



**ORGANIZATION OF MISO STATES, INC.  
Board of Directors Special Closed Meeting  
Conference Call Minutes  
September 4, 2014**

**Approved September 18, 2014**

Eric Callisto, President of the Organization of MISO States, Inc. (OMS), called the September 4, 2014 special closed meeting of the OMS Board of Directors to order via conference call at approximately 1:00 p.m. (CDT). The following board members or their proxies participated in the meeting:

Keith Berry, proxy for Colette Honorable, Arkansas  
John Colgan, Illinois  
Beth Roads, proxy for Angela Weber, Indiana  
Libby Jacobs, Iowa  
Linda Breathitt, Kentucky  
Noel Darce, proxy for Eric Skrmetta, Louisiana  
Sally Talberg, Michigan  
Burl Haar, proxy for David Boyd, Minnesota  
David Carr, proxy for Brandon Presley, Mississippi  
Adam McKinnie, proxy for Robert Kenney, Missouri  
Phil Movish, proxy for Jason Williams, City of New Orleans  
Jerry Lein, proxy for Brian Kalk, North Dakota  
Greg Rislov, proxy for Gary Hanson, South Dakota  
Ken Anderson, Texas  
Eric Callisto, Wisconsin

Absent

Manitoba  
Montana

Others on the call

Burl Haar – Minnesota  
Colleen Dougherty, Julie Mitchell, Tanya Paslawski, Bill Smith – OMS Staff

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

## **BUSINESS**

### **1. Action Item: Consideration of a response to a motion (FERC Dkt# ER11-4081) for expedited action from power producers Exelon, Dynegy and NextEra**

John Colgan moved to accept the outline distributed to board members prior to the meeting. Beth Roads seconded. The Board agreed that a vote for the outline would be taken as a vote for the final document, but with a right to review the final document.

A roll call vote was taken:

Arkansas – aye  
Illinois – aye  
Indiana – aye  
Iowa – aye  
Kentucky – aye  
Louisiana – aye  
Manitoba – absent  
Michigan – aye  
Minnesota – aye  
Mississippi – aye  
Missouri – aye  
Montana – absent  
New Orleans – aye  
North Dakota – aye  
South Dakota – aye  
Texas – aye  
Wisconsin – aye

The motion passed with 15 ayes and 2 absent.

Confirmation voting will be held open until 1:00 pm on September 9.

[Note: On September 9, 2014 Montana voted by phone to approve the comments.]

## **ADJOURNMENT**

The closed meeting of the OMS Board of Directors meeting adjourned at approximately 1:30 pm CDT.

**UNITED STATES OF AMERICA  
BEFORE THE  
FEDERAL ENERGY REGULATORY  
COMMISSION**

Midwest Independent Transmission )  
System Operator, Inc. )

Docket No. ER11-4081-001

**THE ORGANIZATION OF MISO STATES’  
ANSWER TO MOTION FOR EXPEDITED ACTION**

**I. INTRODUCTION**

On August 25, 2014, Exelon Corporation (“Exelon”), Dynegy Inc. (“Dynegy”) and NextEra Energy Resources (“NextEra”) (“Suppliers”)<sup>1</sup> filed a Motion for Expedited Action.<sup>2</sup> The Suppliers ask the Commission to “issue an order on rehearing in this proceeding” on an expedited basis and purport to provide supplemental information<sup>3</sup> on the capacity situation in the Midcontinent Independent System Operator, Inc. (“MISO”).<sup>4</sup>

In this Answer, submitted pursuant to the Commission’s Rules of Practice and Procedure, Rule 213(a)(3) and (d), (18 C.F.R. § 385.213), the Organization of MISO States (“OMS”) opposes the Suppliers’ Motion. The OMS respectfully submits that the Commission should summarily reject the Suppliers’ Motion for Expedited Action for the procedural and substantive reasons provided in Sections II and III below, respectively.

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<sup>1</sup> The Movants are a subset of a group of six companies that originally identified themselves in this docket as the “Capacity Suppliers.” For convenience, this Answer will collectively refer to the particular Movants identified above as the “Suppliers.”

<sup>2</sup> Motion for Expedited Action, Docket No. ER11-4081-001 (August 25, 2014) (“Motion”).

<sup>3</sup> *Id.* 2-8.

<sup>4</sup> Effective April 26, 2013, MISO changed its name from Midwest Independent Transmission System Operator, Inc., to “Midcontinent Independent System Operator, Inc.”

## Background

On July 20, 2011, MISO filed proposed revisions to its resource adequacy construct, as set forth in Module E of its Open Access Transmission, Energy and Operating Reserve Markets Tariff (“Tariff”) (“July 2011 Filing”). OMS filed a Notice of Intervention and Protest, dated September 15, 2011, opposing MISO’s resource adequacy construct. OMS protested that the MISO proposal “negatively impact[ed] state jurisdictional responsibilities, lack[ed] clear net benefits, and should not be found just and reasonable.”<sup>5</sup>

The Commission issued an order on June 11, 2012, conditionally accepting MISO’s filing to be effective October 1, 2012, subject to further compliance filings.<sup>6</sup> In the June 11 Order, the Commission rejected MISO’s proposal to apply a minimum offer price rule (“MOPR”) when certain conditions are met, finding that MISO had not demonstrated that its proposed MOPR provisions were just and reasonable. On August 12, 2013, the Commission issued its Order Initiating Briefing Procedures, stating that “the Commission would benefit in its further consideration of this matter by the receipt of briefs from parties in this proceeding addressing the matters raised in the requests for rehearing submitted by the [Independent] Market Monitor [IMM] and Capacity Suppliers with respect to the Commission’s rejection of MISO’s proposed minimum offer price rule.”<sup>7</sup>

In compliance with the Briefing Order, OMS on October 11, 2013, filed its Initial Brief of the Organization of MISO States, noting at the outset FERC’s recognition of the critical differences between the MISO region and other regions when it rejected the MOPR in its June 11

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<sup>5</sup> Notice of Intervention and Protest of the Organization of MISO States, Inc., at 1, Docket No. ER11-4081-000 (Sept. 15, 2011).

<sup>6</sup> *Midwest Indep. Transmission Sys. Operator, Inc.*, Order on Resource Adequacy Proposal, 139 FERC ¶ 61,199 (2012) (“June 11 Order”).

<sup>7</sup> *Midwest Indep. Transmission Sys. Operator, Inc.*, 144 FERC ¶ 61,125, at P 4 (2012) (“Briefing Order”).

Order.<sup>8</sup> On November 25, 2013, OMS filed a reply brief to respond to the IMM's non-recognition of the fundamental jurisdictional responsibilities of the OMS member states with respect to resource adequacy.<sup>9</sup>

Now, nearly ten months later, the Motion for Expedited Action of the Suppliers seeks to submit additional "facts" and to, in effect, supplement the Capacity Suppliers' Initial and Reply Briefs in which they were member participants.<sup>10</sup>

## **II. The Suppliers' Motion Hinders Rather than Expedites the FERC's Determination on Rehearing.**

OMS respectfully submits that the only real purpose of the Motion is to re-argue the merits of the core issues already determined by the Commission. The Motion marries some "facts" that purportedly justify "expedited action," to a request for particular action<sup>11</sup> that would actually circle back to the rehearing requests and supplemental briefs responding to the Briefing Order, all of which were filed months ago. The Suppliers are attempting to reopen the factual record without following formal procedures,<sup>12</sup> supplement their original Capacity Suppliers' petition for rehearing filed, or expand the Commission's Briefing Order beyond the MOPR issue. Whatever the label given the underlying intention, the Motion violates due process fairness to which OMS and the other parties are entitled.

In addition, the Motion itself creates the very delay it purports to decry. The Commission and the parties must now take additional time to deal with the Motion, time that the Commission could more effectively apply to deliberating on the decision on rehearing. Not only is the motion process a source of delay, but the timing of the filing—months after the information and facts

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<sup>8</sup> Initial Brief of the Organization of MISO States, at 3-7, Docket No. ER11-4081-001 (Oct. 11, 2013).

<sup>9</sup> Reply Brief of the Organization of MISO States, at 3, Docket No. ER11-4081 (Nov. 25, 2013).

<sup>10</sup> Capacity Suppliers' Initial Brief, Docket No. ER11-4081-001 (October 13, 2013) and Capacity Suppliers' Reply Brief, Docket No. ER11-4081-001 (November 25, 2103). Also, see Note 1.

<sup>11</sup> Motion, at 9.

<sup>12</sup> *E.g.*, Rule 716, 18 C.F.R. § 385.716.

recited<sup>13</sup> were publicly available—also manifests unreasonable delay on the part of the Suppliers. A review of the dates for sources cited in the Motion shows that, if the Suppliers were reasonably concerned about the factual record upon which the Commission would be proceeding, they could have filed a proper motion months ago. Whatever the Suppliers’ motivation, however, the mischaracterization of the “facts” presented do not furnish any logical justification for adopting the Suppliers’ list of elements for a “robust capacity market”<sup>14</sup> that the Commission soundly rejected in its June 11 Order.

### **III. Answer to Motion**

#### **A. The Suppliers again fail to recognize the states’ authority over generation facilities under the Federal Power Act, and therefore over resource adequacy.**

Just as they did when acting as part of the larger Capacity Suppliers group, the Suppliers in this Motion again fail to acknowledge the important ways the MISO differs from other regional transmission organizations that have implemented capacity markets. The vast majority of states within the MISO footprint have jurisdiction over and responsibility for generation resource adequacy. The states make multi-faceted judgments about the “public interest” that go beyond pure economic interests to include concerns regarding the public welfare, fuel diversity, use of renewable resources, and environmental safeguards. In MISO, the large majority of the retail load is served by vertically integrated utilities under traditional retail regulation that allows and encourages load-serving entities (“LSEs”) to build and own generation capacity or to enter into long-term bilateral contracts for capacity. The obligation of the LSEs to meet their capacity requirements under long-term plans approved by retail regulators is the driving force in ensuring capacity adequacy in MISO. The market alterations requested—summarily tacked on to the Motion’s conclusion as the purported remedial action that the Commission should undertake

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<sup>13</sup> Motion, at 2-9.

<sup>14</sup> Motion, at 9.

despite its previous rejection—are unnecessary and can only have a minimal, but potentially costly, impact on capacity sufficiency in MISO.

OMS supports the Commission’s original determination as consistent with the flexibility it has accorded different RTOs and its astute recognition that the different state regulatory approach of the states in the MISO region caution against imposition of the mandatory capacity auction used in other RTOs:

Turning to the substantive issues, the Commission has consistently rejected a one-size-fits-all approach to resource adequacy in the various RTOs due, in large part, to significant differences between each region. With regard to MISO, the Commission has recognized that “MISO does not face the same degree of transmission and generation constraints” that are faced in other RTOs. [Footnote omitted.] As noted by several parties, MISO differs from other RTOs because of the extensive use of bilateral contracts and cost-of-service regulation in MISO as compared to the prevalence of retail-choice in other RTOs. It is for these reasons, as well as others, that the Commission accepted Module E and approved MISO’s use of voluntary capacity auction in the March 2008 Order and the Financial Settlements Order.<sup>15</sup>

Moreover, the Commission has never concluded that a just, reasonable, and not unduly discriminatory rate under the Federal Power Act requires a mandatory capacity auction market, like those in the Eastern RTOs and the goal of the Suppliers.

Most important, however, is the utter absence of a logical link between the Suppliers’ motley collection of facts, omissions, and unfounded conclusions, on one hand, and, on the other, the Suppliers’ list of elements for a “robust capacity market” solution. The grounds for action brought by the Suppliers suffer from the flaw that plans and projections respecting generation resources two years hence, combined with an extreme weather event this past winter, do not make an alleged shortage in 2016 into a certainty—and clearly not one for which the Suppliers’ capacity market components are the desired or appropriate solution. While there may be some details still in flux, the states and the load-serving utilities have the capacity situation under

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<sup>15</sup> June 11 Order, ¶ 38.

control and will continue, as they have over 100 years, to meet their obligations to serve. The Commission's June 11 Order correctly decided that a long-term capacity market was not needed in MISO. That determination should be sustained.

**B. The Suppliers' evidence of a purported shortfall in reserve margins is selective and self-serving.**

The Suppliers ignore the fact that the OMS/MISO Survey outcome is intended to be an informational tool to assist stakeholders in understanding current and projected resources and potential needs on a zonal basis. The Suppliers' inferences based on the conclusions of the survey ignore the inherent limits of any survey in seeking quantification of uncertain future resource adequacy needs. The OMS/MISO Survey demonstrates not only compliance with the MISO one-year planning reserve requirements but also the existence of opportunities respecting procurement of resources in future years. The Suppliers are flatly wrong in asserting that NERC, and MISO and OMS jointly, concluded that there would likely be a resource adequacy shortfall in 2016.<sup>16</sup> The Suppliers' argument erroneously casts anticipatory, planning information as "real facts" requiring some response by FERC. The truth is that OMS and MISO did not find that "MISO [will] very likely face a shortage in 2016." For NERC, its 2013 Long-Term Reliability Assessment view shows MISO resource capacity, not in peril, but capable of exceeding its benchmarks for winter and summer for many years into the future.<sup>17</sup>

Contrary to the Suppliers' bald assertions, the OMS/MISO survey actually shows the MISO footprint with a resource surplus. Noting a 2.3 gigawatts (GW) shortage in 2016 in MISO's Midwestern and Northern regions (collectively, "MISO North"), the Suppliers do not acknowledge an expected surplus of 2.5 GW in MISO's Southern region ("MISO South"),

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<sup>16</sup> Motion, at 4.

<sup>17</sup> North American Electric Reliability Corporation, 2013 Long-Term Reliability Assessment, December 2013, at 52, Attachment A hereto.

resulting in a modest 0.2 GW reserve margin surplus for the entire region.<sup>18</sup> In addition, while the OMS-MISO Survey assumes a 1,000 MW South to Central/North transfer limits, there is, in reality, 3 to 4 GW of existing transfer capability between MISO South and North that the Suppliers ignore.<sup>19</sup>

The Suppliers also ignore MISO's ability to dispatch the system to effect intra-regional transfers, and MISO's ongoing studies to enhance power transfers between regions. For example, MISO stated at the June meeting of its Supply Adequacy Working Group ("SAWG") that it is currently evaluating the extent to which there is unused or "trapped" generation capacity within the MISO footprint. So far, MISO has identified 1,363 MW across 119 units that might be trapped and could be accessed if new transmission facilities were constructed.<sup>20</sup> MISO is also looking to identify projects to increase MISO's intra-regional transfer capability. These projects, if approved, would allow more capacity to flow from MISO South to MISO North if a need for such capacity were to arise in the future.<sup>21</sup>

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<sup>18</sup> 2016 Resource Adequacy Forecast (June SAWG Update), presented at the MISO Supply Adequacy Working Group, at 1, available at <https://www.misoenergy.org/Library/Repository/Meeting%20Material/Stakeholder/SAWG/2014/20140605/20140605%20SAWG%20Item%2003%202014%20OMS-MISO%20Survey%20Update.pdf>.

<sup>19</sup> South to North & Central Transfer Capability Analysis Presentation, presented to the MISO Planning Subcommittee, at 8 (Jul. 29, 2014), available at [https://www.misoenergy.org/\\_layouts/MISO/ECM/Redirect.aspx?ID=181048](https://www.misoenergy.org/_layouts/MISO/ECM/Redirect.aspx?ID=181048) (Transfer Capability Analysis Presentation) (identifying first contingency total transmission capability between MISO North and South as between 3,000 and 4,000 MW); In the Matter of a Show Cause Order Directed to Entergy Arkansas, Inc. Regarding its Continued Membership in the Current Entergy System Agreement, or Any Successor Agreement Thereto, and Regarding the Future Operation and Control of its Transmission Assets, Docket No. 10-011-U, Transcript at 247 (Ark. PSC, Sept. 14, 2010) (stating MISO's view that "well over 4,000 megawatts of flow capability" exists between MISO North and South); Entergy-Regional State Committee ("ERSC") Meeting, Sept. 9, 2010, Transcript at 156, 187-89 (discussing a transfer analysis by MISO that indicated approximately 4,000 MW of capability between MISO North and South). Excerpts of these transcripts are attached as Attachment B hereto.

<sup>20</sup> June SAWG Update at 17. See also Unused Generation Capacity Study Scope, MISO, January 9, 2014, at 3 (stating the purpose of the study is "to identify potential mitigation plans for unlocking unused capacity *in the MISO North and Central regions.*") (Emphasis added), available at <https://www.misoenergy.org/Library/Repository/Meeting%20Material/Stakeholder/PSC/2014/20140415/20140415%20PSC%20Item%2007%20Unused%20Generation%20Capacity%20Study%20Scope.pdf>.

<sup>21</sup> See South to Central & North Transfer Capability, MISO, January 9, 2014, available at <https://www.misoenergy.org/Library/Repository/Meeting%20Material/Stakeholder/PSC/2014/20140415/20140415%20PSC%20Item%2005%20South%20to%20Central%20%20North%20Transfer%20Analysis%20Scope.pdf>.

In sum, the resource picture in 2016 could very well be substantially different from that extreme situation in the winter of 2013-14. It is important to put the purported survey resource shortage in the appropriate context, which MISO does in the summary presentation used to present the updated survey results.<sup>22</sup> In particular, with respect to projected capacity shortfalls relative to requirements for the North region, MISO stated that it “fully expects *that these figures will change significantly as future capacity plans are solidified* in the future by load serving entities and state commissions.”<sup>23</sup> This statement provides essential context for the projections that is notably missing from the Motion, and draws specific attention to the particular circumstances in MISO in which traditionally regulated utilities and their retail regulators will be the locus of required action to ensure capacity sufficiency going forward. The importance of the survey is that it provides information to prompt and guide such action, not that it documents a deficiency in MISO’s resource adequacy requirements at issue in this docket. Criticisms of the OMS/MISO survey assumptions regarding plant retirements and load forecasting reflect nothing more than the need to make some reasonable assumptions to develop a plan for the future, *recognizing that future events are not wholly predictable.*

For example, the Suppliers question MISO’s counting 6.6 GW of currently “uncontracted” merchant capacity as available to meet capacity requirements in 2016. As already stated above, the survey is intended to compile data to inform the utility planning process by resource zone, so it is entirely relevant to identify capacity available to meet LSE obligations going forward. That such merchant capacity is not currently under contract to MISO LSEs reflects the fact that it is not *currently* needed to meet LSE obligations. If, counterfactually, the capacity were under contract currently to MISO LSEs on a short-term basis, but not through the

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<sup>22</sup> June SAWG Update at 16.

<sup>23</sup> *Id.*

2016-17 planning year, it is a fair bet that the Suppliers would not be objecting to counting the capacity as available. Yet, the situation would effectively be the same: the capacity would be uncontracted for in 2016.<sup>24</sup> The survey was intended to identify capacity available to meet future requirements, and it would make no sense to exclude the uncontracted capacity from the assessment. The survey provides LSEs with essential information with which to identify and evaluate available alternatives to meet future capacity obligations. MISO's exclusion of those merchant generators that are currently contracted to serve load in PJM in 2016 further reveals the reasoning mentioned above.<sup>25</sup>

The Suppliers also take issue with 3.2 GWs of resources not previously reflected in the survey because they were expected to retire. The Suppliers assert that "MISO has not supported its assumptions with respect to the expectation that 3.2 GW of resources will not retire before 2016."<sup>26</sup> This is simply false. The OMS/MISO Survey results fully support the capacity values MISO has reported. In particular, MISO and OMS worked with LSEs to ensure data quality and alignment of the survey data with the MISO resource adequacy construct as well as with data provided elsewhere (*e.g.*, to EPA). Through the survey, LSEs characterized reported resources as "high certainty" and "low certainty," and only the "high certainty" resources were incorporated in the LRZ and regional resource totals.<sup>27</sup>

The status of available resources might change more quickly than the Suppliers argue. For example, power plants may be re-powered with different fuels, rather than retired, in order to meet EPA requirements. Even load growth forecasts carry uncertainty and are subject to

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<sup>24</sup> This reflects a typical LSE resource planning strategy to not attempt to lock in *all* resources two years out, but to cover certain base load while maintaining an eye on the market prices and exercising good timing to secure the balance when and as needed. No LSE would want to over-purchase resources, given current load trends and competing generation alternatives.

<sup>25</sup> June SAWG Update at 1.

<sup>26</sup> Motion, at 5.

<sup>27</sup> See June SAWG Update at 1 (noting that the 2.0 GW previously excluded from the Survey had been reclassified from "retirement/low confidence" to "high confidence").

revision. Although the Suppliers question the load growth forecast used in the OMS/MISO Survey and assert a higher forecast is more appropriate,<sup>28</sup> their claim is unsupported and using such a higher growth forecast is entirely inappropriate in this case.<sup>29</sup> MISO load growth forecasts may be overstated for a variety of reasons, including, besides changes in the economy, regulatory changes and the pace of introduction of distributed generation.

Finally, the Suppliers argue that MISO's reliance upon demand response ("DR") for peak summer demand is unwarranted. This concern is based on comments of the Independent Market Monitor ("IMM") in the 2013 State of the Market Report that it would be realistic to derate DR capacity by 50% rather than assume that DR will provide full response when called by MISO. The IMM claims that this "more realistic" assumption derives from MISO's limited experience, while acknowledging that MISO has rarely deployed these resources. This comment simply does not translate into support for their argument regarding future resource shortages based on this last winter's events. Winter peak loads are usually substantially lower than summer peak loads. Moreover, MISO is actively studying ways to improve winter demand response capability. The Suppliers do not address MISO's continuing DR initiatives, including evaluation of a seasonal construct for DR,<sup>30</sup> and reporting enhancements for voluntary load management.<sup>31</sup> Consequently, the Suppliers' assertions regarding demand response impacts are quite speculative

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<sup>28</sup> Motion, at 5-6.

<sup>29</sup> Though the Suppliers acknowledge that the June SAWG Update reflect an increase in assumed 3-year load growth from -0.75% annually to +0.85% annually, they nonetheless imply that it might be appropriate for MISO to assume an even higher growth rate based on average growth since 2009, without any basis for why this period would be more appropriate for projecting future load growth. In fact, 2009 represented the nadir of the Great Recession, and the rate of load growth out of the economic trough would be entirely inappropriate to assume going forward.

<sup>30</sup> More generally, MISO and stakeholders are currently investigating transitioning to a seasonal capacity construct. See Seasonal Construct Evaluation Project, presented to the MISO SAWG (August 7, 2014) available at <https://www.misoenergy.org/Library/Repository/Meeting%20Material/Stakeholder/SAWG/2014/20140807/20140807%20SAWG%20Item%2004%20Seasonal%20Construct%20Evaluation%20Project.pdf>.

<sup>31</sup> See Winter Operations Issue Statements/Lessons Learned, presented to the MISO Demand Response Working Group, at 7 (September 3, 2014) available at <https://www.misoenergy.org/Library/Repository/Meeting%20Material/Stakeholder/DRWG/2014/20140903/20140903%20DRWG%20Item%2010%20Winter%20Operations%20Issues%20and%20DR%20Deliverables.pdf>.

in the context of planning for, and acquisition of, adequate resources for winter 2016.

In addition, even if the Suppliers had been accurate about a potential shortfall in 2016, they ignore the fact that any potential shortfall would be very short-lived, at most lasting only a year or two and only at the summer peak for demand. Moreover, the tightness in capacity resources is due to environmental regulations with compliance deadlines in relatively tight timeframes, not from any lack of planning by the states or utilities. As a result, the Suppliers' mandatory forward-looking capacity auction would be like using a sledgehammer to kill a flea, with collateral damage to the states' jurisdictional authority from the Suppliers' multi-billion dollar "solution" to "fix" capacity planning that is not broken.

**C. The Polar Vortex of 2013-14 showed, not a failure in resource adequacy planning, but how MISO and PJM cooperatively operated to meet an extraordinary demand for power in an extreme weather event.**

The events of winter 2013-2014 presented challenges to the entire Eastern Interconnect and MISO's resource adequacy construct placed it in no worse position to meet these challenges. In their Motion, the Suppliers allege that the operational challenges MISO experienced during the winter of 2013-2014 "demonstrate that MISO's capacity market may not adequately account for the resources that it needs particularly during extreme conditions in the future."<sup>32</sup> While MISO certainly experienced operational challenges earlier this year, those challenges were not caused by MISO's capacity market but rather by a historic weather event that increased demand to record winter levels and caused record generator outages.

The winter of 2013-2014 presented challenges to operators across the Eastern Interconnect. In January 2014, temperatures in MISO were well below normal across most of its footprint, and in some areas, reached their lowest levels in two decades.<sup>33</sup> PJM faced similar

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<sup>32</sup> Motion, at 8.

<sup>33</sup> January 2014 Extreme Weather, February 12 Presentation, presented at the MISO Electric and Natural Gas

challenges and has since stated that it has never experienced such prolonged periods of cold weather in its nearly 87-year history.<sup>34</sup> ISO-New England was similarly affected.<sup>35</sup>

These periods of historically frigid temperatures caused consumer demand to rise to unprecedented seasonal levels. PJM, SPP, and MISO all set new all-time Winter Peaks.<sup>36</sup> Demand did not merely reach peak levels during one day but remained at abnormally high levels throughout the winter months. For instance, during January 2014, PJM experienced many days where demand was 20,000 to 40,000 megawatts above normal peaks, an amount equivalent to the power produced by 20 to 40 nuclear generators.<sup>37</sup> MISO recorded 10 days with peak loads over 100,000 MW.<sup>38</sup>

The winter of 2013-2014 affected most regions in the Eastern Interconnect in roughly the same way, regardless of the methods they use to ensure resource adequacy. Due to both fuel supply disruptions and physical equipment failure, generators were forced offline at abnormally high rates. For instance, forced outage rates in PJM during January 2014 were “two to three times higher than the normal winter outage rate of around seven to ten percent and at levels not seen since 1994.”<sup>39</sup> MISO experienced similarly large volumes of outages. On January 7, 2014,

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Coordination Task Force, at 2 (February 12, 2014) (“January 2014 ENGCTF Presentation”), available at <https://www.misoenergy.org/Library/Repository/Meeting%20Material/Stakeholder/ENGCTF/2014/20140213/20140213%20ENGCTF%20Item%2002%20Extreme%20Weather%20Event.pdf>.

<sup>34</sup> Statement of Michael J. Kormos Executive Vice President – Operations PJM Interconnection, L.L.C., Docket No. AD14-8-000 (April 1, 2014) at 2 (“Kormos Statement”).

<sup>35</sup> See Cold Weather Operations Presentation, Peter Brandien, Vice-President – System Operations ISO New England, FERC Docket No. AD14-8 (April 1, 2014) at 12 (reporting that January 2014 ranks among the coldest months in recent months in recent history and that 9 days in January were in the coldest 5% of days over the past 20 years).

<sup>36</sup> See Polar Vortex 2014 Presentation by Michael Kormos, Executive Vice-President – Operations, PJM Interconnection, LLC., FERC Docket No. AD14-8 (April 1, 2014) at 3 (showing PJM set an all-time Winter Peak of 141,846 during 1/7 p.m.); March 26, 2014, Presentation of David Patton, the Independent Market Monitor, IMM Quarterly Report: Winter 2014 December- February at 20 (MISO set an all-time winter peak of 109.3 GW on January 6th); Southwest Power Pool: Winter 2013-2014 Presentation by Bruce Rew, Southwest Power Pool, Inc., FERC Docket No. AD14-8 (April 1, 2014) at 8 (“SPP market set all time winter peak load during this event.”).

<sup>37</sup> Kormos Statement at 2-3.

<sup>38</sup> January 2014 ENGCTF Presentation at 2.

<sup>39</sup> Kormos Statement at 3-4.

MISO lost roughly 32,813 MW of generation capacity due to forced outages and derates, roughly 30% of peak load.<sup>40</sup>

The foregoing weather and operational issues that MISO experienced in the winter of 2013-2014, however, tell us little about the ability of MISO's limited capacity market to adequately account for or induce the resources that LSEs in MISO need to serve load during extreme conditions. Both PJM with its Reliability Pricing Model and MISO faced similar challenges during this period. Both experienced abnormally high demand and forced outage rates. Yet PJM was in no better position than MISO to face these events.

The explanation is that operational realities such as the extreme weather events can vary from even the "best laid plans" for securing resource adequacy. There is nothing in the Suppliers' asserted solution that would make any RTO's resource procurement mechanisms any more competent to deal with the extreme weather experienced last winter.

#### **IV. Conclusion**

The Suppliers come in late, contrary to due process and fair play. They raise arguments previously rejected by the Commission. They misconstrue the facts and take to task the resource adequacy structure in primarily vertically integrated MISO, a structure that has maintained reliability in the region for over 100 years. To give credence to their position is to conclude that state regulators, LSEs and MISO are ignoring their most fundamental obligation, keeping the lights on. The Commission knows better.

Wherefore, for all of the reasons explained above, the OMS respectfully requests that the Commission reject the Suppliers' Motion, proceed with rehearing deliberations in this docket, and affirm its June 11 Order.

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<sup>40</sup> Winter 2013-2014 Operations and Market Performance Presentation, FERC Docket No. AD14-8 (April 1, 2014) at 7.

The OMS submits this Answer because a majority of its members has agreed to generally support it. Individual OMS members reserve the right to file separate pleadings regarding the issues discussed herein. All sixteen U.S.-based members generally support this Answer:

Arkansas Public Service Commission  
Illinois Commerce Commission  
Indiana Utility Regularity Commission  
Iowa Utilities Board  
Kentucky Public Service Commission  
Louisiana Public Service Commission  
Michigan Public Service Commission  
Minnesota Public Utilities Commission  
Mississippi Public Service Commission  
Missouri Public Service Commission  
Montana Public Service Commission  
City of New Orleans  
North Dakota Public Service Commission  
South Dakota Public Utilities Commission  
Public Utility Commission of Texas  
Wisconsin Public Service Commission

The Manitoba Public Utilities Board did not participate in this pleading.

Respectfully Submitted,

*William H. Smith, Jr.*  
William H. Smith, Jr.  
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**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 9th day of September, 2014.

*William H. Smith, Jr.*  
William H. Smith, Jr.

**ATTACHMENT A**

**NERC**

NORTH AMERICAN ELECTRIC  
RELIABILITY CORPORATION

# 2013 Long-Term Reliability Assessment

December 2013

**RELIABILITY | ACCOUNTABILITY**



# MISO

The Midcontinent Independent System Operator, Inc. (MISO) is a not-for-profit, member-based organization administering wholesale electricity markets that provide customers with valued service, reliable and cost-effective systems and operations, dependable and transparent prices, open access to markets, and planning for long-term efficiency. MISO manages energy and operating reserves markets, which consists of 12 BAs, including the MISO BA (reliability), 28 local BAs, and 362 market participants, who serve approximately 48 million people. This section assesses the reliability of this market area—consisting of seven Local Resource Zones (LRZs)—during the next 10 years. MISO developed LRZs to reflect the need for an adequate amount of Planning Resources located in the right physical locations within MISO to reliably meet demand and loss-of-load expectation (LOLE) requirements.

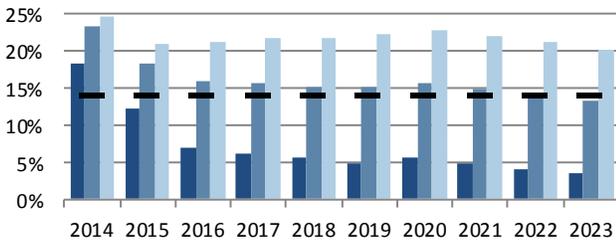


## Planning Reserve Margins

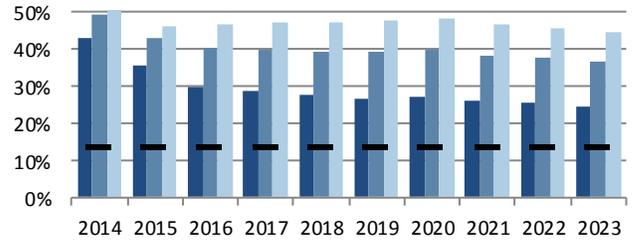
MRO-MISO-Summer		2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
ANTICIPATED		18.28%	12.13%	7.00%	6.29%	5.54%	4.86%	5.65%	4.90%	4.16%	3.44%
PROSPECTIVE		23.35%	18.44%	15.82%	15.65%	15.16%	15.08%	15.79%	14.98%	14.17%	13.37%
ADJUSTED POTENTIAL		24.55%	20.94%	21.12%	21.82%	21.65%	22.18%	22.85%	21.98%	21.13%	20.28%
NERC REFERENCE	-	14.20%	14.20%	14.20%	14.20%	14.20%	14.20%	14.20%	14.20%	14.20%	14.20%

MRO-MISO-Winter		2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
ANTICIPATED		43.22%	35.35%	29.59%	28.55%	27.58%	26.70%	27.39%	26.34%	25.41%	24.44%
PROSPECTIVE		49.36%	42.97%	40.27%	39.87%	39.21%	39.05%	39.63%	38.48%	37.46%	36.39%
ADJUSTED POTENTIAL		50.81%	45.98%	46.70%	47.33%	47.05%	47.63%	48.13%	46.92%	45.83%	44.70%
NERC REFERENCE	-	14.20%	14.20%	14.20%	14.20%	14.20%	14.20%	14.20%	14.20%	14.20%	14.20%

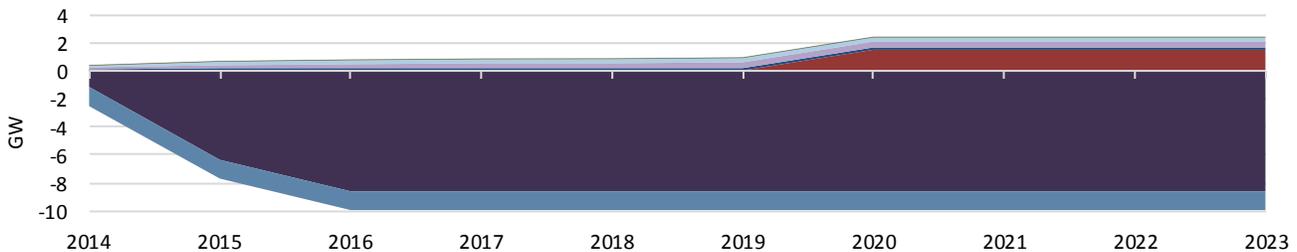
Summer



Winter



## Cumulative 10-Year Planned Capacity Change



	2013 Existing		2023 Planned			2023 Planned & Conceptual		
	Capacity (MW)	Share (%)	Capacity (MW)	Share (%)	Change (MW)	Capacity (MW)	Share (%)	Change (MW)
MISO								
Coal	59,771	56.3%	51,156	51.9%	-8,615	51,156	48.8%	-8,615
Petroleum	2,401	2.3%	2,401	2.4%	0	2,401	2.3%	0
Gas	31,798	30.0%	30,451	30.9%	-1,346	35,687	34.1%	3,890
Nuclear	7,455	7.0%	9,007	9.1%	1,552	9,007	8.6%	1,552
Hydro	725	0.7%	891	0.9%	166	895	0.9%	170
Pumped Storage	2,308	2.2%	2,723	2.8%	415	2,723	2.6%	415
Geothermal	0	0.0%	0	0.0%	0	0	0.0%	0
Wind	1,122	1.1%	1,423	1.4%	301	2,311	2.2%	1,189
Biomass	509	0.5%	557	0.6%	48	557	0.5%	48
Solar	0	0.0%	0	0.0%	0	0	0.0%	0
<b>TOTAL</b>	<b>106,087</b>	<b>100.0%</b>	<b>98,608</b>	<b>100.0%</b>	<b>-7,480</b>	<b>104,736</b>	<b>100.0%</b>	<b>-1,352</b>

## **ATTACHMENT B**

**ORIGINAL**

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ARKANSAS PUBLIC SERVICE COMMISSION

IN THE MATTER OF A SHOW CAUSE  
ORDER DIRECTED TO ENTERGY  
ARKANSAS, INC. REGARDING ITS  
CONTINUED MEMBERSHIP IN THE  
CURRENT ENTERGY SYSTEM AGREEMENT,  
OR ANY SUCCESSOR AGREEMENT  
THERE TO, AND REGARDING THE FUTURE  
OPERATION AND CONTROL OF ITS  
TRANSMISSION ASSETS

DOCKET NO. 10-011-U  
ORDER NO. 19  
VOLUME II

BEFORE:

PAUL SUSKIE, Chairman  
COLETTE D. HONORABLE, Commissioner  
OLAN W. REEVES, Commissioner

*KE*  
2010 SEP 24 P 1:21  
FILED  
SECRETARY OF COM  
ARK. PUBLIC SERV. COM

THE ABOVE-STYLED MATTER came on for hearing before  
Garold W. Pritsch, Certified Court Reporter, LS  
Certificate No. 329, a Notary Public in and for Garland  
County, Arkansas, in Hearing Room Number 1 at the  
Arkansas Public Service Commission, 1000 Center Street,  
Little Rock, Arkansas on September 14th, 2010 commencing  
at 9:09 a.m. as follows:

GAROLD W. PRITSCH  
BUSHMAN COURT REPORTING  
(501) 372-5115

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1 the Midwest ISO with only about a 215 megawatt contract  
2 path, but, again, those contract provisions allow  
3 thousands of megawatts to flow north and south between  
4 Michigan and the main body of Midwest ISO on a daily  
5 basis. It's just a -- Joe can talk about the -- what he  
6 sees from an operational perspective, but this is a  
7 normal course of business type of operation in both of  
8 these instances.

9 And we see in Entergy, Entergy Arkansas or Entergy  
10 as a whole, very similar situation. There's currently a  
11 thousand MVA path -- contract path between Entergy and  
12 the Midwest ISO. We've looked at the contract path  
13 sharing that would go on between us and SPP, as well as  
14 the flows that can actually physically occur over those,  
15 and based on our early modeling, we believe there's well  
16 over 4,000 megawatts of flow capability between our  
17 system and the Entergy system. We would expect over time  
18 for that path to get stronger as transmission  
19 construction and transmission planning looked at what  
20 needed to be strengthened for those north/south flows.

21 Yes, sir.

22 MR. BITTLE: Ricky Bittle with Arkansas  
23 Electric Co-op. Would you explain that? I mean,  
24 basically, from a physical standpoint, it appears that  
25 you're saying that even though Entergy has got a thousand

1 allows the parties to use it under market flow. We have  
2 to go through that discussion to understand whether that  
3 is allowed under the contract or not.

4 MR. SCHUG: Okay. Steve, do you want to  
5 address that at all?

6 MR. KOZEY: Well, we think we know where  
7 the outcome is, but Carl and I don't have to debate.

8 MR. SCHUG: Yeah, we don't have to have  
9 that debate here so -- noted.

10 MS. GALLUP: This is Terri Gallup with  
11 AEP. Just to add on to that discussion and the next  
12 slide where you had the 4,000 megawatts, earlier you said  
13 your agreements with SPP says the paths are available for  
14 both parties, but if this were used to integrate Arkansas  
15 or Entergy Arkansas, wouldn't that be just taken up by  
16 their use to try to connect to MISO to get the benefits  
17 of the MISO market and SPP members would no longer have  
18 that capability?

19 MR. SCHUG: The answer is, yes, that would  
20 be used for that flow, just like it is in those two cases  
21 we have now, and in the future, there may well be a case  
22 that operates the other way, and SPP would be utilizing  
23 it, would be utilizing Midwest ISO contract path for the  
24 benefit of their membership.

25 Yes, sir.

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E-RSC MEETING

Meeting held at The Sheraton  
Hotel, 500 Canal Street, New Orleans,  
Louisiana, 70130, commencing at 9:12 a.m.,  
on Thursday, the 9th of September, 2010.

1 they choose to look to the midwest ISO.  
2 There's about a 1,000-megawatt physical  
3 path. There's on the order of  
4 4,000 megawatts of capability. The --  
5 most of the economics of joining the  
6 market is inside that plus or minus  
7 4,000 megawatts capability, so we think  
8 that it is technically feasible, should  
9 they include, it would be a good idea for  
10 them.

11           So on to slide 6.

12           Talk a little bit about QFs. I  
13 read this slide this morning, doing my  
14 homework, and I recognized that there's a  
15 lot of words here, but it doesn't say  
16 anything. So I'll attempt to embellish a  
17 little bit.

18           Inside an organized market, for  
19 new qualifying facilities, there's a  
20 possibility upon request that a utility  
21 gets an exemption from those QF rules  
22 because the QF can sell right into the  
23 transparent wholesale market. So that's  
24 for a going-forward kind of relationship  
25 that the QFs upon request essentially

1 of these questions. So we're happy to do  
2 that, too.

3 MR. MONROE:

4 President, I'd like to -- this  
5 is Carl Monroe -- I'd like to ask: Would  
6 it be okay, Clair, if you could clarify  
7 where that 4,000 comes from? Because I  
8 think that 4,000 -- we can't come up with  
9 that value through either using contract  
10 path. I know we haven't done the transfer  
11 analysis to come up with that.

12 MR. MOELLER:

13 Yeah. It was a transfer  
14 analysis; it wasn't a contract path. It  
15 was based on the flowgate representations  
16 in our pro mod production cost models and  
17 what those limits are that I presume we  
18 share. I think you guys use that same --

19 MR. MONROE:

20 I'll need a contact, then, from  
21 y'all's to discuss that.

22 MR. MOELLER:

23 Yeah. John Longhern would be  
24 the guy.

25 MR. MONROE:

1           Okay. Yeah. I think there is  
2 a -- there's probably a difference in the  
3 way that we interpret the things that are  
4 in that joint operating agreement. And  
5 part of the issue that we would have is  
6 that those -- that portion of the joint  
7 operating agreement really deals with new  
8 transmission service, how you allocate new  
9 transmission service, that those  
10 facilities are available, as long as  
11 they're available for new transmission  
12 service. And we would have to discuss  
13 with MISO whether that would be an  
14 applicable way of using it when you're  
15 integrating a new member, particularly  
16 because that -- it does impact a  
17 significant amount of our system, and I'm  
18 sure AECI would have something to say  
19 about the use of their system to do the  
20 transfers between the two.

21           And, also, you have to recognize  
22 that there are a significant amount of  
23 grandfathered transactions that go across  
24 that interfa -- just that particular  
25 interface in and of itself where the

1 limitation on that transfer may be already  
2 taken up by existing transmission service  
3 that has to be maintained through the --  
4 that transition of integration. So we  
5 need to have more discussion around  
6 whether, first of all, that joint  
7 operating agreement really supports this  
8 type of use of the SPP facilities and the  
9 AECI facilities and then also, you know,  
10 how we would go about representing the  
11 existing transmission service that is used  
12 over that facility.

13 MR. MOELLER:

14 We don't disagree there's more  
15 discussion required there. Our  
16 interpretation is premised on -- it's the  
17 same words that we used with PJM, and  
18 that's how we've used that agreement in  
19 other litigation, so...

20 VICE-PRESIDENT FIELD:

21 This is just a comment. On --  
22 when you talk about this free wind energy  
23 Michigan is going to install, I guess -- I  
24 guess the ratepayers don't take advantage  
25 of the fact that they are to pay subsidies