

FOR BOARD ACTION

Agenda Item # 3

Meeting Date: 11/30/10

SUBJECT: Joining the Midwest Independent System Operator (MISO)
As a Transmission Owner (TO).

PREPARED BY: Mark Kotschevar, Director of Core Services

ITEM DESCRIPTION:

At the October 26th Utility Board meeting, the Board viewed a presentation from MCR on the economic analysis and evaluation of joining MISO as a Transmission Owner (TO). As you may recall, RPU has the option of placing its transmission assets in MISO and earning a revenue stream based on the investment in transmission resources or remain independent as a market participant. The economic comparative benefit evaluation calculated the costs of both options out to the year 2025, and showed a net present value savings of \$16.6 million by joining MISO as a TO.

The process of becoming a TO in MISO is expected to take 6 to 8 months. It will require legal review of the application contracts, assembling the required financial documents, filing the required Attachment O for revenue recovery, responding to questions from MISO and the other transmission owners, and working with MISO on establishing an integration calendar. There is urgency to the timing as staff would like to make membership effective in June of 2011 which requires submission of key documents in April of 2011.

FOR CAPITAL PURCHASES/BIDS/MAJOR PROJECTS:


To accomplish the various tasks it is anticipated the RPU staff will need the assistance of outside professional resources that are familiar with the process and can guide us through the process in the most efficient manner. Monies have been allocated from the 2010 budget in the amount of \$100,000 to be used for the necessary professional services which will include engineering, legal and subject matter expertise.

UTILITY BOARD ACTION REQUESTED:

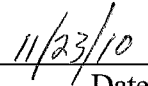
It is recommended that the Board approve the following:

1. Accept the economic evaluation completed by MCR showing a net benefit to RPU from joining MISO as a transmission owner and direct staff to proceed with the process of joining MISO as a transmission owner.
2. Approve the expenditure of \$100,000 for the purpose of professional services to assist and support staff in these efforts.

Staff will return for Board or Council approval of major purchases and contracts as required.



General Manager



Date



RESOLUTION

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, to approve the following:

1. Accept the economic evaluation completed by MCR showing a net benefit to RPU from joining MISO as a transmission owner and direct staff to proceed with the process of joining MISO as a transmission owner.
2. Approve the expenditure of \$100,000 for the purpose of professional services to assist and support staff in these efforts.

Passed by the Public Utility Board of the City of Rochester, Minnesota, this 30th day of November, 2010.

President

Secretary