

ORGANIZATION OF MISO STATES, INC.
Board of Directors Meeting
Conference Call
February 9, 2006

Approved March 9, 2006

Steve Gaw, President of the Organization of MISO States, Inc. (OMS), called the February 9, 2006 Meeting of the OMS Board of Directors to order via conference call at approximately 2:00 p.m. (CST). The following board members or their proxies participated in the meeting:

Kevin Wright, Illinois
David Ziegner, proxy for David Hadley, Indiana
John Norris, Iowa
Jeff Johnson, proxy for Mark David Goss, Kentucky
Laura Chappelle, Michigan
Burl Haar, proxy for Ken Nickolai, Minnesota
Steve Gaw, Missouri
Greg Jergeson, Montana
Susan Wefald, North Dakota
Judy Jones, Ohio
Kim Pizzingrilli, Pennsylvania
Dan Ebert, Wisconsin

Absent

Manitoba, Nebraska, South Dakota

State Agency members participating

Randy Rismiller, Bill VanderLaan - Illinois
Bob Pauley, Brad Borum - Indiana
Jack Dwyer, Dave Habr - Iowa OCA
A.W. Turner, Jorge Valladares, Mark David Goss - Kentucky
Angie Butcher, George Stojic, Wanda Jones - Michigan
Kevin Holtsberry - Ohio
Sheryl Delozier, Kim Joyce - Pennsylvania
David Sapper - Wisconsin

MISO members participating

Graham Edwards, John Bear, Alex DeBoissiere, John Kozyrski

OMS Staff participating - Bill Smith, Julie Mitchell

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

Midwest ISO Update - Graham Edwards, Interim President and CEO

Graham Edwards offered remarks about the Joint and Common Market, an on going project MISO is focused on.

- He indicated he would like to work with OMS staff to get information to regulators.
- He emphasized how MISO can minimize costs for the benefit of the consumer.

- Graham mentioned the re-hearing in Minnesota on February 9 which will lead to a better understanding of charge types.
- The ICCP outage did not affect the system and was back and running within 48 hours.
- A study by ICF Consulting concerning the benefits of MISO in the wholesale marketplace will not be completed until April.
- He also reiterated the goal of MISO during his interim stint as MISO CEO, and that is reliability.
- MISO has made progress on RSGs.

Bill Phillips presented background information on the Joint and Common market and distributed a power point presentation on the \$7 million project. This presentation follows at the end of the minutes.

Approval of Minutes of the December 8 Annual Meeting

John Norris moved for approval of the December 8, 2005 OMS Annual Meeting minutes as distributed to board members. Susan Wefald seconded the motion. The minutes were approved by a unanimous voice vote of the directors.

Review of Actions of the Executive Committee on January 26, 2006

Bill Smith highlighted business items of the January Executive Committee meeting:

- The committee approved OMS meeting dates for 2006 and also set the OMS office holidays for the year.
- The last \$100,000 CD rolled out on January 17, and the OMS spend down program discussed at the last meeting is now in place.
- A letter was sent to MISO concerning OMS' continued interest in the Joint and Common Market.

OMS Treasurer Kim Pizzigrilli presented the December 2005 and the January 2006 Treasurer's reports.

Treasurer's Report -December 2005

Cash on Hand

This fiscal year OMS has received \$200,000.00 from MISO and is holding the remaining balance in the OMS checking account at Chase Bank One, in the OMS savings account at Wells Fargo Bank Iowa and in one Certificate of Deposit. As of December 31, 2005, the OMS balance in the Chase Bank One checking account was \$56,352.79. The Certificate of Deposit held at West Bank is valued at \$100,000.00. The total amount on deposit in the Wells Fargo Business Performance Savings Account at December 31, 2005 was \$77,449.19. Total Cash on Hand as of December 31, 2005 was \$233,801.98.

Expenditures to Date

Total disbursements for December 2005 net of two reimbursements received were \$39,838.61.

Treasurer's Report -January 2006

Transition

All documentation was forwarded from Commissioner Gaw's office to Pennsylvania. Commissioner Gaw and his staff should be commended for the thoroughness and attention to detail in fulfilling the Treasurer duties for 2005.

Paychex

As a result of a request by Paychex, Inc., Julie Mitchell provided information pertaining to the Iowa Work Force Development on rate computations for private employers for 2006 as well as the Notice of Unemployment Insurance Contribution Rate information.

Cash on Hand

As of January 31, 2006, the balance in the Chase Bank One checking account was \$26,045.86. The beginning balance of the Wells Fargo Business Performance Savings Account as of January 1 was \$77,449.19. Interest earned this period was \$148.14 (at the rate of 2.28%). The January 31, 2006 balance was \$77,597.33.

On January 27, 2006, Bill Smith completed the rollover of a CD. The face amount was \$101,952.38. Maturity date is April 27, 2006. Interest rate is 2.58%. The interest earned on the previous term was \$1952.38.

Expenditures to Date

Total disbursements from the Bank One Checking Account for January 2006 were \$52,032.17 which includes \$15,564.42 checks written in January and cleared by month end.

Kevin Wright moved to accept the December 2005 and January 2006 treasurer's reports as presented. Dave Ziegner seconded the motion.

The treasurer's reports were accepted by a unanimous voice vote of the directors.

Business Items

1. MISO Advisory Committee Issues - Judy Jones

- Judy had a stakeholder conference call with Patty Harrell to discuss the Advisory Committee Charter, and also to propose the Advisory Committee Management Plan.
- Ken Nickolai has been advised by the Minnesota Attorney General's office (because there is a pending case) to no longer sit on the MISO Advisory Committee. He has resigned from the MISO AC. Ken will refrain from resigning from the OMS Executive Committee until the committee has time to study the issue.
- Ohio will send Fred Heizer to the upcoming MISO AC meeting in place of Judy Jones. Judy will contact April Paronish with his name.
- David Sapper was nominated and approved by a unanimous voice vote of the board members present to attend the February MISO AC meeting in place of Ken Nickolai.
- Consent agenda process, stakeholder governance training (for task force leadership), the finance committee motion, the market settlement task force retirement, Charter Review, were other items Judy brought up for discussion concerning the MISO AC meeting. There was general consensus among the directors concerning the possible voting motions Judy raised to not oppose the motions.

2. MISO Ancillary Services Task Force Report - John Harvey

- The Ancillary Services report follows the minutes.
- John Harvey indicated the directors would be using the version of the report sent out February 8.
- The report includes the definition of the Ancillary Services with edits by Mike Robinson, MISO liaison. There are (6) ancillary services required to be provided in an open access transmission tariff.
- RTOs are to be the providers.

3. Discussion of MISO Benefit Studies - Judy Jones, David Sapper, Burl Haar

- David Sapper began the discussion by attempting to answer Brad Borum's question "Why is OMS asking for what it is asking for, and how will it be used?"
- Judy Jones indicated that Director Evans made a request from all stakeholders at the last MISO board meeting, to prepare a list that would be helpful to them as a cost benefit to be presented to the board at the February meeting. This would be a five minute summary delivered by someone representing each stakeholder sector.

- President Gaw asked for volunteers to work with David Sapper, Judy Jones, and Burl Haar to refine the document. Bob Pauley indicated he would offer his help to make it specific -- since it needs to be reduced to a five minute summary for presentation to MISO next week.
- President Gaw then asked Bill to refine the document and email it around to the commissions to gain acceptance by all the BOD members.
- David Sapper planned to be in attendance at the MISO meeting where the presentations would be given, and offered to read the OMS summary.

4. OMS Position on Charter of OMS Planning Advisory Committee - Dan Ebert

- Dan Ebert reported on the Charter of the OMS Planning Advisory Committee. Dan felt that the PAC should report to the Advisory Committee or the MISO Board rather than a subcommittee of the board. Dan Ebert asked the OMS directors for guidance. He then presented the two options:
 1. Report to entire MISO board and not just a subgroup of the board.
 2. Report to Advisory Committee
- Dan Ebert moved and Kevin Wright seconded that the first option be approved. By a voice vote of all directors present, except Susan Wefald who abstained, motion #1 was approved. (The second option would be the fall-back position.)

5. Discussion of OMS process for FERC filings - Steve Gaw

- Due to time constraints, this issue was not discussed.

6. Plans for OMS Participation and Statement at MISO Stakeholder Meeting, Carmel, April 19 - Bill Smith, David Sapper, Burl Haar

- Bill Smith spoke about the Long Term Development and Governance Work Group's interest in working on this issue. Their plan is to have a draft ready on March 9, with a final draft to be ready for presentation at the April OMS Board meeting.

7. Discussion of EPACT status - Bill Smith.

- **Joint Board Meeting February 12**
- **National Interest Corridors - Congestion Study and Criteria -**
TP&S WG - working on a comment due March 6. They plan to have a draft ready for consideration at a Special Board meeting on March 3. There is a technical conference scheduled in Chicago on March 29 on this issue.
- **Distributed Generation (section 1817) comments due February 23 -**
OMS working groups are not working on this issue - and no comments will be filed as a group.

8. Update of the OMS Travel Policy - Bill Smith (Revised OMS Travel Policy follows minutes)

Bill Smith presented the OMS Travel Policy with recommended changes and updates for 2006. Kevin Wright moved and David Zeigner seconded the approval of the revised OMS Travel Policy. The motion was approved by a unanimous voice vote of the directors.

Executive Director's Report - Bill Smith

This report follows the minutes.

Announcements: Bill asked for members to listen in on the RAWG calls later this month.

Meeting adjourned at 4:00 pm CST

JCM 2006 Initiatives Update



**Advisory Committee Meeting
February 15, 2006**

Bill Phillips

wphillips@midwestiso.org



JCM Overarching Objectives

A group of initiatives that are intended to result in achievement of the following objectives have been identified in a series of stakeholder sessions:

- *Provide the highest level of inter-regional reliability.*
- *Deliver the lowest cost energy and ancillary services to load across the combined MISO and PJM regions.*
- *Plan, build and operate the combined MISO and PJM transmission facilities for maximum joint benefit across the region.*

Initiatives have been, or will be, assessed in a cost / benefit analysis and the results presented back to stakeholders for implementation decisions.

JCM Candidate Evaluation Process

1) The RTOs employed an open and inclusive, stakeholder process to develop candidate JMC initiatives – joint meetings were held at the following times and locations:

June 30, 2005	Carmel, Indiana
July 27, 2005	Wilmington, Delaware
August 25, 2005	Carmel, Indiana
September 21, 2005	Wilmington, Delaware

o In addition, separate stakeholder meetings were held by both PJM and the Midwest ISO.

2) The RTOs performed a cost benefit analysis on candidate JCM initiatives that included:

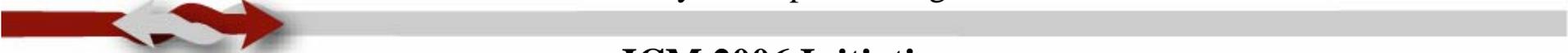
- o The forecasted costs to implement each initiative (spread across an assumed three year cost recovery period).
- o Any on-going operating costs associated with implementation of the initiative (hardware and software licensing and/or maintenance fees).
- o Market efficiency gains representing the overall market savings (estimated reduction in production cost used as a proxy) associated with the implementation of each initiative.
- o Market participant savings representing estimated cost savings to market participant organizations associated with the implementation of each initiative. Market participant cost savings were split between reductions in staff time required to perform specific tasks and reductions in training costs associated with learning to use multiple processes, procedures and technologies.

3) The RTOs committed to perform additional cost benefit analyses on those initiatives that are dependant on other initiatives and also those where there was not ample time before the filing to adequately evaluate.

4) The RTOs committed to hold quarterly JCM stakeholder meetings to update participants on all efforts. The first such meeting is March 3rd in Wilmington Delaware.



Committed Initiatives: PJM and Midwest ISO have committed to initiating the stakeholder processes and other tasks necessary for implementing these initiative.



JCM 2006 Initiatives

1) Alignment of FTR Timelines and Products

- Align Midwest ISO FTR products with PJM FTR products.
- Align Midwest ISO FTR allocation and auction timeframes with PJM FTR allocation and auction timeframes.

2) PJM Implementation of Marginal Losses

- To achieve a greater level of price convergence and rationalization at the RTO border.
- Note: This initiative has been voted down by PJM stakeholders.**

3) Alignment of Operating Reserves/Revenue Sufficiency Guarantee Products

- Allocate Operating Reserves (OR) and Revenue Sufficiency Guarantee (RSG) charges similarly to reduce the hourly volatility of these charges in the Midwest ISO market.

4) Website Common Search Capabilities

- Implement one search engine that searches both the PJM and Midwest ISO public websites.

5) Linking of existing PTP/eData Websites

- Link the existing PJM eData and Midwest ISO PTP sites together.
- Exchange a subset of data (LMP, Instantaneous Load, Tie Flows) and make available for display and download.

6) Enhancement of the Joint Website

- Create one new joint website that hosts PJM and Midwest ISO common information (e.g. joint meeting and event calendars).

7) Moving of Joint Owned Units Between Markets

- Allow selection of PJM or Midwest ISO Markets to sell output of certain Joint Owned Units.



Committed Initiatives: PJM and Midwest ISO have committed to initiating the stakeholder processes and other tasks necessary for implementing these initiatives.



JCM 2006 Initiatives (cont.)

8) Establishment of a Joint Long Term Transmission Queue

- Create a common long-term transmission queue that facilitates easier scheduling of annual, cross-border firm transmission service requests.

9) MISO Ramp Viewer

- Provide the MISO Market Participants with the ability to view ramp.

10) Alignment of OASIS Business Practices

- Align timing requirements between PJM and the Midwest ISO associated with transmission service requests.

11) Common Treatment of Dynamic Schedules/Pseudo Ties

- In general, participants desire the flexibility to allow their generating units to participate directly in the RTO of their primary interest, even if those units are not physically located in that RTO. Providing this flexibility means implementing dynamic schedules the same way in each RTO.

12) Enactment of an Emergency Energy Agreement

- Former Control Area Operators of PJM and Midwest ISO had emergency energy agreements in place to facilitate the sale of energy during emergency conditions. While these agreements existed prior to RTO development, Midwest ISO and PJM may not be a legal party to the agreement. Midwest ISO and PJM would need to replace these existing agreements with emergency energy agreements between the RTOs.

13) Joint Expansion Planning and Common Deliverability Studies

- Regional expansion plans will include coordinated planning to include evaluation of impacts on other RTO facilities and required facility upgrades. Generation deliverability studies will include common criteria and study to obtain results, which demonstrate if units are deliverable in both RTOs and if they are not deliverable in both RTOs what system constraints limit the deliverability.

Further Action Needed Initiatives: Certain initiatives have been identified as potential additional elements to the joint and common market; however, further evaluation of these initiatives is required to determine if they will be recommended for implementation.



JCM 2006 Initiatives (cont.)

1) Single Market Production Cost Study

- Perform a production cost study to determine the benefits to the participants of MISO and PJM becoming a single market.

2) MISO Regulation Market Cost-Benefit Analysis

- Perform a cost-benefit analysis to determine the benefits MISO participants would receive from implementing a regulation market and operating reserve market similar to PJM's.

3) PJM Move to EST

- Perform a cost-benefit analysis to determine the benefits MISO and PJM participants would receive from implementing the use of a common time zone across the entire footprint. MISO's systems are currently on EST. PJM currently operates on EPT. The recommendation would be to move PJM's system to EST to align with the MISO system.

4) Alternative Border Pricing Cost-Benefit Analysis

- Perform a cost-benefit analysis to determine the benefits MISO participants would receive from allowing participants to submit transactions based on physical flow effects on localized transactions.

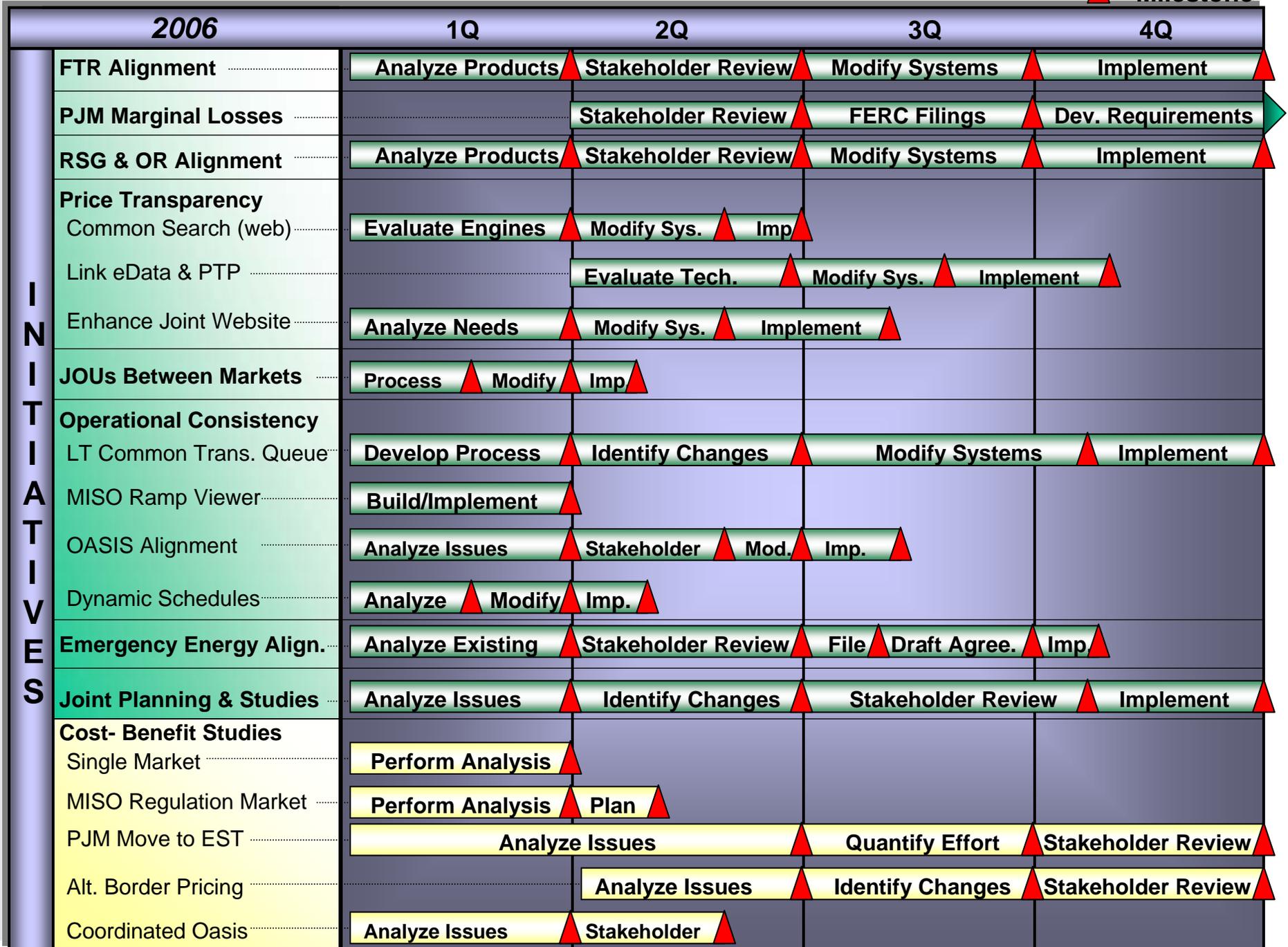
5) Coordinate OASIS Cost-Benefit Analysis

- Perform a a cost-benefit analysis to determine the benefits MISO participants would receive from linking the two OASIS nodes, so there is a single logon (to two individual nodes)



JCM 2006 Implementation Timeline Overview

▲ - Milestone



ORGANIZATION OF MISO STATES, INC.
ANNUAL MEETING MINUTES
December 8, 2005

DRAFT

Remarks from FERC Chairman Joseph Kelliher preceded the business portion of the OMS Annual Meeting. Some highlights from his remarks follow:

- Chairman Kelliher first complimented MISO on its impressive control room, on this, his first trip to the Carmel facility.
- He then spoke about FERC's RTO policy, which a unanimous commission decision reiterated, is voluntary RTO formation. This reaffirms the policy the commission has taken since 1999.
- FERC supports RTOs because of their potential to operate the grid and the market more efficiently than traditional arrangements. RTOs must do a better job of realizing these benefits. Since they are voluntary organizations and their members can withdraw, it is important for RTOs that their potential benefits are being realized and to demonstrate that costs are under control. He's not sure RTOs have done a good job of this.
- The Commission can't be viewed as being uncritical of RTOs, because legally they are public utilities. They are not self-regulating organizations. FERC has a legal duty therefore to ensure that their costs are just and reasonable. RTO costs must be more transparent.
- The key to RTO expansion is the performance of the existing RTOs: whether they are able to deliver benefits; whether potential benefits are realized; and if they do a good job controlling costs. The key to expansion no longer rests with the conditions the Commission inserts into merger orders and market based rate orders.
- The fate of RTOs is in their own hands right now.
- MISO has done an excellent job on reliability; cost control has to be a priority as well. Proving to their members that they are providing benefits is also important--both price and non-price benefits.
- He emphasized the necessity of RSCs by suggesting that although state regulation of electricity has not effectively changed since 1935, the nature of the market for it has. The market has become more regional, and because of that, the need for a group such as OMS is more compelling. OMS can act in an advisory role - as regulators in a different domain.
- Since he got to FERC he's been hoping to initiate a joint board where state regulators can serve with federal regulators - under EPACT his idea's been realized.

Following these remarks, Chairman Kelliher answered questions from OMS board members, then recognized the Organization of MISO States for its performance as a model Regional State Committee (RSC).

Graham Edwards, Chair of Midwest ISO Board of Directors and **Jim Torgerson**, President and CEO of the Midwest ISO, followed Chairman Kelliher by extending a welcome to the OMS participants and observers at the OMS Annual Meeting.

David Patton, the MISO Market Monitor, reported on the state of the market. A question and answer session with board members followed his report. His presentation follows these minutes.

A presentation to the OMS board on capacity and reserve issues was made by **Ron McNamara**, Midwest ISO Vice President of Market Services. **Jan Karlak** chair of the OMS Resource Adequacy Work Group also offered comments. A question and answer period with members of the OMS board followed their presentations.

Commissioner Kevin Wright, President of the Organization of MISO States, Inc. (OMS), called the 2005 Annual Meeting of the OMS to order in Carmel, IN at approximately 11:15 a.m. (EST) The following commissioners were present for the meeting:

Kevin Wright, Illinois
David Hadley, Indiana
John Norris, Iowa
Jeff Johnson, proxy for Mark David Goss, Kentucky (participated by phone)
Laura Chappelle, Michigan (participated by phone)
Ken Nickolai, Minnesota
Steve Gaw, Missouri
Greg Jergeson, Montana
Tim Texel, proxy for Louis Lamberty, Nebraska
Susan Wefald, North Dakota
Judy Jones, Ohio
Kim Pizzingrilli, Pennsylvania (participated by phone)
Dan Ebert, Wisconsin

Manitoba absent
South Dakota absent

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

Other parties were also present at the Annual Meeting. (see attached list)

Approval of Minutes of the November 10 OMS BOD Meeting

Ken Nickolai moved for approval of the November 10 OMS BOD Meeting minutes as distributed to board members. Judy Jones seconded the motion. The minutes were approved by a unanimous voice vote of the directors.

Review of Actions of the Executive Committee on November 22

Due to time constraints, this agenda item was not presented.

Treasurer's Report

Steve Gaw presented the November 2005 Treasurer's Report as distributed to OMS board members.

Cash on Hand

To date, the OMS has received \$200,000 from the MISO and is holding the remaining balance in the OMS checking account at Chase Bank One, in the OMS savings account at Wells Fargo Bank Iowa and in two Certificates of Deposit. As of November 30, 2005, the balance in the OMS Chase Bank One account was \$21,178.73. The Certificates of Deposit held at West Bank and Bank of America are valued at \$100,000 each. The total amount on deposit in the Wells Fargo Business Performance Savings Account November 30, 2005 was \$50,857.52. Total Cash on Hand as of November 30, 2005 was \$272,036.25.

Expenditures to Date

Total disbursements for November 2005 net of two reimbursements received were \$29,195.79

John Norris moved to adopt the treasurer's report as presented. Dan Ebert seconded the motion. The treasurer's report was accepted by a unanimous voice vote of the directors.

Business Items

1. Reports from OMS Work Groups on Current Issues

- President Wright asked each of the Work Group Chairs to offer a highlight from their written reports describing their work groups' current issues. The following work group chairs gave presentations: Randy Rismiller, Pricing; Mike Proctor, Congestion Management and FTR Allocation; Lisa Pappas, Demand Response; Jan Karlak, Resource Adequacy and Capacity Markets; David Hadley, Market Monitoring and Market Power Mitigation; Nancy Campbell, Market; Burl Haar, Long Term Development & Governance; Amy Christensen, Transmission Planning and Siting. (The work group reports follow these minutes.)
- OMS Work Group Chairs for 2006 include.
Congestion Management and FTR Allocation - Mike Proctor and John Harvey (co-chairs)
Demand Response - Lisa Pappas will not continue as chair, new chair has not been named.
Long Term Development & Governance - Burl Haar and David Sapper (co-chairs)
Market Monitoring & Market Power Mitigation - David Hadley
Market - Nancy Campbell will not continue as chair, a new chair has not been named.
Pricing Issues - Randy Rismiller and Mike Proctor (co-chairs)
Resource Adequacy and Capacity Markets - Jan Karlak
Transmission Planning and Siting - Jerry Lein and Dave Sapper (co-chairs)

2. Action Item. Nominating Committee Report - Greg Jergeson

Greg Jergeson read the slate of 2006 Executive Committee Nominees to be ratified for 2006.

- President: Steve Gaw, Missouri
Vice-President: Judy Jones, Ohio
Secretary: John Norris, Iowa
Treasurer: Kim Pizzingrilli, Pennsylvania
At-Large: Ken Nickolai, Minnesota
- Greg also presented the 2006 Nominating Committee.
Susan Wefald, North Dakota
Laura Chappelle, Michigan
Dan Ebert, Wisconsin

President Wright asked if there were any additional nominations for individuals to serve as OMS officers in 2006. Hearing none, Greg Jergeson moved and David Hadley seconded that a unanimous ballot be cast for the candidates nominated for officer positions by the Nominating Committee in 2005. The motion was approved by a vote of applause by the directors.

3. Summary of OMS Accomplishments in 2005/ OMS Strategic Plan 2006 - Kevin Wright
President Wright referred to the two documents "Summary of OMS Accomplishments in 2005" and "OMS Strategic Plan 2006" distributed previously to the directors. He asked that the OMS Strategic Plan be reviewed for future consideration at the January 2006 meeting. (Both documents follow minutes.)

4a. Action Item. OMS Adoption of the Transmission Planning & Siting Work Group's Resolution - Amy Christensen, Jerry Lein

Ken Nickolai moved to adopt the resolution on the Midwest protocol as presented by the OMS Transmission Planning & Siting Work Group. Susan Wefald seconded the motion. A last sentence amendment, as read by Laura Chappelle, was offered to the resolution.

After the motion was accepted by unanimous voice vote of the directors, adopting the language change in the amendment by Laura Chappelle with a second by Dave Hadley, the following resolution was approved by a unanimous voice vote of the directors:

RESOLUTION OF THE ORGANIZATION OF MISO STATES BOARD OF DIRECTORS

December 8, 2005

WHEREAS the United States Congress passed and President George W. Bush signed into law The Energy Policy Act of 2005 (The Act); and The Act, among other things, encourages investment in the modernization and reliability of our electric transmission grid and provides for last-resort federal siting authority for transmission lines deemed to be in the national interest.

And

WHEREAS, on July 16, 2005, Governor Tom Vilsack of Iowa announced the signing of the "Protocol Among the Midwestern Governors Regarding the Permitting and Siting of Interstate Electric Transmission Lines in the Midwestern United States and Manitoba, Canada" (The Protocol); the Governors of Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota, and Wisconsin signed The Protocol; Premier Gary Doer of Manitoba, Canada signed a memorandum in support of the underlying principles and objectives of The Protocol; The Protocol supports a regional, cooperative approach to solving problems associated with improvement of the Midwestern electric transmission grid; The Protocol supports additional investment in the electric transmission grid when such investment is needed and in the public interest; The Protocol states the Governors will support improved coordination and cooperation by the states on handling applications for interstate and international transmission lines to the extent possible under their respective state laws and considering the rights of all potential parties to electric transmission line proceedings; and The Protocol states the Governors will support legislation to give state permitting and siting authorities explicit authority: a) to effectively coordinate and cooperate with other governmental permitting and siting authorities on permitting and siting activities regarding proposed electric transmission lines that cross state and national boundaries, and b) to consider both state and regional needs and planning when evaluating whether a proposed electric transmission line should be approved.

And

WHEREAS the National Conference of State Legislatures has offered states sample legislation entitled the "Regional Coordination in Planning and Siting of Electric Transmission Lines Act" (NCSL Act); and the stated purposes of the NCSL Act are to give state agencies with jurisdiction over the siting of electric transmission lines the authority to effectively coordinate and cooperate with agencies of similar jurisdiction in other states on siting activities regarding proposed electric transmission lines that cross state and national boundaries, and to give such agencies the authority to consider both state and regional needs and planning when evaluating whether a proposed electric transmission line should be approved.

THEREFORE the Organization of MISO States Board of Directors adopts this resolution encouraging each of its members:

- 1) to examine its own state statutes to determine whether:
 - a) it has sufficient authority to effectively coordinate and cooperate with agencies of similar jurisdiction in other states on permitting and siting activities regarding proposed electric transmission lines that cross state and national boundaries; and
 - b) it has the authority to consider both state and regional needs and planning when evaluating whether a proposed electric transmission line should be approved;
- and
- 2) if it does not have such authority, that it work with its Governor and state legislature to determine if legislation is needed to give it the explicit authority to do so.

4b. Action Item. Adoption of OMS Banking Resolution

President Wright entertained a motion by Susan Wefald and seconded by Ken Nickolai to adopt a resolution authorizing the newly elected 2006 OMS officers to work with banks and sign contracts on behalf of OMS. The following resolution to become effective January 1, 2006 was approved by a unanimous voice vote of the directors:

Resolved, pursuant to Article X, Section 4, the Board of Directors of the Organization of MISO States, Inc. does hereby grant authority to Kim Pizzigrilli, Commissioner of the Pennsylvania Public Utility Commission and Treasurer of the Organization of MISO States, Inc. and Steve Gaw, Commissioner of the Missouri Public Service Commission and President of the Organization of MISO States, Inc. and William H. Smith, Jr., Executive Director of the Organization of MISO States, Inc. to sign all contracts, checks and orders for the payment, receipt or deposit of money on behalf of the Organization of MISO States, Inc. and to further access all securities of the Organization.

4c. Action Item. Discussion of Joint and Common Market Issues

Due to increasingly bad weather conditions in Carmel, this item was held over, to be considered at a Special Board Meeting on December 15.

4d. Action Item. OMS Comments to FERC on FERC's Proposed Reliability Rule

Bill Smith indicated the draft comments, with OMS board approval, would be presented to FERC's Second Technical Conference in Washington, D.C. on Friday, December 9. There was consensus from the commissioners to allow Bill to present the comments as is, without board approval; and to consider the document for approval at the Special Board meeting December 15.

Judy Jones indicated that MISO's Advisory Committee has requested a representative be appointed from each of the stakeholder groups for the December 19 MISO Planning Advisory Committee (PAC) meeting. Dan Ebert, Wisconsin volunteered to serve as the OMS representative.

Executive Director's Report - Bill Smith

This report follows the minutes.

Announcements:

- OMS Executive Committee Meeting - December 15 at 2:00 pm (central)
- Please send in expense vouchers for this meeting by January 9, 2006

Business meeting adjourned at 3:00 pm EST

OMS

Organization of MISO States
Report of the Treasurer
Steve Gaw, Missouri PSC
to the
Board of Directors
February 8, 2006

Report for December 2005

Cash on Hand

This fiscal year OMS has received \$200,000.00 from MISO and is holding the remaining balance in the OMS checking account at Chase Bank One, in the OMS savings account at Wells Fargo Bank Iowa and in one Certificate of Deposit. As of December 31, 2005, the OMS balance in the Chase Bank One checking account was \$56,352.79. The Certificate of Deposit held at West Bank is valued at \$100,000.00. The total amount on deposit in the Wells Fargo Business Performance Savings Account at December 31, 2005 was \$77,449.19. Total Cash on Hand as of December 31, 2005 was \$233,801.98.

Expenditures to Date

Total disbursements for December 2005 net of two reimbursements received were \$39,838.61.



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

				<u>TOTALS</u>
Certificates of Deposit Balance as of 11/30/05				\$200,000.00
12/19/2005	DEP	Bank of America - Interest on Matured \$100,000 Certificate of Deposit	\$1,486.23	
12/19/2005	W/D	Bank of America - Maturity of \$100,000 Certificate of Deposit	<u>(101,486.23)</u>	
Net Activity				<u>(100,000.00)</u>
Certificates of Deposit Balance as of 12/31/05				\$100,000.00
Business Performance Savings Account				
Beginning Balance as of 11/21/05				\$ 50,857.52
12/27/2005	DEP	Bank of America - Portion of Matured \$100,000 Certificate of Deposit plus Accrued Interest not deposited into Bank One Checking Account	\$26,486.23	
12/31/2005	DEP	Interest on Savings	<u>105.44</u>	
Total Deposits				<u>\$26,591.67</u>
Business Performance Savings Account Balance at 12/31/05				\$ 77,449.19
Commercial Checking with Interest				
Beginning Balance as 12/1/2005				\$ 21,178.73
12/27/2005	DEP	Bank of America - Portion of Matured \$100,000 Certificate of Deposit plus Accrued Interest not deposited into Bank One Checking Account	75,000.00	
12/31/05	DEP	Interest on Checking	<u>\$ 12.67</u>	
Total Deposits				\$ 75,012.67
Checks and Charges				
Date	Check #	Descriptions		
12/12/2005	W/D	Paychex - November Payroll Processing Fees	\$ 91.50	
12/14/05	1818	Director, MO Dept. of Revenue - Travel to OMS Annual Mtg. 12/7-9/05	309.38	
12/14/05	1819	MO - Travel to OMS Annual Mtg. 12/7-9/05	130.24	
12/14/05	1820	MO - Travel to OMS Annual Mtg. 12/7-9/05	136.25	
12/14/05	1821	IA - Travel to OMS Annual Mtg. & MISO AC & BOD Mtgs. 12/6-9/05	115.17	
12/14/05	1822	ND - Travel to OMS Annual Mtg. 12/6-8/05	624.24	
12/14/05	1823	NE - Travel to OMS Annual Mtg. 12/8/05	217.13	
12/14/05	1824	Nebraska Power Review Board - Travel to OMS Annual Mtg. 12/8/05	237.30	
12/14/05	1825	IA - Advance Travel to MISO Ancillary Serv. TF Mtg. 12/18-	250.00	
12/14/05	1826	IA - Balance of Travel to MISO Market Subcomm. Mtg. after Advance 11/28-29/05	232.47	
12/14/05	1827	IL - Travel to MISO Mkt. Subcomm. Mtg. 11/28-29/05	304.81	
12/14/05	1828	OH - Travel to MISO Finance Comm. Mtg. 12/8-9/05	498.45	
12/14/05	1829	IL - Travel to FERC Joint Board Mtg. on Econ. Dispatch. 11/21/05	358.94	
12/14/05	1830	MI - Travel to FERC Joint Board Mtg. on Econ. Dispatch 11/21/05	393.35	
12/14/05	1831	ND - Travel to FERC Joint Board Mtg. on Econ. Dispatch 11/21/05	713.27	
12/14/05	1832	IA - Balance of Travel to MISO AC & OMS WG Chairs Mtgs. after Advance 10/18-20/05	360.12	
12/14/05	1833	Minnesota Public Utilities Comm. - Travel to FERC Joint Board Mtg. on Econ. Dispatch 11/21/05	275.51	
12/24/05	1834	Commonwealth of Pennsylvania - Travel to FERC Joint Board Mtg. on Econ. Dispatch 11/21/05	574.23	
12/14/05	1835	IA - Travel to MISO Market Subcomm. Mtg. 11/28/05	559.05	
12/14/05	1836	Public Service Commission of Wisconsin - Travel to MISO AC & BOD Mtgs. 11/15-17/05	644.74	
12/14/05	1837	WI - Travel to FERC Joint Board Mtg. on Econ Dispatch 11/21/05	247.51	
12/14/05	1838	IA - Balance of Travel to FERC Joint Board Mtg. an Econ. Dispatch after Advance 11/21/05	67.21	
12/14/05	1839	IA - Travel to FERC Joint Board Mtg. on Econ. Dispatch 11/21/05	487.40	
12/14/05	1840	KY - Travel to FERC Joint Board Mtg. on Econ Dispatch 11/21/05	443.88	
12/14/05	1841	IL - Travel to NARUC Convention 11/13-16/05	116.68	
12/16/05	1842	IL - Travel to OMS Annual Mtg. 12/7-9/05	459.22	
12/16/05	1843	MO - Travel to FERC Joint Board Mtg. on Econ. Dispatch 11/21/05	365.97	
12/16/05	1844	IL - Travel to OMS Annual Mtg. 12/6-9/05	153.83	
12/16/05	1845	IL - Travel to OMS Annual Mtg. 12/8/05	248.11	
12/16/05	1846	MI - Travel to OMS Annual Mtg. 12/8/05	15.00	

12/16/05	1847	IA - Travel to OMS Annual Mtg. 12/8/05	384.66
12/16/05	1848	Heavenly Sweets, Inc. 50 lunches at OMS Annual Mtg. 12/8/05	503.50
12/16/05	1849	Triplet Office Essentials - Supplies for OMS Annual Mtg.	45.00
12/16/05	1850	Uline - Location Expense for OMS Annual Mtg.	35.43
12/16/05	1851	Doubletree Guest Suites - Hotel Rooms for OMS Annual Mtg. for Various Attendees 12/6-9/05	3,033.47
12/16/05	1852	DWX Internet - OMS Web Hosting 1/06	35.00
12/16/05	1853	Combined Systems Technology - Installation of Veritas Server Back-up	132.50
12/16/05	1854	Qwest - November Phone, Fax and DSL	221.48
12/16/05	1855	InterCall - November Conference Calls for OMS BOD & EC Mtgs.	730.92
12/16/05	1856	Infomax Office Systems - January Rental for Copier/Printer/ Fax	172.31
12/16/05	1857	Hartford Insurance Co. - Workers Compensation & Business Owners 2006 Annual Premium	3,780.00
12/16/05	1858	Chase Card Services - November charges	2,344.03 (1)
12/16/05	1859	100 Court Investors - January Rent & Parking	874.21
12/20/05	1860	Ed - Travel to NARUC 11/12-15/05, MISO AC & BOD 11/15-17/05, EBA 11/17-18/05, & Joint Board Mtgs. 11/21/05	104.20
12/20/05	1861	Public Service of Wisconsin - Travel to MISO AC & BOD Mtgs. & OMS Annual Mtg. 12/6-8-05	643.93
12/20/05	1862	IA - Travel to MISO MSC/RSC Joint Mtg. 12/13/05	528.90
12/20/05	1863	OH - Travel to OMS Annual Mtg. 12/6-8/05	94.22
12/20/05	1864	IA - Travel to MISO Reliability Comm. & Market Subcomm. Mtgs. 12/14/05	354.50
12/22/05	1865	MI - Travel to OMS Annual Meeting 12/7-8/05	23.00
12/22/05	1866	Minnesota Public Utilities Commission - Travel to OMS Annual Meeting 12/7-8/05	602.75
12/22/05	DEP	Various Checks and Cash from Industry Representatives and Additional Commission Staff to Reimburse OMS for Cost of Lunches at Annual Mtg.	(130.00)
12/30/05	W/D	OM - Deferred Compensation Deposit (Inc. Employee W/H and Employer Match)	5,928.86 (2)
12/30/05	W/D	ED - Deferred Compensation Deposit (Inc. Employee WH and Employer Match)	2,000.00 (3)
12/30/05	W/D	ED - Deferred Compensation Make-Up Deposit	3,000.00 (3)
12/30/05	DEP	ED - Amount of Deferred Compensation Reimbursed by ED	(4,000.00) (3)
12/30/05	W/D	December Payroll (Inc. Employer & Employee taxes)	8,764.78

Total Checks and Charges 39,838.61
Net Activity 35,174.06

CHECKING ACCOUNT BALANCE 12/31/05 56,352.79
CERTIFICATES OF DEPOSIT, SAVINGS AND CHECKING ACCOUNT BALANCES 12/31/0 \$233,801.98

- Notes:
- (1) IL - Travel to NARUC 11/13-16/05 \$732.25; ED - Travel to NARUC 11/12-15/05 \$295.98; ED - Travel to EBA \$15.75; ED - Travel to OMS Annual Meeting 12/6-9-05 \$238.80; ED - Travel to FERC Joint Board Mtg. on Econ. Dispatch 11/21/05 \$236.50; ED - Travel to MISO AC \$285.51; OMS Annual Mtg. Location expense \$479.88; FedEx Shipping Charges \$23.35; ED - Travel to MISO AC, NARUC, EBA and FERC Joint Board Mtg. on Econ. Dispatch \$36.00
 - (2) The Office (OM) set up a 403B retirement plan for the first time during December of 2005. As a one-time catch-up, the OM's entire December check (less FICA and Medicare) of \$2,964.93 was contributed to this retirement plan. According to the terms of the OM's employment contract, OMS will match the employee contributions up to \$3,000 annually. Since the OM's contribution amounted to \$2,964.93, OMS matched that amount for a 2005 contribution of \$5,929.86. Going forward for 2006, the OM will contribute \$500 per month to the account and OMS will contribute \$250 per month or the maximum \$3,000 per year contribution.
 - (3) The Executive Director (ED) activated retirement contributions in April of 2005 and according to provisions in the employment contract, OMS will match the employee contributions up to \$3,000 annually. Due to a miscalculation in withholding made by Paychex in issuing the ED's December check, the amount contributed to the 403B plan was also miscalculated. Because the ED's payroll calculations had to be redone due to the Paychex error, the ED decided to maximize his contribution to the 403B retirement plan, as allowed by the IRS. Because the retirement contributions must be issued by OMS through Paychex, the ED, in turn, wrote a personal check to OMS to reimburse the organization for the additional contributions made to the retirement plan.

OMS

Organization of MISO States
Report of the Treasurer
Kim Pizzingrilli, Pennsylvania PUC
to the
Board of Directors
February 9, 2006
Report for January 2006

Transition

All documentation was forwarded from Commissioner Gaw's office to Pennsylvania. Commissioner Gaw and his staff should be commended for the thoroughness and attention to detail in fulfilling the Treasurer duties for 2005.

Paychex

As a result of a request by Paychex, Inc., Julie Mitchell provided information pertaining to the Iowa Work Force Development on rate computations for private employers for 2006 as well as the Notice of Unemployment Insurance Contribution Rate information.

Cash on Hand

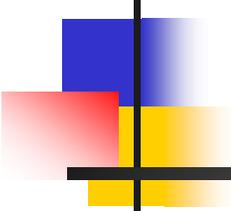
As of January 31, 2006, the balance in the Chase Bank One checking account was \$26,045.86.

The beginning balance of the Wells Fargo Business Performance Savings Account as of January 1 was \$77,449.19. Interest earned this period was \$148.14 (at the rate of 2.28%). The January 31, 2006 balance was \$77,597.33.

On January 27, 2006, Bill Smith completed the rollover of a CD. The face amount was \$101,952.38. Maturity date is April 17, 2006. Interest rate is 2.58%. The interest earned on the previous term was \$1952.38.

Expenditures to Date

Total disbursements from the Bank One Checking Account for January 2006 were \$52,032.17 which includes \$15,564.42 checks written in January and cleared by month end.

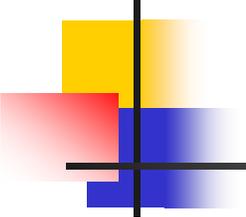


Ancillary Services Task Force Report to OMS

John Harvey

Iowa Utilities Board & Vice Chair
of MISO ASTF

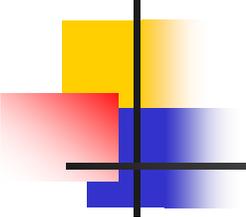
February 9, 2006



What Are Ancillary Services?

- **Definition:** Ancillary services are those functions performed by electrical generating, transmission, system-control, and distribution system equipment and people to support the basic services of generating capacity, energy supply, and power delivery.

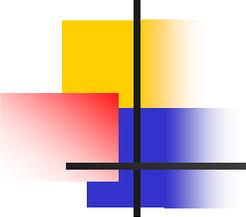
- Source: Hirst, E and Kirby, B, Ancillary Services, Oak Ridge, Tennessee,1996, p. 1.
http://www.ornl.gov/sci/btc/apps/Restructuring/Ancillary_Services.pdf



What Are Ancillary Services?

- **For both reliability and commerce, bulk-power systems require certain services beyond the basics of energy, generating capacity, and power delivery. Some of these ancillary services (such as regulation and reactive power) are required during normal operations to maintain the necessary balance between generation and load in real time and maintain voltages within the required ranges. Other ancillary services (such as contingency reserves) provide insurance to prevent minor problems from becoming major catastrophes. Finally, some services (such as system blackstart) are required to restore the bulk-power system to normal operations after a major outage occurs.**

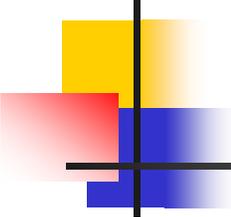
- Source: Ancillary Services Conference Brochure, EUCI, January 2005, www.pmaconference.com/AncillaryServicesJan19.05.pdf



FERC and Ancillary Services

- FERC found [in Order 888] that six ancillary services must be included in an open access transmission tariff.:
 1. scheduling, system control and dispatch
 2. reactive supply and voltage control from generation sources service
 3. regulation and frequency response service
 4. energy imbalance service
 5. operating reserve --spinning reserve service;
 6. operating reserve --supplemental reserve service.

- The FERC further found in Order 2000 that RTOs were to be the providers of last resort for ancillary services in their footprints.



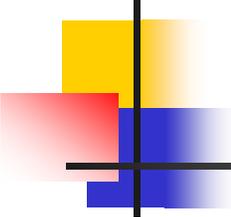
Ancillary Services, Brief Explanations

- **Scheduling and Dispatch**

Scheduling is the before-the-fact assignment of generation and transmission resources to meet anticipated loads. **Dispatch** is the real-time control of all generation and transmission resources that are currently online and available to meet load and to maintain reliability within the control area.

- **Generation Voltage Control**

System voltage control is used to maintain voltages within prescribed limits at various points in the transmission grid and to compensate for the reactive requirements of the grid. In that sense, it is analogous to reliability spinning reserve. Local voltage regulation is a customer service, intended to: (1) meet customer reactive-power needs and (2) control each customer's impact on system voltage and system losses and ensure that power-factor problems at one customer site do not affect power quality elsewhere on the system.

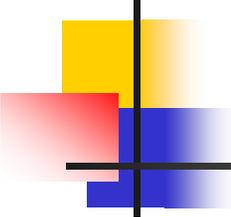


Ancillary Services, Brief Explanations

- **Regulation and Frequency Response (Load Following)**

NERC control-area performance criteria require control areas to maintain their Area Control Error (ACE) within tight limits. The first of the two criteria requires that, on an instantaneous power basis, the control area be in balance with the rest of the interconnection at least once every 10 minutes. The second criterion requires that the control area's energy imbalance be within a certain limit (roughly 0.2 to 0.4% of peak demand) every 10 minutes.

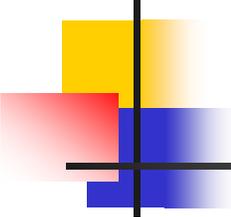
When generation exceeds load, frequency increases. When load exceeds generation, frequency decreases. Keeping everything in this required balance is called load following or regulation and frequency response.



Ancillary Services, Brief Explanations

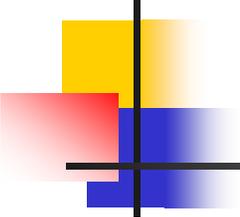
- **Energy Imbalance Service**

The service is intended to serve primarily as an accounting mechanism to ensure appropriate compensation (to the local control area for energy imbalance and to other control areas for inadvertent interchange) for the unavoidable small discrepancies between actual and scheduled flows. Energy imbalance is unavoidable because it is impossible to exactly match generation to load.



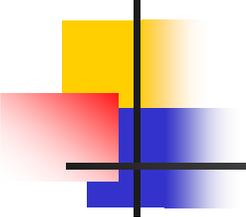
Ancillary Services, Brief Explanations

- **Operating Reserve:** Operating reserves balance generation to load in response to unexpected generation or transmission outages. Generating reserves used to meet generating and transmission outages are split into two pieces:
- (1) **Spinning Reserve**, Reliability reserves, which include spinning reserves and other generating units that can be started quickly, all of which must be fully available within 10 minutes.
- (2) **Supplemental Reserve Service**, Generating units that can begin to provide power within 10 minutes and are fully available within 30 minutes.



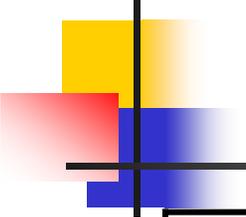
ANCILLARY SERVICE PROVIDED BY MISO AND BALANCING AUTHORITIES (BAs)

■ <u>Ancillary Service Type</u>	<u>MISO</u>	<u>BA</u>
■ Scheduling and Dispatch	X	
■ Voltage Control	X	
■ Regulation and Frequency Response		X
■ Energy Imbalance Service	X	
■ Spinning Reserve		X
■ Supplemental Reserve Service		X



MISO ASTF's Mission

- **MISO Ancillary Services Task Force Mission**
- The Ancillary Services Task Force (ASTF) was formed to research, develop, and recommend the processes, criteria, and business rules for the Regulation and Operating Reserves Ancillary Services Markets. This task force is formed to assist MISO with its compliance with FERC with respect to the implementation of Ancillary Services Markets for regulation and operating reserves.



ASTF Information

Chair

Lin Franks
(317) 261-8926
[lin.franks@
aes.com](mailto:lin.franks@aes.com)

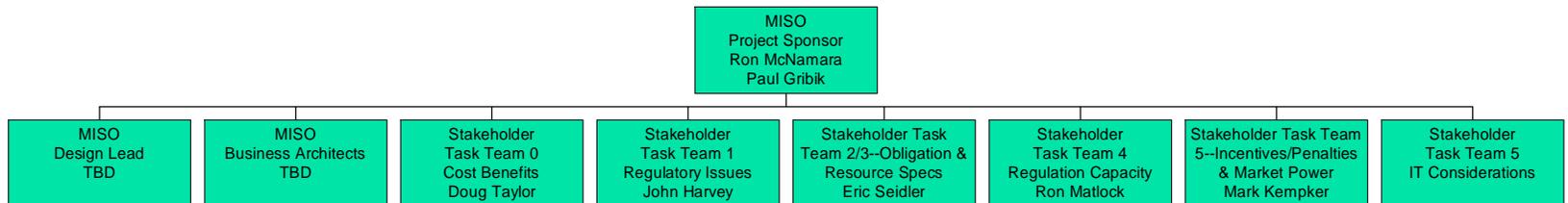
Vice Chair

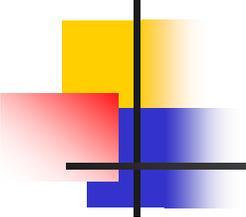
John Harvey
(515) 242-6564
[john.harvey@
iub.state.ia.us](mailto:john.harvey@iub.state.ia.us)

MISO Liaison

Mike Robinson
(317) 249-5741
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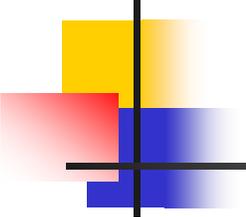
ASTF Information Organization Chart





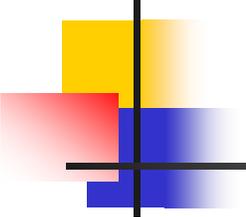
MISO ASTF Steps To Date

- **Began meeting in March 2005**
 - **At that time the ASTF believed it was up against deadlines established in MISO FERC Compliance filing: Regulation by year end 05 and Operating reserves by end of Q1 06. Before it held its second meeting on May 5, the ASTF learned that MISO did not plan to launch till 2007. The MISO Capital Budget includes monies for writing the specifications for Ancillary Services markets in 2006. Given that, and depending upon the timely completion of the ASTF deliverables; the development and implementation is likely to occur in 2007. The CAWG and Reliability Subcommittees have advised the ASTF that the likely model for control area consolidation will be 3 regional control areas.**
- **May-June 2005 Examined (high level) Ancillary Markets in other RTOs/ISOs (PJM, ERCOT, ISO_NE, NYISO, Midwest ISO and CAISO) and their characteristics**
- **In July, received more detailed presentation from PJM reps at Carmel**
- **Summer 2005 exchanged questionnaires with CAWG**
 - **Specific control area responsibilities that might need to be assigned to MISO to facilitate ancillary services markets?**
 - **Obstacles to transferring the identified responsibilities?**
 - **Is control area consolidation a prerequisite to launch of markets for operating reserves and regulation markets?**



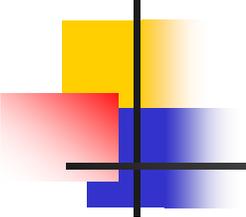
MISO ASTF Steps To Date

- **Additional questions**
 - **If control area consolidation is achieved to some degree, along what boundaries and conditions might that future look like?**
 - **Operational considerations that should be taken into account when designing markets for operating, regulation and spinning reserves?**
 - **Specific definition for these type services in the MISO footprint?**
 - **Does CAWG have an opinion on the type of markets that should exist for these services in the footprint? For example, should our markets look like those offered at PJM or can we**
 - consider markets such as offered in ERCOT which requires ERCOT to buy and sell these services from market participants.
- **In the perception of the CAWG, what problems will be resolved for the footprint, if markets exist for these ancillary services?**
- **Are there other ancillary services markets that should be developed for the footprint near term and why?**
- **In September 2005, Developed Characteristics of Successful Services Markets**



MISO ASTF Steps To Date

- **In fall 2005, we received a presentation of a detailed (with a lot of blanks to be filled in) process diagram and have been having discussions**
- **On February 7 and March 7, 2005, we will be meeting with the Control Area Working Group and other MISO stakeholders in a meeting called by MISO Management. We expect to see a cost benefit analysis for realigning balancing authority/MISO responsibilities and (assuming the benefits are positive, to discuss a detailed work plan.**



Characteristics of Successful Ancillary Services Markets

- **Transparent prices**
- Multiple sellers (& buyers?)
- Voluntary sellers, both generation and demand response
- **Positive benefit/cost analysis**
- **Co-optimization of A/S and energy procurement**
- **Minimize seams issues**
- Equitable process for buyers & sellers
- Consistent and clear business rules for regulation and spin
- Availability of self-supply
- **Measured reliability improvements**
- A/S charges according to appropriate cost causation principles
- Does not promote market power abuse
- Market systems can accommodate more than one zone, if necessary
- Ability to coordinate with existing reserve sharing agreements
- Sellers can offer A/S to other RTOs and external entities
- Market administrator is responsible for appropriate reliability standards (through NERC functional model)
- **Consistent with Energy Policy Act**
- Transitional approach may be required to move from existing A/S procurement environment to desired end-state
- Transparent, auditable and replicable billing & settlement

Red Text: Also Indicates Reason
to Implement

M. REIMBURSEMENT METHODS

OMS will reimburse a traveler for allowable meal and incidental expenses incurred during OMS-related travel. The OMS provides two distinct methods for reimbursement:

- **PER DIEM BASED; and**
- **ACTUAL COST BASED**

A traveler can use only one of these methods for the duration of a trip. When and if applicable, only the per-diem based method is used for domestic federally funded grant activities.

Per-diem rates presented in this policy represent the maximum per diem reimbursable by the OMS. When the method of per diem for meals is chosen, there will be no reimbursement of meals charged to the lodging receipt.

Incidental expenses include fees and tips for persons providing services, such as food servers, hotel housekeeping and luggage handlers. Incidental expenses do not include ground transportation, telephone calls or laundry.

Meals and incidentals on lodging receipts must be itemized separately.

PER DIEM REIMBURSEMENT METHOD

Domestic Per Diem Rates

The OMS will reimburse meal and incidental expenses based on the per-diem rate for the geographic region where the expenses are incurred. The OMS's reimbursement rate for domestic travel is based on the U.S. General Services Administration-maintained Web site of domestic per diems by geographic area, at:

http://www.gsa.gov/Portal/gsa/ep/contentView.do?programId=9704&channelId=-15943&oid=16365&contentId=16177&pageTypeId=8203&contentType=GSA_BASIC&programPage=%2Fep%2Fprogram%2FgsaBasic.jsp&P=MTT

Consult that site for the per-diem rate of the destination city or region. The ~~2005~~ 2006 rate for Carmel, Indiana is \$~~47.44~~ (breakfast \$~~9.8~~, lunch \$~~11.12~~, dinner \$~~24.21~~, incidentals \$3).

Because rates for specific localities may change as often as every two months, the traveler must be careful to ensure that the applied rate is appropriate to the actual dates of travel.

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Per Diem Meal Reductions

On the days of travel to or from the destination, per diems should be adjusted for the individual's departure and return times, to exclude any meals not incurred during the time of travel.

Per diems should also be adjusted to exclude meals furnished at no cost or nominal cost to the traveler. If meal costs are provided in the cost of a conference, those meals should be deducted from the per-diem rate following the federal rate reduction schedule.

OMS travelers are requested to show the calculation of per diem amounts.

ACTUAL COST REIMBURSEMENT METHOD

The OMS will generally reimburse travelers for three meals a day. On the days of travel to or from the destination, the individual's departure and return times should determine whether a meal was incurred during the period of travel.

1. As a guideline, the OMS suggests the following maximum meal reimbursement levels:
 - \$10 for breakfast, \$15 for lunch, and \$25 for dinner.
Restaurant receipts are required when the total meal expenses for the day exceed the average per-diem rate of \$50.
Individual meals over \$40 should include justification.

The OMS will not reimburse for gratuities that are greater than the accepted standards. (Currently, the domestic standard is 15-20% of the total bill; international standards may vary.)

N. DOCUMENTATION (PER DIEM AND ACTUAL COST METHODS)

Meal Receipts

Original restaurant receipts, when required, must include all of the following information:

- The name and location of the restaurant.
- The number of people served.
- The date and amount of expense.

Gratuities should be shown on the credit card receipt or restaurant receipt. When using the per diem method of reimbursement, gratuities count toward the overall per diem allocation per attendee.

Required Receipts

Receipts for lodging are *always* required. All other expenses require dated, original receipts only when each expense is \$25 or greater. These receipts must be submitted with a completed Expense Reimbursement Form.

Other Expenses

~~Expenses under \$25 (such as taxi fares) do not require receipts. Receipts under \$25 should not be submitted with the report. However, the amounts claimed must be accurate.~~

Lost Receipts

If a lodging or other receipt equal to or greater than \$25 is not issued or is lost, a detailed log will serve as sufficient documentation of the actual cost. The OMS expects that a good faith effort will be made by travelers to collect and retain all required receipts. Receipts are always the preferred form of documentation.



Organization of MISO States

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OMS Executive Director Report February 6, 2006

This report covers a two month period.

FERC Activity

1. The OMS was invited to appear at the December 9 Second Technical Conference in the Reliability Organization rulemaking docket. Weather-related flight cancellations prevented the appearance. FERC agreed to accept a written comment, which was submitted on December 16. FERC issued a final rule in Docket No. RM05-30 on February 2, 2006.
2. The OMS also filed a comment on Transmission Investment Incentives on January 11, 2006, in Docket No. RM06-4.
3. FERC issued Order 668 on December 16, establishing changes in RTO accounting and accounting by utilities for RTO costs in Docket No. RM04-12.
4. FERC issued its order on February 3 on MISO's transmission cost allocation filing made as a result of the Regional Expansion Costs and Benefits (RECB) Task Force.

EPACT Scorecard

The following summary lists selected items with regional impact. For a more complete list, see FERC's EPACT section at:

<http://www.ferc.gov/legal/maj-ord-reg/fed-sta/ene-pol-act.asp>.

The Department of Energy's corresponding list is at:

http://www.electricity.doe.gov/program/electric_oa_policy_energy_epacthome.cfm?section=divisions&level2=oandm_policy_energy.

1. The Regional Joint Board on Economic Dispatch, required by Section 1298 of the EPACT will meet next in Washington on February 12 to review possible recommendations.
2. The Department of Energy and FERC released their report on Transmission System Monitoring required by Section 1839, dated February 2, 2006. It is available at <http://www.ferc.gov/legal/staff-reports/trans-mon-rpt.pdf>. "The report focuses not on whether such a system should be deployed but offers a technical evaluation of how such a system could be established if one is to be pursued. This joint report merely describes the steps necessary to establish and implement an interconnection-wide monitoring system and does not require the Commission to implement such a system. Finally, this report acknowledges that a feasibility determination is necessary prior to any action to implement a real-time monitoring system and that the implementation of such a system is beyond the scope of Congress' direction in section 1839 of EAct 2005. This report finds that:
 - technology currently exists that could be used to establish a real-time transmission monitoring system to improve the reliability of the nation's bulk power system; and
 - emerging technologies hold the promise of greatly enhancing transmission system integrity and operator situational awareness, thereby reducing the possibility of regional and inter-regional blackouts."
3. FERC shall issue a final rule implementing the new reliability provisions (sec. 1211). Docket No. RM05-30-000 (Electric Reliability)
4. FERC held a technical conference on January 24 on Demand Response issues that will assist in its annual report, by region, assessing demand response resources, as required by section 1252 (Docket No. AD06-2).

DOE Activity

1. On February 2, the DOE issued its Notice of Inquiry seeking comments on the criteria that should be used to designate national interest transmission corridors. A technical conference on the

proposed criteria will be held in Chicago, near O'Hare Airport, on March 29, 2006. The Federal Register notice and technical conference information can be found at <http://www.electricity.doe.gov/1221>.

OMS-MISO Activity:

1. A series of conference calls has been arranged to discuss resource adequacy issues. The remaining calls will be held February 21 and 27.
2. OMS is preparing statements on benefits demonstrations and the Planning Advisory Committee charter.

Public Relations

1. Pending speaking/meeting invitations:
 - OMS President Steve Gaw will speak to the National Electricity Delivery Forum on February 16.
 - Bill Smith will speak to a Generation Summit conference on February 27.
 - President Gaw will address the Midwest conference of the Energy Bar Association on March 2.

MEMORANDUM

To: OMS Board of Directors

From: Burl Haar and David Sapper, Co-Chairs of the OMS Long-Term Development and Governance Working Group

Re: OMS comments on measuring MISO benefits

Date: February 7, 2006

Background

At its January 19 meeting, the MISO Board of Directors discussed the broad issue of assessing MISO benefits. At the end of that discussion, Director Mike Evans requested feedback from stakeholders regarding how to determine MISO benefits. Pursuant to Mr. Evan's request, the Chair of the MISO Advisory Committee, Patty Harrell issued the following message to MISO Advisory Committee members:

At today's Board of Director's meeting in the context of recent cost-benefit studies, Director Evans requested more feedback from stakeholders as to how benefits should be determined. He would like to see this feedback take place in a structured forum such as the Advisory Committee and he added that opinions by sector would be useful. As a result, I committed that this topic will be part of the February 15th Advisory Committee meeting and in preparation for this meeting I need all Advisory Committee representatives to do the following:

- * Please confer with your sector and develop a response to Director Evan's inquiry.
- * Please designate a single spokesperson for your sector and provide April Paronish with your decision by close of business February 6th.
- * To the extent you will be providing any written materials (including any presentations), please send those to April Paronish by no later than noon February 10th.

In order for all sectors to communicate their opinion as reasonably efficient as possible during this meeting, the agenda will allow each sector five minutes to provide your response. While I know this sounds overly restrictive, with a total of nine sectors at five minutes apiece it will still take a total of 45 minutes just to convey your initial response to this inquiry. Hopefully, any written

materials provided will contain the bulk of the details you wish to convey.

Decisions for the OMS Board

- 1. Should OMS provide comments on how MISO benefits should be determined?**
- 2. Should OMS provide written and/or verbal comments at the February 15 Advisory Committee meeting?**
- 3. What message(s) should OMS convey in its comments?**
- 4. Who should deliver the OMS presentation at the February 15 Advisory Committee meeting?**

Draft OMS comments on assessing MISO benefits

Attached to this memorandum, for the OMS Board's consideration, are draft OMS comments on assessing MISO benefits. Members of the OMS Long-term Development and Governance Working Group and OMS Working Group Chairs prepared, reviewed, and edited the draft comments.

OMS Comments on Measuring MISO Benefits

MISO Advisory Committee Meeting

February 15, 2006

1. The importance of determining benefits

OMS appreciates this opportunity to offer MISO guidance on useful, relevant measures of the benefits MISO has produced to date.

Assessing the benefits that MISO creates is very important to OMS.

OMS provided the following comments to the MISO Board at the First Annual Stakeholder Meeting (September 2005):

- Midwest ISO should demonstrate the benefits from its services to customers, local service providers, and others.
 - Demonstrations of benefits from Midwest ISO's services in easily understandable, credible measurements are critical for strong support of Midwest ISO and the services it provides.
 - Demonstrated consumer benefits should include reliability and economic benefits.
 - Midwest ISO should rely on the best objective measures available to demonstrate benefits.
 - Information regarding demonstrable benefits of RTO services would be helpful in overcoming barriers to the improvement of local investment decisions by utilities and other businesses.
 - A solid showing of benefits from RTO membership could increase RTO membership levels and could improve acceptance of movements toward regional approaches to transmission utilization, funding and expansion.
 - Midwest ISO should predicate any expansion of its service offerings on its demonstration of benefits from its current range of service offerings. This would assist States in shaping local policies and market reform efforts in ways that best serve the public interest.

2. General suggestions regarding ways MISO could determine benefits

MISO could determine and demonstrate benefits using several measures, some of which are necessarily estimates.

- Economic welfare gains in the wholesale electricity market from offer-based security constrained economic dispatch
- Generation entry and improvements in generation availability and usage

- Transmission upgrades and improvements in transmission availability and usage
- Improvements in the scope and quality of reliability management
- The potential and realized economic value of these benefits to retail customers served by load-serving entities, net of MISO's costs charged to load-serving entities

3. More specific suggestions regarding ways MISO could determine benefits

Economic Welfare Gains from Offer-Based Security-Constrained Economic Dispatch

As background, Section 1234(b) of the Energy Policy Act of 2005 (EPAAct 2005) defined security-constrained economic dispatch as “the operation of generation facilities to produce energy at the **lowest** cost to reliably serve consumers, recognizing any operational limits of generation and transmission facilities.” (Emphasis supplied.) OMS seeks information regarding the extent to which MISO's dispatch operations serves consumers at the lowest cost subject to reliability and other operational constraints.

MISO should consider demonstrating, in ways that are meaningful to state regulators, that MISO's security constrained economic dispatch satisfies the expectations implied by the definition of security constrained economic dispatch in EPAAct 2005. To that end, MISO could develop the following types of calculations for the entire MISO footprint and for state-specific portions of the MISO footprint, for the period April 1, 2005 through December 31, 2005:

- The hourly, daily, and monthly day-ahead load multiplied by the (composite) LMP for the respective units of time;
- The cost of supplying load for the respective units of time calculated as the area under the supply curves (footprint-wide and state-specific) developed from generator offers into the MISO day-ahead energy market;
- The cost of supplying load for the respective units of time calculated as the area under the supply curves (footprint-wide and state-specific) developed from generator cost data supplied to MISO by and for generators bidding into the MISO day-ahead energy market; and
- The footprint-wide and state-specific allocation of MISO's cost of operating the wholesale market

In other words, MISO could generate hourly, daily, and monthly calculations of the following, for the entire MISO footprint and for state-specific portions of the MISO footprint, for the period April 1, 2005 through December 31, 2005:

- The total energy bill paid by wholesale customers;

- The total offer-based cost of generating energy to serve wholesale customers;
- The total actual cost of generating energy to serve wholesale customers;
- The allocation of MISO's cost of operating the wholesale market

OMS recognizes that economic dispatch outcomes depend on several factors, including security constraints, transmission outages, generation outages, generator characteristics, offer characteristics, load forecast errors, self-scheduling, and activity in neighboring regions. It is thus reasonable for such considerations to be part of any complete assessments of the welfare gains from MISO's security constrained economic dispatch.

Generation-related benefits

In order to demonstrate generation-related benefits from MISO operations, MISO could provide the following types of information:

- The best available objective measure(s) of the cost of producing electricity by centralized economic dispatch of generation since April 1, 2005
- Data regarding the actual availability and dispatch of generators, by fuel types, since April 1, 2005
- Data describing the generators interconnected to the transmission facilities in MISO's footprint since MISO began operations
- Data regarding the number of retired generators and associated generation capacity since MISO began operations

Transmission-related benefits

In order to demonstrate transmission-related benefits from MISO operations, MISO could generate the following types of information:

- Estimated benefits, using the best available objective measure(s), of LMP-based congestion management, including but not limited to:
 - Estimated change in reliable usage of transmission facilities (e.g., change in deliverability or losses) created by LMP-based congestion management, in terms of power flow
 - Estimated economic value of the change in reliable usage of transmission facilities (e.g., change in deliverability or losses) created by LMP-based congestion management

- Data regarding the amount of transmission capacity installed and retired since MISO began operations
- Monthly flows (trade) of power across its borders, by seam (e.g., MISO-PJM, MISO-SPP), since MISO began operations

Reliability-related benefits

In order to demonstrate reliability-related benefits from MISO operations, MISO could produce the following types of information:

- Data regarding the frequency and levels of TLR events, including the amount of electricity associated with the TLR events, since MISO began transmission operations
 - Statistical models of TLR activity, in terms of frequency, magnitude, and duration, that control for all relevant factors that influence TLR activity, including the implementation of LMP-based congestion management
 - Best available estimates, in terms of frequency, magnitude, and duration (and possibly based on the above-mentioned statistical models of TLR activity), of TLR events that MISO was able to avoid or reduce in severity through LMP-based congestion management

4. Other considerations regarding determining and demonstrating MISO benefits

OMS prefers disaggregated measures of these improvements and valuations in order to determine state-specific benefits that MISO has delivered to date. Studies should clearly explain the levels of granularity that are possible or cost-effective. Moreover, studies should maximize transparency in methodologies, inputs, and assumptions so that stakeholders have a meaningful opportunity to provide advice on the analyses.

OMS would benefit from better understanding MISO's uplift charges and payments. Uplift creates economic transfers among parties, including retail electricity providers and consumers whose interests state regulators balance. Through these transfers, uplift can offset benefits for retail electricity providers and consumers. Further, uplift can cloud the decision-making of wholesale electricity market participants and reduce efficiencies from market activity.

As a first step towards expanding state regulators' understanding of the magnitude and state-specific implications of uplift in terms of assessing the benefits MISO delivers, MISO could provide the following types of information:

- Total uplift charges and payments (in order to capture over- or under-collection) since MISO began operations, in dollars by month and by type of uplift

- Uplift charges and payments to individual load-serving entities since MISO began operations, in dollars by month and by type of uplift.

In addition, OMS would benefit from accurate estimates of the potential benefits from MISO's operations (over the short- and longer-term) in order to put into proper context the benefits that MISO is or likely will be able to deliver. Accordingly, MISO could provide the best available objective measures of the extent to which MISO has delivered the benefits it previously projected for the region and individual states. For example, in 2004, MISO projected annual savings of \$51 million to Wisconsin and Michigan's Upper Peninsula electric customers would result primarily from: 1) a reduction in the cost of producing electricity through centralized economic dispatch of generation; and 2) more efficient management of congestion resulting in an increase in the reliable usage of transmission facilities by up to 11% as compared with current usage.

Lastly, OMS is very interested in the implications of declining MISO membership. For each entity that has left MISO or petitioned to leave, MISO could summarize these entities' concerns with MISO or reasons for leaving, and what MISO is doing to retain these entities' and others' membership. For every measured or estimated benefit, MISO could explain the degree to which those benefits depend on retaining the current level of membership.

Midwest ISO Advisory Committee Meeting
Lakeside Corporate Center - Carmel, IN
February 15, 2006
10:00 A.M. to 4:00 PM EST
DIAL IN NUMBER: (800) 216-0480

Meeting Agenda

		<u>Starting</u>
A.	Call to Order, Representative Roll Call (Patty Harrell)	5 min. 10:00
B.	Review of Agenda (Patty Harrell)	5 min. 10:05
C.	Outstanding Business/Pending Key Items for Debate and/or Discussion	
1	Approval of January 18, 2006 Minutes (Patty Harrell) [√]	5 min. 10:10
2.	Consent Agenda Process (Patty Harrell)	5 min. 10:15
3.	Action Items from Previous Advisory Committee Meetings (April Paronish)	5 min. 10:20
4.	President's Report (Graham Edwards)	15 min. 10:35
	▪ Select Committee Implementation Update	
5.	Operations Report (John Bear)	10 min. 10:50
	▪ Capital Projects List	
	▪ Control Area Consolidation Update	
6.	Cost/Benefit Studies Feedback (All Sectors)	45 min. 11:00
7.	Demand Response Task Force Update (Ron McNamara)	10 min. 11:45
	Lunch Break	45 min. 11:55
8.	Control Area Consolidation Update – PJM Discussions (Doug Hils)	30 min. 12:40
9.	Strategic Plan Measures (Mark Griffin)	10 min. 1:10
10.	Stakeholder Governance Training (Bill Schofield) [√]	10 min. 1:20
11.	Finance Subcommittee Elections (Patty Harrell) [√]	5 min. 1:30
12.	Market Settlement Assessment TF Retirement (Patty Harrell) [√]	5 min. 1:35
13.	Advisory Committee Charter Review (Patty Harrell) [√]	10 min. 1:40
14	Advisory Committee Management Plan (Patty Harrell)	10 min. 1:50
15	Over Collected Losses (Kevin Murray)	10 min. 2:00
16	Transmission Outage Reimbursement (Malcolm Bertsch)	5 min. 2:10
17.	Transmission Rights Task Force Update (Richard Doying)	10 min. 2:15
18.	Planning Advisory Committee Update (Clair Moeller)	5 min. 2:25
19.	Joint and Common Market Update (Bill Phillips)	5 min. 2:30
20.	Task Team Update (Roy Jones)	10 min. 2:35
21.	Legal Report (Steve Kozey)	5 min. 2:45
	▪ Registration of Liquidated Damage Contracts	
	▪ RECB Order	
22.	Finance Report (Mike Holstein)	5 min. 2:50
23.	Transmission Owners' Committee Report (Doug Collins/Mack Thompson)*	10 min. 3:00
24.	OMS Report (Judy Jones)	5 min. 3:05
25.	Subcommittee, Working Group and Task Force Reports	10 min. 3:10

[√] Denotes potential motion for voting

*Report will be oral due to unavailability of written report prior to Advisory Committee meeting

Midwest ISO Advisory Committee Meeting
Lakeside Corporate Center - Carmel, IN
December 7, 2005
10:00 A.M. to 4:00 PM EST
DIAL IN NUMBER: (800) 440-6720
No need to register in advance.

Meeting Agenda

- | | | | | |
|----|---|----------------|---------|----------------|
| D. | New Business | | 10 min. | 3:20 |
| 1. | March Advisory Committee Business (Patty Harrell) | | 5 min. | 3:30 |
| E. | Recap | | | |
| 1. | Issues/Assignments & Pending Votes for March (April Paronish) | | 5 min. | 3:35 |
| F. | Selected List of Upcoming Meetings: | | | |
| 1. | Advisory Committee | March 15, 2006 | | 10:00 A.M. EST |
| | March Rotating Agenda Team: | | | |
| | ▪ Jim Keller | | | |
| | ▪ Robert Mork | | | |
| | ▪ Ed Tymofichuk | | | |
| 2. | Board of Directors | March 16, 2006 | | 8:30 A.M. EST |

Stakeholder Governance Training Motion

The Committee Restructuring Working Group moves that the Advisory Committee approve the Stakeholder Governance Training outline as presented on February 15, 2006.

Stakeholder Governance Training Timeline Motion

The Committee Restructuring Working Group moves that the Advisory Committee approve the following timeline for training:

- Tuesday, March 14, 2006 4:30 to 7:00 p.m. EST
- Thursday, March 16, 2006 11:00 a.m. to 1:30 p.m. EST

Finance Subcommittee Motion

The Advisory Committee moves to accept the following slate of candidates to fill vacancies on the Finance Subcommittee:

1. Bob Prystenski, Manitoba Hydro Coordination Member
2. Peggy Ladd, Ameren, Advisory Committee
3. Steve Averbeck, Cinergy, Transmission Owners

**Motion for Retirement of the
Market Settlement Assessment Task Force**

Whereas, the Market Settlement Assessment Task Force's sunset is to occur four to six months after market implementation as outlined in its charter and,

Whereas, the Market Settlement Assessment Task Force has been in existence ten months since market implementation and,

Whereas, the Market Settlement Assessment Task Force has not met since May 17, 2005.

Resolved, that the Advisory Committee retire the Market Settlement Assessment Task Force.

Advisory Committee Charter Motion

Whereas, the Advisory Committee has reviewed the Advisory Committee charter as presented at the February 15, 2006 Advisory Committee Meeting.

Resolved, that the Advisory Committee approves the Advisory Committee charter.