



Organization of MISO States

**ORGANIZATION OF MISO STATES, INC.  
Executive Committee Meeting Minutes  
May 22, 2008**

**Approved June 26, 2008**

Chairman John Norris, President of the Organization of MISO States, Inc. (OMS), called the meeting of the OMS Executive Committee to order via conference call at approximately 1:00 p.m. (CST). The following directors participated in the meeting:

President - John Norris, Iowa  
Vice President - Dan Ebert, Wisconsin  
Secretary - Valerie Lemmie, Ohio  
Treasurer - Gary Hanson, South Dakota  
Commissioner at Large - Monica Martinez, Michigan

Others present on the conference call:

In-coming Vice President – Lauren Azar, Wisconsin  
Illinois Staff – Randy Rismiller  
Ohio Staff – Hisham Choueiki  
Wisconsin Staff – Randel Pilo  
OMS Staff - Bill Smith

The directors listed above established the necessary quorum of three (3) Executive Committee members.

Dan Ebert moved to approve the minutes from the April 24, 2008 Executive Committee Meetings. Valerie Lemmie seconded. The motion passed by unanimous voice vote.

**BUSINESS**

**1. Vacancy: OMS Vice-President**

Dan Ebert made brief remarks thanking the Executive Committee for their support and friendship during his time on the Board and Committee.

**Dan Ebert nominated Lauren Azar of the Wisconsin Public Utilities Commission to replace him. Valerie Lemmie seconded. The nomination was approved by unanimous voice vote.**

The Executive Committee expressed its appreciation of Vice-President Ebert's work.

**Gary Hanson moved to close the nominations. Valerie Lemmie seconded. The motion was approved by unanimous voice vote.**

Lauren Azar was elected as OMS Vice-President by unanimous voice vote.

**2. OMS Personnel Committee – John Norris/Bill Smith**

- Evaluation of Executive Director – John Norris. President Norris has had an oral conversation with Bill Smith and gone over the Personnel Committee's evaluation with him.
- IRS Resolution – Bill Smith. The letter from the IRS has been received accepting the voluntary compliance plan. The OMS office is now seeking alternative retirement plans. A new personnel committee will be formed consisting of Lauren Azar and Valerie Lemmie under the guidance of President Norris. They will begin work on the retirement plans and renewal of the Executive Director & Office Manager's contracts.

**3/4. Review of the OMS Board Member Retreat & OMS MISO Officer Sector Meeting – Bill Smith**

- Bill Smith reported that Burl Haar revised his earlier draft memo: the revised draft was distributed before the meeting (follows the minutes) that summarizes the major points of both of these meetings.
- The Committee discussed the content of the memo and President Norris requested that additional comments from Commissioners and Staff be emailed around for incorporation in a future draft or white paper.

**3. Agenda for June 12 OMS Board Meeting – John Norris**

Issues for the June 12th Board Meeting:

- Advisory Committee Issues
- Strategic Plan White Paper
- Resource Adequacy
- Hot Topic Agenda at MISO
- Audit & IRS 990 filing

**Administrative Report – Bill Smith**

- Status of OMS audit & 990 preparation: the accountant ran into a work bind so those reports are not ready yet, but it will be by the June Board Meeting.
- Upcoming OMS project deadlines: the RAWG filing, cross border filing (Aug. 1), JCPS workshops are ongoing, FERC technical conference (July 1).
- The RAWG vote on the administrative proposal motion passed 34-17 with 4 abstentions. The two other proposals with auction elements were defeated. The price responsive demand motion passed 13-4 with 19 abstentions.

**Announcements**

- Friday, May 16: OMS Work Group Chairs
- Thursday, June 12: OMS Board meeting
- Friday, June 13: OMS Work Group Chairs
- Monday, June 16: MISO-PJM-SPP Breakfast at MARC
- Wednesday, June 18: DOE Workshop on 2009 Congestion Study
- Thursday, June 26: OMS Executive Committee

The meeting adjourned at approximately 1:40 p.m. CDT

To: OMS Staff work groups

From: Burl Haar  
Executive Secretary  
Minnesota Public Utilities  
Chair, OMS Long-term Development and Governance Work Group

Re: Outline of issues related to role of the states in Midwest ISO governance

This is intended to be a follow-up to my mailing of last week on the issue of the states role in the Midwest ISO governance. This looks at where OMS has come from in this regard, where we are today, and what commissioners have talked about in terms of the future.

The OMS and Midwest ISO governance, to date:

According to the Articles of Incorporation of the Organization of Midwest ISO States, the fundamental operational role of the organization is as follows:

*data collection and dissemination, issue analysis, policy formulation, advice and consultation, decision-making and advocacy, related to (i) the electricity generation and transmission system serving the MISO States, (II) MISO's operations, (III) related FERC matters, including (but not limited to) FERC's open access, RTO and market design initiatives, and (iv) the jurisdiction and role of the MISO to regulate and promote the electric utilities and systems within their respective boundaries. (OMS Articles of Incorporation. 2. A. 2)*

The OMS has carried out its role through its involvement as an active member of the Midwest ISO's Advisory Committee process. The OMS coordinates the viewpoints of the member state regulatory commissions on MISO policy issues and in so doing represents the Midwest ISO member sector for State Regulatory Authorities. The State Regulatory Authorities sector is one of the nine sectors that make up the Advisory Committee, as defined by MISO's governing documents. The Advisory Committee, in turn, makes recommendations and provides advice to Midwest ISO management and the Board of Directors. How OMS fulfills its role as a member of the Advisory Committee process is defined by the *MISO Advisory Process – Role of State Commission Representatives*, Approved March 2005. See Attachment X

In its first five years of existence, OMS has formulated a general posture on MISO policy issues shaped by certain key strategic issues: i.e., operational excellence; demonstrable benefits; cost control; greater emphasis on regional planning; commitment to resource adequacy; coordination with neighbors; openness; and support for the regional state committee concept.

In addition, at the 2007 Midwest ISO Annual Stakeholder meeting, the OMS offered the following comments that reflect a growing concern about the role of the Midwest ISO *vis-à-vis* state regulatory bodies.

Midwest ISO must be an informational and educational resource to the region's policy makers.

- Midwest ISO must be an open forum for identification, discussion, and resolution of issues.
- Midwest ISO must maintain unquestioned impartiality.
- Midwest ISO must show its value for public policy decisions.

Midwest ISO should help the region's decision makers to reach consensus on resource adequacy.

- Midwest ISO can help the ERO, the RROs, and state regulators define their roles and decisional responsibilities.
- Midwest ISO can help these decision makers define reliability objectives.
- Midwest ISO can assist load serving entities to adopt enforceable planning reserve requirements.
- MISO must maintain the role of impartial expert, helping balance transmission with other adequacy and reliability measures.

Midwest ISO should be a market responsive organization.

- Its direction for new services should respond to the needs of market participants.
- The Midwest ISO's impacts on retail customers must be developed in dialog with retail service providers and retail regulators.

The interest in the organizational roles of the Midwest ISO and state regulators was more fully vetted at the recent OMS Commissioners' Retreat in Columbus as well as the Sector meeting with the Midwest ISO Board of Directors in Indianapolis. A wide variety of issues were discussed. However, concern with organizational effectiveness and strategy was a recurring theme. In particular, there was interest expressed in having more discussions concerning the role of the states (i.e., OMS) in Midwest ISO governance. The following outline organizes the relevant themes from the Retreat and Sector discussions and adds some detail in a few instances.

Commission Retreat and Sector Meeting discussions concerning  
role of states in Midwest ISO governance:

Playing a meaningful and substantive advisory role [aka: "refining the current role"]

- Not just advisory; not just another stakeholder – "first among equals" [What does that mean? What makes us different?]
- Recognition by FERC of substantive value – What is it that we do that adds value?
- Need to ensure impact at FERC
  - Does consensus increase impact?
  - Does being more proactive ("less nice") ensure more impact?

- Need for a collective, coordinated response to FERC
  - Important to keep talking to FERC
  - In fact, need to revamp to make most of “dialogue opportunities.”
- Is OMS having a positive impact on MISO?
  - [Are they indulging us because the TO Agreement and FERC require it, or because we bring value?]

Jurisdictional encroachment [aka: “dealing with the effects on “native” authority”]

- What has been the real impact of RTOs on state authority? – Has state authority been substantially eroded by creation of Midwest ISO?
- How (if at all) has the jurisdictional dynamic with FERC changed?
- How (if at all) has the jurisdictional dynamic among state commissions changed?
- Within states dynamics – discretion of OMS designated commissioners (varies from state to state). Responsibility to inform state legislatures and governors [RTOs are “uncharted Space” for most of these bodies]
- Existing bonds among state commissions - MARC heritage; also through NGA
- Need to use leverage; state’s inherent authority and new *pan-state* authority (e.g., compacts, NGA, MGA, NCSL, etc)
- [Related issue: Role of the Midwest ISO as a party in proceedings before state commissions. Does this help or hurt? How can this be reconciled?]

Need to prioritize interests and issues [aka: “functioning in the Parallel Universe”]

- Who does OMS represent? – What is the *Public interest*? [See NRRI 2006 Strategic Planning Summit Report]
- Tracking the multitude of issues at the Midwest ISO
- Prioritizing will help to focus impact and determine strategy
  - “ “ “ balance workload
- Do we know and communicate priorities?
- More discussion about values, policies, coalitions
- Does OMS need to do more formal self-evaluation; e.g., strategic planning.
- Resource issues [**This should really be its own separate category**] [aka: “HELP!!”]
  - More use of staff, committees, university resources, NRRI, IPU, all of the above.
  - Consulting budget – should this be used more?

- Training requirements
- Help build case states can take to legislative budget committees
- Coordination of resources – what’s the best way for OMS to ensure it’s getting the most out of the resources it has.

Action within existing framework [like the first issue listed, “refining the current role”]

- Is the current advisory role effective? If not, is the problem with the defined role or is it the nature and level of our engagement?
- Need to develop a new level of engagement within existing MISO structure (is “less nice” the answer?)
  - Need for more aggressive schedule and agenda for Regulatory Sector meetings with Midwest ISO Board and management?
  - Need for more regular meetings of OMS leadership with Midwest Management?
- OMS diversity of participation, balance, openness – all OMS strengths
- Access to data – an issue from the beginning. (Organizing ourselves to more effectively use the data we can access – a resource issue)
- Balancing market and regulatory solutions; restructured and non-restructured states

Look at other structural models with more teeth [aka: “is there a better way”]

- Do we need something more than the current system? E.g., interstate compacts
- Federalism and shared responsibility – Should OMS have a higher profile role? Why?
- Options where states on equal standing as MISO with FERC
- Congressional hearings w/FERC/OMS involvement?
- Expanded voting authority within MISO; greater standing
- Commissioners/OMS directly communicate to the Midwest ISO Board (beyond Sector meetings)
- Board membership for OMS? (conflict of interest issues)
- Standing to submit simultaneous filings

There is a fair amount of overlap among many of these issues and many (most) could fit in multiple categories. However, it appears there are two broad strategic options reflected in these points;

- Should OMS focus on enhancing and refining its effectiveness in the role as currently defined? or
- Should it also explore a redefined and possibly expanded role?

The Midwest ISO Board of Directors and management have expressed interest in more discussions about the role of states in the Midwest ISO governance process. This seems to be consistent with the goal regarding governance as stated in the Midwest ISO 2007 Strategic Plan; i.e., simplify oversight processes and decision rights; establish clear governance roles to manage stakeholder expectations. Also in that plan, the Midwest ISO identified state regulatory policy as a critical “market condition” affecting its activities. The critical factors in this regard from the Midwest ISO’s perspective are as follows:

- Commissions emphasizing long-term capacity and infrastructure planning
- Commissions supporting legislation on Renewable Portfolio Standards
- Cost recovery still capturing commission attention
- Cost recovery acceptance an emerging trend.

#### Where to go from here?

It appears the OMS Board wants to talk more about these issues. However, it is difficult to “get ones hands around” these issues. Consequently, the Board asked OMS staff to put together a report, including possible recommendations, concerning how it might further develop this discussion.

This memo is intended to organize the main points on this discussion, as it has occurred to this point. My question for you is: Is this memo enough to “prime the pump” for further discussions by the Board? Or do we need to go further? For example, should we try to do further analysis about what alternative scenarios might be possible? Alternatively, should we recommend that the OMS use some of its consulting budget to bring in qualified consultants to go through a facilitated discussion (dare I say, strategic planning)? This could look at either refining the OMS’ role as currently defined or expanding that role. I’d be interested in your thoughts on the memo and what further we need to do to address the Board directive.

I believe Bill would like to provide a status report on this project at a future Board meeting. Your comments would be most welcome.

Comments or further guidance will always be welcome on this project.

OMS Articles of Incorporation states the general purposes of OMS:

1. Maintaining an organization of those states, Canadian provinces and Mexican states within which the Midwest Independent System Operator, Inc. ("MISO") provides or oversees electric transmission, market maintenance and monitoring, reliability, security and other transmission system operating serves as a regional transmission organization ("RTO") approved by the Federal Energy Regulatory Commission ("FERC") (collectively, the "MISO States").
2. Providing a means for the MISO States to act in concert, when deemed to be in the common interest of their affected publics, on activities, such as (but not limited to) *data collection and dissemination, issue analysis, policy formulation, advice and consultation, decision-making and advocacy, related to (i) the electricity generation and transmission system serving the MISO States, (II) MISO's operations, (III) related FERC matters, including (but not limited to) FERC's open access, RTO and market design initiatives, and (iv) the jurisdiction and role of the MISO to regulate and promote the electric utilities and systems within their respective boundaries.*
3. To take or refrain from taking such other actions as are deemed to be in the public interest of the MISO States.