05	526.54 *
7/25/05	1713	ND - Travel to OMS BOD & WG Chairs Mtgs. 6/21-22/05	672.47 *
7/25/05	1714	IA - Travel to OMS WG Chairs Mtg. 6/21-22/05 - Balance of Previously Unreimbursed Expenses	160.75 *
7/25/05	1715	IA - Travel to MISO/PJM Joint Stakeholders Mtg. on Joint and Common Market 6/29-30/05	657.94 *
7/25/05	1716	OH - Travel to MISO Finance Comm. Mtg. 7/1/05	211.30 *
7/25/05	1717	OH - Travel to MISO A/C & BOD Mtgs. 6/14-16/05	221.56 *
7/25/05	1718	IL - Travel to MISO/PJM Joint Stakeholders Mtg. On Joint and Common Market	207.20 *
7/25/05	1719	100 Court Investors - August OMS Rent and Parking	874.21 *
7/25/05	1720	DWX Internet - August OMS Web Hosting	35.00 *
7/25/05	1721	Infomax Office Systems - August OMS Copier/Printer/Fax Rental	172.31 *
7/25/05	1722	Qwest - August OMS Phone, Fax and DSL Charges	193.59 *
7/25/05	1723	Ryun, Givens, Wenthe CPAs - Preparation of 2004 Tax Form 990, Accounting Assistance and Financial Statement Production Costs	858.00 *
7/25/2005	1724	Chase Card Services - June OMS Visa Expenses	1,483.38 *(1)
7/29/05	W/D	Deferred Compensation Deposit (Inc. Employee W/H and Employer Match)	2,000.00 *
7/29/05	W/D	June Payroll (Inc. Employer & Employee taxes)	12,060.25
		Total Checks and Charges	21,579.75

Net Activity

(21,530.21)

CHECKING ACCOUNT BALANCE 7/31//05

80,799.12

CERTIFICATES OF DEPOSIT AND CHECKING ACCOUNT BALANCES 7/31/05

\$380,799.12

- Notes: *
- (1) **Indicates that check was still outstanding at the time the Bank Account was reconciled (month end).**
- (1) **FEDEX Charges - \$99.20; Office Supplies \$26.48; Meeting Materials \$43.99; ED - DC Bar Association Dues \$173.00; ED - Travel MISO/PJM Stakeholders Mtg. on Joint and Common Market (6/1/05) \$114.40; ED - Travel National Conference of Reg. Attorneys (6/14-15/05) - \$208.33; ED - Travel to Montana Comm. (6/15-17/05) - \$164.30; ED - Travel MARC & OMS BOD and WG Chairs Mtgs. (6/19-22/05) - \$448.35; Facilities Charge for OMS WG Chairs Mtg. (6/21/05) - \$205.33.**

To: OMS Board of Directors

From: Dan Ebert

Date: August 11, 2005

Re: Potential voting items and other items of interest on the Midwest ISO Advisory Committee August 17, 2005 meeting agenda

Potential Voting Item: Agenda Item 3.F. MTEP '06 Scope

Motion (subject to revision at the meeting):

Motion to Approve the MTEP '06 Scope

Whereas, the Ad Hoc committee has reviewed and endorses the MTEP '06 scope;

Resolved, that the Advisory Committee endorse the MTEP '06 scope as presented at the August 17, 2005 Advisory Committee meeting.

Resolved, that the Advisory Committee directs MISO staff provide updates to the Advisory Committee should there be a need to significantly change the scope.

Recommendation:

Consistent with the OMS practice of not opining on Midwest ISO transmission expansion plans in order to avoid the appearance of pre-judging issues that may appear before state commissions in contested case proceedings, the OMS should abstain from voting on this motion.

Potential Voting Item: Agenda Item 3.O. Market Practices Subcommittee Charter

Motion (subject to revision at the meeting):

Market Practices Subcommittee Charter Motion

Whereas, the Advisory Committee has reviewed the Market Practices Subcommittee charter as presented at the August 17, 2005 Advisory Committee Meeting.

Resolved, that the Advisory Committee approves the Market Practices Subcommittee charter.

Recommendation:

The OMS representatives on the Advisory Committee should consider the discussion on this motion and vote accordingly. This is not expected to be a controversial issue.

Item of Interest: Agenda Item 3.L. 2006 Capital Budget Discussion

Background:

At the July 20 Advisory Committee meeting, the Finance Subcommittee, on which the OMS has a standing seat currently filled by Joe Buckley from the Ohio staff, requested feedback from the Advisory Committee on budget priorities in order to assist the Finance Subcommittee's review of the 2006 Midwest ISO budget. Midwest ISO staff agreed to provide the Advisory Committee with information regarding the "big ticket" items under consideration for the 2006 Midwest ISO capital budget

On Friday, August 5, Patty Harrell, the Chair of the Midwest ISO Advisory Committee, distributed to the Advisory Committee some information regarding the "big ticket" items under consideration for the 2006 Midwest ISO capital budget. Please review and refer to the e-mail from Patty Harrell and the documents attached to that e-mail – a memo from Mike Holstein to the Advisory Committee, a document describing items for the 2006 budget, and a document providing the five-year forecast of Midwest ISO revenue requirements from the 2005 budget.

As explained in the memo to the Advisory Committee from Mike Holstein, Midwest ISO did not provide preliminary costs by project in order to preserve Midwest ISO's ability to solicit bids from third party vendors for the lowest cost possible. Instead, Midwest ISO provided aggregate estimates of expenditures associated with certain groupings of the "big ticket" 2006 budget items.

As a stakeholder sector represented on the Midwest ISO Advisory Committee, the OMS has an opportunity to submit, in order to assist the Finance Subcommittee's (or at least OMS representative Joe Buckley's) review of the 2006 budget, a recommended prioritization of the "big ticket" items under consideration for the 2006 Midwest ISO capital budget. Presumably, the stakeholder sectors' feedback will be compiled and the Advisory Committee will discuss further this issue at the August 17 Advisory Committee meeting.

Recommendation:

The OMS Board of Directors should discuss what action to take on this issue.



Organization of MISO States

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www.misostates.org

OMS Report to the Advisory Committee August 17, 2005

FERC Activity

- OMS filed a request for rehearing of the FERC's June 21 order on data access.
- OMS representatives have met with MISO legal staff August 2 to discuss the data access compliance filing to be made August 19.
- The OMS is coordinating with NARUC on comments on the Accounting and Financial Reporting for RTOs rulemaking.

DOE Activity

- Thirteen RTO 101 presentations have been made by John Chandley of LECG Consulting: The final presentation will be made in Illinois August 16 and 17.

OMS Activity:

- OMS Work Groups have been reviewing the Midwest ISO Discussion Paper on Resource Adequacy for the Midwest ISO Energy Markets and the Joint and Common Market White Paper.
- The Organization of PJM States, Inc. (OPSI) has been formed to coordinate work of states served by PJM. OMS and OPSI will maintain contact on overlapping issues.
- Chairman Dan Ebert of the Wisconsin PSC will serve as the lead representative to the Advisory Committee and as OMS Vice-President for the remainder of the year.



Organization of MISO States

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OMS Executive Director Report August 10, 2005

FERC Activity

1. State Commission Access to Confidential Data. OMS representatives met with MISO legal staff August 2 to discuss compliance filing to be made August 19.
2. FERC has released a revised strategic plan and a list of its functions under the Energy Policy Act of 2005. See <http://www.ferc.gov/about/strat-docs/strat-plan.asp> and <http://www.ferc.gov/legal/maj-ord-reg/fed-sta/ene-pol-act.asp>

DOE Activity

1. RTO 101 presentations by John Chandley of LECG Consulting have been completed in thirteen states. The remaining presentation is in Springfield, Illinois, on August 16-17.
2. The Energy Policy Act of 2005 gives the Department of Energy several responsibilities. DOE staff hope to work with regional state committees on its regional transmission tasks.

OMS Activity:

1. Market Rules Work Group: The MRWG is following the Joint and Common Markets discussion and gave survey responses to MISO/PJM staff on August 10.
2. Capacity market: The Resource Adequacy Work Group met with MISO's SAWG on August 3. MISO's "Discussion Paper on Resource Adequacy for the Midwest ISO Energy Markets" was released at that

meeting. The RAWG is preparing questions on the paper to submit to MISO. MISO intends to make an informational filing on resource adequacy on September 27.

3. The Ad Hoc group preparing comments on FERC's NOPR on Accounting and Financial Reporting for RTOs has a draft of NARUC comments. The comments are due August 26.
4. The OMS budget should be presented to the MISO in September.
5. The Nominating Committee is beginning its work to recommend OMS officers for 2006.

Public Relations

1. Pending speaking/meeting invitations:
 - August 10, President Wright interviewed by Inside FERC.
 - September 13, Chicago, Mid-Continent Energy Marketers Association Fall Conference.
 - October 5, Wisconsin Public Utilities Institute RTO conference.
 - FERC Staff briefing, date not set.
2. Meeting requests are pending with the FERC commissioners.



RELIABILITY *FIRST*

Jim Keller
We Energies
August 11, 2005

ReliabilityFirst Corporation

- New NERC regional reliability council being formed in the combined PJM and MISO footprint.
- To be operational by end of 2005.
- Formation process underway.
- Solicitation of new members to begin in August.

Reliability *FIRST* Corporation (RFC)

MAIN, ECAR, MAAC, MRO

- Boards/Members of Regions approved budget and charged Regional Managers to begin discussions regarding formation of a Regional Reliability Council encompassing 4 Regions
- Project Manager Selected – Roberta Brown
- Goal is to consolidate MAAC, ECAR and part of MAIN by January 1, 2006
- Northern MAIN Utilities (NMU) have indicated intent to join MRO – Have option to join RFC
- MRO would begin discussions for participation

Why?

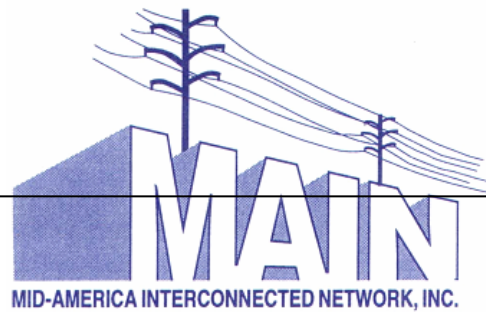
Reasons to Consider Realignment of RRC Boundaries

- U.S. – Canada Task Force “Final Report” on 2003 Blackout
- Expanded PJM footprint now covers all or parts of 4 RRCs
- MISO operates in parts of four RRCs
- MISO – PJM Joint and Common Market under development
- MAIN members have indicated plans to withdraw as of 1/1/06
- NERC Regional Managers’ report on “Future Role of the Regions” recommended rational boundaries
- Many industry organizations support consolidation (NERC Board and Stakeholders, EEI, FERC, Boards of MAIN, MAAC, ECAR and MRO)

Benefits

- Achieve uniformity of standards across a large section of North America
- Better alignment of market and reliability entities' boundaries
- Resolve existing Regional Council (ECAR & MAAC) issues with independence of council from entities it monitors

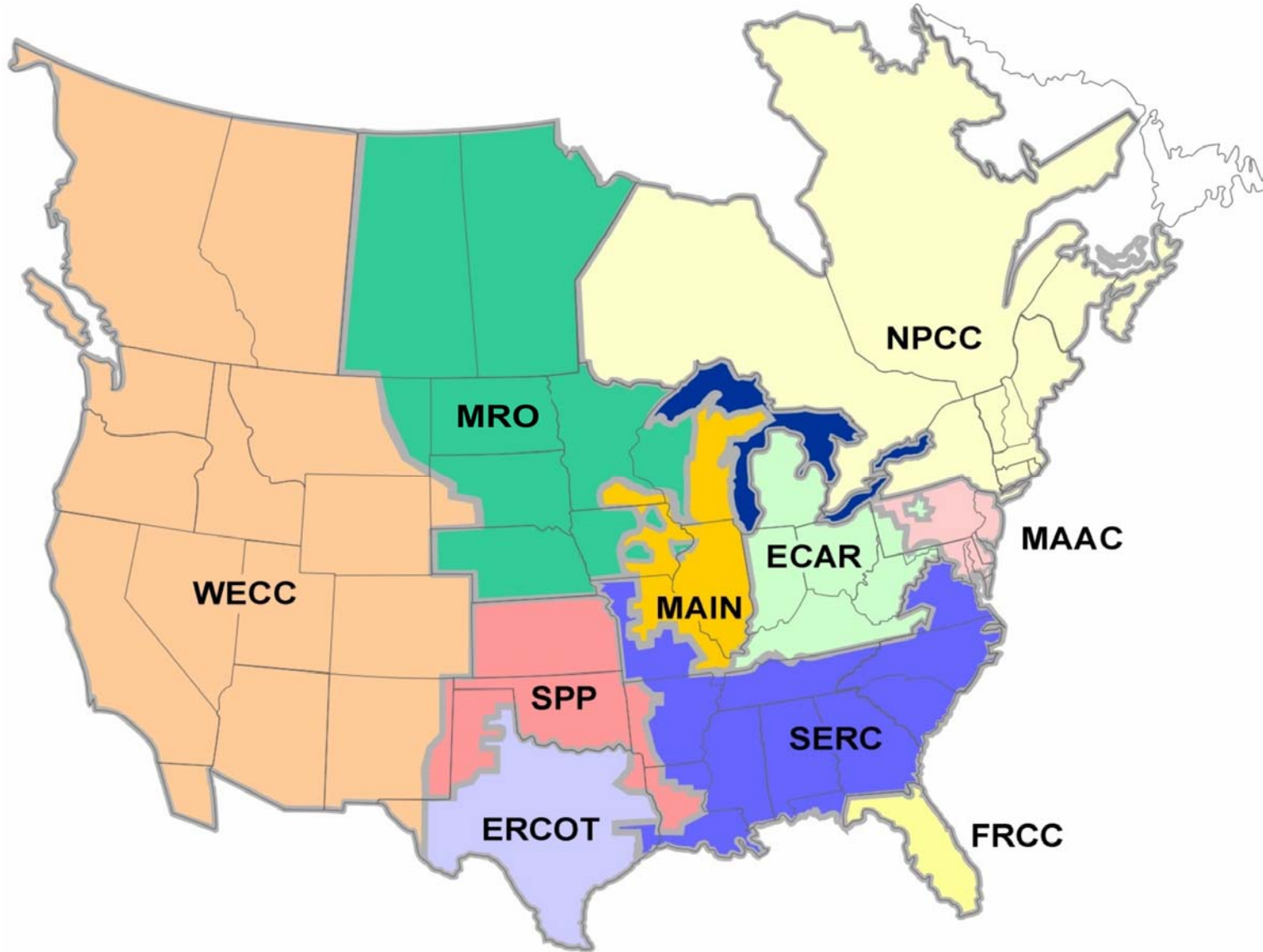
“Stage 2”



“Stage 1”

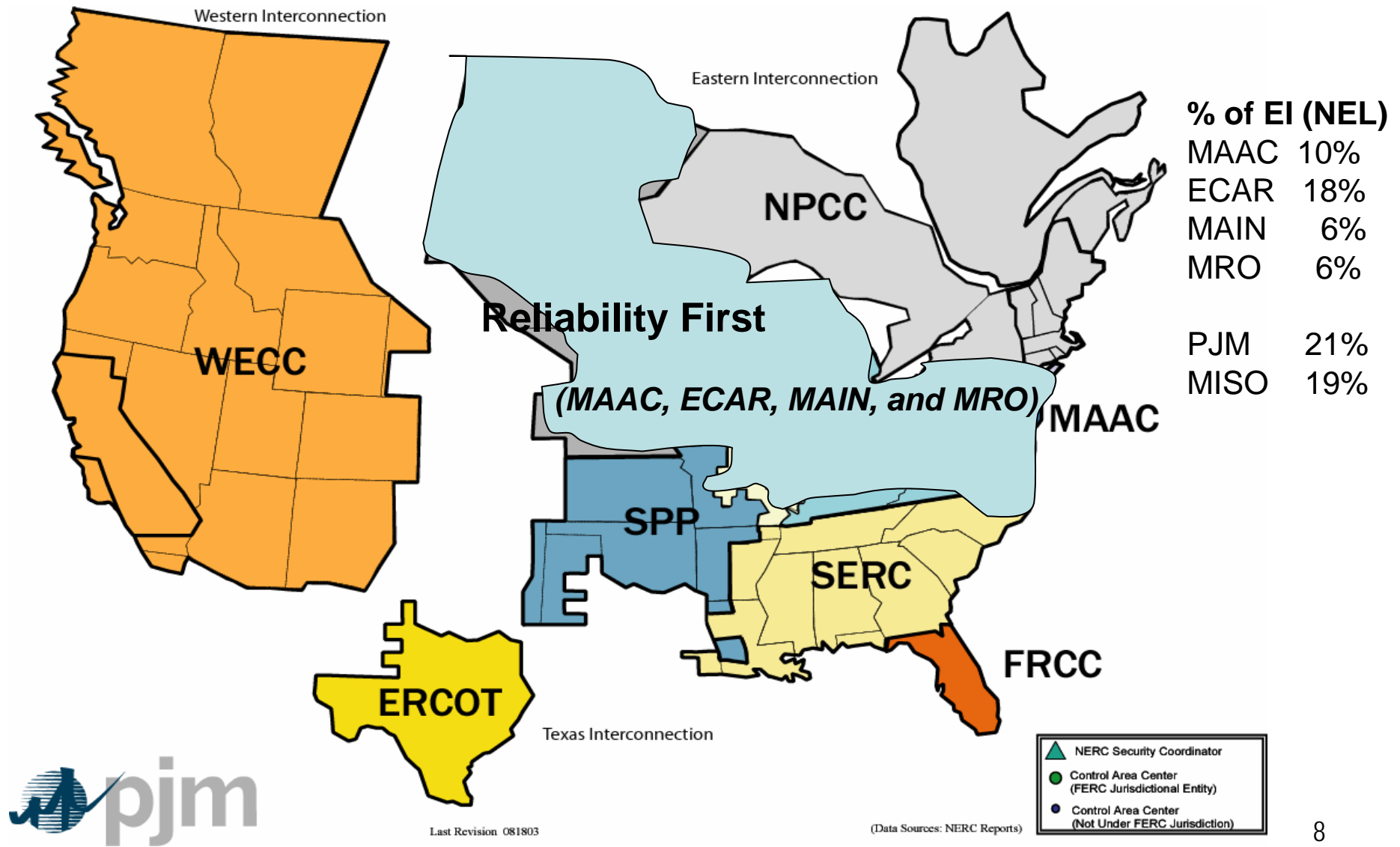


Regional Reliability Councils



ReliabilityFirst Corporation

(Approximate foot print if all of the four regions would ultimately join)



Executive Team

MAIN Richard Bulley
Steve Naumann, ComEd
Maureen Borkowski, Ameren

MAAC Bruce Balmat
Jim Robinson, PPL
Tsion Messick, PHI

ECAR Brant Eldridge
Mike Core, Big Rivers
Karl Pfirrmann, PJM

MRO Dan Skaar
Bob Harris, WAPA
Jim Averweg, MEC

- Now acts as Interim Board
- Approved bylaws
- Approves policy
- Reviews status of teams
- Directs all actions of work teams

RFC Key Events Timeline

<u>Objective</u>	<u>Completion Date</u>
Hold Meetings to Elect Sector Directors	October 26
Obtain NERC Approval	November 1
Determine Nominee Slate for At-Large and Independent Directors	November 1
Finalize 2006 Budget	November 1
Solicit Proxies for First Annual Meeting of Members	November 15
Hold Last Annual MAIN Member Meeting – Chicago	December 15
Hold First Annual RFC Meeting of Members and First RFC Permanent Board of Directors Meeting – Chicago	December 15
RFC Commence Full Operations	January 1, 2006
Wind-down of ECAR, MAAC, MAIN	January - March 2006

RFC Organization

- Not-for-profit Delaware corporation
- Organized to meet NERC and reliability legislation requirements for Regional Councils
- RFC is a new organization – not a merger of Councils
- Existing Council Members will decide whether to join
- Expectation that all entities with impact on bulk power system will join this Regional Council

RFC Functions

- Set Organizational Standards
- Monitor and Enforce Compliance with Organizational Standards
 - In concert with NERC Compliance Program
- Provide Reliability Education, Training, Certification for Members
- Near and Long-Term Assessments, As Appropriate
 - Generation and Transmission adequacy
 - Monitor and report on operational performance and system disturbances
- Coordinate with Other Entities
- Collect and Analyze Reliability Information and Data
- Provide for Appeals and Conflict Resolution
- Participate in NERC Activities

RFC Members

- Two Classes of Members
 - Regular, Associate
 - Two or more affiliates may designate one as the Regular (voting) member
 - Other affiliate(s) may join as Associate (non-voting) member(s)
 - Member eligible for more than one sector must designate its sector
- Obligations of Members
 - Provide data and information necessary for RFC to perform its functions
 - Payment of dues, funding, and penalties resulting from non-compliance with RFC/NERC standards
 - Elect Board of Directors (Regular members only)
 - Approve amendments to bylaws, modification of approved budget, termination of RFC (Regular members only)
 - Provide qualified people to serve on RFC working groups

Governance

- Board of Directors (14)
 - Five (5) Stakeholder Sectors (8 Directors)
 - Three (3) At-Large Directors
 - Three (3) Independent Directors
 - Staggered 3-year terms
- Stakeholder Sectors
 - Suppliers (2 Directors)
 - Transmission Companies (3 Directors, 1 of which is an RTO)
 - Small LSEs (10,000 GWh or less) and Bulk Power
 - System Customers (100 MW or more) (1 Director)
 - Medium LSEs (between 10,000 & 50,000 GWh) (1 Director)
 - Large LSEs (50,000 GWh or greater) (1 Director)

Governance

- Board of Directors Duties
 - Serve as primary decision-making body
 - Govern LRRO and oversee all activities
 - Establish and oversee all organizational groups
 - Approve, revise, enforce standards
 - Establish compliance program including penalties for non-compliance
 - Establish and approve annual budget
 - Represent RFC in legal and regulatory proceedings
 - Hire the President and approve salary
 - Establish Board committees as appropriate
 - Approve, revise, enforce Member data and information requirements and related confidentiality requirements

RFC RRO Funding Mechanism

- RFC Development Budget – \$900,000
 - MAIN, ECAR, MAAC – 30% each, MRO – 10%
 - Expenses for first 5 months – 14% below budget
- 2006 Pro Forma RFC Budget - 37 FTEs - \$13.7 million
- 2005 3-Region Budgets - 36 FTEs - \$12.6 million
- Regular and Associate Members pay the same
 - 10% Shared Equally by all Members (\$5K Min)
 - 90% Based on “Total System Utilization” - Transmission, Generation & Load of Members in a Prior Calendar Year
 - (Includes Total System Utilization of member(s) and affiliates doing business in the region)

Cost Allocation Determinants

(Approximate)

- Membership \$5,000.00 / Member
- Transmission \$.25 / kV-Mile
- Generation \$ 4.00 / GWh
- Load \$ 4.00 / GWh

Communications and Outreach

- More info www.maac-rc.com/rrcboundaries
- New domain name registered – www.rfirst.org
- New interim website under construction



QUESTIONS?