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Sponsoring Party: Midwest Independent Transmission
System Operator, Inc.
Case No.: EO-2011-0128
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MISSOURI PUBLIC SERVICE COMMISSION

CASE NO. EO-2011-0128

SURREBUTTAL TESTIMONY

OF

RICHARD DOYING

ON BEHALF OF

MIDWEST INDEPENDENT TRANSMISSION SYSTEM OPERATOR, INC.

MSO Exhibit No. 15
Date 2-9-12 Reporter JL
File No. EO-2011-0128

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of the Application of)
Union Electric Company for Authority)
to Continue the Transfer of)
Functional Control of its Transmission)
System to the Midwest Independent)
Transmission System Operator, Inc.)

Case No. EO-2011-0128

AFFIDAVIT OF RICHARD DOYING

STATE OF INDIANA)
) ss
COUNTY OF HAMILTON)

Richard Doying, being first duly sworn on his oath, states:

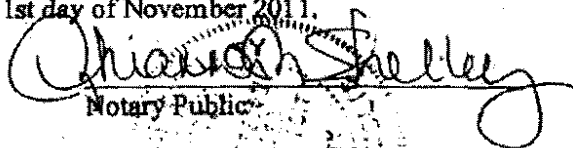
1. My name is Richard Doying. I am employed by the Midwest Independent Transmission System Operator, Inc. ("MISO") as Vice President of Operations.

2. Attached hereto and made a part hereof for all purposes is my Surrebuttal Testimony on behalf of MISO consisting of fourteen (14) pages, having been prepared in written form for introduction into evidence in the above-captioned docket.

3. I have knowledge of the matters set forth therein. I hereby swear and affirm that my answers contained in the attached testimony to the questions therein propounded, including any attachments thereto, are true and accurate to the best of my knowledge, information and belief.


Richard Doying

Subscribed and sworn before me this 1st day of November 2011.


Notary Public

My commission expires: 11/27/2017

SURREBUTTAL TESTIMONY

OF

Richard Doying

Case No. EO-2011-0128

1 **Q: Please state your name and business address.**

2 **A:** My name is Richard Doying. My business address is 720 City Center Drive, Carmel,
3 Indiana 46032.

4 **Q: By whom and in what capacity are you employed?**

5 **A:** I am employed by the Midwest Independent Transmission System Operator, Inc.
6 (“MISO”) as Vice President of Operations.

7 **Q: What are your duties and responsibilities?**

8 **A:** As Vice President of Operations, I am responsible for the day-to-day operations of MISO
9 reliability, market, and operations support functions, including: Real-Time Reliability
10 Coordination; Dispatch and Contingency Reserve Sharing, Day-Ahead, FTR and
11 Resource Adequacy Compliance market functions; Settlements; Tariff Administration
12 and Scheduling; outage Coordination; Application Support, Data Management; and
13 Market Development and Analysis Support.

14 **Q: Please describe your education.**

15 **A:** I received my Bachelor of Arts in Geography from the University of California, Los
16 Angeles in 1991 and my Masters of Arts of Public Affairs in Policy Analysis, Energy and
17 Environmental Policy from the University of Minnesota in 1993.

1 Q: Please provide your work experience.

2 A: Starting in 1993 I was an Associate with ICF Resources Incorporated, becoming a Senior
3 Associate in 1995. In 1997, I was made a Project Manager for ICF Resources
4 Incorporated. In 1997, I became a manager in the Market Assessment division of PG&E
5 National Energy Group, where I was made Director of the same division in 1999. In
6 2001, I was named the Director of the Strategy and New Initiatives division of PG&E
7 National Energy Group. In December 2003, I became Director of the Market Analysis
8 and Development department of MISO. In October 2005, I was made Director of the
9 Forward Markets department of MISO and I was promoted to Executive Director
10 Forward Markets in 2006. In September 2006, I was promoted to Vice President of
11 Market Operations and have occupied my current position as Vice President of
12 Operations since May 2010.

13 **I. OVERVIEW**

14 Q: What is the purpose of your surrebuttal testimony?

15 A: The purpose of my testimony is to respond to portions of the testimony of Staff witness
16 Adam McKinnie, Office of the Public Counsel ("OPC") witness Ryan Kind, and
17 Missouri Industrial Energy Consumers witness James Dauphenais regarding the
18 Commission authorizing Union Electric Company, d/b/a/ Ameren Missouri ("Ameren
19 Missouri") to continue its membership in MISO as a transmission owner.

20 I will also respond to portions of the testimony of Mr. McKinnie regarding the
21 seventeen (17) questions that the Commission requested Staff to answer in its Order of
22 August 23, 2011. Mr. McKinnie addressed these questions on pages 24 through 38 of his
23 Rebuttal Testimony.

1 Finally, I will also respond to portions of the testimony of witnesses Marlin Vrbas
2 and James F. Wilson on behalf of the Missouri Joint Municipal Electrical Utility
3 Commission ("MJMEUC") regarding MISO's proposed modifications to Module E of its
4 Open Access Transmission, Energy and Operating Reserve Markets Tariff concerning
5 enhanced Resource Adequacy Requirements that was filed with the Federal Energy
6 Regulatory Commission ("FERC") on July 20, 2011, Docket No. ER11-4081.

7
8 **II. CONTINUING AMEREN MISSOURI MEMBERSHIP IN MISO**

9 **Q: Staff witness Adam McKinnie recommended an extension of Ameren Missouri's**
10 **membership in MISO under certain conditions until May 15, 2015 at pages 14-15**
11 **and 38 of his rebuttal testimony, but opposed the terms contained in Ameren**
12 **Missouri's Amended Application which he characterized on page 38 as calling for**
13 **"an extended and indefinite membership in MISO" What is MISO's response?**

14 **A: MISO does not view Ameren Missouri's Amended Application as inappropriate since**
15 **FERC has stated on numerous occasions that membership in regional transmission**
16 **organizations ("RTO") like MISO is voluntary. Nevertheless, MISO believes that**
17 **extending Ameren Missouri's membership in MISO for at least an additional three years**
18 **to mid-2015 is in the public interest because of the benefits MISO has provided and will**
19 **continue to provide Ameren Missouri and its customers.**

20 **Q: Do most states exercising jurisdiction over transmission owners who are members of**
21 **MISO provide for conditional membership that is subject to a term of years and**
22 **future regulatory proceedings?**

23 **A: No. Most of the states who have authorized transmission owners to become members of**
24 **MISO or other regional transmission organizations ("RTOs") have granted that authority**

1 after proceedings measuring the benefits of the proposed membership with its costs, and
2 have not made such membership subject to a specific period of time.

3 **Q: What is MISO's position on Staff's recommendation that Ameren Missouri**
4 **complete an outside analysis over a 5-10 year period, comparable to that performed**
5 **in Case No. EO-2008-0134, the previous MISO membership proceeding of Ameren**
6 **Missouri?**

7 **A: MISO stands ready to provide relevant information to Ameren Missouri, Staff, OPC or**
8 **others to compare the benefits and costs of MISO membership with the benefits and costs**
9 **of other RTOs. It takes no position regarding any affiliates of Ameren Missouri.**

10 **Q: Both OPC witness Ryan Kind and MIEC witness James Dauphenais recommend an**
11 **extension of Ameren Missouri's membership in MISO on a conditional basis. What**
12 **are MISO's views on the conditions recommended?**

13 **A: Similar to its position on Staff's recommendation of an outside analysis, MISO is**
14 **prepared to provide relevant information that compares the benefits and costs of MISO**
15 **membership with the benefits and costs of other RTOs or other arrangements. It takes no**
16 **position on conditions related to affiliates of Ameren Missouri or on how Ameren**
17 **Missouri represents itself in MISO stakeholder matters.**

18
19 **III. RESPONSE TO REBUTTAL TESTIMONY**
20 **OF STAFF WITNESS MCKINNIE**
21 **REGARDING QUESTIONS POSED BY COMMISSION**

22 **Q: In Section VII of his Rebuttal Testimony, Mr. McKinnie replied to 17 Questions**
23 **that the Commission directed Staff to respond to in its testimony. Does MISO have**
24 **any points of clarification or additional information to provide with regard to those**
25 **Questions?**

1 A: Yes. While a number of the questions are not directed to MISO or do not require any
2 additional clarification, MISO believes that Staff's responses to several of the questions
3 require a response from MISO.

4 Q: **Question 1 asked Staff to interpret MISO's Resource Adequacy filing submitted to**
5 **the FERC on July 20, 2011 in Docket No. ER11-4081-000 with regard to any**
6 **prerequisites or qualifications that must be met before a utility can opt-out or self-**
7 **schedule. Do you have any clarifications or additional information you wish to**
8 **provide the Commission in response to Mr. McKinnie's testimony on the opt-out**
9 **provision noted in subpart (b) of his answer?**

10 A: Yes. I agree with Mr. McKinnie that utilities like Ameren Missouri will be able to utilize
11 the self-scheduling and opt-out provisions of the Resource Adequacy Requirement
12 Enhancements, as I discuss in greater detail in Section IV of this testimony.

13 Q: **In subpart (c) of his answer, Mr. McKinnie discusses the self-scheduling provision**
14 **of MISO's Resource Adequacy proposal. Do you have any clarifications or**
15 **additional information to provide regarding this testimony?**

16 A: Yes. Mr. McKinnie states that new generation could be subject to the Minimum Offer
17 Price Rule ("MOPR") provisions and that as a result of mitigation actions by MISO's
18 independent market monitor, a customer "might pay twice" for capacity in the Planning
19 Revenue Auction. Such a situation is not at all likely to occur in the near future as
20 Ameren Missouri is a net seller of capacity, as I note in Section IV of this testimony and
21 as MJMEUC's witness Mr. Wilson concedes at page 30 of his Rebuttal Testimony.

22 Q: **Questions 2 and 3 relate to Ameren Missouri's ability to participate in the self-**
23 **scheduling or opt-out provisions set forth in MISO's enhanced Resource Adequacy**

1 **construct. Does MISO have comments in response to Mr. McKinnie's testimony in**
2 **this regard?**

3 **A:** At the present time, MISO sees no impediment to Ameren Missouri taking advantage of
4 the self-scheduling or opt-out provisions in the Resource Adequacy proposal, and using a
5 20-year planning horizon as contemplated by the Commission's regulations related to
6 integrated resource planning.

7 **Q:** **Question 4 related to construction costs to integrate the Entergy Corporation**
8 **operating utilities into MISO and Ameren Missouri's membership in MISO. Does**
9 **MISO have any response to Mr. McKinnie's testimony regarding this question?**

10 **A:** MISO agrees with Staff's recommendation, reported in Mr. McKinnie's Rebuttal
11 Testimony at page 28, that the Commission not terminate Ameren Missouri's authority to
12 continue membership in MISO due to such costs. As MISO advised Staff in responses
13 to its data requests, the capital and operating costs to integrate new transmission owners
14 such as the Entergy operating utilities are recovered from all MISO transmission
15 customers under MISO's FERC tariff. On a cost per megawatt hour basis, MISO
16 administrative costs charged to all MISO transmission customers are expected to
17 decrease post-integration. This occurs because the incremental costs added to the
18 numerator of the formula are greatly exceeded by the incremental load added to the
19 denominator of the formula rate.

20 **Q:** **Question 5 relates to how the Entergy utilities would be operated post-integration**
21 **and whether there would be a consolidated balancing authority, and the benefits of**
22 **such a consolidation. Do you have any comment on Mr. McKinnie's response?**

1 A: Yes, Mr. McKinnie is correct that many more benefits are achieved with a consolidated
2 balancing authority of MISO's current system and the prospective integration of the
3 Entergy system. To MISO's knowledge, no one has proposed a plan to integrate the
4 Entergy operating companies in such a manner that would maintain separate balancing
5 authorities between MISO and Entergy, and not include Entergy in MISO's ancillary
6 services market, along with the benefits such inclusion will provides. If the Entergy
7 utilities were to join MISO, the total gross benefits have been estimated to be \$524
8 million per year. This figure includes estimates related to improved reliability (\$82
9 million), the centralized dispatch of energy (\$134 million), the ancillary services market
10 (\$155 million), and generation investment deferral (\$153 million).

11 **Q: Question 6 cites a \$100 million figure relating to Entergy integration that Mr.**
12 **McKinnie testified is contained in the CRA 2011 Entergy Study and the post-**
13 **integration administrative costs. Please comment on his responses.**

14 A: He correctly notes that the CRA Study stated that "expected transition and
15 implementation costs are roughly estimated to be approximately \$100 million" Since
16 CRA did not specify who would be incurring such estimated costs, MISO believes that
17 there is no factual basis to conclude that costs at that level will be incurred by MISO
18 members. As noted above in my testimony responding to Mr. McKinnie's comments on
19 Question 4, MISO believes that post-integration the administrative costs charged to
20 MISO members will decrease, not increase. MISO's current analysis is that total Entergy
21 integration costs are estimated to be approximately \$29 million, including approximately
22 \$8.5 million to establish a southern operations center.

1 Q: Questions 9 through 11 relate to the cost of the Michigan Thumb Loop project,
2 including “the present value of total cost of the project to Missouri ratepayers.”
3 Has MISO provided information to Staff regarding these questions?

4 A: Yes, to the best of my knowledge, MISO has provided the information responsive to
5 those questions. However, it should be noted that MISO charges the costs of its
6 transmission expansion projects to its transmission owner members, not to retail
7 ratepayers.

8 Q: Question 17 asks whether Ameren Missouri’s continued membership in MISO poses
9 a detriment to other groups of Missouri customers, such as “municipals, co-ops or
10 IOUs.” In Mr. McKinnie’s response he indicated that there “could” be a detriment
11 but that there will also be benefits. What is MISO’s assessment of such benefits and
12 detriments?

13 A: It is first important to note that Mr. McKinnie identifies no detriments and notes the
14 benefit to Missouri utilities who are MISO members like the City of Columbia who have
15 access to generation in the MISO footprint. This would include access to the new Prairie
16 State Energy Campus in Illinois when it begins operation. Mr. McKinnie properly notes
17 that if Missouri utilities who are not MISO members are able to access MISO generation
18 via a seams agreement, they would benefit as well. It is also important to recognize that
19 utilities located at the edge of MISO’s footprint additionally benefit from enhanced
20 reliability. For example, one significant component of the MISO value proposition is
21 increased reliability arising from MISO’s broad regional scope and state-of-the-art
22 reliability tools and processes. Those benefits accrue not only to MISO members, but to
23 all utilities in the region.

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**IV. RESPONSE TO MJMEUC WITNESSES'
TESTIMONY COMPARING PJM CAPACITY MARKETS
TO MISO ENHANCED RESOURCE ADEQUACY CONSTRUCT**

Q: Should the Commission be concerned about testimony from MJMEUC witnesses Marlin Vrbas and James F. Wilson regarding the alleged flaws in the capacity markets of other RTOs?

A: No. The concerns of Mr. Vrbas and Mr. Wilson are largely speculative. They have stated in their testimony that the "PJM-style" capacity market is flawed, in part, because the capacity prices resulting from the Reliability Pricing Model ("RPM") of PJM Interconnection, LLC ("PJM") are volatile and allegedly do not send effective price signals to encourage new capacity resources within PJM. See Vrbas Rebuttal at 5; Wilson Rebuttal at 3-5. This testimony is not relevant to the subject proceeding because the Resource Adequacy Requirement ("RAR") Enhancements that MISO filed with FERC on July 20, 2011, are very different from the "Eastern-style" capacity markets. Unlike the forward capacity market in PJM, in MISO's filed RAR Enhancements: (1) there are extensive Self-Scheduling and Opt-Out provisions which permit Load Serving Entities ("LSEs") to avoid participating in the Planning Resource Auction; (2) the proposed MISO forward period is at most 14 months, which provides parties with much greater flexibility in choosing how to meet resource adequacy requirements (not 3 years, as in the PJM capacity market); (3) there are "Grandmother Agreement" and hedging provisions in the proposed RAR Enhancements that will provide LSEs with financial protections; and (4) MISO does not perform load forecasting functions.

The recently filed MISO RAR Enhancements include few substantive changes from the current process utilized in the MISO region. First, it will extend the planning horizon from one month to one year. This aligns the resource adequacy compliance

1 period with the annual reliability planning period. Second, the RAR Enhancements
2 include an evaluation of transmission congestion to ensure that capacity relied upon to
3 ensure adequacy is, in fact, deliverable. The RAR Enhancements continue to recognize
4 the needs of different Market Participants by including the flexibility needed for those
5 serving load to do so in a manner that meets their business needs, while also complying
6 with existing state planning processes. The MISO resource adequacy construct is thus
7 much different from the types of mandatory capacity markets that FERC has approved
8 for other RTOs. These differences were specifically designed because a large majority of
9 MISO's end-use customers reside in states that exercise traditional rate of return
10 regulation over vertically-integrated utilities (unlike PJM, for example).

11 **Q: Should the Commission be concerned about what type of capacity market MISO**
12 **might operate in the future or should the Commission focus on MISO's current**
13 **proposals?**

14 **A:** The Commission should focus on MISO's pending RAR Enhancements proposal. It
15 would be inappropriate for the Commission to give credence to the "slippery slope"
16 arguments from Mr. Vrbas and Mr. Wilson that the MISO proposal is somehow flawed
17 simply because in the future the RAR Enhancements may evolve further. See Vrbas
18 Rebuttal at 15 ("potential" for future changes); Wilson Rebuttal at 29-30 ("MISO's
19 proposed rule is much more reasonable than PJM's," but "likely to become more like
20 PJM"). Instead, the Commission should evaluate the tariff language that MISO filed on
21 July 20, 2011, regarding the RAR Enhancements and judge this proposal on its own
22 merits, not based upon what the MISO tariff may or may not look like in the future.

1 If MISO determines based upon stakeholder concerns that the RAR
2 Enhancements should be changed, then the Commission will have an opportunity to
3 participate in such a stakeholder and regulatory process, and raise objections, if any, to
4 potential modifications to the RAR Enhancements proposal. Given that the FERC has
5 not even addressed MISO's resource adequacy filing, it is speculation to assert that the
6 RAR Enhancements may become "more like RPM over time," especially given MISO's
7 clear efforts to construct provisions that are appropriate for MISO and its diverse
8 membership.

9 **Q:** Is it realistic to believe that FERC will approve changes to the RAR Enhancements,
10 as suggested by Mr. Vrbas and Mr. Wilson, in the near term?

11 **A:** No. First, the RAR Enhancements will not be implemented before June 1, 2013,
12 assuming that FERC is able to act on the timetable proposed by MISO. An earlier
13 implementation would be impractical and unrealistic given the timing required for MISO
14 to implement the results of an eventual FERC order. Although MISO has requested an
15 initial FERC order on the RAR Enhancements by February 29, 2012, it is likely that
16 multiple parties will seek rehearing of FERC's initial order, and a final FERC decision on
17 the RAR Enhancements will take more time. Second, any potential changes to the
18 approved RAR Enhancements, which Mr. Vrbas and Mr. Wilson speculate will occur,
19 would take a significant amount of time to develop with stakeholders, to file with FERC
20 and to implement following any final FERC order. Third, MISO requested an effective
21 date of October 1, 2012. Given the annual nature of MISO's existing RAR construct, the
22 registration requirements, and the modifications proposed in the RAR Enhancements
23 filing, it would be impossible for MISO to implement the approved RAR Enhancements

1 prior to 2013. Thus, there is no basis to conclude that the RAR Enhancements will
2 become “more like RPM over time,” particularly during the next four years.

3 **Q: Should a MISO Market Participant like Ameren Missouri that is a net seller of**
4 **capacity be concerned about capacity market prices under the RAR Enhancements**
5 **proposal?**

6 **A:** No. As Mr. Wilson concedes in Question 57 of his filed Rebuttal Testimony at page 30,
7 lines 13-15, Ameren Missouri at present is a net seller of capacity and its “[c]ustomers
8 are not exposed to capacity market prices and costs as long as the load-serving entity that
9 serves them is a net seller of capacity in their zones.” Absent significant increases in
10 Ameren Missouri’s load, or significant decreases in its capacity resources, for the
11 foreseeable future the RAR Enhancements will not provide Ameren Missouri’s customers
12 with exposure to MISO capacity prices and costs. Moreover, given the Self-Scheduling
13 and Opt-Out provisions, Ameren Missouri customers would have very little cost exposure
14 even if Ameren Missouri were to build new capacity. The greatest potential exposure
15 would occur if Ameren Missouri were to build Capacity Resources¹ that were located in a
16 different Local Resource Zone than Ameren Missouri’s customers and if congestion
17 limited the ability to deliver the new Capacity Resource to Ameren Missouri’s customers.
18 As the Local Resource Zones are currently projected to be structured, it appears unlikely
19 that Ameren Missouri would be subject to any Zonal Deliverability Charge exposure.
20 Moreover, any such exposure can be mitigated by Ameren Missouri building any future
21 needed capacity in a location that ensures that it is fully deliverable.

¹ The term “Capacity Resources” and other terms in the portion of my testimony are capitalized because they are defined terms in MISO’s proposed RAR Enhancements tariff filed at FERC on July 20, 2011 in Docket No. ER11-4081.

1 Q: Do the RAR Enhancements have features that would protect Ameren Missouri from
2 the financial consequences of potentially volatile capacity prices?

3 A: Yes. As described above, the RAR Enhancements include two key provisions that ensure
4 that customers, if they so desire, are not exposed to capacity market prices. The Self-
5 Scheduling and Opt-Out provisions allow customers to satisfy their resource
6 requirements using their own resources. As such, customers that elect those options are
7 indifferent to overall capacity market prices or to capacity market price volatility.

8 Q: On page 27 in Question 49 of his Rebuttal Testimony, Mr. Wilson quotes a portion
9 of your July 20, 2011 FERC testimony at page 3 in the MISO RAR Enhancements
10 docket, No. ER11-4081-000. In response to the question that asks whether MISO's
11 filing will accomplish least-cost integrated resource planning, Mr. Wilson states that
12 it will not and that your statement "reflects the same confusion" he asserts exists
13 with regard to PJM's capacity markets. Is Mr. Wilson's criticism valid?

14 A: No. To the contrary, the confusion seems to be on the part of Mr. Wilson. His answer
15 mischaracterizes my testimony and ignores critical elements of MISO's RAR
16 Enhancements filing designed to preserve an LSE's ability to continue to engage in
17 integrated resource planning.

18 On page three of my FERC testimony, I state that the voluntary auction will
19 provide "locational capacity market mechanisms to encourage the proper mixture of
20 Planning Resources (e.g., Capacity Resources, Demand Resources, Behind the Meter
21 Generation, Energy Efficiency Resources) to be available in the right locations in the
22 MISO Region during the right times, and in the most economic and efficient manner."
23 Mr. Wilson incorrectly equates "encouragement" of efficient behavior with

1 "accomplishment" of least-cost integrated resource planning. Nowhere does MISO
2 suggest that the proposed RAR Enhancements are intended to replace existing state or
3 utility planning processes. Efficient market prices are, however, a valuable input to those
4 planning processes. For example, market prices indicate the most cost effective location
5 for capacity additions by signaling congestion and the market value of relieving that
6 congestion. Prices will also help in the evaluation and selection of the most economic
7 type of resource addition (e.g., traditional capacity resources or demand response
8 resources). Prices do not accomplish planning, but rather assist in efficient planning.

9 To paraphrase Mr. Wilson at page 27, lines 18-20, Ameren Missouri will be able
10 to determine which resources should be built based on its long-term analyses that
11 consider all attributes of candidates resources, as it has in the past. MISO respectfully
12 suggests that the inclusion of relevant market information in that decision-making
13 process will result in more efficient planning to the benefit of Missouri ratepayers.

14 15 **V. CONCLUSION**

16 **Q: Does that conclude your testimony?**

17 **A: Yes, it does.**