



Network Customer Meeting

November 16, 2006

Regulatory Update

FERC: Electric and Gas Coordination (EL07-4)

- Ref: Order issued October 25, 2006
- Opens inquiry to determine whether RTO scheduling & compensation mechanisms need to be revised to ensure gas-fired generators can obtain gas when generation is needed for reliability
- MISO & other RTOs to make filing by 1/16/07
- Propose tariff changes or explain why not

Reliability Standards (RM06-16)

- The NOPR was issued October 20, 2006
- Proposed to adopt, with modifications, 83 of 106 reliability standards
- Comments due January 2, 2007

Attachment O/Schedule 1 Update

- Tariff filing submitted October 31, 2006 to update account references to match those adopted in FERC Order No. 668
- Interventions and/or protests due November 21st

Contingency Reserve Sharing Group (ER06-1420)

- Order conditionally accepting proposal issued October 24, 2006
- MISO is required to file: (1) criteria governing the use of demand response by November 30th, 2006; (2) final transmission & deliverability studies by December 29, 2006; and (3) tariff revisions addressing billing & settlement issues by November 24, 2006

Midwest ISO Scheduling

- FERC Docket No. ER06-1554
- Revisions to Attachment J
- The Midwest ISO proposes to revise the timelines for submitting & processing requests for transmission to align with PJM's IAW Joint & Common Market
- Letter order accepting filing issued October 24, 2006

Transmission Outage Reimbursement; Attachment JJ

- FERC Docket No. ER06-1556
- We Energies intervened and suggested several edits to the text of Attachment JJ
- AMP-OH protested the filing, asserting it may double-collect because of Attachment O, and MISO-wide recovery is inappropriate
- MISO filed an Answer last week
- Commission should act in December

RECB 1- Retroactive Applicability

FERC Docket No. ER06-1439

- The MISO proposed to retroactively apply RECB-I participant funding mechanism to generator interconnection agreements post-April 26, 2004
- FERC Order issued 10/30
- Order rejected filing since MISO didn't show it was just and reasonable to apply to old contracts

RECB-1 & Small Generators

Docket No. ER06-1418

- MISO filed to extend RECB-1 to small generators (Attachment R)
- FERC Order issued 10/26 accepts filing subject to the outcome of RECB-1 ER06-18
- Confirms FERC understanding that nothing in filing would preclude TOs from proposing alternative cost allocation mechanisms
- Consumers Energy tax concerns “are outside the scope of this proceeding.”

RECB-2 Filed November 1st

● Major elements of the filing:

- Inclusion criteria
 - Benefit/Cost Ratio: 1.2-3.0, sliding scale based on installation year of the project
 - Weighted Gain, No Loss (70% Production Cost, 30% LMP)
 - Δ LMP & Δ Production Cost > 0
 - Cost Allocation
 - 345 kV and higher, \$5 million or greater
 - 20% MISO-wide postage stamp
 - 80% Sub-regional cost allocation (based on MISO Planning areas: east, west, central)
 - MISO may consider additional benefits that transmission can provide
 - Generation reserve capacity reduction value
 - Local and societal benefits
 - National security
 - Excessive Funding
 - MISO will review projects to ensure benefits are provided throughout each sub-region over the planning horizon
 - MISO will review the process after 3 years
 - Effective date requested: April 1, 2007
- **Interventions & comments due Nov. 22nd**
- **OMS has asked for an extended comment date for an additional 30 days; FERC likely to OK extension**

Cross Border 2 (PJM & MISO)

- RTOs are expected to request that this December 1st compliance filing obligation be merged with post-transition transmission cost allocation, due August 1st 2007
- Cross-Border 1 technical conference has delayed resolution, so that combining these tasks appears to be administratively efficient

Post Transition Rate Design

- MISO & PJM Filing due August 1, 2007
- MISO TOs holding meetings to discuss issues
- MISO BOD to receive sector opinions on rate design issues in December
- Stakeholder meetings are slated for March, May and July
- Nothing precludes any party from submitting competing cost allocation or rate design protocols

Post Transition Rate Design. Cont'd

- Postage Stamp rate design
- License Plate Rate Design
- Highway-Byway Rate Design (230, 345 kV)
- Distance-Sensitive (MW-Mile) Rate Design
- Compromise Variant: retain license plate for all existing facilities and implement postage stamp for all new assets at 345 kV and above