

**COST ALLOCATION AND REGIONAL PLANNING (CARP) MEETING**

**March 27<sup>th</sup>  
Rosemont, IL**

**Minutes**

**I. Update on CARP Process**

Commissioner Azar (WI) set forth the goals for the next few CARP meetings. The main focus of this portion of the meeting was dealing with a few housekeeping matters. The first housekeeping matter involved how to handle phone participation.

**A. Phone participation in CARP Process:**

The CARP negotiators agreed that the general rule of the group should be in-person participation from at least one of each state's negotiators.

The group discussed the following:

**GENERAL RULE:** You must have one of your negotiators present to participate and vote in CARP meetings. The majority agreed with this general rule. It should be noted that states may add negotiators to the list at any time.

**Proposed Exception #1:** Commissioners from each of the OMS states can participate on the phone, provided that the state has at least one negotiator physically present at the meeting. The majority agreed with this exception.

**Proposed Exception #2:** A Commissioner that is physically present at the meeting can request assistance from a participant on the phone at any time (it need not be a negotiator). The majority agreed with this exception.

**Proposed Exception #3:** Phone participants (non-commissioner) are only allowed to participate if they are requested by a negotiator that is physically present at meeting. This Proposed Exception failed to gain a majority (5-4-2 vote).

**Proposed Exception #4:** Should there be limitations on the number of times that a state may use the exceptions. The majority agreed with this proposition.

The limitation proposed was that a state could have participation by phone only (i.e., there would need to be no one physically present at the meeting) on no more than two occasions. Additional participations by phone only will be handled on a case-by-case basis.

**B. States with More Than One Position**

Current practice with the CARP group is, for any single issue, to have a primary negotiator for each state so as to ensure each state’s view was conveyed with one voice. The issue addressed at the March 27 meeting was whether CARP should adjust this view in light of the fact that some states may have multiple view points on any single issue.

Discussion generally focused on the fact that debate is good – if states have varying positions on issues, they should feel free to discuss them at CARP meetings. However, each state will still only get one vote. This position was confirmed by the negotiators.

**II. Update on RECB Taskforce**

Commissioner Azar provided an update on the RECB taskforce happenings at MISO. The last meeting of the RECB taskforce was March 11, 2009.

Phase I of the RECB taskforce (which is related to the interconnection issues associated with Otter Tail et al.) is planned to be completed by end of June.

Phase II will focus on the forward looking interconnection projects or “FLIP.”

Phase III will begin the process of revisiting the RECB I and II allocations methods. This phase is planned for January to June 2010.

Future Phase I RECB taskforce meetings are planned according to the following schedule:

April 22	Wednesday	Catlin A	10:00 to 4:00
May 12	Tuesday	Catlin B	10:00 to 4:00
May 27	Wednesday	Catlin A	10:00 to 4:00
June 9	Tuesday	Catlin C	10:00 to 4:00
June 24	Wednesday	Catlin A	10:00 to 4:00

**III. Information on DOE Congestion Meeting**

Parveen Baig from the Iowa Utilities Board gave an update on the DOE Congestion Meeting that took place in Chicago on March 25-26. The 1 and ½ day meeting involved discussions of both the eastern and the western interconnection. Parveen indicated that it was particularly interesting to learn about the issues in the western interconnection since she does not have much experience with the issues in that region.

Parveen found one takeaway message to be that DOE believes that transmission planning must take place on a large scale. Indeed, it appeared to be DOE’s position that the current regions (the RTOs) may be too small and that interconnection-wide planning may be preferred.

Additionally, DOE is accepting comments on the congestion study process and is seeking information to help them proceed with drafting a Draft Congestion Report. After the Draft Report is completed, there will be another opportunity to comment to the DOE.

Parveen stated that she and Bill Smith provided DOE with an update on what OMS was doing with respect to the CARP process. Parveen noted that DOE was generally aware of what OMS was doing, but did not know many of the details of the CARP process.

#### **IV. Review of Stakeholder “Futures” Survey Results**

Dave Johnston, of the Indiana Utility Regulatory Commission walked through the results of a stakeholder survey relating to some of the future scenarios that CARP may want to consider in their modeling scenarios.

The following stakeholders responded to the survey questions: Alliant Energy, Ameren, ATC, CMS, CWLP, Duke Energy, Gamesa, GRE, Iberdrola, Indianapolis P&L, Iowa Utilities Board, ITC, LS Power, MDU, Minnesota Power, NIPSCO, Wind on the Wires, Wisconsin Electric, Wisconsin Public Service and Xcel Energy.

The questions sought the stakeholders’ views on the future relating to the following broad topics: RPS; Demand Response and Energy Efficiency; Carbon Policy; Fossil Fuel Prices and; Generation Types and Locations.

A copy of the survey results are available here:

<http://www.misostates.org/OMSRECBSurveyResponseCompilation26March2009.pdf>

#### **V. Review of State Survey Results**

Hisham Choueiki of the Public Utilities Commission of Ohio walked the group through the results of a survey of the OMS state Commissions. This survey involved the states’ views and practical experience with the future of capital costs of construction for various types of generation, of fuel prices, of demand growth and energy growth rates, of emission costs and of other economic variables.

It should be noted that not many states responded to the survey – Hisham was working with limited data from the group. Given that this will be a continued project (see below), states should continue considering responding or revising their responses to the survey.

A copy of Hisham’s presentation is available here:

<http://www.misostates.org/CARP%20Matrix%20Summary.pdf>

## **VI. Modeling Assumptions: Identifying the Assumptions That The Midwest ISO Team Will Use**

John Lawhorn, Jennifer Curran and JT Smith of the Midwest ISO facilitated the discussion on what modeling assumptions that CARP negotiators may want to consider when they establish the assumptions that the Midwest ISO will model. This portion of the meeting was led by the Midwest ISO team, since the goal of this portion of the discussion was for MISO to identify the information it needs to produce model outputs for the CARP group.

John began the discussion stressing that this is the CARP group's chance to tell the Midwest ISO what OMS wants to see. To perform a meaningful analysis, MISO needs to get a sense of the variables that OMS believes in, and the values that the collective group believes in. Once the types of variables are identified, and some values are established for the variables, MISO will run models using both EGEAS and PROMOD.

John identified the following three steps that will begin the modeling process:

1. Job Number One: determine the uncertainty variables that should be included (these will be constant throughout the different scenarios)
2. Job Number Two: determine the range of values assigned to the variables – some might be ranges
3. Job Number Three: assign values for various runs of the overall situational model

John identified that this is a similar process to the one that the Midwest ISO used in developing the MTEP 08 report. Randy Rissmiller questioned how this process is going to play into MTEP 2009/2010. John stated that this has not been determined. JT Smith also identified that there were several outliers in the MTEP 08 process and that the Midwest ISO worked more off of consensus positions. At this time, he identified, that the Midwest ISO does not have an MTEP 2010 process in place.

Hisham asked the Midwest ISO team and the CARP group how many future scenarios that we plan to do? John stated that when you start getting to a transmission design process, it gets very complex. Therefore, you have to limit the number of scenarios you plot out. John believed that the most you could expect in a single year is four, with three the more likely target.

The group then discussed the difference between the terms “Scenario” and “Future.” It was agreed that, for purposes of this process, the two words are going to be used interchangeably.

The first major decision identified by the Midwest ISO representatives is whether the MISO footprint should be considered as a single area, or should it be split into east-west-central regions. There are different issues in the different zones (e.g., construction and fuel costs may vary between and within the regions). From a planning perspective, it may be easier to break them down into three zones. As an example, it was noted that EGEAS can only handle 1,000 generators per run. If a larger region is run, there is a need to combine some generators (i.e., fool the model) to allow an EGEAS run to take place.

Commissioner Hanson (IA) encouraged the group to run the CARP models as three regions, but lower the reserve margin in each region to avoid a model that would significantly overbuild capacity.

**Motion: Run 3 regions w/ subregional reserve margins to achieve 15% footprint wide:**

**VOTE: Virtually unanimous - Randy Rissmiller voted no, explaining that he didn't know enough about the differences between the two options to make a decision today.**

The next issue was trying to decide the 3 or 4 "Futures" that the group would like to model. John Lawhorn identified three possible futures that might be considered:

1. Renewable energy future (assumptions would include significantly higher renewable requirements – maybe nationwide renewable standards)
2. Demand response (assumptions would include high demand response requirements)
3. Carbon restraints (assumptions would include significant reductions in carbon emissions)

John identified some other ideas, such as a future that assumes the transportation sector moving to electric cars or a future that will involve significant amounts of "smart grid."

There was a significant amount of discussion at this point – some of which is captured below:

**Mike Proctor (MO):** Should carbon restraints and renewables be modeled together – aren't they somewhat the same thing, i.e., one policy decision will effectively require the other future to occur?

**Hisham (OH):** It might still be worth modeling both types of futures so you can see the interaction between the two potential futures.

**Chancy (IA):** Believed we should just focus on carbon restraints because that will effectively require a renewable future.

**Jerry Lein (N.D.):** Any focus on carbon reductions should also include a focus or allowance for sequestration abilities.

**Mike P. (MO):** running a carbon reduced future is critical – it will have effects on many other sectors.

**Jerry L (N.D.):** Is a demand response "future" necessary - couldn't states just put demand response into their growth forecasts?

**Dennis Koepke (WI):** Demand response should be a part of the "Smart Grid" future, if that is a direction that the group chooses to go.

**John L (Midwest ISO):** It might be worthwhile to having two futures, one that involves aggressive carbon reductions, and a second scenario applying assumptions of a moderate carbon reduction strategy.

**Angie B. (MI):** Michigan would still like to see RPS future modeled. She believes that many states and stakeholders justify transmission projects on the outputs of RPS based modeling.

The following potential futures were identified as possibilities:

1. Aggressive Demand Response/Energy Efficiency
2. Aggressive Carbon Reductions

3. Moderate Carbon Reductions
4. Renewable w/ High Carbon Policy
5. Renewable w/ Moderate Carbon Policy
6. Aggressive State Only RPS
7. Federal RPS
8. Low Demand Growth w/ High Energy Growth (moving load off the peak – the electric car scenario)
9. High Green (20% RPS plus high carbon reduction)
10. Moderate Green (20% RPS plus low carbon reduction)
11. Low Green (current RPS)
12. Cap and Trade (at what cap?)
13. Carbon Reduction (by when – how aggressive)

At one point, it appeared that the group had agreed that the best course of action would be looking at the following three scenarios:

High Green (very aggressive carbon reductions/RPS requirements etc...)  
Moderate Green  
Low Green

However, later, the Midwest ISO team identified that they would take the full list and identify the various types of assumptions that would be include (i.e., put some more meat on the bone of the list of scenarios). For instance, JT suggested a future with high fuel costs. **It may be helpful to clarify this issue soon so that the Midwest ISO team does not perform unnecessary work (i.e., if the group wants to do the High, Moderate and Low Green scenarios, this should be the area of focus).**

**There was a quick aside on the following point: what is our charge?**

We are doing regional planning and cost allocation. That is our charge from the OMS Board. If we want to change our course, that is fine.

The plan here, is to come up with an indicative plan. We have to give MISO the assumptions they need to come up with that indicative plan. We need to have buy-in from this group to make sure that when that plan is produced, all states have agreed on the underlying assumptions. If we want this to be a process that comes up with recommendations for policy makers should be taken to the OMS Board and obtain firsthand from stakeholders.

**“Reference Case”**

Mike Proctor (MO) encouraged the group to continue its work and come up with a reference case. He suggested that the reference case be the collective “best guess” of what is likely to happen in the future.

**Motion: The reference case for CARP will be the status quo – a business as usual scenario as it relates to environmental regulations that apply.**

**VOTE: General agreement on this issue - Randy Rissmiller was a no, Hisham was neutral.**

The group then went through the spreadsheet of variables for the business as usual case. This case was described as the midrange case of what you think the near-term future will look like for these variables.

As for the specific variables, the group decided to add solar, biomass and hydro into the capital cost portion. The group also determined to have a low level of demand response penetration and energy efficiency.

## **VII. HOMEWORK**

We are going to urge OMS/CARP participants to answer or revise their answers to the “Futures” survey. Hisham (OH) will continue working to compile this data. Hisham identified that we should work from uniform definitions in the survey to ensure consistency in the information. Issues to be worked out:

Capital cost (need to ensure people are using the same cost): overnight construction costs or turnkey costs (MISO uses overnight construction costs)?

Demand in Energy Growth (20 year timeline is what MISO uses) 1% in first year, then .5% in future years? Linear growth is preferred.

Does energy growth include energy efficiency or not or is energy efficiency a wholly separate figure?

Fuel prices: (Particularly as it relates to gas) What price fluctuations should we be using – erratic price fluctuations, or more average historical costs?

First year: 2009 or 2010 or 2011 (this issue this creates is lead time when units are going to be built)