

**BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MISSOURI**

In the Matter of Aquila, Inc., d/b/a	)	
Aquila Networks - MPS and Aquila	)	
Networks - L&P for Authority to	)	
Transfer Operational Control of Certain	)	Case No. EO-2008-0046
Transmission Assets to the Midwest	)	
Independent Transmission System	)	
Operator, Inc.	)	

**THE CITY OF INDEPENDENCE'S STATEMENT OF POSITION ON ISSUES**

THE CITY OF INDEPENDENCE, MISSOURI ("City"), respectfully submits its Statement of Position on Issues, in accordance with the Commission's January 23, 2008 Order Modifying Procedural Schedule Directing Parties to Respond, and the List of Issues included in the Commission's Staff filing of March 7, 2008.

**1. Is "not detrimental to the public interest" the appropriate standard for the Commission to use in making its determinations in this case?**

The City of Independence understands that "not detrimental to the public interest" is the statutory standard.

**2. Should the Commission determine that Aquila's application to join MISO is not detrimental to the public interest? What considerations should the Commission take into account in making its determination?**

The City of Independence believes that the record evidence in this case will likely be sufficient to support a determination that authorization of Aquila to join MISO is not detrimental to the public interest, unless the Commission determines that RTO participation is inherently detrimental to the public interest.

The considerations that the Commission should take into account are cost and rate impacts resulting from participation in MISO, both in terms of charges directly assessed by MISO on participating utilities, and the cost impacts flowing from operational impacts that may result from being part of MISO and being subject to MISO's operating and other protocols. Consideration of such cost impacts should also take into account offsetting benefits from MISO participation. Finally, the City urges the Commission to consider the costs and benefits in as "real world" a manner as possible, as compared to relying solely on economic computer models.

**3. If the Commission approves Aquila's application to join MISO, should the Commission make its approval subject to certain conditions? If so, what are the conditions?**

The City believes that authorization for Aquila to join MISO, if granted, should be conditioned. City Witness Volpe recommended that authorization be granted for an initial period of not more than five years, in order to ensure that the Commission has the opportunity to evaluate such participation based on actual experience and then revisit the issue at such time (Staff and other parties have recommended a similar condition, but propose a seven year period). The City generally agrees with the other conditions recommended by Commission Staff.

**4. In making its determination whether to grant Aquila's application to join MISO, should the Commission compare Aquila's membership in MISO to other alternatives? If so, what are the alternatives and what do the comparisons of the alternatives show?**

The Commission should compare Aquila's membership in MISO to Aquila remaining a stand-alone utility, but should not *in this case* compare membership in MISO to membership in SPP. The CRA Study that appears designed to undercut Aquila's own application by purporting to show substantially greater benefits from SPP membership is fatally flawed. Other than the flawed CRA Study, there is not a sufficient record to support informed analysis of options other than MISO membership or no RTO membership. The application itself does not ask "which if any RTO does the Commission wish Aquila to join?", but instead seeks authorization to join MISO. That is the scope of this proceeding and thus should be the scope of the Commission's inquiry and determination. While consideration of other alternatives makes sense, the current procedural posture of this docket does not allow the broader inquiry that would otherwise be sensible.

**5. To what extent should the Commission take into account the following in its determination of whether or not to approve Aquila's application to join MISO?**

**a. The CRA International, Inc. cost-benefit study sponsored by Aquila;**

The Commission can consider the CRA study as it relates to MISO vs. not MISO, but with due consideration to the various parties' testimony about various flaws in the study and its assumptions. For the reasons summarized regarding Issue No. 4 above, and for the reasons more fully set forth in the testimony of City Witness Mark Volpe, among other witnesses, the City respectfully suggests that the Commission should give no consideration to the CRA study as it relates to SPP.

**b. Cost-benefit analyses sponsored by parties other than Aquila;**

The Commission should give consideration to all evidence that relates to MISO vs. not MISO, but should consider testimony and other evidence related to SPP only to confirm that the CRA study is fatally flawed as it relates to SPP. As stated in with respect to Issue No. 4, consideration of alternatives other than MISO vs. not MISO makes sense, but cannot be undertaken under the current procedural posture of this proceeding.

**c. Costs and/or benefits not included in the CRA International cost-benefit study sponsored by Aquila or cost-benefit analyses sponsored by parties other than Aquila;**

The City expresses no position at this time beyond that stated above. It still does not understand the thrust of this sub-issue.

**d. Aquila's current relationships with MISO and SPP;**

Based on the filed testimony, the City's understands that Aquila is contractually obligated to seek authorization to participate in MISO. That obligation appears to arise from a FERC-approved settlement agreement. The Commission must give consideration to that relationship since doing otherwise would suggest that contracts and settlement agreements are not binding. The Commission would necessarily have to consider existing relationships between SPP and Aquila, including consideration of which such arrangements require termination if Aquila joins MISO and the feasibility of such termination.

**e. Differences in the development of electricity markets between MISO and SPP;**

This is directly relevant to any consideration of the CRA study as it relates to SPP because as City Witness Mark Volpe explains, among other witnesses, a substantial portion of the SPP-related "benefits" flow from markets that do not exist in SPP and thus could not in fact be experienced, even disregarding other flaws in that study. The differences in the SPP and MISO markets are relevant if the Commission considers options other than MISO vs. not MISO, but the City does not believe that the Commission can do so under the current procedural posture of this proceeding.

**f. The proposed acquisition of Aquila by Great Plains Energy that is the subject of Case No. EM-2007-0374;**

The City urged in Case No. EM-2007-0374 that a determination of Aquila's RTO participation was necessary for consideration of Great Plains Energy's application to acquire Aquila, due to the rate impacts that flow from RTO participation. At this time, to the City's knowledge, the Commission has not indicated that it would defer action on the acquisition until a determination in the instant case was made and then addressed on the record in the acquisition case. The City's position is that the Commission's determination of the acquisition should consider rate impacts from RTO participation, but the issue presented here is reversed -- whether RTO (i.e., MISO) participation should be

influenced by the proposed acquisition. On that point, the City does not believe that a determination in this case should be influenced by the pending acquisition application.

**g. Union Electric Company's continuing membership in MISO;**

This should not be a factor. UE is not a party to this case, and does not control, manage or operate Aquila. Moreover, at this time UE's continuing membership in MISO is a purely speculative matter. The fact that UE has given notice of termination does not itself mean that UE will not continue its membership in MISO, and no Commission determination on UE's membership or termination thereof has been made or, to the City's knowledge, sought at this time. But, because of the operational impact that a departure of UE could have on Aquila's participation in MISO, the Commission should consider conditioning any approval of Aquila membership in MISO on UE's continued participation, and should re-visit Aquila's RTO participation in the event that UE does in fact withdraw from MISO. The City would also expect that if the Commission is asked to consider a withdrawal from MISO by UE, the impact of such a withdrawal on Aquila's participation would be among the factors then considered by the Commission.

**h. Aquila's obligation to MISO made in FERC Docket No. ER02-871 to file and support Aquila's application to join MISO;**

See summary of position on Issue 5(d) above.

**6. If the Commission authorizes Aquila to join MISO, should the Commission determine now whether all future FERC-approved administrative fees Aquila is assessed by MISO and all future costs Aquila incurs from MISO in making prudent purchases of capacity and/or energy to serve its bundled retail load should be considered to be prudently incurred expenses for purposes of including them in Aquila's cost of service in Aquila's next general electric rate case before this Commission?**

The City expresses no position at this time.

Dated this 18<sup>th</sup> day of March, 2008.

Respectfully submitted,



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