

## FOR BOARD ACTION

Agenda Item # 4

Meeting Date:

9/26/06

**SUBJECT:** Analysis of Midwest Independent System Operator (MISO) Membership as a Transmission Owner

**PREPARED BY:** Walt Lorber, Director of Core Services

Late last year, the Southern Minnesota Municipal Power Agency made the decision to join MISO as a transmission owner (TO), effective April 1, 2006. SMMPA's decision effectively embedded RPU in the MISO network. Needing to sell generation into the MISO market and buy above-CROD load from the market, RPU determined that it was necessary to become MISO market participants. The Board approved agreements with Minnesota Municipal Power Agency to market RPU generation and with The Energy Authority to purchase above-CROD energy needs from the MISO market.

RPU can continue to operate in the current mode or consider further options:

- Terminate the marketing agreements and perform the marketing functions in-house.
- Place RPU's transmission assets in MISO (become a TO in MISO)
- Meter RPU's system into Dairyland Power (out of MISO)

Before next summer and the expiration of the marketing agreements, we will need to assess whether we can perform the marketing functions more economically with internal staff. At this point, we believe that our arrangements with MMPA and TEA are our lowest cost options.

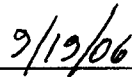
In February of this year, RPU engaged utility consultants, MCR Performance Solutions, of Northbrook, Illinois, to evaluate whether there would be a financial benefit in placing RPU's transmission assets in MISO (become a TO). MCR worked with RPU staff to assemble the data and validate the assumptions used in the MCR model. Jim Pardikes, of MCR, will be at the Board meeting to present the results of the study.

Since RPU is on a "seam" between SMMPA (a MISO TO) and Dairyland (a non-MISO utility), staff has made some initial inquiries into the possibility of metering the RPU system into Dairyland (out of MISO). While this would avoid various MISO charges, it would produce new charges for any transactions with MISO participants. There are a lot of considerations in making such a move and more experience with MISO is needed to make a case either way.

### UTILITY BOARD ACTION REQUESTED:

The results of the evaluation of TO membership in MISO are presented for informational purposes. Early next year, staff will make recommendations to the Board for next steps in regard to using MISO marketing services, membership as a TO, and metering out of MISO.

  
General Manager

  
Date

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