

whatever structure or structures are created must function as a single entity in order for a successful and seamless market to result. Successful market structure will not occur unless consistent business practices are in place for all participants. The introduction of multiple RTOs and ITCs in the regions will continually introduce a higher probability of market discontinuities. An RTO covering the geographic scope of the states with utilities in the Midwest Independent System Operator (MISO), TRANSLink and the Southwest Power Pool (including Missouri) would probably be a feasible size.

2. **How should market interface and reliability issues at the seams be resolved with multiple RTOs?**

NPRB Response: Common business practices, procedures and protocols should be determined for the multiple RTOs and ITCs scenario. The development and continuation of multiple practices can not generate an efficient market. There is a need for uniform business practices. While the marketing and reliability issues may seem to be resolved by a single structure, the reliability issues at times are independent and in opposition to the free market process. While one party may view the RTO structure debate as an issue of freeing up the market for open access, another may view the transmission system as a physical asset that has serious reliability issues above and beyond its use as an economic tool. NERC and the Commission should work closely together and try to match more closely the geographic scope for any proposed RTO so that it has the same boundaries as the NERC Regional Reliability Council. The Commission probably should clarify the respective roles to be handled by the RTO and those to be handled by NERC.

3. **Order No. 2002 permits hybrid RTOs. If the functions specified in Order No. 2000 are shared or coordinated among separate organizations within a hybrid RTO, how would you suggest that those functions be apportioned?**

NPRB Response: The responsibility for certain issues such as market monitoring, security coordination and dispute resolution should be coordinated by the overall RTO.

While input from the transmission organizations may flow up to the RTO, the overall responsibility for these functions should be handled by a single entity.

- a) **For example, within a hybrid RTO, which type of organization should perform planning and expansion, OASIS administration, market monitoring, security coordination, and interregional coordination?**

NPRB Response: In a hybrid RTO, the RTO should perform market monitoring, interregional coordination, security coordination and OASIS administration. Other

functions such as planning and expansion need to be done on a coordinated basis between an ITC and the RTO. The ITC can develop plans for expansion of transmission facilities within its area, which are then rolled up into the overall plan for the RTO. Nebraska electric utilities are members of MAPP which has for years successfully employed a similar planning process whereby transmission plans are first developed within "sub-regions" (Nebraska is one of the sub-regions). Then all of the "sub-regional" plans are combined into one overall plan for the entire MAPP region. In addition, Nebraska law requires that the electric utilities in Nebraska plan for the expansion of the transmission system to serve Nebraska customers. There will always be a need for a certain level of transmission planning to be done on a more local basis to satisfy local load growth issues and which will meet the needs and requirements of the public power governing bodies and regulatory authorities. The RTO should focus on planning and expansion to improve regional transfer capability.

- b) **Is the status of an organization as “for profit” or “not for profit” relevant to the question of which functions it should undertake? Explain.**

NPRB Response: This is a fundamental question and is answered more as a concern as to whether a “for profit” or “not for profit” organization is best suited to incorporate the necessary market restraint, and concern for security, as well as maintaining the required open access necessary for proper operation of the transmission infrastructure. If organized properly, either model could probably provide the proper capabilities. The NPRB continues to believe that an overall RTO that is “not for profit” is preferable, but such a system should allow for participation by “for profit” entities such as ITCs that operate within the RTO. The Board is concerned that in Nebraska’s system with only consumer-owned power suppliers, the introduction of a “for profit” RTO may add costs and create additional risks. The rate of return may increase, but the question is whether that factor is offset by increasing the efficient and reliable use of the transmission infrastructure.

- c) **As we try to evaluate how functions should be apportioned in a hybrid RTO, is it useful to distinguish between functions that relate solely to operating and administering the transmission grid and functions that relate more to operation and oversight of markets for trading wholesale power and energy?**

NPRB Response: The difference in these functions must be distinguished in any form of transmission organization. Even within a single RTO which provides both functions, the organizational structure and focus to carry out the two requirements will necessarily

be separate. The NPRB believes that it is probably useful to distinguish between the functions relating solely to operating and administering the transmission grid and functions that relate more to operation and oversight of markets for trading wholesale power and energy. See also the response to Question 3(a).

- d) **Is Appendix I of the Midwest ISO Agreement a useful model for how functions could be shared among members of a hybrid RTO?**

NPRB Response: Appendix I could be a useful model to the degree that common business practices and protocols are adopted and where disputes between the different Appendix I participants are resolved by the higher RTO or through the dispute resolution process.

4. **Order No. 2000 recognizes that wholesale energy markets are becoming increasingly regional in nature and that new trading patterns are putting additional stress on the interstate transmission system. However, many of the functions that RTOs will be called upon to perform clearly have both regional and local implications (e.g., planning and expansion decisions which ultimately require the siting approval of one or more states). Do you have suggestions regarding how states can work with one another, with the RTO, and with the FERC to ensure that needed transmission infrastructure is sited and built in a timely manner? With regard to other RTO functions, are additional processes needed to ensure that states have the ability to fulfill their regulatory responsibilities or to adequately protect retail electricity customers?**

NPRB Response: For the necessary planning and construction of transmission assets to occur, it is clear there must be cooperation and coordination between state agencies exercising transmission siting authority. Changes in this area are made more difficult by the differences between the regulatory schemes present among the states. Although the NPRB has not had sufficient time to consider specific suggestions regarding how states should coordinate and cooperate with one another, the RTO, and the Commission, it notes that any substantial effort to address these issues may, in some instances, require changes in state law to enable or facilitate the process.

5. **What are your views about the independence of the RTO structures currently proposed in the Midwest region?**

NPRB Response: It is in every transmission organization's interest to participate in an organization which provides the most effective operation, reliability and security for the transmission assets. With regard to Nebraska's transmission-owning systems, the Lincoln

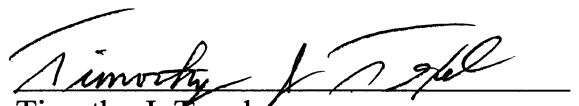
Electric System has joined as a full member of the MISO. The Omaha Public Power District and the Nebraska Public Power District are members of TRANSLink, which expects to be an Appendix I member of the MISO. The NPRB understands that the Lincoln Electric System is also considering membership in the TRANSLink ITC under Appendix I and might consider membership in any potential transmission organizations that may operate under the RTO. These activities demonstrate that the Midwest RTO structures are adequately allowing the major power suppliers (and consumer-owned power entities) to participate. If the emphasis is on regional security and effective regional trading, a single, larger RTO may be the best solution. It appears to the NPRB that the MISO is adequately independent, and its board has a proper membership structure. The NPRB notes that the boards governing Nebraska's consumer-owned power suppliers are independent boards comprised of individuals elected to the public power district boards of directors, the cooperative board, or the municipal governing body – a system that has served Nebraska well.

6. Do you have any other suggestions or advice as to how the FERC should proceed in its efforts to complete RTO formation in the Midwest?

NPRB Response: Common business practices, procedures, protocols and tariff development should be a primary focus of the Commission's efforts. Consistency in procedures for tariff development, congestion management, generation interconnection, market rules and settlements will be essential for either single RTO development in the midwest, or multiple RTOs with minimal seams issues. The creation of viable competitive wholesale markets needs to be a focus of the Commission's efforts. The NPRB believes that an important action the Commission can take in order to advance RTO formation in the Midwest is to provide clear guidance on the issues posed in the Commission's November 9, 2001 letter. In so doing, the Commission may be able to alleviate the uncertainty inhibiting decision making on the part of market participants.

Respectfully submitted,

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