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BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

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IN THE MATTER OF: :
CONSENT MARKETS, TARIFFS AND RATES - ELECTRIC :
CONSENT MARKETS, TARIFFS AND RATES - GAS :
CONSENT ENERGY PROJECTS - MISCELLANEOUS :
CONSENT ENERGY PROJECTS - CERTIFICATES :
DISCUSSION ITEMS :
STRUCK ITEMS :
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949TH COMMISSION MEETING
OPEN SESSION

Commission Meeting Room
Federal Energy Regulatory
Commission
888 First Street, N.E.
Washington, D.C.

Thursday, July 16, 2009
10:12 p.m.

1 APPEARANCES:

2 COMMISSIONERS PRESENT:

3 CHAIRMAN JON WELLINGHOFF (Presiding)

4 COMMISSIONER SUEDEEN G. KELLY

5 COMMISSIONER MARC SPITZER

6 COMMISSIONER PHILIP MOELLER

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P R O C E E D I N G S

(10:12 a.m.)

CHAIRMAN WELLINGHOFF: This is almost the time and the place noticed under the Sunshine Act for open meeting of the Federal Energy Regulatory Commission, to consider matters on the agenda today.

Please join me for the Pledge of Allegiance.

(Pledge of Allegiance recited.)

CHAIRMAN WELLINGHOFF: First of all, I'd like everybody to please note my corporate modesty shield here that I have in front of my computer.

I want to make sure that no one knows that there's a Apple logo underneath here.

(Laughter.)

CHAIRMAN WELLINGHOFF: I don't want anyone to get the wrong idea.

First, I'd like to note that the Commission Staff will convene technical conferences in September, to examine the transmission planning processes that are being conducted pursuant to Order 890.

These conferences reflect the Commission's commitment to assist and inform transmission owners and operators and other stakeholders, in complying with Order 890, the transmission processes that are required under that Order.

1 The focus of these Technical Conferences, will
2 be, first, to determine the progress and benefits realized
3 by each transmission provider's transmission planning
4 processes, obtain customer and other stakeholder input, and
5 discuss any areas that may need improvement;

6 Second, to examine whether existing transmission
7 planning processes adequately consider the needs and
8 solutions on a regional or interconnection-wide basis, to
9 ensure adequate and reliable supplies at just and reasonable
10 rates, and, finally, to explore whether existing processes
11 are sufficient to meet emerging challenges to the
12 transmission system, such as the development of
13 interregional transmission facilities, the integration of
14 large amounts of location-constrained generation, including
15 renewables, and the interconnection of distributed energy
16 resources, including demand response.

17 The Conferences will take place on September 3rd,
18 in Phoenix, Arizona; September 10th, in Atlanta, Georgia;
19 and on September 21st, in Philadelphia, Pennsylvania.

20 The Commission has issued Orders addressing more
21 than 100 transmission planning compliance filings, and, at
22 this time, I'd like to recognize and thank the many Staff
23 members who have worked on these filings.

24 The team has perform admirably under the
25 leadership of Jamie Simler, Kathleen Barron, Mason Emmett,

1 John Cohen, Michael McLaughlin, Zeny Magos, David Andrejcek,
2 and Chris Thomas. I'd like all the team to stand, please,
3 and I'd like to give them a round of applause for their hard
4 work.

5 (Applause.)

6 CHAIRMAN WELLINGHOFF: Since the last open
7 meeting, we have issued 60 Notational Orders, and before we
8 go into our agenda today, I'd like to highlight one of those
9 Notation Orders.

10 The Commission, today, is ordering market
11 operators in New York and neighboring regions, to submit
12 within six months, a long-term, comprehensive solution to
13 the Lake Erie loop-flow issue.

14 The Commission action draws upon a Staff
15 investigation concerning allegations related to the Lake
16 Erie loop-flow issue. That investigation, completed by our
17 Office of Enforcement, found neither tariff violations, nor
18 market manipulation on the part of market participants.

19 However, we did find that there is a systematic
20 pricing issue that affects customers in New York, PJM, and
21 the Midwest ISO. To resolve that issue, we have ordered the
22 New York ISO and other regional market operators, to submit
23 a solution that addresses interface pricing and congestion
24 management, and ensures that consumers will not be impacted
25 arbitrarily.

1 I look forward to an expeditious Commission
2 review of that proposal. Do any of my other Commissioners
3 have any comments on that New York/Erie loop flow?

4 (No response.)

5 CHAIRMAN WELLINGHOFF: With that, Madam
6 Secretary, we'll begin.

7 SECRETARY BOSE: Thank you, Mr. Chairman. Good
8 morning, good morning, Commissioners.

9 Since the issuance of the Sunshine Act Notice on
10 July 9th, 2009, E-7 and H-3 have been struck from this
11 morning's agenda.

12 Your Consent Agenda for this morning, is as
13 follows:

14 Electric Items: E-1, E-11, E-12, E-13, E-14, E-
15 15, E-16, E-17, E-18, E-20, E-21, E-22, E-23, E-24, E-25, E-
16 27, E-28, E-29, E-30, E-32, E-33, and E-34.

17 Gas Items: G-1, G-2, G-3, G-4, and G-5.

18 Hydro Items: H-1, H-2, and H-4.

19 Certificate Items: C-2 and C-3.

20 As to E-1, Commissioner Kelly is concurring, in
21 part, and dissenting, in part, with a separate statement.

22 As to E-25, Commissioner Kelly is concurring,
23 with a separate statement.

24 We will now take a vote on this morning's Consent
25 Agenda Items, beginning with Commissioner Moeller.

1 COMMISSIONER MOELLER: Who votes aye.

2 SECRETARY BOSE: Commissioner Spitzer?

3 COMMISSIONER SPITZER: I vote aye.

4 SECRETARY BOSE: Commissioner Kelly?

5 COMMISSIONER KELLY: With the exception of my
6 dissent, in part, in E-1 and noting my concurrences in E-1
7 and E-25, I vote aye.

8 SECRETARY BOSE: And Chairman Wellinghoff?

9 CHAIRMAN WELLINGHOFF: I vote aye.

10 SECRETARY BOSE: The first item for presentation
11 this morning and discussion, is E-3, concerning Smart Grid
12 Policy in Docket Number PL09-4-000.

13 There will be a presentation by Ray Palmer from
14 the Office of Energy and Policy Innovation. He is
15 accompanied by Elizabeth Arnold from the Office of the
16 General Counsel; David Andrejczak from the Office of Electric
17 Reliability; and Dennis Reardon from the Office of Energy
18 Market Regulation.

19 (Slides.)

20 MR. PALMER: Good morning, Mr. Chairman and
21 Commissioners. Item E-3 before you today for your
22 consideration, is a Draft Policy Statement that sets forth
23 the Commission's policies and near-term priorities to help
24 achieve the modernization of the nation's electric power
25 system, through new smart-grid technologies that are

1 encouraged by the Energy Independence and Security Act of
2 2007.

3 These smart-grid advancements will apply digital
4 technologies for two-way communications, automated controls,
5 and advanced-state estimation on the grid.

6 These improvements will permit increased
7 throughput in transmission, as well as enable real-time
8 coordination of information from both generation supply
9 resources and demand-side resources.

10 This coordinated flow of information will help to
11 facilitate the integration of significant new renewable
12 power sources into the transmission system, and also
13 facilitate a greater level of demand response.

14 Ultimately, these technologies to allow both
15 utilities and customers to better manage their electric
16 energy costs.

17 The Commission issued a Proposed Policy
18 Statement on March 19, 2009, and sought comment on proposed
19 policies to discharge the Commission's responsibilities
20 under Section 1305(d) of the Act.

21 This section requires the Commission to adopt
22 interoperability standards and protocols necessary to ensure
23 smart-grid functionality and interoperability in interstate
24 transmission and in wholesale electricity markets, once
25 sufficient consensus has been achieved on standards being

1 developed through process coordinated by the National
2 Institute of Standards and Technology.

3 The proposed Policy Statement requested comment
4 on six key priority areas for the Institute and industry,
5 regarding interoperability standards.

6 Those priorities included the two cross-cutting
7 areas of cybersecurity and standardized communications
8 across inter-system interfaces, as well as the four
9 functional areas: Wide-area situational awareness; demand
10 response; electric storage; and electric transportation.

11 The Draft also proposed that smart-grid
12 investments that demonstrate cybersecurity and compliance
13 with Commission-approved reliability standards, the ability
14 to be upgraded, and other specified criteria, will be
15 eligible for timely rate recovery and other rate treatments.

16 We received over 70 comments on the proposed
17 Policy Statement. In general, there was broad support for
18 the key priorities that the Commission had proposed.
19 Comments on the proposed interim rate policy, were divided.

20 The Draft adopts the two cross-cutting and four
21 functional priorities in the proposed Policy Statement. It
22 also adopts an interim rate policy for the period until
23 relevant interoperability standards are adopted, which
24 should encourage investment in smart-grid systems.

25 This rate policy provides for early adopters of

1 smart-grid technologies, to recover smart-grid costs that
2 are subject to the Commission's rate jurisdiction under the
3 Federal Power Act, if they demonstrate cybersecurity,
4 compliance with reliability standards, and the ability to be
5 upgraded, among other factors.

6 The Draft states that the Commission has the
7 authority to adopt interoperability standards for a wide
8 range of smart-grid applications, including those that
9 affect local distribution systems, and makes clear that does
10 not change federal and state jurisdiction with regard to
11 rates and economic regulation.

12 Thank you. We are ready to answer any
13 questions.

14 CHAIRMAN WELLINGHOFF: Thank you, Ray. I want to
15 thank the team for their hard work and for helping us all go
16 through the comments from over 70 parties to this
17 proceeding. It's an extremely important proceeding.

18 I actually have a question for you, Ray, with
19 respect to distribution of our Policy Statement. Obviously,
20 the parties who commented, will get copies, but other
21 stakeholders are participating in the NIST process, and is
22 there some way -- do we have lists, where we can get
23 distribution to them, directly, of our Policy Statement?

24 MR. PALMER: We certainly can ask NIST to make
25 the statement available on their website or other mechanisms

1 that they have to distribute information.

2 CHAIRMAN WELLINGHOFF: On the NIST website, they
3 have a --

4 MR. PALMER: They do have a smart-grid page, and
5 then also a collaborative website where, you know,
6 stakeholders exchange ideas, and I'm sure that NIST would be
7 happy to put the Policy Statement in one of those places.

8 CHAIRMAN WELLINGHOFF: Right, that would be good.
9 I think that anything we do to distribute to those people
10 who are participating in the NIST process, would be very
11 helpful.

12 This Policy Statement that we vote on today, will
13 help, I think, inform and accelerate the smart-grid
14 standards development process, so that the proposed
15 standards that will be submitted to the Commission for
16 review, will be done and be approved in an expedited manner.

17 When the Commission issued our Proposed Policy
18 Statement on the smart grid in March of this year, I said
19 that I expected that the increased efficiency and
20 reliability and flexibility of the smart-grid system, will
21 result in long-term savings for consumers.

22 The comments that were submitted by many parties
23 to this proceeding, I think, clearly share that vision. The
24 Policy Statement adopts the priorities that we proposed in
25 March, the Policy Statement also protects consumers, while

1 providing cost-recovery assurances to early-moving utilities
2 that invest in smart-grid technologies that meet specific
3 criteria.

4 I look forward to the next steps in the
5 Commission's process of adopting the Smart-Grid Standards.
6 Thank you all again. I look forward to that and anxiously
7 wish to vote on this Order.

8 Phil?

9 COMMISSIONER MOELLER: I have some questions for
10 the team. Ray, you mentioned that the comments on the rate
11 policy were divided. Could you elaborate a little bit more
12 on the various views that were presented on that?

13 MR. PALMER: Most of those -- or many of the
14 comments, related to jurisdictional issues, whether there
15 was some blurring of federal and state jurisdiction, and I
16 think it would be best to let OGC respond to that, to that
17 question.

18 MS. ARNOLD: There was some concern that the
19 Proposed Policy Statement wasn't clear about where federal
20 and state jurisdiction boundaries were in the Proposed
21 Policy Statement.

22 What we do in this Policy Statement that you're
23 considering today, is to clarify that the Energy
24 Independence and Security Act did not change or modify the
25 Federal Power Act in any way with respect to rate

1 jurisdiction. Nothing has changed; the Commission's rate
2 jurisdiction is as it always has been and states'
3 jurisdiction over retail rates, remains the same.

4 COMMISSIONER MOELLER: So would you characterize
5 it as a little bit of confusion, or people just concerned
6 that we were overreaching, or --

7 MS. ARNOLD: There was some concern that we could
8 have been overreaching. I think some of that was because
9 when discussed standards that are being developed through
10 NIST's process, the Proposed Policy Statement touched on
11 some that the Commission though, down the road, we could be
12 adopting, and, because of the discretion of the standards,
13 there was some confusion that that may have bled over into
14 rate jurisdiction.

15 And we make clear in this Draft, that rate
16 jurisdiction -- the jurisdiction between state and federal
17 rate regulation, is a different topic than what could be
18 considered in the standards.

19 COMMISSIONER MOELLER: There's no revolution
20 going on; people can calm down here, right?

21 MS. ARNOLD: That's right.

22 COMMISSIONER MOELLER: Okay, good.

23 MR. PALMER: In addition, Commissioner, we also
24 make it clear in the Policy Statement, that although we are
25 adopting or would adopt standards that would apply broadly

1 to the electric power system, that we did not have any
2 authority to enforce standards at the distribution level.

3 COMMISSIONER MOELLER: Well said. Switching
4 topics a little bit, you also referred to "key priorities
5 and priorities of the Commission," and if you can either
6 elaborate on what the difference is, or define them, those
7 two terms, that would be helpful.

8 MR. PALMER: With regard to the "key
9 priorities," that essentially -- we think of that as a very
10 high priority, that is, very important to get working on
11 those immediately to allow other standards that are related
12 to those, to be done.

13 With regard to the cross-cutting versus the
14 functional categories, the cross-cutting issues, one, cross-
15 cutting issues were those that we thought or that we decided
16 were -- applied to all of the functions.

17 And if you think of a very simple kind of matrix
18 where you have the cross-cutting issues as the rows and the
19 functional or the application levels as the columns, we
20 wanted to make sure that, for example, in cybersecurity,
21 that all the functions incorporated appropriate
22 cybersecurity, and then also with the common semantic
23 framework, that that would be the same for all the
24 functions, as well.

25 COMMISSIONER MOELLER: Okay, and what about the

1 non-priorities, then? What happens to those?

2 MR. PALMER: Well, there is a tremendous amount
3 of work to be done in the process that NIST is coordinating.
4 There will eventually be hundreds of standards.

5 And I think the idea was that we needed to get,
6 you know, started right away on the ones that we thought
7 were most important. But there are other areas that are
8 related to the items we mentioned.

9 For example, at the NIST recent conference, they
10 had the four functional priorities and the two cross-
11 cutting, but then they also added a focus on distribution
12 management, because that affects, you know, the vehicles and
13 the electric storage that's distributed. They also put a
14 track on AMI metering, because they thought that was
15 something that related, you know, to demand response and
16 some of the other items.

17 So I think it -- and I should point out that the
18 Policy Statement has been well received by NIST, and, in
19 fact, incorporated into their planning, even though it was
20 just a proposed statement then, and they are focusing on the
21 areas that we had identified.

22 COMMISSIONER MOELLER: Thanks, Ray, and thanks to
23 the team, and the leadership of our Chairman, in getting
24 this out there to show or try and provide leadership in this
25 wideranging realm of things going on in smart grid.

1 It means a lot of different things to a lot of
2 different people. It has fantastic promise for consumers,
3 but there's a whole lot of hard work that needs to be done
4 at the federal level, the state level, industry, and I want
5 to make sure we're working together, and I think we're
6 providing leadership that can help get some of these hard
7 decisions made.

8 So, thanks also to the people, the 70 commenters
9 that tried to make this better. It's a good product, but
10 we're going to be working on it for awhile. Thank you, Mr.
11 Chairman.

12 CHAIRMAN WELLINGHOFF: Thank you, Phil. Next?

13 COMMISSIONER SPITZER: Mr. Chairman, thank you.
14 I have a more formal statement that I'll post on the
15 Internet, but I agree with the comments of my colleagues.

16 I think we have a very healthy discussion that's
17 reflected in the comments, and is reflected in the document
18 before us. There clearly is a balancing of competing
19 interests, there's a mandate from Congress, and, more
20 recently, the Administration, that the grid needs to take
21 advantage of technological innovations, and that is clear.

22 At the same time, it's important to protect the
23 ratepayers through existing and well-established principles
24 of cost recovery. I think that the Order before us, does
25 reflect that we struck a proper balance in these competing

1 interests.

2 I want to further allay some of the fears that
3 I've heard, both in the comments and through other forums,
4 that we are very interested in working with the states and
5 the stakeholders, and not over their objections, and it's
6 going to require a cooperative process, obviously.

7 We are maintaining the traditional regulatory
8 scheme for jurisdiction between the Federal Government and
9 the states, but it's going to require both wholesale and
10 retail paradigms be changed, in order to take full advantage
11 of the technology.

12 And then I note, Mr. Chairman, there's a
13 specific reference to vehicle-to-grid on several occasions,
14 and I agree with that, and, clearly, the real-time
15 applications of the smart grid, will enable consumers to
16 take advantage, and it is clear in the public interest and
17 the type, I think, of real-time application envisioned by
18 Congress in the 2007 statute, that real-time applications,
19 smart prices, will enable consumers, wholesale consumers as
20 well as retail consumers, through vehicle-to-grid, to take
21 advantage of technology.

22 So I think this is a great boon to consumers.
23 This is a very pro-consumer, ultimately, document, that,
24 again, appropriately balances the competing interests, and I
25 look forward to further developments in this area, and I

1 frankly think this is one of the most exciting aspects of
2 the work that we're doing.

3 I appreciate your effort, Mr. Chairman, my
4 colleagues, and the team.

5 CHAIRMAN WELLINGHOFF: Thank you, Marc. Another
6 smart-grid expert, Suedeem.

7 COMMISSIONER KELLY: I'd just like to say that
8 I'm very pleased with this Policy Statement, and I'm also
9 very pleased with the leadership role that FERC is showing
10 in the arena of smart grid.

11 Today's electrical grid faces many challenges
12 that can't be addressed by our existing technologies. While
13 digital technologies have transformed other industries,
14 we've only recently focused on the urgent need to modernize
15 our grid by developing and implementing a range of new
16 technologies.

17 Today's Policy Statement provides a road map to
18 transforming the old grid into the grid of the future,
19 commonly known as the smart grid.

20 While I believe that regulators, the industry,
21 and customers, have reached consensus on the tremendous
22 potential of a smart grid, there's been less of an
23 understanding of about how to most efficiently develop it
24 and deploy it.

25 And our Policy Statement today, sets forth key

1 priorities for the development of the potential, including
2 the development of interoperability standards, which are the
3 foundation of the smart grid.

4 The Policy Statement also addresses several
5 issues that are of concern to utilities, in particular, in
6 deciding whether to implement these new technologies; for
7 example, whether they're able to recover their costs in
8 rates and recover them quickly, and whether there is the
9 potential to recover stranded costs associated with legacy
10 systems that need to be replaced by smart technology.

11 And, to that end, the Policy Statement does a
12 very good job, I think, of setting forth guidance for
13 receiving interim rate treatment for our jurisdictional
14 public utilities for early implementation of smart-grid
15 technologies.

16 We set forth four demonstrations that
17 applications must make to qualify, including a showing that
18 the smart-grid facilities will, indeed, advance the smart-
19 grid concept; that reliability and cybersecurity, which are
20 very important to our grid, will not be adversely affected;
21 and that the Applicant has minimized the possibility of
22 stranded costs and obsolescence.

23 The fourth demonstration -- and I'd like to
24 highlight this one, because in my view, it's a very critical
25 one -- is that Applicants seeking interim rate treatment,

1 must share information about the technology and about the
2 subsequent performance of that technology, with the
3 Department of Energy's Smart-Grid Clearinghouse.

4 This information, the clearinghouse information,
5 will help inform us, as well as state regulators, when they
6 are faced with making decisions on other proposed smart-grid
7 projects. Quite simply, the more information the public has
8 on this new technology, the more that this information is
9 available to demonstrate the performance of this technology,
10 the benefits that it will bring, and the customer acceptance
11 of it, the more the investments will be made in smart-grid
12 technologies.

13 The smart grid can and should be far more
14 responsive, interactive, and transparent, than today's grid.
15 There are many moving parts, literally and figuratively,
16 that require coordinated effort and commitment from federal
17 and state agencies and all other stakeholders, in order for
18 this deployment to be successful.

19 However, as we move toward a smart-grid future,
20 we must also continue to provide fair regulatory treatment
21 to both consumers and to utilities.

22 As a federal regulator and Co-Chair of the FERC-
23 NARUC Smart Grid Collaborative, I know firsthand, that we
24 can achieve these goals, but only through significant
25 coordination, coordination between wholesale and retail

1 markets, and coordination between federal and state
2 regulators.

3 The Commission has worked as the Staff has
4 explained, with the states, and we've been responsive to
5 state concerns and reiterated that our jurisdiction
6 regarding cost recovery, has not changed and we will not be
7 making any attempts to reach down to distribution-level
8 technologies in an attempt to provide cost recovery through
9 transmission rates. That's not our job, and we never
10 intended it to be our job.

11 And we've worked also with DOE, with NIST, with
12 industry, and with consumer groups, to develop today's
13 policy. We've received a lot of comment on this -- over 70
14 sets of comments on the Draft Policy Statement -- from a
15 diverse group of stakeholders, and their insights have been
16 incorporated into this final Policy Statement.

17 I'd like to thank Staff for the effort that
18 you've taken. It was a lot of work, I know, and you've
19 followed your usual standards of working hard and quickly to
20 do an excellent job and come up with this product.

21 I'm confident that our continued relationship
22 with all stakeholders, will facilitate our ability to
23 rapidly deploy innovative and secure smart-grid
24 technologies, and I am pleased to support the Policy
25 Statement. Thank you.

1 CHAIRMAN WELLINGHOFF: Thank you, Commissioner
2 Kelly. I agree with you that the clearinghouse information
3 function, is a critical one, and I'm glad we could support
4 it through the nexus of cost recovery in this Policy
5 Statement. I think that was a good move on our part, and I
6 think it will be good for the country to get that
7 information out to everybody, especially the states.

8 Madam Secretary, I think we're ready to vote.

9 SECRETARY BOSE: The votes begins with
10 Commissioner Moeller.

11 COMMISSIONER MOELLER: Aye.

12 SECRETARY BOSE: Commissioner Spitzer?

13 COMMISSIONER SPITZER: I vote aye.

14 SECRETARY BOSE: Commissioner Kelly?

15 COMMISSIONER KELLY: Aye.

16 SECRETARY BOSE: And Chairman Wellinghoff?

17 CHAIRMAN WELLINGHOFF: I vote aye.

18 SECRETARY BOSE: The next item for presentation
19 and discussion this morning -- I should say "items" -- are
20 E-2, E-19, and E-26, concerning MidAmerican's Proposed
21 Integration Into the Midwest ISO as a Transmission-Owning
22 Member.

23 The presentation will be given by Jason Strong
24 from the Office of Energy Market Regulation. He's
25 accompanied by Diane Gruenke and Melissa Lozano from the

1 Office of Energy Market Regulation, and Mariana Cruz and
2 Lisa Luftig from the Office of the General Counsel.

3 MR. STRONG: Good morning, Mr. Chairman and
4 Commissioners. I'm Jason Strong from the Office of Energy
5 Market Regulation-Central. With me today is Diane Gruenke
6 from OMER-Central; and Melissa Lozano from OMER-West, and
7 also Mariana Cruz and Lisa Luftig from the Office of General
8 Counsel.

9 I'd also like to recognize Chris Hargett from
10 OMER-Central, who is in the audience today.

11 Today you have before you, a package of Draft
12 Orders in E-2, E-19, and E-26, which address filings
13 submitted by MidAmerican Energy Company and the Midwest
14 Independent Transmission System Operator, associated with
15 MidAmerican's proposed integration into the Midwest ISO as a
16 transmission-owning member.

17 Specifically, in E-2, the Draft Order addresses
18 three filings to facilitate MidAmerican's integration, which
19 proposes revisions to the Midwest ISO's tariff, to set forth
20 the procedures for a partial-year allocation of financial
21 transmission rights to MidAmerican and its transmission
22 customers; to incorporate MidAmerican's local planning
23 process; and to identify and specify the treatment of
24 MidAmerican's grandfathered agreements.

25 In E-19, the Draft Order addresses proposed

1 revisions to include MidAmerican in the Midwest ISO's
2 tariff, as a pricing zone.

3 And, finally, in E-26, the Draft Order addresses
4 proposed revisions to MidAmerican's and its affiliates'
5 market-based rate sales authority, to remove certain
6 restrictions on sales within MidAmerican's balancing
7 authority area, once that area is integrated into the
8 Midwest ISO markets.

9 The Draft Order permits MidAmerican and its
10 affiliates, to sell capacity, energy, and ancillary services
11 at market-based rates, throughout the Midwest ISO region,
12 subject to Midwest ISO's Commission-approved market
13 monitoring and market power mitigation.

14 These Draft Orders, which recommend acceptance of
15 the filings, subject to further compliance, will allow
16 MidAmerican Energy to proceed with its plan to integrate its
17 facilities with the Midwest ISO system on September 1st,
18 2009.

19 The team is happy to answer any questions you may
20 have.

21 CHAIRMAN WELLINGHOFF: Thank you, Jason. I want
22 to thank all of the members of the team for your hard work
23 on this package of Orders. I think this package is a poster
24 child for the fact that markets are working.

25 We've got a utility wanting to come into MISO. I

1 think this is a great thing.

2 The Commission has frequently addressed the
3 benefits that organized wholesale electric markets bring to
4 consumers, including improved operating performance.
5 Organized markets also provide important opportunities for
6 consumers to garner benefits from demand response.

7 In addition, these organized markets expand
8 energy supply options through increased access to renewable
9 energy resources, such as the strong wind power resources
10 that have and will be developed in the MidAmerican service
11 territory.

12 With those benefits in mind, I'm pleased to
13 support this package of Orders that approves MidAmerican to
14 come into the Midwest ISO.

15 With that, Phil?

16 COMMISSIONER MOELLER: Well, as you alluded to,
17 Mr. Chairman, this has been a banner year for organized
18 markets, when you consider that we've had some positive
19 developments in the Southeast.

20 We've had the Nebraska Public Utilities join the
21 Southwest Power Pool. We've had a successful launch of the
22 California MRTU market, and we've had some other positive
23 events in the MISO market, and, today, we look at having the
24 MISO market expand.

25 But I guess my main question to Jason and the

1 team, is, what are the benefits that you see to MidAmerican
2 and their consumers, in terms of joining MISO?

3 MS. CRUZ: Commissioner Moeller, I'll answer that
4 question.

5 COMMISSIONER MOELLER: All right.

6 MS. CRUZ: I guess the first benefit for
7 MidAmerican, is that they are, obviously, going to have
8 access to one of the largest markets for buying and selling
9 power, and they will also be able to participate in the
10 ancillary services market, which is designed to provide
11 greater flexibility in addressing unexpected generation and
12 transmission loss.

13 And they also will be able to participate in the
14 integrated regional transmission planning, which is also
15 designed to reduce costs by figuring out where it's going to
16 be most effective or most efficient to improve generation,
17 upgrade it, and so they will be able to take advantage of
18 those three things, by coming into the MISO market.

19 COMMISSIONER MOELLER: With those aspects, can we
20 make any predictions on where prices are going in the day-
21 ahead and other markets?

22 MS. LUFTIG: Thank you. I'll answer that
23 question.

24 No. Unfortunately, we cannot yet predict the
25 impact of MidAmerican joining the Midwest ISO, but as a

1 result of the integration, there will be more price points
2 and more energy will flow into the Midwest ISO.

3 But, unfortunately, there are so many variables
4 that affect energy prices, that we can't predict the impact
5 yet. However, Staff will be monitoring, as they monitor
6 anytime there's a major change to an RTO market, and they
7 will make sure that the change results in just and
8 reasonable rates.

9 COMMISSIONER MOELLER: For any of you who wish to
10 answer this, what about the impact on getting more
11 transmission development in the footprint?

12 MR. STRONG: Well, MidAmerican will be part of
13 the Midwest ISO's regional planning process, and it will
14 expand the footprint, provide for more coordinated planning.
15 MidAmerican will help identify the most effective locations
16 and means for upgrades in generation and building new
17 transmission infrastructure.

18 COMMISSIONER MOELLER: Understood. Well, good
19 work on the team, figuring out your answers, as well, and
20 I'll be pleased to support this set of Orders. Thank you,
21 Mr. Chairman.

22 CHAIRMAN WELLINGHOFF: Thank you, Phil. Marc?

23 COMMISSIONER SPITZER: Thank you, Mr. Chairman.
24 The Orders and the statements of my colleagues reflect the
25 longstanding consensus here in support of organized markets.

1 I think it's also appropriate to acknowledge the
2 work of our predecessors. I know Commissioner Kelly has
3 worked on a lot of MISO Orders over the years, and former
4 Chairman Pat Wood was diligent, as well as Commissioner
5 Brownell, in setting the predicate for the actions that we
6 take today, and we had the ancillary services, which was in
7 some respects, a culmination of this process.

8 I think it's important to reflect upon history,
9 and, certainly, the three Orders before us, are consistent
10 with Order 2000. This is a voluntary recognition by an
11 entity outside an organized market, of the benefits,
12 economic, reliability, and we think this is, again,
13 consistent with FERC process, and I'm pleased to see that
14 there is consensus.

15 We look forward to further refinements, and,
16 hopefully, more entities see the wisdom of the FERC-
17 regulated markets, and we can proceed, again, consistent
18 with the path that we've had for some time.

19 I think there are a lot of folks that talk about
20 regulatory certainty, and, certainly, our commitment to
21 organized markets, is an example of the comfort that the
22 regulated industry can take from FERC policies.

23 CHAIRMAN WELLINGHOFF: Thank you, Marc.
24 Suedeen?

25 COMMISSIONER KELLY: Thank you, Marc, for

1 mentioning Pat Wood. I'd also like to add Nora Brownell,
2 because they were leaders in establishing the MISO market,
3 which was quite a challenge.

4 It's the biggest market that we have, at least
5 area-wise, and this is a wonderful development. In fact, I
6 got an e-mail from Pat this morning. He was on Interstate
7 40 and had just crossed from Texas into the New Mexico
8 border on his way to Santa Fe. I'm sure he'll be happy to
9 learn about this Order, as he continues his travels.

10 COMMISSIONER SPITZER: In Texas, texting while
11 driving, is okay?

12 (Laughter.)

13 COMMISSIONER KELLY: Probably in New Mexico, it's
14 okay, too.

15 (Laughter.)

16 COMMISSIONER KELLY: There are a lot of issues in
17 this Order. We haven't talked about all of them, but I just
18 want to mention some of the less glamorous, but,
19 nevertheless, important ones that are resolved here, which
20 are: Allocation of partial-year FTRs; classification of
21 grandfathered agreements, and thanks to Staff for working
22 those out.

23 This is, indeed, how RTO membership is expanded,
24 through, at this point, incremental additions, and it's
25 really gratifying to see MidAmerican joining MISO.

1 We've talked about benefits, and Staff has
2 rightfully stated that we can't quantify the benefits yet,
3 but, nevertheless, I see at least six benefits that we know
4 will occur, and so we can discuss them qualitatively.

5 First and foremost, reliability is going to
6 improve. The Midwest ISO's security-constrained economic
7 dispatch, will address constraints more quickly and more
8 economically and will avoid the TLR mechanisms that are
9 currently used in the MidAmerican territory.

10 Second, MidAmerican's integration will bring a
11 more diverse generation portfolio into MISO's pool.
12 MidAmerican has 7,000 megawatts, and these resources will
13 now be in the MISO pool and provide for more efficient
14 dispatch of those resources within the greater MISO
15 footprint.

16 Third, integration will add new transmission to
17 MISO's transmission planning process, which will allow for
18 more optimal planning across the Western portion of the
19 Midwest. That's particularly important today, as we plan to
20 reach renewable resources, which are quite plentiful in the
21 Midwest.

22 Fourth, MidAmerican will now participate in
23 MISO's ancillary services market, which will provide greater
24 flexibility and increase overall system reliability in the
25 MISO region.

1 This integration into MISO's large and resource-
2 diverse balancing authority area and participation in the
3 recently-approved ancillary services market, will support
4 the operation of wind generation -- better support it --
5 within MidAmerican's service area.

6 Last but not least, integration will also
7 eliminate pancaked rates across the Midwest ISO-MidAmerican
8 border. These are terrific benefits, not only for
9 MidAmerican's customers, but also for all the participants
10 in MISO.

11 I am very pleased to support this package of
12 Orders, and I thank the team for all of their efforts in
13 making this happen.

14 CHAIRMAN WELLINGHOFF: Thank you, Suedeen. Madam
15 Secretary?

16 SECRETARY BOSE: We will take a vote on these
17 items together, beginning with Commissioner Moeller.

18 COMMISSIONER MOELLER: Aye.

19 SECRETARY BOSE: Commissioner Spitzer?

20 COMMISSIONER SPITZER: I vote aye.

21 SECRETARY BOSE: Commissioner Kelly?

22 COMMISSIONER KELLY: Aye.

23 SECRETARY BOSE: And Chairman Wellinghoff?

24 CHAIRMAN WELLINGHOFF: I vote aye.

25 Since there is nothing else to come before us,

1 this meeting is adjourned; thank you.

2 (Whereupon, at 10:52 a.m., the open meeting was
3 adjourned.)

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