

116 FERC ¶ 61,283  
UNITED STATES OF AMERICA  
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Joseph T. Kelliher, Chairman;  
Sudeen G. Kelly, Marc Spitzer,  
and Jon Wellingshoff.

Midwest Independent Transmission  
System Operator, Inc.

Docket Nos. ER04-961-006  
ER04-961-007

ORDER ON REHEARING AND COMPLIANCE

(Issued September 26, 2006)

1. On March 24, 2006, the Midwest Independent Transmission System Operator, Inc. (Midwest ISO) Transmission Owners (Midwest ISO TOs) filed a request for rehearing of the February 22, 2006 Order,<sup>1</sup> and the Midwest ISO submitted a compliance filing as

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<sup>1</sup> *Midwest Indep. Transmission Sys. Operator, Inc.*, 114 FERC ¶ 61,192 (2006) (February 22, 2006 Order). For this filing, the Midwest ISO TOs include: Ameren Services Company, as agent for Union Electric Company d/b/a AmerenUE, Central Illinois Public Service Company d/b/a AmerenCIPS, Central Illinois Light Company d/b/a AmerenCILCO, and Illinois Power Company d/b/a AmerenIP; Alliant Energy Corporate Services, Inc. on behalf of its operating company affiliate Interstate Power and Light Company (f/k/a IES Utilities Inc. and Interstate Power Company); Aquila, Inc. d/b/a Aquila Networks (f/k/a Utilicorp United, Inc.); Cinergy Services, Inc. (for Cincinnati Gas & Electric Company, PSI Energy, Inc., and Union Light Heat & Power Company); City of Columbia Water and Light Department (Columbia, Missouri); City Water, Light & Power (Springfield, Illinois); Great River Energy; Hoosier Energy Rural Electric Cooperative, Inc.; Indianapolis Power & Light Company; LG&E Energy LLC (for Louisville Gas and electric Company and Kentucky Utilities Company); Lincoln Electric System; Minnesota Power (and its subsidiary Superior Water, L&P); Montana-Dakota Utilities Company; Northern States Power Company and Northern States Power Company (Wisconsin), subsidiaries of Xcel Energy Inc.; Northwestern Wisconsin Electric Company; Otter Tail Power Company; Southern Illinois Power Cooperative; Southern Indiana Gas & Electric Company (d/b/a Vectren Energy Delivery of Indiana); and Wabash Valley Power Association, Inc.

directed by the February 22, 2006 Order. In its February 22, 2006 Order, the Commission conditionally accepted the Midwest ISO's compliance filing requiring the Midwest ISO to revise Schedule 2 of its Open Access Transmission Tariff (OATT) to provide that non-utilities are eligible to receive compensation for Reactive Supply and Voltage Control From Generation Sources Service (collectively, reactive power or reactive power service). The February 22, 2006 Order also denied the request for rehearing of the Midwest ISO TOs that, notwithstanding the elimination from revised Schedule 2 of the phrase "and the need," the Commission clarify that it will still allow investigation into whether the facilities are needed to provide reactive power, *i.e.*, are used and useful. In this order, we will deny the request for rehearing and accept the Midwest ISO's compliance filing.

### **Background**

2. On June 25, 2004, the Midwest ISO filed a proposed Schedule 21 to supplement its existing Schedule 2, which involved the provision of reactive power. Schedule 2 had compensated the transmission owners' own generators for reactive power service, but had no mechanism to compensate independent power producers (IPP) for this service. The Midwest ISO's proposed Schedule 21 sought to compensate generators not covered under Schedule 2, namely IPPs.

3. In an order issued on October 1, 2004,<sup>2</sup> the Commission rejected the Midwest ISO's proposed Schedule 21 as unduly discriminatory because there were substantial differences between how transmission owners' own generators would be compensated under existing Schedule 2 and how IPPs would be compensated under proposed Schedule 21. The Commission also found the Midwest ISO's existing Schedule 2 to be unjust, unreasonable, and unduly discriminatory under section 206 of the Federal Power Act (FPA),<sup>3</sup> because Schedule 2 provided compensation for reactive power from transmission owners' own generators, but had no mechanism to compensate non-transmission owners or IPPs. Accordingly, the October 1, 2004 order directed the Midwest ISO to revise Schedule 2 to provide compensation for reactive power service from transmission owners, as well as from IPPs, *i.e.*, from all generators. Further, the October 1, 2004 order directed the Midwest ISO to include language in its Schedule 2 that provides for IPPs to file cost-based revenue requirements with the Commission prior to their being compensated. On November 1, 2004, as amended on December 20, 2004, the Midwest ISO filed a revised Schedule 2 in compliance with the October 1, 2004 Order.

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<sup>2</sup> *Midwest Indep. Transmission Sys. Operator, Inc.*, 109 FERC ¶ 61,005 (2004), *order on reh'g*, 110 FERC ¶ 61,267 (2005) (October 1, 2004 Order).

<sup>3</sup> 16 U.S.C. § 824e (2000).

4. In its October 17, 2005 order,<sup>4</sup> the Commission conditionally accepted the Midwest ISO's revised Schedule 2 and directed the Midwest ISO to submit further revisions. On November 16, 2005, the Midwest ISO TOs sought rehearing, and the Midwest ISO submitted further revisions of Schedule 2 in compliance with the October 17, 2005 Order.

### **February 22 Order**

5. In its February 22, 2006 Order, the Commission denied the Midwest ISO TOs' request for rehearing that the Commission clarify that it will still allow investigation into whether the facilities are needed to provide reactive power, *i.e.*, are used and useful, notwithstanding the elimination from revised Schedule 2 of the phrase "and the need" in the October 17, 2005 Order. The Commission stated that:

Contrary to what the Midwest ISO TOs contend, the fact that the reactive power which a generator is capable of producing is not used at some particular given time does not render the generator's filed rates based on reactive power capability unjust or unreasonable. Consistent with North American Electric Reliability Council (NERC) and Regional Reliability Council criteria and Good Utility Practice, Order No. 2003 requires generators to be capable of providing reactive power within a specified range when called upon. It is this *capability* for which generators are compensated under the Midwest ISO's Schedule 2. Accordingly, a generator is "used and useful" if the generator is capable of providing reactive power.[<sup>5</sup>]

### **Midwest ISO TOs' Rehearing Request**

#### **Midwest ISO TOs' Arguments**

6. The Midwest ISO TOs seek rehearing of the February 22, 2006 Order, asserting that the Order contains certain new findings that are in error and evidence a misunderstanding of the facts relevant to the case. The Midwest ISO TOs maintain that the Commission, for the first time, determined that "comparability justifies compensating generators on a revenue requirements basis as set forth in MISO Schedule 2 regardless of

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<sup>4</sup> *Midwest Indep. Transmission Sys. Operator, Inc.*, 113 FERC ¶ 61,046 (2005) (October 17, 2005 Order).

<sup>5</sup> February 22, 2006 Order, 114 FERC ¶ 61,192 at P 19.

whether the service is actually being provided or whether the generator can be counted upon to meet the Midwest ISO's real-time reactive power needs."<sup>6</sup>

7. The Midwest ISO TOs also assert that the Commission incorrectly stated that the Midwest ISO TOs "seek to require that new generation meet the needs test, but do not seek to impose this requirement on existing generation."<sup>7</sup> They state that the Commission misunderstands their position and has presumed something that is not true. According to the Midwest ISO TOs, they do not oppose a generator being paid for reactive power support when it actually provides a service that benefits the transmission system or oppose a compensation scheme that pays all generators on a truly comparable basis.

8. The Midwest ISO TOs claim that, in making these new findings, the Commission has modified its original findings and that the Midwest ISO TOs accordingly should have the chance to respond.

9. Further, the Midwest ISO TOs note that the issue of how generators are to be compensated for claimed provisions of reactive power is an issue that is before the Commission in a number of other forums.<sup>8</sup> They state that while they are not seeking to have the Commission decide these proceedings here, the Commission cannot ignore the record established in these proceedings by summarily deciding that all generators provide a reactive power service that is of value to the transmission system and are automatically entitled to compensation under Schedule 2.

10. Providing more specificity, the Midwest ISO TOs assert that there is nothing in Order No. 2003 or the Commission's comparability principles that justifies paying generators for service regardless of whether any service is actually provided. They argue that while Order No. 2003 may require that reactive power compensation be provided on a comparable basis for all generators, there is nothing in Order No. 2003 that excludes considerations of needs issues, and any implications to the contrary in the February 22, 2006 Order are incorrect and unsupported. They add that the Commission has found that the use of a needs test can be appropriate in certain instances, e.g., the Commission has found that interconnecting wind generators are not required to meet the transmission provider's power factor standard absent a specific determination of need. The Midwest

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<sup>6</sup> March 24, 2006 Request for Rehearing at 2.

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

<sup>8</sup> March 24, 2006 Request for Rehearing at 3-4 (citing FERC, Principles for Efficient and Reliable Reactive Power Supply and Consumption, Docket No. AD05-1 (2005); Calpine Oneta Power, L.P., Docket No. ER03-763; Bluegrass Generation Company, LLC, Docket No. ER05-522).

ISO TOs state that all they seek here is to allow a needs determination to be made on a case-by-case basis.

11. The Midwest ISO TOs further argue that if the Commission's concern is with comparability, it should reform the rate of any existing generator it finds to be discriminatory, not allow other generators to charge rates that are not just and reasonable. They assert that the Commission is without authority to impose rates that are excessive or not just and reasonable, even in the name of comparability. Additionally, they assert that under long-standing Commission and judicial precedent, the Commission and the courts have required that a facility or service be "used and useful" in order for the associated rate to be just and reasonable. They maintain that compensation based on need is appropriate and the "Commission could certainly develop an appropriate rate design that would satisfy its comparability requirements." They argue that the Commission's failure to consider this alternative was not reasoned decision-making.

12. The Midwest ISO TOs argue that the Commission's findings that a generator provides a service that is used and useful to ratepayers simply because it has the potential capability to provide reactive power are not the product of reasoned decision-making. They assert that allowing generators to be paid under Schedule 2 irrespective of need or ability to perform would in effect be compensating generators because they have installed reactive power equipment and are attached to the transmission system, not because they provide any service that is of value or used by transmission customers.

13. Finally, the Midwest ISO TOs, with respect to the use of a needs test, take issue with the Commission's statement that "the Midwest ISO has strongly opposed such an approach since its initial filing in this proceeding."<sup>9</sup> They argue that the Midwest ISO has made it clear that it supports allowing case-by-case arguments on need. In particular, it cites to a November 16, 2004 Errata Letter filed by the Midwest ISO, in which it stated that "[e]ntities seeking to include revenue requirements for recovery under [the revised] Schedule 2 shall be required to submit all appropriate filings with the Commission to justify their requirements, *ability to provide and the need for reactive power services*."<sup>10</sup> They also take issue with the Commission's reliance on certain statements by Jeffrey R. Webb on behalf of the Midwest ISO that the U.S.-Canada Task Force determined in its Blackout Report that reactive power capability is always needed. They argue that there is

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<sup>9</sup> February 22 Order, 114 FERC ¶ 61,192 at P 15.

<sup>10</sup> March 24, 2006 Request for Rehearing at 20-21 (citing November 16, 2004 Errata Letter) (emphasis added by the Midwest ISO TOs).

nothing in the report that “states that generators are to be compensated on a basis that requires that they be paid for every hour of every day for the provision of reactive power.”<sup>11</sup>

### Discussion

14. We will deny the Midwest ISO TOs’ request for rehearing. The Midwest ISO TOs read more into the Commission’s February 22, 2006 Order than is there. Contrary to the Midwest ISO TOs’ assertion, the Commission never determined that “comparability justifies compensating generators on a revenue requirements basis as set forth in MISO Schedule 2 regardless of whether the service is actually being provided or whether the generator can be counted upon to meet the Midwest ISO’s real-time reactive power needs.” What the Commission did say was that “[t]he Midwest ISO TOs’ proposal is contrary to the comparability principle described in Order No. 2003-A,<sup>[12]</sup> and unduly discriminatory.”<sup>13</sup> The Commission went on to explain that Order No. 2003-A stated that if the transmission provider pays its own or its affiliated generators for reactive power within the established range, it must also pay the interconnection customer.<sup>14</sup> The Commission made these statements in the context of the facts of this proceeding. In essence, because the Midwest ISO was compensating existing generators and was doing so on a capability basis, comparability required that the Midwest ISO compensate all generators (including IPPs) on that same basis.

15. The Midwest ISO made clear when it first filed its proposed Schedule 21 to compensate all generators not already being compensated under Schedule 2 that it had not included a needs test to determine whether the Schedule 21 services provided by a generator were actually needed.<sup>15</sup> Indeed, the Midwest ISO submitted testimony by

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<sup>11</sup> *Id.* at 21.

<sup>12</sup> *Standardization of Generator Interconnection Agreements and Procedures*, Order No. 2003, 68 Fed. Reg. 49,845 (Aug. 19, 2003), FERC Stats. & Regs. ¶ 31,146 (2003), *order on reh’g*, Order No. 2003-A, 69 Fed. Reg. 15,932 (Mar. 26, 2004), FERC Stats. & Regs. ¶ 31,160 (2004), *order on reh’g*, Order No. 2003-B, 70 Fed. Reg. 265 (Jan. 4, 2005), FERC Stats. & Regs. ¶ 31,171 (2004), *order on reh’g*, Order No. 2003-C, 70 Fed. Reg. 37,661 (June 30, 2005), FERC Stats. & Regs. ¶ 31,190 (2005); *see also Notice Clarifying Compliance Procedures*, 106 FERC ¶ 61,009 (2004).

<sup>13</sup> February 22 Order, 114 FERC ¶ 61,192 at P 16.

<sup>14</sup> Order No. 2003-A, FERC Stats. & Regs. ¶ 31,160 at P 416.

<sup>15</sup> June 25, 2004 Filing, Docket No. ER04-961-000 (citing the existing obligations placed on generators interconnecting to the grid in Attachment X (Large Generator Interconnection Agreement) of the Midwest ISO’s Tariff, the NERC Reliability

(continued...)

Jeffrey R. Webb in which he stated that “[t]he purpose of my testimony in this proceeding is to describe why the Midwest ISO maintains that it is not appropriate to perform a ‘needs analysis’ before determining that a new generator should be compensated under Schedule 21 of the Midwest ISO’s Open Access Transmission Tariff (“Tariff”) for providing reactive supply and voltage control capability.”<sup>16</sup> He went on to explain that the Midwest ISO had analyzed issues raised by stakeholders regarding the proposed requirement for the Midwest ISO to conduct a needs analysis for new generators and

decided that it would be inappropriate to conduct a case-by-case needs analysis to determine that a new or existing generator should be obligated to provide reactive supply and voltage control capability and to be compensated for such capability under Schedule 2 or after change in our plans schedule 21. Such an evaluation is superfluous because the results of such a needs test would always result in the affirmative. That is, all generators interconnecting to the Transmission System must be capable of providing reactive power support system voltage in order to ensure reliable operation of the interconnected transmission systems.<sup>[17]</sup>

16. Mr. Webb further explained in detail why the Midwest ISO found stakeholder arguments that the FPA prohibited charging customers for facilities that are not needed or not used or useful were not sufficient to require that the Midwest ISO perform a reactive power needs determination.<sup>18</sup> He described the difficulty of devising an analytical test that would attempt to be evaluated whether reactive supply from a given generator was needed to support grid reliability. He then explained, as the Commission recognized in the February 22, 2006 Order and contrary to the Midwest ISO TOs’ assertion, that “a decision made today that reactive capability ‘is not needed’ from a particular generator could result in a future transmission system that has numerous generators interconnected without reactive power capability, while some of today’s existing units that do have this capability make market decisions to cease operation. The Midwest ISO *strongly opposes* this approach to the design of the bulk electric power system as it is unreliable, shortsighted, and contrary to good utility practice.”<sup>19</sup>

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Standards, and the recommendations of the U.S.-Canada Power System Outage Task Force in their final report on the August 14, 2003, power outage).

<sup>16</sup> June 25, 2004 Filing, Attachment A at 3 (Testimony of Jeffrey R. Webb).

<sup>17</sup> *Id.* at 4.

<sup>18</sup> *Id.* at 9-11.

<sup>19</sup> *Id.* at 10-11 (emphasis added).

17. While the Commission rejected the Midwest ISO's proposed Schedule 21 as unduly discriminatory or preferential because there were substantial differences between how a generator is compensated under existing Schedule 2 and how a generator is compensated under proposed Schedule 21, the Commission did not take issue with the Midwest ISO's decision to base its compensation of generators under Schedule 21 on a capability basis.<sup>20</sup> In compliance with the Commission's October 1, 2004 Order, the Midwest ISO filed, on November 1, 2004, revisions to Schedule 2 to provide reactive power service for all generators, including IPPs.<sup>21</sup> The Midwest ISO provided that all existing generation resources collecting reactive power charges under a Commission-approved rate schedule would be deemed a Qualified Generator for purposes of the revised Schedule 2. It also set forth the requirements for new generators to follow to become a Qualified Generator, including providing its cost-based revenue requirement as filed and accepted by the Commission.

18. Subsequently, the Midwest ISO filed an Errata to its Transmittal Letter, apparently as the result of a commitment made through the stakeholder process, stating that it was not making any determinations concerning the need for the particular facilities whose revenue requirements are included hereunder to provide reactive power or the justness and reasonableness of the revenue requirements for the particular facilities that are included in Schedule 2. It further stated that "[e]ntities seeking to include revenue requirements for recovery under this Schedule 2 shall be required to submit all appropriate filings with the Commission to justify their revenue requirements, ability to provide and the need for reactive power services." While making this statement it specifically noted that it was not proposing any changes to the tariff sheets included in its filing.

19. We disagree with the Midwest ISO TOs' argument that this Errata Letter supports the Midwest ISO TOs' argument that the Midwest ISO supports a case-by-case look at need and undercuts the Midwest ISO's prior statement that it "strongly opposes" the application of a needs test. Indeed, the Midwest ISO's filing of revised Schedule 2 again

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<sup>20</sup>October 1, 2004 Order, 109 FERC ¶ 61,005 at P 34-38. The Commission also instituted a section 206 proceeding because Schedule 2 had no mechanism to compensate non-transmission owners or IPPs.

<sup>21</sup> The Midwest ISO noted that its current Schedule 2 provided compensation for reactive power service only to the Midwest ISO TOs or Independent Transmission Company participants. It explained that the rates to these entities were based on the Control Area operator cost-based rates on file with the Commission and were paid based on where the load was located.



was based on capability and the Midwest ISO's statement in its Errata Letter merely indicated that it did not perform any needs analysis for the particular facilities at issue.<sup>22</sup>

20. Throughout this long process, the Midwest ISO has maintained its position that all generators should be compensated for reactive power based on capability. Moreover, from the beginning, the Commission has maintained, based on the facts as discussed above, that its primary focus was in ensuring comparability in the compensation of all generators on the Midwest ISO System. Because all existing generators prior to the Midwest ISO's filing of Schedule 21 were being compensated on a capability basis, the Commission concluded that comparability required that all new IPPs should be compensated on the same basis. The Commission also has repeatedly emphasized that the long-standing *AEP* methodology for compensating generators for providing reactive power was capability based and had no need component to it. Thus, contrary to the Midwest ISO TOs' assertions, the Commission did not announce this approach for the first time in its February 22, 2006 Order.

21. Further, we will deny the Midwest ISO TOs' arguments that court and Commission precedent concerning the "used and useful" standard require the Commission to reject the Midwest ISO's capability provision and adopt a needs provision in its place. As we explained in the February 22, 2006 Order, the fact that the reactive power which a generator is capable of producing is not used at some particular given time does not render the generator's filed rates based on reactive power capability unjust or unreasonable.<sup>23</sup> The fact is that the generator will be standing ready to meet the system's demand when needed.<sup>24</sup>

22. We will also deny the Midwest ISO TOs' rehearing request with respect to its argument that the Commission incorrectly stated that the Midwest ISO TOs "seek to require that new generation meet the needs test, but do not seek to impose this

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<sup>22</sup> We note that Schedule 2, section II.C, provides that to be eligible to receive compensation, a Generation Resource must only provide the Transmission Provider with its cost-based revenue requirement as filed and accepted by the Commission. We also note that, while the originally filed Schedule 2 contained the phrase "and the need," the Midwest ISO clarified that the language "and the need" does not require that any needs test be performed and proposed to remove the words if the Commission deemed it appropriate, which it did. *See* October 17, 2005 Order, 113 FERC ¶ 61,046 at P 40 & 42.

<sup>23</sup> February 22 Order, 114 FERC ¶ 61,192 at P 19.

<sup>24</sup> *See, e.g., Delmarva Power and Light Co.*, Opinion No. 189, 25 FERC ¶ 61,021, at 61,120 (1983), *order on reh'g*, 26 FERC ¶ 61,027 (1984) (finding that peaking units were "used and useful" because they stood ready to meet the system's demand when needed).

requirement on existing generation.” In its November 16, 2005 rehearing request, the Midwest ISO TOs asked the Commission to clarify that parties are not precluded from challenging the need for reactive power and voltage control at the time a generator makes a section 205 filing to obtain Commission approval of its revenue requirements or from later filing a section 206 complaint seeking to have a generator’s revenue requirement removed from the Schedule 2 rates under the Midwest ISO Tariff. This results in challenges only to new generators and contains no hint that the Midwest ISO TOs intended to have the Commission apply a needs test comparably to all generators. The Commission recognized this and in its February 22, 2006 Order stated that “[t]he Midwest ISO TOs *do not appear* to propose that their ‘needs’ test be applied equally to all generators on a comparable basis. . . .”<sup>25</sup> Now, the Midwest ISO TOs seek to further expound upon their “proposal” by saying that the “application of the needs test and the used and useful principle should apply to the provision of reactive power services by all generators, regardless of affiliation.”<sup>26</sup> However, they then state that “[i]f the Commission finds that an existing generator’s reactive power rates are unduly discriminatory or otherwise not just and reasonable, it should change such rates pursuant to its authority under FPA section 206.” Apparently, while they state that the needs test should apply to all generators, they would have it applied differently. All new generators would face the needs test before they could receive compensation, but existing generators would continue to receive compensation based on capability unless the Commission initiated a section 206 proceeding with a particular existing generator and found that its rate was not just and reasonable and that a different, presumably need-based, rate would be just and reasonable. We continue to conclude that this is not comparable treatment and deny the Midwest ISO TOs’ assertion that we have misunderstood their position.

23. While we have denied the Midwest ISO TOs’ rehearing request on this matter, the very exercise of doing so highlights the Midwest ISO TOs’ difficulty in supporting their position. Indeed, the Midwest ISO TOs have never made a proposal as to how a needs test might be formulated and applied to all generators on a comparable basis. Moreover, the Midwest ISO TOs have failed, throughout this long proceeding, to demonstrate that the Midwest ISO’s proposed Schedule 2 is unjust and unreasonable or otherwise unduly discriminatory or preferential. The Midwest ISO TOs have only speculated that the capability approach favored by and filed by the Midwest ISO could result in excessive charges being paid to generators. Significantly, they have never attempted to address the Midwest ISO’s reliability concerns that led it, at least in part, to its decision to file a Schedule 2 based on capability and comparability for all generators. Going forward, parties may propose a rate for all generators that compensates them comparably for the level of reactive power actually needed and used, so as to avoid remuneration in excess of

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<sup>25</sup> February 22 Order, 114 FERC ¶ 61,192 at P 18 n.13.

<sup>26</sup> Request for Rehearing at 12.

those levels. Therefore, criteria may be developed, applied comparably and prospectively, that would determine which generators would receive reactive power compensation. We would also expect that reliability would be factored into any proposal that may be made. Any such proposal should be advanced in a separate section 205 proceeding.<sup>27</sup>

### **Midwest ISO's Compliance Filing**

24. In the February 22, 2006 order, the Commission accepted the Midwest ISO's November 16, 2005 compliance filing modifying specific provisions to its Transmission and Energy Markets Tariff (TEMT), including Schedule 2, with one exception. The Commission determined that the Midwest ISO failed to amend its tariff appropriately by not providing language stating that non-public utilities are eligible to receive compensation for reactive power in section II.D.1 of Schedule 2. Accordingly, the Commission directed the Midwest ISO to revise its tariff and to submit a compliance filing to include that language.<sup>28</sup>

25. In its compliance filing, the Midwest ISO includes language to provide that non-public utilities are eligible to receive compensation for reactive power in section II.D.1.

26. Notice of the Midwest ISO's compliance filing was published in the *Federal Register*, 71 Fed. Reg. 14,879 (2006), with interventions and protests due on or before March 30, 2006. None was filed.

27. Our review of Midwest ISO's revised Schedule 2 filed on March 24, 2006, indicates that it fully complies with the Commission's directive in the February 22, 2006 order. Accordingly, we accept Midwest ISO's Schedule 2 for filing.

### **The Commission orders:**

(A) The Midwest ISO TOs' request for rehearing is hereby denied, as discussed in the body of this order.

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<sup>27</sup> We note that in the order being issued concurrently in *Midwest Independent Transmission System Operator, Inc.*, Docket No. ER06-1112-000, regarding the Midwest ISO's resource adequacy plan, we address the use of demand resources in providing ancillary services, such as reactive power.

<sup>28</sup> February 22, 2006 Order, 114 FERC ¶ 61,192 at P 26.

(B) The Midwest ISO's compliance filing is hereby accepted, as discussed in the body of this order.

By the Commission. Commissioner Moeller not participating.

( S E A L )

Magalie R. Salas,  
Secretary.