



**ORGANIZATION OF MISO STATES, INC.
Board of Directors Meeting
Conference Call Minutes
July 10, 2008**

Approved August 14, 2008

John Norris, President of the Organization of MISO States, Inc. (OMS), called the July 10, 2008 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:

Randy Rismiller, proxy for Bob Lieberman, Illinois
John Norris, Iowa
Jeff Johnson, proxy for David Armstrong, Kentucky
Monica Martinez, Michigan
Burl Haar, proxy for Tom Pugh, Minnesota
Jeff Davis, Missouri
Greg Jergeson, Montana
Tim Texel, proxy for Eugene Bade, Nebraska
Susan Wefald, North Dakota
Valerie Lemmie, Ohio
Shane Rooney, proxy for Kim Pizzingrilli, Pennsylvania
Greg Rislov, proxy for Gary Hanson, South Dakota
Lauren Azar, Wisconsin

Absent

Indiana
Manitoba

Agency members participating

Bob Pauley – Indiana
Jeff Kaman – Iowa
Angie Butcher - Michigan
Brian Dekiep – Montana
Jerry Lein – North Dakota
Randel Pilo – Wisconsin

Others on the call

Bill Smith – OMS Staff

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

Approval of Minutes from 2008 Board of Directors meetings June 12 & June 30, 2008

Lauren Azar moved approval of the June 12 minutes. Jeff Davis seconded. Tim Texel requested a wording change regarding the potential Nebraska move from MISO to SPP. The corrected June 12, 2008 minutes were approved by unanimous voice vote.

Valerie Lemmie moved approval of the June 30 minutes. Lauren Azar seconded. The June 30, 2008 minutes were approved by unanimous voice vote.

Treasurer's Report

The beginning balance as of June 1 for the Wells Fargo Business Performance Savings Account was \$108,737.42. Interest earned for this month was \$150.73. The June 30, 2008 balance was \$108,888.15.

The beginning balance as of June 1 for the Chase Bank One Checking account was \$93,014.63. The total disbursements from the checking account for June 2008 were \$44,018.64. Deposits, interest and adjustments were \$40,000.00. As of June 30, 2008, the checking account bank balance was \$90,298.30 and the book balance was \$88,995.99 (with 8 checks outstanding).

The total savings and checking account balances as of June 30, 2008 are **\$197,884.14**.

Greg Jergeson moved adoption of the treasurer's report. Valerie Lemmie seconded. The treasurer's report was accepted by unanimous voice vote.

Review of the Executive Committee Meeting, June 26, 2008 – Bill Smith

Bill Smith highlighted items from the June 26, 2008 Executive Committee Meeting:

- Confirmed Commissioner Azar as the OMS Planning Advisory Committee representative.
- Discussed timing between MISO & OMS meetings.
- Nominations committee – meeting schedule for Monday afternoon.
- Worked on agendas for upcoming meetings.
- Discussed the mechanics of approval for the amicus brief. This discussion led to June 30th special board meeting.
- Talked about upcoming dates.

Administrative Report from Executive Director – Bill Smith

Bill Smith highlighted the following items from his executive director's report:

- A reformatted yearly planning calendar has been emailed out and posted to the OMS website.
- The IRS Form 990 has been filed and is posted to the website.

BUSINESS

1/2. MISO Advisory Committee Issues/Planning Advisory Committee Issues – Lauren Azar

- There is no AC or PAC meeting this month.
- The August Hot Topic is the Interconnection Queue. John Norris stated that OMS has the questions and TP&SWG working on draft response and the Board should have that in hand for the August 14th meeting. Angie Butcher suggested coordination by TP&SWG with the Pricing WG.

3. Comments on Interconnection Queue Filing – TP&SWG

Jerry Lein gave a brief overview on the comments. There was the discussion about the comments amongst the Board and Staff.

- Randel Pilo suggested removing the items under section V, beginning on page 7.
- Jeff Davis suggested filing the items as an appendix with the supporting states signing onto the appendix.
- Randy Rismiller explained why Illinois felt the items should be included in the document.

Lauren Azar moved that Section V of the comments be moved to an appendix. Jeff Davis seconded.

A roll call vote was taken. Vote yes to move Section V of the comments to an appendix:

Illinois -	Abstain
Indiana -	Abstain (no proxy)
Iowa -	Yes
Kentucky -	Abstain
Manitoba -	Absent
Michigan -	Yes
Minnesota -	Yes
Missouri -	Yes
Montana -	Yes
Nebraska -	Abstain
North Dakota-	Yes
Ohio -	Abstain
Pennsylvania-	Abstain
South Dakota-	Yes
Wisconsin -	Yes

Yes - 8, Abstain - 6, Absent - 1

Ohio presented their concerns about the document and an attempt was made to modify the document to alleviate those.

- Randy Rismiller suggested altering the language at the bottom of page 4 from “interconnections in the constrained areas” to “interconnections in transmission export constrained areas.”
- John Norris requested change the second sentence in the 3rd paragraph of page 1 to read “The increased volume of proposed new generation development.”

Susan Wefald moved to adopt the comments as amended. Lauren Azar seconded.

A roll call vote was taken. Vote yes to adopt the comments:

Illinois -	Abstain
Indiana -	Abstain (no proxy)
Iowa -	Yes
Kentucky -	Yes
Manitoba -	Absent
Michigan -	Yes
Minnesota -	Yes
Missouri -	Yes
Montana -	Yes
Nebraska -	Abstain
North Dakota-	Yes
Ohio -	Yes (subject to confirmation by the rest of the Ohio Commission)
Pennsylvania-	Abstain
South Dakota-	Yes
Wisconsin -	Yes

Yes - 10, Abstain - 4, Absent - 1

4. **Comment on Module E Resource Adequacy Filing** – Bill Smith

The comments are due July 16th. Susan Wefald recommended that OMS seek an extension. It was agreed to seek an extension to a time after the next regular Board meeting. If that isn't granted, a special Board meeting will be scheduled before the deadline that is granted.

5. **Update on Joint Combined System Plan (JCSP)** – Don Neumeyer

Don Neumeyer discussed his attendance at the St. Louis JCSP meeting. His Power Point presentation was distributed. Rick Bertelson reported on the June 26th-27th JCSP meeting in Knoxville he attended.

6. **Status of RECB Filings**

Bill Smith and Chancy Bittner gave updates on both the cross-border filing & the RECB filing and the RECB workshops.

7. **Planning for St. Paul meetings, August 19-21**

President Norris highlighted the following plans for the St. Paul meetings:

- Strategic planning session
- Informational Forum
- Meeting of OMS with MISO Board & Executive Officers
- The experimental economics modeling session
- MISO Advisory Committee meeting

It was decided that the Executive Committee would set the agenda for the strategic planning session.

8. **ATC Appendix I Filing**

Bill Smith gave background on this issue.

- Comments are due July 11. Wisconsin is seeking an extension.
- Randy Pilo further explained Appendix I.
- Illinois has filed an intervention with FERC, but has not commented yet.
- Michigan plans to comment.
- Minnesota also feels it is an issue that should be looked at.

It was decided that a special meeting at the end of July would be scheduled to look at these comments and the resource adequacy filing. Burl Haar's work group would create a draft comment for the Board to consider during that meeting.

9. **Duquesne Integration Filing**

Bill Smith discussed this issue. Comments are due on July 24. Bill Smith recommended that no comments are needed on this filing. The Board agreed.

ANNOUNCEMENTS

- Bill Smith announced that MWDRI is working on a date in early September for a meeting
- President Norris encouraged everyone to attend the experimental economics meeting during the St. Paul meetings in August
- Next OMS Executive Committee meeting – **July 17, 2008** at 1:00 pm CDT
- Next OMS regular Board of Directors meeting, **August 14, 2008** at 1:00 pm CDT
- Stakeholder briefing, JCSP, August 14, 2008, 10:00 am (EDT) in Cincinnati
- Special OMS Board of Directors meeting, **August 19, 2008**, at 10:00 am (CDT), St. Paul
- MISO Advisory Committee, **August 20, 2008**, in St. Paul
- DOE Congestion workshop, **September 19, 2008**, in Chicago

ADJOURNMENT

The OMS Board of Directors meeting adjourned at 2:45 pm CDT.

OMS

Organization of MISO States
Report of the Treasurer
Gary Hanson, South Dakota Public Utilities Commission
to the
Board of Directors
July 10, 2008
Report for June 2008

CASH ON HAND

The beginning balance as of June 1 for the Wells Fargo Business Performance Savings Account was \$108,737.42. Interest earned for this month was \$150.73. The June 30, 2008 balance was \$108,888.15.

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TREASURER'S REPORT
Organization of MISO States
June 30, 2008

Wells Fargo Business Performance Savings Account

Balance as of 06/01/08			\$	108,737.42
6/30/08	DEP	Interest on Savings	\$	<u>150.73</u>
Business Performance Savings Account Balance at 06/30/08				<u>\$ 108,888.15</u>

Chase Bank One Commercial Checking with Interest

Balance as of 06/01/08			\$	93,014.63
6/9/2008	DEP	MISO Payment	\$	<u>40,000.00</u>
		Total Deposits	\$	<u>40,000.00</u>

Checks and Charges

Date	Check #	Descriptions		
6/4/2008	2680	Michigan PSC Travel Reimbursement	\$	262.31
6/4/2008	2681	Michigan PSC Travel Reimbursement	\$	130.09
6/4/2008	2682	SD PUC Travel Reimbursement	\$	182.12
6/4/2008	2683	SD PUC Travel Reimbursement	\$	372.50
6/11/2008	2684	Triplette Office Essentials	\$	113.51
6/11/2008	2685	InterCall	\$	1,898.18
6/11/2008	2686	100 Court Investors	\$	959.21
6/11/2008	2687	Kenneth Rose - Speaker Fee	\$	500.00
6/25/2008	2688	DWX Internet	\$	77.00
6/25/2008	2689	Infomax	\$	172.31
6/25/2008	2690	IA PUC Travel Reimbursment	\$	928.96
6/25/2008	2691	IL Commerce Commission Travel Reimbursement	\$	341.74
6/25/2008	2692	IL Commerce Commission Travel Reimbursement	\$	334.04
6/25/2008	2693	IL Commerce Commission Travel Reimbursement	\$	129.64
6/25/2008	2694	KY PUC Travel Reimbursement	\$	234.85
6/24/2008	2757	Ryun, Givens, Wenthe - Audit	\$	2,550.00
6/24/2008	2758	Qwest	\$	245.00
6/24/2008	2759	KY PUC Travel Reimbursement	\$	121.20
6/2/2008	W/D	Paychex, Payroll	\$	10,581.32
6/2/2008	W/D	Paychex, Taxes	\$	5,713.71
6/17/2008	W/D	Chase Credit Card Payment	\$	1,895.45
6/2/2008	W/D	Paychex, Payroll	\$	10,602.38

6/2/2008 W/D Paychex, Taxes

\$ 5,673.12

Total Checks and Charges

\$ 44,018.64

CHECKING ACCOUNT BALANCE 06/30/08

\$ 88,995.99

CERTIFICATES OF DEPOSIT, SAVINGS AND CHECKING ACCOUNT BALANCES AS OF 06/30/08

\$ 197,884.14

CHASE CHECKING ACCOUNT RECONCILIATION

	<u>Check #</u>	<u>Amount</u>
Bank Balance 06/30/08		\$ 90,298.30
Less Checks OS	2468	\$ 74.00
	2643	\$ 78.88
	2688	\$ 77.00
	2691	\$ 341.74
	2693	\$ 129.64
	2694	\$ 234.85
	2758	\$ 245.00
	2759	\$ 121.20
Book Balance 06/30/08		<u>\$ 88,995.99</u>

OMS Treasurer Report for Month of June 2008

Wells Fargo Business Performance Savings Account

Beginning Balance	108,737.42	
Transfer from Checking	0.00	
Interest Earned this Month	<u>150.73</u>	
Ending Balance		108,888.15

Chase Bank One Checking Account

Beginning Balance	93,014.63	
Total Disbursements	(44,018.64)	
Deposits/Interest/Adjustments	<u>40,000.00</u>	
Ending Balance		<u>88,995.99</u>

Total Savings & Checking Balances as of June 30, 2008

197,884.14

8 checks outstanding at 06/30/08

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

Midwest Independent System Operator, Inc.

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Docket No. ER08-1169-000

Comments of the Organization of MISO States Inc.

Pursuant to the Federal Energy Regulatory Commission's (Commission) Rule 211 Rules of Practice and Procedure 18 C.F.R. 385.211, the Organization of MISO States (OMS) hereby submits the following comments concerning The Midwest Independent System Operator's (Midwest ISO) June 26, 2008 Electric Tariff Filing regarding Interconnection Queuing Practices.

In 2003, the Commission issued Order No. 2003 to standardize the agreements and procedures related to the interconnection of generating facilities capable of producing more than 20 megawatts of power. In Order No. 2003, FERC sought to balance the need to prevent undue discrimination with the need for resource development, system reliability and just and reasonable rates.

Many regions, including the Midwest ISO footprint, are experiencing numerous issues in attempting to manage their interconnection queues. The increased volume of new generation development is hindering the current queue management approach for interconnections under Order No. 2003. Additionally, as many states begin to comply with newly enacted Renewable Portfolio Standards (RPS), additional stress will be placed on the interconnection queue. On December 11, 2007 the Commission held a staff technical conference to seek comments regarding Order No. 2003 and the procedures in place for interconnection onto the transmission system.

The state regulatory panel at the technical conference held December 11, 2007, included speakers representing the states of North Dakota and Iowa. The state regulatory panel as well as other regional panelists maintained a high level consensus on several points regarding queue reform. Furthermore, OMS has been active in the MISO stakeholders' Interconnection Process Task Force.

On March 20, 2008, after receiving comments from numerous stakeholders, the Commission issued an Order on the Technical Conference finding that some transmission providers are not processing their interconnection queues within the expected time frames intended in Order No. 2003. In the Order on the Technical Conference the Commission agreed to allow RTOs/ISOs to develop and submit solutions to their individual queue related problems.¹ Pursuant to the Technical Conference Order, the Midwest ISO submitted its Electric Tariff Filing regarding Interconnection Queuing Practices on June 26, 2008.

I. OMS Support for Interconnection Queue Process Improvements

The OMS appreciates that the Midwest ISO and its stakeholders have been able to achieve what appears to be a highly workable interconnection queue reform proposal during a short period of time. The OMS member states are pleased to have been able to participate in that process and believe the resulting proposal for a milestone based approach can speed up some interconnections.

OMS expects the addition of a new pre-queue phase should help reduce the number of premature interconnection requests while better educating customers and hopefully improving the high drop-out rate that is aggravating the present process. Additionally, it appears the improved feasibility study screening for impacted facilities and the resulting ability for simpler interconnections in less congested areas to proceed

¹ Compliance Filing of the Midwest Independent System Operator, Inc. Regarding Interconnection Queue Management FERC Doc. AD08-2-000.

directly to the definitive planning phase will be major improvements. OMS believes these practices may help reduce some of the long wait times being experienced.

OMS supports the proposed deposit modifications and increases that better reflect the amount and timing of actual study costs, recognize that larger projects cost more to study, and that should decrease speculative queue entries. The addition of restudy deposits when entering the Definitive Planning Phase should help mitigate impacts from restudies necessary for projects behind those that withdraw from the queue during this late stage of the process and should also help decrease the number of speculative entries in the present process. Additionally, security requirements proposed for the cost of network upgrades determined necessary in the System Planning and Analysis Review should further lessen the impacts of suspension and late-stage withdrawals.

OMS supports the proposed addition of a Force Majeure requirement for suspension, thus eliminating delays caused by the present ability to suspend projects for up to three years without good cause shown. Interconnection customers would still have an extended six month grace period to achieve commercial milestones plus a three-month period prior to signing the interconnection agreement during which transmission upgrade costs would be known from the facilities study.

Overall, the OMS believes the Midwest ISO stakeholders have achieved a solid queue reform proposal. However the problem remains that process reform alone can only go so far toward resolving underlying transmission constraints.

II. The Midwest ISO's Interconnection Queue Process Proposal Will Not Significantly Increase the Interconnection of Proposed Generation in Transmission Export-Constrained Areas.

The Midwest ISO's witness, Eric Laverty testified as follows regarding the likely beneficiaries of the Midwest ISO's proposed interconnection queue process changes:

“Preliminary indications are that improvements to the generator interconnection process will address existing process issues and allow some existing interconnection requests to proceed at a faster pace by bypassing requests that require a lengthier solution development timeframe or requests that are not ready to proceed. The benefits of the process improvement are expected to primarily accrue, in the near-term, to those generation projects that are located in areas where the interconnection solutions are relatively straightforward (i.e., no or few network upgrades needed). However, queue reform is one step towards improving the efficiency of the interconnection process. The physical component of the issue will be the focus of the next phase of the queue reform process where methods to identify transmission projects to interconnect large amounts of remote generation will be developed.”
(Prepared Direct Testimony of Eric Laverty at 28, lines 4-15, underlining added.)

Although Mr. Laverty acknowledges that the benefits of the Midwest ISO’s queue reform proposal are expected to primarily accrue to generators interconnecting in areas that do not require transmission upgrades, he also explains that the Midwest ISO is proposing changes to its queue policy so that “projects located where significant transmission constraints exist will not be permitted to delay interconnection of other projects that could otherwise move ahead but for a lower queue position.” (Prepared Direct Testimony of Eric Laverty at 30, lines 7-9.) Mr. Laverty explains that, “In areas where transmission is unavailable, it is expected that changes to the generator interconnection process will result in a slight reduction in the time required to process an interconnection request as the limiting factor in those areas is a physical problem, not a process problem.” (Prepared Direct Testimony of Eric Laverty at 31, lines 6-9.)

The implication of these statements, taken together, is that, while the Midwest ISO is proposing procedures that will help prevent developers of projects in an export constrained area from holding up lower queued projects that are also seeking interconnection, these proposed procedure changes are not likely to increase actual interconnections in the constrained areas. While the Midwest ISO’s proposed changes in this regard may produce a slight reduction in the time required to process an interconnection request in transmission export constrained areas, they are not likely to

produce much benefit because the basic problem in export constrained areas is a physical problem and not a process problem.

III. The Need for New Transmission

The Midwest ISO and its stakeholders have long recognized that transmission export constraints are hindering generation interconnection in many parts of the footprint. It is not expected that queue process reform can do much to improve interconnections in areas where there simply are not enough wires. In an ongoing effort to address these known transmission deficiencies, the Midwest ISO released an “Open Season” white paper introducing a concept of proposing projects to relieve specific constraints and allowing generators to sign up for capacity in the projects. A targeted Regional Generator Outlet Study and Narrow Constrained Area study were initiated this past spring and other studies are in progress. The OMS urges the Midwest ISO and all parties to continue to work hard towards resolving the underlying transmission constraints that are inhibiting the development of cost effective electric energy production. The OMS is looking forward to analyzing the results of studies underway as well as to an increased MTEP focus towards resolving these interconnection inhibiting constraints.

IV. Reporting Requirements

The OMS recommends the Midwest ISO’s interconnection queue process reform proposal be approved with annual reporting requirements to help measure its effectiveness:

1. The number of interconnection requests withdrawn after the Application Review Phase begins and before the feasibility study begins, in absolute terms and as a percentage of the total. (6-26-08 Filing, Pg. 7-8)
2. The number of projects that moved ahead of requests entered earlier in the interconnection queue. The first ready, first served instead of first come, first served principle. (6-26-08 Filing, Pg. 4, 16-17)

3. For projects that moved ahead in the interconnection queue, the average number of requests superseded. (6-26-08 Filing, Pg. 4, 16-17)
4. Number of times the cost of Network Upgrade or \$5 million suspension fee is imposed. (6-26-08 Filing, Pg. 5, 18)
5. The number of interconnection requests moving from the Feasibility study to the System Planning stage. (6-26-08 Filing, Pg 8-9)
6. The number of interconnection requests that move from the Feasibility Study directly to the Definitive Planning stage (the “fast track”). (6-26-08 Filing, Pg. 8-9)
7. The number of cases in which a developer makes multiple interconnection requests for the same project. (6-26-08 Filing, Pg 12)
8. The number of interconnection requests withdrawn during the Definitive Planning Phase. (6-26-08 Filing, Pg 11)
9. The number of interconnections requests making the \$100,000 fee in the Application Review Phase in lieu of demonstrating site control. (6-26-08 Filing, Pg. 14)
10. The number of interconnection requests delayed and average length of the delay for requests failing to attain milestone requirements needed to enter into the Application Review Phase.
11. The number of interconnection requests delayed and average length of delay for requests failing to attain milestone requirements needed to proceed to the Facilities Study portion of the Definitive Planning Stage.
12. The number of interconnection requests delayed and average length of the delay for requests failing to attain milestone requirements needed to enter into the Definitive Planning stage.
13. The number of interconnection requests which complete the Definitive Planning stage and average length of time in queue for such requests.
14. Average length of time in queue for those interconnection requests at (A) less than 6 MW (B) greater than or equal to 6 MW and less than or equal to 20 MW (C) greater than 20 MW and less than or equal to 50 MW (D) greater than 50 MW and less than or equal to 500 (E) greater than 500 MW and less than or equal to

1000 MW and (F) greater than 1000 MW which complete the Definitive Planning stage.

15. Number of interconnection requests at (A) less than 6 MW (B) greater than or equal to 6 MW and less than or equal to 20 MW (C) greater than 20 MW and less than or equal to 50 MW (D) greater than 50 MW and less than or equal to 500 (E) greater than 500 MW and less than or equal to 1000 MW and (F) greater than 1000 MW which entered the queue.

V. Observations

Some of the OMS member states have observed the following potential areas of concern:

1. **The Midwest ISO's Milestone Based Process is More Likely to Benefit Incumbent Generation Companies, Vertically Integrated Utilities, and Large Development Companies.**

The Midwest ISO's witness, Mr. Laverty, explains that the Midwest ISO is proposing to change from a first-in first-out queue process to a "first-ready, first served" approach to queue management. (Prepared Direct Testimony of Eric Laverty at 34-36.) Mr. Laverty observes,

A first-in first-out queue process is an efficient and fair way to divide up the limited resource of transmission capacity, all else being equal. However, available transmission capacity is one element among many required for a successful project. Others include land availability, fuel availability, sale arrangements (or appropriate business plan), turbine availability, and financial backing, among others. . . . The disaggregation of transmission issues from the other components of a successful project is one of the flaws in the current queue process. To resolve this issue, the Midwest ISO proposes a milestone based queue process, which allows developers that have resolved the other issues surrounding project development to move ahead of those who have not. This effort will incorporate the transmission issues facing a project with all the other efforts involved with a project, and will incent developers to place all these issues on the same project schedule, rather than treat transmission issues separately from other development issues. Re-aggregating these issues will give developers a more realistic critical path in their project plan. (Prepared Direct Testimony of Eric Laverty at 35-36.)

Because the Midwest ISO's proposed queue management proposal has the effect of re-aggregating the multiple elements associated with generation development projects, the proposed changes are likely to benefit incumbent generation companies and vertically integrated utilities (and companies affiliated with such companies) more than, for example, non-affiliated small

merchant development companies. Incumbent generation companies and vertically integrated utilities are more likely to be able to make showings regarding milestone issues such as land availability, fuel availability, sale arrangements (or appropriate business plan), turbine availability, and financial backing.

When crafting the milestones in the proposed tariff revisions, MISO attempted to balance the interests of large and small generation developers (e.g., adjusting deposit requirements). Nonetheless, the milestones will inevitably be more difficult for smaller generators. The OMS does not have specific recommendations to address this issue, but the Commission should keep this issue in mind as it considers MISO's filing and the comments from other parties.

2. The Midwest ISO's Generator Interconnection Study Process Does Not Appear to Take Economics Into Account.

Mr. Lavery explains the Midwest ISO's proposed system planning and analysis phase stating,

For requests to site generation in areas that are so constrained that significant upgrades are required to connect generation, we have created the System Planning and Analysis Phase. In this phase, more traditional expansion planning studies will be done to optimize the network upgrades by developing upgrades that can connect "bunches" of interconnection requests, rather than repetitively developing incremental upgrades for each sequential interconnection request. Upon completion of this phase, the project will move into the Definitive Planning Phase. (Prepared Direct Testimony of Eric Lavery at 33, lines 3-10.)

If the generation interconnection study process is conducted based only on traditional engineering considerations without taking into account economic considerations (i.e., the studies take as a given the continuation of all existing generation megawatts on the system regardless of their dispatch economics), the queuing backlog problem would be exacerbated. In some circumstances, the entry of new lower cost generation may have the effect of economically displacing older higher cost generation in most, or all, hours of the year. If the economics of the existing generation set is not taken into account, then it seems likely that the interconnection studies would flag a need for more transmission upgrades than would actually be necessary, given the likely displacement of some existing generation that is rendered uneconomic by the new generator entry. If this circumstance happens a lot, it could be contributing to the generator queue backlog as prospective new entrants attempt to avoid being tagged with the responsibility to fund transmission upgrades. Consequently, the remedy to the problem would be to modify the

interconnection study process to take into account economic variables such as the dispatch economics of the existing generation versus the prospective new entrant. Admittedly, this approach would be difficult to implement given uncertainties in the dispatch modeling and changes in generation economics and system topology over time. Therefore, additional stakeholder discussions would be needed to address this issue and devise a proposed solution.

3. The Midwest ISO’s Milestone Based Process, Working Together with the Midwest ISO’s Generator Interconnection Study Process, May Exacerbate Existing Generation Supplier Concentration in the Midwest ISO Wholesale Energy Market.

The 2007 State of the Market Report issued by the independent market monitor for the Midwest ISO (Dr. David Patton) describes the current supplier concentration in the Midwest market. (State of the Market Report at 220-221). Supplier concentration is an indicator of the extent of structural pre-conditions for competitive markets. The Herfindahl-Hirschman Index (“HHI”) for several Midwest ISO sub-regions is well over the 1,800 threshold for highly concentrated markets. The remaining identified sub-regions have HHIs over 1,300.

In light of the concerns discussed above, some OMS member states question whether the Midwest ISO’s proposed queue reform process will reduce the level of supplier concentration in the Midwest market, particularly where significant transmission upgrade are needed. The proposed reforms may work to increase supplier concentration by further advantaging incumbents.

VI. Conclusions

In conclusion, the OMS recommends the Commission approve the Midwest ISO’s interconnection queue process reform proposal with reporting requirements as outlined above. The OMS submits these comments because a majority of the members agreed by voice vote to generally support them.

Respectfully Submitted,

William H. Smith, Jr.

William H. Smith, Jr.
Executive Director
Organization of Midwest ISO States
100 Court Avenue, Suite 218

Des Moines, Iowa 5030

JCSP Update to OMS

Joint Coordinated System Study Plan

major footprints:

Midwest ISO, SPP, PJM, TVA, MAPP, NYISO,
ISO-NE

Don Neumeyer, PSC Wisconsin

July 10, 2008

Transmission Workshops

- June Workshops
 - Harford CT
 - Wilmington DE
 - St Louis MO
 - Knoxville TN
- Develop high voltage overlays
 - Provided background on futures scenarios
 - PROMOD overview
 - Economic Transmission Design criteria and parameters
 - Many engineering design system concepts details done in a class like forum
 - New conceptual, sequentially staged voltage step-up, multiple DC line, technology introduced as a possible technique

Two Futures Overlays

- Reference Future of status quo of existing RPS mandates and environmental legislation
- 20% Wind Mandate Future
 - A 20% Eastern Interconnect RPS by wind in 2024
 - A 15% Capacity credit to Planning Reserve Margin
 - Vary capacity factor of wind by area

Energy – Capacity Transfer Drivers

- Reviewed and displayed about 30 source to sink areas
 - Based on LMP differences
 - Based on Power Angle
 - Based on constrained to Unconstrained
- Converted energy transfers to capacity transfer requirements with interface load duration curves

Next Steps

- MISO compiling the workshop results
- July through December 2008
 - Test transmission plans for robustness
 - Consolidate the transmission plans
- Next workshop
 - Thursday, August 14, 2008 Time: 10:00 AM - 3:00 PM
EDT Location: Hilton Cincinnati Netherland Plaza
Hotel
35 West Fifth Street
Cincinnati, Ohio 45202-2899
Phone: (513) 421-9100 or 1-800-HILTONS