Organization of MISO States

ORGANIZATION OF MISO STATES, INC.
Board of Directors Meeting
Conference Call Minutes
January 12, 2012

Approved February 9,2012

Robert Kenney, President of the Organization of MISO States, Inc. (OMS), called the January 12, 2012 meeting of the OMS Board of Directors to order via conference call at approximately 1:00 p.m. (CST). The following board members or their proxies participated in the meeting:

Sherman Elliott, Illinois
Kari Bennett, Indiana
Libby Jacobs, Iowa
Talina Mathews, proxy for David Armstrong, Kentucky
Orjiakor Isiogu, Michigan
David Boyd, Minnesota
Robert Kenney, Missouri
Brad Molnar, Montana
Jerry Lein, proxy for Tony Clark, North Dakota
Greg Rislov, proxy for Gary Hanson, South Dakota
Eric Callisto, Wisconsin

Absent
Manitoba

Agency members participating
Randy Rismiller – Illinois
Bill Bokram – Michigan
Burl Haar – Minnesota
Kim Moran - Montana
Randel Pilo, Julie Urban – Wisconsin

Others on the call
Bill Smith, Julie Mitchell – OMS Staff
John Moore – The FERC Project

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

Approval of Minutes from December 2011

Kari Bennett moved approval of the minutes. Orjiakor Isiogu seconded. The minutes were approved by unanimous voice vote.

Treasurer's Reports of November and December 2011

Robert Kenney moved acceptance of the Treasurer's reports. Sherman Elliott seconded. The reports were received by unanimous voice vote.

Review of the December 2011 Executive Committee Meeting

The meeting was cancelled.

Administrative Report

The Executive Director's written report was distributed prior to the meeting. Bill Smith highlighted the following items from it:

- Reminder to have Order 1000 inventories completed and returned to the OMS office;
- MSU will hold Grid School in March in Charleston – does the Board wish to cover expenses for staff to attend. Robert Kenney suggested this item be deferred to the Executive Committee.

<u>BUSINESS</u>

1. MISO Advisory Committee

- The agenda was distributed and the voting item under 4E concerns the Planning Advisory Committee update.

2. Planning Advisory Committee

- Julie Urban presented the PAC update.
- The Environmental sector put forth a motion to change MISO's proposed .5% add-on to account for demand response in MTEP 12 to .25%. The vote was tied with OMS voting in favor. It will be discussed at the next AC meeting.
- The next motion was also put forth by the Environmental sector recommending to the PAC the demand growth rate for the business of usual future be set at the low level. That motion failed 4-5 with OMS voting no.
- The final motion was that the PAC approve the MTEP 12 futures as defined in the December 15th meeting. That vote passed 8.5-.5 with OMS voting yes.

Robert Kenney moved that the OMS reps at the AC meeting vote consistently with the PAC vote, in favor of the change to .25%. Sherman Elliott seconded. The motion passed by unanimous voice vote.

3. Sector Update – Public Interest Groups

- John Moore presented information to the OMS Board on the sustainable FERC Project. A copy of this report is attached to the minutes.

4. PUC of Ohio Request for Associate Membership Status

- PUC of Ohio has informed the OMS Board that with the departure of Duke Energy Ohio from the MISO footprint Ohio will no longer be a member of OMS. The commission requests associate membership status.

Robert Kenny moved to accept Ohio as an associate member. Sherman Elliott seconded. The motion passed by unanimous voice vote.

5. **FERC Filings:**

a) MISO Extended Locational Marginal Pricing Proposal – Docket ER12-668

- The work group decided an intervention was appropriate with comment on parallel billing. Bill Smith was asked to draft the document.

Robert Kenney moved that Bill Smith draft and file the proposed intervention. Orjiakor Isiogu seconded. The motion passed by unanimous voice vote.

b) MISO Request to Defer Cost of Entergy Integration – Docket AC12-27

- Bill Smith explained this issue and the potential ramifications. The work group chairs suggested that intervention was appropriate but given the technicality of the subject matter, they were not prepared to offer substantive comments and thought an intervention taking no position would indicate both interest and a lack of negative comments.

Robert Kenney moved that OMS file an intervention without comment. Sherman Elliott seconded. The motion passed by unanimous voice vote.

c) MISO and MISO TO proposal that GFA load shares of MVP costs – Docket ER12-739

- MISO would like to create a mechanism for recovering MVP costs from grandfathered agreement loads. Bill Smith explained the reasons behind the filing. The work group chairs suggested an intervention without comment.

Robert Kenney moved to file an intervention without comment. Orjiakor Isiogu seconded. The motion passed by unanimous voice vote.

d) MISO filing to include departing members in MVP cost allocation – Docket ER12-715

- Bill Smith explained this filing and relayed the work group chairs recommendation of intervening without comment.

Greg Rislov moved to intervene without comment. Sherman Elliott seconded. The motion passed by unanimous voice vote.

e) Order 741 compliance filing on Credit Reforms – Docket RM10-13

- This filing has not yet been made and there is a possibility of an extension until April. Bill Smith reviewed this filing with the Board. Tia Elliott and Chris Devon will follow this issue.

6. **FERC December 15 Orders on DR compensation – Dockets ER09-1049 & ER11-4337**

- Bill Smith discussed the background of these orders. He also circulated a draft proposal to FERC requesting clarification of some language in the orders that was perceived to be belittling towards the state commissions.

Robert Kenney moved to file a request for clarification as amended by the Board's discussion. Orjiakor Isiogu seconded. The motion passed by unanimous voice vote.

7. **Update – Eastern Interconnection Planning Process**

- A written report was submitted.

8. **Update – Entergy**

- There is an OMS/ERSC meeting scheduled in New Orleans for February 13-14. The final agenda is still being developed.

9. Proposed NARUC resolution

- Brad Molnar presented the proposed resolution to the Board. Robert Kenney said he felt this type of resolution was outside OMS's scope. Sherman Elliott stated that he agreed and pointed out that everyone on the Board was a member of NARUC and could address this resolution in that forum. Individual commissioners are asked to contact Commissioner Molnar directly if interested.

Updates and Work Group Status Reports

Demand Response WG

- No Report;

Transmission Cost Allocation WG

- Written Report;

Markets and Tariffs WG

- Written Report;

Resources WG

- Written Report;

Regional Planning WG

- Written Report;

Governance and Budget

- Written Report;

Modeling WG

- No report;

ADJOURNMENT

The OMS Board of Directors meeting adjourned at 2:20 pm CST.

OMS

Organization of MISO States
Report of the Treasurer
Kari Bennett, Indiana Utility Regulatory Commission
to the
Board of Directors
Report for November 2011

CASH ON HAND

The beginning balance as of November 1 for the Wells Fargo Business Performance Savings Account was $33,719.80. Interest earned for this month was $1.39. The November 30, 2011 ending balance was $33,721.19.

The beginning balance as of November 1 for the Chase Bank One Checking account was $127,479.06. The total disbursements from the checking account for November 2011 were $43,465.12. Deposits and interest were $25,001.00. As of November 30, 2011, the checking account bank balance was $109,014.94 and the book balance was $105,716.02 (with 5 checks outstanding).

The total savings and checking account balances as of November 30, 2011 is $139,437.21.

OMS

OMS Treasurer Report for Month of November 2011

Wells Fargo Business Performance Savings Account		
Beginning Balance	33,719.80	
Deposits and Interest Earned this Month	1.39	
Withdrawals	0.00	
Ending Balance		33,721.19
Chase Bank One Checking Account		
Beginning Balance	127,479.06	
Total Disbursements	43,465.12	
Deposits/Interest/Adjustments	25,001.00	
Ending Balance		109,014.94
Bank Balance	109,014.94	
Outstanding Checks & Adjustments	3,298.92	
Book Balance		105,716.02
Total Savings & Checking Balances as of November 30, 2011		**139,437.21**

OMS

TREASURER'S REPORT
Organization of MISO States
November 30, 2011

Wells Fargo Business Performance Savings Account

Balance as of 11/01/11				$ 33,719.80	
11/30/2011	INT	Interest on Savings		$ 1.39	
Business Performance Savings Account Balance as of 11/30/11					$ 33,721.19

Chase Bank One Commercial Checking with Interest

Balance as of 11/01/11				$ 127,479.06
11/14/2011	DEP	Midwest ISO		$ 25,000.00
11/30/2011	DEP	Interest		$ 1.00
			Total Deposits	$ 25,001.00

Checks and Charges

Date	Check #	Descriptions			
10/6/2011	3847	Chris Devon	$ 127.85		
10/25/2011	3863	Christine Ericson	$ 608.36		
10/25/2011	3864	Minnesota Public Utilities Commission	$ 707.55		
10/25/2011	3865	Minnesota Public Utilities Commission	$ 1,158.53		
10/25/2011	3866	Sherman Elliott	$ 286.30		
10/25/2011	3867	William Bokram	$ 254.13		
10/28/2011	3869	Adam McKinnie	$ 421.94		
10/28/2011	3870	Bill Smith	$ 66.65		
10/28/2011	3871	Chris Devon	$ 22.34		
10/28/2011	3873	Minnesota Public Utilities Commission	$ 924.21		
10/28/2011	3874	Randy Rismiller	$ 244.76		
10/28/2011	3875	Renaissance Indianapolis North	$ 8,969.40		
10/28/2011	3876	Robert Kenney	$ 316.91		
10/28/2011	3877	Walt Cecil	$ 26.47		
10/28/2011	3878	Monica Martinez	$ 303.25		
11/10/2011	WD	Paychex	$ 127.67		
11/11/2011	3879	100 Court Investors	$ 1,706.42		
11/11/2011	3880	Conference Suite	$ 289.17		
11/11/2011	3882	Organization of PJM States	$ 478.01		
11/14/2011	WD	Chase Credit Card	$ 5,343.14		
11/16/2011	3883	Adam McKinnie	$ 571.56		
11/16/2011	3884	Bill Smith	$ 33.42		
11/16/2011	3885	Jerry Lein	$ 71.00		
11/22/2011	3886	MN Dept of Commerce - Energy	$ 807.40		
11/22/2011	3887	The Novick Group	$ 3,324.00		
11/22/2011	3888	CenturyLink	$ 256.42		
11/22/2011	3890	Diversified Management Services	$ 731.25		
11/22/2011	3891	Triplett Office Essentials	$ 126.50		
11/28/2011	WD	MG Trust	$ 725.00		
11/30/2011	WD	Paychex Payroll	$ 10,105.36		
11/30/2011	WD	Paychex Taxes	$ 4,330.15		
Total Checks and Charges				$ 43,465.12	
CHECKING ACCOUNT BALANCE 11/30/11					$ 109,014.94

CERTIFICATES OF DEPOSIT, SAVINGS AND CHECKING ACCOUNT BALANCES AS OF 11/30/11 $ 139,437.21

CHASE CHECKING ACCOUNT RECONCILIATION

	Check #		Amount
Bank Balance 11/30/11			$ 109,014.94
Less Checks Outstanding			
6/30/2009	ADJ	Visa Adjustment	$ 0.02
10/25/2011	3862	Angela Butcher	$ 46.41
11/22/2011	3889	PSC of Wisconsin	$ 518.11
11/30/2011	416-418	MG Trust Co	$ 2,734.38
Total Outstanding Checks & Book Adjustments			$ 3,298.92
Book Balance 11/30/11			$ 105,716.02

OMS

Organization of MISO States
Report of the Treasurer
Kari Bennett, Indiana Utility Regulatory Commission
to the
Board of Directors
Report for December 2011

CASH ON HAND

The beginning balance as of December 1 for the Wells Fargo Business Performance Savings Account was $33,721.19. Interest earned for this month was $1.43. The December 31, 2011 ending balance was $33,722.62.

The beginning balance as of December 1 for the Chase Bank One Checking account was $109,014.94. The total disbursements from the checking account for December 2011 were $35,459.90. Deposits and interest were $25,000.84. As of December 31, 2011, the checking account bank balance was $98,555.88 and the book balance was $95,111.08 (with 10 checks outstanding).

The total savings and checking account balances as of December 31, 2011 is $128,833.70.

OMS

OMS Treasurer Report for Month of December 2011

Wells Fargo Business Performance Savings Account

Beginning Balance	33,721.19	
Deposits and Interest Earned this Month	1.43	
Withdrawals	0.00	
Ending Balance		33,722.62

Chase Bank One Checking Account

Beginning Balance	109,014.94	
Total Disbursements	35,459.90	
Deposits/Interest/Adjustments	25,000.84	
Ending Balance		98,555.88
Bank Balance	98,555.88	
Outstanding Checks & Adjustments	3,444.80	
Book Balance		95,111.08
Total Savings & Checking Balances as of December 31, 2011		**128,833.70**

OMS

TREASURER'S REPORT
Organization of MISO States
December 31, 2011

Wells Fargo Business Performance Savings Account

Balance as of 12/01/11				$ 33,721.19	
12/30/2011	INT	Interest on Savings		$ 1.43	
Business Performance Savings Account Balance as of 12/31/11					$ 33,722.62

Chase Bank One Commercial Checking with Interest

Balance as of 12/01/11				$ 109,014.94	
12/27/2011	DEP	Midwest ISO		$ 25,000.00	
12/30/2011	DEP	Interest		$ 0.84	
		Total Deposits		$ 25,000.84	

Checks and Charges

Date	Check #	Descriptions			
10/25/2011	3862	Angela Butcher - Travel	$ 46.41		
11/22/2011	3889	PSC of Wisconsin - Travel	$ 518.11		
11/30/2011	416	MG Trust	$ 400.46		
11/30/2011	417	MG Trust	$ 90.06		
11/30/2011	418	MG Trust	$ 2,243.86		
12/6/2011	3892	Bill Smith	$ 170.94		
12/6/2011	3893	Brad Molnar - Travel	$ 705.50		
12/12/2011	WD	Paychex	$ 149.67		
12/12/2011	WD	Chase Credit Card	$ 2,495.05		
12/12/2011	3895^	100 Court Investors	$ 1,706.42		
12/12/2011	3896	Infomax Office Systems	$ 262.48		
12/12/2011	3897	Jeffrey Keevil - Travel	$ 273.51		
12/12/2011	3899^	Robert Kenney - Travel	$ 10.00		
12/15/2011	3900	Marya White - Travel	$ 885.13		
12/15/2011	3901	Nomvi Ghomsi - Travel	$ 394.34		
12/15/2011	3903^	Walt Cecil - Travel	$ 614.34		
12/20/2011	3907^	Combined Systems Technology	$ 2,226.00		
12/20/2011	3908	Conference Suite	$ 473.30		
12/20/2011	3909	Infomax Office Systems	$ 82.23		
12/20/2011	3910	CenturyLink	$ 256.21		
12/20/2011	3911	William Bokram - Travel	$ 462.77		
12/22/2011	3914^	Indiana Insurance Company	$ 2,362.00		
12/22/2011	3915	Infomax Office Systems	$ 100.17		
12/22/2011	3916	Triplett Office Supplies	$ 213.72		
12/29/2012	WD	Paychex Payroll	$ 11,049.13		
12/29/2011	3918^	Bill Smith - Travel	$ 154.28		
12/30/2012	WD	Paychex - Taxes	$ 4,278.97		
12/30/2011	422	MG Trust	$ 2,243.86		
12/30/2011	423	MG Trust	$ 484.55		
12/30/2011	424	MG Trust	$ 106.43		
Total Checks and Charges				$ 35,459.90	
CHECKING ACCOUNT BALANCE 12/31/11					$ 98,555.88

CERTIFICATES OF DEPOSIT, SAVINGS AND CHECKING ACCOUNT BALANCES AS OF 12/31/11 $ 128,833.70

CHASE CHECKING ACCOUNT RECONCILIATION

	Check #		Amount
Bank Balance 12/31/11			$ 98,555.88
Less Checks Outstanding			
6/30/2009	ADJ	Visa Adjustment	$ 0.02
12/6/2011	3894	Wisconsin PSC	$ 286.96
12/12/2011	3898	Jessica Van Deusen	$ 575.66
12/15/2011	3902	State of Iowa	$ 51.76
12/20/2011	3904	Adam McKinnie	$ 126.13

12/20/2011	3905	Al Freeman	$	230.23
12/20/2011	3906	Chris Devon	$	466.68
12/20/2011	3912	Wisconsin PSC	$	245.56
12/20/2011	3913	Wisconsin PSC	$	513.40
12/27/2011	3917	United States Court Clerk	$	191.00
12/29/2011	3919	Brad Molnar - Travel	$	757.40
Total Outstanding Checks & Book Adjustments			$	3,444.80
Book Balance 12/31/11			$	95,111.08

Organization of MISO States

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OMS Executive Director Report

January 4, 2012 (covers November and December 2011)

FERC and DOE Activity

1. On November11, the OMS Intervened in FERC Docket No. ER12-312, taking no position. The docket deals with MVP cost allocation for Great River Energy.
2. On November 20, the OMS filed a rehearing request in FERC Docket No. EL11-30, dealing with MISO's charges for network upgrades caused by generator interconnections.
3. On November 21, the OMS filed interventions in three applications for transmission incentive rate treatments (ER12-242, ER12-342 and ER12-351) . The OMS also suggested that the FERC should defer decisions in those dockets until it completes its review of the incentives in the NOPR, Docket No. RM11-26.
4. On December 10,the OMS intervened in FERC Docket No. ER12-480, MISO's filing for phased integration of MISO and Entergy transmission expansion costs, taking no position.
5. On December 28, the OMS filed a motion to intervene in the 7th Circuit judicial review of MISO's cost allocation tariff.

OMS-MISO Activity

1. The Advisory Committee has asked for regular reporting of discussions with the Entergy States Regional Committee relating to MISO governance issues.
2. On December 22, MISO filed its Extended Locational Marginal Pricing proposal to improve the accuracy of Energy and Ancillary Services pricing in FERC Docket no. ER12-668. Intervention and comments are due January 12.
3. On December 27 MISO submitted a request for authorization to defer for future recovery certain costs associated with the

integration of Entergy Operating Companies in FERC Docket No. AC12-27. No intervention and comments date has been set.
4. On December 30, MISO and the MISO Transmission Owners submitted proposed revisions to the MISO Tariff to ensure that loads under GFAs that benefit from MTEP-approved transmission projects bear an appropriate share of the costs of those regionally beneficial projects and to correct a systematic undercollection of new transmission project costs currently embedded in the Tariff, in FERC Docket No. ER12-739. Intervention and comments are due January 20.
5. The Black Sea Regional Regulatory Initiative held a Workshop on Renewable Energy Investment Framework and Development of Regional Regulatory Guidelines was held December 13-14 in Tbilisi, Georgia. The workshop completed review of a statement of regulatory principles on integration of renewable resources. OMS participants presented case studies on the roles of policy making and regulation; cross-border cooperation, and integrated planning.

Public Relations

1. Presentations:
   - November 9: Bill Smith participated in a conference on Capacity Markets.

2. Pending speaking/meeting invitations:
   - N/A

Upcoming dates:

- Next regular OMS Board of Directors meeting: January 12, 2012, at 1:00 pm CST
- Next OMS Executive Committee meeting: January 26, 2012, at 1:00 pm CST
- Regular OMS Board meetings: February 9, March 8
- OMS Executive Committee meetings: February 23, March 22
- Next phone conference with IMM: January 25 at 2:30 CST

Upcoming Midwest ISO FERC Filings

Filing Date	Docket No.	Description	Pursuant to Commission Action	Working Group or Committee where issue/change will be reviewed
1Q 2012	ER12-___-000	MISO to submit Tariff revisions regarding Look-Ahead Commitments.	N/A	MSC
04/18/2012	ER10-1791-000, et al	MISO to submit a compliance filing to amend tariff language to provide reviews of the MVP methodology.	137 FERC ¶ 61,074 (2011)	N/A

MISO Advisory Committee
Conference Call
January 18, 2012
10:00 am – 12:00 pm EPT
Dial-in and WebEx information available at www.misoenergy.org

Agenda

1. Administrative Items	Gary Mathis	10:00
a. Welcome/ Roll Call		
b. Review / Approve Agenda		
c. Approval of Meeting Minutes√		
d. Review Action Items		
2. State Regulatory Update on State Representation	Kari Bennett	10:15
3. Advisory Committee Items	Gary Mathis	10:20
a. Solicit Nominees for the Finance Subcommittee		
b. Review AC Charter		
c. Review Management Plan		
d. April Hot Topic Discussion		
4. Standing Committee/Other Stakeholder Committee Reports		
a. Steering Committee*	Dennis Kramer	10:35
b. RECB Task Force (no Dec mtg - no update provided)	Dan Kline	10:45
c. Stakeholder Governance Working Group	Bill SeDoris	10:45
d. Reliability Subcommittee Update	Tony Jankowski	10:55
e. Planning Advisory Committee Update√	Bob McKee	11:05
f. Market Subcommittee Update	Bill SeDoris	11:20
g. OMS Update	Bill Smith	11:30
h. Transmission Owners Update*	Dennis Kramer	11:40
5. New Business	All	11:50
6. Recap – Issues/Assignments	Alison Lane	11:55

Rotating Agenda Team February: Chris Plante
Mike Shields
Audrey Penner

February Hot Topic: EPA Rules Impact on MISO Market

√ Denotes Potential Voting Item

* Denotes Report is Oral

Environmental Sector Motion on Demand-Side Management Accounting in MTEP12
For Action at the January 18, 2012, AC Meeting

<u>Motion</u>: The AC recommends that the demand-side management (DSM) adder used to calculate the "Demand Growth Rate" and the "Energy Growth Rate" in the MTEP12 Future Scenarios be changed to 0.25%. This recommendation does not otherwise modify the range of future scenarios approved by the PAC at its December 15, 2011, meeting.

Rationale:

On December 15, 2011, the PAC split – by a vote of 4.5 to 4.5 – on an Environmental Sector motion to change the demand-side management (DSM) "adder" used in the calculations of long-term demand and energy growth rates in MTEP12 from MTEP11's level of 0.5% to a new level of 0.25%.[1] If approved, this motion will help avoid anomalies like those observed last year in MTEP11 that, if uncorrected, are likely to lead to errant planning decisions in MTEP12. Specifically, a DSM adder of 0.5% will cause MISO to predict growth rates that are too high and ultimately could lead to over-expansion, with associated cost implications. Reducing the DSM adder to 0.25% will help correct unreasonably high and illogical growth rates in MTEP12.

<u>The Problem with MTEP11 Demand and Energy Growth Rates</u>

Last year, MTEP11 reached the anomalous and improbable conclusion that system-wide growth in demand and energy would be ***higher*** than the forecasts reported by load-serving entities (LSEs) after accounting for projected DSM programs in each of their areas.[2]

MTEP11 reached this illogical and incorrect result due to a flaw in its DSM assumptions, most notably the use of a 0.5% adder to account for "embedded" DSM in LSE growth forecasts. The 0.5% estimate was intended as a one-year mid-range compromise between parties recommending ranges between 0% and 1%. Early last year, MISO stated that it intended to modify its Module E Capacity Tracking (MECT) tool in time for MTEP12 to determine the actual level of embedded DSM. Because these modifications are still underway, the correct number for embedded DSM remains unknown in MTEP12.[3] However, results from MTEP11 now show that 0.5% is too high.

In MTEP11, MISO calculated demand and energy growth rates in a 3-step process, as follows, and proposes to use the same methodology in its growth rate calculations for MTEP12:[4]

(1) Data reported by LSEs through the MECT tool were used to calculate system-wide demand and energy growth rates (both were 0.76% in MTEP11).[5]

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[1] PAC Meeting: Environmental Sector Motion #1 (December 15, 2011).
[2] From LSE-reported data, MISO calculated system-wide demand and energy growth rates of 0.76% in MTEP11, but paradoxically revised these rates upwards to 0.78% and 0.79%, respectively, *after* accounting for growth expected to be met through DSM. PAC Presentation: Demand & Energy Growth Rates for MTEP12 (July 22, 2011), Slide 3 (for 0.76%); MISO Transmission Expansion Plan 2011, at 93 (Table 4.3-1; for 0.78% and 0.79%).
[3] PAC Presentation: MTEP-12 Future Development & Growth Rates Methodology (September 28, 2011), Slide 4.
[4] *See* PAC Presentation: MTEP-12 Futures Development (October 26, 2011), Slide 4.
[5] PAC Presentation: Demand & Energy Growth Rates for MTEP12 (July 22, 2011), Slide 3.

(2) Because some LSEs embed an unknown amount of EE and DR in the data they report in the MECT Tool, 0.5% was added to the MECT-based 0.76% growth rates in an attempt to remove the embedded DSM and prevent double-counting of DSM programs in Step 3 (below). MISO referred to the resulting 1.26% growth rates as the "baseline" demand and energy growth rates.[6]

(3) Using the EGEAS expansion planning model and EE and DR program cost estimates from a 2010 report by Global Energy Partners (GEP), MISO dynamically calculated how much of the baseline growth rates (from Step 2) would be reduced through existing and likely future DSM in a business as usual (BAU) scenario.[7] Based on these models, the baseline demand and energy growth rates in MTEP11 were reduced by 0.48% and 0.47%, respectively, resulting in "effective" growth rates of 0.78% and 0.79%.[8] In other words, after using the very conservative GEP analysis for likely increases of EE and DR in a BAU future, the final growth rates used in MTEP11 were slightly *higher* than the LSE-reported rates of 0.76%. As explained below, this result is illogical and strongly suggests that the 0.5% "embedded DSM adder" used in Step 2 was too high.

Two things must be true – but were not in MTEP11 – if this DSM model is functioning properly. First, EGEAS must subtract in Step 3 at least as much embedded DSM as was added in Step 2 because EGEAS is intended to capture all DSM, including any EE and DR originally embedded in the MECT data. Second, unless every LSE embeds 100% of its DSM programs in its MECT data, the effective growth rates calculated in Step 3 must be *lower* than the MECT-derived growth rates from Step 1. In MTEP11, neither of these conditions was met. EGEAS calculated *less* DSM than was assumed by the 0.5% DSM adder, resulting in effective demand and energy growth rates that were *higher* than MECT-derived growth (i.e., 0.78% and 0.79% versus 0.76%). Further, while 0.78% and 0.79% are similar to 0.76%, discussions at the PAC and preliminary examination of growth estimates submitted by utilities to state commissions suggest that at least some LSEs do not embed DSM in their data (MISO has not systematically polled the LSEs).[9] Thus, effective growth rates should be *lower* than baseline growth, but in MTEP11 they were not. If the model had functioned properly, these problems would not have occurred.

Both of these problems suggest that the 0.5% DSM adder is too high, and if the adder is not corrected this year, it may lead to errant planning conclusions in MTEP12.

<u>Improving the Accuracy of the MTEP12 Demand and Energy Growth Rates</u>

MISO staff has promised changes to the MECT tool in time for MTEP13 to allow an accurate determination of embedded DSM in the LSE-reported data, but these changes will not be ready

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[6] *Id*.
[7] MISO also ran the EGEAS model for the other Future Scenarios in MTEP11. The amounts of EE and DR selected by the model varied between scenarios, but, as described below, problems with DSM accounting in the BAU scenario are indicative of problems in other scenarios because all scenarios share the same 0.5% DSM adder.
[8] MISO Transmission Expansion Plan 2011, at 93 (Table 4.3-1); *see also* PAC Presentation: MTEP11 Demand and Energy Effective Growth Rates for Midwest ISO (March 23, 2011), Slide 3.
[9] *See, e.g.*, recently filed load forecasts in Wisconsin, which indicate that most utilities in that state have not identified existing demand reductions to their forecasts apart from generally flat interruptible and curtailable load. PSCW Docket No. 5-ES-106, available at http://psc.wi.gov/apps40/dockets/content/detail.aspx?dockt_id=5-ES-106.

in time for MTEP12. Because changes to the MECT tool are not possible this year, the Environmental Sector proposes instead that MISO reduce the DSM adder from last year's estimate of 0.5% to a new level of 0.25% in MTEP12. As with last year, this number is not based on reported results. However, unlike last year it is now clear that a value of 0.5% resulted in MTEP11 growth rates that were too high. Just as 0.5% was previously a compromise between 0% and 1%, 0.25% represents a compromise between 0.5%, which is known to be too high, and 0%, which is too low. Selecting 0.25% for the DSM adder may not prevent all error in MISO's calculations, but will reduce the level of error by selecting the mid-value in the range from 0% to 0.5%. At the December 15, 2011, PAC meeting, some stakeholders argued that errors in effective growth rates, as caused by a 0.5% DSM adder, are immaterial because the range of growth rates predicted by the MTEP11 Future Scenarios encompassed a reasonable range of values. However, because all future scenarios are derived from the same basic assumptions used in the BAU case, which includes the DSM adder, if the adder is too high then the range of predicted growth rates from all Future Scenarios will also skew too high.

Ultimately, the effect of predicting higher than expected growth will be a misallocation of resources through investments in potentially unneeded transmission projects. Accurate growth rates are critical in predicting the level of transmission needed to meet MISO's future system peak demand and comply with NERC reliability standards. MISO uses the growth rates it calculates through EGEAS in its PROMOD models to determine the economic benefits from (and necessity of) new transmission projects, as approved annually by the MISO Board of Directors for construction (in Appendix A) and further review (in Appendix B).[10] If growth rates are too high, MISO may approve projects that are unnecessary to meet actual peak demands and reliability criteria. In fact, due to NERC reliability requirements, any overestimate in growth rates is multiplied by 117% (or more) due to planning reserve margins.[11]

Growth rates that are too high impose real costs in MISO on an annual basis. Reducing the DSM adder to 0.25% will produce more accurate effective growth rates for use in planning decisions.

[10] *See* MISO Transmission Expansion Plan 2011, at 28 ("Two 2016 PROMOD® cases were developed: • 2016 PROMOD case with Appendix A/B projects. • 2016 PROMOD case without Appendix A/B projects. Both cases use the same MTEP11 BAU (Business As Usual with low demand and energy growth rate) Future database (containing all the generator, load, fuel and environmental information).")
[11] *Id*. at 94, 97 (Table 5.2-4: 2012-2021 forecasted reserves; projected planning reserve margin requirements between 2012 and 2021 range between 17.2% and 18.2%).

Environmental Sector Motion on Demand-Side Management Accounting in MTEP12
For Action at the January 18, 2012, AC Meeting

<u>Motion</u>: The AC recommends that the demand-side management (DSM) adder used to calculate the "Demand Growth Rate" and the "Energy Growth Rate" in the MTEP12 Future Scenarios be changed to 0.25%. This recommendation does not otherwise modify the range of future scenarios approved by the PAC at its December 15, 2011, meeting.

Rationale:

On December 15, 2011, the PAC split – by a vote of 4.5 to 4.5 – on an Environmental Sector motion to change the demand-side management (DSM) "adder" used in the calculations of long-term demand and energy growth rates in MTEP12 from MTEP11's level of 0.5% to a new level of 0.25%.[1] If approved, this motion will help avoid anomalies like those observed last year in MTEP11 that, if uncorrected, are likely to lead to errant planning decisions in MTEP12. Specifically, a DSM adder of 0.5% will cause MISO to predict growth rates that are too high and ultimately could lead to over-expansion, with associated cost implications. Reducing the DSM adder to 0.25% will help correct unreasonably high and illogical growth rates in MTEP12.

<u>The Problem with MTEP11 Demand and Energy Growth Rates</u>

Last year, MTEP11 reached the anomalous and improbable conclusion that system-wide growth in demand and energy would be ***higher*** than the forecasts reported by load-serving entities (LSEs) after accounting for projected DSM programs in each of their areas.[2]

MTEP11 reached this illogical and incorrect result due to a flaw in its DSM assumptions, most notably the use of a 0.5% adder to account for "embedded" DSM in LSE growth forecasts. The 0.5% estimate was intended as a one-year mid-range compromise between parties recommending ranges between 0% and 1%. Early last year, MISO stated that it intended to modify its Module E Capacity Tracking (MECT) tool in time for MTEP12 to determine the actual level of embedded DSM. Because these modifications are still underway, the correct number for embedded DSM remains unknown in MTEP12.[3] However, results from MTEP11 now show that 0.5% is too high.

In MTEP11, MISO calculated demand and energy growth rates in a 3-step process, as follows, and proposes to use the same methodology in its growth rate calculations for MTEP12:[4]

(1) Data reported by LSEs through the MECT tool were used to calculate system-wide demand and energy growth rates (both were 0.76% in MTEP11).[5]

[1] PAC Meeting: Environmental Sector Motion #1 (December 15, 2011).
[2] From LSE-reported data, MISO calculated system-wide demand and energy growth rates of 0.76% in MTEP11, but paradoxically revised these rates upwards to 0.78% and 0.79%, respectively, *after* accounting for growth expected to be met through DSM. PAC Presentation: Demand & Energy Growth Rates for MTEP12 (July 22, 2011), Slide 3 (for 0.76%); MISO Transmission Expansion Plan 2011, at 93 (Table 4.3-1; for 0.78% and 0.79%).
[3] PAC Presentation: MTEP-12 Future Development & Growth Rates Methodology (September 28, 2011), Slide 4.
[4] *See* PAC Presentation: MTEP-12 Futures Development (October 26, 2011), Slide 4.
[5] PAC Presentation: Demand & Energy Growth Rates for MTEP12 (July 22, 2011), Slide 3.

(2) Because some LSEs embed an unknown amount of EE and DR in the data they report in the MECT Tool, 0.5% was added to the MECT-based 0.76% growth rates in an attempt to remove the embedded DSM and prevent double-counting of DSM programs in Step 3 (below). MISO referred to the resulting 1.26% growth rates as the "baseline" demand and energy growth rates.[6]

(3) Using the EGEAS expansion planning model and EE and DR program cost estimates from a 2010 report by Global Energy Partners (GEP), MISO dynamically calculated how much of the baseline growth rates (from Step 2) would be reduced through existing and likely future DSM in a business as usual (BAU) scenario.[7] Based on these models, the baseline demand and energy growth rates in MTEP11 were reduced by 0.48% and 0.47%, respectively, resulting in "effective" growth rates of 0.78% and 0.79%.[8] In other words, after using the very conservative GEP analysis for likely increases of EE and DR in a BAU future, the final growth rates used in MTEP11 were slightly *higher* than the LSE-reported rates of 0.76%. As explained below, this result is illogical and strongly suggests that the 0.5% "embedded DSM adder" used in Step 2 was too high.

Two things must be true – but were not in MTEP11 – if this DSM model is functioning properly. First, EGEAS must subtract in Step 3 at least as much embedded DSM as was added in Step 2 because EGEAS is intended to capture all DSM, including any EE and DR originally embedded in the MECT data. Second, unless every LSE embeds 100% of its DSM programs in its MECT data, the effective growth rates calculated in Step 3 must be *lower* than the MECT-derived growth rates from Step 1. In MTEP11, neither of these conditions was met. EGEAS calculated *less* DSM than was assumed by the 0.5% DSM adder, resulting in effective demand and energy growth rates that were *higher* than MECT-derived growth (i.e., 0.78% and 0.79% versus 0.76%). Further, while 0.78% and 0.79% are similar to 0.76%, discussions at the PAC and preliminary examination of growth estimates submitted by utilities to state commissions suggest that at least some LSEs do not embed DSM in their data (MISO has not systematically polled the LSEs).[9] Thus, effective growth rates should be *lower* than baseline growth, but in MTEP11 they were not. If the model had functioned properly, these problems would not have occurred.

Both of these problems suggest that the 0.5% DSM adder is too high, and if the adder is not corrected this year, it may lead to errant planning conclusions in MTEP12.

<u>Improving the Accuracy of the MTEP12 Demand and Energy Growth Rates</u>

MISO staff has promised changes to the MECT tool in time for MTEP13 to allow an accurate determination of embedded DSM in the LSE-reported data, but these changes will not be ready

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[6] *Id*.
[7] MISO also ran the EGEAS model for the other Future Scenarios in MTEP11. The amounts of EE and DR selected by the model varied between scenarios, but, as described below, problems with DSM accounting in the BAU scenario are indicative of problems in other scenarios because all scenarios share the same 0.5% DSM adder.
[8] MISO Transmission Expansion Plan 2011, at 93 (Table 4.3-1); *see also* PAC Presentation: MTEP11 Demand and Energy Effective Growth Rates for Midwest ISO (March 23, 2011), Slide 3.
[9] *See, e.g.*, recently filed load forecasts in Wisconsin, which indicate that most utilities in that state have not identified existing demand reductions to their forecasts apart from generally flat interruptible and curtailable load. PSCW Docket No. 5-ES-106, available at http://psc.wi.gov/apps40/dockets/content/detail.aspx?dockt_id=5-ES-106.

in time for MTEP12. Because changes to the MECT tool are not possible this year, the Environmental Sector proposes instead that MISO reduce the DSM adder from last year's estimate of 0.5% to a new level of 0.25% in MTEP12. As with last year, this number is not based on reported results. However, unlike last year it is now clear that a value of 0.5% resulted in MTEP11 growth rates that were too high. Just as 0.5% was previously a compromise between 0% and 1%, 0.25% represents a compromise between 0.5%, which is known to be too high, and 0%, which is too low. Selecting 0.25% for the DSM adder may not prevent all error in MISO's calculations, but will reduce the level of error by selecting the mid-value in the range from 0% to 0.5%. At the December 15, 2011, PAC meeting, some stakeholders argued that errors in effective growth rates, as caused by a 0.5% DSM adder, are immaterial because the range of growth rates predicted by the MTEP11 Future Scenarios encompassed a reasonable range of values. However, because all future scenarios are derived from the same basic assumptions used in the BAU case, which includes the DSM adder, if the adder is too high then the range of predicted growth rates from all Future Scenarios will also skew too high.

Ultimately, the effect of predicting higher than expected growth will be a misallocation of resources through investments in potentially unneeded transmission projects. Accurate growth rates are critical in predicting the level of transmission needed to meet MISO's future system peak demand and comply with NERC reliability standards. MISO uses the growth rates it calculates through EGEAS in its PROMOD models to determine the economic benefits from (and necessity of) new transmission projects, as approved annually by the MISO Board of Directors for construction (in Appendix A) and further review (in Appendix B).[10] If growth rates are too high, MISO may approve projects that are unnecessary to meet actual peak demands and reliability criteria. In fact, due to NERC reliability requirements, any overestimate in growth rates is multiplied by 117% (or more) due to planning reserve margins.[11]

Growth rates that are too high impose real costs in MISO on an annual basis. Reducing the DSM adder to 0.25% will produce more accurate effective growth rates for use in planning decisions.

[10] *See* MISO Transmission Expansion Plan 2011, at 28 ("Two 2016 PROMOD® cases were developed: • 2016 PROMOD case with Appendix A/B projects. • 2016 PROMOD case without Appendix A/B projects. Both cases use the same MTEP11 BAU (Business As Usual with low demand and energy growth rate) Future database (containing all the generator, load, fuel and environmental information).")

[11] *Id*. at 94, 97 (Table 5.2-4: 2012-2021 forecasted reserves; projected planning reserve margin requirements between 2012 and 2021 range between 17.2% and 18.2%).

The Sustainable FERC Project

Working on behalf of national, regional and local non-governmental organizations with hundreds of thousands of members from every region of the country, the Sustainable FERC Project advocates for wholesale electric policies that support development and use of renewable and efficient energy resources. We also translate the often arcane, "inside baseball" issues of wholesale electricity markets and grid planning for our constituent groups and allies so that they can more effectively engage with FERC, state utility commissions, RTOs and utilities to advance sustainable energy policies.

Goals and Activities

At a high level our priority is to facilitate the transition to a low-carbon, environmentally cleaner and sustainable energy future through better integration of renewable energy technologies and demand side resources into grid operations. Such integration requires comprehensive system planning that includes comparable treatment of non-wires transmission solutions, and the removal of barriers to market participation by renewable and demand-side resources.

The Sustainable FERC Project develops policy positions, coordinates stakeholder engagement in FERC and RTO proceedings, leads the NGO caucus in the Eastern Interconnection Planning Collaborative, and generally serves as a resource for clean energy, consumer and other non-governmental public interest organizations.

At FERC, the Project currently is working on Order No. 1000 implementation, ancillary services market development, variable energy resource integration and demand response compensation, among other issues.

In RTOs and other regions, we are working with NGO colleagues to develop and advocate policies to address Order 1000's planning and cost allocation requirements, as well as other planning reform and market development issues.

2012 Priorities in MISO

In MISO we work with members of the Environmental sector and other stakeholders to advance our sector's goals through MISO stakeholder processes. Current MISO priorities include:

- Ensuring comparable treatment of non-transmission alternatives in MTEP planning;
- Full consideration of the impacts of public policy requirements on system needs (for example, the impacts of energy efficiency portfolio standards on load growth);

- Effective inter-RTO planning and coordination, *e.g.*, to facilitate compliance with new EPA regulations without compromising system reliability or unnecessarily increasing costs;
- Increasing the accuracy of generation, transmission and demand side resource modeling and load forecasting in long-term system planning; and
- Overall improvement of wholesale markets for demand response.

Project Facts

- Funded primarily by private non-profit foundations.
- Operates under the guidance of a steering committee of national and regional groups including Natural Resources Defense Council, Environmental Defense Fund, Union of Concerned Scientists, Conservation Law Foundation, Environmental Law and Policy Center, and Southern Environmental Law Center, among others.
- Three staff members located in Chicago, New York and Florida.

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Ohio | Public Utilities Commission
John R. Kasich, Governor
Todd A. Snitchler, Chairman

December 5, 2011

William Smith
Executive Director
Organization of MISO States
100 Court Avenue – Suite 315
Des Moines, Iowa 50309

Subject: Public Utilities Commission of Ohio's Membership in the Organization of MISO States

Dear Mr. Smith:

On or before December 31, 2011, Duke Energy Ohio will finalize its transition from being a member of the Midwest Independent System Operator ("MISO") to becoming a member of PJM, Inc. Consequently, as of January 1, 2012, Ohio will no longer be physically part of the MISO territory for purposes of transmission operation and management. This transfer of operational control requires that the Public Utilities Commission of Ohio ("PUCO" or "we") discontinue its full membership status in the Organization of MISO States ("OMS").

We believe, however, that continued association with OMS is beneficial; OMS plays an important and valuable role in effectively representing the interests of its members before both MISO and the Federal Energy Regulatory Commission. The PUCO, therefore, requests a transfer to associate member status.

Feel free to contact me with any questions or concerns with regard to this request for a change in status.

Respectfully,

Todd A. Snitchler

Todd A. Snitchler
Chair, Public Utilities Commission of Ohio

TAS/ATP/glw

180 East Broad Street
Columbus, Ohio 43215-3793

(614) 466-3016
www.PUCO.ohio.gov

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

Midwest Independent Transmission System Operator, Inc.	))	Docket No. ER12-668-000

NOTICE OF INTERVENTION AND COMMENT OF
THE ORGANIZATION OF MISO STATES, INC.

Pursuant to Rules 211 and 214(a)(2) of the Federal Energy Regulatory Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.211 and § 385.214(a)(2), the Organization of MISO States ("OMS") files its Notice of Intervention in the above-captioned proceeding. Service of all pleadings, documents, and communications in this matter should be made on the following:

William H. Smith, Jr.
Executive Director
Organization of MISO States
100 Court Avenue, Suite 318
Des Moines, Iowa 50309
(515) 243-0742

On December 22, 2011, the Midwest Independent System Operator ("MISO") filed tariff changes intended to implement the Extended Locational Marginal Pricing ("ELMP") methodology for the markets it administers. ELMP is the result of extensive stakeholder consultation, in which the OMS participated. The transmittal letter describes the breadth and complex detail of the changes proposed.

During the stakeholder process leading up to the filing, the OMS urged the MISO to conduct a period of parallel settlements, during which MISO would provide customers with billing information calculated under existing market methods and under ELMP procedures. Such a test period will provide MISO operators and customers with a more complete understanding of the changes that would flow from the switch to ELMP.

The OMS notes with favor that the filing provides a period of parallel settlements before a final conversion is made to ELMP, see Transmittal letter at page 7, Paul Gribik testimony at page 20, and Kevin Vannoy testimony at page 10. MISO's proposal to conduct parallel settlements responds positively to the many uncertainties about the possible results of ELMP. The OMS urges the Commission to assure that the parallel settlement proposal is retained.

The OMS submits these comments because a majority of the members have agreed to generally support them. Individual OMS members reserve the right to file separate comments regarding the issues discussed in these comments.

Respectfully Submitted,

William H. Smith, Jr.
William H. Smith, Jr.
Executive Director
Organization of MISO States
E-mail: bill@misostates.org
Tel: 515-243-0742

Dated: January 13, 2012

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon each person designated on the official service list compiled by the Secretary in this proceeding. Dated at Des Moines, Iowa, this 13th day of January, 2012.

William H. Smith, Jr

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

Midwest Independent Transmission System Operator, Inc.	))	Docket No. ER09-1049-000
Midwest Independent Transmission System Operator, Inc.	))	Docket No. ER11-4337-000

Request for Clarification of the
Organization of MISO States

Pursuant to the Federal Energy Regulatory Commission's ("Commission") Rules of Practice and Procedure, the Organization of MISO States ("OMS") submits this Request for Clarification of two orders issued by the Commission on December 15, 2011. The orders are related and contain similar language as to a single point that mischaracterizes the role and integrity of state commissions. The OMS respectfully requests this Commission to clarify its intent.

On December 15, 2011, the Commission acted on two compliance filings relating to the level of compensation for demand response paid by the Midwest Independent Transmission System Operator ("MISO") in Dockets No. ER09-1049[1] and ER11-4337[2]. In the ER09-1049 order, the Commission rejected the subtraction of the marginal foregone retail rate ("MFRR"), as set by a state commission or other retail regulatory authority, from the marginal locational price in establishing the level of compensation to be paid to a demand response provider. In the ER11—4337, the Commission rejected use of the MFRR in MISO's proposal for allocation of the costs of compensation to demand response providers.

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[1] Midwest Independent Transmission System Operator, Inc., 137 FERC ¶ 61,214 (2011)
[2] Midwest Independent Transmission System Operator, Inc., 137 FERC ¶ 61,212 (2011)

In the ER09-1049 order, the Commission said, at ¶176:

> We will reject MISO's proposed compensation for ARCs. As the Commission has emphasized, it may accept formula rates that are fixed and predictable in nature. Here, MISO's proposal for ARC compensation fails to meet this requirement as the MFRR component of the formula for that compensation lacks the specificity required for ratemaking purposes <u>and is not tied to any objectively identifiable criteria</u>. Rather, as noted by MISO, the proposal permits relevant electric retail regulatory authorities to set (or revise if they do not set) the MFRR <u>at/to any value they deem appropriate depending on the policy objectives of the relevant electric retail regulatory authority. Allowing such unfettered discretion</u> in setting a critical rate component of the wholesale formula for ARC compensation is contrary to the Commission's obligation to set FERC-jurisdictional rates. Accordingly, we direct MISO to submit a just and reasonable ARC compensation proposal that addresses these issues within 90 days from the date of this order. [Emphasis added; footnotes omitted].

Similarly, in the ER11-4337 order, the Commission said, at ¶99:

> MISO proposes a bifurcated cost allocation methodology that allocates the costs of compensating cost-effective demand response resources in the real-time energy market through a direct cost allocation to load-serving entities and a zonal energy surcharge to energy buyers, with any remaining costs allocated to all market participants based on load ratio share. We will reject MISO's cost allocation proposal. MISO's proposal to rely on the MFRR to directly allocate costs to load-serving entities as part of the bifurcated rate is <u>not sufficiently fixed and predictable, as the MFRR component of the formula lacks the specificity required for ratemaking purposes and is not tied to any objectively identifiable criteria.</u> Rather, the proposal requires that the relevant electric retail regulatory authorities specify the MFRR during the registration of demand response resources, as MISO "prefers not to get involved in such determinations because retail ratemaking is the purview of the [relevant electric retail regulatory authorities] . . . and defers to it." <u>Allowing relevant electric retail authorities such unfettered discretion to set the MFRR</u> is contrary to the Commission's obligation to set jurisdictional rates. Accordingly, we will require MISO to submit, in the compliance filing directed below: 1) revisions to remove any proposed Tariff language associated with

> the cost allocation proposal; and 2) a just and reasonable cost allocation proposal that addresses these issues. [footnotes omitted].

OMS urges the Commission to clarify the references to retail ratemaking in these statements to remove the implication that state commissions and other retail ratemaking authorities have unfettered discretion to set retail rates, that retail rates are not tied to objectively identifiable criteria, and are not sufficiently fixed and predictable. As the Commission well knows, state commissions operate under the same constitutional and administrative law frameworks that bind this Commission's ratemaking decisions. It is ironic for this Commission to dismiss state commission rate actions as subject to "unfettered discretion" when they are closely channeled by statutory requirements and subject to judicial scrutiny.

State regulatory statutes set "objectively identifiable criteria" to the same degree as the Power Act under which this Commission sets wholesale electric rates. Where necessary, these criteria are amplified by written decisions of the commissions and by judicial decisions reviewing them. This framework provides precisely the "objectively identifiable criteria" underlying any set of regulated retail rates, often using the very "just and reasonable" language that underlies this Commission's responsibility with respect to wholesale rates.

State retail tariffs are every bit as "fixed and predictable" as wholesale electric tariffs regulated by this Commission, which are routinely accepted by state commissions as passthroughs in retail rates. Indeed, to the extent that retail rates are not usually formula rates, retail rates are far more readily determined by reference to tariffs and other fixed documentation than are wholesale rates.

The OMS understands that the Commission has denied rehearing of OMS's substantive arguments. We ask for no other outcome here, though we see the Commission's decision as a setback for the growth of demand response in this region. We ask only that the Commission revise its language to remove the phrases that disparage the integrity of the retail ratemaking process and state commissions that administer that process.

For the reasons discussed above, OMS respectfully requests that the Commission clarify the subject Orders.

Respectfully submitted,

William H. Smith, Jr.
William H. Smith, Jr.
Executive Director
Organization of MISO States
100 Court Avenue, Suite 315
Des Moines, Iowa 50309
Tel: 515-243-0742

Dated January 12, 2012

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon each person designated on the official service list compiled by the Secretary in this proceeding.
Dated at Des Moines, Iowa, this 12th day of January, 2012.

William H. Smith, Jr

EASTERN INTERCONNECTION STATES PLANNING COUNCIL

Briefing to the Organization of MISO States

January 12, 2012

RECENT MEETINGS

EISPC met in person on November 16-17 in St. Louis right after the NARUC Annual meeting. Agenda topics focused on concluding the Phase 1 work performed during 2011 and looking ahead to Phase 2 work starting in January 2012. Reports were also given on EISPC's various Studies and Whitepapers, including the Energy Zones Study.

MODELING UPDATES

Phase 1 modeling is complete. Transmission study modeling will begin in the first quarter of 2012.

PHASE 1 REPORTING

EISPC assisted EIPC in completing EIPC's Phase 1 report. It was filed on December 16, 2011 and may be found at eipconline.com.

PHASE 2 TRANSMISSION "BUILD-OUT" PLANNING

As provided in a previous report to the OMS, Phase 2 set-up work has been happening during this fall of 2011 with the actual work beginning in January of 2012. Phase 2 will continue throughout 2012 with its final report due at the end of December 2012. The bulk of the study will be conducted by a smaller sub-group of the SSC comprised of six members from EISPC and two members from each of the other SSC Sectors. This group, the Transmission Options Taskforce (TOTF) will work directly with the EIPC Planning Authorities, including MISO, on the specific aspects of the Phase 2 transmission analysis conducted on each of the three Scenarios. The TOTF work will constitute the bulk of the SSC's duties during 2012. EISPC will have the TOTF work as well as the Studies and Whitepapers projects (see below.)

The first TOTF meeting is this week on Tuesday and Wednesday, January 10 and 11, 2012 in Washington DC.

As a reminder, the three Scenarios chosen by EISPC and the SSC upon which EIPC and the TOTF will be conducting transmission studies are:

(1) The Business as Usual Future (Future no. 1) including the new EPA Regulations' impacts and with revisions to moderate the Carbon price after 2030,
(2) A National Carbon Policy with high Energy Efficiency and Demand Response Future (Future no. 8) with revisions to moderate the Carbon price after 2030 plus other "tweaks", and
(3) The National RPS Policy with a Regional Implementation Future (Future no. 6).

ENERGY ZONES WORKGROUP

As reported previously, the three National Labs (Argonne, Oak Ridge and NREL) have moved forward with providing EISPC a proposal to conduct the vast majority of the Energy Zone Study (the Labs received specific funding from DOE for this work.) However, there are certain databases and tasks that the Labs recommended be procured from outside sources. RFP’s have been issued to procure the following: (1) licensing rights to use a commercial infrastructure database for the Energy Zone mapping tool, and (2) an inventory of laws, rules, and regulations that could impact the development of clean energy resource areas into Energy Zones. Bids are due later in January.

OTHER STUDIES AND WHITEPAPERS

EISPC is currently negotiating contracts with successful bidders on RFPs to conduct Studies or Whitepapers on topic regarding Energy Market Structures and Energy Efficiency and Demand Response. RFP’s are also in the works for other topics such as Clean Coal with Capture/Storage and Nuclear Technologies.

The Studies and Whitepapers Workgroup is assessing the remaining topics to see if they remain important and relevant enough to issue RFPs on or if other topics would be more worthwhile for investigation. It is not surprising that more alternative topic ideas are being generated than EISPC has time or money to do.

UPCOMING MEETINGS

EISPC has scheduled five in-person meetings during 2012. The dates for these meetings are: April 10-11, May 31-June 1, September 6-7, October 18-19 and November 29-30. EISPC will also hold webinar meetings as needed, including a webinar tentatively set for February 17th at noon CT (1pm ET.) Information about all EISPC meetings will be posted as it becomes available at www.eispc.org.

Respectfully submitted,
Marya White, Director
Eastern Interconnection States Planning Council

Resolution Calling on Congress to Return Appropriate Energy Regulatory Functions to the States

WHEREAS, The regulation of public utilities historically developed in the states in response to the abuse of monopoly power by a wide range of businesses and the need to protect consumers; *and*

WHEREAS, The electric industry in the United States is in a period of innovation, with new natural gas sources providing a relatively cheap source of fuel for generation; with market-driven conservation technologies reducing loads in a number of customer sectors; and with a variety of entities examining construction of new transmission links to tie new generation sources to load centers; *and*

WHEREAS, Future innovation could be advanced by a significant reduction in federal regulation, which would also assist in reducing federal budget deficits, particularly since state regulatory agencies are well-positioned to undertake expanded regulatory activities without significant budget increases; *and*

WHEREAS, A wide range of concerns exist with current federal regulatory initiatives, including:

--the allowance by FERC of excessively generous incentives for a variety of construction programs that have not been shown to be needed in order to encourage that construction, resulting in higher-than-necessary rates and excessive utility returns;

--the encouragement of centralized industry planning that often fails to take accounts of individual state preferences;

--the assertion of federal power over generation facilities that primarily or totally serve in-state markets;

--the advancement of transmission expansion in the form Multi Value Projects that result in costs being borne by customers within the regional footprint of the planning organization, but those same customers receiving nothing in the form of tangible benefits for the increased, unfettered, costs they will be required to pay; *and*

WHEREAS, Transmission siting activities are often led or jointly-led by a federal agency that likely lacks insight about state-specific topolog, geology, political sensitivities, cultural attachments to particular areas and public attitudes about bureaucratic federal power initiatives; *and*

WHEREAS,**T**he result of federally-led transmission siting efforts has often been inaction or failure; *and*

WHEREAS, The recent decades of growth in federal energy programs has produced significant costs that are borne by the energy industry customers, and notable examples of waste in the forms of loan guarantees to failed companies and rapid growth in bureaucracies with relatively little in the form of tangible benefits to the taxpaying and rate paying public; *and*

WHEREAS, Federal utility law and its justifications are obsolete when observing current technologies and operating schemes: *and*

WHEREAS, Renewable energy is often developed to serve state and regional markets by Renewable Energy Portfolios and private contracts that do not need federal involvement and indeed suffer from the intervention: *and*

WHEREAS, Top down, heavy handed, centralized planning has been shown to be a failure where ever in the world it has been practiced: *and*

WHEREAS, When energy transmission crosses international borders the federal involvement should be limited to international border crossing issues: *and*

WHEREAS, Article 1 Section 8 clause 3 of the United States Constitution, commonly referred to as the Commerce Clause, is often used to justify Federal intervention in state utility matters even if there is no commerce or request for intervention: *and*

WHEREAS, The Federal Energy Regulatory Commission has promoted the false concept that is a state passes a Renewable Energy Portfolio to serve the customers in their state that states without a vote inherit the risk and cost of associated projects: *and*

WHEREAS, The 10th Amendment of the United States Constitution reserved to the states powers not specifically granted to the federal government; the power of regulation was not specifically granted to the federal government especially for intrastate commerce; and the courts of the U.S. judicial system are now reviewing myriad federal programs to determine if the federal government has wrongfully usurped the power of the states; *now, therefore be it*

RESOLVED, That the Board of Directors of the National Association of Regulatory Utility Commissioners should direct its staff to undertake a complete and thorough review of the federal legislation establishing the Federal Energy Regulation Commission and its various programs, as well as the regulations adopted by that Commission, and report back regarding the programs that usurp the rightful powers and prerogatives of state governments; *and be it further*

RESOLVED, That the Board of Directors disseminate its staff's analysis of federal energy law to the state members of NARUC; *and be it further*

RESOLVED, That the staff's analysis be scheduled for prompt and thorough debate by the membership of this Association in order to allow for timely recommendations to Congress for the revision of federal regulatory law in order to return power to the states that belongs to the states under the U.S. Constitution.

The **OMS Governance and Budget Work Group** (G/B WG) is responsible for assessing the reasonableness of the Midwest ISO's new products and services, strategic plan, short-term and long-term incentive plans, and budgets. http://www.misostates.org/WG9LongTermDevelopmentWIP.htm.

Work Group Update:

1. Reviewed OMS bylaws for needed or desirable updates in anticipation of new member states stemming from possible Entergy membership.
2. Reviewing other stakeholder process changes for Entergy membership.
3. Tasked with evaluating the rate impact of adding Entergy to the Midwest ISO.

1. MISO Extended Locational Marginal Pricing (ELMP) ER12-668-000

MISO filed its ELMP proposal with FERC on 12/22/11, docket no ER12-668-000. The proposal follows MISO's plans discussed in the ELMP Task Team meetings. MISO chose to define fast start resources as a resource that can be started within 10 minutes with a minimum run time of an hour or less. MISO promises to look at the alternatives discussed, such as 30 minute response, after Look Ahead Commitment and Look Ahead Dispatch are in place, when MISO intends to look at extending ELMP to multiple forward periods. MISO plans for parallel testing (of both LMP and ELMP) for 3 months prior to implementation, and parallel settlement statements including Revenue Sufficiency Guarantee (RSG) billing determinants for the same period. This is intended to provide a comparison of settlement costs between the two approaches. MISO promises to provide a comparison of RSG payments between the two approaches after ELMP has been implemented. MISO requests an effective date after 4/20/12 (120 days after filing), with plans to provide a commencement target date within 120 days after that.

Status: Decision to intervene/comment on 1/12 Board meeting agenda.

2. Capacity Portability

The M&TWG is monitoring the capacity portability issue. MISO's consultant issued a report in December 2011 on the MISO-PJM Capacity Seam as a preliminary issue description, indicating that the large capacity price differential between MISO and PJM has created strong incentives for MISO suppliers to offer uncommitted capacity to PJM rather than MISO. MISO asserts that in an efficient market with few barriers, these suppliers would increase capacity sales to PJM until either (1) capacity prices in the two markets would converge, or (2) physical transmission system constraints prevent additional net capacity sales. These have not taken place. In addition, MISO estimates that approximately 3,000 to 13,000 MWs of coal plants are at risk for retirements within MISO's service territory due to EPA regulations. MISO asserts that retrofit and retirement decisions should be optimized across the combined footprint. PJM responded in a 1/5/12 letter to FERC stating, among other things, that the report did not take account of PJM's Capacity Benefit Margin (CBM) which allows for PJM to rely on capacity from neighboring regions during emergency reliability situations. (See PJM Letter Attachment A) PJM also responds that the issue should focus on the problem of the projected resource adequacy challenges facing MISO as a result of the EPA rules and what neighboring regions could do to assist MISO should those conditions arise. MISO has indicated that it will face severe reliability challenges as a result of the impact of EPA rules on capacity within MISO, specifically a diminishing reserve margin which will require it to *import* capacity from its neighbors. Whereas, its seam study addresses MISO's ability to increase its *export* capacity. PJM asserts that the actual problem must be better defined before it can be adequately addressed. The M&TWG plans to request a meeting or conference call with MISO to request clarification on its assessment regarding capacity and reserve margin issues.

Status: Planning work group meeting to discuss with MISO

3. MISO January 6 MSC Meeting

From the last Market Subcommittee meeting, here are some items of interest:

Constraint Relaxation Impact Analysis

On February 1, 2012, MISO will discontinue use of constraint relaxation on non-Market-to-Market transmission constraints and expects to improve RT pricing performance by eliminating shadow prices that do not reflect the true reliability cost of violating the constraint. MISO uses the constraint relaxation algorithm when flows over a transmission constraint exceed its limit.

MISO's IMM recommended in his 2010 State of the Market Report that MISO stop using it because it artificially reduces real-time congestion.

Cross State Air Pollution Rule (CSAPR) Update

MISO discussed potential impacts, including: the cost of allowance and opportunity costs in coal unit offers will result in higher market clearing prices, higher prices will provide incentives for demand response development, Where MISO designates resources as System Support Resources (SSRs) that are eligible to receive payments (instead of retiring) will increase market uplifts, increased commitment of SSR coal units that have high startup costs will result in higher RSG payments and associated market uplifts.

Ancillary Services for Dispatchable Intermittent Resources (DIR)

FERCs DIR order (ER11-1991 issued 2/28/11) required a compliance filing by 2/28/12 to address whether Dispatchable Intermittent Resources, such as wind generation, should be eligible to provide operating reserves. MISO studied DIR performance and determined that expanding DIR to include operating reserves provides little or no value.

Operating Reserve and Spinning Reserve Demand Curve Modification

MISO proposes to revise the demand curve for operating reserves to reduce price spikes with little or no effect on reliability. MISO proposes to revise the spinning reserve demand curve to use a two-step curve to set prices to improve the price signal for prices that are more in proportion to shortages.

MVP ARR Allocation

MISO presented its compromise proposal after stakeholders rejected MISO's proposal at the 12/14 FTRWG meeting. Under MISO's compromise proposal aspects from the two favored proposals have been combined as follows. The MVP ARR Entitlements will be determined consistent with the methodology in MISO's MVP ARR proposal. During the annual ARR allocation, the MVP upgrade will be incorporated into the network topology using the criteria described in the MISO MVP ARR proposal methodology. The Stage 1A and Restoration process will be administered consistent with the current process (Status Quo). In Stage 1B, MISO will fully nominate the MVP ARR Options. The valuation of these ARRs and the use of the funds will be administered consistent with the described MISO MVP ARR methodology. The Reserve Source Point addition/replacement process will remain unchanged. MISO plans follow-up discussions at the February FTRWG and MSC meetings with a planned compliance filing by 3/1/12.

MISO-PJM Interchange Optimization Update

MISO and PJM held a joint stakeholder meeting on Interchange Optimization in December 2011. Some objectives of the proposal include enhanced scheduling flexibility across the interface, improved operations associated with reliability coordination, and increased economic efficiency of real-time energy interchange. Issues addressed include Real-Time Interchange Scheduling, which has experienced a large volatility of Net Scheduled Interchange (NSI) and related issues with generation commitment and dispatch within each RTO In addition, uneconomic transactions suggest that Market Participants have not been effectively arbitraging the price differences across the seam. A joint PJM-MISO benefit study to estimate production cost savings showed production cost savings under the evaluated scenarios ranging from $27M to $128M in 2010. The MISO IMM has recommended expanding the MISO-PJM JOA to optimize the net interchange. Xcel presented an alternative proposal of their own that is currently under review by both MISO and PJM. Follow-up discussions will take place at individual stakeholder forums in MISO and PJM in early 2012 to determine future direction.

Frequency Regulation Compensation

FERC Order 755 requires a two-part payment for frequency regulation, accounting for accuracy in the compensation: (1) a market based capacity payment that includes cross-product opportunity costs, and (2) a market based payment for performance that reflects the quantity of frequency regulation service provided when actually following the dispatch signal. Conceptual design is currently underway and there are currently four approaches being studied by MISO and vetted through the MSC and RSC. MISO expects to have a final proposal by March, with draft tariff language by April. The tariff filing is due April 30th, 2012 and implementation begins at the end of October 2012.

For those interested, please note the following MISO meetings:
MISO Market Subcommittee - monthly meetings (1/31 next mtg)
MISO RSG Task Force – monthly meetings (2/1 next mtg)
MISO FTR Working Group – monthly meetings (2/1 next mtg)
MISO Seams Mgt Working Group – monthly meetings (1/30 next mtg)

The **OMS Markets and Tariffs Work Group** covers: Energy and Operating Reserve markets, Market Monitoring and Mitigation. See
http://www.misostates.org/index.php?option=com_content&view=article&id=63:markets-a-tariffs-workscopereference&catid=60:workscopereference&Itemid=206

Christine Ericson and Bill Bokram, Markets and Tariffs Work Group co-chairs

OMS Regional Planning Work Group
Report to OMS Board of Directors –January 12, 2012
(Jessica Van Deusen and Parveen Baig – Co-chairs)

PAC Update: PAC meeting was held on November 30, 2011 with a follow-up call on December 15, 2011 to finalize a vote on the MTEP 12 future scenarios.

- MISO gave an update of stakeholder comments surrounding the Order 1000 Compliance for local and regional planning requirements.
- Updates were given on the Top Congested Flowgate Study and the EPA study.
- Commissioner Molnar gave a presentation on his comments for MISO's first MultiValue Portfolio.

MTEP12 Futures: MISO concluded work on the MTEP12 futures during a special December 15th call with stakeholders. The four MTEP12 futures include a Business as Usual with mid demand and energy; a Limited Growth Future with a low demand and energy; a Historical Growth future with high demand and energy; and a Combination future, which is the "kitchen sink" future. Next steps will be to begin the weighting process of these four futures during the March PAC meeting.

Order 1000 – Right of First Refusal (ROFR): MISO will begin discussions with stakeholders regarding ROFR compliance in a workshop to be held on February 1, 2012. MISO has sent their compliance requirements to stakeholders and is asking for feedback by January 18th.

OMS Resources WG Report to OMS Board – January 12, 2012

Resource Adequacy – FERC Filings

FERC answered the 2009 RAR filing after 2 ½ years on Dec 15, 2011. FERC did not address the MISO July 20, 2011 filling. FERC rejected a rehearing and affirmed the 09/10 CONE and approved the compliance filing. MISO needs to make a compliance filing a few items in 30 days (1/16/2012). The filing will include a proposal for the allowance of external resources in the VCA starting in the Planning Year 2013/14. MISO is not contesting the order.

SAWG

The January 5th SAWG meeting reviewed the latest on the MISO-PJM Capacity Market Seam issue. A Preliminary Issue report commissioned by MISO to the Brattle Group on the seam topic was delivered in December. The report covered the possible barriers to more capacity market sales toward PJM. If offered estimates of capabilities depending on certain assumptions. It also included a preliminary straw proposal to improve more joint deliverability. PJM first responded with a Dec. 15 memo to their members, Brattle, MISO, and OPSI. The four page memo was critical of the conclusions observed by the Brattle Group. On Jan 5th PJM sent a memo to the FERC Commissioners repeating and expanding their points. They stated they are ready to work with MISO on resource adequacy shortfall. Many MISO members questioned the simultaneous push for exporting capacity when noting MISO maybe short for the EPA compliance period. MISO indicated they are drafting a reply.

LOLE

The next LOLE WG meeting is January 11.

Submitted by Don Neumeyer, Chair Resources Work Group

Transmission Cost Allocation Working Group
Monthly Report
OMS Board Meeting
January 9, 2012

MISO filing to ensure loads under Grandfathered Agreements (GFAs) pay for MVP charges, ER12-739

On December 30, MISO and the MISO Transmission Owners filed proposed tariff revisions to ensure that loads under GFAs that benefit from MTEP-approved transmission projects bear an appropriate share of the costs of those regionally beneficial projects and to correct a systematic undercollection of new transmission project costs currently embedded in the tariff. Intervention and comments are due January 20, 2012.

MISO filing to provide a mechanism to ensure that departing Transmission Owners pay for MVPs that are approved before they depart, ER12-715

On December 29, 2011, MISO and the MISO Transmission Owners filed to add a mechanism to ensure that departing TOs pay for their share of any MVPs that are approved before they leave MISO. Currently, since MVPs will be charged to current MISO load, there isn't a mechanism to charge the departing TOs. This filing adds Schedule 39 to provide the mechanism.

Midwest ISO Multi-Value Project Filing:

On December 16, 2010, FERC approved the Midwest ISO filing in ER10-1791-000. The FERC order approved the new transmission project category of Multi-Value Projects (MVPs) and the cost allocation of sharing the costs throughout the Midwest ISO footprint to MISO load. FERC rejected the MISO proposal to initiate an export charge to PJM for projects constructed in MISO that benefit PJM load.

The OMS Board approved various sections of a draft rehearing comments that the TCAWG had developed for the board meeting on January 13, 2011. With that direction, the group developed the final document which was filed on January 14, 2011. The OMS sought rehearing on the following issues:

- The Commission Erred in Accepting a Cost Allocation that Does Not Allocate Any Cost of MVPs to Interconnecting Generators.
- The Commission Erred in Eliminating the Midwest ISO's Proposal to Apply an MVP Charge to Exports Sinking in PJM.
- OMS Clarifies That There Was Not Full OMS Consensus of This Complex Cost Allocation Issue, However, There Was a Nine State Majority That Generally Supported the Midwest ISO's MVP Proposal.
- The Commission Erred in Accepting the Midwest ISO's Proposed MWh-Only Charge.
- The Commission Erred in Accepting a Portfolio Approach to MVP Project Selection.

The Midwest ISO also filed for rehearing, seeking to overturn FERC's decision to not allow the export charge to PJM.

On October 20, FERC issued Order which largely affirmed its original order. FERC did not reverse itself on any of the points the OMS argued on rehearing. The new wrinkle in the Oct. 20 Order is that FERC has directed MISO to conduct a periodic check at least once every three years to compare the costs and benefits of the cumulative effects of all approved multi-value projects, and to post the analyses on its website and discuss them in its stakeholder process.

Numerous parties appealed FERC's MVP Orders and those appeals were consolidated in the United States court of Appeals for the Seventh Circuit. The OMS filed an intervention in the court case, but it has not yet been granted.

FERC Order 1000

On July 21, 2011, FERC issued Order 1000, Transmission Planning and Cost Allocation by Transmission Owning and Operating Public Utilities. Excerpts from the FERC fact sheet are below. In late August, FERC received more than 60 requests for rehearing and/or clarification. How MISO complies with this order, and how the transmission projects are assigned to transmission owners will be important topics for the TCAWG in the coming year.

MISO presented its view of its degree of compliance with Order 1000 in terms of regional cost allocation at the Oct. 27 RECB meeting. MISO considers itself compliant with nearly all of the six FERC principles. One principle MISO is not compliant is having a 1.25 B/C ratio for market efficiency transmission projects, but MISO will be in compliance with that once its MEP proposal is accepted by FERC.

Update: MISO has scheduled a Right of First Refusal workshop for February 1, 2012. The next RECB meeting to discuss the market efficiency proposal is on January 26.

MISO Filing Regarding Transmission Cost Allocation Waiver for Entergy, ER11-3278

On April 25, Entergy announced its intention to join the Midwest ISO. Entergy is a large, multi-state holding company with operating companies in Arkansas, Mississippi, Louisiana and Texas. It has around 30,000 MW of generating capacity and approximately 15,000 miles of transmission.

The move will need to be approved by elected officials and regulators in each of Entergy's jurisdictions. The Entergy operating companies are Entergy Arkansas, Inc., Entergy Gulf States Louisiana, L.L.C., Entergy Louisiana, LLC, Entergy Mississippi, Inc., Entergy New Orleans, Inc. and Entergy Texas, Inc. The integration has a targeted implementation date of December 2013.

MISO filed for a waiver of certain tariff provisions on June 3, 2011 (ER11-3728-000), asking for a FERC ruling on or before July 31, 2011 so that the states that will be considering Entergy filings will know the outcome of the FERC decision regarding the allocation of transmission project costs.

The waiver centered on studying and, ultimately, ensuring the comparability of the Northern Planning Region (MISO footprint today) and the Southern Planning Region (the Entergy area). Until comparability is achieved or confirmed, between 5-10 years, each region will pay for its own projects. When comparability is assured, the both regions will participate in cost sharing as a single region. However, even after the 5-10 year transition period, cost sharing in the Southern Region for MVPs will be phased in over four years, with their share going from 25%, 50%, 75% and 100% in year four.

On September 27, FERC issued an order on the MISO request for a tariff waiver for integrating the Entergy companies into MISO. FERC did not rule on the merits of the case, but rather told MISO that they needed to make a Section 205 filing and supply tariff sheets that support the change. FERC stated "A properly-supported Section 205 filing with tariff sheets setting forth the cost allocation provisions that would apply to the Northern and Southern Planning Regions during the transition period" should have been filed with the Commission.

Since the FERC order, MISO presented a new version of the tariff waiver in a special meeting and at the RECB meeting, both in the last week of October. MISO asked for comments by November 14. They originally wanted comments sooner, but the OMS asked for more time to consider the tariff waiver language.

The TCAWG held a conference call on this, and developed the comments for the November 10, 2011 Board meeting. The comments generally support the intention of the MISO waiver, but point to several places where the tariff falls short in language, definitions, or references to other parts of the new tariff. We also ask MISO to consider shortening the proposed 8 year phase-in period to 5 or 6 years, since that’s how long the estimates are for the current MVPs to be in service. This time period was put forth by MISO as the reason for the 8 year period.

Update: MISO and the MISO Transmission Owners made its tariff filing at FERC on November 28. The filing contained the same basic elements that their original tariff waiver request did. MISO asked FERC to rule on the filing by February 17, 2012.

Due to timing issues over the holidays, and the potential for developing a consensus opinion, the OMS did not file comments on the MISO filing, or any reply comments. The OMS did intervene in the case. The commissions of Illinois and Missouri filed comments. MISO and the TOs filed its answer on January 10, 2012.

Generator complaint against MISO interconnection cost allocation and reimbursement option, EL11-30-000

On March 22, a group of wind developers/generators filed a complaint against MISO and its Transmission Owners. The developers want to eliminate Option 1 for how they pay for generator interconnections. This option allows a transmission owner to initially reimburse the interconnecting customer and then to establish a monthly charge that includes the Project Cost for Network Upgrades, and components for the recovery of O&M expenses, General and Common Depreciation ("Depreciation") Expense, Taxes other than Income Taxes, Income Taxes, and a Return.

On May 13, 2011, the OMS filed comments arguing that eliminating Option 1 could have detrimental effects on the TOs, and, consequently, their ratepayers.

On October 20, FERC granted the Development Group (the wind developers/generators) the relief requested in the Complaint, finding that requiring an Interconnection Customer to pay the costs under Option 1 after being refunded its initial prepayment is not just and reasonable, and ordered Option 1 removed from the MISO tariff effective March 22, 2011.

The OMS Board approved filing a request for rehearing in this case at its November 10 meeting. The filing written by Jerry Lein). The request argues that:

> The Commission Should Grant Rehearing Of Its Determination That Option 1 Is Unjust And Unreasonable Because It Requires An Interconnection Customer To Pay Costs Associated With The Network Upgrades Built To Accommodate Its Interconnection.

Midwest ISO Reliability Expansion Criteria and Benefits Task Force (RECB), Phase III: Market Efficiency Projects

After spending 2009-10 working on issues that became the MISO MVP proposal, in 2011 the RECB Task Force took up the last of its three assigned tasks (the first was to address interconnection issues in low load areas, aka the "Otter Tail problem"), which is to reexamine the criteria and cost allocation for market efficiency projects. These projects are also known as "RECB II projects" because in the first iteration of the RECB TF in 2005-2008, first reliability projects were dealt with ("RECB I projects") and then market efficiency projects were dealt with; both resulted in FERC filings and tariff changes. A market efficiency project is just how it sounds: a project that isn't needed for reliability but one that can produce benefits by relieving transmission congestion and lowering the costs of power for customers.

At the recent October 27 RECB meeting, MISO made a new proposal for revising the criteria for Market Efficiency Projects (MEPs). The table below shows the current and proposed criteria. MISO plans to file the revisions around March of 2012. MISO requested initial comments on the proposal by Nov. 15. The TCAWG decided not to attempt a WG or OMS set of comments, but to leave it to each state to make comments to MISO.

Category	Currently Effective	Proposed Revisions

Benefit Metric	70% Adjusted Production Cost Savings + 30% Load LMP Savings	100% Adjusted Production Cost Savings
Benefit/Cost Ratio Threshold	sliding scale based on in-service date from 1.2 to 3.0	1.25
Timeframe for calculating the B/C Ratio	First 10 years of in-service life	First 20 years of in-service life, but not to exceed 25 years from approval year
Discount Rate used to Calculate B/C ratio	Does not specify methodology	Use MISO TO average after-tax Weighted Average Cost of Capital (WACC)
Voltage Criteria	345 kV and above (345 kV portion must be more than 50% of total project cost)	To Be Determined.
Project Cost Threshold	$5 million	No Change
Cost Allocation Methodology	1) 80% allocated based on planning sub-region benefits; 2) 20% postage stamp across footprint	1) 80% allocated based on local resource zone benefits; 2) 20% Postage Stamp