

**ORGANIZATION OF MISO STATES, INC.**  
**Board of Directors Meeting**  
**Conference Call**  
**February 8, 2007**

**Approved March 8, 2007**

John Norris, Vice President of the Organization of MISO States, Inc. (OMS), called the February 8, 2007 Meeting of the OMS Board of Directors to order via conference call at approximately 2:10 p.m. (CST). The following board members or their proxies participated in the meeting:

Kevin Wright, Illinois  
Greg Server, Indiana  
John Norris, Iowa  
Mark David Goss, Kentucky  
Laura Chappelle, Michigan  
Ken Nickolai, proxy for Tom Pugh, Minnesota  
Steve Gaw, Missouri  
Greg Jergeson, Montana  
Susan Wefald, North Dakota  
Valerie Lemmie, Ohio  
Kim Pizzingrilli, Pennsylvania  
Gary Hanson, South Dakota  
Dan Ebert, Wisconsin

Absent

Manitoba  
Nebraska

State Agency members participating

Christine Ericson - Illinois  
Bob Pauley, Brad Borum - Indiana  
Carol Crone - Indiana OUCC  
Rick Bertelson, Jeff Johnson, Jorge Valladares - Kentucky  
Angie Butcher, Ken Roth - Michigan  
Nancy Campbell - Minnesota  
Bryan Baldwin - Montana  
Hisham Choueiki, Quanetta Betts, Fred Heizer, Jon Whitis, Jan Karlak- Ohio  
Kim Joyce - Pennsylvania  
Greg Rislov - South Dakota  
Randel Pilo, Wisconsin

Others participating

Warren Day - ITC  
Graham Edwards, Bill Malcolm, Wayne Schug - MISO  
Bill Smith - OMS Staff

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

Graham Edwards, president and CEO of the Midwest ISO, joined the conference call. The following highlights his remarks:

- The Midwest ISO is in the process of undertaking a new long range strategic planning effort. The effort will focus on how MISO will prepare to meet the future market and future operating mandates. This will involve a formal process that will involve OMS, before and at, the annual meeting.
- Before the formal planning process begins, MISO wants input from 4-6 OMS commissioners and staff to meet with Booz Allen Consultants. Before the process starts help is wanted from OMS to help build a thought process and strategy that will carry through the planning.
- Feedback from this interview process, plus feedback from the stakeholders will then be compiled and the results will be provided to the MISO board at its June meeting.
- Vice President John Norris asked commissioners to contact Bill Smith if they would like to volunteer to be interviewed. He asked that each state offer one commissioner name. Graham thought interviews would be completed by the end of March. Valerie Lemmie offered Judy Jones as a commissioner from Ohio to be interviewed.
- The ICF Study is winding down. There was a long ICF meeting February 7. ICF is on the schedule to offer final numbers the upcoming weekend. From 11 am to 12 pm after the February MISO board meeting, an ICF study Q and A will be offered. At the end of the month of February a complete ICF study will be available.

### **Approval of Minutes of the January 11, 2007 Meeting**

Dan Ebert moved for approval of the January 11, 2007 OMS Board of Directors 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 the January 23 Executive Committee meeting**

Bill Smith highlighted the following items from the January 23, 2007 Executive Committee meeting.

- 1. OMS 2007 Meeting Schedule.** Executive Committee Members agreed to continue with the Thursday meeting schedule for OMS Board meetings and Executive Committee meetings. Bill Smith was charged by President Chappelle with scheduling meetings on staggered Thursdays. (A copy of the 2007 OMS meeting schedule follows the minutes.)
- 2. Designation of 2006 OMS Office Holiday Observances.** The Executive Committee members approved the following dates in 2007 for the OMS office to be closed as office holidays: New Year's Day – Jan 1, Memorial Day - May 28, Independence Day - July 4, Labor Day - Sept 3, Thanksgiving - Nov 22, Day after Thanksgiving - Nov 23, Christmas Eve - Dec 24, Christmas Day - Dec 25. One additional holiday will be determined by the OMS Executive Director.
- 3. OMS Cash Management Report.** President Chappelle requested Bill Smith and Greg Jergeson work together to prepare a cash management automatic rule proposal that would go before the OMS board to address this issue. In the meantime, Bill was requested to ask MISO to temporarily halt contributions.
- 4. Personnel Committee Formation.** Bill Smith requested that a Personnel Committee be formed ASAP to address the contracts (which expire in June 2007) of OMS staff. Steve Gaw suggested that the committee be ready to act upon the conclusion of the performance evaluation of the executive director.

## **Treasurer's Report - January 2007**

OMS Treasurer Greg Jergeson, presented the January, 2007 Treasurer's report. (A copy of the January OMS treasurer's report follows the minutes.)

### **Cash On Hand**

The beginning balance as of January 1 for the Wells Fargo Business Performance Savings Account was \$56,544.85. Interest earned for this month was \$156.36. The January 31, 2007 balance was \$56,736.20.

The beginning balance as of January 1 for the Chase Bank One Checking account was \$145,359.54. The total disbursements from the checking account for January 2007 were 38,262.92 and interest earned was \$71.16. As of January 31, 2007, the checking account bank balance was \$115,433.77 and the book balance was \$107,247.78 (with 14 checks outstanding).

The total savings and checking account balances as of January 31, 2007 is **\$163,983.98.**

**Greg Jergeson moved to accept the Treasurer's report as presented. Valerie Lemmie seconded the motion. A voice vote of the directors unanimously accepted the report.**

### **Business Items**

#### **1. MISO Advisory Committee Issues - John Norris**

#### **4. Comments to MISO on Midwest Transmission Expansion Plan - Jerry Lein**

John Norris explained the MISO agenda items and voting motions. John mentioned only one voting item of real significance -- the Midwest ISO Transmission Expansion Plan 06 vote to be taken as it was filed February 7. Jerry Lein explained the issue further, and advised AC representatives to not take action on MTEP. OMS has not voted on this issue in the past, and Jerry felt the reps should abstain again. Jerry read talking points to the board which outlined changes that would improve the MTEP process for next year.

**Valerie Lemmie moved to request OMS reps to abstain from the MTEP vote at the MISO February Advisory Committee meeting. Susan Wefald seconded the motion. Included in the motion was the consideration by the members that this vote to abstain would not be precedent setting. In addition, OMS reps wanted to retain the ability to voice their comments on the MTEP process at the AC meeting. A voice vote of the directors unanimously approved the motion.**

Election of the finance committee and advisory committee charter review were the other two items to be voted at the MISO AC meeting.

Discussion of the placement for OMS reports was another item on the MISO AC agenda. Bill Smith indicated that OMS was asked whether its members wished to report to the MISO Informational Forum nine days earlier, or to the MISO Advisory Committee meeting. After some discussion, the members agreed they wished to report to the MISO Advisory Committee. The OMS reps were asked to convey this sentiment to the AC.

#### **8. Nomination of State Rep to MISO Finance Committee - John Norris**

**Valerie Lemmie moved to re-nominate Joe Buckley of the Public Utilities Commission of Ohio for the position of state representative to the MISO Finance Committee. Dan Ebert seconded the motion. A voice vote of the directors present unanimously approved the motion.**

2. **Comments to MISO Board on Joint and Common Market** - Angie Butcher  
Angie Butcher presented the comment draft prepared by the OMS Market Work Group on the Joint and Common Market. Outlined in the comments are the varying positions the states held who did not agree on all issues.

**Ken Nickolai, proxy for Tom Pugh, moved to accept the comments drafted by the OMS Market Work Group to the MISO Board on the Joint and Common Market. Valerie Lemmie seconded the motion. A voice vote of the directors present unanimously approved the motion.**

3. **Comments to MISO on Ancillary Services Market** - Candace Beery  
Candace Beery provided an update to the Ancillary Service Market design procedures. Market designed was finalized February 1. *Platts* may be publishing an article on MISO's ASM. MISO will be filing the tariff on February 21. The Market Work Group will be reviewing this filing, and will bring to the next OMS board meeting draft comments. The board members authorized Bill Smith to write a letter requesting FERC and MISO for an extra two weeks in addition to the 21 days for this filing. Laura Chappelle said she would contact FERC and MISO as well.

5. **Resolution on Resource Planning Reserve Requirements** - Jan Karlak  
Jan Karlak gave background information on the process that led to this draft resolution. She stated that in the Energy Policy Act of 2005, FERC has no ability to require new generation or transmission or to set and enforce standards for adequacy; it permits the states to take that action. This resolution is OMS states' response to that responsibility.

**Ken Nickolai moved that OMS adopt the Resolution on Resource Planning Reserve Requirements. Susan Wefald seconded the motion. (Prior to the member voting, Kim Pizzingrilli indicated she would have to leave the call and Pennsylvania would abstain on this vote.)** After much discussion by the directors on contractual enforceable planning reserve requirements, a voice vote was taken. **A voice vote of the directors present unanimously approved the motion.**

6. **Status of ICF Study discussions** - Steve Gaw  
Steve Gaw reported that the ICF Study Group met with MISO and ICF in Carmel on Wednesday February 7th. (With a difficult phone connection, Randel Pilo continued the report.) He reported that the discussion centered on whether ICF and MISO had finally reached the point where they were comfortable with the benchmarking and calibration of the model. MISO and ICF indicated that they were. MISO and ICF indicated that study results would be out by the end of February, and that the actually-achieved results would be lower than folks expected due to very high natural gas prices at the end of the 2005. The OMS ICF Study Group wanted assurance that MISO and ICF were not trying to improve the preliminary results that they saw in Fall 2005 and that was the real reason for the delay. MISO and ICF said that was not the case. MISO and ICF indicated that the project was not as well managed as it should have been either at MISO or ICF. The OMS ICF Study Group wanted a list of items in the modeling that went wrong or were being worked on over the course of the study, especially those items after Fall 2005. Richard Doying provided a list of 22 areas in the modeling that needed constant attention and improvement. Steve Gaw suggested that MISO ICF supplement that list of 22 items with a chronology of when the item was identified and then being worked on. MISO and ICF committed to getting OMS that list with a chronology. MISO and ICF indicated that results would not be portrayed at the state or smaller than state

area. There was dissatisfaction among OMS ICF Study Group members on that point, but MISO indicated that such a suggestion in hindsight was an over-promise given the nature and complexity of the modeling. [Note: Randel Pilo indicated the chronology has not been provided as yet.] Finally, MISO indicated that the ICF study would include an extension analysis covering April 2006 to August 2006, and those results would be available about a month later. MISO and ICF felt that matters improved somewhat in the January to March 2006 time period, so their expectation is the actually-achieved results might be better in the extension analysis. MISO indicated that they would be holding some type of major get-together for stakeholders to meet with MISO and ICF on the modeling results etc. once the study was released.

**7. Status of Midwest Demand Response Initiative-** Mary Collins

Mary Collins reminded OMS board members that the MWDRI Conference Steering Committee Kick-off was scheduled the next day in Chicago, Friday, February 9th at Illinois Commerce Commission offices.

**9. Extension of time for FERC comments on Long-Term Transmission Rights**

There was discussion concerning an extension to file comments on the long-term transmission rights filing that MISO made in late January. [Note: Comments are now due March 22 at FERC and the OMS Board will be considering them at its March 8th meeting.]

**Executive Director's Report - Bill Smith.**

Bill Smith reported highlights from the written report which follows the minutes.

**Announcements**

- The next OMS Executive Committee Meeting will be held (if necessary) Thursday, February 19 at 8:30 am (EST) at NARUC.
- The next regular OMS Board Meeting will be held March 8 at 2:00 pm (CST).
- The NARUC Winter meeting will be held February 18-21, followed by the National Electricity Delivery Forum, February 21-22, at the Renaissance Washington in Washington, DC.

**The meeting adjourned at approximately 3:40 pm CST.**

**Midwest ISO Advisory Committee Meeting**  
**Lakeside Conference Center - Carmel, Indiana**  
**February 14, 2007**  
**10:00 A.M. to 3:00 PM EST**  
**DIAL IN NUMBER: (800) 216-0480**

**Meeting Agenda**

		<u>Starting</u>
A. Call to Order, Representative Roll Call (Peggy Ladd)	5 min.	10:00
B. Review of Agenda (Peggy Ladd)	5 min.	10:05
C. Discussion and Voting Items		
1. JCM Development Discussion with Board of Directors (Advisory Committee)	80 min.	10:10
• Sector Discussion/Presentations		
2. Midwest ISO Transmission Expansion Plan '06 (Jeff Webb) <sup>√</sup>	30 min.	11:30
3. Midwest ISO Strategic Planning Process – 2008 and Beyond (Wayne Schug)	10 min.	12:00
<b>LUNCH</b>	<b>45 min.</b>	<b>12:10</b>
4. Consolidation of Non-Disclosure Agreements (Steve Kozey)	20 min.	12:55
5. Finance Subcommittee Candidates (Advisory Committee) <sup>√</sup>	5 min.	1:15
6. Advisory Committee Charter Review (Patty Harrell) <sup>√</sup>	10 min.	1:20
7. Approval of January Meeting Minutes (Peggy Ladd) <sup>√</sup>	5 min.	1:30
8. Action Items from Previous Advisory Committee Meetings (April Paronish)	5 min.	1:35
9. Steering Committee Report (Patty Harrell)	10 min.	1:40
10. Transmission Owners' Committee Report (Paul Jett/Julie Voeck)*	5 min.	1:50
11. OMS Report (John Norris)	5 min.	1:55
12. Placement of TO & OMS Reports Discussion (Advisory Committee)	5 min.	2:00
13. Telecommunications Quality (Peggy Ladd)	10 min.	2:10
14. Automation of Voting for Entities (Peggy Ladd)	10 min.	2:20
15. Post Transition Transmission Pricing Update (John Procaro)	15 min.	2:30
D. New Business	10 min.	2:45
1. March Advisory Committee Business (Peggy Ladd)	5 min.	2:55
• Rotating Agenda Team's Recommendation to Not Hold a March Advisory Committee Meeting		
E. Recap		
1. Issues/Assignments & Pending Votes for March (April Paronish)	5 min.	3:00
F. Selected List of Upcoming Meetings:		
1. Advisory Committee	March 14, 2007	10:00 A.M. EST
2. Board of Directors	March 15, 2007	8:30 A.M. EST
Rotating Agenda Team for March Agenda:		
▪ John Norris		
▪ Michael Stuart		
▪ Ed Tymofichuk		

<sup>√</sup> Denotes potential motion for voting

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



## Organization of MISO States

100 Court Avenue, Suite 218  
Des Moines, Iowa 50309

Phone: 515-243-0742  
Fax: 515-243-0746  
www.misostates.org

### **OMS Executive Director Report February 5, 2007**

#### **FERC and DOE Activity**

1. On January 18, the FERC announced improvements in its Market Oversight webpage. See <http://www.ferc.gov/oversight>. The page is intended to allow greater accessibility to centralized information on electric and natural gas markets and will serve as a repository for Commission analytic work and market data.
2. The FERC has scheduled regional workshops to assist stakeholders in understanding the implementation of the rule on Filing Applications for Permits to Site Interstate Electric Transmission Facilities, Order No. 689 (AD07-9). The Midwest meeting will be held near O'Hare Airport on February 13.
3. On February 27, the FERC will hold the first in a series of conferences to examine the state of competition in wholesale power markets (AD07-7). The FERC would welcome statements of positive developments as well as problems. OMS's experience in regional regulatory coordination could be offered as one example.
4. The FERC has scheduled a technical conference in Washington on March 29 to discuss seams issues for RTOs in the Eastern Interconnection (AD06-9). FERC has asked for nominations for speakers by February 16.
5. The FERC will hold a technical conference to review its policies regarding market monitoring (AD07-8) in Washington on April 5.
6. DOE has not yet issued corridor designations based on the October 2006 comments.

**OMS-MISO Activity:**

1. . On January 19, OMS staff members met with John Procario, consultant to the MISO transmission owners working on post-transition pricing issues. The TOs explained the approaches they are examining and expect they will be able to report to OMS again in March. FERC has directed a filing by August 2007.
2. The OMS formed a small group to discuss issues relating to the cost-benefit study with ICF and with the Midwest ISO. Questions were formulated and submitted to MISO on January 31. They will be discussed on February 7, with written responses to follow. MISO intends to release the study at the Advisory Committee. At today's Informational Forum, Graham Edwards reported that currently the study shows potential benefits of \$400 to 600 million on an annual basis, with actual achievement in the range of 5 to 40%.
3. On January 29, the MISO filed its long-term transmission rights proposal in Docket no. ER07-478. Comments or protests are due by February 20.
4. The Market Work Group has been following final discussions of the Ancillary Services Market proposal due to be filed February 15 and has offered MISO some staff observations.
5. An updated RTO 101 was presented to the Indiana Commission on January 23. Arrangements are being made to test the updated version on a "Curriculum Committee" of Commissioners Lemmie and Pugh and after fine tuning make additional presentations.

**OMS Membership Changes:**

1. Since the Annual Meeting we have welcomed three new Directors. Commissioner Greg Server now represents Indiana. Commissioner Tom Pugh of Minnesota has taken Ken Nickolai's place. Commissioner Valerie Lemmie of Ohio has taken Judy Jones's place. Former Director Diane Munns left the Iowa Board during January and is now at EEI. Commissioner Bert Garvin will leave the Wisconsin Commission later this month. These outgoing commissioners have been important parts of the success of OMS and we will miss them.

2. Staff members David Sapper (Wisconsin), Kim Joyce (Pennsylvania) and A.W. Turner (Kentucky) have left their commissions for positions in the private sector. We appreciate their work on behalf of all our states and wish them well in their new work.
3. The Illinois Citizens Utility Board has become an associate member of the OMS.

**Public Relations**

1. Pending speaking/meeting invitations:
  - Feb 21-22 – The Electricity Delivery Forum will be held in Washington immediately following NARUC meetings. Details at [http://www.electricitydeliveryforum.org/email/email\\_04.html](http://www.electricitydeliveryforum.org/email/email_04.html)
  - OMS has been invited to make a presentation to the Generation Summit, February 25-27, 2006.
  - The Energy Bar Association Midwest conference will be held in St. Louis on March 7. Several commissioners are a part of the program.

**Upcoming MISO Filings of Regional Interest**

<b>Filing Date</b>	<b>Docket No.</b>	<b>Description</b>	<b>Pursuant to Commission Order</b>
2/08/2007	ER07-____-000	The Midwest ISO to submit revisions to Module D of the EMT in order to bring into conformity with the Commission’s policy regarding Independent Market Monitor procedures.	111 FERC ¶ 61,267
2/15/2007	ER07-____-000	The Midwest ISO to submit provisions of the EMT to include its Ancillary Services Market.	N/A
2/23/2007	EL02-65-000, ER04-375-000 and ER04-521-000	The Midwest ISO and PJM to submit their 120-day informational report on the progress towards a joint and common market and implementation of the JOA.	106 FERC ¶ 61,251 (2004); 108 FERC ¶ 61,143 (2004) and 110 FERC ¶ 61,226 (2005)

3/01/2007	ER06-313-000	The Midwest ISO to submit an evaluation of alternative methods to accommodate monthly FTRs in a further compliance filing 90 days prior to the next annual FTR allocation.	114 FERC ¶ 61,117 at PP 20, 26 and Ordering Paragraph (C) (2006)
3/16/2007	ER04-691-023, EL04-104-022 and ER04-960-002	The Midwest ISO and MAPP to submit their 90-day informational filing regarding the Seams Operating Agreement.	110 FERC ¶ 61,290 at P 35 (2005)
3/30/2007	ER04-691-000	The Midwest ISO to submit implementation issues relating to its Automated Mitigation Plan (“AMP”) in compliance with the Commission’s April 15, 2005 Order.	111 FERC ¶ 61,042 (2005) and 7/25/06 Notice of Extension of Time.

## CURRENT OMS PROJECTS

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ICF Benefits Study (Release expected February 2007)

Comments to MISO BoD on Joint and Common Market (Feb 2007)

Demand response Initiative – first steering committee meeting Feb 9

MTEP review – January 2007

MISO State Ratemaking Study Group – MISO to fine tune its “35-charges” training.

Data confidentiality and access and FERC market analysis calls

Comments on MISO’s long-term FTR filing

Joint and Common Market

Ancillary services Market

Review Reserve Sharing Groups

Refresher training and new member orientation; RTO 101 updates

**Organization of MISO States (OMS) Comments on  
Midwest ISO & PJM: Joint & Common Market**

- 1. Given the current demand for critical resources (IT, software, internal/stakeholder/consultant) to support all of the projects and initiatives the Midwest ISO is undertaking, how should the Midwest ISO prioritize the JCM initiative versus other projects for 2007/2008?**

The OMS is hesitant to rank the projects or initiatives that are listed. Ensuring reliability of the transmission grid that the Midwest ISO operates should remain the Midwest ISO's highest priority. After that, we do not place one listed project or initiative above the others on a policy basis, as they are all important to the success of the Midwest ISO market and will provide benefits to Midwest ISO stakeholders.

During the Midwest ISO's regular budget process, stakeholders were provided the opportunity to provide input on ranking capital and non-capital budget projects. That is the appropriate forum for the type of ranking due to resource constraints that is being requested in this question. The discussion in the instant forum should be primarily policy-based.

Furthermore, the OMS would like to point out that all of the projects or initiatives that the Midwest ISO has listed are the result of a FERC directive of one form or another to implement each of these projects or initiatives. Accordingly, rather than pursuing a misplaced attempt at ranking, the OMS would urge the Midwest ISO to continue its work on each of the projects and initiatives listed.

However, in the interest of responsiveness, the OMS offers the following observations on these issues in the order listed in the Midwest ISO Board's questions.

- JCM initiative

The OMS does not have consensus on what the Midwest ISO's joint and common market initiative should constitute or how quickly the initiative should be accomplished. The Midwest ISO and PJM are required to implement a JCM that satisfies cost/benefit principles. The OMS urges the Midwest ISO to implement all common market elements satisfying appropriate cost/benefit thresholds.

Some states believe that a vibrant joint and common market throughout the PJM/Midwest ISO footprint requires that this goal be an overarching bedrock principle as critical RTO market policy, design and structural changes are considered. These states believe that the point where the coordination of PJM and the Midwest ISO's individual RTO market design elements such as resource adequacy, FTRs, and ancillary services can be developed to capture the efficiencies of joint development of common market designs is rapidly diminishing and under the best of conditions unlikely to capture the benefits of a single Midwest ISO-PJM market. The more that PJM and the Midwest ISO continue down their individual market design paths, the more difficult it will be for market participants who wish to operate in both PJM and the Midwest ISO markets. Uncoordinated market design processes also perpetuate seams issues that negatively impact the market and some states' retail power procurement strategies.

A subset of state commissions had suggested previously that the Midwest ISO facilitate joint stakeholder proceedings to investigate and develop a common approach for the various market design elements for the combined region, with an option for sub-regional differences where appropriate.<sup>1</sup> Under such an approach, overall market design would be done at the PJM/Midwest ISO level and any individual initiatives pursued by PJM and Midwest ISO would be

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<sup>1</sup> See December 2005 comments of the Joint State Commissions to FERC in ER04-375.

developed, analyzed and evaluated in terms of how well the initiative contributed to the development of a joint and common market. Exceptions to this would include a clear explanation of how long any short-term, necessary incompatibility would last. Some state commissions have pointed out that the Midwest ISO's benefit/cost analysis of single combined unit dispatch between PJM and the Midwest ISO has demonstrated benefits in excess of costs and have advocated implementation of single combined unit dispatch between PJM and the Midwest ISO if it is demonstrated to be technically feasible.<sup>2</sup>

Other states support the Midwest ISO's incremental approach to joint and common market efficiencies to resolve operational and seams problems between the Midwest ISO and PJM. In recognition of the possibility that achieving the benefits of a joint and common market is not a universally held overarching bedrock principle, these states suggest that the Midwest ISO focus the efforts of both the RTO and its stakeholders on JCM initiatives that may produce the largest potential benefits, such as the joint operating agreements, and on areas that one RTO could do rather than two. This latter effort would be similar to the initial mapping of NERC and RTO functions and the more recent determination of balancing authority and RTO functional consolidation done for development of the ASM.

- Ancillary Services Market

One of the five issues included in the OMS' March 9, 2006, *Statement of Common Principles Concerning Midwest ISO and PJM Joint and Common Market Development* is ancillary services. In sum, the OMS supports the optimization of ancillary services across the PJM and Midwest ISO border through coordinated or common market approaches.

However, the OMS is concerned that the extensive software and IT changes underway for the Midwest ISO's ASM rollout will make the Midwest ISO less able and likely to mesh its ASM design and operations with PJM's. Any future consolidation of PJM and Midwest ISO ancillary services operations will be significantly more difficult and expensive if done later rather than sooner. This potential incompatibility would be less of a concern to the extent that careful joint and common study determines that the approach currently being pursued by the Midwest ISO is a best industry practice and that PJM either adopts or adapts to the Midwest ISO ASM design. The opposite could also be true for future PJM ASM approaches. However, without a commitment from either RTO to use best practices as standard, it is presumptive to assume that either RTO would do so. The OMS also has concerns that the region could be faced with a "who gets there first" situation on critical market design elements. The Midwest ISO shared this concern when it worried that FERC could mandate a PJM RPM-like approach for all of PJM's neighbors, which could have required a standardized capacity approach across the Midwest ISO.

Continuing two distinctly separate markets with coordination agreements in place to address seams problems places much more emphasis on the Joint Operating Agreement and other seams agreements to coordinate ancillary services. The negotiations for these agreements do not take place in the typical RTO stakeholder processes and are therefore less accessible to OMS participation.

- Demand Response

The OMS is very supportive of demand response initiatives at the Midwest ISO and in the states as evidenced by the recent creation of the Commissioner-level Midwest Demand Response Initiative, which is meeting in Chicago, on February 9, 2007.

The OMS believes that demand response can be the fastest way to increase the ability of RTOs to respond to generation outages and transmission constraints. Effective demand

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<sup>2</sup> See September 2006 Comments of the Joint State Commissions to FERC in EL06-97.

response can also buy time for solutions that require much longer lead times to implement, such as siting, building and deploying new generation or transmission lines. Demand response can also prevent power shortages and enhance grid reliability. By using demand response, customers can mitigate their exposure to high energy prices and reduce their energy costs.

As demonstrated in PJM the first week of August 2006, voluntary reductions in electricity use resulted in price reductions estimated to be equivalent to more than \$650 million in payments for energy. At the end of January, The Brattle Group, the Mid-Atlantic Distributed Resources Initiative (MADRI) and PJM released a study that estimated annual savings from electricity demand response in the Mid-Atlantic region that ranged from \$57 million up to \$182 million. The MADRI study shows the value of regional coordination of demand response programs among the Mid-Atlantic states.

Given the benefit that demand response has been shown to provide stakeholders in the PJM region, demand response should be given the opportunity to show that it has the potential to be as reliable as some traditional alternatives in the Midwest ISO region.

- Summer 2007 readiness (incorporating lessons learned from Summer 2006)

This is basically a reliability issue which should be the Midwest ISO's highest priority.

- Resource Adequacy

In its JCM statement of principles, the OMS also stated that PJM and Midwest ISO resource adequacy constructs should not conflict and should not be incompatible. There is an ongoing dialogue on resource adequacy issues in the OMS and at the Midwest ISO. Any joint and common approach to resource adequacy would require careful study and a commitment to use the best practices in the energy industry suitable to the Midwest region.

- Other Initiatives & Projects

**2. After reviewing the committed JCM projects for 2007, does your sector believe these are the right initiatives that the JCM initiative should be focused on accomplishing?**

The Investigate Loop Flow Across Footprint initiative would be another example of how existing transmission infrastructure can be used more efficiently, delaying the need for immediate investment in new transmission or generation. This investigation should include Ontario.

**Are there additional areas that should be considered?**

Yes. The alignment of all business practices and procedures, not just OASIS business procedures, is critical to market efficiency and important to market participants. The PJM and Midwest ISO stakeholder work on the Joint Operating Agreement and the various seams agreements should be included as a Committed Initiative.

To underline a point made earlier about aligning Midwest ISO and PJM work at the market design stage, the OMS offers the following example. The activities and milestones included under Committed Initiative, Black Start and Restoration are: compare Midwest ISO and PJM processes; determine tariff, regulatory, reliability issues; obtain stakeholder approval to proceed; make appropriate regulatory filings; modify policies, procedures, applications, systems; and, provide training and implement changes. If those same tasks were included under several new Committed Initiatives for the various market design elements such as ASM, resource adequacy, ancillary services, long-term FTRs, etc., some OMS states would be more assured that the Midwest ISO and PJM are keeping the objective of a robust and beneficial joint and common market firmly in mind as early as possible in the market design process.

**Are there current commitments that should not be pursued in light of additional areas of focus?**

No.

**What specific key issues does your sector feel that can unlock potential value between the two markets?**

As mentioned earlier, there is potential value that can be unlocked by aligning business practices and procedures between PJM, the Midwest ISO and by stakeholder work on joint operating and other seams agreements to achieve efficiencies. Some OMS states believe that the Midwest ISO should continue its incremental path to manage market differences and seams issues. Other OMS states believe that a study of markets, projects and pricing, and a careful assessment of costs and benefits, could recommend that a single common dispatch is the best way to unlock the significant potential value of a joint and common market between PJM and the Midwest ISO, resolve seams issues and hold customers harmless from RTO membership choices. They do not want a single dispatch solution to be taken off the table. Other states believe that the Midwest ISO's study of single combined unit dispatch has already demonstrated that the benefits of single dispatch across the Midwest ISO and PJM exceed the costs.

**3. How should the Midwest ISO, PJM and their Stakeholders address the issue of physical constraints between the two markets and what key factors should be considered?**

The OMS understands that the Midwest ISO and PJM have begun this task in the Coordinated System Plan for future joint expansion planning. This process should continue. For current constraints, procedures for coordinated flowgates and reciprocal coordinated flowgates are in place and should continue. Some states believe that physical constraints could best be addressed through a single combined RTO transmission expansion planning process.

**4. Does your sector's definition of "Joint & Common Market" constitute the development and implementation of a single dispatch engine?**

The OMS does not have consensus on this issue. Joint and common market issues for some states in the OMS are of a market to nonmarket nature. Other OMS states support MISO's current incremental approach to the JCM with support for coordination of the MISO and PJM markets with a continued showing of costs and benefits. These states do not support a single dispatch engine for PJM and the Midwest ISO.

A subset of states with the highest levels of trade between PJM and the Midwest ISO continue to believe that the lack of a joint and common market, including joint dispatch or a single dispatch engine, is both contrary to previous FERC orders and prevents market participants from achieving the full benefits of a regional electricity market. These states do not think that FERC's idea of a single market spanning both the Midwest ISO and PJM is the same as two separate markets with RTO-managed efforts at coordination. These states think that the artificial, bizarre, crazy-quilt geographical configuration of PJM and the Midwest ISO is contrary to natural electricity trading patterns and must be bridged with a common market to achieve a successful regional market for electricity in the Midwest. Indeed, these states believe that a single common market between PJM and the Midwest ISO would resolve many of the market problems that the Midwest ISO is currently experiencing.

**If so, please describe how you believe the Midwest ISO can address some of the challenges currently being experienced in the JCM Stakeholder process (specifically cost constraints and tariff/business rules convergence).**

The OMS wishes to reinforce the concept of looking at the JCM challenges currently being experienced from a much higher level, rather than the specifics of cost constraints and the convergence of tariffs and business rules.

Some states support FERC's deference to the Midwest ISO's and PJM's decision to use the Joint and Common Market Initiative's incremental and coordinated approach. Other states think that the Midwest ISO should address these challenges by taking a leadership role by implementing the common market vision that FERC adopted when first authorizing Commonwealth Edison Company and American Electric Power to join PJM rather than the Midwest ISO. Not only do these seams make it more difficult for market participants to operate, but they also obscure an accurate view of the functioning of the Midwest market.

**If not, how does your sector define the JCM?**

**What are the key characteristics?**

In no particular order, the OMS lists the following characteristics of a joint and common market:

- One stop shopping over the combined PJM/Midwest ISO footprint
- The elimination of rate pancaking
- Price convergence at the border between PJM and the Midwest ISO, eliminating gaming at the seams
- Common FTR allocation process
- Joint independent transmission expansion planning

Some states also believe that key JCM characteristics include:

- Single security coordinator
- Single joint dispatch of resources
- Single, combined transmission expansion planning process
- Single market for regulation and operating reserves
- Single FTR definition and allocation methodology

**How should the Midwest ISO and PJM measure a successful implementation of the JCM and how will we know when we have jointly achieved it?**

The criteria to measure a successful implementation of the JCM should be determined at the time the work is begun. The OMS offers the following suggestions:

- The PJM/Midwest ISO seam (if any remains) becomes transparent and market participants are easily able to transact across the RTOs as easily as transacting within one of the RTOs.
- Resources located in the combined PJM/Midwest ISO footprint are economically accessible in both markets.
- Price convergence at the border between PJM and the Midwest ISO is reflective of costs and has eliminated gaming at the seams.
- Best practices for the region are determined and implemented in both PJM and the Midwest ISO.
- Access and visibility of information is equivalent across the PJM and Midwest ISO footprint.

Short of that, for the initiatives included in the current incremental JCM approach, metrics should be determined now in the JCM Stakeholder process. MISO should continue its timely

reporting and information sharing, and continue to keep all stakeholders informed of its incremental approach.

Adopted by the OMS Board of Directors  
February 8, 2007

## OMS

**Organization of MISO States  
Report of the Treasurer  
Greg Jergeson, Montana Public Service Commission to the  
Board of Directors  
February 8, 2007  
Report for January 2007**

### **CASH ON HAND**

The beginning balance as of January 1 for the Wells Fargo Business Performance Savings Account was \$56,544.85. Interest earned for this month was \$156.36. The January 31, 2007 balance was \$56,736.20.

The beginning balance as of January 1 for the Chase Bank One Checking account was \$145,359.54. The total disbursements from the checking account for January 2007 were 38,262.92 and interest earned was \$71.16. As of January 31, 2007, the checking account bank balance was \$115,433.77 and the book balance was \$107,247.78 (with 14 checks outstanding).

The total savings and checking account balances as of January 31, 2007 is **\$ 163,983.98**.



TREASURER'S REPORT  
Organization of MISO States  
January 31, 2007

Certificates of Deposit

TOTALS

Balance as of 1/1/07	\$	-	
Certificates of Deposit Balance as of 1/1/07			\$ -

Wells Fargo Business Performance Savings Account

Balance as of 1/1/07	\$	56,544.85	
1/10/2007	DEP	Lunch Reimbursement and OM FEDEX Reimbursement	\$ 34.99
1/31/07	DEP	Interest on Savings	\$ 156.36
Business Performance Savings Account Balance at 12/31/06			\$ 56,736.20

Chase Bank One Commercial Checking with Interest

Balance as of 1/1/007	\$	145,359.54	
1/8/2007	DEP	Interest on Checking	\$ 17.07
1/12/07	DEP	Lunch Reimbursements from Annual Meeting	\$ 80.00
1/31/07	DEP	Interest on Checking	\$ 54.09
Total Deposits	\$	151.16	

Checks and Charges

Date	Check #	Descriptions		
1/10/2007	EIB	Paychex fee for December	\$	95.06
1/18/2007	2188	IL Travel Reimbursement for OMS Annual Meeting	\$	167.32
1/18/2007	2189	MI Travel Reimbursement for OMS Annual Meeting	\$	47.50
1/18/2007	2190	MI Travel Reimbursement for OMS Annual Meeting	\$	764.32
1/18/07	2191	MI Travel Reimbursement for OMS Annual Meeting	\$	36.00
1/18/07	2192	MI Travel Reimbursement for OMS Annual Meeting	\$	47.50
1/18/07	2193	MN Travel Reimbursement for OMS Annual Meeting	\$	461.72
1/18/07	2194	MN Travel Reimbursement for OMS Annual Meeting	\$	280.21
1/18/07	2195	MN Travel Reimbursement for OMS Annual Meeting	\$	144.11

1/18/07	2196	ND Travel Reimbursement for OMS Annual Meeting	\$ 108.00
1/18/07	2197	SD Travel Reimbursement for OMS Annual Meeting	\$ 862.73
1/18/07	2198	WI Travel Reimbursement for OMS Annual Meeting	\$ 798.43
1/18/07	2199	IL Travel Reimbursement for NARUC Annual Meeting	\$ 891.87
1/18/07	2200	IA Travel Reimbursement for DRTF Meeting	\$ 439.81
1/25/07	2201	Infomax Office Systems	\$ 172.31
1/25/07	2202	The Company Corporation (Statutory Representation - Indiana)	\$ 150.00
1/25/07	2203	Doubletree Guest Suites (Annual Meeting)	\$ 5,271.24
1/25/07	2204	MT Travel Reimbursement for OMS Annual Meeting	\$ 736.50
1/25/07	2205	WI Travel Reimbursement for OMS Annual Meeting	\$ 816.08
1/25/07	2206	WI Travel Reimbursement for OMS Annual Meeting	\$ 797.57
1/25/07	2207	IL Travel Reimbursement for DRTF	\$ 207.50
1/25/07	2208	DXW Internet	\$ 35.00
1/25/07	2209	Combined Systems Technologies (network engine	\$ 2,226.00
1/25/07	2210	Combined Systems Technologies (Postini Spam Filtering)	\$ 41.34
1/25/07	2211	Intercall (conference call charges)	\$ 1,838.32
1/25/07	2212	100 Court Investors	\$ 874.21
1/25/07	2213	Qwest	\$ 209.54
1/25/07	2214	Chase OMS Visa	\$ 4,263.74
1/30/07	W/D	Paychex Net Pay	\$ 7,845.15
1/31/07	W/D	Paychex Taxes	\$ 4,667.14
1/31/07	W/D	OM Oppenheimer Funds	\$ 800.00
1/31/07	W/D	ED Oppenheimer Funds	\$ 2,166.70

Total Checks and Charges

CHECKING ACCOUNT BALANCE 1/31/07

CERTIFICATES OF DEPOSIT, SAVINGS AND CHECKING ACCOUNT BALANCES AS OF 12/31/06

\$ 38,262.92

\$ 107,247.78

**CHASE CHECKING ACCOUNT RECONCILIATION**

\$ 163,983.98

	<u>Check #</u>	<u>Amount</u>
Bank Balance 1/31/07		\$ 115,433.77
Less: Checks O/S	W/D	\$ 800.00
	W/D	\$ 2,166.70
	2171	\$ 192.98
	2179	\$ 171.91
	2188	\$ 167.32

2189	\$	47.50
2190	\$	764.32
2191	\$	36.00
2192	\$	47.50
2196	\$	108.00
2198	\$	798.43
2199	\$	891.87
2201	\$	172.31
2205	\$	816.08
2206	\$	797.57
2207	\$	207.50

Book Balance 12/31/06 \$ 107,247.78

**CHASE OMS VISA PURCHASES**

ED	Travel to MISO for Meetings NOV 28-DEC 1--parking charge	16.50
ED	Travel to OMS and MISO for Demand Response Meetings DEC4-5--Gas for Rental Car	30.43
ED	Travel to OMS and MISO for Demand Response Meetings DEC4-5--Hotel	113.51
ED	Travel to OMS Annual Meeting--Gas for Rental Car	7.77
ED	Travel to OMS Annual Meeting--Rental Car	183.90
ED	Travel to OMS Annual Meeting--Ticket Change Fee	100.00
ED	OMS Annual Meeting--Gift for Outgoing President	159.74
ED	OMS Annual Meeting--Gifts for WG Chairs	317.90
ED	OMS Annual Meeting--Recognition Dinner	1,731.84
ED	Travel to MISO Meetings JAN16-18--airfare and agent fee	254.20
ED	Fee for NRRRI Transmission Siting Teleseminar	59.00
ED	Faust Body Shop--Personal charges inadvertently charged to OMS Card; ED to Reimburse OMS	500.00
OM	Travel to OMS Annual Meeting--Rental Car	109.34
OM	Travel to OMS Annual Meeting--Rental Car overtime charges	36.09
OM	Travel to OMS Annual Meeting--Cab Fare	32.00
ED	OMS Annual Meeting--Gift Bags	9.21
ED	OMS Annual Meeting--Copying charges	237.97
ED	OMS Annual Meeting--undocumented charge, OM will request refund	3.72
ED	OMS Annual Meeting--conference room fee	50.00
ED	Travel to OMS Annual Meeting, PA Staff--Transportation to and from Airport	134.00
OM	OMS Annual Meeting--Shipping Fee for Meeting Materials	111.20
OM	FED EX Shipping--Bank Signature Cards to MI PSC	12.18
ED	FED EX Shipping--personal, ED to reimburse OMS	98.80
	Finance Charges	23.86
	<b>Total Charges</b>	<u>\$ 4,333.16</u>
OM	Finance Charge Reversed	69.42

Total Purchases January 2007

Total Credits

69.42

\$ 4,263.74

**Organization of MISO States  
Resource Adequacy Working Group (RAWG)  
Proposed Resolution on  
Resource Planning Reserve Requirements**

**Whereas**, deliverable resources sufficient to meet the needs of electric consumers in the region are necessary to assure reliable service and a fully operational competitive wholesale market; and

**Whereas**, sufficient planning reserve margins alleviate supply shortages, diminish price volatility in the energy market, and are essential to assure that resources are available when needed; and

**Whereas**, to maintain competitive neutrality and prevent cost shifting, each entity providing service to retail load must maintain their share of the obligation for sufficient planning reserves; and

**Whereas**, emerging contractual arrangements lack provisions to effectively enforce planning reserve requirements among load serving entities; and

**Whereas**, most state regulatory agencies have existing authority to establish and enforce planning reserve requirements over jurisdictional entities;

**Whereas**, the sovereign states and province represented in the membership of the Board of the Organization of MISO States (OMS), together with their duly constituted regulatory agencies, have the primary role under state or provincial law governing electric generation and resource adequacy as recognized in Section 1211(i) of the Energy Policy Act of 2005;

**Be it resolved**, that the OMS Board urges all entities or their designated planned reserve sharing groups serving load within the Midwest ISO to adopt contractually enforceable planning reserve requirements to assure there are sufficient resources to maintain continuous reliability and effective competition; and

**Be it further resolved**, that the Midwest ISO should recognize the contractually enforceable reserve requirements adopted by each load-serving entity or planned reserve-sharing group in its region-wide planning processes.