

ORGANIZATION OF MISO STATES, INC. Executive Committee Meeting Minutes November 25, 2014

Approved December 18, 2014

Eric Callisto, President of the Organization of MISO States, Inc. (OMS), called the November 25, 2014 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 – Eric Callisto, Wisconsin
Vice-President – Libby Jacobs, Iowa
Treasurer – Colette Honorable, Arkansas
Secretary – Linda Breathitt, Kentucky
Commissioner at Large – Sally Talberg, Michigan
Past-President – vacant

Others present on the conference call:

Arkansas – Staff
Illinois – Randy Rismiller
Michigan – Al Freeman
Missouri – Lera Shemwell
Texas – Richard Greffe
OMS Staff – Bill Smith, Tanya Paslawski, Colleen Dougherty, Julie Mitchell

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

The minutes of the October 30, 2014 meeting were approved as distributed with Wisconsin abstaining.

BUSINESS

1. EPA 111 (d) – MISO Modeling Update

Eric Callisto provided this update which included the release of MISO's upcoming comments to EPA and the status of the proposal that OMS file comments with EPA.

2. NARUC Update

Eric Callisto indicated that the OMS-MISO Senior Management lunch occurred during the NARUC meeting in San Francisco.

3. Return on Equity: Settlement Conference Update

Bill Smith gave an update on the results of this settlement conference and took questions from the Executive Committee and staff.

4. SPP Flows: Settlement Conference Update

Bill Smith gave an update on the results of this settlement conference and took questions from the Executive Committee and staff.

5. Response to MISO motion for Expedited action on rehearing, ER14-1174

Eric Callisto introduced the OMS response document and led discussion on it.

Libby Jacobs moved to file the document. Linda Breathitt seconded. The motion passed by voice vote with Arkansas abstaining.

6. Intervention/Comments on MISO TO filing on incentives, ER15-358

Eric Callisto provided background on this filing and led the discussion on it.

Libby Jacobs moved to file the document as amended. Linda Breathitt seconded. The motion passed by voice vote with Arkansas abstaining.

7. OMS Hot Topic ideas for MISO

Eric Callisto provided the Board's list of Hot Topic suggestions that Libby Jacobs had forward to MISO.

8. Agenda for the December 4, 2014 Board Meeting

The following items were listed for inclusion on the December 4, 2014 Board Meeting agenda:

- Draft comment from Demand Response WG on the Hot Topic;
- Discussion on parameters from the Board on the base ROE should the Executive Committee need to act in lieu of the Board;
- MISO annual process for reviewing their guiding principles.

9. Possible Action Item: Personnel Committee

- Pursuant to OMS by-laws, this issue was discussed in closed session.

The open meeting adjourned at approximately 1:35 p.m. CST

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

Southwest Power Pool, Inc.)	Docket Nos. ER14-1174-000
Midwest Independent Transmission System Operator, Inc.))	EL11-34-002
Southwest Power Pool, Inc. v. Midcontinent Independent System Operator, Inc.))	EL14-21-000
Midcontinent Independent System Operator, Inc. v. Southwest Power Pool, Inc.)))	EL14-30-000 (consolidated)

**ANSWER OF THE ORGANIZATION OF MISO STATES IN SUPPORT OF MOTION
FOR EXPEDITED CONSIDERATION OF THE MIDCONTINENT INDEPENDENT
SYSTEM OPERATOR, INC.**

Background

On November 7, 2014, the Midcontinent Independent System Operator (“MISO”) filed a Motion urging the Commission to expedite its consideration of MISO’s rehearing request filed April 11, 2014, in these dockets, which relate to power flows that may utilize facilities of the Southwest Power Pool (“SPP”) and other adjoining transmission systems.

The Organization of MISO States (“OMS”) supports the Motion for Expedited Consideration. The OMS is a non-profit, self-governing organization of representatives from each state regulatory authority¹ with regulatory jurisdiction over entities participating in MISO. The OMS acts as the regional state committee for the MISO region, coordinates regulatory oversight among the states; makes recommendations to MISO, the MISO Board of Directors, and the Commission; and intervenes in proceedings before the Commission to express the positions of the OMS member agencies. The OMS intervened in these proceedings.

¹ OMS membership includes the Province of Manitoba, Canada, and the City of New Orleans.

These dockets require prompt resolution by the Commission. MISO's Motion lays out the negative impacts caused by the lack of resolution of the dispute between these two regional transmission organizations. These negative impacts include dislocations of dispatch in MISO's energy market, unnecessary costs to customers in the MISO region that cannot be cured through the Commission's refund mechanism, and uncertainty over the Commission's current views on the treatment of loop flows. A Commission decision on the pending rehearing issues would provide needed clarification and guidance that would allow the parties to more effectively use the ongoing settlement process to formulate operating practices consistent with the Commission's principles.

The OMS submits this pleading by decision of its Executive Committee under Article VII of its bylaws.² Individual OMS members reserve the right to file separate comments regarding the issues discussed in this pleading.

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: November 25, 2014

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 25th day of November, 2014.

William H. Smith, Jr.

² The Arkansas Public Service Commission abstained.

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

**Midcontinent Independent System
Operator, Inc.**

Docket No. ER15-358-000

**NOTICE OF INTERVENTION AND PROTEST OF
THE ORGANIZATION OF MISO STATES, INC.**

I. Background

On November 6, 2014, the Midcontinent Independent System Operator, Inc. (“MISO”), on behalf of certain Transmission Owners (“TOs”), proposed modifications to Attachment O of MISO's Open Access Transmission, Energy and Operating Reserve Markets Tariff (“Tariff”).¹ The RTO Adder Filing would allow the filing TOs to implement a 50-basis point adder (“RTO Adder”) for their participation in MISO, a regional transmission organization (“RTO”). The TOs propose an effective date of November 7, 2014, but ask to defer collection of the RTO Adder until issuance of a final order by the Federal Energy Regulatory Commission (“FERC” or “Commission”) on the pending complaint on the justness and reasonableness of MISO's current rate of return on equity (“ROE”) in Docket No. EL14-12. Accordingly, the current proposal appears intended to mitigate against any refunds that may result from the EL14-12 docket.

II. Intervention

Pursuant to Rules 211 and 214(a)(2) of the Federal Energy Regulatory Commission’s (“FERC” or “Commission”) Rules of Practice and Procedure, 18 C.F.R. § 385.211 and § 385.214(a)(2), the Organization of MISO States, Inc. (“OMS”) files its Notice of Intervention and Protest of the November 6, 2014, MISO filing. 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

¹ See, MISO Transmission Owners, Request for Incentive Adder to Return on Equity for Participation in Regional Transmission Organization, Docket No. ER15-358-000, Nov. 6, 2014 (RTO Adder Filing).

100 Court Avenue, Suite 315
Des Moines, Iowa 50309
(515) 243-0742

III. The RTO Adder Filing, as Presented, Is Not Just and Reasonable nor in the Public Interest.

The OMS believes the RTO Adder Filing is not just and reasonable nor in the public interest because, as detailed below, the TOs have failed to demonstrate that the RTO Adder incentive is necessary and results in demonstrable benefits to MISO's transmission customers. The Commission should, therefore, reject the filing, or in the alternative, suspend the filing and consolidate it with the settlement and hearing process recently begun on MISO's appropriate base ROE in Docket No. EL14-12.

A. The RTO Adder Filing Does Not Show the RTO Adder Incentive is Necessary and the Commission Should Continue to Evaluate Transmission Incentives in Light of Benefits to Transmission Development Consistent with Relevant FPA Sections.

In the RTO Adder Filing, the TOs cite Commission orders to show that the Commission consistently grants a 50-basis point adder to a public utilities' ROE as an incentive for joining and continuing membership in a RTO.² Relying solely on this precedent, the TOs claim that, by virtue of their continued membership in MISO, they qualify to receive the RTO Adder.³

Despite the TOs' claims to contrary, the RTO Adder Filing does not adequately demonstrate that granting the RTO Adder incentive is appropriate in this case. Consistent with the notion of an "incentive," the RTO Adder should be awarded only when it influences decisions to join or remain in an RTO. Since the Commission's review of its electric transmission incentives policies in Docket No. RM11-26,⁴ the historical record has simply shown that there are no instances of MISO members leaving its membership except to transfer to a different RTO, and a gain of several new members. In fact, after more than a decade of MISO's existence, only one out of 50 TOs in MISO has been granted the RTO Adder incentive.

² See RTO Adder Filing at 4.

³ See *id.* at 8.

⁴ See *Promoting Transmission Investment Through Pricing Reform*, 141 FERC ¶ 61,129 (2012) ("Transmission Incentive Policy Statement").

Yet, none of these TOs have felt compelled to discontinue their membership without this incentive. Therefore, the TOs have failed to demonstrate that an RTO Adder to incent existing reality is necessary and just and reasonable.

Moreover, when the Commission undertook its most recent revision of its transmission incentives policies in Docket No. RM11-26, the Commission was sensitive to the ongoing need to ensure that its incentive regulations and policies encourage the development of transmission infrastructure in a manner consistent with FPA sections 219, 205, and 206.⁵ In other words, the Commission's transmission incentives should ultimately produce demonstrable benefits to transmission customers. The Commission also stated that it will continue to monitor and assess the consequences that its transmission incentive policy has on customers.⁶ The current RTO Adder Filing fails to address either of the Commission's stated objectives, and therefore, cannot be found to be just and reasonable.

The OMS also notes that the TO group requesting this treatment does not include all the MISO transmission owners. This omission suggests that some of MISO's transmission owners do not believe it is necessary to be rewarded for membership that is beneficial in other ways.

B. The Requested RTO Adder is Inextricably Linked with the Issues and Facts Being Litigated in Docket EL14-12.

In the RTO Adder Filing, the TOs request waiver of the requirements to submit cost of service information and statements, testimony, and exhibits to support their request to implement the RTO Adder into the each of the TO's formula rate templates.⁷ In doing so, the TOs argue this request is justified because submitting that information in the instant docket would just be duplicative of the analysis and documentation that will be part of the complaint proceeding relating to MISO's based ROE in Docket No. EL14-12.⁸ The TOs also request to defer collection of the RTO Adder until FERC issues a final order in that same proceeding.⁹

⁵ See Transmission Incentive Policy Statement at P1.

⁶ See *id.* at P 31.

⁷ See RTO Adder Filing at 11.

⁸ See *id.* note 35 and accompanying text.

⁹ See RTO Adder Filing at 10-11.

The Commission has found that it is appropriate to consolidate proceedings for purposes of settlement, hearing and decision when there are common issues of law and fact.¹⁰ OMS contends that the TOs' waiver and deferral requests clearly demonstrate the linkage between the RTO Adder and the level of the base ROE and the zone of reasonableness for the TOs' ROEs to be determined in the ongoing proceeding in Docket No. EL14-12. Therefore, the OMS requests the Commission consolidate the instant filing with docket EL14-12 and refer the issues relating to the RTO Adder to the ongoing settlement and hearing process in that proceeding.

IV. Conclusion

For the reasons provided, the OMS requests that the RTO Adder Filing be rejected, or in the alternative, that it be suspended and consolidated with the settlement and hearing process in Docket No. EL14-12.

The OMS submits this protest by decision of its Executive Committee under Article VII of its bylaws.¹¹ Individual OMS members reserve the right to file separate comments regarding the issues discussed in this pleading.

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: November 25, 2014

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 25th day of November, 2014.

William H. Smith, Jr.

¹⁰ See *Midcontinent Indep. Sys. Operator, Inc.*, 147 FERC ¶ 61,161, at P 15 (2014).

¹¹ The Arkansas Public Service Commission abstained.



**ORGANIZATION OF MISO STATES, INC.
Executive Committee Closed Meeting
Conference Call Minutes
November 25, 2014**

Approved December 15, 2015

Eric Callisto, President of the Organization of MISO States, Inc. (OMS), called the November 25, 2014 closed meeting of the OMS Executive Committee to order via conference call at approximately 1:35 p.m. (CST). The following board members or their proxies participated in the meeting:

President – Eric Callisto, Wisconsin
Vice-President – Libby Jacobs, Iowa
Treasurer – Colette Honorable, Arkansas
Secretary – Linda Breathitt, Kentucky
Commissioner at Large – Sally Talberg, Michigan
Past-President – vacant

Absent
None

The directors and proxies listed above established the necessary quorum for the meeting of at least three (3) Executive Committee members being present.

BUSINESS

1. Possible Action Item: Personnel Committee

Colette Honorable moved to approve the Personnel Committee's recommendation for OMS staff pay increases for 2015. Linda Breathitt seconded. The motion was approved by unanimous voice vote.

ADJOURNMENT

The closed meeting of the OMS Board of Directors meeting adjourned at approximately 2:00 pm CST.