

FEDERAL ENERGY REGULATORY COMMISSION

MIDWEST ISO TECHNICAL CONFERENCE  
WITH STATES AND MARKET PARTICIPANTS

Wednesday, June 11, 2003

1 p.m. to 5 p.m.

Doubletree Hotel

Omaha, Nebraska

Federal Energy Regulatory Commission

Chairman Pat Wood

Commissioner Nora Brownell

Commissioner William Massey

Commissioner Susan E. Wefald

James Torgerson, President, Midwest ISO

Daryl Hanson, Otter Tail Power

Gregory Ioanidis,  
International Transmission Company

Raymond J. Wahle,  
Missouri River Energy Services

Michael F. Gildea, Duke Energy

Samuel Randazzo, Air Products & Chemicals

John Moore, Environmental Law and Policy Center

Kevin K. Wright, Commissioner

Burneatta Bridge, Chairperson

James A. Burg, Commissioner

Steve Gaw, Commissioner

David W. Hadley, Commissioner

Diane C. Munns, Chairman

Robert Nelson, Commissioner

CHAIRMAN WOOD: I'd like to start out by saying it's a real pleasure for us, and we appreciate the invitation to meet at the Mid-America Regional Commissioners. I'm an alumnus of the group, and it's nice to be back.

I have to say on behalf of Nora and Bill, we come, I think, with the spirit of great optimism and hope based on the events that happened earlier this morning.

I'm going to tip my hat to Susan Wefald and Diane Munns and all the others who really worked to pull together the easier -- the better name, was a different one than we last met, the OMS, Organization of MISO States; and I really want to use this opportunity to thank you all for that; but also to say this is a real template for the rest of the nation that the common sense oriented customer directed commissioners of the heartland get the message, and the message is about the opportunities that come from banding together to seek opportunities that have regional basis.

Those opportunities, really a number of them, are certainly reliability opportunities that exist a lot today, but certainly

coordinating on a regional basis and certainly received on behalf of our customers for reliability benefits.

The efficiency that comes from coordination and change, if you consider the SPP and ISO, that really makes sure that the power is dispatched and efficient and effective and what the cost of the inputs are and more reliable grid operation, more reliable grid plan, which I'm really pleased that the April plan that the MISO did, the first plan of looking at the very big region that we'll talk about here in the country and see that the opportunities that exist for both reliability improvements and economic improvements to the grid and what those would mean. Rather than having it being done in 40 little silos to have this be done over a broad integrated region, reflects the power grid that we operate under.

Having one-stop shop for both short-term and long-term sales of power benefits customers. We've seen that in other regions of the country where those one-stop shops have already been set up. We believe that the proven market design that has been developed here in

the Midwest, much as it has in the other parts of the country, will pay off many times over and provide insurance and protection against the risks that any system will face as it comes under stress due to weather or to economics or to load growth.

So fortunately all this has been done before, and the folks in the Midwest can stand tall. I'm so optimistic about the future here from a regional perspective, and we at FERC are called upon by our statute to look after.

There are challenges inherent in the major transformation, as we all know, going through the MISO, process through the individual utility process that we all deal with the operational systems that are necessary to make the system work today, both today and tomorrow as those change over time.

The systems not only transmission numbers, but of the RTO, MISO, and the role that they play.

Pricing in constrained areas is a challenge. We do have some shortfalls on the infrastructure front as the MISO report has pointed out; and when those constraints happen,

we have pricing issues, so those raise concerns from a regulatory point of view, both the state and FERC, because of the impacts that those have on customers.

Managing constraints have been done before, but it has to be managed very carefully. I know we've got a few states here that are probably more keenly aware of this than others and please know that solving those problems for one state is just as important as the multi-state issues that are going on today.

There could be cost shifts, so we want to make sure that the steps we take, both the state and federal regulators and market participants, reflects the kind of balances that are needed. This is not only the regional out-rate that is before our commission today as between the PJM and MISO, the rates that can happen there; but also just general transmission, how do we pay for expansions of the transmission rate. That's one of the key issues that I think is going to be -- we're going to be looking to the newly formed group to make a determination on how should we equitably pay for the expansions to the grid that once

done will bring benefits to the region. It's important to do that with the certainty for the transmission owners to know how they're going to actually get their investment back, but it's also important for customers and to regulators of their retail customers to know for certainty what the rate pattern is going to be for this infrastructure.

Please know that we're here to work together. Hope you all know Bill and Nora and me for long enough to know that that's our approach, but I want to reaffirm that today our focus is on the common good for the customers, for the utilities, for the suppliers in this region; and it's a very large region that's very diverse.

We want to actually -- I know there will be issues of non-unanimity, issues where we're not all in agreement. Whether that's us and the states or between states or just individual commissioners and market participants, we will have significant issues that come up; and I want to encourage as we go through this process under the leadership of the OMS to negotiate in good faith and to really

work for objective issues that benefit the broad region as much as possible.

I want to say publicly, certainly we support strongly the MISO's huge mission. We've certainly put on the front burner every order, ever issue that's come before us from the MISO region, is one that we take up first because this is really a transition in progress; and we want to strongly support that, strongly support the revised market implementation date for the end of the next March.

I want to talk more with everybody about that today, but we acknowledge the need that was undertaken a few months ago to defer that, give market participants time to get familiar with and to get the training, get the necessary issues dealt with on the allocation of firm transmission rights, for example, very important issue to us, as I know it is to you all; but we really want to support strongly the role of MISO being the conductor that tries to keep the train running on time, and all its passengers want to go in a different direction or stop for a reloading or potty break or some popcorn. We do need to get there because a lot

of people do depend on those needs being met.

The integration certainly with the markets to the east, which is an important consideration for us, is really an important driver of that day coming together.

There are many jobs for states. Certainly the ones that the commission has laid out in our discussions and speeches and the ones that have been added to that by the OMS this morning. It's a long but important list of things that need to be addressed, whether that's the resource adequacy, the transmission planning issues that are state authority driven across state lines, time lines, the transmission expansion process, some of the tariff issues, the allocation and transmission lines that really fall out of the FERC tariff process.

So those are certainly important roles for states, important for MISO to play. They are important for the market participants; and certainly from the market perspective, they are important for us.

Our goal today at this conference is to really come to pretty crisp conclusions by the end of the afternoon panel after the break

about who needs to do what by when, what resources need to be brought to bear on that effort, what issues really remain outstanding for the development of a viable and workable customer benefiting wholesale power market.

This is a great market. We have some of the strongest infrastructure, both on the generation side and on the wider side in the country; and we want to make sure that keeps us with the needs of our customers.

I do want to use this brief opportunity to introduce three of our critical staff who are really leaders of this effort here.

Mike McLaughlin, Mike is back in our Washington shop. He runs the central region, both the market design and gas issues; and he is sort of a taskmaster in charge of making sure that from FERC perspective our issues get dealt with in a timely manner, so you all aren't waiting on us.

And I also want to introduce Patrick Clarey and Chris Miller. There's Patrick back there. They're stationed at MISO in Carmel as really our outpost right at the MISO, so we

don't get a day lag or a week lag on any kind of issues or market issues or some of the market putting together issues.

So want to let you know those folks, who those folks are, and please consider them part of the team.

Again, I thank you for being here. I want to thank you for the wonderful host of Nebraska. This looks a lot like what I got to drive through this morning as I drove up from Kansas through Missouri and Iowa. It's a beautiful part of the country, and I'm glad to be back.

I'd like to at this time introduce -- she needs no introduction, as they say in the movies, Commissioner Susan Wefald from the North Dakota Public Service Commission with an update on the organization of MISO States.

MS. WEFALD: Thank you. It is so nice to have this opportunity to be here with you, and we so appreciate the fact that the commission has come out to address the important issues today, and we're very glad to have the opportunity to discuss these matters with you.

This morning we had a very productive

meeting. We had an agenda for the Organization of MISO States, Inc.; and we had an organizational meeting this morning; and we were able to take care of all the business that we wanted to take care of at that meeting.

Now, this did not come easily. We started thinking about this way last November. I suppose we started thinking about it at the time that the standard market design paper came out last summer, but we really started focusing our thoughts on it last November at our May FERC meeting when many of you were part of our panels that were taking place there; and then in December we had the opportunity to go to a MISO meeting.

Commissioner David Hadley invited us all to Indiana to take part in a regular MISO meeting where Commissioner Pat Wood was able to be in attendance at that meeting, and we did some brainstorming about what did we see the needs were in our region for state commissions to address regarding electric issues and what were the important issues out there that were facing us with electricity matters, and so we formed an organization, not just to form an

organization, but to address very important electricity issues that will affect the customers of each of our states that we represent.

I would like at this time to have all the commissioners who are here present at this meeting to please stand up and turn around so people can see you and know that you're here, just stand up, please, and face the crowd; and I'd like you to give them all a hand.

These are just some of the commissioners from across the Midwest who have been very actively working to put together this new organization.

Today we had -- we did the seating of directors representing all of the states involved, and I'll just run through who those folks are because we elected our -- we have -- had our board meeting was made up today, the board of directors of this new organization.

Represented on there are Martin Huelsmann, Chairman of the Kentucky Public Service Commission; David Hadley, Commissioner of the Indiana Utility Regulatory Commission; Kevin Wright, Commissioner of the Illinois

Commerce Commission; Diane Munns, Chairman of the Iowa Utilities Board; Laura Chappelle, Chairman of the Michigan Public Service Commission; Steve Gaw, Commissioner, Missouri Public Service Commission; Lou Lamberty board member from the Power Review Board of Lincoln, Nebraska; Terrance Fitzpatrick, Chairman of the Pennsylvania Public Utility Commission; LeRoy Koppendrayer, Chairman of the Minnesota Public Utilities Commission; Greg Jergeson, Commissioner of the Montana Public Service Commission; Susan Wefald, Commissioner of the North Dakota Public Service Commission; Gary Hanson, Commissioner of the South Dakota Public Utilities Commission; Judy Jones, Ohio, Public Utilities Commission of Ohio; Bert Garvin, Public Service Commission, Wisconsin; Gerry Forest, Public Utilities Board, Province of Manitoba.

If you'll notice we extend from Montana up to the Province of Manitoba down south to Kentucky and over to the state east of Pennsylvania, so it is 14 states and one province that represent a large geographical area of our country.

Now, the duty of this multi-state organization is that it brings together numerous diverse states in order to attempt to achieve broad consensus on the crucial electric issues facing our states today; and in order to facilitate that work, today we nominated and elected officers of our group.

We elected our 2004 nominating committee. We adopted a funding agreement. We adopted a proposed 2003 budget. We assigned initial committee work, and Kevin Wright will go into that initial assigned committee work in the next part of the program in his assigned time slot.

We adopted a job description for the position of executive director, and we scheduled the next meeting, and we scheduled that meeting on the 25th of June because we realize that there are important issues already needing our attention, and we want to get started on those very quickly.

After the meeting today, I had a couple of people come up to me; and I thought it would be important to tell you about their questions because many of you have the same

questions. Okay. So where do we go now when we have issues that relate to electricity; and I said, well, you go to MISO and you address them either at the MISO or you go to the state commissions, your individual state commission or whatever state you're involved in, you go back to those state commissions, and you have them consider those issues there because this group is mainly to facilitate the conversation and the bringing together of ideas among the multi-states.

Substantive decisions, substantive issues will still be addressed on the individual commission level. Just as you're familiar with how we have operated in the past, very informally, sometimes there's been a position paper that has been put together by a group of state commissioners and we circulate that to find out if there's more broad support than just two or three states working together; and so, of course, we'll have time lines that we'll need to have these positions gathered and be able to be compiled by our group, but the state certainly has the ability to sign on to that position paper, to say whether they disagree with that

position paper, to issue their own position on that issue; but then we will be the source to try to find where we have consensus on those issues, bring them together, and then to be able to -- whether it's with FERC, with the MISO, with each other, to share what we find, common ideas and where we do have differences.

So I would just like to reassure you that we are not creating another formal government at the regional level. We are just working to work together more effectively as individual states so that we can help to move forward with electric markets that serve the people in our region.

Thank you, very much.

CHAIRMAN WOOD: At this time I'd like to have the CEO of the Midwest ISO, Jim Torgerson, to come up and give us an update on what's happened at MISO and what future events are like for you all.

MR. TORGERSON: Mr. Chairman, Commissioner Brownell, Commissioner Massey, state commissioners, thank you for inviting me here today. It's my pleasure to be on the agenda, and I appreciate the opportunity to

speak with you about the MISO and the progress we are making as the nation's first RTO to be approved by FERC.

I also want to congratulate the state commissioners for forming the Organization of MISO States today. It was a great accomplishment, and I think we're looking forward to working with them over the next months and years.

Following yesterday's important meeting with state commissioners at the MARC conference, I want to give you an update on the steps we're taking to launch the Midwest Market Initiative and discuss how an open and accessible market benefit all users of the electricity grid, from generators and suppliers to utilities and customers.

Today I'd like to give you a brief overview of MISO before addressing the topics that directly relate to our role in fulfilling the vision of creating competitive power markets at the regional level.

Electricity today is not a luxury, it's a necessity. Reliable electricity fuels America's diverse economy, brings power and

progress, and drives the critical systems that form the backbone of our national security.

The safe, reliable, and efficient transmission of electricity at the wholesale level is a big reason why FERC issued Order 2000, creating RTOs. In response, transmission owners and operators throughout most of the Midwest stepped up to the plate, voluntarily creating the MISO.

The Midwest ISO now manages an electricity grid that serves more than 16 million customers. We have in excess of 13 billion dollars in installed assets spanning 15 states and one Canadian province. Our members include transmission owners, independent transmission companies, investor-owned utilities, municipalities, electric cooperatives, state regulatory authorities, end-use customer groups, environmental groups, power marketers, and independent power producers.

Simply put, the Midwest ISO's mission is to develop wholesale market functions that help ensure the reliable flow of electric power in an open and non-discriminatory way. Our job

is to make sure electricity gets from the power plant to the consumer, reliably, and at a fair price.

An open and accessible energy market offers proven benefits to all customers: It offers transparent pricing. It offers more options and more flexibility for market participants to meet their needs. It provides the centralized security constrained economic dispatch that maximizes the efficiency of regional resources. It offers market-based congestion management and eliminates the inefficient practice of using TLRs to manage congestion. It matches the physics of the electric system with the market and does not change the physical system.

And a competitive, open-access market provides regulators with information that arms you with additional tools to analyze electricity costs and services, including prices, dispatch and operational information in real-time, congestion locations, costs, and mitigation approaches, analysis and assessment of where additional generation and transmission resources could be sited, potential benefits they can

provide, and to whom the benefits would flow, lower risk of adverse economic conditions resulting from resources being located in regions that have transmission limitations, and greater insight into the planning process through real-time analysis of information, and an independent resource, the Midwest ISO, you can consult with for a variety of energy-related matters.

Now, it's no accident that I listed Midwest ISO value as an independent resource in my litany of benefits. Independence is a big word in the Midwest ISO. As a non-profit organization governed by an independent board of directors, the MISO operates as a neutral entity managing an open-access electricity market for an entire region.

And since MISO does not have an economic interest in the buying and selling of power, we can ensure that all market participants benefit equitably. We attain this neutrality through an independent board of directors and our independent market monitor.

Our independent market monitor, Potomac Economics, helps identify and remedy

flaws in market design or efforts to unduly exercise market power. Potomac Economics does this by continuously monitoring data it receives to evaluate market performance and identify conduct by market participants that could compromise the efficiency or distort the outcomes of the markets.

We believe this independence is crucial in instilling confidence that at all times, especially during times of constraint, market power is identified and vigorously mitigated.

To further explain the steps we have taken in this important area, we will discuss our market mitigation plan at a technical conference on June 26th at the FERC's offices in Washington.

Let me now turn to the FERC White Paper and its impact on market developments: From our perspective, the White Paper recently released by FERC emphasizes the commission's commitment to competitive wholesale power markets, while underscoring a flexible approach toward the formation of regional markets and how they are structured to meet the needs of the

individual regions.

We wholeheartedly agree that the development of sound wholesale markets is a positive step. We're confident that such markets produce enhanced reliability and significant benefits for all market participants.

At the Midwest ISO we strongly believe that competitive wholesale power markets can bring meaningful benefits for consumers.

Regional whole power markets place downward pressure on prices by increasing supply options and through the centralized economic dispatch over a broader region. The price signals from the market can encourage the timely and appropriate siting of new generation plants and transmission infrastructure.

Improved regional resource planning can help minimize short-term scarcity by encouraging development of additional transmission and generating capacity to meet market demand.

Through the formation of RTOs, the electric power industry now has the ability to provide consistent outage coordination across a

large region.

MISO has the ability to see outages, not only on its system, but also on neighboring systems, thus identifying in advance potential problems that an outage may cause. This enables MISO to better manage the critical balance between conducting needed maintenance outages and maintaining the integrity and reliability of the interconnected network to meet transmission service expectations.

Moreover, since the MISO has access to information from a regional perspective, we can manage the flow of resources across the grid to reduce or eliminate unscheduled or excess power.

MISO also provides market participants with up-to-the-minute information on congestion so they can manage their resources in the most cost-effective manner. This information is particularly useful when the grid is highly congested.

A regional market also enables the MISO to help mitigate market demand and ensure consistency and quality of service to each of the 16.5 million customers within a market area.

Access to generation and transmission resources over such a wide geographic area also allows us to balance load on the grid across a much larger scale, providing participants increased options for the supply of energy.

MISO's integrated control center systems allows participants to schedule power on a secure, Internet-based platform. Through its ICCS system, MISO evaluates transmission service requests, approves and provides transmission reservations, schedules service over multiple control areas, and analyzes system conditions in real-time.

MISO will operate the energy market in two time periods, a day-ahead market and a real-time market. Both markets operate on dispatch principals similar to those used today, that is generation plants are dispatched to minimize the cost of serving load.

The price for energy in these markets is based on locational marginal pricing, LMP, which means that prices reflect transmission constraints and represent the local value of generation. Locational pricing also prompts efficient use of generation and sends signals to

add new generation capacity when supply is tight.

What matters most to us is meeting the needs of our customers. In the long-term effort of providing for the needs of electricity users, there are few items more important than ensuring that the Midwest market is well run and brings benefits to customers.

Now, I'd like to provide you with an update on progress we are making in preparing for the launch of the Midwest Market Initiative, now scheduled for March 31st of next year.

By extending the start-up date for the Midwest Market Initiative by four months, we believe market participants will have more time to prepare for a successful market opening. Extending the launch date also allows MISO's control areas and other participants more time to train, more time to prepare, and more time to review and confirm the market rules. We will also use this time to test our systems so that we have a very clear sense of how transactions will roll out from the beginning to the end of the process.

All systems changes and communication

links with control areas need to be finalized in advance of the market trials, and market trials are now scheduled to run from November 1st, 2003, to February 2004. Training started last week with the pilot outreach programs at Vectren, Cinergy, and Illinois Municipal Energy Agency. Training classes are scheduled continuously from now until November, and those are all marked on our web site.

The senior management teams of the MISO and PJM will meet later this month with Chairman Wood to coordinate the joint and common market timing. We will continue to work with PJM to identify and deliver quickly on those issues that bring benefits to customers.

The GridAmerica integration is on target. Integration of their systems was essentially completed June 1st. We are performing with GridAmerica people an end-to-end test this week that will meet the requirements of all of the parties.

Ameren's hearing in front of the Missouri commission is scheduled for early July, and NIPSCO is in front of the Indiana commission in late June. We are now planning for

operations to commence on October 1st.

TRANSLink is planning on starting up their activities in the first quarter of 2004, and they still need state approvals in Minnesota and Iowa.

Now, the initial FTR indications were sent to stakeholders for review on June 6th, last Friday. We intend to follow the guidelines included in the recent FERC White Paper to serve existing customers and to allow for future load growth.

FERC also provides us the same guidance in the order related to the market rules. During the next two months, we'll be working with the state commissions and customers to review the information and modify the initial indicators to meet the goal of having no adverse impacts on existing customers.

This will involve numerous meetings with the impacted parties to come up with solutions and options that meet the goals. We plan to make the information filing on August 1st on the initial FTR allocations along with the methodology used as the FERC has just indicated to us.

Also during the next six weeks, we'll be working with stakeholders to finalize the initial market rules tariff. We have already planned for a technical working session for the market protocols and another technical working session for the market rules tariff itself. We have pushed back the initial filing of the tariff until July 25th to allow additional input from the stakeholders. We will then make the compliance filings and changes through the balance of this year; and by January 31st, 2004, make the final compliance filing in advance of the market starting on March 31st.

The Midwest ISO discussed its transmission expansion plan at the MARC conference, and we will taking the plan to the board of directors for its endorsement next week. Future plans will be developed with the Organization of Midwest ISO States.

And finally, the supply adequacy working group will be working in concert with the OMS to determine the appropriate resource adequacy for the Midwest ISO region.

At MISO, we are poised to bring the benefits of competitive wholesale electricity

markets, managed independently and fairly, to the entire Midwest region.

We are confident that by continuing to work with our members and other market participants, our efforts will succeed in providing innovation, efficiency, and exceptional reliability to customers who depend on the largest power system in the world.

Now, at some of these meetings I've had the opportunity to address the commission, Commissioner Massey frequently asks what are the three things we need. Today I would like to take the opportunity to answer the question before the commissioner has a chance to ask it.

I think first we need some certainty with our area. I would ask the state commissions and FERC to come to decisions on the GridAmerica and TRANSLink requests to be in the Midwest ISO quickly. Also, once Illinois Power submits its request, I hope this can be decided expeditiously. We need this certainty in order to fully utilize our models and make the appropriate allocations for the FTRs.

Second, we need consistency from the FERC. All of us need to understand the path

FERC intends to take, and we need clarity on what changes the commission is considering from existing regulations and law.

Finally, we need help from FERC in the outreach education to our stakeholders in explaining why, as I believe, this market makes sense at this time.

Thank you for having me today, for the opportunity to speak with you, and I'd be happy to answer whatever questions you may have.

CHAIRMAN WOOD: What do you say then the biggest, I guess, obstacle is to the March 2004 start up?

MR. TORGERSON: Just a couple, one is making certain that the -- all the control area have the systems ready so that we can communicate with them, and they can send the signals back to the control area in order to dispatch, and it's a two-way street on the information, but we've gone ahead, and we're putting servers in each one of those areas that we will maintain so that we can get the communications. That's doing some software modifications. That's one.

The other is on the FTR allocations

to make sure we're working together with all the states and customers to come up with something that doesn't have adverse impacts to anybody, which is what I believe the commission wants, that's what we want, and I think that's what makes sense to the customers.

How much time that's going to take, I don't know. We hopefully can get it done in the next two months and come up with something that makes a lot of sense, so it's going to take a pretty aggressive effort.

Now, we still have time after August 1st because we don't have to have it finalized until the end of January. It certainly would be the position, I think, of anybody participating in the market trials will want to know how things are shaking out for their allocation, so when they participate in the market trials they'll know what to look for, et cetera. So those are the two I would highlight.

Thank you.

CHAIRMAN WOOD: For the next part of the program, we're going to exit the stage and sit in the audience.

I'd like to invite our next group of

stakeholder participants to come on up to the front, please, and we'll roll right into that part of the program. I'd like to introduce them as they walk up. From the transmission owners perspective, Daryl Hanson from Otter Tail Power; from the Transcos or ITC perspective, Gregory Ioanidis; from Munis, Coops, other TDU perspective, Raymond Wahle, Missouri River Energy Services; for the IPP/EWGs, power marketers and brokers, Mike Gildea from Duke Energy; from the Eligible End-Use Customers, Samuel Randazzo representing Air Products and Chemicals.

We also have a written presentation by the Public Consumer Group.

From the Environmental/Other Stakeholder Group, John Moore, from the Environmental Law and Policy Center; and speaking for the State Regulatory Authorities, Kevin Wright.

So I'm going to exit the stage, and let you guys just start on that end, and we'll work around and engage hopefully after some perspective with some give and take with us sitting here in the front row, so come on up.

MR. HANSON: Good afternoon. My name is Daryl Hanson. I'm here today representing the MISO transmission owners, a certain portion of the MISO transmission owners. Gregory, from ITC, is here to represent the transmission only transmission owners. I'm representing those transmission owners that have native-load, and my comments will be directed toward that.

Thank you, Chairman Wood, and the rest of the commissioners. I've got to mention that I've coached volleyball in the past for about four years, a girls volleyball team, and normally you have time-outs where you have one minute to make a point to your team and three minutes between games. I feel like that's what I got today because I've got about three minutes, so I'm going to stick to probably three key points. The only difference is I've got in my huddle the referees. That's different.

Again, thanks on behalf of ISO TOs. Like I said, I represent really a diverse group of IOUs, municipals, and cooperatives that all own transmission and are members of the MISO RTO.

The three things I'm going to focus on during my time out here is getting market implementation rights, being concerned about costs, and who winds up paying for those costs of implementation; and the third, which was touched on, for the seam issues that seem to be high.

Market implementation and getting it right, I think everybody in this room wants to get the markets right. If -- when the market rules are right, as Chairman Wood has been quoted, that's when the customers have their best chance to benefit from the market. Any operational start-up stumbles out of the gate will be costly and deal a major blow to market confidence.

In this Jim Torgerson has really gathered a number of excellent employees to task, but this isn't new to you. This is a tremendously complex operational endeavor. The MISO market is the largest market ever to be formed. It's a huge operational feat. It's never been done before on this size, and the market spans several different reliability councils, which adds to the level of complexity;

but also as Jim just noted, there's 20 something control areas that we have to be able to get the data exchange going, tested, making sure that all that logic that's part of LMP engine is being able to control those generators to where they're needed to be dispatched.

So number 1 is the getting it right.

We all want to make sure we take the time to get it right.

Number 2, implementation costs, many of the TOs have consistently been concerned about the cost of creating a market. To his credit, Jim and the MISO have shown that they believe they'll be the lowest cost RTO in the nation, and that's good.

The concern would be is where do some of the market implementation costs fall. A lot of the time they fall in the native-load, so we want to make sure that we're very understanding of what those costs are; and if they're sticking to the budget or is budget going to be increased or possibly even doubled. There's a lot of RTOs that have tried to form, you set the budget; and when you're done, it winds up being quite a bit more, so we want to make sure we have a clear

target in mind and we stick to that as best as we can.

FERC needs to coordinate with the state commissions to ensure their concerns regarding these costs are addressed.

It's great to see the Organization of MISO States getting incorporated and coming into existence today. Those states have this forum to stay as current with the issues as possible, and the MISO TOs see that as a very good, positive indication for native-load, being aware of what costs are.

So the third thing is seam uncertainty -- my three minutes are up. I heard the buzzer go off. Regarding scope and configuration could also be construed to mean that you could actually have more RTOs and I ISOs; and I don't think anybody really wants that, so some clarification on that might be helpful because creating more things is just additional headache, both financial and operational headaches.

The financial issues, these are very complicated issues, many of you have been involved in these. We need to have clear

certainty, clear solutions, the TOs nationally are concerned about reduction in transmission revenue between RTOs when the imbalance, the trade imbalance is going one way, and whether there's appropriate cost allocation for that trade imbalance.

Operational issues, there are many issues obviously on the east side, on the eastern front, as I refer to it, that's going on, Jim has referenced that in the center of MISO. Jim has also referenced that with the GridAmerica.

I come from the west, don't forget us in the west. 70 percent of North Dakota transmission is non-jurisdictional. 50 percent of the load in my control area is not MISO load, so seams exist, east, west, central, south, and so it's not a PJM only situation; and I give credit to MISO, again, in trying to get certainty in how to reliably operate those seams, especially the difference between a TLR, non-MISO region like west of me or around me, and a MISO region.

I should be able to flip a coin and say it's -- I don't care if I'm in the MISO in

part of congestion management relief or if I'm not in the MISO and I'm part of TLR. I should have the same native-load rights, and I want to make sure those native-load rights are protected.

So to sum up, again, I thank you for giving me the opportunity to present our issues of implementation rights, costs, and the seams issues. We need to resolve those seams issues with clarity and don't create new seams.

Thank you very much.

MR. IOANIDIS: Thank you. I appreciate the opportunity to speak today giving the perspective of another group of the Midwest ISO transmission owners, and that is a group that we call ourselves the stand-alone transmission owners. I'm Gregory Ioanidis on behalf of International Transmission Company, ITC.

Some of the things that I'd like to cover today and in the quick time that's allotted is to give a sense of who we are. You'll be pretty surprised when you see some of the statistics as to the size of this group.

I highlight again the need for

transmission investment. I think we've heard that message a couple of times earlier, and that we do need infrastructure, point out that investing in transmission is our business.

We're stand-alone transmission companies. We build transmission, recognizing transmission pricing is a very key factor in getting infrastructure built.

And lastly, I would like to just sort of sum up our prospective on market implementation and the fact that we are supportive of it.

In keeping with Daryl's volleyball example, here's the starting line-up of stand-alone transmission companies. We have America Transmission Company, Wisconsin; International Transmission Company in Michigan; Michigan Electric Transmission Company also in Michigan, so we have the entire state there; GridAmerica; and TRANSLink, very large geography.

You can see from the statistics here that we have some significant investment in gross plant, significant miles of transmission facilities, and also some significant load

centers. We're a pretty big group.

I think this chart here really puts it all into perspective as we compare ourselves to the rest of the Midwest ISO transmission owners. On a gross rev basis, we're roughly 49 percent of the membership. On transmission miles we're 41 percent, and on a peak demand basis, 52 percent.

So a couple of key take-aways here, depending on what statistics we want to use, we roughly represent half of the membership; and second of all and more importantly, I think what this demonstrates is that MISO has a very accommodating structure, whether you use traditional transmission owner agreement or appendix I agreement, MISO structure is very commensurate of stand-alone transmission companies.

Here's the geography. You heard Daryl talk about the size of the map and the area that's encompassed by the group of people that compose the Midwest ISO transmission owners, and it's a pretty big geography. What's shaded in red is the stand-alone transmission companies. Earlier this morning, I received a

message that said I think we missed a little bit too, so the red could be bigger.

The need for transmission investment.

We had a couple of graphics that we're kicking around, we want to just highlight here, I think kind of demonstrate the need for having to put infrastructure in the ground. The first one looks at growth rates in transmission capacity in terms of miles. What you can see there is that the growth rate of transmission capacity is essentially not keeping pace with demand. That's the big take-away, and similarly on the right-hand side you see as each year progresses more TLR activity, so we have more transactions happening.

This is a good thing. We want to see that happening. We want to see an infrastructure built though to accommodate that need because without it we think that it would be an impediment to the market without a transmission infrastructure. We want to bring that infrastructure in, facilitate the market, enable trade.

Investing in transmission is our business. While each individual company may

have variation in our business model, there's one sort of common theme among the group here today, and that is we want to put assets into the ground; and if you think about our corporate structures, we're ideally situated to do that.

We're corporately organized in a way to do that. We have no generation interests. We have no distribution interests. So we go through the capital budget process back in our office, we have dollars to spend on transmission, and we have dollars we want to spend on transmission, and we want to bring these benefits of infrastructure to the public, and we think there's a lot of benefit to the customer in transmission investment.

Reliability is a big one, less interruption, no outages, just a more robust grid in general.

Reduced congestion, we want to put transmission in, such that we can reduce the differences in LMP prices, have them converge closer to zero; and finally market power location in those areas where you have localized market power in addition to transmission infrastructure, transfer capability.

So essentially, the stand-alone

transmission company wants to make sure that whatever comes out of the wholesale market platform is that it enables us to put assets in the ground, and more importantly doesn't prevent us from putting in that investment.

And just a few key principles that we just throw up now, though we're not advocating any particular methodology at this point.

Recovery of revenue requirement is a topic that's very important. The minimization of cost shifts, that is those who benefit from the system should pay for it; and then just consideration of other innovative proposals. I don't think we've seen everything yet. We haven't had a chance to be creative.

Let's talk about incentive mechanisms, let's talk about sharing savings, let's bring those to the table.

And finally to sum up, at the end of the day this is going to be a stakeholder designed market. MISO is not doing this on their own. If you look at their calendar, there's always something going on, always a working group to address some aspect of the market. We do, however, need to proceed

carefully.

Let's learn from other regions, learn from their successes, learn from their failures. Ensure stakeholder input, whether you're a state commissioner, transmission owner, a stand-alone transmission owner, environmental group, we need to get all the perspectives, try to get it right the first time, need to balance that out with time. We don't want to have a situation where you've got analysis paralysis, and you're looking for the perfect solution and to try to get that perfect solution you have undue delay.

We need to bring the benefits of competition to the customers; and while the time lines may be aggressive, the Midwest ISO stand-alone transmission companies are very supportive of the wholesale markets. We're here to support MISO and support wholesale competition to the public, and we thank you for your attention.

MR. WAHLE: My name is Ray Wahle. I'm with Missouri River Energy Services, and I want to thank Pat Wood and the FERC commissioners for allowing me to speak here day.

I represent the transmission

dependent utilities of the Midwest ISO. We had a conference call a couple of weeks ago, and I guess I got the short straw. This is a very diverse group. It consists of transmission utilities, co-op, and municipal utilities who no longer own and manage transmission assets.

This group has supported Midwest ISO in the development of non-discriminatory access transmission service. We continue to work with ISO and the stakeholders to enhance that service. We have worked with MISO and the other stakeholders to develop a market so that the ultimate customer will benefit from this market.

We believe that the LMP market does have merit, however, we're concerned that as this market is implemented, will it work for the ultimate customer. We believe the test of whether this market is going to work or not is does the ultimate electric power user benefit from this overall marketplace.

We do have some issues as this market is being developed. The first issue I'd like to address is the FTR process. It has been said that MISO will comply with the spirit of the White Paper, however, some of the documents,

mainly draft tariffs and the market rules that MISO has recently put out, tend to show that the FTR will either be prorated or reduced in some fashion if they cannot achieve simultaneous feasibility.

We are concerned about the deductions that FTR may take on in that type of environment. We are also concerned as close service entities that we might be picking up obligations that we don't have today, and we think that we should have the right to turn back those FTRs if it is inconsistent with the service we have today.

Overall we're very concerned that the service we have going forward is equivalent to the service that we have in the new market and that we can fully hedge our transactions.

The time line that has been laid out before us is, the date for ISO to get started up is March 31st. We're concerned about that time line. We think that actually the time line is the wrong approach.

We think that really milestones should be established in order to develop the marketplace, such as the FTR allocation process,

the market rules. These things need to be discussed and agreed to and implemented prior to the market action going into effect.

We're concerned that if the market is too immature and goes into effect, we could have a California type situation; and I know no one in this room would want to see that type of thing take place.

The other concern that we have is with the market power. There is a market monitor in place for market power. The mitigation that's being outlined, we are concerned that the mitigation will be inadequate for severely constrained areas.

In the case that your load, you have load in severely constrained areas, that load will pay just like all loads will pay the added cost of the MISO administrative cost. The offset, if you're not within the severely constrained area, is you have the ability to get competitive prices in the marketplace; but load and load pocket by definition will not have the same access to the competitive market as, quote, outside the severely constrained area. The load and load pocket does face additional risk for

not receiving the full FTR allocation; and so this is a major issue that we think needs to be addressed; and finally, I was glad to see that the multi-state entity, I guess it's called Organization of MISO States, was formed up today and is in business.

The market will have a major impact on state jurisdictions. I think everybody is aware of that, particularly with the FTR allocations and market rules.

States have various authority over -- control over the utilities and under the jurisdiction, including rate setting authority, so it's very important that the states are involved in this process, buy into it, and understanding FTR allocation.

The White Paper, I think, laid out a road map for the states to follow. We think that is a good thing, and we like to see that happen, however, what we have heard is that -- and I have heard this in various meetings, that FERC is beyond the White Paper; but the White Paper lays out the roles for the state, so we hope that the FERC -- excuse me, MISO is beyond the White Paper, but I hope that MISO is not

beyond allowing the states to participate in the process and having the states become involved in this very important situation.

We think that the state process does not necessarily have to delay the implementation of the market. We think there are parallel tracks that can be taking place, and the state involvement is critical, and we can have great participation in the process. We believe -- or we agree with the majority of the White Paper. We liked what was in the White Paper. I also support what Jim Torgerson said here today. I too believe that sound wholesale power markets is a good thing, not a bad thing, and we want to work with all stakeholders to implement this market; but given the high stakes that we're facing in implementation of this market, we believe that a well developed, well thought out, well implemented market is best for all. If this market does not operate well, function properly, we think it could put MISO's very existence in jeopardy.

I want to thank you for taking the time to let me make these comments; and I guess if there's any questions, I'd be happy to answer

them.

MR. GILDEA: Good afternoon, and I'm here today, Michael Gildea, speaking on behalf of two sectors, marketing and the IPP. Both of these sectors really feel the same way on the issue before us, so we decided to do our comments jointly here.

I personally have been a participant in the MISO process for the last three or four years, currently sit on the MISO advisory committee. I've chaired the policy committee, work in various other work groups, participate in the SPP board of advisory, the second seat there. In short, I spend two or three days a week at MISO in the work group process; and when I'm not there physically, the other two, three days a week I'm at home or in or my office working to support to get ready for those visits.

In short, the purpose of my commenting on that is to show my dedication, and I'm just saying a reflection of many of the others in our sector, our dedication to move this market forward in a way that's productive and useful.

We essentially want to work with MISO. We want to grow the organization incrementally. We want to fill (inaudible) the Hawthorne with success. I believe a lot of the Hawthorne (inaudible) order for PJM, which is key to success of the market; and we want to build incrementally off of that.

I think the next important point I'd like to make here is our sector doesn't have a huge historical experience of working with the state and public service commissions as some of the other sectors have that have the rate basis and the assets, but that doesn't mean we don't want to work with you. We really want to sit down the best we can and work with you, get to know us, get to know our issues, and get to know where we stand. I think that the joining of those forces will assist you in your understanding of markets and seeing what's before us as much as helping us in how we can work through the issues.

We really pledge, our two sectors pledge to be trusted partners in the build-out of this valuable organization. After all, we are all in this together, whether it works or it

doesn't work.

The goals of Order 2000 are clear, to create consumer value for open access. We need to create consumer value to the consumers. Clearly, we need to do that. We need the certainty Jim talked about earlier. We need clarity in markets. We need a healthy investment plan, not just from my sector, but from the transmission owners we saw earlier.

We can only accomplish this through fact based logical regulations, sanctity of contracts, stability of roles, and proper regulation, both at the federal level and very importantly at the state level.

My sectors include the ownership of substantial merchant generation assets now in the ground and many others sitting in the pipelines, particularly assuming we can turn things around from the financial side.

We are -- most of us attending MISO, we own large trading organizations that control financial rights into and out of MISO. Again, we have so much at stake here, we need to get this right as well.

One point is, our paragon is a bit

different here. We don't have the rate base.

We are strictly based on production, on cost of coverage at a future date based on the market asset. Again, we need this market to work, so when I stress or ask for this market to move forward, it's not in some blind request. I've got as much stake in moving this market forward in a reasonable, logical, consistent way as anybody else in this industry.

I think we really must build this market. It's already been put off once, as Jim noted, to the spring 2004 for a base limitation. I believe that's really just a base; and from there we add on incrementally, add supply items, we add services, add regulation market. We add other features that are very important, that bring value to the market, because you need to get the value to the consumers who really own the costs that go into making this.

So it creates the whole gamut, and we must begin incrementally, get our hands wet, take a step at a time, tweak it, go the next step. You can't learn what you do wrong until you get in and start working; and I really believe we're working off PJM, not California.

We may have some twists in the road to work through.

I think that it also would help for us to have a contiguous border in our process here to move forward; but even if we don't have that, obviously we'll work without that.

I would make a comment that from our sector's vantage point here, we have seen at FERC, and with the acceptance of the state, but largely FERC has granted the MISO transmission owners and the ITCs, any of them that you see up here, significant autonomy and flexibility in their structures and their rates of return; and I'm fine with that. I think, you know, if you're going to put the assets in the ground, you're going to go forward, you're going to have a healthy organization, that's exactly what needs to be done.

I believe or our sector believes that in exchange FERC has had the MISO organization as, I think it's a fair word to say poster child, to say develop a market, show us what you can do, go forward, you asked for this flexibility, you asked for this money, we're going to give you it, but in exchange we really

want a market here. I think FERC has shown that. They've invested in this market. They've accelerated dockets.

In the last twelve months, we have seen the FERC put men in locations at the FERC offices as staff as you say. I think FERC itself sees the market value. This is all very good, but I think there's a trade-off here. You've got all the money from the higher ROEs and all the flexibility and all of this, and now all of a sudden we have jitters; and we're getting ready to go to the market start, I get the impression if that market doesn't start, we don't go there, then we've gained all this higher ROE, and I kind of see it as losing out.

I think if we're going to give that all, all that flexibility, all the ITCs, the higher ROEs, et cetera, to me that was a give and take. So I really have my eye on this balance that's going on right now with the exchange and then whether we get a market.

And I guess the last comment I have is kind of a -- it's not a comment. It's probably just a last observation here. In working through with all of the issues in the

states, and hopefully as we do, and I really hope that we get involved. I hope we have an incentive-based project and that meetings like this and discussions like this are held over the next year where we have one-on-one or small group dialogue to work through because we do have issues. I'm sure you can see it within the group here that there are small subtle differences, and the only way we're going to get through this is a consensus-based process.

Thank you.

MR. RANDAZZO: Good afternoon.

My name is Sam Randazzo. I'm with the end-user sector. I'm here today on behalf of also Eric Robertson who, like myself, is a charter member of the Midwest ISO advisory committee. We have been through the thicket, good times, mostly bad times, but some good times; and we're here today to provide a perspective that I hope is useful to you.

When I say we're from the end user sector, that may not have any practical significance to folks, so let me provide you with some names that you may recognized here in the Midwest. We have within our coalition of

Midwest transmission customers companies like AD Staley (phonetic), Air Products, Bear Corporation (phonetic), BOC Gas (phonetic). Some of you have may have heard of General Motors, Sysco Steel, a facility in Iowa, Mariton Manson (phonetic), Tracko (phonetic), PPG, Proctor & Gamble.

About 70 percent of the delivered cost of electricity in those companies ends up being affected by the issues that we've talked today about. For a large steel company like the Timpkin Company (phonetic) which produces ball bearings primarily, but also has steel production facilities in Canton, Ohio, a tenth of a cent difference in electricity is a million dollars in one location.

We are presently the providers of reliability of last resort. When folks talk about TLRs, it's three letters to a lot of people. It's negative intervention. It's blocking commerce. It's blocking the ability of the value added sector of our economy to produce widgets and employ people.

These are not trivial matters, and I know you don't treat them as trivial matters,

but I think when we start talking about these issues and start talking about seams, we don't have seams, we have holes. Seams is a diplomatic characterization of the problem we've been trying to deal with in the Midwest for quite a while, and it comes from the multiple control issue that we deal with, and it comes from the fact that electricity behaves the law of physics, not the preferences of individual states or even the federal government.

So what we've been trying to struggle with for some time now is dealing with a way to make an effective market, and we have been strong and vocal advocates of RTOs, not because we want a new organization or another layer of government or business, but because it's a device fundamentally addressing the anti-competitive structure. The end is important to the people that we represent.

So due diligence, speed, quality output are the things that we're here to try to herd you on course. Of course, if we can achieve consensus along the way, all the better; but I suspect there is not going to be a consensus on every issue; and to the extent that

we drive for consensus instead of incremental progress, we're probably going to be worse for the wear.

Let me mention just a couple of other things that are related to making markets work. Again, in a short document, incredibly powerful document that was issued by this current version of the federal regulatory commission shortly after they arrived on the scene to quite frankly try to clean up a mess that has lingered too long. We have fundamentally, I think, a need for some prioritization on the tasks that are in front of us; and I'm going to state the obvious; but the most important work involves improving our ability to reliably serve all demand and to deploy positive performance, congestion management, redispatch of generation, as opposed to negative intervention as a primary strategy for allowing that to happen.

LMP are the three letters that get assigned to the way that has been utilized at least within PJM, and by the way we represent the PJM, industrial customer as well, so we're quite active in both camps; but it is, again, a means to an end. It is a way to move positive

performance through a positive in the region as opposed to a negative. It happens to spit out prices, but its fundamental purpose is reliability. Unless we get that building block in place, all of the other issues are not achievable. All of the other outcomes associated with enabling the market are not achievable; and for a multi-control area like the Midwest, we basically have a tremendous responsibility to try and accumulate information, try to look at what is simultaneous and feasible, analyze it so that we can spit out the FTRs or their equivalent so that people have some confidence that when they get their bill, they're not going to be scared to death, confidence in any outcome.

So we need to have that fundamental building block in place. We believe once that's done, a lot of these other issues get easier to resolve. We think it's critically important to get the FTR work done in a meaningful way. This is not a contest of press releases. It's a contest to make the system work. It's a contest to meet the physical requirements of the people that are paying the bills.

The work that has been done thus far in the cost versus benefits area, probably too much work for everybody's benefit, suggests that without qualification the most rewarding increment of improvement from the structure comes from introducing effective demand response.

Demand response is something that sits out there today. We have interruptible customers. Whether you're a state that has choice or a state that doesn't have choice, there's interruptible customers, response based upon information that's given to them on a local level. We need to coordinate that capability in as quickly as possible.

I have taken the view that the demand response is inherently interstate commerce, and I encourage the federal regulatory commission to reach out and pull that response up. We need some help from the states in order to accomplish that. It is not well enough paid attention to from our perspective, and perhaps the quickest and most powerful way to break the cycle that we currently are embedded.

I'd like to thank you all for

dedicating the time and effort. As Mike had indicated earlier, we have all spent a tremendous amount of time, myself personally, my better half Kevin Murray, who is more technically able to deal with the subject matter, and my good friend Eric Robertson who represents the Illinois industrial customers.

The other thing I'd like to say is to the extent that you have questions about what the impact is for some of these issues on ultimate customers, it's been very challenging for us to stay the course because we don't have the ability to draw on the broad revenue collections to fund our enterprise, to fund our engagement, so we have to depend on literally asking individual customers to help support the work.

So I ask you to reach out and ask us for our impressions about various issues, how they would impact the economic viability of the steel industry, the plastic industry or paper or other things that are critically important to your various environments; and we will do our best to get you an answer as quickly as possible.

Thanks again for all your hard work.

MS. MCKINLEY: I'm Sara McKinley with the Federal Energy Regulatory Commission. The MISO Public Consumer Group was not able to send a representative, however, Nancy Campbell from the Minnesota Department of Commerce and Robert Mork from the Indiana Office of Utility Consumer Council did send written comments, and they asked me to make a brief statement on their behalf.

We appreciate the opportunity to provide these brief comments on a few issues that have come up in the time that we've been serving as consumer advocates on the Midwest Independent System Operator Advisory Board. Overall, we have supported the efforts of the Federal Energy Regulatory Commission to explore ways to allow competitive forces to develop in the electric market.

We've also noted that reliable, reasonably priced electricity is essential not only for the electricity market itself, but also for numerous markets and consumers that use electricity.

Some of Minnesota's largest customers

have told Minnesota regulators that they need 99.99 percent reliable power to run their companies. They also need low-cost power to be competitive in their own markets.

As issues have arisen before the advisory board and FERC, we have relied on these dual goals of reliable, low-cost power.

We also appreciate the efforts that MISO has made in working with states on some of the issues that have developed since MISO became operational. We look forward to continuing to work with the members of the advisory board. We also look forward to working with the organization of MISO States on transmission and related issues.

The following list summarizes the main points of this brief paper. These points are taken primarily from positions we have proposed in various comments to the MISO or the FERC.

We support the following objectives:

Existing firm transmission rights for native-load customers must be maintained, including transmission rights for future load growth.

Cost to develop this new wholesale market, uplift charges, transmission pricing, and costs related to financial transmission rights should be assigned and allocated on a cost-causative basis, not socialized.

Users of the transmission system should pay fair rates for the cost of their use of the system, regardless of participant type.

Hybrid transmission pricing, blending of both postage stamp and license plate, should be considered by the MISO and the FERC.

For reliability reasons, conservative levels should initially be used for purposes of resource adequacy, available generation, at least when the market is first being started. As a result, we support maintaining the 15 percent Midwest Area Power Pool reserve requirement as a minimum requirement.

Demand-response options should be developed as a part of the wholesale power market.

MISO should begin all of its transmission planning cycles with a bottoms up approach that builds on the native-load needs identified within individual and subregional

state planning procedures.

More focused incentives should be used to get transmission built instead of broad overall increases in return on equity for all transmission, including existing facilities.

And market monitoring and market power mitigation are critical to develop and have in place.

Thank you.

MR. MOORE: Commissioner, Chairman Wood, Commissioner Brownell, and the state commissioners, I'm very happy to appear before you today. My name is John Moore. I'm with the Environmental Law and Policy Center.

ELPC is a regional, environmental, sustainable energy advocacy organization based in Chicago, but our area of work spans virtually the entire MISO footprint.

Who are we? At least among the environmental and sustainable energy organizations, we are directly ELPC, the Isaac Walton League, and other organizations that sit on the advisory committee at MISO; and indirectly we represent many other state, regional, and national environmental sustainable

energy organizations. Before FERC, we typically commented and intervened in proceedings under the public interest organization, and that's who we are.

Why are we part of MISO and why are we speaking before you today, which we're grateful for being able to do so, as others have already intimated here, we support an open and effective electricity market for the entire region, that kind of market helped drive renewable energy and energy efficiency programs such as the important demand-side response programs that Sam just spoke about, and our objectives for MISO directly support one of FERC's overall strategic goals. In fact, I saw it was the first goal that he had first, market investigation listed this morning in his presentation, which is to support a secure, reliable, environmentally responsible energy system.

And the four points I'd like to briefly cover today on behalf of our sector came off the White Paper are the following that we support. First, fair market rules for wind power. Second, the elimination of rate

pancaking and resolving of other very important seams issues in the Midwest. The comprehensive regional transmission planning system that strongly involves all the affected states and supports wind power development, and finally robust and aggressive demand-side response programs.

First, on the fair market rules for wind power, the fact is that wind power is now here. It's competitive in many energy markets, and we've heard in multiple sessions during MARC meetings that it's an effective hedge against gas prices; and beyond its pure energy value, it has important additional value added green benefits. Right now, as I speak, there are over 2,000 megawatts of wind power just to the Commonwealth Edison load; and then in the MISO transmission expansion plan that's now before every one of you and which the board will vote on, it addresses the possibility of 10,000 megawatts of wind development throughout the region.

One size does not fit all, however, for the different forms of generation. Issues such as energy imbalance, for example, and

(inaudible) calculations were not designed to account for some of the unique attributes of wind power. We have a very simple solution that we've raised before FERC, and we're requesting for MISO to do this as well, and MISO is working on this, and that is to adopt an intermittent resource tariff that nets energy imbalance charges overtime and recognizes that weather forecasts for predicting the power to come from wind energy are now more accurate. FERC has already approved such a tariff in the California ISO. So our first recommendation is for MISO to adopt this tariff as part of its day two program.

Why? It should be obvious that this kind of tariff helps create market certainty for wind power development, and it encourages other goals for environmentally responsible fuel diverse generation.

Our second point is to eliminate rate pancaking and other seam barriers to a common electricity market. Right now I think it's obvious that we are not quite where we want to be, with a proposed increase through an out-rate in Commonwealth Edison Island right now, we are

not moving in the right direction; and there's real significant impact on wind development.

Both on wind going from the upper Midwest into the PJM territory and on Windex reports such as the 2,000 megawatts that I mentioned before out of the PJM system.

So the solution here which we support from the White Paper is to eliminate that rate pancaking as quickly and as expeditiously as possible and also settle as quickly as possible some other related congestion issues.

The third point I want to support is comprehensive regional transmission planning; and all of us in our sector, we're gratified to see the Organization of Midwest States organized formally this morning and list transmission planning and siting this morning as one of its key areas of focus. Right now the lack of ATC and absence of wires in the upper Midwest, in the Dakotas, in parts of Iowa, in Minnesota, seriously impedes wind expansion.

The solution we believe is to use the Midwest ISO transmission standard plan, first draft which is now out, which will be periodically revised, as a basis for reviewing

upgrades and expansion of transmission. We'd like to see the OMS take a leading role in this, which I think it will do so.

What occurred on Monday, for those of you who were here, presentation by Wind On Wire, executive director Beth Soholt, who laid out some of the development possibilities for wind in the Dakotas, Minnesota, Iowa, and other areas. We think wind development offers some excellent first projects for OMS to take a very focused look at. For example, there's new 345 KV line that's possibly moving from South Dakota into Minnesota. We have also identified, and this is in the transmission expansion plan as well, a loop going through Iowa and northwest Iowa moving into southwest Minnesota. These are in that transmission expansion plan, and we think they would be an excellent opportunity for the OMS to take some first steps and to move quickly forward.

Finally, I'd like to support Sam Randazzo's comments that a MISO should aggressively move on demand-side programs. They work. They also have some symbiotic relationship with transmission planning because

if you can significantly reduce load, that reduces the need to do some transmission expansion.

Demand-side response also has significant price mitigation and reliability benefits, and these are well laid out, and people know about them, and, in fact, PJM, as many of you know, already has a couple of demand-side response programs. Those are for emergency response. We think those are steps in the right direction. We'd like to invite the MISO to use those as a base to move forward in the Midwest, which is an excellent place to implement those programs.

Those are my four major points.

Thank you, very much for letting me speak.

MR. WRIGHT: Chairman Wood and Commissioner Brownell and Commissioner Massey, as the lead state MISO advisory committee and on behalf of my fellow OMS commissioners, we appreciate your willingness to listen and to hear, and I use those infinitives purposely together.

It's through the regional state committee approach and today's formation of the

OMS that we in the state regulators take on seriously and are fully committed to be responsive in our partnership with MISO and with the FERC and to provide coordinated state input through consensus building and respect for diversity that exists within this Midwest region.

It's time, given the formation of the OMS today and the six committees that President Wefald mentioned earlier this afternoon, and those six committees are congestion management and financial transmission rights allocation, transmission planning and siting, resource adequacy and capacity markets, market monitoring and mitigation, seams issues, and finally MISO market rules and implementation time lines.

We believe that working through these committees where membership is open to all commissioners, working together is our best chance to meet head-on and resolve the issues, many of which have been raised by the stakeholders at this very table and those which we as commissioners face in our state, and we too are committed to making sure we get it right the first time in this market.

Thank you.

CHAIRMAN WOOD: Do you all have any comments to make on your own before, I guess, we pepper you with some questions?

If not, one of the things, and this is the third of these conferences that we've had; and I guess probably the most engaged one was in Boston where people had some pretty specific kind of punch list of items that we can do, you know, FERC, market participants, whatever permutation of us in this room that we need, that we can do specific with time frames and actions to actually address some of the problems.

I did hear, I think from Daryl at the front end some seams concerns; and I guess I could maybe jump start the kind of pursuit of detail at this stage to say that the number of ISOs and RTOs is envisioned to be eleven as a maximum number. There are -- the eleventh being the SPP, which the week prior to the issuance of the White Paper announced the merger. We want to emphatically build upon existing institutions or those that have already been proposed and approved to go forward and not to at all go to

any type of splintering. I think just some explanation might be helpful there.

Our inclusion of the ISOs in that list was really an honest recognition that our attempts to in some parts of the country promote what we think in the long-run would have been cost effective mergers, I'm thinking New England, New York, PJM. In the southeast as well we had the large mediation in the summer of '01, so rather than isolate those parties and exempt them from the broad roles of Order 2000 as added to by the White Paper. New England, for example, is smaller than a typical RTO, certainly much smaller than MISO. We want them to be on the same track for independence, for expansion planning, and for -- I think those were -- actually independence and some others, some other considerations were used, were the fall-out of that meeting we had in Boston. So that answers one.

The second one with regard to the regional seams, a decision has been issued on that by Judge Grossman. We will be taking up that perhaps in July. It's being briefed right now. The orders being prepared, but we know

that is at the front of the line. That's a very important issue for this market. It's very important for dealing with the seams issue, certainly money issues tend to be clouding the horizon as they tend to always do in this job.

I think that's two answers, but what I guess I would like to add, Nora, Bill, do you all have anything to pipe in on that?

I'd just like to just ask what specifically can we -- when we come back after the break throw out here for states, federal regulators, Jim Torgerson and his staff, that could really benefit from our being here. If not, we'll get on the plane and head back; but if there's something that we can do to facilitate or answers we need to give or discussion that we need to have with other parties to help facilitate this market to the end point, which I think is largely agreed to, the end point, then tell us what it is.

Let me just let you all go around and decide how the rest of the afternoon ought to be structured.

MR. HANSON: Chairman Wood, I appreciate your comments on a couple of the

questions that the TOs did have. For a couple of main comments that I don't know if FERC can directly influence or not, one would be recognizing and coordinating very much so with the new OMS that's been organized. If you have time to, before you head back, to visit with President Wefald and others, they probably have travel connections too, but I think -- I think on behalf of our stakeholder's sector, to get them actively as engaged as they want and can be, is the key, appreciate that.

MR. IOANIDIS: I think a couple of key issues that -- from our stand on the transmission company viewpoint is also one of getting clarity around what prices are going to look like in the future, particularly under an endangered markets is going to be critical, especially building an infrastructure. The current one zone where the benefits may accrue to people in other zones, that often creates a little bit of a tug of war as to who should be bearing those costs, so that's kind of an important issue that we want to be able to go in with infrastructure developments and have the customers in agreement with us, yeah, this makes

sense, and we see the benefit, and we see the reduced congestion charges, and we see the ability to promote transactions, so that's one of the key things from our perspective, as well as, I think this was touched upon by Sam, and he'll probably elaborate more, but on some resolution to the seams. Obviously, it's -- it's a little bit of a Swiss cheese to use the phrase that we've heard before, and to the extent that we get something joint up and running faster, the better.

MR. GILDEA: Again, to keep us moving the only way to learn is by experience and not what you're doing today; but I think what's happening today, having a fair amount of commission involved, involvement with the state commission as well.

I know I find that in my company in terms of when we make decisions today to buy assets, to sell assets, to enter into an agreement, the number of balls in the air today in terms of trying to define what my price and product is, the cost to deliver my product, who will be in what market two years from now. There are so many uncertainties out there that I

just don't want to hinge on that.

So to the degree of the regulators, federal and state, if we can create more certainty to calm things down in terms of predictable and transition, I think they have a good transition plan, work with that instead of jumping around all over the place. I really do support the notion we have now of keeping existing organizations and working with those and creating a kind of a market that works by common rules instead of common, common structure. I think we can work through that and support the organization; and things like that will create, I think, a lot of unrest in the industry that will stop investing and stop predictability in rules pricing. It's that stability, we haven't had stability in the trading sector now, not just in regulatory commission, but on Wall Street scandals and my sector, we haven't this certainty for two years now; and it's causing one thing after another.

So again the predictability and certainty and anything on a consistent basis is helpful.

MR. RANDAZZO: Can you send

Congress home? No need to answer that.

I think like a lot of other people there's a tremendous interest in trying to bring some certainty to key issues. I mentioned what I think is the FERC's priority and that is enabling the reliability and congestion positive performance, this is new, so that it begins to employ the pricing information is task number 1; and I believe in that totally.

I think the other thing, and this is -- I used to work for a state commission and part of the magic that we eventually figured out is you need to hold people accountable for performance. When judiciaries have been formed and when you announce policy statements, and this is not on your watch by the way, that require things to be done before transactions are consummated or when you articulate a policy that's suggested before a particular entity can gain access to market pricing, there has to be some things done.

For the most part, I think many of the problems that we're now trying to wrestle to the ground is the product of not holding to the spirit and the letter of some of those

requirements that were designed and trying to lead to a road at the competitive structure in the industry, and at the same time not expose people to pay down here to unacceptable risk from liability in pricing, so I think the stability that the people that are investing in the economy want is the ability to budget what their price is going to be or what their capital expenditure is going to be; and like Mike, our folks are asking me every day what do I put in my gas spend budget in the next cycle, what do I put in my electricity spend budget in the next cycle; and I'll be damn if I know what to tell them.

So there's that practical stuff that sort of one uncertainty minute to minute that is causing us to have great difficulty. Some are important, but eventually the result of which is to go to how much am I going to have to pay, how much are you going to have to pay, and that sort of thing; but I think there's a great need right now to hold people accountable for the performance that you said you expected from them. The customers were paying that higher rate of return, and you are taking capital funds

away from the people that are competing; and, again, I don't mean that as a -- it's a practical reality.

Thanks.

MR. MOORE: I think if we were looking for a specific punch list, Jim Torgerson laid out three or four specific requests that he had in the end to help move the process forward; and we do want to get these markets up and running quickly and effectively; and I think that after you all sit down and help MISO get that going, that will help -- that will help eliminate some of the other issues we were talking about, so that has to move forward pretty quickly and get some good specifics on that.

And the second part I think would be to -- as I alluded to earlier, to clarify sooner rather than later what kind of role the states are going to have in the transmission planning process, how some of those issues work themselves out, obviously a lot of players in that. I see transmission planning is one of the next steps on the agenda to discuss, so I think there ought to be some room left, some time left

to deal with sorting out some of the responsibility -- lines of responsibility in the transmission planning process.

MR. WAHLE: I guess the -- a couple of issues that I would see as very beneficial in terms of getting the market up and running and really sort of take off from what Sam has already said, and that is that we really need some good data and good models to develop some congestion management engine that's going to run the marketplace. That is critical in the whole development. I've been in many difficult occasions and had this FTR debate and ongoing process that seems like for years now, but a lot of it is driven by the fact that we do not know exactly what is going to be the outcome of this process, so we're debating this issue and not knowing the outcome, and I think that if -- if the -- if we knew what the outcome was, this debate may go away or it may become more pointed, but at least we can deal with the fact.

The other thing I think that we really need in terms of looking at the marketplace is the transmission planning side of it, but at the end of the day we also need

transmission investment. We need new transmission facilities. We have some fairly constrained areas in the ISO footprint, and one way to relieve them is through the investment of transmission assets, so I think anything that we can do to help that investment along, to make that process move forward would help the marketplace.

And I guess the third thing then would be that I would look to the states with this new market, this new entity the states are creating, their input is going to be critical on the continued development of this market, moving the market forward, and so I would hope that they could quickly come up to speed and provide meaningful inputs to this process and provide that guidance because it will have an impact on the states, so I would encourage that.

MR. WRIGHT: Well, I think I'm at an awkward state because I'm supposed to take input from my fellow commissioners. At the risk of sounding a bit self-serving, I think I will raise just one issue only to highlight and sensitize, which I believe FERC commissioners are anyway, but certainly an issue that

resonated throughout our conference, and that's -- and that's comments integration to PJM and White represents the seams issues, and that is the perfect example of a lot of the issues talked about here today and the challenges that that presents in terms of the seams issue and the rights and the effects that are harmful to other market participants and to my fellow midwestern states.

So I just raise that simple comment.

While the White commission has been very supportive of that integration into PJM, certainly I would not be doing my duty if I did not at least reflect my fellow commissioners in the Midwest have concerns and would like to see those resolved on a timely basis as we move forward in that integration.

MR. BROWNELL: Just a couple of comments, first. I think you all in one way or the other made a point that it's important for the FERC to work with the states. I think candidly the reason that MISO has made such incredible progress when you look at where we were a year ago is the leadership in these states which is quite extraordinary, so you can

have confidence that we work together on an informal basis; and now that we have a new organization and I'm sure T-shirts to follow, we'll be working more expeditiously; but that really has, I think, been the difference.

The second point that I want to make is we've heard you in the hallways and elsewhere, that the progress towards that virtual market, which we all feel very strongly about, is not moving perhaps in a way that we would all wish.

We haven't had a chance to talk about it officially, but we will take notice. I think that's one of the reasons Pat is having meetings with the senior staffs, but I think there's more to be done, and we've got some recommendations, and we'll take those back.

The third point though is really a question to Jim Torgerson, because you've raised, I think, several times the issue of how that FTR allocation will look, how does it feel, what's the real impact and that is always a concern as we go into the marketplace at the same time unless we get that right and unless we get the congestion program introduced quickly,

the benefits don't follow.

My understanding, both, Jim, from your comments this morning and your comments elsewhere, is that you plan to be very aggressive in terms of your outreach, in terms of telling people what those might look like, teaching people how to use them effectively, taking a lot of time. In fact, we talked about a lot of training sessions, but could you maybe amplify on that because I think that's a point of confidence we need to have everyone leave the room kind of feeling better about.

MR. TORGERSON: Last Friday we did send out an initial allocation from the runs we did that came out from all the models we put together, and all of these powerful models that have been developed over the last -- probably a year and a half, they all -- they're coming with answers.

What we need from some people, some areas is, you know, looking in, making sure that they're fine-tuned to the extent they need to be; but we have the initial allocation out.

We're going to be working -- we have a process that's been set up and all these training

sessions on our web site and the time lines and people talk about also having certain milestones. Those are all on our web site as to what would be done, when, and how they have to get done, and who needs to do what, so that's there.

We need to work with all the state customers, all the customers on fine-tuning, working out what this initial allocation looked like and get to what it should be.

The initial allocation is just that, it was looking at how -- what the models were telling us. Now we have to go back and fine-tune it. We also said we don't want to have adverse impacts in the states, they involve customers. The commissioners told us not to do that, so we're not; but the initial models may have some; and we have to work back, correct that, fix it; and that's what we're going to be doing over the next two months with the outreach program working with people.

We're sending teams. We had the first group go out last week to meet with folks. Now that we have some analysis on the FTR, we have numbers. I met with the commissioners from

Wisconsin. We have a meeting in Wisconsin in early July to set out in open commission meeting. We're going to try to get that set up to work through some of these issues in Wisconsin. We'll be doing that in every state, every jurisdiction that needs it. Some of them may not, but those who do, that's our plan right now. We need to get this done in order to get it filed with the commission. August 1st is our time line. That's not the end of the process though.

Then the commission is going to look at that, and we have to determine what other fixes may be needed, and we have until 60 days before we go live before we actually do the allocation at the end of January.

MS. MCKINLEY: We're going to take a 15 minute break and meet back here at about 3:15.

(A short recess was taken.)

CHAIRMAN WOOD: I think what we might do here, and I know we've got Bert on the phone still.

MR. GARVIN: I'm here.

CHAIRMAN WOOD: Do we have

anybody else on the phone? Just you Bert.

Based on what we heard in the last panel, any of us have anything to comment on?

Dave, why don't we start with you?

MR. HADLEY: Well, as has been stated several times, the appreciation for the regional dialogue that FERC is willing to come with three commissioners and have this conversation says a whole lot about regulatory certainty because of the engaged dialogue that we have here, so we very much appreciate that. We've talked about that among ourselves, and I think one of the key aspects with the creation today of the OMS is not the beginning point for states to be engaged.

From the beginning of the RTO discussions, the states have had a very open and receptive audience with FERC commissioners on a personnel level; and at the RTO level there has been a lead state position; but behind the scenes there has been a lot of state dialogue about very critical issues that maybe stakeholders at the RTO level do not always see. It's just a more formal recognition of what the state role might be.

One of the dangers of asking for something is that you might get it; and within the SMD, the debate about what the role for states was, the jurisdiction issue became so huge and in this process through this regional group and when you talk about regional differences, this regional group has regional differences within it; and yet we've chose to voluntarily come together, create a formal group, try to see what we can do to foster a better dialogue and improve moving the markets forward to benefit everyone.

So I think there's a sizable step forward in public recognition of what we've already been doing, but in a way that also recognizes support for direction in the SMD and the White Paper as well.

MR. NELSON: If I can jump in here, I want to echo what Dave just said about the fact that all three FERC commissioners are here and that speaks volumes about their commitment to making this process work, and we are very grateful for the fact that you're all here, and I think we're also grateful for the fact that you demonstrated a great deal of

flexibility in terms of trying to shape the wholesale market nationwide and platform that will work for all regions of the country.

In terms of the dialogue that we heard earlier, I would agree that there are some issues still that we have to address. OMS is set up to address those issues to the best we can; and speaking for myself, I think there's some issues that the White Paper has indicated the states might be able to handle; and I think OMS indeed could, and not saying it can handle all those issues, but I think we will have a format established that at least gives a shot to all those issues, including resource adequacy and all the other issues that are identified in the White Paper that an organization like ours can adapt.

Let me just briefly though mention in terms of the seams, which is one of our committees, that a number of us here were very gratified by the order issued last week, which again re-emphasized the fact that the commission was serious about the guarantee of the conditions imposed on the new PJM companies in terms of the decision with PJM, and that MISO

and PJM have the best of intention at the time when they come to the room together to work out some of these issues because they've exchanged documents for many, many years and are still exchanging documents. We don't have a joint operating agreement that, among other things, recognizes the provisions that engage in the force; and so with that, I thank you.

MR. BURG: I too want to thank commissioners for being here. This is our second opportunity, my second opportunity to interact in this kind of a format, first was in Chicago at our meeting; and I really appreciated that, as well as the -- I got a lot out of the stakeholders input that we had in the last block of time, that was very interesting, very important.

I do want to take this opportunity, and I mentioned to Commissioner Wood at the break, my intention in the last week or two, sort of spaced off on it, and that's that we've got a group that we properly should include, and we have not, and it's the Indian tribes.

We have seven of them in South Dakota that cover a lot of territory, and an awful lot

of our WAPA transmission criss-crosses their reservations; and if we ever need transmission, I think we have to deal with it; and I think we may have avoided it at our peril.

They are very open, and I just encourage us to make that contact and to find out because those of us in that part of the country -- and I think most of the states probably have some -- probably North Dakota I know has; and as a matter of fact, they have moved towards forming a group that are representing several tribes that are trying to work on their own utility issues, but it just occurred to me, and I just wanted to throw it out at this time.

The other thing is, is I have not personally got real involved in the MISO portion of the market because I knew it would be extremely difficult for a small commission like ours to dedicate the time that a lot of the states have put in.

Secondly, because I really have confidence in the other states that have bigger staffs and are closer oriented in the decisions that they would make; and thirdly, as we have a

good portion of our state that has not gotten into MISO, we have a mix where we're split by the western interconnect and the eastern interconnect in South Dakota, and I do have confidence in all the other people in the decisions that they've made in MISO, and I think OMS is going to be a tremendous way to do it. It's going to be a lot of work, and I guess one thing I caution for all of us is that we have patience enough to give the OMS time to get organized and understand how we can make these decisions because I think the states would be very deadly to the organization at this point.

I've been cautioned by several people in different meetings I've been at lately, you're going to be barraged with decisions to be made, but make sure that you don't let them rush, give the time and the deference to those decisions that you need to.

And I think finally I would say we need to work towards clarity and understanding from all the other parties. I keep thinking of a comment said in the minutes made shortly after you took over as chair, and I think it was referring to and directing it at you,

Commissioner Wood, a lot of people don't understand, and if they don't understand it, it ain't going to happen; and I think these things, both SPP and the MISO are extremely comprehensive. We need to probably make sure that the people can understand all that.

MS. BRIDGE: I'd like to add my voice to the appreciation to the commissioners' time here today, and also I really want to (inaudible) for the stakeholders.

I guess the one observation that I make is that as we move this process along, somewhere someone, I have forgotten who, referred that they don't want the perfect to be the enemy of the good, and I would suggest we don't want the good to be the enemy of the better.

We want to be cautious as we go forward to make sure that what we do is to the best of our ability because the stakes are enormously high; but with the issues by FTR and so forth, seems we really do have to have some sense of certainty about this as we move forward so that there's confidence in each stage of this progress, and I know there's interest at the

state, and I hope the state is on task with that, and I also think that as everyone else has suggested that the new OMS organization has a nice focus for that, I think it's going to stay with these issues, have to kind of get in sync a little bit now and make sure the priorities are accordingly, but I think it's going to be a real asset to move forward.

MS. MUNNS: I always start by saying I started in this business in 1982, '83, and we had seven investor owned utilities in Iowa, and they all started with the word Iowa, and now we have moved to all our markets are regional and national, global; and we really have defined an effective way to have a true federal-state partnership.

We have the challenge in telephones now, and it's nice to have an opportunity to try to figure out how to do that here, and we have the support, and we certainly appreciate that, so we're doing what we can do to realize that there are regional implications to these things, trying to figure out what they are and give our best advice to you so that you can do your job.

CHAIRMAN WOOD: Bert?

MR. GARVIN: Mr. Chairman, you had asked prior to the break what the federal MISO is going to be doing; and I guess my advice would be, first of all, don't rush it; and the reason I say that is involving the fact that is not the usual way. As someone mentioned earlier there's a lot of fine-tuning needed when it comes to FTR, and I would see the need to meet the milestones prior to implementation day in the market, and I think customer impact should -- customer impact rather than deadlines should drive the train here.

Secondly, I think the focus should be on some of the policies that's in the original SMD NOPR last year, which were eliminating transmission (inaudible), not just managing it; and the second point, encourage you to stay active on some of the seams issues.

And lastly, I'd like to make sure that whatever market design would be approved, that customers aren't paying more for a transmission system; and that goes back to the FTR, many comments have made points about that; and as you know, Wisconsin is in a pocket.

We don't have any additional

long-term capability in eastern Wisconsin, while we've been paying our share of the costs incurred by MISO, the wholesale market (inaudible), even in the foreseeable future much access to that market; and we have a concern that this may mean that our stake in some of the higher costs associated with the market, that's cost, and for our state, the LMP market will bring higher energy costs.

I think more than any other region within the MISO, Wisconsin is exposed to a greater risk for the feasibility study to show that transmission capabilities to provide full FTR coverage; but, again, we look forward to working within that structure to share our concerns with you and the MISO; and I know Chairperson Wood has invited us; and we continue our dialogue with you; and we appreciate your interest.

CHAIRMAN WOOD: Thanks, Bert.

MS. WEFALD: I'm a process oriented person, and it's showed these last several months as we have set up time lines and deadlines to get this Organization of MISO States established, and so I can sympathize with

Jim Torgerson, who is setting up time lines and deadlines in order to have markets be established in a timely manner and through MISO; but as a person who has just been given responsibility as president of the Organization of MISO today, we are now very interested in time lines because in order for us to do our work effectively as a new organization and through our committees, I need to be able to assign them time lines that they need to know what they are, that they need to get their work done so that we can effectively comment on these matters, and we will just have our folks who are representatives on the advisory committee be able to know when they need to be able to make comments on these matters, and we need to know what our time line is with FERC on comments to get those to you.

So let's just talk about the one time line, and that's February 1st, with the -- with the FTRs, and -- excuse me, not February 1st, it's August 1st, August 1st on FTRs, and so that's about a month and a half from now; and just to tell you the kind of communication rules that we have available right now between the

states and MISO, monthly we have a conference call with Jim Torgerson, and he gives us updates in general and asks us if we have any questions, so that's a wonderful vehicle to be able to use to direct comments to Jim to find out exactly what's going on, and also we have the -- we know he has already offered today to send out representatives of MISO to each of the states if we have questions on the FTR, and I just bet that a lot of states besides Wisconsin are going to take him up on that, and he has also mentioned that they have now the computer model that is out that they can use to show to us what some definite impacts are going to be on states using -- with these FTRs, and so we're all going to be interested to see how this computer model works and what it can show us and how we can learn from it about impacts on our system in the state.

So we have those things going forward. What we don't have in this piece of information yet is from the FERC of, let's say, we thought that we couldn't get everything done by August 1st, how much time are we going to have from the FERC to comment after August 1st

and be able to participate on the FERC level in offering comments? What's our time line from the FERC going to be on an issue like that? Is it going to be six months after that filing is made that we would still have an opportunity to learn, to be able to comment while you're considering it?

So those are some of the -- you don't have to give me an answer right now, but I do -- we do need to know about that in the near future, what those time lines are; and if you have any ideas today and you want to explore this more with us, this would be very helpful to us; and it would be helpful to you as well.

MS. MUNNS: The FERC representatives for the last several months, I know my staff felt like they worked for Sue; and now you'll have that opportunity.

MR. HADLEY: Sergeant Wefald is appropriate.

MR. GAW: I would just, first of all, like to say thank you again, commissioners, for doing this; and we -- we in Missouri have been -- we're in one of those positions that some other states are where we're not just

dealing with this from MISO perspective, but also SPP, and we also have a large rural electric cooperative present, so it's going to -- it's taking a significant amount of staff time, needless to say. I know you all are very busy working with this. I sat in on conference calls in participation that you all had in Atlanta last week and got to hear some of those comments and appreciated being able to do that.

I think one of the things that we are very interested in in Missouri is making sure that this is going to work in the way that you all envision it working and that the good things that go along with this are what occur, and that there are not pitfalls that may not be as foreseeable in theory as they are in actual use, and those things are important to us.

One of the things more specifically that I'd like to hear about -- and I think I've heard this today, but I'd like to make sure I'm -- what I'm -- what I think I'm hearing is what's being said, and that has to do with issues of the new state organization's input, particularly on the FTR issue.

I know in the White Paper you all

specifically went out of your way to say how important it was going to be for state input on the FTR allocation. I've also though from time to time heard statements made just off the cuff from people who didn't necessarily have any knowledge directly that MISO had moved ahead of some of the other regions and that because of that some of the things in the White Paper might not necessarily apply to the MISO region.

In particular, I'm interested in knowing whether or not this input that the new state organization may or may not have in regard to FTR allocation in the coming months and that links to what Commissioner Wefald was questioning earlier about the time frame that we have for feedback, and what Mr. Torgerson was talking about earlier in getting feedback from the states. It would be helpful to get that a little clearer from my perspective. Will we be in the same position in the guidance on the allocation as what I read in the White Paper, and any feedback on that would be helpful, and thank you again.

MR. MASSEY: What I sense here today is that we finally have a framework for

moving forward that will work. I am very excited about the formation of the state committee in this region. I'd like to applaud the state commissions for embracing this concept because we at FERC have been struggling with this issue for all time, how do we find common ground with the states on matters of mutual concern; and I think we have a good idea, may have some bugs in it. There are certainly procedural issues on how each of these committees function, but what I suspect is the way in which the Midwest has embraced this idea and said we're going to make this work, I do think it's a huge opportunity for both the states and the FERC to communicate well and simply work out a lot of the issues that have plagued us in the past; and there are a number of them, of course, and the speakers have mentioned several issues today that we all have to work through together, the seams concerns, Midwest as in most of the other regions transmission investment, how to assign the FTRs is a huge concern here in the Midwest, so that consumers, states have assurance that the system is actually going to work because we're using

new terminology here that, as Jim points out, not everyone is familiar with.

So I think what we're talking about here is really a new way of communicating to resolve common regional concerns that linger and that we all ought to solve. So I want to congratulate everyone sitting at this table for an excellent piece of work, and I think the FERC is committed to this process.

MS. BROWNELL: I'd like to just make a couple of comments. First, Jim, I am glad you brought up the issue of the tribes. We've actually been working more closely with them in the hydro license, but one of the topics is how to bring them into the debate, so I think that's an important issue, and I appreciate you bringing it up.

Secondly, in the issue of resources, I think we have restructured ourselves in regional teams, both those on the ground and those back in Washington, in order to work through issues with the states. So I would encourage you to take advantage of the technical expertise that they bring to the table. They're not the sales team. They're the smart people

team; and as we delve into these issues that require enormous technical experience, they are an important resource; and they're there to work with your staffs, with you to do briefings as commissions turn over because I know that that's something we probably haven't addressed adequately, how do we get those folks briefed and how do we support MISO as it goes out in its outreach effort, so please take advantage of that, that's what we are all here for, and it is very difficult to do the day job plus change the world as we move to regional markets, so, please, it's there to be of service, and that's just -- again, I just want to say thank you for the commitment that this region has made to, I think, ground breaking, I told Susan Wefald, history making efforts to change the markets.

One of the things that we also need to talk about; and, Susan, you may want to comment on this, is we do have a lot of non-jurisdictional organizations that need to be sure that their voices will be heard on the OMS, and maybe we're asking a lot. You just organized this morning; but if you've given that some thought, because we're all committed to

making this work for all the market participants, whether we regulate them or not.

MS. WEFALD: Speaking for myself, because we have not talked about this yet as an organization; but at our commission in North Dakota, all of the utilities, whether they're jurisdictional or not, are open in our hearing room; and we often ask them to come in and to give us comments and insights about their thoughts on market issues that relate to electricity; and I see that same thing happening as we move forward with these issues that are important to the Organization of MISO States.

Of course, though, the -- each state commission will have the opportunity to consult with the people, whether they're jurisdictional or non-jurisdictional, on these issues because we know they're important to all the consumers in the state; and we want to make sure that we understand very well their thoughts on these matters as well.

CHAIRMAN WOOD: Okay. Two thoughts, first one is OMS, and I'm just going to kind of divide the packet that South Dakota, and I think really in response, Steve, I guess

to a direct question, I would say, yes, we want to know what the group thinks about -- here's -- if I were -- Madam Sergeant, if I were scheduling and trying to cancel things that seem to be leaving or coming to an FTR allocation, that's probably, if there's a reasonable time to get a pre-education on that before they file, and if you need more time after that, then we'll make sure of that. Six months I think is going to be long. We'll do a final allocation.

MR. TORGERSON: End of January.

CHAIRMAN WOOD: So there is six months; but the initial filing, I think we were planning to put an order back on that initial filing; and I think the end of the filing, making the route at the same time is the initial energy market tariff, that's kind of akin to -- FTR allocation is one in the White Paper specifically because allocation of transmission rights really isn't possible and formed by the newly run facts that are out there. I think it's our hope that that would be something that between Jim and his staff and the OMS that there would be a very strong dialogue.

Can you get to agreement? Frankly, I

haven't seen (inaudible), get back to the office tomorrow, but that would pretty much form (inaudible). I think if you have something to work from, a lot of the (inaudible) can disappear, new ones may show up; but at least you know who you are dealing with, so it may be useful for us to huddle up on a conference call in about a month and get a sense where you are with Jim in the allocation issues, so I think that would be kind of a front burner issue, the general tariff, set up in tariffs here is -- this thing called the process tend to do a pretty good job of what issues -- tariffs are big documents that comprise, you know, I think you and we will both see, hear, focus on; and I think just as a general reaction to the comments on that, whether this group individual states senses from prior experience with tariffs in the regions that sometime those issues are more local that are raised in the tariff itself.

There will be other issues that pop up, and I think aside from that would be something that we can respond to collectively and get a collective response of any level of detail achievable. It might just be some

relatively local concerns that comes out.

As far as usefulness of time, the FTR (inaudible) clearly. Probably not as long-range as important, but as far as pressing for time, the planning, you also can't hold to. MISO has done a lot work on already, the related question to that is one that I found in Kansas yesterday is, okay, we can plan all we want, but how is that -- we have to get TOs, we want merchant transmission; but in any event, how is that possibly allocated; and the core question, it's one we heard a lot of this, did hear about it in Kansas yesterday, but in incremental billing or transmission to serve the reliability, I think there's reliability needs.

I got the sense that there's much need in the south for that to be anything but a rolled in cost, rolled in to a -- you call it license plate. The broader question, you want ISO postage stamp, smaller postage stamp, and have everybody just keep the existing cost of the utility that they have. That's kind of a big question; or I think as one of the commenters said earlier, can you split it, split it, that's one impression, cost allocation

issue, that is existing cost and then on prospective cost. The transmission hadn't been built yet. The question of do you go to a very granular beneficiary phase type approach or do you zoom it out to something in between where you have general regions that benefit from the construction that you would allocate to that region, whether that be a MAPP allocator to a TLR to versus marketing utility or do you just have something much larger.

Again, I think as Susan just pointed out, it may be dependent on kind of the size of the investment that we're talking about. Did you actually indicate the benefits in general should be included in the general postage stamp, those types of concerns are possibly the ones that can go to make a difference between transmission that is needed and built upon and then that role -- I said it more in the south than I think actually at least parties here being on the flip side, on the participant fund issue, how much of the transmission should be directly financed by the individual party that is requesting, so those questions are many, but I think if you can deal with the FTR allocation,

the cost is -- so I would suggest that that would be allocation of the tariff issues, and the one that's keyed up for appearing later this month is this technical conference on market mitigation.

The MISO had proposed a series of market mitigation approaches, which I think Bill from our staff talked a little bit about what we do. The market mitigation are the ones that are actually implemented here in ISO, really the rules that control the market here to the extent it's needed.

We have kind of through our experiences, both good and bad, in the last five years come to conclude that there is a pretty strong link between at least some forms of market mitigation and the type of resource approach that's important in a region, and that's a delicate balancing act between state jurisdiction and federal jurisdiction and wage and issue.

I think that's the way of the day is do we -- can we get a good understanding of the diverse approaches taken to resource items and again a combination of generation and

demand-side approaches that give you that safety cushion that we historically call the 15 percent, but, you know, that -- is that uniformly applied across the region or how is it applied, and then you mentioned that any sort of mitigation that's put on the spot energy markets, for example, is synchronicity with resource acts. For example, we've got a relatively low price cap on the energy market in California, but you've got now a growth cap of some pretty tight controls in the generation market to get those no count balancing capacity market there, generation that you will actually have a regional shot at conferring your long-run cost of building and financing.

We recognize that our goals there in transmission push that market to capacity to the best of our mitigation to match it; but autonomic, we want to make sure that we've got in the eastern markets where there is the approach that you do have some market mitigation, but you also do have the capacity to cover that. I believe we've got some questions about is that the right that will work.

There's also another option out

there, it may not be as politically popular, but it may be -- I heard somewhere it's the best way to do it, don't mitigate the energy market -- to do that, I don't know. Can we handle that roller coaster ride?

I'm just saying those are the kind of options that you all will actually make, whatever, the balance, those are the four examples, Madam President, of the -- at least the initial way that I see the OMS provide a lot of leadership.

MS. WEFALD: Again, that resource adequacy one, I understand we're under a rather tight time line with that issue with MISO, that they need -- maybe, Mr. Torgerson, it would be helpful if you talked about that. I think he mentioned something about that there needs to be a committee that's working on resource adequacy, and the commissioners have been working with this issue from the beginning of that issue, so it's not that we're unfamiliar with it, but there's been a lot of work being done in the last several months of commissioners being involved in resource adequacy task force, and we're going to certainly use that expertise

that they have as we delve into this issue, but I understand that there needs to be a piece of that done rather soon, and then there needs -- then we have more time to work on the rest, but I need to understand, and I think it would be helpful for the commissioners who are here today, to know what the piece is that needs to be done rather soon.

MR. TORGERSON: What we have supply adequacy as the work group that is working on this, and the view was that we would be working with the OMS in kind of a little longer term basis because we knew upfront -- from the March 31st implementation, they are coming up with a plan, and that should be in the next few weeks, I think, if not the next month or so, on what would be needed for the March 31st, then I think we need a longer term though solution related to resource adequacy overall. What we're going to do with the commission -- on the state commissions, and this would be looking at some of the things Pat had talked about, which would be what do you put in initially related to compensating generators, do you have some type of mini ICAP market, and that's what

they're working on now, that has a shorter time frame. We have to work with the state commissions on the resource adequacy issues. This is not something we're going to solve in the next few months. This was put in as part of the market and -- but then knowing full well it's going to change as soon as we come up with whatever the OMS working with us wants to do.

MS. WEFALD: And so I understand the time frame, there's going to be another commenting on the transmission adequacy working group of MISO --

MR. TORGERSON: Supply.

MS. WEFALD: Excuse me, supply adequacy committee at MISO, and it probably would be helpful for them to just lay out the kind of questions that they need input on immediately versus their thoughts on some of the long-term issues that are before us.

MR. TORGERSON: Right.

MS. MUNNS: It would be helpful to me, and I haven't been following this, we're into a lot of issues, and it's going to put a lot of demands on our time, so when you need to know something or have something in place, I'd

be interested in knowing what's driving it that we have to have an answer right now that it puts it to the top of the pile of what we need to work on.

MR. TORGERSON: What we were intending to do and this will happen in the next -- I'll tell my staff it's got to happen in the next week, is to put all the dates out as to when things need to be done, when we need input, you know, the time line we have, and when decisions need to be made so that everybody understands when things have to be accomplished, so we'll get that out to you within the next few days if not a week at the longest. We have the time line. We know what decisions have to be made and when, so we'll just make sure that everybody knows what they say, and also put kind of the priorities on them too from our perspective.

CHAIRMAN WOOD: And I think I heard from Diane also the reason why -- just the big picture, here's why this matters, that FTR allocation matters because if you go through a market-based system, which is an invitation here that people need to have basic coverage for

congestion costs, so that customers don't get a bill for congestion, so it helps to know who has the get out of jail free cards, so those kind of things certainly would be helpful.

One thing I want to offer, and Kevin Kelly from our staff is here, Kevin, what he and the policy shop have done was to work on a lot of these issues.

What staff does for us is give us options when we're looking at positions for -- what I really kind of heard in Diane's questions, what else you were asking too, what are the considerations that, you know, we as decision makers ought to be considering here, so our staff of the FTR locations may lay out options that would probably be more fact specific, but these mitigation techniques, how they line up with the resource adequacy.

The staff has done some thinking about that; and I'm likely to just say as those issues come up, we'd be glad to go to our folks who have done some thinking about that and kind of lay out the options, at least their assessments of the pros and cons, so you have that in your briefing packet. Something that

comes up as we ponder all these issues, here's what party A, B, C say. These other three parties advocate the different approach and here's why, so those kind of things we certainly want to use the staff's expertise here.

Certainly on the short-term or long-term support, as it's set up, understand some of these wholesale issues.

MR. BURG: One of the things that occurs to me, one of the stakeholders brought it up, first of all, how do we arrive at these time lines and should we consider looking at functionalities rather than specific time lines? In other words, is this ready to implement even though we've set a time line, are we there and not, you know, not meet time lines, but things that aren't ready yet, this kind of conversation overlaps on some of the challenges emphasized, one of the stakeholders actually made that comparison to go forward on the basic outline.

CHAIRMAN WOOD: I would just say, and I think that's a fair point. I think Jim Torgerson has got to manage contract staff, and I think as we all know deadlines are kind of

a great way to kind of motivate folks to stay with the program. You know if we said the deadline was '05, I know everyone who walked out of this room would not keep working on something to get it done. I think it would help us collectively, based on what we've got here today, to back up the time frame that is thoughtful, but is aggressive; and if the future does warrant that something is not ready, particularly technical type issues, those things do ultimately control.

I would just say until we've got a good reason to go otherwise, I think we collectively should try to stick with a schedule that's reasonable; but it should be driven by the outcomes, so I'm looking forward to the calendar to the next week, and I think that's something that can keep us going. It should be driven by substantive achievements along the way, clearly the discussion about the allocations, Jim, and others about the communication system, both at MISO and other areas of the TOs, I assume you're all getting briefings on that, and I would suspect that that would continue, but -- yeah, I think a

combination of both. Jim?

MR. BURG: I think that's probably the way. We see that something isn't ready at the state course, until we reach that, I think --

MR. HADLEY: I'd like to add a concept to this, and I think to your credit as an agency, sometimes it's been the criticism by some quarters that deadlines are set and then not held to because you back off, is the quote that was perceived sometimes, but I think the flexibility you just described is just a common sense way of doing business. You set your deadlines, you set your goals, you do your best effort to get there, but then you're pragmatic enough to understand that maybe it's not the best solution right now, and we do need a little more time, and I think that's a very positive way to do things. We wouldn't have gotten OMS accomplished without the deadline of June 11 for this meeting, and there were a number of areas that we were really pushing ourselves on, thanks to Sergeant Wefald that we were able to finally reach the kinds of consensus necessary to reach our deadline.

Obviously if we hadn't been able to reach the consensus necessary, we would have not met that deadline, but it pushed us hard.

What I am concerned about in the discussions, as Commissioner Massey has outlined, from the first RTO FERC week about how long this project has been incubating and trying to get to fruition, the same as the expectations for the OMS; and this -- this way that we're going to communicate and this dialogue that we've just been having on time lines is very important for us in state commissions for the OMS and, of course, FERC, but also for stakeholders.

I said this earlier in the MARC meeting, but one of the ironies that I'm finding in this kind of discussion is as FERC is accused of not giving MARC a certainty by the very people that have asked for MARC to solve problems; and if we're going to truly create RTOs as Order 2000 said and try to develop a less heavy handed regulatory system in this country, then we need to let RTOs help solve the problems, so I hope that market participants don't sit back and think now is the time to just

wait for this organization to reach all the conclusions to the technical problems that haven't been resolved to date. Rather instead, these very same deadlines, these very same time lines, need to be met by market participants through the stakeholder process. The RTOs are charged with solving some of those problems with your help. I don't think now is the time to stop the hard effort that's already been put in.

Visiting with MISO, as you did in December, Mr. Chairman, and you saw how many people are engaged. The same is true in other RTOs across the country.

Some of the issues that have been outlined here very specifically have been struggling in an uphill battle to a certain point, and it's almost so close to reaching that magic nirvana that we tried through the RTOs. It's not time to stop those efforts. It's time to redouble, don't wait for us. We're glad to be participants. We hope to add to the dialogue even more, but don't stop your hard work. It's the only way we'll reach final consensus.

If you want to go back to heavy handed regulation and not have the process

you've all engaged in, there's regulators at this table that have that role as well. Keep that in mind, please, as we look forward to continuing that.

CHAIRMAN WOOD: The gentleman mentioned who's in, who's out. What are the time lines for the different -- I know we have a couple company transfer applications that are coming. No, you didn't talk about -- what else is out there for the states?

MR. NELSON: GridAmerica, MISO, NIPSCO, and National Grid, those hearings will be coming up this month or at the end of this month, and we have had testimony and hearings on the AEP, PJM, transfer of assets. Those are still having transfer of filings through the time line, and we're awaiting order. Those are two.

And regarding AEP and in terms of whether or not they are abiding by state law by not joining RTO by end of December '01, blaming the legislature. Also we believe there's a case pending on that, I think that's an issue that has to be solved before we go to this virtual market.

CHAIRMAN WOOD: Do you know of any others that have been named so we can kind of keep those accountable?

MR. TORGERSON: We're going to have TRANSLink. Again, it's state commission primarily, Iowa, Minnesota, we talked about; and then Illinois Power is going to come up at some point; but that will be, I think, at the FERC level; and probably will have to get the state level also at Illinois. So those are the ones we just need to make sure the footprint, we know what it is.

MR. WOOD: It's my position based on the discussion yesterday that the SPP will be its own.

I made this offer, if it will help the folks in the other states, if there's anything of a jurisdictional issue or FERC issue that we can work on prior to a FERC proceeding, if there's some clarity that needs to be -- I hate to see a misunderstanding between us and our roles devoid the process.

Please consider that an offer. We can participate in a number of venues that would be appropriate for the state process, just

please let that be out there.

MS. BROWNELL: The clear success, say hooray, clap for our state (inaudible).

MS. WEFALD: I know there's one other question out there. Commissioner Munns said she was going to ask it, but she didn't. Do you want to ask that for yourself or do you want me to?

It was about the actual rules, the timing of the standard market design rules.

MS. MUNNS: We have a White Paper and the legal status of the White Paper.

CHAIRMAN WOOD: The White Paper is a place we funnel what comments we've learned, so it's a halfway point in our moving forward. I have indicated that it's a way until Congress can view the energy session before it, impact either on the process or the substance of that rule is kind of slipped -- so let's just do it all at once.

Tell you what I told the folks in Boston and quite frankly would be applicable here, certainly seems to be consistent with not only the spirit, but the letter of the White

Paper, but really the rule. We're going to get to a point where we'd like to free this process of -- basically say you're done, whether there's a rule or not, you should not care about it, because you don't have to do anything.

So we have the rule out there for people who are not at that point yet, so that's easy for the FERC to get that point, but for those who are past the finish line, basically give you free passes, so it's a little bit of a -- I mean, we've kind of lived with a parallel path for almost two years, since we set up this docket, but it has managed to nudge and move forward, and that's what -- I think it's a good question, surprisingly hasn't been asked before.

MS. BROWNELL: It's a good one that maybe we ought to put on the top of the building because I think it's been a source of unending confusion. There is no intent or nothing to be gained for undoing decisions and commitments that have been made, for example, within MISO because of a rule out here. The rule was intended and still is intended to be kind of a guiding set of principles that people need to address when they're doing the actual

work of market design, which is well on the way, so I mean I would just agree with everything that Pat said.

MR. MASSEY: It also appears to me that the White rule here, major aspects, other than any event, you have an RTO, you have a state of the art market design, you have a state and concept and regional committee, you have a market platform, grid operator, and so it seems it me that you're at least at the White level or ahead of it.

CHAIRMAN WOOD: Sarah is here with the microphone, and if you want to ask any of the panelists questions, we're ahead of schedule for a few minutes, ask if anybody else wants to offer any advice, comments, questions.

MR. SEIDE: My name is Richard Seide. I'm with PSEG, and I guess first I want to commend FERC and the various state commissions today on not only this conference, but in organizing the OMS; but in looking at the agenda that the OMS has in front of it, the question I have is with regard to if an impasse is reached, if the OMS cannot come to a decision, let's say, on resource adequacy, what

will be the mechanism that will entail from there to the extent that there is a recognition that resource adequacy does play a role in market design or the linkage, if you will, to mitigation measures, how will an impasse be dealt with?

MS. WEFALD: The goal of our organization at the beginning is consensus, however, we know that there's very much diversity within the region. It's just expressed by that some states have already put in place retail wheeling and other states have not, that's just one, you know, one signal that we have approached things in different ways so far, however, we are going to be allowing for diversity of viewpoint within this organization because we know it's natural, so while we will be trying to reach consensus, we will be allowing for diversity.

On an issue as important as resource adequacy, it will be -- we'll really be working hard among the states because we know that we cannot as an organization of 14 states and one province force any state to do anything -- let's say there's agreement between 12 states, and one

says I don't agree with that, there's no way that we can force them to take that position as their own, and so that's why we're going to be looking for new solutions, new ways of approaching these issues so that we can reach a consensus.

It's very important to us, and we know it's very important to our customers to try to find agreement, and we're going to be looking to you for ideas of how we can accomplish this.

We're looking for new ideas about ways to approach, for example, the important issue of resource adequacy; and I'm sure my fellow commissioners have other thoughts on this.

Anything you want to share?

MS. MUNNS: As you can imagine, we have had a lot of discussions about this point; but really what it came down to is no authority transferred to this organization. There really isn't any way to transfer authority to this organization absent forming an interstate compact -- or really that's probably the only way that we can. So, you know, recognizing that this organization really,

absent that kind of work to set up a compact, can't have any authority, we had a lot of talk about this.

Really what it came down to is on issues where we are advisory to the FERC, and I think that what the FERC has said is to the extent that we can reach some consensus in the region, that that would be compelling to you in doing that. We control our own destiny in this region, so what we need to do is reach a consensus where we can.

Where we can't reach consensus, we need to determine whether or not we can make some accommodation; and where we can't do that, then we need to be able to articulate the differences there are that drive and what drives them in this region; and then we will leave the decision to you to make and impose on us against our will.

MR. MASSEY: If I can comment on this, even if you don't reach consensus, you will have a huge impact on the FERC, so it's really a fabulous opportunity, I think, for the states working together to have a very strong influence on what the rules are for the Midwest

period, even if it's not purely consensus.

MR. NELSON: I think it's evident if you're looking at the White Paper, what it really said in the White Paper is that they wanted the OMS to determine an approach. We're set up to look at various approaches; and even if we don't come to an agreement on an approach, I think we have accomplished a lot, as Commissioner Massey said, in opening up the debate and opening up consideration of, for example, demand response has not been a huge basis before.

MR. GAW: Just to follow up, if there's feedback here that would be helpful to me, it seems -- it seems to me that whether it's real or imagined, there would be an incentive for the states to reach -- or find a consensus if it's possible because I think there will be a feeling that if we do that, that that would be the right answer, that there would be a significant amount of deferral to what we have stated in that position; and that the less consensus that we have, the more we are at risk for some other decision that we may not like to come down from FERC. So I think there will be

some incentive built into this for us to come to a consensus. I don't image that will always be possible.

CHAIRMAN WOOD: We got asked this a little bit in Atlanta last week, and I think one of the oddisms that had been thrown at me that I do want to share is the quality of the decision making process is important. I think a lot of the stakeholders -- actually quite a bit of the board down there brought this issue, Gary Hall, but some of them have issues that are not regulated by state commissioners, co-op, for example, why would they be worried about how can you defer to them to represent our wholesale customer; and so I was really interested to hear how the North Dakota commission worked; but to the extent that you all are looking at issues that are basically issues, typically things that we all do, allocations and thing like that, public policy issues, the ability to demonstrate that the process doesn't just represent the customers, but all the customers of Michigan that will help us be as close to you on the retail level as some customers are with being, I think, a lot more settled in the water. I think

there's some nervousness out there about how much -- I want to hear what she says. We want to make sure that the level of the state here is not one that is to the exclusion of the others.

So to the extent that you all through the process and through the public event or whatever -- right, she's the one, Roberts' Rules of Order -- Susan's Rules of Order, I mean great to the extent that there's public knowledge about what, I'm good, I'm good. It makes it quite frankly personal and makes it easy for us at FERC to give something to decisions because of the process that you all are going through; and, you know, since you consulted outside members listen in or feedback, that's helps too, but I just wanted to share those concerns from another meeting to let you know it's out there.

MR. RANDAZZO: My name is Sam Randazzo again, and if I could offer a suggestion, and I'll use resource adequacy to make a point. I think by anybody's measure, we have at least in terms of the reserve margins in this part of the country a fairly healthy reserve margin; and if one would determine that we need more capacity, I guess that would be a

surprise to me. I think our problem is more of a coordination issue in getting the transmission to a point where we can dispatch resources in peak demand, so that I use that as an observation to suggest there -- I would hope that in this process there's a prioritization so that we can begin to deal with those issues that really have a critical tipping point element associated with it.

Resource adequacy is something that -- it needs to be addressed. It has a longer term implication. Based upon current conditions, it seems to me, and I would strongly suggest, that we try to focus on some near term problems that must be resolved before whatever the reserve market determination is in terms of the ability to help satisfy a more coordinated plan, so that would be what I would hope.

Thank you.

MR. WAHLE: I'm Ray Wahle with Missouri River Energy Services, and I would like to comment on what Chairman Wood said about non-jurisdictional facilities concern. I have mentioned to some staffs of -- some of your staffs, local commissioners in this region about

exactly that concern about non-jurisdictionals and the commissioners maybe not taking into consideration the needs of non-jurisdictional utilities, so that is a concern in this region, and I want to make sure that you all are aware of that. At least from my organization we are very concerned about that, and we have been engaged in talking to various commissioners in this region, and we'll probably continue to do so, so I do encourage that.

MS. WEFALD: We're very happy to include on our regional board of directors a representative of the Nebraska Power Review Board, and so that is -- that is a new voice that's entering our -- we have -- as commissioners, we have definitely worked with the Nebraska Public Service Commission, but because they don't have jurisdiction over electricity matters, we -- the group that we're going to be working with in Nebraska is Nebraska Power Review Board, so we are sensitive that there are other groups out there, and we are anxious to hear their voices.

MS. MUNNS: This may change focus here, but it's a question that I wanted to

have answered today while you were here, I don't understand what the DOE is doing setting up its transmission elements and how that fits into all the rest of this.

MS. BROWNELL: We can both take a stab. I think that it's a recognition by DOE that the economic development issue for the country in lack of transmission are enormous.

We don't have a full understanding of it, so I think you will see a continued number of studies in the works that maybe none of us have the resources to do.

I think those studies will then lead to teeing up some policy questions maybe that we all need to deal with, so I look at that as a wonderful resource that frankly I wish we had ten years ago because we might not be in this position today, kind of not knowing what we need and where we need and how we get there and dealing with the investment crisis in the country.

CHAIRMAN WOOD: The head of that group is Jimmy Blackfeldt, who has been working with a lot of these issues, electricity issues. I'd like to get him up here to visit with you

all. I know they've got -- he's kind of got a multiplicity of issues.

Anyone else? Any other comments or questions?

I want to thank you on behalf of our good friends and colleagues.

Where you go with these plans, I know SPP folks were pretty interested in where that goes, so I just wondered is there kind of a process in place for dealing with recommendations from the transmission plans?

MS. WEFALD: Yes. Do you want me to say more? There is a process in place. There is -- we have set up a committee, our organization that will be dealing with transmission planning and siting issues. We have already had an opportunity to see and look at the plan. We know that the board of directors of ISO will be approving that initial plan, I believe, it's on our agenda for next week.

MR. TORGERSON: Next week.

MS. WEFALD: Then that's the first step then, and then the states have an opportunity to take that plan and do with it

what we wish, and so we certainly will be taking a very close look at that and setting up test groups that relate to individual areas that are affected by the plan, we'll call them project teams, and so you can look forward to hearing more about those in the future as we move ahead with those efforts.

MR. NELSON: As I read the White Paper, one of the issues on the planning is the number of enhancements and the provision that says each state committee may determine the criteria, which I think is the role that we intend to play; but it does also say if we don't reach a decision, and that's going to be referred to where you go, there's no time line in terms of how much time we have for us to know if we have a year or if we have less time. As I think Sam had said, there are a number of these issues in terms of when this fall back kicks in. Is that more a tariff issue or cost allocation?

MR. TORGERSON: The cost allocation for new transmission that was what we were going to be working with OMS.

CHAIRMAN WOOD: It's not something you have under the fix?

MR. TORGERSON: No.

CHAIRMAN WOOD: So the answer to that is we don't know yet, kind of next March.

MS. JONES: Judy Jones from Ohio. Regarding the transmission plan, we do have what is known as a working paper in progress set up the way we're going to deal with it, and so that's something that has not been finalized. We're still getting comments from the other states, and it's something that Ohio and Wisconsin were assigned to work on. We just haven't completed it. We are late, but we do anticipate that it will come up soon, and I think that that will be helpful to actually facilitate what Susan has stated.

CHAIRMAN WOOD: Thank you, that is so important. It's really on the list of the eight items that we said were all critical for the wholesale market, was to have a well established and well understood cost allocation form so that the investors in transmission and the customers know.

So that kind of certainty, we haven't had that quite frankly for ten years. The type of transmission that has been built has been

locally, but there's been very little inter-regional transmission. Nobody has ever talked about how its connection could be made, so now that we've got a regional organization that helps you look on the regional basis, put assessment and cost on a regional basis, it will be a lot more -- that will be a lot brighter future for the infrastructure. So I don't think it's late. I think it's quick.

Well, thank you all very much. I won't be here again other than to say I appreciate the hospitality. Meeting adjourned.

(The meeting concluded at the hour of 5 p.m.)

- C E R T I F I C A T E -

STATE OF NEBRASKA )

) ss.

COUNTY OF DOUGLAS )

I, Caroline L. Miller, RPR, CSR, and  
General Notary Public within and for the State  
of Nebraska, do hereby certify that I served as  
the Court Reporter for the within cause on the  
date aforesaid and that the within transcript is  
a true and correct extension of my stenotype  
notes taken at the aforesaid time and place and  
reduced to writing by means of computer aided  
transcription.

Dated this 16th day of June, 2003.

GENERAL NOTARY PUBLIC