

**UNITED STATES OF AMERICA  
BEFORE THE  
FEDERAL ENERGY REGULATORY COMMISSION**

**Michigan Public Service Commission )  
Complainant, )**

**v. )**

**Docket No. EL14-\_\_\_-000**

**North American Electric Reliability )  
Corporation, and )**

**Wisconsin Electric Power Company )  
Respondents. )**

**COMPLAINT OF THE MICHIGAN PUBLIC SERVICE COMMISSION AGAINST  
NERC AND WEPCO**

Pursuant to Sections 206, 306, and 309 of the Federal Power Act, 16 U.S.C. §§ 824e, 825e, and 825h (2012), and Rule 206 of the Rules of Practice and Procedure of the Federal Energy Regulatory Commission (FERC or Commission), 18 C.F.R. § 385.206 (2014), the Michigan Public Service Commission (Michigan PSC) hereby files this Complaint against the North American Electric Reliability Corporation (NERC) and Wisconsin Electric Power Company (WEPCo) seeking reversal of NERC’s approval of the NERC Balancing Certification Final Report issued by ReliabilityFirst on August 28, 2014. (August 28 BA Certification).<sup>1</sup> The August 28 BA Certification approved WEPCo’s unilateral proposal to split its existing WEC Balancing Authority (BA) footprint into two new BAs: the Michigan Upper Peninsula Balancing Authority (MIUP BA)

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<sup>1</sup> NERC’s August 28, BA Certification is attached as Exhibit No. MI-1.

and the remaining portion of the existing WEC BA in Wisconsin. The Michigan PSC is filing this complaint because only Respondents have standing to appeal a NERC ruling certifying new BAs.<sup>2</sup>

Alternatively, if the Commission does not reverse NERC's approval of the split BA, the Michigan PSC requests the Commission to make clear that NERC's approval of a split BA will not have any impact upon the allocation of SSR costs that would otherwise occur under the Midcontinent Independent System Operator (MISO) Tariff and the related Business Practice Manual approved by the MISO Stakeholders. Absent reversal or clarification, NERC's approval to alter the boundaries of an existing BA could impose dramatic and unreasonable shifts in the allocation of SSR costs without providing any opportunity or forum for affected parties to be heard and present evidence concerning the impact of proposed changes to BA boundaries upon areas potentially outside of NERC's purview, such as cost allocation. In support of this filing, the Michigan PSC states as follows:

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<sup>2</sup> See NERC, Compliance and Certification Committee, Hearing Procedures for Use in Appeals of Certification Matters, Section 1.3.1 at p. 9 (effective June 10, 2010). NERC's Hearing Procedures define "Respondent" as "the Registered Entity who is the subject of the Certification decision that is the basis for the proceeding."

## I. COMMUNICATIONS AND CORRESPONDENCE

Communications and correspondence regarding this pleading should be directed to the following persons:

Bill Schuette  
Attorney General  
Steven D. Hughey (P32203)  
Anne M. Uitvlugt (P71641)  
Lauren D. Donofrio (P66026)  
Dept. Attorney General  
Public Service Division  
6520 Mercantile Way, Suite 1  
Lansing, MI 48911  
(517) 241-6680 (phone)  
(517) 241-6678 (fax)  
hugheys@michigan.gov  
uitvlugta@michigan.gov  
donofriol@michigan.gov

Kelly A. Daly  
David D'Alessandro  
Stinson Leonard Street LLP  
1775 Pennsylvania Ave., N.W.  
Suite 800  
Washington, DC 20006-4605  
(202) 785-9100 (phone)  
(202) 785-9163 (fax)  
kelly.daly@stinsonleonard.com  
david.dalessandro@stinsonleonard.com

## II. PARTIES

The Michigan PSC is an agency of the State of Michigan, created by 1939 Pub. Acts 3, Mich. Comp. Laws Ann. § 460.1 *et seq.* As the Michigan regulatory agency having jurisdiction and authority to control and regulate rates, charges, and conditions of service for the retail sale of natural gas and electricity in the State, the Michigan PSC is a “state commission” as defined in 16 U.S.C. § 796(15) and 18 C.F.R. § 1.101(k)(2006).

NERC is a not-for-profit international regulatory authority whose mission is to ensure the reliability of the bulk power system in North America.<sup>3</sup> NERC is the electric reliability organization (ERO) for North America, subject to oversight by the Commission and governmental

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<sup>3</sup> E.g., <http://www.nerc.com/Pages/default.aspx>.

authorities in Canada.<sup>4</sup> NERC, *inter alia*, develops and enforces Reliability Standards and monitors the bulk power system.<sup>5</sup>

WEPCo is a public utility organized under the laws of the State of Wisconsin.<sup>6</sup> WEPCo owns and operates generation facilities located within the MISO footprint and provides electric generation and distribution service to customers located primarily in Southeastern Wisconsin and the Upper Peninsula of Michigan.<sup>7</sup> WEPCo is a Market Participant in MISO and an interconnected equity owner of ATC LLC (ATC), formerly American Transmission Company, a transmission owner in MISO. ATC's transmission footprint covers the Upper Peninsula of Michigan and most of Wisconsin.

### III. EXECUTIVE SUMMARY

This case concerns NERC's certification of the MIUP BA that resulted from a proposal by WEPCo to split the existing WEC BA into two BAs. Such proposal must be reversed for three reasons:

- 1) The administrative decision-making process before ReliabilityFirst, a NERC Regional Entity (RE) most affected by the BA split at issue, was procedurally defective, and denied affected parties an opportunity to be heard and to present evidence regarding the impact of WEPCo's proposal upon ratepayers of affected Load Serving Entities (LSEs);
- 2) NERC failed to address evidence that WEPCo's proposed split of its BA between the portion covering Wisconsin and the portion covering the Michigan Upper Peninsula, either intentionally or coincidentally, could result in a dramatic and unjust and unreasonable change in the allocation of SSR costs recently approved by the Commission in its July 29 Order; and

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<sup>4</sup> *Id.*

<sup>5</sup> *Id.*

<sup>6</sup> *E.g.*, WEPCo May 5, 2014 Motion to Intervene and Comments, *Pub. Serv. Comm'n of Wis. v. Midcontinent Indep. Transmission Sys. Operator*, Docket No. EL14-34-000 at 3, Accession No. 20140505-5226.

<sup>7</sup> *Id.*

- 3) There is a lack of substantial evidence supporting any finding that the requested split is needed to address any physical reliability issues.

On January 31, 2014, MISO filed, in Docket Nos. ER14-1242 and 1243 its proposed *pro rata* allocation of SSR costs associated with the Presque Isle generators to all LSEs located within the ATC footprint. That filing allocated 8% of such costs to LSEs in the Michigan Upper Peninsula and 92% to LSEs located in the Wisconsin portion of the ATC zone. Two and a half weeks later, on February 17, 2014, WEPCo submitted, without any notice to the Michigan PSC, an Entity Certification form to ReliabilityFirst, one of the affected NERC regional entities, requesting it to approve a split of the existing WEC BA that WEPCo operates into two new BAs, one including a small part of WEPCo's load in the northern part of its service territory and the load of other LSEs in the Michigan Upper Peninsula (MIUP BA), and the other including most of WEPCo's load in southern Wisconsin and the load of other LSEs in Wisconsin (new WEC BA).

On April 3, 2014, in Docket No. EL14-34-000, the Public Service Commission of Wisconsin (Wisconsin PSC) filed a complaint requesting the Commission to find the existing *pro rata* allocation of SSR costs to all LSEs in the ATC footprint unjust and unreasonable and to require MISO to allocate such costs as required under the MISO Tariff for the rest of MISO; (*i.e.*, on a *pro rata* basis to LSEs located within BAs identified in MISO's load-shed study as being affected by an outage of the SSR units). On July 29, 2014, the Commission issued its order granting the Wisconsin PSC Complaint and directing MISO to remove the existing *pro rata* allocation language that currently allocates SSR costs to all LSEs in the ATC footprint and to allocate SSR costs consistent with the Tariff governing the rest of MISO, based on a pending (at the time) final load-shed study (July 29 Order).

On August 11, 2014, MISO submitted a filing in compliance with the Commission's July 29 Order, which allocated 93.79% of the SSR costs to the existing single WEC BA, 0.55% to the WPS

BA, and 5.66% to the UPPCO BA. Such costs were then uplifted on an *pro rata* basis to all LSEs within each BA, resulting in an allocation of 14% of the Presque Isle SSR costs to LSEs located in the Michigan Upper Peninsula, and 86% of such costs to LSEs located in Wisconsin. By contrast, the intended end result of WEPCo's proposal to create two new BAs is to increase dramatically the allocation of SSR costs to the new MIUP BA in the Michigan Upper Peninsula is estimated to be as high as 99% and would decrease the allocation of such costs to the LSEs in Wisconsin to as low as 1%. Such an end result is unjust and unreasonable because it allows a utility to dramatically change the outcome of a Commission-approved allocation methodology by gerrymandering the boundaries of existing BAs without any Commission review of the resulting impact of shifting millions of dollars of SSR costs of generation units between ratepayers served by LSEs located in the affected BAs.

NERC's approval of WEPCo's proposal to create two new BAs must be reversed because of a lack of procedural due process. Neither WEPCo nor ReliabilityFirst provided the Michigan PSC with any notice of the February 17th proposal to split the existing WEC BA into two smaller BAs, primarily along state lines. It is the Michigan PSC's understanding that notice was not provided by ReliabilityFirst to LSEs affected by the WEPCo proposal. As a result, the Michigan PSC and other affected parties were denied the opportunity to present evidence before the ReliabilityFirst, or any other venue, concerning the impact of WEPCo's proposal upon the allocation of SRR costs between Wisconsin and Michigan.

The Michigan PSC first became aware of WEPCo's proposal in early May of 2014, upon receipt of an email copy of a letter to WPPI Energy discussing the fact that WEPCo is changing its existing BA boundaries. Subsequently, the Michigan PSC reviewed a May 13, 2014 presentation

by WEPCo to the MISO Reliability Subcommittee addressing WEPCo's request for a split BA before ReliabilityFirst.

On June 10-11, 2014, a representative of the Michigan PSC attended a NERC ReliabilityFirst Operating Committee meeting at which the MISO's revised reliability plan was considered, which incorporated the newly proposed split BA. The Michigan PSC and the Governor of Michigan were concerned that there were potential issues that may not have been addressed concerning the bifurcated BA. The NERC ReliabilityFirst Operating Committee reported that NERC would accommodate the request to delay approval of the BA split in light of concerns raised by the Michigan PSC and provided the Michigan PSC an opportunity to provide further evidence addressing such concerns. The Michigan PSC and the Governor of Michigan followed up with letters to NERC explaining that the apparent intent of the split BA proposal was to increase the allocation of the SSR costs to WEPCo's newly proposed MIUP BA in the Michigan Upper Peninsula to a level substantially in excess of the 14% set forth in MISO's August 11, 2014 filing in compliance with the Commission's July 29 Order.<sup>8</sup> NERC, however, approved WEPCo's proposal and certified the MIUP BA on August 28, 2014, without addressing the Michigan PSC's cost impact evidence. The Michigan PSC, however, received a letter from NERC dated August 29, 2014 indicating that NERC has no authority to review cost allocation concerns. As a result, the Michigan PSC and other affected parties were denied an opportunity or forum to be heard.

Based on NERC's conclusion that it has no obligation or jurisdiction to consider the impact of proposed changes BA boundaries on cost allocation, the Commission must consider such evidence in connection with its review of this Complaint against NERC's approval and certification

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<sup>8</sup> While the precise increase in costs to the Michigan Upper Peninsula is not known, the end result is expected to approach 99%.

of the split BA. Otherwise, parties will be unlawfully denied not only any opportunity to be heard regarding the resulting shift in millions of dollars of SSR costs, but will be denied access to a forum to present their position for resolution. On review of NERC's approval and certification of the split BA, the Commission must balance the resulting impact of the potential costs shift upon Michigan ratepayers against the reliability benefits of a split BA. In this respect, WEPCo admitted that the creation of the metering boundaries of the Michigan Upper Peninsula BA "will not itself directly improve the physical reliability challenges" in the Upper Peninsula.

#### **IV. ARGUMENT IN SUPPORT OF COMPLAINT**

##### **1. WEPCo's Proposal to Split the Existing WEC BA Operated by WEPCo Apparently Was Motivated By WEPCo's Desire to Change MISO's Allocation of SSR Costs**

There is substantial evidence suggesting that WEPCo's proposal to split its existing BA was motivated by WEPCo's objective to shift responsibility for SSR costs to ratepayers in the Michigan Upper Peninsula. Even assuming the resulting cost shift is a mere coincidence, the impact of such cost shift upon consumer is so grossly unjust and unreasonable it clearly outweighs the reliability benefits that WEPCo claims will be achieved through the creation of a new BA in the Upper Peninsula.

This case began on February 17, 2014 when WEPCo submitted an Entity Certification form to ReliabilityFirst, the Regional Entity that is responsible for reliability in the Mid-Atlantic region across Ohio, Indiana, the Upper Peninsula of Michigan, and a small portion of Wisconsin.<sup>9</sup> The WEPCo proposal requested ReliabilityFirst to approve a split of the existing WEC BA operated by WEPCo into two new BAs, one including the loads of WEPCo and other LSEs primarily in the

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<sup>9</sup> See MIUP Balancing Authority Overview, May 13, 2014 at 8, included as Attachment A to the Affidavit of Paul Proudfoot, attached as Exhibit No. MI-2 to this Complaint.



Michigan Upper Peninsula, and the other including the loads of WEPCo and other LSEs mostly in Wisconsin. Currently, such loads are all included in the single WEC BA. WEPCo provided no notice of its requested BA proposal to the Michigan PSC.

The timing of WEPCo's request and its attempt to keep affected parties in the dark, suggests that the proposal was motivated by a desire to affect the way MISO allocates SSR costs. Specifically, on January 31, 2014, MISO filed in Docket No. ER14-1243 its proposed allocation of SSR costs relating to the operation of WEPCo's Presque Isle generators located in the Michigan Upper Peninsula. Consistent with its Tariff, MISO proposed to allocate such SSR costs to all LSEs located within the ATC footprint on a *pro rata* basis, which resulted in an allocation of 92% of such costs to Wisconsin LSEs and 8% to Michigan Upper Peninsula LSEs. Less than three weeks later, WEPCo filed its request with ReliabilityFirst to split its existing BA into two distinct BAs, one including a small part of WEPCo's load in the northern part of its service territory and the load of other LSEs in the Michigan Upper Peninsula, and the other including most of WEPCo's load in Southern Wisconsin and the loads of other LSEs in Wisconsin. As discussed in Section 2 below, WEPCo provided no notice to the Michigan PSC or other Michigan stakeholders of the request filed with the ReliabilityFirst.<sup>10</sup>

## **2. NERC's Approval of WEPCO's Proposal to Split its BA is Procedurally Defective and Denied Michigan PSC An Opportunity to be Heard**

On April 3, 2014, in Docket No. EL14-34-000, the Wisconsin PSC filed a complaint requesting the Commission to find the existing *pro rata* allocation of SSR costs to all LSEs in the ATC footprint unjust and unreasonable and to require MISO to allocate such costs as provided under the MISO Tariff for the rest of MISO (*i.e.*, first to the Local Balancing Authorities (LBAs)

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<sup>10</sup> The details of how and when the Michigan PSC became aware of WEPCo's request to split its existing BA are set forth in Mr. Proudfoot's Affidavit, Exhibit No. MI-2 at PP 6-14.

affected by an outage of the SSR units, as measured by a MISO load shed study, and then the costs allocated to each LBA are uplifted on a *pro rata* basis to the LSEs located in each LBA).<sup>11</sup>

In its July 29 Order, the Commission granted the Wisconsin PSC Complaint and directed MISO to make a compliance filing allocating SSR costs within the ATC footprint consistent with the methodology set forth in the MISO Tariff applicable to the rest of MISO and in accordance with a final MISO load-shed study. On August 11, 2014, MISO submitted its filing in compliance with the Commission's July 29 Order. The compliance filing, based on WEPCo's single BA, allocated 14% of the SSR costs to LSEs in the Michigan Upper Peninsula and 87% of such costs to LSEs in Wisconsin.<sup>12</sup> By contrast, the apparently intended end result of WEPCo's proposal to create two new BAs would be to allocate as much as 99% of SSR costs to LSEs in the new MIUP BA in the Michigan Upper Peninsula, while virtually eliminating the allocation of such costs to the revised smaller WEC BA in Wisconsin.<sup>13</sup> This dramatic change to the end result of applying MISO's existing allocation methodology to the existing WEC BA operated by WEPCo, in compliance with the July 29 Order, coupled with the fact that there is no evidence that the split BA was needed to address any physical reliability concerns, suggests that the WEPCo proposal was intended to shift costs to the Upper Peninsula of Michigan.

Even assuming the impact of such proposal on SSR cost allocation was coincidental, such impact requires Commission review of NERC's approval and certification of the split BA, particularly where, as discussed below, there is no documented reliability issue supporting NERC's

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<sup>11</sup> Michigan PSC notes that WEPCo is a Balancing Authority (BA) for NERC reliability and a Local Balancing Authority (LBA) within the meaning of MISO's Tariff.

<sup>12</sup> See August 11, 2014 compliance filing by the Midcontinent Independent System Operator, Inc. in Docket No. ER14-1242, et al.

<sup>13</sup> See Exhibit No. MI-2, Affidavit of Paul Proudfoot at P. 18.

approval of WEPCo's split BA proposal, especially one done on an accelerated basis without adequate notice and opportunity to be heard.

NERC's approval of WEPCo's proposed new BAs is procedurally defective because when WEPCo submitted its Entity Certification form to ReliabilityFirst on February 17, 2014, WEPCo did not provide notification of such filing to the Michigan PSC, notwithstanding the fact that WEPCo presumably was aware that its filing would shift millions of dollars of costs from the Wisconsin portion of the existing WEC BA to loads mostly in Michigan. Such presumption is reasonable in light of the fact that it appears that the Wisconsin PSC received advance notice of WEPCo's proposed BA split with enough time to incorporate such information in the non-public version of the Complaint filed by the Wisconsin PSC on April 3, 2014.<sup>14</sup> Unfortunately, the MPSC was not afforded the opportunity to view the confidential version until after learning from other sources about the LBA split in May of 2014.

Similarly, ReliabilityFirst failed to provide the Michigan PSC with any notice of an opportunity to submit comments and evidence addressing the merits of WEPCo's proposal to split its existing BA into two new smaller BAs. As a result, the Michigan PSC was denied the opportunity to appear before the ReliabilityFirst and to timely present evidence regarding the claimed reliability benefits of WEPCo's proposal and its impact WEPCo on the allocation of costs to the Michigan Upper Peninsula.

The Michigan PSC first became aware of WEPCo's proposal in early May of 2014, upon receipt of an email copy of a letter from WEPCo to WPPI Energy providing notice that WEPCo was working on dividing the existing WEC BA into two BAs to enable WEPCo to more efficiently

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<sup>14</sup> See Exhibit C to the non-public version of the Wisconsin PSC Complaint filed on April 3, 2014 in Docket No. EL14-34-000.

respond to reliability emergencies in the Upper Peninsula. The Michigan PSC, upon receipt of such notice, utilized its best efforts to determine the impact of WEPCo's proposal upon Michigan ratepayers in the Upper Peninsula. The details of such efforts are discussed in the Affidavit of Paul Proudfoot attached to this Complaint as Exhibit No. MI-2.

Subsequent to receipt of the WEPCo letter to WPPI Energy, the Michigan PSC became aware of, and reviewed, a presentation by WEPCo on May 13, 2014 before the MISO Reliability Subcommittee explaining WEPCo's proposal pending before the ReliabilityFirst to split the existing WEC BA into two BAs.<sup>15</sup> Subsequently, the Michigan PSC received notice that the NERC ReliabilityFirst Operating Committee was reviewing MISO's reliability plan. As explained below, the Michigan PSC immediately took steps to participate in such review.

**3. NERC Failed to Consider Evidence Provided by the Michigan PSC Addressing the Impact of WEPCo's Split LBA on Cost Allocation**

On June 10-11, 2014, a Michigan PSC representative participated in a meeting of the NERC ReliabilityFirst Operating Committee convened to review MISO's reliability plan which incorporated WEPCo's proposal pending before ReliabilityFirst to split its existing BA into two small BAs; one including LSEs in Wisconsin and the other including LSEs in the Michigan Upper Peninsula. In response to concerns expressed at that meeting by the Michigan PSC's representative, the NERC ReliabilityFirst Operating Committee reported that NERC would delay its approval and certification of the MIUP BA in order to provide the Michigan PSC an opportunity to present evidence related to the impact of the split BA upon the Michigan Upper Peninsula.<sup>16</sup>

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<sup>15</sup> See, WEPCo's May 13, 2014, MIUP Balancing Authority Overview, Attachment A to the Affidavit of Paul Proudfoot, Exhibit No. MI-2.

<sup>16</sup> See Minutes of the Operating Committee June 10-11 meeting, included as Attachment H to the Affidavit of Paul Proudfoot, Exhibit No. MI-2.

The Michigan PSC followed up such concerns with a letter to NERC dated August 15, 2014.<sup>17</sup> In addition, the Governor of Michigan highlighted Michigan's concerns in a letter to NERC dated August 18, 2014.<sup>18</sup> The Michigan PSC explained that MISO's August 11, 2014 compliance filing, submitted in response to the Commission's July 29 Order increased the allocation of Presque Isle SSR costs to LSEs in the Upper Peninsula from 8% to 14% and reduced the allocation of such costs to LSEs in Wisconsin from 92% to 86%. The Michigan PSC further explained that the apparent intended result of the splitting of the BAs proposed by WEPCo would be to increase the allocation of the SSR costs to the LSEs in the MIUP BA and reduce the allocation of SSR costs to LSEs in the Wisconsin portion of the revised smaller WEC BA.

NERC, however, approved WEPCo's proposal on August 28, 2014, without addressing the evidence submitted by the Michigan PSC.<sup>19</sup> On August 29, 2014, the Michigan PSC received a letter from NERC explaining that NERC's certification review focused solely on the technical issues and that NERC "has no authority to address the cost allocation issues raised in response to the proposal to form the MIUP BA."<sup>20</sup> NERC therefore advised the Michigan PSC "to continue communications with the appropriate parties responsible for cost allocation issues related to this topic."<sup>21</sup>

If the Commission concludes that NERC has no jurisdiction or obligation to consider the cost impacts of changes to BA boundaries, Michigan PSC requests the Commission to consider

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<sup>17</sup> See Attachment J to the Affidavit of Paul Proudfoot.

<sup>18</sup> See Attachment K to the Affidavit of Paul Proudfoot.

<sup>19</sup> See Exhibit No. MI-1.

<sup>20</sup> NERC's August 29, 2014 letter is included as Attachment L to the Affidavit of Paul Proudfoot.

<sup>21</sup> *Id.*

such impacts in connection with its review of this Complaint relating to NERC's approval of the two new WEPCo BAs. The evidence demonstrates that NERC's approval of the split BAs could dramatically increase the amount of SSR costs allocated to WEPCo's newly proposed Michigan Upper Peninsula BA from the 14% level reflected in MISO's August 11 filing in compliance with the Commission's July 29 Order.

**4. There is No Evidence that the WEPCo Proposed Split BA Was Required to Address Reliability Concerns**

There is no evidence that the WEPCo proposal was tied to any physical reliability concerns in need of immediate attention. To the contrary, WEPCo's summary of its proposal admitted that the creation of the metering boundaries of the new Michigan Upper Peninsula BA "will not itself directly improve the physical reliability challenges."<sup>22</sup> The Michigan PSC is in receipt of a letter from WEPCo dated September 16, 2014, asserting that WEPCo's proposal to establish a new BA for the Michigan Upper Peninsula<sup>23</sup> will enhance management by allowing MISO, ATC, and the [Electric System Operator] ESO to "clearly identify the actions required and entities involved" to address reliability in the Upper Peninsula for the following reasons:

- Increasing the granularity incorporated in both Bulk Electric System (BES) operations and planning activities by Wisconsin Electric, ATC (the transmission owner/operator), and MISO (the transmission provider and reliability coordinator).
- Providing greater operational focus and simplifying administration of processes utilized to preserve BES reliability.
- Creating metering boundaries that will improve the ability in the Upper Peninsula, without running SSR-designated generation, at an estimated cost

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<sup>22</sup> See Exhibit No. MI-2, Attachment A at page 3.

<sup>23</sup> See letter from Gale W. Klappa, Chairman and Chief Executive Officer of WE Energies to the Commissioners of the Michigan PSC dated September 16, 2014, attached as Attachment O to the Affidavit of Paul Proudfoot.

of MISO, ATC, and Wisconsin Electric to clearly identify the actions required.

- Enhancing the ability of operators to respond in a timely and appropriate manner to reliability emergencies in the Michigan Upper Peninsula.

The Michigan PSC Staff has concluded that the proposed BA split is nothing more than a new metering boundary. As explained by Mr. Proudfoot, WEPCo is not adding any infrastructure or making any changes to its facilities or personnel when the BA is split. There is no dispute that separate metering can accurately measure loads in two parts of service territory in order to allocate charges between the two areas. Such metering does not necessarily improve reliability. Although the Michigan PSC Staff concluded that the BA split will not improve reliability in the region, the Michigan PSC Staff also concluded that it likewise won't harm reliability in the region.<sup>24</sup>

The Michigan PSC appreciates the reliability challenges facing the Upper Peninsula, but is concerned that the resulting allocation of up to 99% of the Presque Isle SSR costs to the WEPCo's MIUP BA will have an adverse affect on efforts to actually resolve such reliability challenges. Specifically, the allocation of SSR costs resulting from the split BA will create a bias against the construction of needed transmission solutions.<sup>25</sup> Ratepayers in the Upper Peninsula have funded transmission solutions to must-run generation problems on the ATC system in Wisconsin. Stakeholders located in Wisconsin could be biased against timely funding similar transmission solutions for the Upper Peninsula (and favor continued running of SSR-designated generation with its cost allocation methodology) because 92% of the costs of transmission solutions would be

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<sup>24</sup> See Affidavit of Paul Proudfoot, Exhibit No. MI-2, at P. 17.

<sup>25</sup> The Michigan PSC notes that WEPCo's Overview of the Michigan Upper Peninsula BA identifies a major transmission enhancement project proposed to address reliability in the Upper Peninsula, without must run generation, at an estimated cost of \$398 - \$547 million, with a targeted in-service date of mid-2019. See Attachment A of Mr. Proudfoot's Affidavit Exhibit MI-2.

allocated to LSEs in the Wisconsin portion of the ATC footprint. As explained in the Michigan PSC's request for rehearing of the July 29 Order, the allocation of SSR costs and transmission reliability costs should be based on a consistent methodology in order to avoid any bias against the most efficient solution within and among regional transmission organizations.<sup>26</sup>

Assuming, *arguendo*, that the Commission concludes that WEPCo's proposal to split its existing BA does provide some reliability benefits, the Michigan PSC requests the Commission to make clear that any resulting affirmation of the NERC approval does not affect the way SSR costs would otherwise be allocated under the single BA. Such clarifications will negate the incentive for an LSE to manipulate the allocation of costs by changing BA boundaries.

#### **V. COMPLIANCE WITH RULE 206(B) ARGUMENT IN SUPPORT OF COMPLAINT**

In accordance with Rule; 206(b) the Commission's regulations the Michigan PSC states as follows:

1. The issues presented relating to the approval of new LBAs are not pending in any existing Commission proceeding or a proceeding in any other forum in which Michigan PSC is a party, but such issues relate directly to the allocation of SSR costs pending in Docket Nos. ER14-1242, ER14-1243, EL14-34, ER14-2176, ER14-2180, and ER14-1724.

2. All documents that support the facts in the complaint in possession of, or otherwise attainable by, the Michigan PSC are included in Exhibit Nos. MI-1 and MI-2.

3. The Enforcement Hotline, Dispute Resolution Service, tariff-based dispute resolution mechanisms, and other informal dispute resolution procedures were not used because the position of the parties are well established based upon pleadings in FERC Docket Nos. ER14-1242,

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<sup>26</sup> See Michigan PSC Application for Rehearing filed on August 28, 2014, in Docket No. ER14-1242-000, et al. at 41-42.



ER14-1243, EL-14-34, ER14-2176, ER14-2180, and ER14-1724. In addition, the Michigan PSC's participation before the NERC ReliabilityFirst Operating Committee strongly suggests that NERC was not willing to engage in alternate dispute resolution.

4. A form of notice of the Complaint suitable for publication in the Federal Register on electronic media is provided with this filing.

5. Fast Track procedures are requested so that a Commission order may be issued prior to December 1, 2014, the effective date of NERC's approval of the BA split.

## **VI. CONCLUSION**

Based on the foregoing, the Michigan PSC respectfully requests the Commission to reverse NERC's approval of the WEPCo split LBA. Alternatively, the Commission could negate the concern that WEPCo's proposal was motivated by cost allocation goals, rather than reliability, by making clear that the resulting BAs shall be used for reliability purposes only and that MISO should allocate the SSR costs, and other market settlement charges, in accordance with the single WEC BA in effect at the time of issuance of the Commission's July 29 Order. SSR allocations should not be a moving target nor should they be subject to gerrymandering of LBA boundaries. Thus,

notwithstanding any implementation of the BA split on December 1, 2014, SSR costs should be allocated before and after that implementation date on the basis of the BA boundary in effect at the time WEPCo filed its request to change the boundaries of its existing BA.

Respectfully submitted,

**THE MICHIGAN PUBLIC SERVICE COMMISSION**

**BILL SCHUETTE**  
Attorney General

Steven D. Hughey (P32203)  
Anne M. Uitvlugt (P71641)  
Lauren D. Donofrio (P66026)  
Assistant Attorneys General  
Public Service Division  
6520 Mercantile Way, Suite 1  
Lansing, MI 48911  
(517) 241-6680

*/s/ David D' Alessandro*

David D' Alessandro  
Kelly A. Daly  
Special Assistant Attorneys General  
Stinson Leonard Street LLP  
1775 Pennsylvania Ave, N.W Suite 800  
Washington, DC 20036-3816  
(202) 785-9100

**CERTIFICATE OF SERVICE**

I hereby certify that I have this day served, via electronic mail or first class mail, the foregoing document upon each person designated on the official service list compiled by the Secretary in this proceeding.

Dated at Washington, D.C. this 19<sup>th</sup> day of September, 2014.

*/s/David D'Alessandro*  
David D'Alessandro

# EXHIBIT MI-1



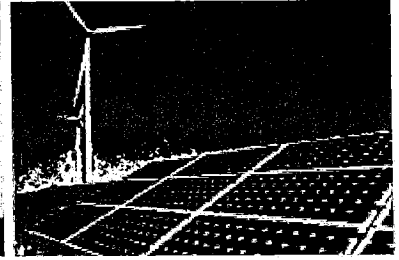
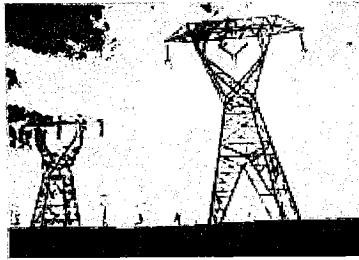
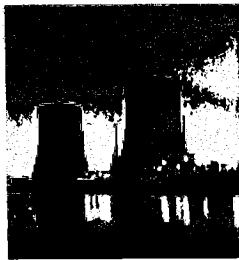
# NERC Balancing Authority Certification Final Report

Michigan Upper Peninsula (MIUP), NCR-TBD

Site Visit Conducted  
August 12-13, 2014

Final Report Date  
August 28, 2014

RELIABILITY | ACCOUNTABILITY



3353 Peachtree Road NE  
Suite 600, North Tower  
Atlanta, GA 30326  
404-446-2560 | [www.nerc.com](http://www.nerc.com)

# Table of Contents

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Introduction .....	1
Certification Team .....	2
Objective and Scope .....	3
Overall Conclusion .....	4
Certification Team Determinations .....	5
Items that Required Completion .....	5
Findings .....	5
Positive Observations .....	6
Company History – Background .....	7
Corporate .....	7
System Overview .....	7
Company Details – Operating Facility .....	8
Control Center/SCADA System Description .....	8
Documentation List .....	9
Attachment 1 – Certification Team .....	10
BA Certification Team .....	10
MIUP Personnel .....	10
Attachment 2 – Certification Process Steps .....	12
Documentation Review .....	12
Applications Review .....	12
Attachment 3 – Items Required to be Completed for Operation .....	13

# Introduction

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This report presents the results of an on-site review of Michigan Upper Peninsula (MIUP) (NCR-TBD) as a Balancing Authority (BA) in the ReliabilityFirst (RF) area of responsibility certified by the North American Electric Reliability Corporation (NERC). This review was conducted by staff from NERC, RF, Midcontinent ISO (MISO), and American Transmission Company (ATC) in accordance with the NERC Rules of Procedure (ROP) section 500, Organization Registration and Certification. This Certification was necessary due to the separation of the Wisconsin Electric Power Company (WEPCo) BA footprint into the new MIUP BA and its BA Area from the remaining portion of the existing WEPCo BA and its BA Area.

The MIUP BA operates within the metered boundaries that establish the BA Area. Every generator, transmission facility, and end-use customer is in a BA Area. The BA's mission is to maintain the balance between loads and resources in real time within its BA Area by keeping its actual interchange equal to its scheduled interchange and meeting its frequency bias obligation. The load-resource balance is measured by the BA's Area Control Error (ACE). NERC's Reliability Standards require that the BA maintain its ACE within acceptable limits.

Maintaining resource-demand balance within the BA Area requires four types of resource management, all of which are the BA's responsibility:

- Frequency control through tie-line bias
- Regulation service deployment
- Load-following through economic dispatch
- Interchange implementation

## **Certification Team**

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Following notification of MIUP's request for BA certification and registration received on February 14, 2014 a Certification Team (CT) was formed and a Certification evaluation date was selected to perform an on-site engagement. The rosters for members of both the CT and the MIUP participants are listed in Attachment 1.

Confidentiality agreements and code of conduct documentation for the certification team were provided prior to the Certification. Work history and conflict of interest forms for each certification team member were also provided to WEPCo. WEPCo was given an opportunity to object to certification team members on the basis of a possible conflict of interest or the existence of other circumstances that could interfere with the CT member's impartial performance of duties. WEPCo did not object to the participation of any team member.



## **Objective and Scope**

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The objective of the CT evaluation was to assess MIUP's processes, procedures, tools, training and personnel that would allow it to perform the function of a BA. The scope of the evaluation included:

1. Interviewing MIUP's management and reviewing pertinent documentation for verification of requirements for BA operation.
2. Reviewing procedures and other documentation developed by MIUP to meet the applicable standards and requirements.
3. Interviewing MIUP system operations personnel.
4. Reviewing MIUP's Energy Management System (EMS), communication facilities, operator displays, etc. to assess its capabilities.
5. Performing other validation reviews as considered necessary.

An on-site review was held at the MIUP's Primary Control Center (PCC) including a site visit to MIUP's Alternate Operations Center (AOC) on August 12-13, 2014.

## **Overall Conclusion**

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The certification process was completed in accordance with the NERC ROP to determine if MIUP has the necessary processes, procedures, tools, training, facilities, and personnel to perform the function as a NERC-certified BA. MIUP presented evidence related to the applicable standards/requirements for the CT to review. The CT found the MIUP operators to be equipped with the necessary operating tools, and they are prepared to perform the BA operations. All of MIUP's operators are NERC-certified.

Based on this evidentiary review, the CT concluded that MIUP has the processes, procedures, tools, training, facilities, and personnel in place to reliably perform the BA function.

Therefore, the CT recommends that certification of MIUP as a NERC-certified BA should be approved.

## **Certification Team Determinations**

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The CT found that MIUP is prepared and qualified to operate as a NERC-certified BA based on its review of the evidence presented by MIUP. The CT recommends that MIUP be certified by NERC to operate as a BA.

### **Items that Required Completion**

At the conclusion of the site visit, it was agreed that certain items required completion prior to the certification of MIUP as a BA and a tentative schedule for completion was agreed. The list of these items is included as Attachment 3. As noted in Attachment 3, evidence of completion of these items was provided on Friday, August 22, 2014 to the CT for review and confirmation. Each item was closed to the satisfaction of the CT prior to the issuance of this Final Report.

### **Findings**

No findings which would prevent MIUP from being certified as a NERC-certified BA were identified by the CT as of the issuance of this Final Report.

## Positive Observations

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The CT noted the following positive aspects that will enhance MIUP's performance as a BA:

1. Experience level and criteria for system operators selection. MIUP hires operators from a diverse cross section of the industry. Some operators are electrical engineers who also hold a professional engineering license. In addition, new hires must obtain a NERC certification, then are subsequently trained on the desk and must pass a series of tests before they are allowed to operate on the desk independently.
2. Cooperation and transparency. The CT received excellent cooperation and transparency from MIUP personnel during the site visit.
3. Method of tagging of Critical Cyber Assets (CCAs). MIUP identifies CCAs with a unique color-coded tag on the front of the equipment and additional tags on the cables connected to those CCAs.
4. Backup control center. The back up control center referred to as the Alternate Operating Center (AOC) is well equipped and configured for ease of operator use. There are five projectors directed at five large screens used as overhead displays. There are separate operator stations that will allow up to four operators to work at the same time.

## **Company History – Background**

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### **Corporate**

We Energies is the trade name of Wisconsin Electric Power Co. and Wisconsin Gas LLC, principal utility subsidiaries of Wisconsin Energy Corporation (WEC). We Energies provides electric service to customers in portions of Wisconsin and Michigan's Upper Peninsula. It also serves natural gas customers in Wisconsin and steam customers in downtown Milwaukee.

### **System Overview**

The MIUP BA will be within the RF region and the MISO Balancing Area. The creation of the MIUP BA will not create any new MISO-to-external BA ties. In addition WEPCo and MIUP each have a Coordinated Functional Registration (CFR) with MISO. The NERC BA standards and requirements are divided between the MISO BA and the existing WEPCo and new MIUP BA.

Wisconsin Electric currently operates as a certified BA and single BA Area that spans portions of Wisconsin and the UP and is identified as WEC. The MIUP BA and its defined BA Area are geographically and electrically remote from the remaining WEC BA Area. The MIUP BA area also has unique reliability challenges, because of its geographic location, limited transmission connectivity, and its reliance on a limited number of generating facilities.

## **Company Details – Operating Facility**

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### **Control Center/SCADA System Description**

The physical location of the primary control center and back up control center will be the same for the existing WEPCo BA and the MIUP BA. The primary control center is staffed 24x7. WEPCo's Electric System Operations (ESO) System Reliability Supervisors (SRSs) will operate both BAs from these locations. The physical layout of the primary control center includes workplaces for two operators as well as the Reliability Analyst function. Six overhead displays provide an operational picture that supports operator situational awareness. Displays include, but are not limited to tie line flows, MISO ACE, voltage at generators and key substations, load at key industrial customers, interconnection frequency, and weather. The operators have the ability to adjust displays based on the situation.

A diverse set of infrastructure is in place to support voice and data communications, including: microwave, fiber, cellphone, satellite, lease lines, SONET rings, and internet. Operators make use of standard telephones with rollover lines, a turret-type phone system, cell phones, satellite phones, ringdown circuits, email, and the Inter-Plant Announcing System (IPA). This set of tools and the supporting infrastructure provide multiple and diverse capabilities for both voice and data communications.

The MIUP BA will use existing personnel, infrastructure, tools, facilities, and processes including EMS. WEC BA operating procedures and tools have been modified to account for unique operating conditions in the MIUP BA Area.

## Documentation List

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Copies of all supporting MIUP documents were collected as evidence of MIUP's preparedness, and will be kept as a record of evidence to support the CT's recommendation. These documents will be retained at the NERC offices in Atlanta, GA for a period of six (6) years.

None of the documents listed below are included with the distribution of this final report. Per the NERC ROP, and due to the confidential nature of this material, these documents are available for review at the NERC offices after proper authorization is obtained through RF and NERC:

- MIUP BA Questionnaire
- MIUP BA Master Matrix
- MIUP's various BA evidence files
- Presentations made by the CT and MIUP
- Internal Compliance Program and Internal Controls Documentation

## Attachment 1 – Certification Team

### BA Certification Team

Table 1: BA Certification Team		
Name	Position	Organization
Terry Brinker	Lead	NERC
Kevin Larson	Member	Midcontinent Independent System Operator (MISO)
Randy Ploetz	Member	American Transmission Company (ATC)
Dirk Baker	Member	RF
Lew Folkerth	Member	RF
Jim Stuart	Member	NERC
Hugo Perez	Member	NERC
Tiffani Gollihue	Scribe	NERC

### MIUP Personnel

Table 2: MIUP Personnel Participants	
Name	Position
Beiffuss, Matthew	Manager Grid Operations Support
Buckmaster, Chris	Senior IT Infrastructure Consultant
Casper, Tom	Senior Energy Project Analyst
Curtis, Donald	Principal Bus Specialist-Infrastructure
Doerflinger, Dave	System Reliability Supervisor
Eells, Thomas	Manager Corporate Security
Eggert, Kurt	Applications Architecture IT Manager
Fennig, Mark	Senior IT Infrastructure Consultant
Fletcher, Kevin	Senior Vice President Customer Operations
Heimsch, Brian	Program Manager-Technical Training
Horn, Linda	Manager Federal Regulatory & Policy
Hribar, Michelle	Senior IT Infrastructure Consultant
Jankowski, Tony	Manager System Operations
Kedrowski, Barb	Project Manager Federal Regulatory & Policy
Larsen, Bruce	Manager System Reliability



Table 2: MIUP Personnel Participants	
Name	Position
Lawlor, Russ	System Reliability Supervisor
Lucas, Bill	Manager Technology Security & Compliance
Mallon, Andy	System Reliability Supervisor
Martin, Susan	Exec. VP, Gen. Counsel & Corp. Secretary
Meyer, Dave	Principal Security Consultant
Morakinyo, Candy	Project Mgr. Federal Regulatory & Policy
Mulroy, Molly	Director Information Services
Peters, Jim	Facility Mechanic, NSC
Pierce, Ronald	Principal IT Applications Consultant
Shook, Chris	Team Leader EMS Operations Support
Springhetti, Joseph	Sr. Engineer, Planning Dev. & Ops Support
Stegehuis, Rick	System Reliability Supervisor
Taychert, Janet	Project Manager Operational Support
Tidmore, Stephanie	Secretary
Ward, Shelley	Senior Energy Project Analyst
White, Paul	Senior Energy Project Analyst

## **Attachment 2 – Certification Process Steps**

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### **Documentation Review**

Using professional judgment, the CT reviewed the BA Questionnaire, the BA Master Matrix, and submitted documents and determined the documentation, along with the results from the on-site visit, provided sufficient basis that MIUP has the processes, procedures, tools, training, facilities, and personnel to operate as a NERC-certified BA.

The BA Master Matrix is a spreadsheet created using the VRF Matrix available on NERC's website<sup>1</sup>. The spreadsheet contains all the applicable NERC Standards and associated Requirements for an entity to be evaluated as a NERC-certified BA. After choosing the standards and requirements applicable to the BA function, the CT developed the BA Master Matrix spreadsheet and the CT used the Matrix to catalog the documentation evidence provided by MIUP. In the Certification Process, the CT inserted the appropriate MIUP document references in which evidence provided by MIUP met the applicable Standards and Requirements.

### **Applications Review**

The on-site visit focused on reviewing documentation, evaluating control centers' configurations, interviews of MIUP's operators of the CT's choosing, and evaluating the BA EMS applications and operator toolset that MIUP has available for their operators.

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[http://www.nerc.com/pa/comp/\\_layouts/xlviewer.aspx?id=/pa/comp/Organization%20Certification%20DL/20\\_Certification%20Master%20Matrix\\_Rev0.xlsx&Source=http%3A%2F%2Fwww%2Energ%2Ecom%2Fpa%2Fcomp%2FPages%2Fcertification%2Easpx&DefaultItemOpen=1](http://www.nerc.com/pa/comp/_layouts/xlviewer.aspx?id=/pa/comp/Organization%20Certification%20DL/20_Certification%20Master%20Matrix_Rev0.xlsx&Source=http%3A%2F%2Fwww%2Energ%2Ecom%2Fpa%2Fcomp%2FPages%2Fcertification%2Easpx&DefaultItemOpen=1)

## **Attachment 3 – Items Required to be Completed for Operation**

All items listed below requiring completion prior to the certification of MIUP as a BA were closed to the satisfaction of the CT prior to the issuance of this Final Report.

1. Physical Security Perimeter (PSP) at AOC north emergency exit
  - a. Replace the locking mechanism with one that will not permit the door to be left in an unlocked state.
  - b. Replace the existing mechanical lock cylinder and place all keys under the appropriate key management program to provide access control for the PSP.

# EXHIBIT MI-2

**UNITED STATES OF AMERICA  
BEFORE THE  
FEDERAL ENERGY REGULATORY COMMISSION**

**Michigan Public Service Commission )  
Complainant, )**

**v. )**

**Docket No. EL14-\_\_\_\_-000**

**North American Electric Reliability )  
Corporation, and )**

**Wisconsin Electric Power Company )  
Respondents. )**

**AFFIDAVIT OF PAUL PROUDFOOT  
ON BEHALF OF  
THE MICHIGAN PUBLIC SERVICE COMMISSION**

1. My name is Paul Proudfoot, and my business address is Michigan Public Service Commission, 4300 W. Saginaw, P.O. Box 30221, Lansing, MI 48906. I have been employed by the MPSC since 1974.
2. I am employed by the Michigan Public Service Commission (MPSC) as the Director of the Electric Reliability Division. The primary responsibility of the Electric Reliability Division is implementation of Michigan 2008 PA 295 (Act 295 or Act) which required electric and gas providers to file plans to meet renewable energy and energy efficiency standards contained in the Act. The division is also responsible for electric reliability and planning issues, Certificate of Need issues surrounding construction of new electric power plants and the certification of electric transmission projects including regional transmission planning issues.

3. I hold a Bachelor of Science Degree from the Michigan State University School of Packaging, which is within the College of Agriculture. As a student in the School of Packaging, I studied the technical areas required to design and manufacture packaging systems, which included, material characteristics, physical design, and material testing. The management tract in which I was enrolled also included a general business curriculum courses in accounting, economics, and marketing.
4. After graduation, I started at the MPSC as a Data Systems Analyst with the Utility Systems Audit Section. Since that time, I have held various positions of increasing responsibility within the MPSC. During the period from 2008 to 2009 I served as Director of the Operations and Wholesale Markets Division. The Operations and Wholesale Markets Division is responsible for electric reliability issues, electric energy planning, electric distribution performance, pole attachments issues, Rule 411 disputes, electric metering issues, wholesale market issues, natural gas pipeline safety, natural gas production issues and natural gas pipeline and electric transmission certification issues. Near the end of 2008, in addition to serving the role as the Director of the Operations and Wholesale Markets Division, I assumed my current role as the Director of Electric Reliability Division.
5. As part of my regular job duties, I am assisting the MPSC in its investigations of the technical and policy issues raised by the request of Wisconsin Electric Power Company (WEPCo) to split its local balancing area (LBA) that currently covers its entire service territory into two distinct LBAs which separate the majority of WEPCo's service territory in Wisconsin from the Upper Peninsula of Michigan. I am also assisting the MPSC with the technical and policy issues raised by the designation of Presque Isle Power Plant (PIPP)

as a System Support Resource (SSR) by the Midcontinent Independent System Operator, Inc. (MISO).

6. The MPSC became aware of the WEPCo LBA split shortly before WEPCo's presentation to the MISO Reliability Subcommittee on May 13, 2014. The MPSC discovered that the LBA split request was filed with ReliabilityFirst Corporation on February 17, 2014 and the filing was not publicly available. The MISO presentation is attached as Attachment A.
7. On May 6, 2014, the Michigan Public Power Agency (MPPA), of which the Marquette municipal utility is a member, received notification from WEPCo regarding the LBA split. The notification is attached as Attachment B.
8. The MPPA responded to WEPCo's May 6, 2014 notification of the LBA split with a written letter asking several questions. In this response, the MPPA questions the perceived reliability need for the LBA split, as well as the cost implications of the LBA split. MPPA's response to WEPCo's May 6 notification is attached as Attachment C.
9. On May 19, 2014, MPSC Staff members, of which I was one, signed a non-disclosure agreement with the Public Service Commission of Wisconsin (PSCW) in order to obtain un-redacted versions of the complaint and exhibits filed by the PSCW in EL14-34. The affidavit of Deborah J. Erwin attached to the PSCW complaint as Exhibit C that was filed on April 3, 2014 acknowledges WEPCo's plans to request the LBA split and discusses how the hypothetical LBA split could impact the allocation of the Presque Isle SSR costs. The redacted public version of the PSCW complaint does not include these details.
10. WEPCo responded to MPPA's initial inquiry on May 22, 2014. WEPCo's response does not provide complete answers to the MPPA's inquiry. WEPCo's May 22, 2014 response to MPPA states that some of the documents requested by MPPA, specifically copies of the

registration and certification materials submitted to ReliabilityFirst, were not being provided because they are not publicly available. Regarding cost implications, the response from WEPCo states that it does not expect an identifiable increase to the costs collected through MISO Schedule 24a due to the operation of two balancing areas.

WEPCO's response does not mention any potential cost impacts to SSR payments or any other market settlement charges. WEPCo's May 22, 2014 response to the MPPA is attached as Attachment D.

11. On June 3, 2014, MPPA corresponded with WEPCo asking additional questions, including the reasons for WEPCo's proposal to create the MIUP balancing area (BA) and how it relates to the PSCW's complaint proceeding regarding the Presque Isle SSR costs. The June 3, 2014 MPPA correspondence is attached as Attachment E.
12. On June 9, 2014, the MPSC wrote a letter to North American Electric Reliability Corporation (NERC) outlining the lack of communication between WEPCo and its Michigan stakeholders regarding the proposed LBA split. The MPSC requested NERC to hold the MIUP BA in abeyance for the time being, to allow interested stakeholders an opportunity to review the justification for the BA split and to provide a demonstration of the reliability benefits to the region that cannot be accomplished with the current BA configuration. The June 9 letter from the MPSC to NERC is attached as Attachment F. This request was followed up by a letter of support from Governor Snyder. The letter from Governor Snyder is attached as Attachment G.
13. NERC acknowledged the requests from Michigan at its June 10, 2014 Operating Committee meeting and agreed to provide Michigan with additional time to review



WEPCo's request to split its LBA. The minutes of the June 10-11, 2014 Operating Committee meeting are attached as Attachment H.

14. On June 27, 2014, members of the MPSC Staff, of which I was one, had a teleconference with members from American Transmission Company (ATC) regarding the LBA split. ATC informed the MPSC that the LBA split would not have an impact on ATC's operations. ATC indicated that it expects that it will not experience any day-to-day changes based upon the proposed LBA split. ATC stated that they were unaware of cost implications associated with the proposed LBA split and recommended that those questions be addressed to WEPCo or to MISO.
15. On July 2, 2014, members of the MPSC Staff, of which I was one, had a teleconference with members from WEPCo regarding the proposed LBA split. Tony Jankowski of WEPCo walked through the May 13 presentation that is attached as Attachment A with the MPSC Staff. At this meeting, WEPCo acknowledged that it requested the LBA split without consulting or notifying the MPSC or Michigan stakeholders. WEPCo explained that the Upper Peninsula has unique system reliability challenges including the utilization of multiple operating guides, loop flows and import / export issues. WEPCo acknowledged that the creation of metering boundaries to split the WEC LBA into two distinct areas will NOT itself directly improve the physical reliability challenges. WEPCo stated that the proposed LBA split will provide operational focus and simplify the administration of processes utilized to preserve BES reliability, improve the abilities of MISO, ATC and WEPCo to clearly identify the actions required and entities involved, and to enhance the ability of operators to respond to reliability emergencies in the UP. WEPCo stated that it intends to use its existing operations center with existing personnel with the only change

being that there will be data from two LBAs on their monitors to operate and control instead of just one. The MPSC Staff questioned how the LBA split would enhance the ability of operators to respond when the same personnel and equipment would be utilized. The MPSC further questioned why those improvements could not be made with the current singular LBA construct. WEPCo did not respond with any concrete answers to those questions. The MPSC Staff questioned WEPCo regarding the potential cost impacts arising from the LBA split and WEPCo told the MPSC Staff that it should direct those questions to MISO.

16. On July 10, 2014, members of the MPSC Staff, of which I was one, had a teleconference with members from MISO regarding the proposed LBA split. MISO informed the MPSC that it will not experience any day-to-day changes based upon the proposed LBA split. When questioned about the cost implications of the LBA split, MISO acknowledged that there would be cost implications, however many of those cost implications were not yet quantified. Following the meeting, MISO forwarded the MPSC a Frequently Asked Questions document, included as Attachment P, regarding the LBA split which states the following information regarding potential impacts to multiple market settlement charges that are allocated and charged on the basis of LBAs:

**Q: Will there be Market Settlement impacts because of the creation of the new LBA?**

A: Yes. There are several impacts to Market Settlements, including impacts related to charges that utilize LBA boundaries to calculate a charge type or request collection from the LBA specific area. The charge types and/or schedules impacts include:

Schedule 24 Distribution - based on LBA submitted cost from the prior year.

- a. The rate is established in June and since MIUP will have no “costs from prior year” there will be no additional costs for 2014 and early 2015.

Real Time Loss Distribution – Settlements maps an LBA to a Loss Pool.

- a. Impacts cannot be estimated.

Over Collected Loss are distributed based on the cost of losses within a Loss Pool.

- a. Impacts cannot be estimated.

Day-Ahead Revenue Sufficiency Guarantee (RSG) Distribution for Voltage Loading Relief (VLR) commitments is based on impacted LBAs.

- a. Dependent on VLR commitments in the LBA, since most of the “VLR” issues have become or are in the process of becoming SSRs this would be “one off” VLR commitments which cannot be predicted by MISO.

RT RSG Distribution for VLR commitments is based on impacted LBAs.

- a. Dependent on VLR commitments in the LBA, since most of the “VLR” issues have become or are in the process of becoming SSRs this would be “one off” VLR commitments which cannot be predicted by MISO.

RT Asset Energy – every LBA specifies a CPNode to which residual load is allocated.

RSG distribution and VLR commitment.

- a. Costs will not be impacted as long as SSR is in place

17. Based upon the meetings held between MPSC Staff and ATC, WEPCo, and MISO, the MPSC Staff concluded that the proposed LBA split is nothing more than a metering boundary as acknowledged by WEPCo in its presentation included as Exhibit A, or “the creation of metering boundaries to split the WEC LBA into two distinct areas will not itself directly improve the physical reliability challenges.” Meters are used to measure usage for billing purposes, not for reliability. WEPCo is not adding any infrastructure or making any changes to its facilities or personnel when the LBA is split. Instead, WEPCO can accurately measure loads in different parts of service territory in order to allocate charges

between the two areas. Although the MPSC Staff concluded that the LBA split will not improve reliability in the region, the MPSC Staff also concluded that it likewise won't harm reliability in the region.

18. On August 11, 2014, MISO held a West Technical Studies Task Force Meeting that discussed the impact of the LBA split on the Presque Isle Power Plant cost allocation. On August 15, 2014, MISO posted the presentation attached as Attachment I. Slide 6 of this presentation clearly shows the impact of the LBA split on the SSR costs:

### **Presque Isle LBA Cost Allocation**

LBA Number	LBA Name	LBA Share % before WEC split	LBA Share % after WEC split
295	WEC	93.79	0.22
296	MIUP	N/A	93.57
696	WPS	0.55	0.55
698	UPPC	5.66	5.66

19. The LBA split, or the imposition of metering boundaries, will shift the Presque Isle SSR costs out of the WEC LBA almost completely, shifting virtually all of the costs to the newly proposed MIUP BA as shown in the table above.
20. While WEPCo has not answered why they cannot achieve the purported reliability improvements with the existing single LBA area that covers its service territory, it's completely obvious that the creation of the MIUP BA would allow WEPCo customers in Wisconsin, to escape SSR payments for a plant that WEPCo owns and operates.

21. The MPSC Staff acknowledges that NERC's charge is that of reliability and that cost allocation is not under the purview of NERC. However, allowing the creation of the MIUP BA has significant financial consequences to customers in the Upper Peninsula of Michigan.
22. On August 15, 2014, the MPSC wrote a letter to NERC expressing serious concerns regarding the LBA split as it would shift millions of dollars annually from Wisconsin customers to Michigan customers without improving reliability. The August 15, 2014 letter is attached as Attachment J. This request was followed up by a letter of support from Governor Snyder. The letter from Governor Snyder is attached as Attachment K.
23. NERC certified the MIUP BA, however, in a response to the MPSC dated August 29, 2014, attached as Attachment L. NERC stated "NERC has no authority to address the cost allocation issues raised in response to the proposal to form the MIUP BA. We urge you to continue communication with the appropriate parties responsible for cost allocation issues related to this topic." Attachment L also includes NERC's approval and confirmation of the certification of the MIUP as a BA to be effective on December 1, 2014.
24. Therefore, WEPCo was able to request an LBA split that causes significant cost shifts between customers in Michigan and Wisconsin, of NERC, an agency with no authority to address cost allocation issues. NERC certified the MIUP BA because it found that WEPCo could reliably operate the MIUP BA and the cost impacts resulting from the creation of the MIUP BA that shift costs away from WEPCo customers to other customers in Michigan have not been reviewed, vetted, or determined by any regulatory authority to be just and reasonable.

25. There does not appear to be any requirements to review, assess, or analyze, much less ensure the fairness of cost implications of changing LBA boundaries.
26. Based upon the concerns outlined in this statement, the MPSC formally requested that WEPCo withdraw its application for the MIUP BA. The request was made on September 12, 2014 and is attached as Attachment M. This request was followed up by a similar request from Governor Snyder. The letter from Governor Snyder is attached as Attachment N.
27. On September 16, 2014, WEPCo responded to the MPSC letter of September 12, 2014. In its September 16 letter, attached as Attachment O, WEPCo claimed that the new Michigan-based BA would provide reliability benefits. WEPCo further explained its position that MISO's reliance on LBAs to allocate costs is "unneeded and unfortunately has made the formation of the Michigan based BA a focus of commercial concern."

[END OF AFFIDAVIT]

**UNITED STATES OF AMERICA  
BEFORE THE  
FEDERAL ENERGY REGULATORY COMMISSION**

**Michigan Public Service Commission )  
Complainant, )  
 )  
v. )  
 )  
North American Electric Reliability )  
Corporation, and )  
 )  
Wisconsin Electric Power Company )  
Respondents. )**

**Docket No. EL14-\_\_\_\_-000**

**Verification of Affidavit**

Pursuant to 18 C.F.R. § 385.2005(b)(3), I verify under penalty of perjury that the foregoing Affidavit is true and correct.

Executed on September 19, 2014.

By: /s/ Paul Proudfoot

## Attachment A



# **MIUP Balancing Authority**

## **Overview**

May 13, 2014



# UP Reliability - Current Conditions

## Current System Status:

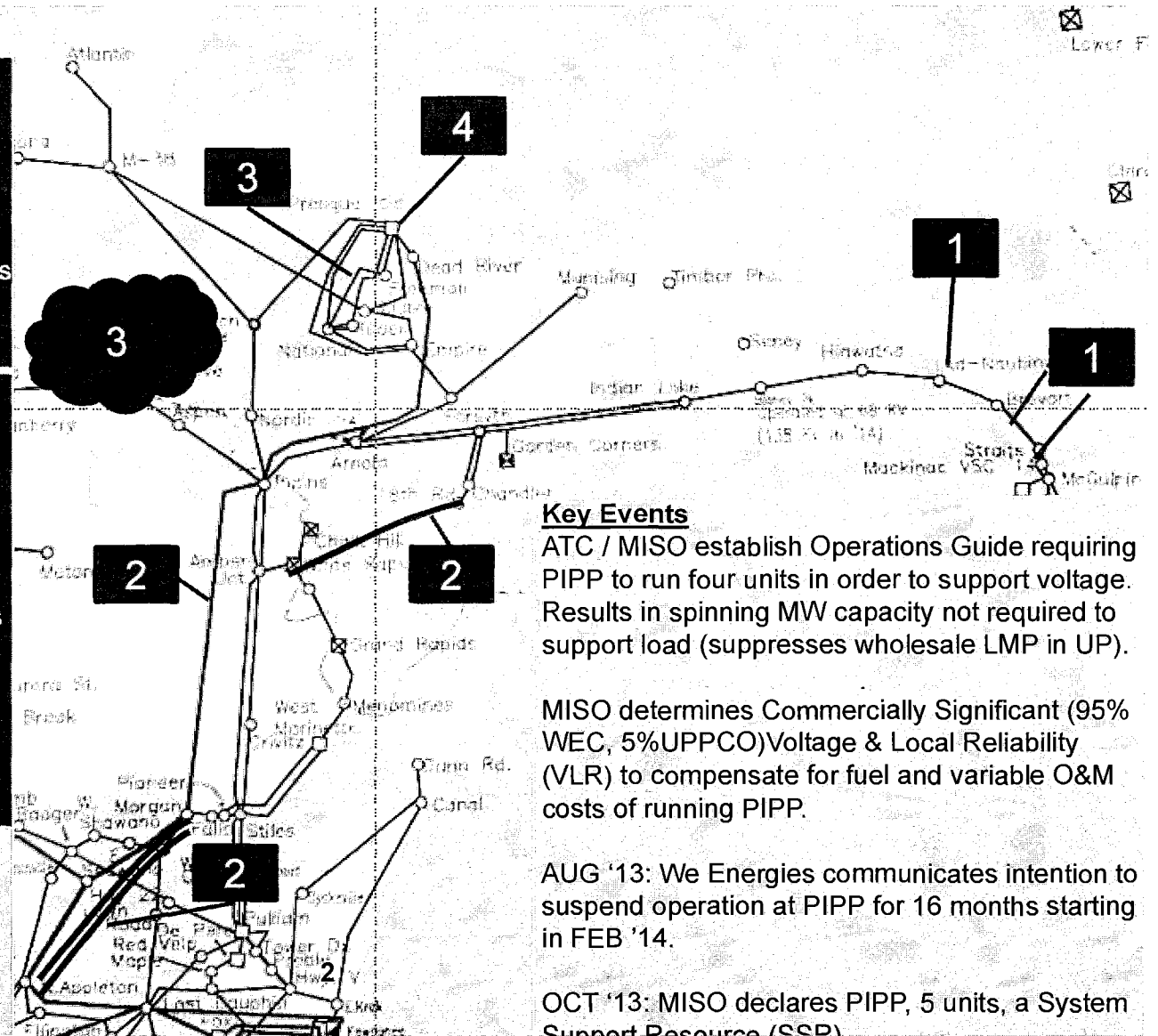
1. Single line in eastern UP
2. One 345KV line and three 138KV lines from the South
3. Large non-conforming load from the iron ore mines
4. Presque Isle Power Plant both serves load in the UP and supports transmission system voltage.

## Transmission Enhancements:

1. Straits - Pine River / Straits HVDC
  - 69KV-25 miles Straits to Pine River
  - HVDC Flow Control at Straits
  - \$170 million for both projects
  - Target in service 2014
2. ATC Proposes "Bay Lake" project
  - WI 345KV-45 miles / 138KV-45 miles
  - MI 138KV-60 miles
  - \$398-\$547 million
  - Target in service Mid-2019
3. MISO Northern Area Study
  - Study issued JUN '13
  - No projects proposed by ATC

## Key Take Away:

- PIPP supports transmission system voltage.
- Transmission enhancements will not materially improve reliability sooner than ~2017-2019.



## Key Events

ATC / MISO establish Operations Guide requiring PIPP to run four units in order to support voltage. Results in spinning MW capacity not required to support load (suppresses wholesale LMP in UP).

MISO determines Commercially Significant (95% WEC, 5%UPPCO)Voltage & Local Reliability (VLR) to compensate for fuel and variable O&M costs of running PIPP.

AUG '13: We Energies communicates intention to suspend operation at PIPP for 16 months starting in FEB '14.

OCT '13: MISO declares PIPP, 5 units, a System Support Resource (SSR).

# Reliability Drivers

- Based on the existing and near future planned transmission system upgrades, the Upper Peninsula of Michigan represents a “load pocket” where Bulk Electric System reliability is challenging.
- The Upper Peninsula currently utilizes 5 different Operating Guides to reliably manage 2 specific local area issues, overall area imports, loop flows, and export stability concerns.
- Although, creating metering boundaries of the MIUP Balancing Authority Area will not itself directly improve the physical reliability challenges, MISO, ATC and ESO will be able to clearly identify the actions required and entities involved.



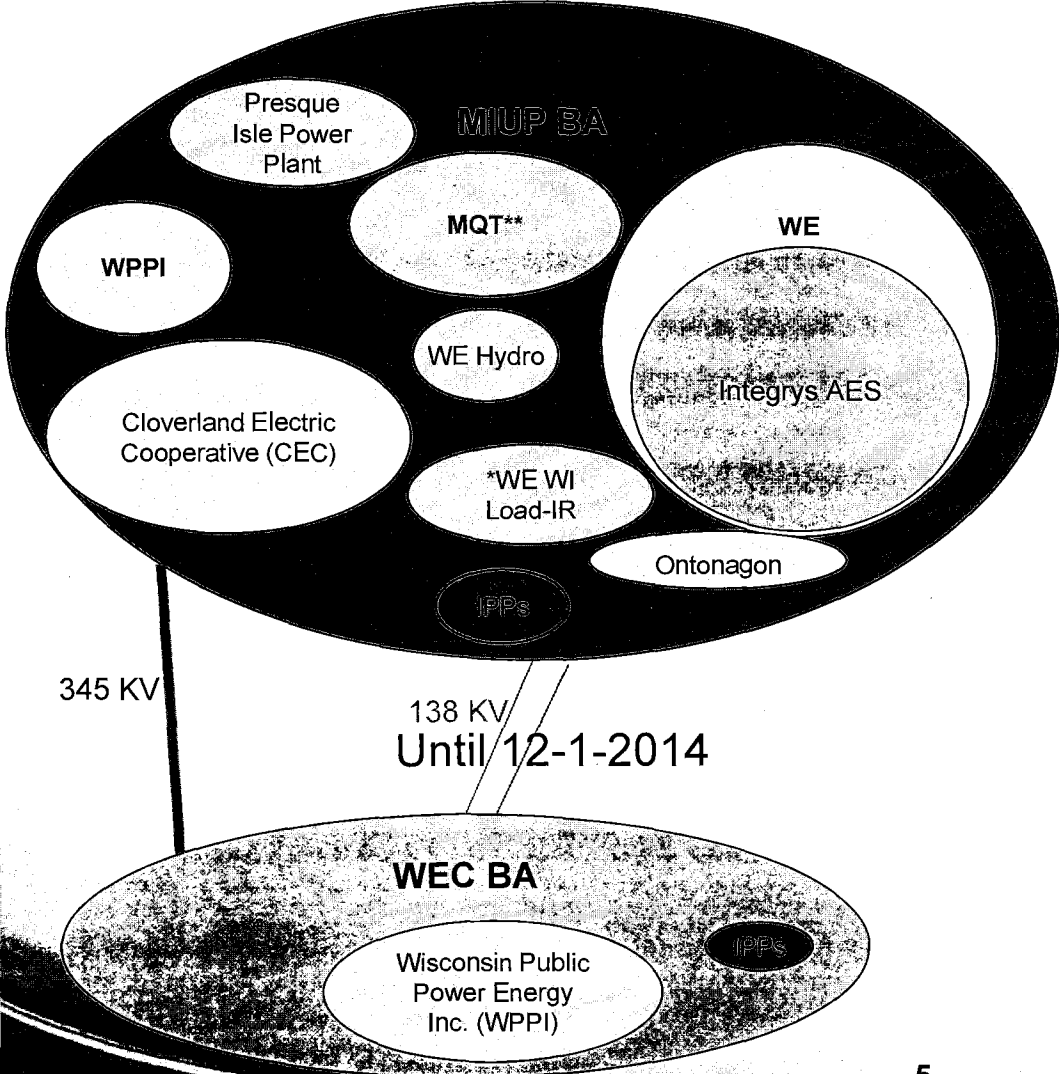
# Reliability Benefits

The MIUP BA is intended to enhance the management of reliability in the UP. Specifically:

- Increase the granularity incorporated in both Bulk Electric System (BES) operations and planning activities by Wisconsin Electric, ATC (the transmission owner/operator) and MISO (the transmission system operator and reliability coordinator).
- Provide operational focus and simplify administration of processes utilized to preserve BES reliability.
- Create metering boundaries that will improve the abilities of MISO, ATC and Wisconsin Electric to clearly identify the actions required and entities involved.
- Enhance the ability of operators to respond to reliability emergencies in the UP.



# Balancing Authority Structure



The MIUP BA includes:

**Load Serving Entities**

- Wisconsin Electric
  - Ontonagon
  - Integrys AES
- WPPI Energy
- Marquette Board of Light and Power
- Cloverland Electric Cooperative
- \*WE WI Load IR

**Independent Power Producers**

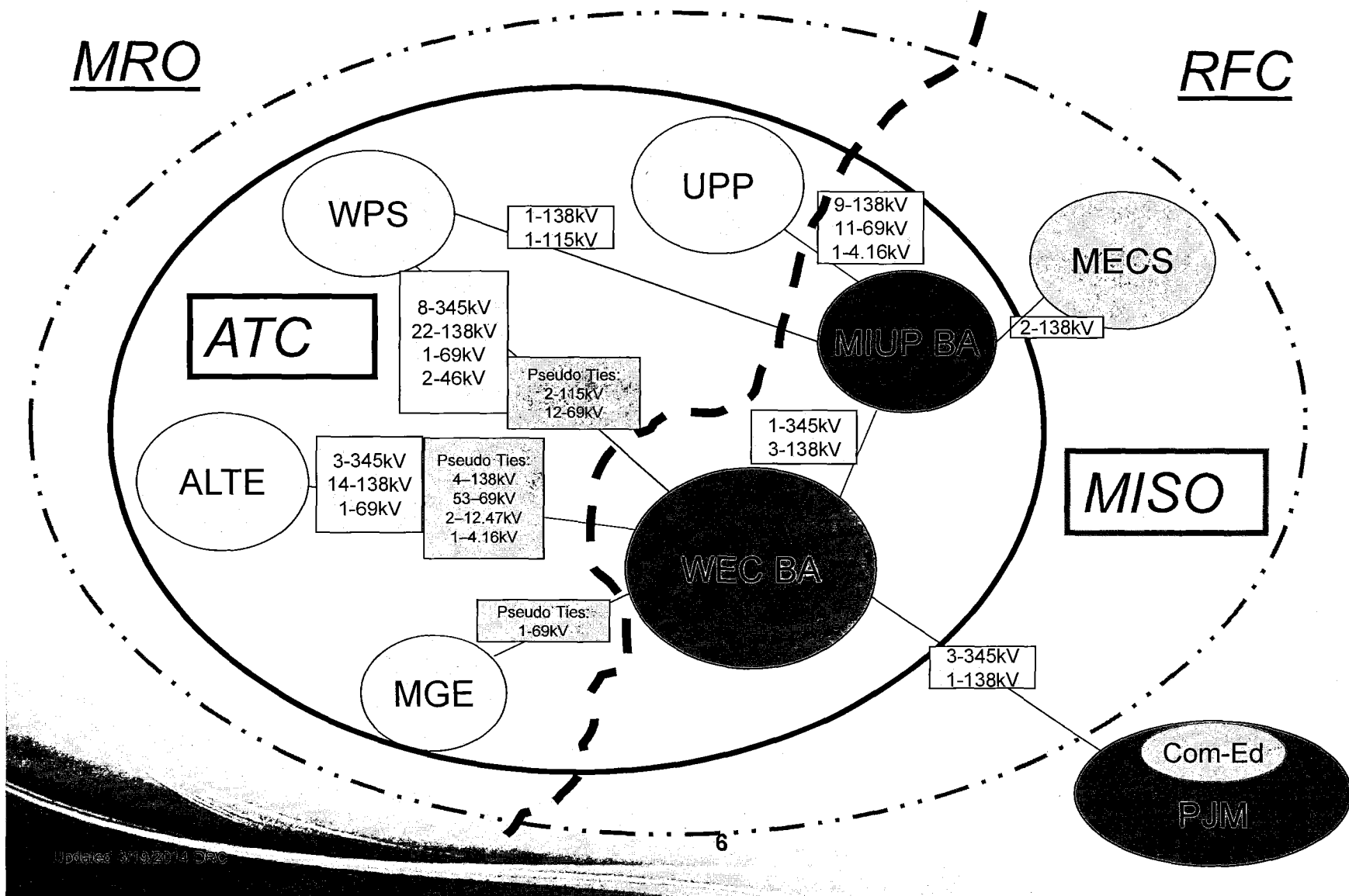
- Heritage Gardens
- White Pine
- Northbrook

**WE Generation**

- Presque Isle Power Plant
- WE Hydro



# WEC and MIUP BA Interconnections - Split



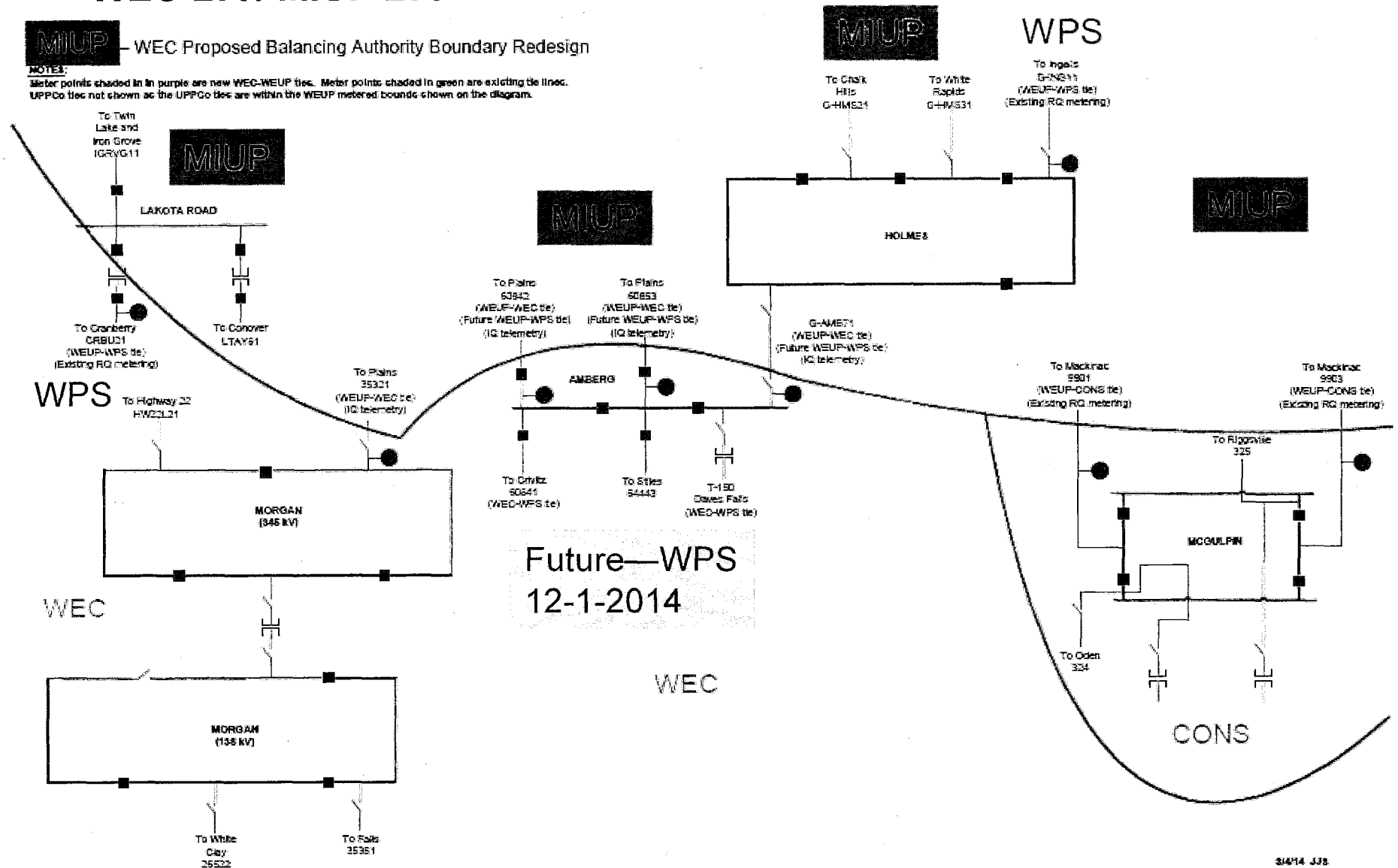
Updated 3/19/2014 DRC

# Metered Boundaries

## WEC BA / MIUP BA

**MIUP** - WEC Proposed Balancing Authority Boundary Redesign

**NOTES:**  
 Meter points shaded in purple are new WEC-WEUP ties. Meter points shaded in green are existing ties.  
 UPPCo ties not shown as the UPPCo ties are within the WEUP metered bounds shown on the diagram.



3/4/14 JJB

# MIUP Major Activities

- Targeting full implementation September 1, 2014
- Activities involving external entities
  - 2/17 - Submitted Entity Certification form to Reliability First (RF)
  - 4/21 - Submit RF- BA Certification Review (CR) documents
  - 6/1 - Complete RF conditional certification of MIUP BA
  - 6/1 - Complete NAESB – Electric Industry Registry
  - 6/1 – 6/15 - Submit MISO - Network Model Update
  - 6/1 – 6/15 - Submit MISO - Commercial Model Update
  - 7/1 - Complete FERC BAOCA Modification
  - 8/31 - Complete NERC-IDC, Industry Model, & Vendor Changes





# MIUP Operational Considerations

- The MIUP Balancing Authority (BA), upon completion of registration and certification by RFC, will be added to the list of registered entities under the CFR submitted to NERC.
- The MIUP BA will be within the RFC region and the MISO Balancing Area, and the creation of the new MIUP BA will not create any new MISO to external BA ties.
- Although, Wisconsin Electric's current BA operations will also operate the new BA (MIUP) utilizing existing personnel, infrastructure, tools and processes including EMS, MIUP will be segregated.
- Wisconsin Electric's BA operating procedures and tools will be modified to account for any unique operating conditions in the new MIUP Balancing Authority Area.



Questions?????



## Attachment B

May 6, 2014

General Manager  
Michigan Public Power Agency  
809 Centennial Way  
Lansing, MI 48917

Dear General Manager:

Wisconsin Electric, doing business as We Energies, is creating a new Balancing Authority (BA) for a portion of the Upper Peninsula of Michigan and Northern Wisconsin. Our current Balancing Authority consists of territories located in both Wisconsin and Michigan. We plan to split the present Balancing Authority into two separate BAs - one for Michigan and Northern Wisconsin, the other for the Fox Valley area and Southeastern Wisconsin. We will continue to operate and oversee both Balancing Authorities.

As you are aware, the Upper Peninsula of Michigan faces unique reliability issues because of its geographic location, and limited transmission connectivity. Creating a separate BA will enable us to respond more efficiently to reliability emergencies within the Upper Peninsula and increase the reliability of the Bulk Electric System.

The new Balancing Authority, MIUP BA, is in the process of being registered and certified by *ReliabilityFirst*. We expect the MIUP BA to become effective on September 1, 2014. It will be part of the Midcontinent Independent System Operator's (MISO) balancing area. MISO will be following up with you to ensure you are aware of any actions you must take as a result of this change. For example, certain modelling information used by MISO will need to be updated no later than June 15, 2014 to correspond with the new MIUP BA effective date of September 1, 2014.

In addition, there may need to be minor changes to existing agreements to reflect the name of the new MIUP BA. Wisconsin Electric does not anticipate changes to terms and conditions in the agreements. Jessica Banike will be contacting you shortly on this matter.

Please feel free to contact Jessica Banike (262-544-7121) if you have any questions as a result of this change. If you need additional information on what is required by MISO, please contact MISO Customer Service at [register@misoenergy.org](mailto:register@misoenergy.org).

Sincerely,

Anthony Jankowski  
Manager Electric System Operations  
Wisconsin Electric Power Company  
[tony.jankowski@we-energies.com](mailto:tony.jankowski@we-energies.com)  
262-544-7117

cc: Register ([register@misoenergy.org](mailto:register@misoenergy.org))  
Blagov Borissov ([BBorissov@misoenergy.org](mailto:BBorissov@misoenergy.org))  
Jessica Banike ([jessica.banike@we-energies.com](mailto:jessica.banike@we-energies.com))

## Attachment C



Mr. Anthony Jankowski  
Manager, Electric Systems Operations  
Wisconsin Electric Power Company  
c/o [tony.jankowski@we-energies.com](mailto:tony.jankowski@we-energies.com)

Re: Creation of the MIUP Balancing Authority

Dear Mr. Jankowski:

By letter dated May 6, 2014, you advised us that Wisconsin Electric Power Company ("WE") is working on dividing into two Balancing Authorities, one for Wisconsin and one for the Upper Peninsula in Michigan (the "UP"). The letter states that this will enable WE to more efficiently respond to reliability emergencies in the UP and increase the reliability of the Bulk Electric System. The letter also states that the MIUP BA is in the process of being registered with and certified by ReliabilityFirst, with an expected effective date of September 1, 2014.

We are trying to understand the reasons for and implications of this proposal, and thus have the following initial questions and requests:

1. What generation resources will be part of the proposed MIUP BA? For each generator, please identify the generator type, location, capacity, whether it has AGC controls and owner(s).
2. How will a separate BA in the UP enable WE to more efficiently respond to reliability emergencies in the UP and increase the reliability of the Bulk Electric System? What is it about a separate BA that cannot be done by the current BA?
3. What are the cost implications of creating a new BA in the UP?
4. Please provide a copy of all studies, reports, analyses or the like of the pros and cons, costs and benefits, of creating a new BA in the UP, whether prepared by or on behalf of WE, MISO, ReliabilityFirst or the Wisconsin Public Service Commission ("WPSC").
5. Please provide a copy of the registration and certification materials submitted to ReliabilityFirst for the proposed MIUP BA.

6. Please explain the connection, if any, between the proposed creation of new BA for the UP and the allocation of SSR costs as, for example, put in issue by the Complaint filed by the WPSC with FERC in Docket No. EL14-34-000 relative to the SSR costs for the Presque Isle Power Plant.

Once we receive and review your responses to the foregoing, we will then let you know if we have any follow up questions or requests. In the meantime, thank you for your help on this.

Sincerely,



David Walters  
General Manager

Cc: Register ([register@misoenergy.org](mailto:register@misoenergy.org))  
Blagov Borissov ([BBorissov@misoenergy.org](mailto:BBorissov@misoenergy.org))  
Jessica Banike ([Jessica.Banike@we-energies.com](mailto:Jessica.Banike@we-energies.com))  
Al Robbins ([arobbins@jsslaw.com](mailto:arobbins@jsslaw.com))

## Attachment D





We Energies  
W237 N1500 Busse Road  
Waukesha, WI 53188  
[www.we-energies.com](http://www.we-energies.com)

May 22, 2014

Mr. David Walters  
General Manager MPPA  
809 Centennial Way  
Lansing, MI 48917

sent via email to: [MMEA@mpower.org](mailto:MMEA@mpower.org)

RE: Creation of the MIUP Balancing Authority

In response to your initial questions and requests of May 16, 2014 regarding Wisconsin Electric Power Company's (Wisconsin Electric) announcement to divide into two Balancing Authorities effective September 1, 2014, find our answers below.

1. What generation resources will be part of the proposed MIUP BA? For each generator, please identify the generator type, location, capacity, whether it has AGC controls and owner(s).

The list below identifies the generator Commercial Pricing Node designation of the generators that will change BA from WEC.xxxx to MIUP.xxxx effective September 1, 2014. Additional information for the listed generators can be found on the MISO extranet.

WEC.DFTR13N1  
WEC.DETRDBN1  
WEC.ESHDRTN1  
WEC.GARWND1  
WEC.GARWND2  
WEC.MAGAZESH  
WEC.MANSTQN1  
WEC.LITTLEQUIN  
WEC.PSQIGI5  
WEC.PSQIGI6  
WEC.PSQIGI7  
WEC.PSQIGI8  
WEC.PSQIGI9  
WEC.ROBERNEWB  
WEC.WP\_MIWPIN1  
WEC.WP\_MIWPIN2  
WEC.WP\_MIWPIN3

2. How will a separate BA in the UP enable WE to more efficiently respond to reliability emergencies in the UP and increase reliability of the Bulk Electric System? What is it about a separate BA that cannot be done by the current BA?

The MIUP BA and its defined Balancing Authority Area is geographically and electrically remote from the remaining WEC Balancing Authority Area. The UP also has unique reliability challenges, because of its geographic location, limited transmission connectivity, and its reliance on a limited number of UP generating facilities.

The MIUP BA is intended to enhance the management of reliability in the UP. Specifically, it will:

- Increase the granularity incorporated in both Bulk Electric System (BES) operations and planning activities by Wisconsin Electric, ATC (the transmission owner/operator) and MISO (the transmission system operator and reliability coordinator).
- Provide operational focus and simplify administration of processes utilized to preserve BES reliability.
- Create metering boundaries that will improve the abilities of MISO, ATC and Wisconsin Electric to clearly identify the reliability actions required and entities involved.
- Enhance the ability of operators to respond to reliability emergencies in the UP.

Example: refer to the MISO Tariff Section 40.2.20, which provides that: in a Capacity emergency MISO will issue instructions to the Local Balancing Authority (LBA) to shed load as required to restore energy balance. The BA area to be defined by the MIUP BA has required additional real-time analysis to determine if a MISO load shed directive would equally apply to the UP area of the current WEC BA. With the proposed MIUP BA the instructions by MISO on load shed would systematically be apportioned to the appropriate BA's.

3. What are the cost implications of creating the new BA in the UP?

BA cost recovery is conducted through MISO Schedule 24a. Wisconsin Electric does not expect an identifiable increase to the costs collected through MISO Schedule 24a due to the operation of two BA's.

4. Please provide a copy of all studies, reports, analysis or the like of pros and cons, costs and benefits, of creating a new BA in the UP, whether prepared by or on behalf of WE, MISO, ReliabilityFirst or the Wisconsin Public Service Commission ("WPSC").

We do not have any public studies, reports or analysis to share with you.

5. Please provide a copy of the registration and certification materials submitted to ReliabilityFirst for the proposed MIUP BA?

Registration and certification materials are not publicly available. Wisconsin Electric followed the NERC Rules of Procedure Section 500. Example documents and procedures are available on the NERC website.

6. Please explain the connection, if any, between the proposed creation of the new BA for the UP and the allocation of SSR costs, as for example, put in issue by the Compliant filed by the WPSC with FERC in Docket No. EL14-34-000 relative to the SSR costs for the Presque Isle Power Plant.

SSR cost allocation is governed by the MISO Tariff and is specified in MISO Rate Schedules 43. We cannot speculate as to the outcome of the PSCW's complaint proceeding.

Sincerely,



Anthony Jankowski  
Manager, Electric System Operations  
Wisconsin Electric Power Company  
[Tony.Jankowski@we-energies.com](mailto:Tony.Jankowski@we-energies.com)  
Office: (262) 544-7117

Cc: Register ([register@misoenergy.org](mailto:register@misoenergy.org))  
Blagov Borissov ([BBorissov@misoenergy.org](mailto:BBorissov@misoenergy.org))  
Jessica Banike ([Jessica.Banike@we-energies.com](mailto:Jessica.Banike@we-energies.com))  
Al Robbins ([arobbins@jsslaw.com](mailto:arobbins@jsslaw.com))

## Attachment E



June 3, 2014

Mr. Anthony Jankowski  
Manager, Electric Systems Operations  
Wisconsin Electric Power Company  
c/o [tony.jankowski@we-energies.com](mailto:tony.jankowski@we-energies.com)

Re: Creation of the MIUP Balancing Authority

Dear Tony:

Thank you for your May 22 response to my May 16, 2014 letter. We have follow up questions, as set forth below:

1. Regarding your claims of increased efficiency, please explain why the same objectives could not be achieved under the existing BA. For example, why is it necessary to create a separate BA to “increase granularity,” “provide operational focus,” “simplify administration,” “create metering boundaries,” or “enhance the ability of operators to respond to reliability emergencies in the UP?”
2. You provided no information to speak of in response to our inquiry about the cost implications of creating a new BA. Also, you refer only to MISO Schedule 24a. Would creation of a new BA have any effect on rates for ancillary services, or any other rates?
3. We asked for the relevant studies, analyses and reports. In response, you state that you “do not have any public studies, reports or analysis to share with you.” We reiterate our request. It is not realistic to think that we can or should simply accept your generalized representations on faith. We are willing to sign an appropriate confidentiality agreement if that would help. We would be willing to do the same with respect to the registration and certification materials.

4. With respect to SSR costs for Presque Isle, we did not ask you to speculate about the outcome of PSCW's complaint proceeding. We asked you to explain the connection, if any, between that proceeding and this recent proposal to create the MIUP BA. In other words, how do your reasons for proposing to create the MIUP BA relate to that proceeding?

We are trying to understand the reasons and justification for the proposed MIUP BA, and thus would appreciate more meaningful responses to our questions than your first letter provided.

Thanks very much.

Sincerely,

A handwritten signature in cursive script, appearing to read "David Walters", written in black ink.

David Walters

Cc: Register ([register@misoenergy.org](mailto:register@misoenergy.org))  
Blagov Borissov ([BBorissov@misoenergy.org](mailto:BBorissov@misoenergy.org))  
Jessica Banike ([Jessica.Banike@we-energies.com](mailto:Jessica.Banike@we-energies.com))  
Al Robbins ([arobbins@jsslaw.com](mailto:arobbins@jsslaw.com))

## Attachment F



RICK SNYDER  
GOVERNOR

STATE OF MICHIGAN  
DEPARTMENT OF LICENSING AND REGULATORY AFFAIRS  
PUBLIC SERVICE COMMISSION

STEVE ARWOOD  
DIRECTOR

GREG R. WHITE      JOHN D. QUACKENBUSH      SALLY A. TALBERG  
COMMISSIONER      CHAIRMAN      COMMISSIONER

June 9, 2014

Mr. Gerry Cauley  
President and CEO  
North American Electric Reliability Corporation (NERC)  
VIA E-MAIL: gerry.cauley@nerc.net

RE: Revised Reliability Plan for Midcontinent Independent System Operator (MISO)

Dear Mr. Cauley:

The Michigan Public Service Commission (MPSC) has a matter of great concern to the State of Michigan currently on the agenda for the NERC Operating Committee meeting June 10-11, 2014 in Orlando Florida. The issue is the MISO topology change requested by Wisconsin Electric Power Company (WEPCo) at ReliabilityFirst regarding a balancing authority in Northeastern Wisconsin and Michigan's Upper Peninsula. The topology change involves revisions to the reliability plan for MISO, which among other things, splits the WEC balancing authority (BA) in American Transmission Company's footprint along state lines, creating a Wisconsin Electric Company BA (WEC) and a Michigan BA (MIUP). At the heart of our concern is the lack of transparency in this process, which impairs the ability of the MPSC and other Michigan stakeholders to respond to these issues in a timely, substantive, and comprehensive manner.

The minutes from the May 6-7, 2014 meeting of the Operating Reliability Subcommittee (ORS) reflect that the proposed revisions to the MISO reliability plan received the endorsement of the ORS, and that these revisions had already received approvals by the four regions within which MISO operates. There was no communication from NERC, ReliabilityFirst, MISO, nor WEPCo informing the MPSC of the proposed revision to the reliability plan impacting Michigan's Upper Peninsula. The MPSC did not become aware of this proposed change until a week later when WEPCo, the Wisconsin-based load serving entity (LSE) serving Michigan's Upper Peninsula and Wisconsin customers and responsible for reliably and economically serving load to its customers, made a presentation to MISO's Reliability Subcommittee on this proposed new MIUP BA. If implemented, the WEPCo-proposed BA split unilaterally creates a new construct with market and cost implications that raises MPSC's level of concern for the potential impact to Michigan stakeholders.

Notification to impacted LSEs in the region has been just as lax; in particular the Michigan Public Power Agency (MPPA) was not aware of the proposed new MIUP BA until receiving an announcement in a letter from WEPCo, dated May 6, 2014, the same day the change was approved in the ORS meeting. And in the days since that untimely notification, MPPA and

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Page 2

## MISO Reliability Plan

other affected LSEs have tried unsuccessfully to find answers or rationale for the BA split. Their requests of WEPCo for studies, reports or analysis demonstrating a reliability need for the BA split have been unanswered (correspondence attached).

This total lack of transparency involving a complicated regional reliability issue in an area that includes Michigan's Upper Peninsula is part of a troubling pattern. It is disturbing that WEPCo filed the proposed BA split request with ReliabilityFirst one day after interventions and comments were due in a §206 complaint Public Utilities Commission of Wisconsin filed at FERC in EL14-34, regarding cost allocation for the MISO-designated System Supply Resource (SSR) that WEPCo owns and operates – the Presque Isle Power Plant in Marquette, Michigan. To further heighten MPSC's concern, and adding to the lack of transparency, the Wisconsin PSC complaint was filed in a questionable manner, requesting privileged status (and therefore not accessible to the MPSC or other docket intervenors until non-disclosure-agreements were executed) even while the filing requested expedited treatment by FERC, putting involved and interested parties at an immediate disadvantage for timely responses.

This proposed MISO topology change on the agenda of this week's NERC Operating Committee meeting is of the highest priority for the MPSC and the stakeholders in Michigan. Our strong preference is that the complicated challenges impacting the electrical region including Michigan's Upper Peninsula be resolved in an open and transparent process involving the participation of all stakeholders, rather than what appears to be presented as a routine reliability matter, which may in fact, be a thinly veiled attempt by some parties to ultimately influence regional cost allocation issues.

We respectfully request your assistance in asking the NERC Operating Committee to hold MISO's revised reliability plan for a proposed new MIUP BA in abeyance for the time being, to allow interested stakeholders an opportunity to review justification for this BA split and a demonstration of reliability benefits to the region that cannot be accomplished with the current BA configuration.

Sincerely,

John Quackenbush, Chairman

Greg White, Commissioner

Sally Talberg, Commissioner

cc: Jim Castle, Chair NERC Operating Committee

## Attachments:

- May 6, 2014 letter from WEPCo to MPPA "RE: Creation of the MIUP Balancing Authority"
- May 16, 2014 letter (as referenced in May 22, 2014 letter below) from MPPA requesting WEPCo provide additional information justifying the LBA split
- May 22, 2014 letter from WEPCo to MPPA
- June 3, 2014 letter from MPPA to WEPCo reiterating request for additional information.

## Attachment G



RICK SNYDER  
GOVERNOR

STATE OF MICHIGAN  
EXECUTIVE OFFICE  
LANSING

BRIAN CALLEY  
LT. GOVERNOR

June 9, 2014

Mr. Gerry Cauley, President and CEO  
North American Electric Reliability Corporation (NERC)  
3353 Peachtree Rd  
Suite 600 North Tower  
Atlanta, GA 30326

Sent via e-mail: [Gerry.Cauley@nerc.net](mailto:Gerry.Cauley@nerc.net)

Dear Mr. Cauley:

I write to support the Michigan Public Service Commission's request that NERC's Operating Committee not take up the request for a new local balancing authority (LBA) involving Michigan's Upper Peninsula at tomorrow's meeting.

As the MPSC's letter correctly states, Michigan has been afforded very little chance to discuss this vital issue with affected parties and decision-makers, and very little of the necessary information has been made available. Moreover, what information is now available was not provided in a timely fashion. This is a very important issue for our state and a very significant departure from precedent, so Michigan would like the opportunity to give informed input and explanations for our position before any final decision is taken. I respectfully ask for a reasonable opportunity to do so.

Thank you for any assistance you are able to provide on this matter.

Sincerely,

Rick Snyder  
Governor

## Attachment H

**NERC**NORTH AMERICAN ELECTRIC  
RELIABILITY CORPORATION

# Meeting Minutes

## Operating Committee

June 10–11, 2014

Hyatt Regency Orlando International Airport  
Orlando, FL

A regular meeting of the NERC Operating Committee (OC) was held on June 10–11, 2014, in Orlando, Florida. The meeting agenda and the attendance list are affixed as **Exhibits A** and **B**, respectively; and individual statements and minority opinions as **Exhibits C** and **D**, respectively. The meeting presentations are posted in a separate file at [OC Presentations](#).

OC Chair Jim Castle convened the meeting at 1:00 p.m. EDT. Secretary Larry Kezele announced that a quorum was present, read the Notice of Public Meeting and referred the committee to the NERC Antitrust Compliance Guidelines.

### Meeting Highlights

1. Approved the Reliability Guideline: Generating Unit Operations during Complete Loss of Communications.
2. Approved the revised Personnel Subcommittee scope.
3. Approved the revised Event Analysis Subcommittee scope.
4. Approved the revised Resources Subcommittee scope.
5. Approved the revised Operating Reliability Subcommittee scope.
6. Approved decommissioning the Interchange Subcommittee.

### Chair's Opening Remarks

Chair Castle stated that the OC's Executive Committee identified the following agenda priorities and keys to success for this meeting:

1. Agenda Item 5 – Approval of revised subcommittee scope documents
2. Agenda Item 8.b – Essential Reliability Services Task Force
3. Agenda Item 8.c – Reliability Guideline: Generating Unit Operations during Complete Loss of Communications
4. Agenda Item 8.h – 2014 Polar Vortex Weather Phenomenon Status Report
5. Agenda Item 8.i – Electric/Natural Gas Coordination

### Consent Agenda

By consent, the committee approved the minutes of the March 4–5, 2014 meeting.

### Chair's Remarks

Chair Castle summarized his verbal report of OC activities to the Board at its May 7, 2014 meeting. He highlighted 1) the work of the OC in developing the Reliability Guideline: Generating Unit Operations during Complete Loss of Communications, 2) the committee's approval of the scope of the Essential Reliability Services Task Force, 3) the Event Analysis Subcommittee's work to develop a 2014 Polar Vortex weather phenomenon report, 4) the OC's review of the Independent Experts report with regard to outage

coordination, governor frequency response, and EMS real-time contingency analysis models, and 5) its work in reviewing the scope of each of its subcommittees, which is part of a larger effort to review its organization.

Chair Castle also recognized that Jacquie Smith was passing the Reliability First – Regional Entity OC billet to John Idzior and so she will no longer be serving the industry as an active OC member. In addition, Chair Castle stated:

“During Jacquie’s long tenure here at the OC she has greatly contributed to our mission of improving grid reliability. Jacquie would describe herself as sometimes being the squeaky wheel, but I would say that she is in good company in this room. We need contributors with a passion for reliability, a vision of where we need to take the industry and the drive to get us there. Jacquie has all of that, and is not shy about letting us know.

Over the years Jacquie has certainly demonstrated all of these critical qualities. As one example, she was the first Chair of the Event Analyses Working Group which was later elevated to Subcommittee status. With Jacquie’s leadership the NERC event analyses program reached maturity, and the EAWG completed work on the ERO Event Analysis Process Manual that was the foundation for the version in use today. Jacquie was always looking for practical applications of the standards and for lessons from real events to advance the broader industry’s knowledge. She understands that the focus needs to be on reliability and not compliance at the expense of reliability.

Jacquie, thank you for your dedication, your leadership, and for the difference that you have made in this industry.”

Chair Castle also recognized that Mike Moon has been the NERC Management liaison to the OC for the past few years and is now transitioning to new duties and responsibilities within NERC. He thanked Mike and Gerry Cauley for the services that Mike brought to the OC during his involvement with us. Mike’s insights, energy and drive to do the right thing for reliability helped make the OC a better committee. More importantly, Mike helped improve BES reliability. Mike Moon, the OC thanks you for your service. Chair Castle welcomed James Merlo, Director Reliability Risk Management, as NERC’s Management liaison to the committee.

#### **OC Action Item Review**

Chair Castle reviewed the list of action items and reported that several have been completed or were on the agenda for this meeting. The revised action item list is attached as **Exhibit E**.

#### **Trustee Janice Case**

Chair Castle introduced NERC Board Trustee Janice Case. Trustee Case, who resides near Tampa, Florida, welcomed the OC to Florida and hoped that committee members could find the time to enjoy the Orlando area. She thanked the OC for its work to support the NERC Board and more importantly the goals and

objectives of the ERO as presented in its strategic plan. The work of NERC gets done in large part by its committees. Following her review of the OC's agenda, she noted that the Loss of Communications reliability guideline and the status of the Essential Reliability Services Task Force are important initiatives. Trustee Case also commented briefly on the near-miss work of the EAS, a renewed focus on learning and continuous improvement, commitment to reliability and the Reliability Assurance Initiative as other important NERC initiatives.

#### **Personnel Subcommittee (PS)**

Laurel Hennebury, chair of the PS, reviewed the subcommittee's status report drawing the OC's attention to the Future Initiatives/Deliverables section of the status report. Chair Hennebury also provided a brief overview of the revised PS scope. Gerry Beckerle moved to approve the revised PS scope. The committee approved the motion.

#### **Event Analysis Subcommittee (EAS)**

EAS Chair Sam Holeman provided an overview of subcommittee activities. Chair Holeman also provided a brief overview of the revised EAS scope, which Gerry Beckerle moved to approve. The committee approved the motion.

Chair Holeman also provided two presentations for inclusion in the meeting minutes regarding lessons learned. **Presentation 5.c.iii.a** is titled EAS Lessons Learned Summary (Lessons Learned Published in May 2014) and **Presentation 5.c.iii.b** is an EAS Lessons Learned Update.

#### **Resources Subcommittee (RS)**

RS Chair Beckerle provided an overview of subcommittee activities. Chair Beckerle also provided a brief overview of the revised RS scope. He noted that the RS reviewed the scope of the Interchange Subcommittee and based on that review added a new function to its scope. That new function is: "Provide oversight and guidance on aspects of interchange scheduling as it applies to impacts on balancing and inadvertent interchange." Following a brief discussion regarding the transition of some of the functions currently assigned to the Interchange Subcommittee to the RS, Don Badley moved to approve the revised RS scope. The committee approved the motion.

#### **Operating Reliability Subcommittee (ORS)**

ORS Chair Joel Wise reported that at its May 2014 meeting the subcommittee endorsed the revised SERC regional reliability plan and the revised MISO reliability plan and was briefed by Associated Electric Cooperative on its reliability concerns for the Palmyra, Mo load area. The ORS continues to draft a Reliability Guideline regarding Real-Time Tools Degradation and an initial draft is expected to be available to present to the OC at its September 2014 meeting.

Patricia Poli asked Chair Wise to explain the criteria the ORS used to determine that the revised MISO reliability plan was a minor change. She stated that the state regulatory commissions of Wisconsin and Michigan have open proceedings related to the proposed Local Balancing Authority (LBA) split as identified in the revised MISO reliability plan. Ms. Poli also stated that the current proposal will not improve reliability.

Chair Wise noted that the ORS did not identify any reliability concerns and that the revised MISO reliability plan had been approved by the four regional entities that MISO operates within. David Zwergel reported that the two proposed LBAs recently received regional certification. (Secretary's Note: Additional commentary regarding the revised MISO reliability plan is provided later in these meeting minutes.)

Chair Wise also provided a brief overview of the revised ORS scope. He noted that the ORS reviewed the scope of the Interchange Subcommittee and based on that review added a new function to its scope. That new function is: "Provide oversight and guidance on aspects of interchange scheduling, including dynamic transfers, as it applies to impacts on reliable operations." Following a brief discussion regarding the transition of some of the functions currently assigned to the Interchange Subcommittee to the ORS, Keith Carman moved to approve the revised ORS scope. The committee approved the motion.

#### **Interchange Subcommittee (IS)**

Chair Castle reported that the IS has not met for over two years. He also reported that the chair of the IS is supportive of retiring the subcommittee if its functions are reassigned to one or more of the OC's other subcommittees. As noted above the RS and the ORS included IS related functions in their revised scopes. Therefore, given the current status of the IS and the addition of oversight to both the ORS and RS scopes on interchange scheduling issues, Gerry Beckerle moved to decommission the IS. The committee approved the motion.

#### **Reliability Issues Steering Committee (RISC) Status Report**

Vice Chair Case provided an overview of recent RISC activities. He reported that following the OC's March 2014 meeting he met with the PS to discuss issues or concerns related to ageing workforce. In addition, he met with the ORS to discuss issues or concerns related to EMS modeling/data and situational awareness tools, design and provision (**Presentation 6.i**).

Vice Chair Case also addressed the question: Is the ERO addressing the most important risks to reliability? (**Presentation 6.ii**). He focused his comments on 345 kV breaker failures, cold weather preparedness, protection system misoperations, availability of real-time tools and monitoring and extreme physical events. He noted that the OC or its subcommittees are addressing many of these risks to reliability.

#### **Introduction to Bulk Electric System (BES) Question and Answer Session**

Bob Cummings, Director of Reliability Initiatives and System Analysis, reported that he would lead a 45-minute definition of BES question and answer session beginning at 7:30 a.m. on Wednesday, June 11, 2014. Chair Castle stated that the OC's meeting would reconvene at 8:30 a.m.

#### **Operating Reliability Coordination Agreement (ORCA) Implementation**

David Zwergel briefed the OC on the status of ORCA implementation activities (**Presentation 8.a**). The ORCA is a temporary seams agreement that provides for conservative operating protocol during the transition period, for a transitional period that allows operating entities to gain experience with potentially changing flow patterns and time to work on seams agreements.



Mr. Zwergel also provided an overview of the three phases of the ORCA. MISO and the Joint Parties are currently operating in Phase 1, which was scheduled to end on April 19, 2014. Phase 1 initially allowed for a 2000 MW dispatch flow limit between MISO South and MISO North, unless there is congestion on coordinated flowgates where the dispatch flow limit can be reduced to 1500 MW. After this point, existing congestion management processes (TLR) are implemented. However, Mr. Zwergel reported that MISO is currently holding the dispatch flow limit to 1000 MW. MISO continues to work to implement the Phase 2 process. Mr. Zwergel noted that next steps in implementation of the ORCA include continued collaboration with the Joint Parties on the Phase 2 process. He also noted that normal reliability coordinator to reliability coordinator coordination and adherence to NERC standards will continue to maintain reliability.

#### **Essential Reliability Services Task Force (ERSTF)**

Ken McIntyre, co-chair of the ERSTF, provided an overview of task force activities (**Presentation 8.b**). The ERSTF was created in response to a recommendation from NERC's Long-Term Reliability Assessment to develop a primer on essential reliability services. The primer would address operational requirements needed to ensure bulk power system reliability. The task force's first deliverable, an ERS tutorial, is currently in the final commenting phase. The tutorial will identify each essential reliability service and discuss the importance of those services to bulk power system reliability. The target audience for the tutorial is regulators, policy makers, and industry leadership. Thus far the task force has identified operating reserves, frequency response, ramping capability, active power control, reactive power and voltage control and disturbance performance as the universe of essential reliability services.

#### **Eastern Interconnection Frequency Response Initiative**

RS Vice Chair Troy Blalock provided an overview of the Eastern Interconnection Frequency Initiative data collection effort (**Presentation 8.d**). RS members from the Eastern Interconnection (EI) are working with balancing authorities on a voluntary basis to support an effort to improve EI frequency response. The current initiative focuses on the existing generator fleet with respect to the completeness and accuracy of the data provided in the 2010 NERC generator survey and improving their frequency response capabilities. The Initiative is being rolled out in two phases: Phase 1 addresses generators greater than 400 MW and Phase 2 addresses generators that are greater than 100 MW but less than or equal to 400 MW. Phase 1 generators were asked to complete the generator survey by June 1, 2014, while Phase 2 generators are asked to complete the survey by November 1, 2014. Critical issues that need to be addressed to ensure successful completion of the Initiative include 1) the establishment of a data repository by NERC for the generator survey data, 2) assuring high BA and GOP participation and 3) reviewing the generator data.

#### **Lessons Learned – Improved Contractor Oversight**

Alan Wahlstrom, Southwest Power Pool and a member of the EAS, introduced Bo Jones, Westar Energy. Mr. Jones reviewed the sequence of events related to a splice failure on a start-up transformer current transformer block (**Presentation 8.e**). The resultant lessons learned from this event relate to inadequate handling of emergent work and unclear responsibilities and monitoring of contractor work practices.

### July 3, 2013 Hydro Quebec Event

Pierre Paquet, Hydro Quebec TransEnergie Director – System Control, provided an overview of a severe event that occurred on the HQ system on July 3, 2013 (**Presentation 8.g**). Mr. Paquet's presentation addressed 1) an overview of the HQ transmission system, 2) the exceptional circumstances encountered during the summer of 2013, 3) a summary of the July 3 event, and 4) a review of the action plan and lessons learned. HQ's electrical topology is somewhat unique in that the majority of its load is in southern Quebec while most of its generation resources are several hundred miles to the north. High voltage AC and DC transmission lines connect the northern generating resources to the southern load centers.

During the summer of 2013, Quebec suffered its most severe drought in 40 years. As a result there were over 500 forest fires. On July 3, there were simultaneous forest fires under all main transmission corridors. At 4:33 p.m. a fault occurred on the Albnel to Chibougamau transmission line that lasted for over four minutes followed by another fault which lasted for approximately two minutes. The line protection system is designed to clear a fault in less than six cycles. This fault lasted nearly 4,000 times longer than the normal clearing time. The fault progressed rapidly from a single phase fault to three phase fault. The delayed clearing was a result of the disabling of relay command circuitry on a breaker at Chibougamau substation. During this event the HQ system maintained its stability despite an extreme event that greatly exceeded design criteria. However, the event caused many adverse effects. For example, HQ lost approximately 3,950 MWs of internal demand, five high-voltage DC lines tripped, and special protection system actions rejected 12 generating units at the La Grande plant (3,510 MWs).

Following this event, HQ began working with NPCC to analyze the event and to develop an action plan. The action plan addressed 1) operational and maintenance procedures, 2) operational communications and the follow-up of outage requests, 3) enhancement of the understanding of the impact of maintenance activities on system reliability, 4) supervision, tools and communications with neighboring systems and 5) other actions, which include the root cause analysis of the SVC and DC ties tripping. The action plan was completed on May 29, 2014.

Mr. Paquet reported that lessons have been learned in the following areas:

1. Need for system operators to have all relevant information in hand in order to evaluate risks prior to authorizing maintenance;
2. Inform promptly any entity who might be impacted by the situation;
3. Adapt emergency response procedures when the system enters in intense forest fires conditions;
4. Apply safety margins to the transfer capability according to the intensity of the forest fires;
5. Validate that protection maintenance procedures are adequate, understood and followed by maintenance staff.

### Toronto, Ontario June 2013 Flooding Event

Aaron Cole, Hydro One, provided an overview of the July 8, 2013 Toronto, Ontario blackout (**Presentation 8.f**). On July 8, 2013 five inches of rain fall was recorded over a span of several hours, which caused flash

flooding throughout Toronto. Approximately 500,000 customers associated with six local distribution companies and four major industrial customers were impacted. On Hydro One's transmission system, 26 230 kV and 8 115 kV transmission circuits tripped. Multiple station transformers were interrupted. These outages were primarily driven by high water that entered the control houses and switchyards of Richview and Manby transmission substations. Mr. Cole reviewed the sequence of events beginning at 1642 EDT and continuing through 1826 EDT at which point upwards of 3398 MW of load was out of service. He also reviewed the sequence of events for load restoration, which ended at 1424 EDT on July 10. Some of the major challenges encountered during this event included: 1) inspection and assessment of all equipment that was affected by water damage, 2) the network management system state estimator had to compensate for the massive loss of telemetry and 3) impairment of computer and networking systems affected the ability to operate, monitor and assess the power system. Mr. Cole reviewed several key recommendations (e.g., sealing watertight all cable penetrations and window wells at Richview and Manby substations) identified during the course of the Hydro One's review of the event.

#### **Adjourn and Reconvene**

The committee adjourned at 5:03 p.m. EDT and reconvened the following morning at 8:30 a.m. EDT.

#### **Revised MISO Reliability Plan**

James Merlo informed the OC that NERC had received inquiries from the State of Michigan, including a letter from the governor, which communicated concerns that there were potential issues that may not have been addressed, associated with the bifurcation of the LBA in the Upper Michigan area. Mr. Merlo stated that NERC is gathering information and would request that Patricia Poli, an OC member representing the Michigan Public Service Commission, provide that information pertaining to this issue so that the NERC ORS could review those concerns as part of the revised MISO reliability plan approval process. He also stated that NERC would be looking across all of the associated processes that could affect this plan such as registration and certification of the two LBAs and noted that he was concerned that NERC would not be able to have this resolved within the short timeline that NERC is under based on MISO's modeling needs by June 15, but that NERC felt it was important to slow this down to make sure all concerns and issues are being considered. The following statements were made following Mr. Merlo's statement:

1. David Zwergel – MISO: While we understand and respect the decision of NERC, we would like to receive official notice of why and under what grounds this decision is being made preferably sooner than later as this will affect MSO's way forward effective June 15.
2. Bruce Larsen – We Energies: Would like to know what the reliability issues are that Michigan PSC has.
3. Patricia Poli – Michigan PSC: Thanked NERC for allowing time to address the issues.

#### **Reliability Guideline: Generating Unit Operations during Complete Loss of Communications**

Troy Blalock, Vice Chair of the RS, provided an overview of the RS's efforts to draft the Loss of Communications reliability guideline (**Presentation 8.c**). Mr. Blalock noted that the purpose of this reliability guideline is to provide "a strategy for power plant operations in the case of **complete loss of communications (both data and voice) between on-site generating unit(s) operator and the System**

**Operator for the Balancing Area, Transmission Operator and Reliability Coordinator.”** Vice Chair Blalock reported that the RS made several changes to the reliability guideline in response to the comments received. Examples of those changes include:

1. The addition of a statement that “This Guideline does not create binding norms, establish mandatory reliability standards or create parameters by which compliance with Reliability Standards are monitored or enforced.”
2. The addition of a statement that “In addition, the Reliability Guideline is not intended to take precedence over any regional procedure.”
3. The Generator Frequency Operating Guide widened the Eastern, Western and ERCOT Interconnection dead band of operation.
4. Training with Generator Operator. The Reliability Guideline training task suggests: “Identify the ratings of the transmission lines emanating from your station and the plant limitations if one or more lines are out of service.”
5. The RS believes the prevailing concern is low frequency and high frequency and the correct actions are to add generation at 59.7 Hz or remove generation at 60.5 Hz.

Chair Castle thanked the RS for its work in developing the reliability guideline. Gerry Beckerle stressed that this is a reliability guideline and that each balancing authority (BA) needs to work with its generators to determine how they will act under frequency excursions.

Jerry Mosier moved to table indefinitely the “Reliability Guideline: Generating Unit Operations during Complete Loss of Communications” due to the following reliability concerns not considered in the guideline.

In the scenario depicted for the guideline, the Generator Operator (GOP) cannot know the resulting size of the island in which the GOP now operates. Since frequency is the only parameter the GOP can view, a very small island, or even the entire Eastern Interconnection, can be a possible island. Thus if any GOP unilaterally moves generation following a loss of communications, they can in effect be operating a portion of the grid contrary to the directions of the Balancing Authority or Reliability Coordinator.

Further, the guideline is silent on the unintended consequences to the transmission system of GOP actions. Such action can result in system overloads (likely losing the island), potential equipment damage and possible threats to personnel safety. The liability resulting from equipment damage or the safety implications following GOP independent actions is unclear.

Since the system most likely would have been stable and in balance immediately before the disturbance (t = 0-), the most beneficial position for the generator following a loss of communications is to continue to “stay the course,” maintaining the pre-contingency generating output while still allowing for automatic governor response. The probability of the GOP doing more harm than good is too great.

It is also suggested that a guideline addressing loss of communications could be more effective if it were to focus on the alternative telecommunications options available to the GOP.

During its debate of the motion, the OC noted the following:

1. Should the guideline address reactive power schedules? AVR status?
2. The guideline has potential negative reliability consequences. May lead to potential SOLs or IROs being violated or potential equipment damage. Perhaps there should be a reliability standard to address this.
3. Cannot violate regional criteria. Only put in place on a case by case basis. Greatest use may be in training.
4. Cannot imagine not planning for this scenario.
5. Under frequency load shedding should arrest this type of event.
6. Transmission system should protect itself.

Following its debate, the committee did not approve the motion.

Gerry Beckerle moved to approve the Reliability Guideline: Generating Unit Operations during Complete Loss of Communications. The committee approved the motion. Chair Castle tasked the RS with considering revisions to the reliability guideline identified in the motion to table and the concerns raised by the OC during its debate of that motion.

#### **2014 Polar Vortex Weather Phenomenon Status Report**

James Merlo informed the OC that the ERO Polar Vortex Review Plan will consist of a two part report. Part 1 will be a detailed factual accounting of weather and system operations. Part 2 will be a performance assessment. The Part 1 report is expected to be completed in 45-60 days.

#### **Electric/Natural Gas Coordination**

Wes Yeomans, NYISO, briefed the OC on operational issues related to electric/natural gas coordination encountered during the winter of 2013/14 (**Presentation 8.i**). He noted that the winter of 2013/14 can be characterized by many major cold snaps with three Polar Vortexes that extended across much of Canada and the United States. Despite the extreme weather, generation fuel diversity, dual fuel capability, successful reliability commitments, firm gas transportation arrangements, and efficient market signals all contributed to maintaining uninterrupted gas and electric supplies across the NERC Regions. However, some Regions required reliability commitments, demand response activations, public appeals and declarations of NERC Energy Emergency Alert Levels 1 and 2. In addition, some reliability coordinators were taking operating actions to manage oil inventories to maintain reliability. These actions included scheduling out-of-market reliability generator commitments, managing bid curves, requesting waivers to allow for increased bid caps and cost recovery.

Mr. Yeomans also discussed potential areas for fuel coordination improvements, including:

1. Conducting seasonal fuel assurance surveys

2. Pre-seasonal inventory monitoring
3. Pre-winter generator testing
4. Winter assessments
5. Improved operator awareness of the fuel status of all generators, in addition to improved awareness of pipeline system conditions
6. Coordination of electric and gas infrastructure maintenance outages
7. Requesting that operational flow orders are posted before day ahead market postings
8. Work with industry to develop gas balancing improvements

Mr. Yeomans addressed market considerations and stated that the industry should explore potential market rule changes to better value fuel assurance. For example, the industry should consider market improvements to allow generators to more accurately reflect fuel supply constraints in day-ahead bids.

#### **Oncor Voltage Reduction Program**

Eithar Nashawati, Oncor, provided an overview of Oncor's voltage reduction program (**Presentation 8.j**). Voltage reduction is one technique used to reduce end-use loads during peak conditions. Mr. Nashawati noted that in ERCOT, voltage reduction is initiated voluntarily as a final back-stop prior to initiating firm load shed (ERCOT EEA Level 2 event). Oncor's voltage reduction program relies on transformer load tap changers/regulators.

In December 2012 ERCOT created a Voltage Reduction Task Force to test and evaluate voltage reduction. The task force's scope of work included developing testing methods to validate the effectiveness of voltage reduction in multiple areas and to share the testing results. The VRTF's Interim Report is available at: [Interim Report](#). The report documents the following findings:

1. A 1% to 2% average demand reduction was observed during the test periods.
2. Tests indicated that for every 1% drop in substation bus voltage an average of 0.6-1.0% drop in demand was observed.
3. Results were similar to what has been observed in areas outside of ERCOT.
4. The availability of a deployed control system enables the remote implementation of voltage reduction schemes on a large scale within 5 to 15 minutes.
5. No adverse customer impact was reported (some circuits deemed to have adverse customer impacts were excluded from testing).

#### **Balancing Authority ACE Limit (BAAL) Field Trial**

Glenn Stephens, chair of the Balancing Authority Reliability-based Controls standard drafting team (BARC SDT), provided a summary of the on-going BAAL field trial (**Presentation 8.k**). The BAAL field trial began in the Eastern Interconnection in July 2005. ERCOT and Quebec joined in the field trial in December 2009 and

September 2010, respectively. The Western Interconnection joined the field trial in March 2010. Conclusions drawn thus far from the field trial include: 1) the BAAL requirement focuses on frequency control for the Interconnection, 2) the correlation between CPS1 and BAAL always drives corrective actions to support frequency, 3) BAAL is a proportional allocation of responsibility across all BAs and 4) the BARC SDT believes the BAAL time duration of 30 consecutive clock minutes has proven to be appropriate. Mr. Stephens recommended continuation of the field trial until reliability standard BAL-001-2 becomes effective. The BARC SDT is also developing a preliminary BAAL field trial report for the OC's consideration.

#### **Project 2014-04 (Physical Security)**

Robert Rhodes, a member of the Physical Security SDT, provided an overview of Project 2014-04 (**Presentation 8.i**). Mr. Rhodes noted that the proposed CIP-014-1 standard includes only those transmission stations and transmission substations (and associated primary control centers) that if rendered inoperable or damaged could result in widespread instability, uncontrolled separation or cascading within an Interconnection. It is anticipated that only a relatively small number of transmission operators or owners will need to comply with the entire standard. The applicability of proposed CIP-014-1 starts with transmission owners that own transmission facilities that meet the bright line criteria in reliability standard CIP-002-5.1 for a "medium impact" rating. Mr. Rhodes provided a brief summary of each of the six requirements contained within CIP-014-1. Finally Mr. Rhodes noted that CIP-014-1 was adopted by the Board of Trustees on May 13, 2014 and filed at FERC on May 23, 2014.

#### **Project 2014-03 (Revisions to TOP/IRO Reliability Standards)**

David Souder, chair of the TOP/IRO Reliability Standards SDT, provided an overview of Project 2014-03 (**Presentation 8.m**). Some of the issues that the SDT are addressing in the revisions to the TOP and IRO reliability standards include 1) a new outage coordination standard, 2) system operating limit exceedance, 3) periodicity of conducting real-time assessments, and 4) consolidation of five existing TOP and five existing IRO reliability standards. The current project schedule reflects posting the revised TOP and IRO reliability standards on May 19, 2014 for a 45-day comment period. It is currently anticipated that the revised standards would be presented to the Board of Trustees in November 2014. Additional SDT information is available at [Revisions to TOP/IRO Reliability Standards](#).

#### **Risk-Based Registration**

Terry Brinker, Manager, Registration Services, provided of an overview of the Risk-Based Registration strategic activity (**Presentation 8.n**). Mr. Brinker reflected on the challenges existent in the current registration process. These challenges include: 1) some functions have minimal impact on reliability, 2) need to follow all standard requirements according to function, regardless of reliability impacts, 3) a conservative criteria is being used to register entities and 4) entities registered in multiple regions are subject to inconsistent criteria. The vision of the Risk-Based Registration initiative is to understand and manage risk by ensuring entities are registered based on risk to reliability. In addition, NERC is seeking to align the registration process with the definition of Bulk Electric System, the Reliability Assurance Initiative and reliability standard reform. The Risk-Based Registration process may eliminate functional categories that are not contributing to reliability (e.g., PSE, IA, and LSE). The goal is to develop a systematic, repeatable



and comprehensive registration process. The timeline for implementing Risk-Based Registration projects full implementation by the end of the fourth quarter of 2015.

**Next Meeting**

The next meeting of the Operating Committee will be on September 16–17, 2014 in Vancouver, British Columbia.

**Adjourn**

There being no further business before the Operating Committee, Chair Castle adjourned the meeting on Wednesday, June 11, 2014 at 11:46 a.m. EDT.

*Larry Kezele*

Larry Kezele  
Secretary



**NERC**NORTH AMERICAN ELECTRIC  
RELIABILITY CORPORATION

# Agenda

## Operating Committee

June 10, 2014 | 1:00–5:00 p.m. (EDT)

June 11, 2014 | 8:00 a.m. – Noon (EDT)

Hyatt Regency Orlando International Airport  
9300 Jeff Figia Blvd  
Orlando, Florida

Exhibit A

### Introductions and Chair's Opening Remarks

### Trustee Janice Case Opening Remarks

### NERC Antitrust Compliance Guidelines and Public Announcement

### Agenda

1. Administrative - Secretary
  - a. Arrangements
    - i. Safety Briefing and Identification of Exits
  - b. Announcement of Quorum
  - c. Background Information\*
    - i. Operating Committee (OC) Membership
    - ii. OC Roster
    - iii. OC Organizational Chart
    - iv. OC Charter
    - v. Parliamentary Procedures
    - vi. Participant Conduct Policy
  - d. Future Meetings

2014 Meeting Dates	Time	Location	Hotel
September 16, 2014 September 17, 2014	1:00 to 5:00 p.m. (Pacific) 8:00 a.m. to Noon (Pacific)	Vancouver BC	Hyatt Regency Vancouver
December 9, 2014 December 10, 2014	1:00 to 5:00 p.m. (Eastern) 8:00 a.m. to Noon (Eastern)	Atlanta, GA	Westin Buckhead Atlanta
March 3, 2015 March 4, 2015	1:00 to 5:00 p.m. 8:00 a.m. to Noon	TBD	TBD
June 9, 2015 June 10, 2015	1:00 to 5:00 p.m. (Eastern) 8:00 a.m. to Noon (Eastern)	Atlanta, GA	Westin Buckhead

September 15, 2015	1:00 to 5:00 p.m. (Eastern)	TBD	TBD
September 16, 2015	8:00 a.m. to Noon (Eastern)		
December 15, 2015	1:00 to 5:00 p.m. (Eastern)	Atlanta, GA	Westin Buckhead
December 16, 2015	8:00 a.m. to Noon (Eastern)		

## 2. Consent Agenda – Chair Castle

- a. March 4–5, 2014 Draft OC Meeting Minutes\*

<b>Action:</b> Approve		<b>Objective:</b> Approve consent agenda as a block.
<b>Presentation:</b> No	<b>Duration:</b> 10 minutes	<b>Background items:</b> March 4-5, 2014 OC Meeting Minutes

## 3. Chair's Remarks

- a. Report on May 6, 2014 Member Representatives Committee Meeting and the May 7, 2014 Board of Trustees Meeting\*

## 4. OC Action Items Review\* – Chair Castle

<b>Action:</b> None		<b>Objective:</b> Streamline the Action Item Process to improve its usefulness.
<b>OC Strategic Plan Goal:</b> None, this is an administrative item.		
<b>Background:</b> The OC Action Item list will be reviewed near the beginning of each OC meeting, with the intent to effectively work through action items, reaching prompt resolution.		
<b>Presentation:</b> No	<b>Duration:</b> 15 minutes	<b>Background Items:</b> Revised OC Action Item List
<b>Notes:</b>		

## 5. Subgroup Status Reports

- a. Operating Reliability Subcommittee\* – Chair Joel Wise
- i. Revised ORS Scope\*
- b. Resources Subcommittee\* – Chair Gerry Beckerle
- i. Revised RS Scope\*
- c. Event Analysis Subcommittee\* – Chair Sam Holeman
- i. Revised EAS Scope\*
- ii. Review of the Reliability Guideline: Generating Unit Winter Weather Readiness
- iii. Lessons Learned Summary
- d. Personnel Subcommittee\* – Chair Laurel Hennebury
- i. Revised PS Scppe\*

## 6. Reliability Issues Steering Committee Status Report – Vice Chair Case

## 7. Introduction to Bulk Electric System Question and Answer Session – Andy Rodriquez

<b>Action:</b> None		<b>Objective:</b> Discuss the implementation of the definition of Bulk Electric System.
<b>OC Strategic Plan Goal:</b> To investigate emergent issues that impact the reliability of the Bulk Electric System.		
<b>Action Item Number:</b> None		
<p><b>Background:</b> On March 20, 2014, the FERC approved the revised definition of Bulk Electric System. The definition includes bright line core criteria, with various enumerated inclusions and exclusions. As a result of the application of these BES Definition provisions, all Elements and Facilities necessary for the reliable operation and planning of the interconnected bulk power system will be included as BES elements. The Commission also approved the process for review of Elements on a case-by-case basis to allow for exceptions from the definition, where appropriate, as well as a process for entities to self-notify Regions of their respective determinations of BES elements. Entities should apply the definition of Bulk Electric System, including the respective inclusions and exclusions, to their asset inventory effective July 1, 2014.</p> <p>On Tuesday, June 10, Andy Rodriguez will provide a brief introduction to the BES Business Process Q&amp;A Workshop for OC, PC, and CIPC Members. Members of the OC, PC, and CIPC are invited to attend the Wednesday morning Question and Answer session regarding the Bulk Electric System definition and its application. Bob Cummings, NERC's Director of Reliability Initiatives and System Analysis, will be available to answer questions about the core definition, inclusions, exclusions, self-determined notifications, and the exception process. It is expected that the OC will resume its meeting at 8:30 a.m. on Wednesday, June 11, 2014.</p> <p>Addition information is available at <a href="#">Bulk Electric System Information</a>.</p>		
<b>Presentation:</b> Yes	<b>Duration:</b> 10 minutes	<b>Background Items:</b> None
<b>Notes:</b>		

## 8. Committee Matters

### a. Operating Reliability Coordination Agreement (ORCA) Implementation – David Zwergel

<b>Action:</b> None		<b>Objective:</b> Review a status report related to the implementation of the ORCA.
<b>OC Strategic Plan Goal:</b> To investigate emergent issues that impact the reliability of the BES.		
<b>Action Item Number:</b> None		
<p><b>Background:</b> At its June 20, 2013 webinar meeting, the Parties (MISO, SPP, TVA, Southern, AECL, PowerSouth, Louisville Gas and Electric, and Kentucky Utilities) informed the OC that they had entered into an Operating Reliability Coordination Agreement (ORCA). The ORCA provides a long term road map for coordination and study between the Parties to ensure reliability in the consolidated MISO BA that stretches from the gulf coast through middle America to the US Canadian border. The Operating Committee approved the MISO Reliability Plan given the executed ORCA. MISO agreed to keep the OC informed of the progress on items outlined within the ORCA.</p>		

<b>Presentation:</b> Yes	<b>Duration:</b> 15 minutes	<b>Background Items:</b> None
<b>Notes:</b>		

## b. Essential Reliability Services Task Force\* – Ken McMclntyre

<b>Action:</b> Endorse	<b>Objective:</b> Review and discuss recent ERSTF activities.	
<b>OC Strategic Plan Goal:</b> To investigate emergent issues that impact the reliability of the BES.		
<b>Action Item Number:</b> 1403-10		
<b>Background:</b> The OC and PC approved the scope of the ERSTF at their March 2014 meetings. The ERSTF has a multi-faceted purpose that includes developing a technical foundation of Essential Reliability Services (ERS); educating and informing industry, regulators, and the public about ERS; developing an approach for tracking and trending ERS; formulating recommendations to ensure the complete suite of ERS are provided and available; and providing guidance necessary for operating a reliable grid.		
The ERSTF held a Kick-off webinar meeting on April 21, 2014 to begin defining essential reliability services and to begin reviewing a draft Essential Reliability Services whitepaper. The ERSTF also met on May 16, 2014 by conference call to finalize the agenda for its first face-to-face meeting, which is scheduled for June 11, 2014 from 1 – 5 p.m. and June 12, 2014 from 8 a.m. – 12 p.m. at the Hyatt Regency Orlando Airport Hotel in Orlando, Florida. Additional information related to the task force is available at <a href="#">ERSTF</a> .		
<b>Presentation:</b> Yes	<b>Duration:</b> 15 minutes	<b>Background Item:</b> ERSTF Scope
<b>Notes:</b>		

## c. Reliability Guideline: Generating Unit Operations During Complete Loss of Communications\* – Troy Blalock, Vice Chair of the Resources Subcommittee

<b>Action:</b> Approve	<b>Objective:</b> Review, discuss and approve the responses to comments and the revised Reliability Guideline: Generating Unit Operations During Complete Loss of Communications.	
<b>OC Strategic Plan Goal:</b> To investigate emergent issues that impact the reliability of the BES.		
<b>Action Item Number:</b> 1209-19		
<b>Background:</b> At its December 10-11, 2013 meeting, the Operating Committee approved posting the draft Reliability Guideline: Generating Unit Operations During Complete Loss of Communications for a 45-day industry comment period. The reliability guideline was posted on January 15, 2014, with comments due by February 28, 2014. The Resources Subcommittee formed a task team to review the comments and to develop responses to the comments, which are posted at <a href="#">Responses to Comments</a> . In response to the comments received, the RS modified the reliability guideline.		
<b>Presentation:</b> Yes	<b>Duration:</b> 30 minutes	<b>Background Items:</b> Reliability Guideline: Generating Unit Operations During Complete Loss of Communications.
<b>Notes:</b>		

d. Eastern Interconnection Frequency Response Initiative – Troy Blalock, Vice Chair of the Resources Subcommittee

<b>Action:</b> None		<b>Objective:</b> Review and discuss the status of the Eastern Interconnection Frequency Response Initiative.
<b>OC Strategic Plan Goal:</b> To investigate emergent issues that impact the reliability of the BES.		
<b>Action Item Number:</b> 1403-07		
<b>Background:</b> At its March 2014 meeting, Resources Subcommittee Vice Chair Blalock provided an overview of the Eastern Interconnection Frequency Initiative Whitepaper. He noted that RS members from the Eastern Interconnection (EI) are working with balancing authorities on a voluntary basis to support an effort to improve EI frequency response. The current initiative focuses on the existing generator fleet with respect to the completeness and accuracy of the data provided in the 2010 NERC generator survey and improving their frequency response capabilities. Following a brief discussion, the OC approved a motion to support the Resources Subcommittee's Eastern Interconnection Frequency Response Initiative and encourage participation by Eastern Interconnection balancing authorities and generator operators and owners.		
<b>Presentation:</b> No	<b>Duration:</b> 15 minutes	<b>Background Items:</b> None
<b>Notes:</b>		

e. Lessons Learned – Improved Contractor Oversight – Bo Jones, Westar

<b>Action:</b> None		<b>Objective:</b> Review and discuss a recently published Lesson Learned on improved contractor oversight submitted by Westar.
<b>OC Strategic Plan Goal:</b> Utilize the results of the Event Analysis Process to improve the reliable operation of the BES.		
<b>Action Item Number:</b> None		
<b>Background:</b> Multiple instances of vendor performed work in stations without a verification method in place for ensuring work quality have caused significant system disturbances.		
<b>Presentation:</b> Yes	<b>Duration:</b> 20 minutes	<b>Background Items:</b> None
<b>Notes:</b> Bo Jones is the Director, NERC Compliance at Westar Energy. He has twenty two years of electric utility experience. The past three years specifically related to NERC Compliance. Prior to that time he worked in various engineering and management roles including in the areas of design, planning and operations. Mr. Jones has a Bachelors in Electrical Engineering - Kansas State University and a Masters in Engineering Management - University of Colorado. He is a Registered Professional Engineer in the states of Kansas and Texas.		

f. Toronto, Ontario June 2013 Flooding Event – Aaron Cole, Hydro One

<b>Action:</b> None		<b>Objective:</b> Review and discuss a severe flooding event that impacted the Toronto, Ontario metro area.
<b>OC Strategic Plan Goal:</b> Utilize the results of the Event Analysis Process to improve the reliable operation of the BES.		
<b>Action Item Number:</b> None		

<b>Background:</b> A severe local storm dropped several inches of rain in a very short period of time (approximately one-hour), resulting in the loss of about 20 percent of the IESO demand and upwards of 25 230 kV circuits.		
<b>Presentation:</b> Yes	<b>Duration:</b> 30 minutes	<b>Background Items:</b> None
<b>Notes:</b>		

## g. July 3, 2013 Hydro Quebec Event – Pierre Paquet

<b>Action:</b> None		<b>Objective:</b> Review and discuss an event that occurred on the Hydro Quebec system on July 3, 2013.
<b>OC Strategic Plan Goal:</b> Utilize the results of the Event Analysis Process to improve the reliable operation of the BES.		
<b>Action Item Number:</b> None		
<b>Background:</b> None		
<b>Presentation:</b> Yes	<b>Duration:</b> 20 minutes	<b>Background Items:</b> None
<b>Notes:</b>		

## h. 2014 Polar Vortex Weather Phenomenon Status Report – James Merlo, Director, Reliability Risk Management

<b>Action:</b> None		<b>Objective:</b> Review and discuss the January 2014 cold weather events.
<b>OC Strategic Plan Goal:</b> Utilize the results of the Event Analysis Process to improve the reliable operation of the BES.		
<b>Action Item Number:</b> 1403-04 and 1403-05		
<b>Background:</b> In early January 2014 a Polar Vortex impacted the ERCOT and Eastern Interconnections. NERC and the impacted Regional Entities are documenting this cold weather event in a report, Phase 1 of which is expected to be available in late May 2014. Mr. Merlo will provide the OC with an overview of the report's development.		
<b>Presentation:</b> Yes	<b>Duration:</b> 15 minutes	<b>Background Items:</b> None
<b>Notes:</b>		

## i. Electric/Natural Gas Coordination – Wes Yeomans, New York Independent System Operator

<b>Action:</b> None		<b>Objective:</b> Discuss evolving issues and related coordination activities as the electric industry becomes increasingly dependent on natural gas as a fuel source.
<b>OC Strategic Plan Goal:</b> To investigate emergent issues that impact the reliability of the Bulk Electric System.		
<b>Action Item Number:</b> None		
<b>Background:</b> With the retirement of traditional base load generating resources and increasing dependence on renewable and gas fired generation, coordination between the electric and gas industries and fuel assurance has become important. The FERC has taken steps to address coordination, and the two industries are working together to resolve coordination issues. Wes Yeomans, NYISO		

Operations VP and Chair of the ISO/RTO Council's Electric & Gas Coordination Task Force, will discuss the coordination issues as observed by the NYISO and others, FERC initiatives, and Industry progress to achieve better coordination.

<b>Presentation:</b> Yes	<b>Duration:</b> 45 minutes	<b>Background Items:</b> None
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**Notes:**

j. Oncor Voltage Reduction Program – Eithar Nahawati, Manager – Operation Performance Review

<b>Action:</b> None	<b>Objective:</b> Review and discuss Oncor's voltage reduction program and the results observed during its implementation during the 2014 Polar Vortex Weather Phenomenon.
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**OC Strategic Plan Goal:** Utilize the results of the Event Analysis Process to improve the reliable operation of the BES.

**Action Item Number:** 1403-06

**Background:** At its March 2014 meeting, the Operating Committee conducted a review of the 2014 Polar Vortex Weather Phenomenon. Following its review, Chair Castle asked Alan Bern to provide an overview of Oncor's voltage reduction program.

<b>Presentation:</b> No	<b>Duration:</b> 20 minutes	<b>Background Items:</b> None
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**Notes:**

k. Balancing Authority ACE Limit (BAAL) Field Trial – Glenn Stephens and Tom Siegrist

<b>Action:</b> None	<b>Objective:</b> Review and discuss the Balancing Authority ACE Limit Field Trial
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**OC Strategic Plan Goal:** The OC will be proactive in leading the focus on the prioritization of Reliability Standards development and improvement.

**Action Item Number:** 1212-21

**Background:** At its December 2011 meeting, the OC approved a request of the Balancing Authority Reliability-based Controls standard drafting team to continue the BAAL field trial until after the final ballot of the proposed BAL-001-1 standard. The drafting team will present an overview of the field trial.

Mr. Stephens and Mr. Siegrist are Chair and Vice Chair, respectively, on the Project 2010-14.1 (Phase 1 of Balancing Authority Reliability-based Controls: Reserves) Standard Drafting Team

<b>Presentation:</b> Yes	<b>Duration:</b> 15 minutes	<b>Background Items:</b> To be provided prior to the OC meeting.
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**Notes:**

l. Project 2014-04 (Physical Security)\* – Robert Rhodes, SPP

<b>Action:</b> None	<b>Objective:</b> Review and discuss CIP-014-1 (Physical Security)
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**OC Strategic Plan Goal:** The OC will be proactive in leading the focus on the prioritization of Reliability Standards development and improvement.

**Action Item Number:** None

**Background:** The FERC directed "The North American Electric Reliability Corporation (NERC), as the Commission-certified Electric Reliability Organization (ERO), to submit for approval one or more Reliability Standards that will require certain registered entities to take steps or demonstrate that they have taken steps to address physical security risks and vulnerabilities related to the reliable operation of the Bulk-Power System. The proposed Reliability Standards should require owners or operators of the Bulk-Power System, as appropriate, to identify facilities on the Bulk-Power System that are critical to the reliable operation of the Bulk-Power System. Then, owners or operators of those identified critical facilities should develop, validate and implement plans to protect against physical attacks that may compromise the operability or recovery of such facilities. The Commission directs NERC to submit the proposed Reliability Standards to the Commission within 90 days of the date of this order."

<b>Presentation:</b> No	<b>Duration:</b> 30 minutes	<b>Background Items:</b> CIP-014-1
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**Notes:**

m. Project 2014-03 (Revisions to TOP/IRO Reliability Standards) – David Souder

<b>Action:</b> None	<b>Objective:</b> Review and discuss proposed revisions to TOP and IRO Reliability Standards.
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**OC Strategic Plan Goal:** The OC will be proactive in leading the focus on the prioritization of Reliability Standards development and improvement.

**Action Item Number:** None

**Background:** The primary goal of Project 2014-03 (Revisions to TOP/IRO Reliability Standards) is to address the concerns identified in the FERC NOPR proposing to remand IRO standards developed in Project 2006-06 (Reliability Coordination) and TOP standards developed in Project 2007-03 (Real-time Operations). On April 16, 2013, NERC submitted two petitions requesting Commission approval of TOP and IRO standards. One petition addresses three revised TOP Reliability Standards: TOP-001-2 (Transmission Operations), TOP-002-3 (Operations Planning), TOP-003-2 (Operational Reliability Data), and one Protection Systems (PRC) Reliability Standard, PRC-001-2 (System Protection Coordination) (collectively, the "TOP Standards") to replace the eight currently-effective TOP standards. The second petition addresses four revised IRO Reliability Standards: IRO-001-3 (Responsibilities and Authorities), IRO-002-3 (Analysis Tools), IRO-005-4 (Current Day Operations), and IRO-014-2 (Coordination Among Reliability Coordinators) (collectively, the "IRO Standards") to replace six currently-effective IRO standards.

On November 21, 2013, the Commission issued a NOPR proposing to remand these TOP and IRO Standards, stating that NERC "has removed critical reliability aspects that are included in the currently-effective standards without adequately addressing these aspects in the proposed standards." For example, the Commission cites the fact that the proposed TOP Standards do not require Transmission Operators to plan and operate within all System Operating Limits ("SOLs"), which is a requirement in the currently effective standards.

<b>Presentation:</b> No	<b>Duration:</b> 30 minutes	<b>Background Items:</b> None
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**Notes:**

\*Background materials included.



## EXHIBIT B

**ATTENDEES**  
**Operating Committee Meeting**  
**June 10–11, 2014**

**OFFICERS**

Chair	Jim Castle
Vice Chair	Jim Case
Secretary and Staff Coordinator	Larry Kezele

**MEMBERS****VOTING MEMBERS**

Cooperative	Jeff Harrison (proxy for Chris Bolick) Keith Carman
Electricity Marketer	
Federal/Provincial	Tom Irvine Pierre Paquet Don Watkins Martin Huang
IOU	Paul Johnson Gerry Beckerle
ISO/RTO	David Zwergel Ken McIntyre
Large End-use Customer	
State/Municipal	Doug Peterchuck Richard Kinas
Transmission Dependent Utility	Dennis Florom Ray Phillips
Merchant Generator	J. T. Thompson
State Government	Patricia Poli Bill Chambliss

**VOTING MEMBERS (cont'd)**

Small End-use Customer	Kevin Conway
TRE	Alan Bern
FRCC	Ron Donahey
MRO	Lloyd Linke
NPCC	Jerry Mosier
RF	John Idzior
SERC	Stuart Goza
WECC	Don Badley (proxy for Jerry Rust)
SPP	Jim Useldinger

**NON-VOTING MEMBER**

U.S. Federal	Thanh Huang
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**ATTENDEES — Operating Committee Meeting (cont'd)**  
**June 10–11, 2014**

**REGIONAL ENTITY**

MRO	Dan Schoenecker
FRCC	Richard Gilbert
FRCC	Hassan Hamdar
FRCC RC	Eric Senkowicz
SERC	Steve Corbin
SPP	Robert Rhodes
SPP	Alan Wahlstrom
TRE	Bob Collins
WECC	Paul Rice

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**NERC STAFF**

Sandy Shiflett	Mark Rogers
James Merlo	Darrel Richardson
Rich Bauer	Brenda Boline
Jule Tate	Bob Cummings
Terry Brinker	Ben McMillan

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**GUESTS**

Janice Case	NERC Board of Trustees
Glenn Stephens	Santee Cooper
Tom Siegrist	BBRS
Arron Cole	Hydro One
Todd Lucas	Southern
Paul Roehr	ATC
Ben Engelby	ACES
Mark Ennis	AMEA
Joel Wise	TVA
John Powell	Tri-State G&T
Sam Holeman	Duke Energy
Antonio Franco	CECD
David Souder	PJM
ChaRee DiFabio	NWPP
Eithar Nashawati	Oncor Electric Delivery
Rich Hydzik	Avista
Laurel Hennebury	ISO-NE
Lauri Jones	PG&E
Bo Jones	Westar Energy
Bruce Larsen	We Energies

**ATTENDEES — Operating Committee Meeting (cont'd)**  
**June 10–11, 2014**

Brantley Tillis  
Tom Leeming  
Troy Blalock  
John Seelke

Duke Energy  
ComEd  
SCE&G  
PSE&G

## Exhibit C

**Individual Statements  
Operating Committee Meeting  
June 10–11, 2014**

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*There were none.*

## Exhibit D

**Minority Opinions  
Operating Committee Meeting  
June 10–11, 2014**

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*No minority opinions were offered for the record.*

## NERC Operating Committee

Action Items

*Dated: June 23, 2014*

September 2012 Meeting Action Items					
OC meeting and item number	Assignment	Description	Due Date	Progress	Status
1209-19	RS	HILF – RS to continue to work on re-tuning the Y2K Frequency Guideline			Complete

### December 2012 Meeting Action Items

OC meeting and item number	Assignment	Description	Due Date	Progress	Status
1212-06	OC - EAS	EAS to work with the Forums on sharing lessons learned	Dec 2013	Larry to review with James Merlo.  Sam Holeman, chair of the EAS, will be discussing this topic with the Forums.	In Progress
1212-09	OC	<ul style="list-style-type: none"> <li>• Posting the ACE Diversity Guideline</li> <li>• Communicate Same to Industry</li> </ul>		Highlight on BANNER/TAB of OC Web-Page	Complete
1212-21	BARC SDT (Jerry Rust and Gerry Beckerle)	BARC Final Report of Field Trial – lay out the analysis – lessons learned from field trial structure and testing	Dec 2013	Need information from Drafting Team Facilitator.  BARC SDT provided an overview of the field trial at the June 2014 meeting. SDT to develop a Final Report.	In Progress

### December 2013 Meeting Action Items

OC meeting and item number	Assignment	Description	Due Date	Progress	Status
1312-04	Chair Castle	Letter to the Subcommittees charging them to review their scopes.		Chair Castle sent an email to the leadership of each of the OC's subcommittees outlining his request. Subcommittees are expected to have final draft scopes at the June 2014 meeting.	Complete
1312-06		ALR-C1 – Support NERC staff on working through this		Waiting on PAS and CCC	In Progress
1312-07		GridEx II Lessons Learned		Waiting on NERC Final report issued, will discuss at the June 2014 meeting.  Discussion postponed to the September 2014 OC Meeting	In Progress

### March 2014 Meeting Action Items

OC meeting and item number	Assignment	Description	Due Date	Progress	Status
1403-01	Castle	Engage NERC Legal on the following questions: <ol style="list-style-type: none"> <li>1. Quorum requirements</li> <li>2. Passing a motion (simple majority vs. 2/3 super majority)</li> <li>3. The issue of membership balance. Confirm that since the parent committee (OC) is a sector balanced committee, all pertinent work products must be approved by the OC, then sector balance is not</li> </ol>	ASAP	Discussed with NERC Legal Shamai Elstein. He will provide feedback during the week of March 17.	Complete



		required at the subcommittee level.			
1403-02	Castle	Electric/Gas Coordination	June Meeting	Wes Yeomans, NYISO, VP Operations will address the OC.	Complete
1403-03	OCEC	Coordination with the Independent Experts	March 2014	Held a webinar with the Independent Experts and developed a draft response, which was submitted to the RISC and to the Standards Committee.	Complete
1403-04	EAS	Benchmark Cold Weather Guideline	June Meeting	Phase 1 of the Polar Vortex report delayed due to data inaccuracies. OC expected to receive final recommendations in September 2014.	In Progress
1403-05	EAS	Coordinate Lessons Learned from the 2014 Cold Weather events and post for industry use.	May 2014	Phase 1 of the Polar Vortex report delayed due to data inaccuracies. OC expected to receive final recommendations in September 2014.	In Progress
1403-06	Alan Bern	Provide the OC with an overview presentation of the Oncor voltage reduction program	June Meeting		Complete
1403-07	RS and Cummings	Verify that Frequency Response data is being collected.	June Meeting	Progress report provided at the June 2014 OC meeting.	In Progress
1403-08	Kezele	Post the ADI reliability guideline. This is very late (see OC Action Item 1212-09).	ASAP		Complete
1403-09	Rust, Yohnk, Hassan	Review of the 2014 State of Reliability Report prior to the OC taking action.	April 2014	OC will conduct an email vote on or about April 23, 2014.	Complete
1403-10	Castle	Seek OC volunteers to serve on the ERSTF	March 2014	The OC submitted its nominations of members to serve on the ERSTF. Ken McIntyre will co-chair this work effort.	Complete
1403-11	Case	RISC – The OC will re-address two previously identified gaps: <ol style="list-style-type: none"> <li>1. Maintaining Situational Awareness</li> <li>2. Workforce Capability and Human Error</li> </ol>	June 2014	Vice Chair Case provided an overview of his discussions with the Personnel and the Operating Reliability Subcommittees. He will share this information with the RISC.	Complete
1403-12	EIDSN	Keep the OC informed of the progress of: <ol style="list-style-type: none"> <li>1. The transition of NERCnet to EIDSN</li> </ol>	September 2014 Meeting		In progress

		2. The development of a replacement to NERCnet data sharing network			
June 2014 Meeting Action Items					
OC meeting and item number	Assignment	Description	Due Date	Progress	Status
1406-01	Kezele	Post and announce Reliability Guideline: Generating Unit Operations during Complete Loss of Communications	September Meeting	NERC staff to address.	In Progress
1406-02	Kezele	Post revised Resources Subcommittee Scope	September Meeting	NERC staff to address.	In Progress
1406-03	Kezele	Post revised Operating Reliability Subcommittee Scope	September Meeting	NERC staff to address.	In Progress
1406-04	Kezele	Post revised Personnel Subcommittee Scope	September Meeting	NERC staff to address.	In Progress
1406-05	Kezele	Post revised Event Analysis Subcommittee Scope	September Meeting	NERC staff to address.	In Progress
1406-06	Kezele	Revise and Post the OC Organization Chart to reflect decommissioning the Interchange Subcommittee	September Meeting	NERC staff to address.	In Progress
1406-07	Resources Subcommittee	Eastern Interconnection Frequency Response Initiative	December Meeting	RS managing the survey and collecting the data.	In Progress
1406-08	Resources Subcommittee	Establishment of a data repository by NERC for the generator survey data	September Meeting	NERC staff to address.	In Progress
1406-09	NERC	Revised MISO Reliability Plan	September Meeting	Michigan Public Service Commission to provide NERC staff and the OC with information supporting its suggestion that approval of the revised MISO reliability plan will have adverse reliability impacts.	In Progress
1406-10	Resources Subcommittee	Revisit the Reliability Guideline: Generating Unit Operations during Complete Loss of Communications	September Meeting	RS tasked with considering revisions to the reliability guideline identified in the motion to table and the concerns raised by	In Progress

				the OC during its debate of that motion at the June 2014 meeting.	
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# Attachment I

# **Presque Isle SSR Cost Allocation – Updated Results**

**West Technical Study Task Force**

August 11, 2014

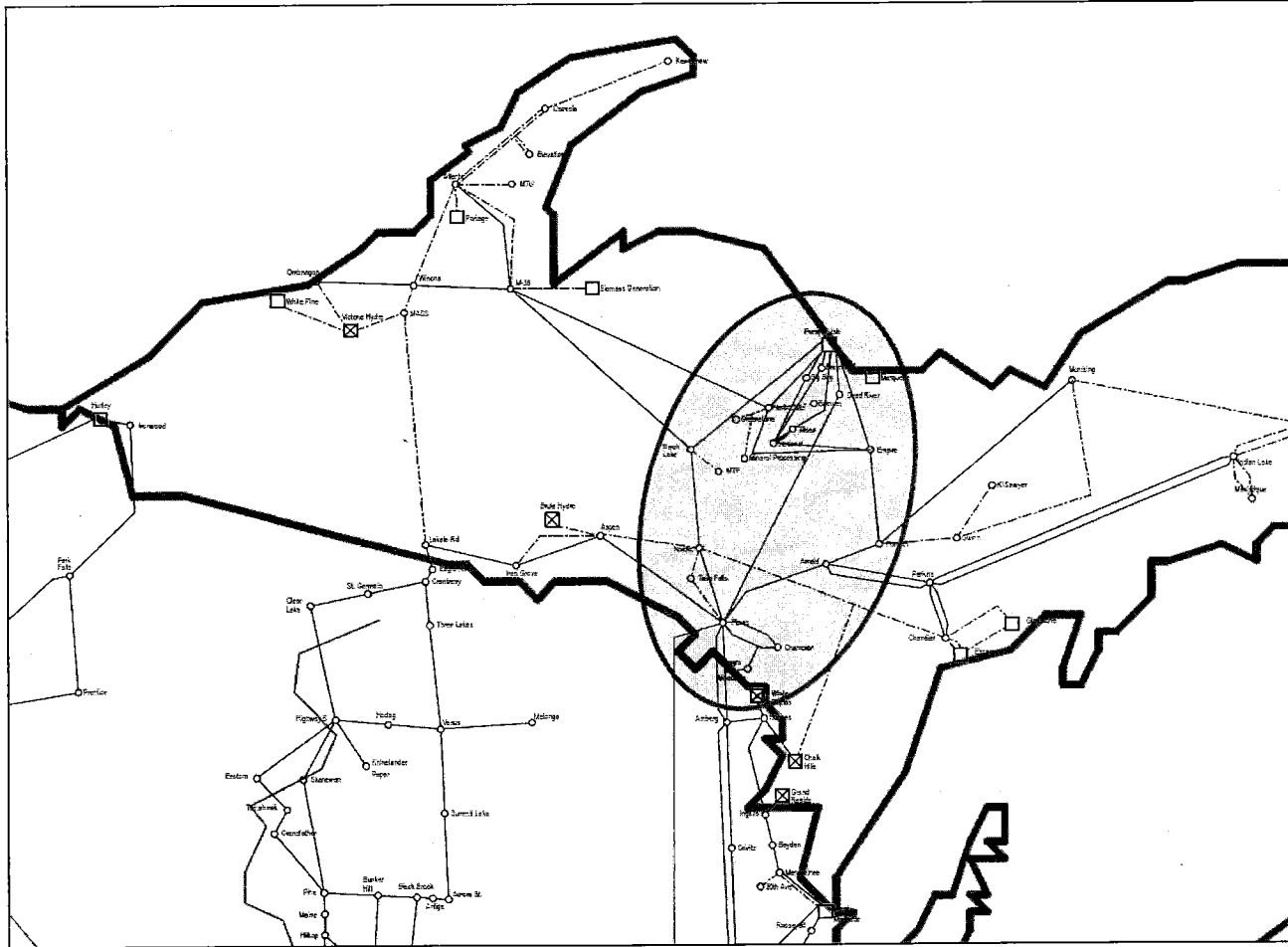
# Presque Isle Load Shed

- Using optimal powerflow analysis software MISO determined the optimal and minimum amount of load shed necessary to eliminate all voltage stability, thermal, and voltage criteria violations
- This provides an indication of the minimum amount of Demand Response (DR) that would be necessary to alleviate all system constraints with all Presque Isle generating units offline
  - Actual DR proposals would need to be further studied
- The amount of demand response indicated is for the most severe contingency for each NERC type

# Presque Isle Load Shed Update

Contingency Type	2014SP Model	2014SH Model
B	237 MW	311 MW
C	287 MW	323 MW

# Approximate Load Shed Area





# Final LBA Cost Allocation

# Presque Isle LBA Cost Allocation

LBA Number	LBA Name	LBA Share % before WEC split	LBA Share % after WEC split
295	WEC	93.79	0.22
296	MIUP	N/A	93.57
696	WPS	0.55	0.55
698	UPPC	5.66	5.66

# Presque Isle 2014SP LBA-Load Example

LBA Number	LBA Name	LBA-Peak Load % before WEC split		LBA-Peak Load Share % after WEC split	
		MI	WI	MI	WI
295	WEC	8.65%	85.14%	N/A	0.22%
296	MIUP	N/A	N/A	93.57%	N/A
696	WPS	N/A	0.55%	N/A	0.55%
698	UPPC	5.66%	N/A	5.66%	N/A
Total		14.31%	85.69%	99.23%	0.77%

\*This example uses peak load from a MTEP series 2014SP model to represent a hypothetical July 2014 settlement. Actual cost allocation LBA-LSE shares are determined using peak actual energy withdrawal from market settlements data. The 2014 WEC summer peak load ratio share between States is: 90.78% WI, 9.22% MI. The summer peak load ratio share is multiplied by the WEC LBA share to provide an indication of what a state-based cost allocation would be. LSE-State composition is not known to MISO.

## Attachment J



STATE OF MICHIGAN

 DEPARTMENT OF LICENSING AND REGULATORY AFFAIRS  
 PUBLIC SERVICE COMMISSION
GREG R. WHITE  
COMMISSIONERJOHN D. QUACKENBUSH  
CHAIRMANSALLY A. TALBERG  
COMMISSIONERMIKE ZIMMER  
DIRECTORRICK SNYDER  
GOVERNOR

August 15, 2014

Mr. Gerry Cauley  
 North American Electric Reliability Corporation (NERC)  
 3353 Peachtree Rd  
 Suite 600 North Tower  
 Atlanta, GA 30326

Sent via e-mail: [Gerry.Cauley@nerc.net](mailto:Gerry.Cauley@nerc.net)

RE: Request by Wisconsin Electric Power Company (WEPCo) at Reliability*First*, to split WEC balancing authority (BA) along state lines, creating a Wisconsin Electric Company BA (WEC) and a Michigan BA (MIUP)

Dear Mr. Cauley,

The Michigan Public Service Commission (MPSC) appreciates the action NERC took during its Operating Committee (OC) meeting on June 10-11, 2014 to delay approval for the revised reliability plan for Midcontinent Independent System Operator (MISO) recommended by the Operating Reliability Subcommittee (ORS) during its meeting on May 6 - 7, 2014. The MPSC appreciates the time permitted to examine the proposed local balancing authority (LBA) split in further detail.

**The MPSC has serious concerns regarding the LBA split as it would shift millions of dollars annually from Wisconsin customers to Michigan customers without improving reliability.**

Since June 7, 2014, the MPSC has met with Wisconsin Electric Power Company (WEPCo), American Transmission Company (ATC), and MISO to discuss operational changes that will result from the proposed LBA split. Through those meetings we have learned the following:

- WEPCo requested the LBA split without consulting with or notifying the MPSC or Michigan stakeholders and proceeded unilaterally to request Reliability*First* and NERC approval, although the change would affect thousands of Michigan customers.
- The Upper Peninsula (UP) of Michigan has unique system reliability challenges including the utilization of multiple operating guides, loop flows and import / export issues.

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Page 2  
MISO Reliability Plan

- The creation of metering boundaries to split the WEC LBA into two distinct areas will not itself directly improve the physical reliability challenges.<sup>1</sup>
- The creation of the MIUP BA will result in changes to reliability and commercial models used by WEPCo, ATC, MISO, NERC and others.
- According to WEPCo, the proposed LBA split will provide operational focus and simplify the administration of processes utilized to preserve BES reliability, improve the abilities of MISO, ATC and WEPCo to clearly identify the actions required and entities involved, and to enhance the ability of operators to respond to reliability emergencies in the UP.
- WEPCo intends to use its existing operations center with existing personnel with the only change being that there will be data from two LBAs on their monitors to operate and control instead of just one.
- ATC informed the MPSC that it will not experience any day-to-day operational changes based upon the proposed LBA split.
- MISO informed the MPSC that it will not experience any day-to-day changes based upon the proposed LBA split but MISO informed the MPSC that certain charges under the MISO tariff are allocated to LBAs and that the LBA split would lead to changes in those charges to electric customers in Michigan and Wisconsin.

Based upon the facts that WEPCo intends to staff and operate the proposed LBAs in the same manner as it operates the single LBA today, the MPSC questions exactly why WEPCo is not able to achieve the referenced operational focus and administration simplification, achieve the ability to clearly identify the actions required and the entities involved, and enhance the ability of operators to respond to reliability emergencies in the UP *without* splitting its current LBA. Those questions remain unanswered. Furthermore, WEPCo, ATC, and MISO will not experience day-to-day operational changes as a result of the proposed LBA split. As WEPCo did not provide notice to the MPSC or Michigan stakeholders early in the application process, the MPSC has been left to speculate as to the probable reason for WEPCo to propose the LBA split in the first place. It is apparent that the main reason is to shift millions of dollars of costs from its Wisconsin service territory to the Upper Peninsula of Michigan.

The MPSC understands and respects that NERC's charge is reliability. While the MPSC does not find that the proposed LBA split harms reliability, the MPSC finds that the proposed LBA split may NOT improve reliability and that the creation of the LBA will result in cost shifts that have not been addressed by state regulators, MISO stakeholders or FERC. On July 10, 2014, MPSC representatives attended a teleconference with MISO representatives regarding the proposed LBA split. Subsequently, MISO provided the MPSC with the following written Q&A on the potential impacts to Michigan ratepayers regarding the creation of the MIUP BA:

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<sup>1</sup> WEPCo reviewed this presentation with MPSC Staff:  
<https://www.misoenergy.org/Library/Repository/Meeting%20Material/Stakeholder/RSC/2014/20140513/20140513%20RSC%20Item%2008%20MIUP%20Balancing%20Authority.pdf>, p.3.

**Q: Will there be Market Settlement impacts because of the creation of the new LBA?**

*A: Yes. There are several impacts to Market Settlements, including impacts related to charges that utilize LBA boundaries to calculate a charge type or request collection from the LBA specific area. The charge types and/or schedules impacts include:*

- *Schedule 24 Distribution - based on LBA submitted cost from the prior year.*
  - *The rate is established in June and since MIUP will have no “costs from prior year” there will be no additional costs for 2014 and early 2015.*
- *Real Time Loss Distribution – Settlements maps an LBA to a Loss Pool.*
  - *Impacts cannot be estimated.*
- *Over Collected Loss are distributed based on the cost of losses within a Loss Pool.*
  - *Impacts cannot be estimated.*
- *Day-Ahead Revenue Sufficiency Guarantee (RSG) Distribution for Voltage Loading Relief (VLR) commitments is based on impacted LBAs.*
  - *Dependent on VLR commitments in the LBA, since most of the “VLR” issues have become or are in the process of becoming SSRs this would be “one off” VLR commitments which cannot be predicted by MISO.*
- *RT RSG Distribution for VLR commitments is based on impacted LBAs.*
  - *Dependent on VLR commitments in the LBA, since most of the “VLR” issues have become or are in the process of becoming SSRs this would be “one off” VLR commitments which cannot be predicted by MISO.*
- *RT Asset Energy – every LBA specifies a CPNode to which residual load is allocated.*
- *RSG distribution and VLR commitment.*
  - *Costs will not be impacted as long as SSR is in place*

While MISO was unable to quantify these many impacts to customer charges in the UP resulting from the proposed LBA split, some of the impacts are just now becoming apparent. On August 11, 2014 MISO made a compliance filing in docket ER14-1243 regarding the Presque Isle system support resource (SSR) agreement.<sup>2</sup> Included in this filing, is the following cost allocation:

**Table 1: SSR Agreement LBA Shares**

<b>LBA</b>	<b>Load Shed (MW)</b>	<b>Share</b>
WEC	6536.0	93.79%
WPS	38.1	0.55%
UPPC	394.6	5.66%

For background, the current WEC LBA includes WEPCo customers in both Wisconsin and Michigan and historically, approximately 92% of the WEPCo load was located in Wisconsin and 8% in Michigan. The MPSC and the Public Service Commission of Wisconsin (PSC-W) have traditionally approved rate recovery of WEPCo generation on a “slice of system” basis, where

<sup>2</sup> <https://www.misoenergy.org/Library/Repository/Tariff/FERC%20Filings/2014-08-11%20Docket%20No.%20ER14-1243-004%20Schedule%2043G%20Filing.pdf>, p. 12.

Page 4  
MISO Reliability Plan

Wisconsin customers have paid for 92% of WEPCo's *entire* generation fleet, and Michigan customers have paid for 8% of WEPCo's *entire* generation fleet. As shown in Table 1 above, the very recently filed cost allocation for the Presque Isle SSR allocates 93.79% of this SSR's costs to the WEC LBA. Currently, before the proposed LBA split, that 93.79% would be allocated on a load-ratio share basis to WEPCo's load, approximately 92% of the 93.79% to WEPCo's Wisconsin customers and 8% of the 93.79% to WEPCo's Michigan customers, which is consistent with how the MPSC and the PSC-W have allocated generation costs to customers in WEPCo's footprint.

The proposed WEPCo LBA split creating the MIUP BA "*for reliability*" will allow WEPCo to single-handedly, without any review for just and reasonableness by any regulatory authority, shift 92% of 93.79% of the Presque Isle SSR costs to its Michigan WEPCo customers, Wisconsin Public Service customers, Upper Peninsula Power customers, and other municipal, cooperative, and electric choice customers in the Michigan UP. Stated more plainly, the proposed LBA split would shift approximately 86%<sup>3</sup> of the Presque Isle SSR costs from Wisconsin customers to Michigan customers. The proposed LBA split "*for reliability*" will shift millions of dollars annually from Wisconsin customers to Michigan customers without review or approval by any regulatory authority over the rate impacts if this proposed LBA split is approved by NERC.

The resulting cost shifts from the proposed LBA split for the Presque Isle SSR is only one example of the pending cost shifts, many of which have not yet been sorted out. Based upon the Q&A above from MISO thus far, the MPSC expects similar cost shifting resulting from the proposed LBA split for the Escanaba and White Pine SSRs. The potential cost shifts of VLR charges and RSG charges resulting from the proposed LBA split remain unquantified.

The MPSC understands that NERC does not get involved in regional equity issues, and respects that the charge of the Operating Committee only extends to whether a proposed change will harm regional reliability. However, in recognition that state and federal regulators are the custodians of due process, and given the extent of the cost shifts that will result from the creation of the proposed MIUP BA by splitting the WEC LBA, the MPSC urges NERC to defer its approval of the proposed LBA split until WEPCo has received regulatory approval from the proper regulatory authorities, including the MPSC, regarding the rate impacts to electric customers. It is relatively easier to make LBA changes than to undo them.

The MPSC has not found reliability harm that would result from the proposed LBA split. Notwithstanding, given the woefully inadequate process by which this matter has been handled and the implications for ratepayers, the MPSC respectfully requests NERC to deny the proposed LBA split or at least delay approval of the proposed LBA split and creation of the MIUP LBA until such time that the appropriate regulatory scrutiny and approvals have been received by WEPCo regarding the potential shifting of millions of dollars of costs. Denial or delay is especially merited given that in the last two months it has not become apparent that the proposed LBA split would result in any reliability improvements that WEPCo may not otherwise achieve with its current singular LBA construct.

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<sup>3</sup> 93.79% x 92% = 86%

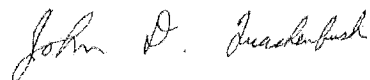


Page 5  
MISO Reliability Plan

Again, the MPSC appreciates the additional time NERC has granted to date, and the MPSC sincerely hopes that NERC will be able to support the MPSC's request to deny or further delay the approval of the proposed LBA split until WEPCo has received regulatory approvals of the resulting rate impacts. We look forward to discussing this further with NERC representatives and appreciate NERC's consideration. In addition, we request that NERC representatives inform the MPSC of NERC's pending decision regarding the proposed WEC LBA split.

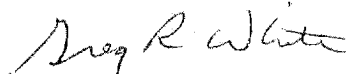
Sincerely,

MICHIGAN PUBLIC SERVICE COMMISSION



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John D. Quackenbush, Chairman



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Greg R. White, Commissioner



---

Sally A. Talberg, Commissioner

cc: Jim Castle, Chair NERC Operating Committee (sent via e-mail: [JCastle@nyiso.com](mailto:JCastle@nyiso.com))  
Rick Snyder, Governor, State of Michigan

## Attachment K



STATE OF MICHIGAN  
EXECUTIVE OFFICE  
LANSING

RICK SNYDER  
GOVERNOR

BRIAN CALLEY  
LT. GOVERNOR

August 18, 2014

Mr. Gerry Cauley, President & CEO  
North American Electric Reliability Corporation (NERC)  
3353 Peachtree Rd  
Suite 600 North Tower  
Atlanta, GA 30326

Sent via e-mail: [Gerry.Cauley@nerc.net](mailto:Gerry.Cauley@nerc.net)

RE: Request to split Local Balancing Authority

Dear Mr. Cauley:

Thank you and NERC for delaying approval of a proposal to split the Local Balancing Authority (LBA) for Wisconsin and Michigan's Upper Peninsula along state lines. This had been proposed and submitted to NERC even though stakeholders had not been given sufficient information to be able to appropriately comment and thus a chance to fairly participate. Your delay allowed Michigan to learn more about the proposal.

What we have learned since our previous communication is that this proposal raises grave concerns for Michigan. The decision before you has little to do with electric reliability as was detailed in the letter from the Michigan Public Service Commission sent to you on August 15<sup>th</sup> (attached for your reference). The MPSC's letter states Michigan's position well and I urge you not to let NERC's authority, reputation and power be misused.

We acknowledge that the electric system in the Upper Peninsula is small and constrained. However, implementing the proposed split will do little to improve bulk power reliability. It will, however, dramatically shift costs. Those who are seeking NERC's approval of a new LBA have done so without any notice to Michigan. We believe they should openly state their aims and make their case before decision-makers who can utilize the best tools and evaluate all implications.

Your organization is charged with making "equitably reasonable [allocation of]...charges among end users". We urge you not to involve NERC in a decision that will have the opposite effect, especially given the procedural history in this matter – one that lacked sufficient openness, due process, or a balance of interests. NERC must provide an open forum to evaluate the choice before you based on the magnitude of the reliability implications. You must ask whether the charges that will result from this decision will be allocated equitably or reasonably and consider the implications for allocations if you reverse decades of ratemaking practice. Alternatively, if you believe that decisions that have an overwhelming financial impact and a minimal reliability impact do not belong in front of NERC, then we urge you to decline jurisdiction on that basis.

Your organization has a long and well-deserved reputation for fairness and bringing valuable expertise to bear on the vital issue of electric reliability. Thank you for this opportunity to comment and for your consideration of this matter.

Sincerely,

A handwritten signature in black ink that reads "Rick Snyder".

Rick Snyder  
Governor

## Attachment L

**NERC**NORTH AMERICAN ELECTRIC  
RELIABILITY CORPORATIONGerry W. Cauley  
President and CEO

August 29, 2014

Chairman John D. Quackenbush  
Commissioner Greg R. White  
Commissioner Sally A. Talberg  
Michigan Public Service Commission  
4300 W. Saginaw Highway  
Lansing, MI 48909

Dear Chairman Quackenbush, Commissioner White, and Commissioner Talberg:

Thank you for your recent letter concerning the formation of a new Balancing Authority in the Michigan Upper Peninsula (MIUP).

NERC certifies functional entities, such as Balancing Authorities, to ensure they have the tools, processes, training and procedures to meet all Reliability Standards applicable to users, owners and operators of the bulk power system. NERC's certification review is focused solely on reliability issues and does not extend beyond the technical evaluation of the entity's ability to serve in its NERC-certified capacity. NERC conducted the requisite certification review and approved and confirmed the certification of the MIUP as a Balancing Authority for Wisconsin Energy Corporation facilities effective December 1, 2014. This action completes NERC's certification review of the MIUP BA.

NERC has no authority to address the cost allocation issues raised in response to the proposal to form the MIUP BA. We urge you to continue communication with the appropriate parties responsible for cost allocation issues related to this topic.

Sincerely,

Gerry Cauley  
President and CEO

Attachment

3353 Peachtree Road NE  
Suite 600, North Tower  
Atlanta, GA 30326  
404-446-2560 | www.nerc.com

## Attachment M



RICK SNYDER  
GOVERNOR

STATE OF MICHIGAN  
DEPARTMENT OF LICENSING AND REGULATORY AFFAIRS  
PUBLIC SERVICE COMMISSION

MIKE ZIMMER  
ACTING DIRECTOR

GREG R. WHITE      JOHN D. QUACKENBUSH      SALLY A. TALBERG  
COMMISSIONER      CHAIRMAN      COMMISSIONER

September 12, 2014

Mr. Gale Klappa, President  
We Energies  
231 West Michigan Street  
Milwaukee, Wisconsin 53203

Sent via e-mail: gale.klappa@we-energies.com

RE: Request by Wisconsin Electric Power Company (WEPCo) at ReliabilityFirst, to split WEC balancing authority (BA) along state lines, creating a Wisconsin Electric Company BA (WEC) and a Michigan BA (MIUP)

Dear Mr. Klappa,

The Michigan Public Service Commission (MPSC) has serious concerns with the request by WEPCo to create a new balancing authority in the Upper Peninsula of Michigan. On August 15, 2014, the MPSC sent the attached letter to Gerry Cauley, President of the North American Electric Reliability Corporation (NERC), which described those concerns.

The Michigan Public Service Commission officially requests We Energies to withdraw its application at ReliabilityFirst, to split the WEC balancing authority into a Wisconsin-based BA and a Michigan-based BA.

Sincerely,

MICHIGAN PUBLIC SERVICE COMMISSION

John D. Quackenbush, Chairman

Greg R. White, Commissioner

Sally A. Talberg, Commissioner

Attachment: August 15, 2014 letter to Gerry Cauley (NERC)

# Attachment N





STATE OF MICHIGAN  
EXECUTIVE OFFICE  
LANSING

RICK SNYDER  
GOVERNOR

BRIAN CALLEY  
LT. GOVERNOR

September 12, 2014

Mr. Gale Klappa, President  
We Energies  
231 West Michigan Street  
Milwaukee, Wisconsin 53203

Sent via e-mail: [gale.klappa@we-energies.com](mailto:gale.klappa@we-energies.com)

RE: Request by Wisconsin Electric Power Company (WEPCo) at *ReliabilityFirst* to split WEC balancing authority (BA) along state lines creating a Wisconsin Electric Company BA (WEC) and a Michigan BA (MIUP)

Dear Mr. Klappa,

The Snyder administration requests that you reconsider your request to *ReliabilityFirst* to split the Wisconsin Electric Company balancing authority into two balancing authorities: the WEC balancing authority and a Michigan balancing authority (MIUP).

As you are aware, this administration has expressed concerns to the North American Electric Reliability Corporation (NERC) regarding this matter. Based on the publicly available information, it is apparent that splitting the local balancing authority (LBA) in the Upper Peninsula of Michigan and northern Wisconsin will not improve reliability nor create advantageous operational efficiencies to WEPCo. The LBA split will, however, shift cost and cause undue burden to residents and businesses in the Upper Peninsula of Michigan.

For those reasons, we ask that you seriously consider the Michigan Public Service Commission's September 12, 2014 letter requesting that you withdraw your application at *ReliabilityFirst* to split the WEC balancing authority between Wisconsin and Michigan.

Whether or not you are willing to take such action, we ask that you provide our office additional information on the justification for this balancing area split. Given the potentially extreme impact on residential and other ratepayers of this reclassification, it is appropriate and important for the justification for this action to be available publicly.

Thank you for your consideration of this request.

Sincerely,

A handwritten signature in cursive script that reads "Valerie Brader".

Valerie Brader  
Deputy Legal Counsel and  
Senior Policy Advisor  
Governor Rick Snyder

## Attachment O



**We Energies**  
231 W. Michigan St.  
Milwaukee, WI 53203

**Gale E. Klappa**  
Chairman, President and  
Chief Executive Officer  
Phone 414-221-4775  
Fax 414-221-4519  
gale.klappa@we-energies.com

September 16, 2014

Michigan Public Service Commission  
John D. Quackenbush, Chairman  
Greg R. White, Commissioner  
Sally A. Talberg, Commissioner  
Michigan Public Service Commission  
4300 W. Saginaw Highway  
PO Box 30221  
Lansing, MI 48909

Re: MPSC Letter of September 12, 2014, Regarding the MIUP Balancing Authority

Dear Commissioners:

Thank you for your letter of September 12, 2014, in which you request that Wisconsin Electric Power Company withdraw its application at ReliabilityFirst to split the WEC balancing authority into a Wisconsin-based Balancing Authority (BA) and a Michigan-based BA.

As you know, the North American Reliability Corporation (NERC) and ReliabilityFirst have already acted on our application, and NERC certified the Michigan based BA on August 29, 2014. For the reasons I will address in this letter, Wisconsin Electric must respectfully decline this request.

First and foremost, the formation of the Michigan-based BA will enhance the management of reliability in the Upper Peninsula. We have a shared concern for the reliability of the electric system in that region, and I know you are well aware of the challenges presented by the area's unique geography, generation, loads, and limited transmission. Prior to receiving the necessary approvals, we publicly presented our proposal at MISO and have met with you and your staff to review the reliability benefits of the new Michigan-based BA and to answer questions. The benefits of the new Michigan-based BA include:

- Increasing the granularity incorporated in both Bulk Electric System (BES) operations and planning activities by Wisconsin Electric, ATC (the transmission owner/operator) and MISO (the transmission provider and reliability coordinator).
- Providing greater operational focus and simplifying administration of processes utilized to preserve BES reliability.
- Creating metering boundaries that will improve the ability of MISO, ATC and Wisconsin Electric to clearly identify the actions required.
- Enhancing the ability of operators to respond in a timely and appropriate manner to reliability emergencies in the UP.

Michigan Public Service Commission  
September 16, 2014  
Page 2 of 2

It is clear to us that these benefits cannot be attained by the continued operation of a single combined Wisconsin/Michigan BA. The benefits directly fall from elevating the Upper Peninsula area to the level of having its own BA so that the operators and planners are better able to focus on the Upper Peninsula's unique issues.

NERC conducted a thorough on-site audit this summer and confirmed the certification of the Michigan-based BA. NERC's review focused on ensuring that Wisconsin Electric has the tools, processes, training, and procedures to meet the Requirements/sub-Requirements of all applicable NERC Reliability Standards. NERC's review, with input from ReliabilityFirst, MISO, and ATC, was very thorough and followed NERC's Rules of Procedure.

I believe you also have concerns related to the allocation of System Support Resource (SSR) costs between customers in Michigan and Wisconsin, arising from the continued operation of the Presque Isle Plant for reliability purposes. These rate matters are currently pending at the Federal Energy Regulatory Commission (FERC), which has jurisdiction over all MISO charges. Wisconsin Electric's view is that costs should be allocated to those customers who benefit from the continued operation of Presque Isle. We believe this approach is consistent with FERC's orders and the MISO Tariff. As you are aware, FERC has received numerous other pleadings on this issue and plans to address the myriad perspectives advanced before it in due course.

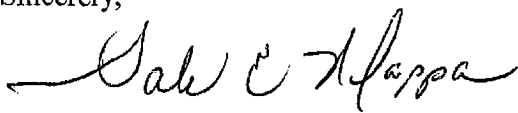
We recognize that there are differing opinions as to the manner in which MISO carries out its cost allocation practices under the Tariff following recent FERC orders. Those practices currently focus on the Local BA (LBA) in which a load serving entity is located to determine its cost allocation.

In our view, MISO's reliance on LBAs to allocate costs is unneeded and unfortunately has made the formation of the Michigan based BA a focus of commercial concern. We have protested MISO's August 11, 2014 compliance filing and argued that MISO should allocate SSR costs based on Commercial Pricing Nodes, as opposed to LBAs. Our position is shared by Cloverland Electric Cooperative in comments recently filed at FERC in the same proceeding. FERC has received numerous other pleadings on this issue and we expect that FERC will provide greater clarity to all parties in the near future.

In conclusion, Wisconsin Electric believes the MIUP BA will enhance the management of reliability in the Upper Peninsula, and its operation should not be impeded; and of course, matters of SSR cost allocation are currently being debated before FERC.

I hope this information is helpful to you. Please do not hesitate to contact Allen Leverett, Bert Garvin or me if you have any additional questions.

Sincerely,



Gale E. Klappa

## Attachment P



**Introduction:**

Wisconsin Electric Power Company (WEC) proposed the introduction of a new Local Balancing Area (LBA) in the Upper Peninsula of Michigan called MIUP. Currently, WEC consists of a single LBA that is their entire service territory in both Wisconsin and Michigan. The creation of the new LBA has been certified by RFC and approved by NERC.

Below are some questions received from various stakeholders along with MISO's response.

**Q: What is MISO's role in the LBA Split?**

*A: MISO's role in any request to modify a Local Balancing Area (LBA) is to be a facilitator and to review the request to ensure that reliability is not harmed by the proposal. In this case, MISO evaluated the proposed LBA split and determined that there are no adverse reliability impacts to splitting the existing WEC LBA into two distinct LBAs. MISO's role is only to facilitate the request.*

**Q: When will the WEC LBA split take effect?**

*The new LBA, MIUP, has been requested to be effective on September 1, 2014.*

**Q: Will the new LBA split require Market Participants (MPs), including Load Serving Entities (LSEs) and Generation Owners, in the area to submit changes to MISO?**

*A: Yes. Because the LBA name is changing, the commercial pricing node names will be changing. Market Participants (MPs) in the proposed new LBA have been contacted with a request to submit a new Attachment B and accompanying legal documents no later than June 15, 2014. Additionally, if the entity is also a MISO Network Customer, new Network Specification Sheets must be submitted no later than July 1, 2014.*

**Q: I need more time to evaluate my impacts, what happens if I can't submit the Attachment B by June 15<sup>th</sup>?**

*A: To facilitate the LBA split effective September 1, 2014, MISO must receive the Attachment B and any required legal documents in accordance with stated Commercial Model Topology deadlines, in this case, June 15, 2014. All Load and Generation in the new LBA must be claimed; MISO has an obligation as the Transmission Provider to keep consistency between the Network and Commercial Models.*

*For MPs impacted by the LBA split, there are two options to meet the June 15 deadline:*

- Submit required changes under its existing Market Participant entity; or*
- Contract with another Certified MISO Market Participant to represent the required change*

*If you feel your entity does not have sufficient information to prepare and submit Attachment B documentation, please contact WEC to discuss and resolve any discrepancies.*



**Q: Aside from the LBA name change will any of the elemental components of the loadzone cpcodes materially change?**

*A: Yes. The new LBA name change will apply to all elemental pricing nodes that reside inside the MIUP metered boundary*

**Q: Will there be a new transmission pricing zone created?**

*A: No. This request only impacts the LBA and would have no impact on the configuration of the transmission pricing zone or the local resource zone. In fact, pursuant to the Transmission Owners Agreement (TOA), MISO cannot create a new transmission pricing zone or reconfigure pricing zones without the approval of the Transmission Owners.*

**Q: Will there be any Transmission Settlement impacts because of the new LBA?**

*A: No. Because new transmission pricing zones will not be created, transmission settlement impacts are not expected.*

**Q: Will there be Market Settlement impacts because of the creation of the new LBA?**

*A: Yes. There are several impacts to Market Settlements, including impacts related to charges that utilize LBA boundaries to calculate a charge type or request collection from the LBA specific area. The charge types and/or schedules impacts include:*

- *Schedule 24 Distribution - based on LBA submitted cost from the prior year.
 
  - *The rate is established in June and since MIUP will have no "costs from prior year" there will be no additional costs for 2014 and early 2015.**
- *Real Time Loss Distribution – Settlements maps an LBA to a Loss Pool.
 
  - *Impacts cannot be estimated.**
- *Over Collected Loss are distributed based on the cost of losses within a Loss Pool.
 
  - *Impacts cannot be estimated.**
- *Day-Ahead Revenue Sufficiency Guarantee (RSG) Distribution for Voltage Loading Relief (VLR) commitments is based on impacted LBAs.
 
  - *Dependent on VLR commitments in the LBA, since most of the "VLR" issues have become or are in the process of becoming SSRs this would be "one off" VLR commitments which cannot be predicted by MISO.**
- *RT RSG Distribution for VLR commitments is based on impacted LBAs.
 
  - *Dependent on VLR commitments in the LBA, since most of the "VLR" issues have become or are in the process of becoming SSRs this would be "one off" VLR commitments which cannot be predicted by MISO.**
- *RT Asset Energy – every LBA specifies a CPNode to which residual load is allocated.*
- *RSG distribution and VLR commitment.
 
  - *Costs will not be impacted as long as SSR is in place**



**Q: Will adding a new LBA to the ATC territory impact the System Support Resources (SSR) cost allocations for load zones in the ATC territory?**

*A: Yes. There will be six LBAs in the ATC territory and the SSR costs will be spread to the six LBAs based on their individual monthly peaks, rather than the current five LBAs. The LSEs in the new LBA will then have their portion of the SSR costs distributed to them based on their peak Actual Energy Withdrawals in the new LBAs peak hour. Also, there is a complaint pending before the Federal Energy Regulatory Commission (FERC) seeking to modify or remove the ATC-specific language in the MISO tariff. Depending on the outcome of that complaint at FERC, the LBA modifications could have a different impact on cost allocation.*

**Q: How would SSR allocation for this LBA be impacted if the FERC complaint relating to the ATC-specific provisions of the tariff is successful?**

*A: The complaint filed by the Public Service Commission of Wisconsin is asking FERC to modify the method calculating SSR cost allocation in the ATC territory. Specifically, the complaint seeks to apply the same methodology in the ATC territory as is applied in other parts of the MISO footprint. This methodology requires a full study of the potential impacts that would result if the System Support Resource(s) were not available, specifically studying where loads would be lost under different scenarios. The exact impacts will not be known unless FERC takes action under the complaint and until MISO completes the required study.*

**Q: Will Load Modifying Resources (LMRs) that become part of the new LBA be properly handled?**

*A: Yes, the Module E Capacity (MEC) Tool will be reflective of the new LBA, which will ensure proper handling of the LMR by MISO Operations.*