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

RESPONSE OF MIDWEST INDEPENDENT
TRANSMISSION SYSTEM OPERATOR, INC.
TO ORDER DIRECTING THE PARTIES TO ANSWER CERTAIN QUESTIONS

Midwest Independent Transmission System Operator, Inc. ("MISO") provides the following responses to the questions contained in the Commission's Order of June 1, 2011.

1. Can Missouri's Electric Utility Resource Planning Process currently defined in 4 CSR 240-20.010 through 20.080 be preserved if MISO's Resource Adequacy Enhancements Proposal is implemented? If the answer requires qualification, please state them.

Answer: MISO assumes the Commission intended to refer to 4 CSR 240-22.010-.080 relating to Electric Utility Resource Planning.

Yes. MISO's Resource Adequacy Enhancements Proposal specifically preserves the right of states to conduct integrated resource planning.

2. Assuming MISO moves to a long-term capacity market (3 to 5 years), what qualifications or prerequisites will MISO place on Load Serving Entities (LSEs) in order for them to be able to fully "self schedule" or "opt out" of Resource Adequacy requirements in the forthcoming MISO Resource Adequacy Enhancements Proposal?

Answer: MISO has no plans to propose a long-term capacity market (3 to 5 years) as part of its filing to the Federal Regulatory Energy Commission (FERC) in July 2011. In this filing MISO will fully support LSEs having the ability to comply with state regulatory directives and integrated resource planning procedures through the opt-out and self-scheduling provisions, while also having the ability to offer any excess generation into the proposed 1-year auction mechanism. The opt-out and self-scheduling provisions would not change even if the term of the auction changes to a longer period of time.

3. Are MISO, Ameren Missouri and the other parties in this proceeding willing to make Ameren Missouri's continued participation in MISO contingent on Ameren Missouri's continued participation and compliance with the Missouri Public Service Commission's Electricity Utility Resource Planning Process or any succeeding rules?

Answer: MISO abides by all lawful state regulations promulgated by the Commission. Therefore, such a condition is neither necessary nor appropriate.

4. Would it be appropriate for the Commission to make Ameren Missouri's participation in MISO expressly contingent on MISO's willingness to waive any exit fees as a result of the Missouri Public Service Commission making a determination that Ameren Missouri or any successor's compliance with the Electric Utility Resource Planning Process and the Missouri Public Service Commission has been abrogated, changed or made irrelevant in any way or for any reason related to Ameren Missouri's compliance with the Electric Utility Resource Planning Process?

Answer: No. The purpose of exit or withdrawal fees under Article Five, Section II of the Midwest ISO Transmission Owners' Agreement (MISO Agreement) is to honor all financial obligations incurred and payments applicable to time periods prior to the effective date of the withdrawal of a Transmission Owner. The contractual right to withdraw belongs to all Transmission Owners, but there are clear obligations associated with that right which cannot be unilaterally changed except by the unanimous vote of the Owners under Article Two, Section IX(C)(8). Similarly, MISO has no authority to waive an exit or withdrawal fee or otherwise grant preferential treatment to a withdrawing member. The MISO Agreement is an element of MISO's FERC tariff and any changes to that agreement would require approval by FERC.

As stated above, the intent and goal of the MISO resource adequacy process is to facilitate the resource planning effort of the states to ensure system reliability, and not to supplant or interfere with state policies.

5. Will Ameren Missouri and MISO guarantee that Ameren Missouri's ratepayers and other Load Serving Entities (LSEs) located inside the Ameren Missouri transmission footprint will be held harmless if LSEs in MISO are not able to fully "self schedule" or "opt out" in order to meet their Resource Adequacy requirements in the forthcoming MISO Resource Adequacy Enhancements Proposal? See Attachment #1.

Answer: No. MISO is a Delaware not-for-profit corporation that is tax exempt under Section 501(c)(4) of the Internal Revenue Code. It is not in a position to provide guarantees of regulatory outcomes of federal or state decisions that could adversely affect the financial obligations of its members or other market participants.

As MISO representatives stated during their May 18, 2011 presentation on the Resource Adequacy Enhancements Proposal, MISO will continue to work with the Organization of MISO States, Inc. and other stakeholders to improve MISO's resource adequacy plans by ensuring that the opt-out and self-schedule options are specifically available to allow LSEs and the states to avoid or mitigate any adverse ratepayer impact. Additionally, the results of MISO's proposed resource adequacy annual auction will be publicly available and thus provide transparent price information, as well as disclose the cost of zonal congestion in the MISO system. These economic signals should allow refinements and efficiencies to the resource adequacy process so that generation assets can be more accurately valued and congestion issues can be more easily identified, leading ultimately to lower overall customer costs.

6. If Ameren Missouri and MISO cannot make the foregoing guarantee, would it be appropriate for the Commission to make its approval of Ameren Missouri's continued

participation in MISO contingent on MISO's willingness to waive exit fees if Ameren Missouri loses the ability to self-schedule and opt out of the capacity market?

Answer: No. Please see the responses to Questions 4 and 5, above.

7. (a) When MISO determines that new transmission needs to be built in Ameren Missouri's territory (such as the multi-value projects or MVPs), who has the right of first refusal to build that project?

Answer: MISO pursues both a top-down and a bottom-up transmission planning process in its MISO Transmission Expansion Plans (MTEP) which annually review and identify reliability and economically beneficial transmission expansion projects needed within the MISO system footprint. Appendix B to the MISO Agreement sets forth a detailed Planning Framework which is executed in the MTEP process. There is no defined "right of first refusal."

(b) Would Ameren Transmission Company (ATC) have any right to construct transmission projects in Missouri "but for" Ameren Missouri's membership in MISO?

Answer: Please see response to Question 7(a), above. MISO also recommends that Ameren Transmission Company be referred to as "ATX" in order to avoid confusion with MISO Transmission Owner member American Transmission Co, LLC, which is often referred to as "ATC."

8. (a) What criteria, if any, does Ameren Missouri use to determine whether or not it will build a transmission project itself or allow ATC to construct it?

(b) Please describe and provide the statutory/regulatory support for Ameren Missouri's authority to transfer or waive its right to construct MISO transmission projects and then allow ATC construct those projects.

(c) Where Ameren Missouri either implicitly or explicitly consents to ATC constructing a transmission project in Missouri, do the Missouri Public Service Commission's affiliate transaction rules found in 4 CSR 240-20.15 apply?

(d) How can Ameren Missouri and MISO guarantee that Missouri consumers are best served by allowing ATC to construct the projects in Missouri and not bidding the projects out?

Answer: MISO is not able to respond to these questions which MISO respectfully believes are best answered by Ameren Missouri.

9. (a) Please describe ATC's right to use eminent domain in Missouri and provide both statutes and case law in support of your position.

Answer: MISO is not able to respond to this question which MISO respectfully believes is best answered by Ameren Missouri.

(b) Are the parties willing to make Ameren Missouri's MISO membership contingent on Ameren and MISO agreeing to allow the Commission to approve any transmission projects to be constructed in Ameren Missouri's service territory prior to their being built?

Answer: MISO takes no position on this question which it believes is best answered by Ameren Missouri. MISO will continue to carry out its obligations under the MISO Agreement and FERC Order 890 regarding transmission planning criteria and responsibilities.

(c) If the answer to the preceding question is no, why not?

Answer: Please see response to Question 9(b), above.

* * *

In addition, the Commission will direct MISO and Ameren Missouri to provide written answers to the following questions:

10. (a) Under MISO's interpretation of their Joint Operating Agreements, are The Empire District Electric Company, Kansas City Power & Light Company, KCPL-Greater Missouri Operations, and Associated Electric Cooperatives, Inc. (AECI) entitled to compensation for the use of their facilities?

Answer: Joint operating agreements (JOAs) do not address transmission service by a JOA party that affects neighboring transmission systems and do not address issues related to compensation for parallel flows on neighboring systems. Any claims for compensation by third parties related to parallel flows are governed by FERC decisions. The leading decision, American Elec. Power Serv. Corp., 49 FERC ¶ 61,377 at 62,381 (1989), states: "Inadvertent or unauthorized power flows are an unavoidable consequence of interconnected utility operations. Interconnected utilities must, and do, work closely to ensure that the operation of one system does not jeopardize the reliability of a neighboring system, nor diminish the neighbor's ability to utilize its system in the most economical manner. This coordination is accomplished by direct day-to-day communications and the establishment of operating committees, as well as the participation in power pools…. It is, in the first instance, for the interconnected parties as the owners and operators of utility systems to establish mutually acceptable operating practices." See Northern Indiana Pub. Serv. Co. v. Midwest Indep. Trans. System Operator, Inc. and PJM Interconnection LLC, 116 FERC ¶ 61,006 (2006) at Para. 11; Eastern Kentucky Power Cooperative, Inc., 114 FERC ¶ 61,035 (2006) at Para. 40 & n.29.

MISO has always worked with other owners and operators of transmission systems to establish such practices and will do so in the future.

(b) If so, how much estimated compensation are each entitled to receive?

Answer: Please see response to Question 10(a), above.

11. (a) To the extent that Entergy's proposal to become a member of MISO requires the construction of new facilities or upgrades in Missouri, what facilities and upgrades will need to be built? (b) What will be their size and cost? (c) What will be the cost recovery method for those facilities? (d) Who will pay for those facilities and upgrades? (e) What will be the total cost to Missouri ratepayers for those facilities and upgrades?

Answer: MISO is unable to provide responses at this early date as it has not yet begun to study all of the necessary issues. Although Entergy announced its decision to join MISO in late April 2011, none of the required regulatory approvals has been issued that would permit such membership. Thus, any transmission planning efforts are premature at this time. However, the construction of new facilities or upgrades is not a prerequisite to any transmission owner becoming a MISO member.

12. (a) Why are each of the MISO Multi-Value Projects (MVP) proposed for mid-year 2011 and for MTEP 2012 necessary?

Answer: In the MISO Transmission Expansion Plan 2010 (MTEP-10), MISO identified a portfolio of 18 candidate Multi-Value Projects (MVPs) from a variety of different studies, including the Regional Generation Outlet Study, generation interconnection studies, congestion studies (such as the Top Congested Flowgate Study and the Cross-border Congested Flowgate Study), and MTEP reliability studies. During 2011, as part of MTEP-11, the candidate MVP portfolio is undergoing rigorous analysis as a first step toward a regional transmission portfolio that will enable the states in the MISO footprint to meet their respective near-term renewable portfolio standards (RPS). Future MTEP reports will provide the details and reasons why a candidate MVP or a portfolio of MVP projects has been recommended for approval.

MVPs must meet one of the following criteria: (1) enable more reliable and economic delivery of energy in support of a documented public policy mandate or law; (2) provide multiple types of economic value across multiple pricing zones; or (3) address at least one reliability issue associated with a NERC or Regional Entity standard. The candidate MVPs have been identified to meet these criteria. Furthermore, an MVP meeting these criteria must be contained within a portfolio of projects, evaluated as a whole, that provide widespread benefits to the region commensurate with the allocation of costs.

Of the 18 current candidate MVPs, only the Michigan Thumb Loop Expansion project was approved in 2010 and was justified based on the fist criteria indicated above. Among the current list of candidate MVP projects that are being analyzed and are located in whole or in part in Missouri are the Thomas Hill-Adair-Ottumwa project and the West Adair-Palmyra Tap projects.

(b) Assuming the MVP costs can be passed through to ratepayers under a FERC tariff through Ameren's FAC tariff, as Construction Work in Progress (CWIP) or through some other mechanism, how much will the MVP projects cost Ameren Missouri's customers on an annualized basis and in total?

Answer: MISO takes no position with regard to retail ratemaking issues, which it believes are best addressed by Ameren Missouri and the Commission.

With regard to the portion of the question seeking information about the cost of candidate MVP projects to Ameren Missouri, it is not yet possible to quantify such costs as the specific projects continue to be evaluated. However, the one MVP that has been approved by the MISO Board of Directors was the Michigan Thumb Loop Expansion project which has an estimated cost of $510 million, with an annual revenue requirement beginning in 2015 of $138,619,918. This equates to a rate of approximately 0.25 cents/kWh. The estimated annual charges to Ameren Missouri for this and other MVPs, using the load assumptions now in place and other factors, are approximately 7.0% of the annual revenue requirement. Expected benefits from the entire portfolio, as reflected in generation costs, are not yet quantified but are expected to be commensurate with the costs incurred.

13. (a) Wisconsin Public Power, Inc. (WPPI) paid for transmission upgrades from a new coal plant and thought they would be receiving a corresponding amount of

financial transmission rights to transmit baseload generation to their customers. Please describe what happened, whether WPPI received any financial transmission rights and what MISO did to fairly compensate WPPI?

Answer: MISO understands this question to ask whether WPPI qualified for and received incremental Financial Transmission Rights pursuant to Section 46 of the MISO Tariff. Section 46 affords market participants that fund (i.e., pay for the construction of) network upgrades and elect not to receive credits under Attachment FF of the MISO Tariff to request Financial Transmission Rights (FTRs) and Long-Term Transmission Rights (LTTRs), which are a subset of Auction Revenue Rights (ARRs). If a market participant funds a network upgrade and does not recover its costs under Attachment FF, it may submit a formal request to MISO to initiate a study for FTRs and LTTRs pursuant to Section 46. In this case, WPPI did not submit a formal request to initiate the study and, therefore, did not receive specific FTRs and LTTRs for the upgrade.

(b) How is MISO remedying these problems going forward in similar situations?

Answer: MISO is not aware of any problems with Section 46 that require a remedy. MISO's FTR Business Practice Manual describes the eligibility rules and process for acquiring FTRs and LTTRs associated with funding a network upgrade.

(c) What assurances can MISO offer the Missouri Joint Municipal Electric Utility Commission (MJMEUC) that it will not have a similar problem when they start transmitting electricity from their Prairie State coal plant in Illinois and that MJMEUC will not be forced to buy capacity to meet their Resource Adequacy requirement?

Answer: Assuming that the Prairie State coal plant has received all necessary regulatory approvals to serve as a generation resource (that is, assuming it has passed all generation measurement and verification tests, as well as interconnection and transmission service tests), the load that it would serve will be eligible to apply for and receive a hedge to avoid paying for any zonal congestion (assuming that FERC approves MISO's proposed Resource Adequacy Enhancements Proposal to be filed in July 2011). Even under the current resource adequacy construct, if the generation resource has been studied and qualified for aggregate deliverability, then the Unforced Capacity (UCAP) amount from the resource would be applied to an LSE to meet its load, plus Planning Reserve Margin requirement.

MJMEUC also will need to submit requests under Section 43.6.1 and/or Section 43.6.2 separately to be eligible for ARRs and FTRs from the Prairie State coal plant. Section 43.6.1 and Section 43.6.2 describe the process for replacing and adding a new resource to an LSE's ARR Entitlement portfolio to be eligible for and request ARRs and FTRs for future annual ARR allocations.

(d) Also, please describe what steps have been taken to upgrade the transmission system from Illinois to Missouri to facilitate the movement of capacity and energy from Prairie State to LSEs in Missouri, and what additional transmission upgrades, if any, would be necessary under the RAR Enhancement Proposal?

Answer: As MISO believes this question is best answered by Ameren Missouri; please see its response to question 13(d).

14. What assurances can MISO make to Citizen's Electric Cooperative that its current contract to take service from Wabash Valley Power Association will be honored - will Citizens receive financial transmission rights for that contract?

Answer: If Citizens already has an eligible ARR Entitlement from Wabash Valley Power Association and receives Financial Transmission Rights, it will continue to be eligible to receive such rights. If not, Citizens will need to submit requests under Section 43.6.1 and Section 43.6.2 to replace or add this contract into its ARR Entitlement portfolio.

15. (a) Are there any MISO employees who would receive a bonus or have a portion of their compensation tied to successful implementation of the capacity market MISO is now proposing? If so, who, and how much?

Answer: No. Initially, MISO states that it is not proposing the implementation of what is commonly known as a capacity market. MISO's Resource Adequacy Enhancements Proposal contains a 1-year capacity auction with the ability to self-schedule or to opt-out of that process.

The 2011 Annual Incentive Compensation Plan, which applies to all employees, contains a goal on Resource Adequacy Enhancements that does not require FERC to approve MISO's proposal as filed. The Resource Adequacy Enhancement goal relates to the implementation of a FERC order and states: "Within 90 days of FERC Order accepting comprehensive Resource Adequacy filing, MISO will develop and deliver an implementation plan including revised business practice manuals and comprehensive rules." MISO has been working with stakeholders to draft tariff language, Business Practice Manuals, and Business Rules. Drafts of these materials have been provided to stakeholders as early as April 1, 2011, in anticipation of a July 2011 FERC filing. The Resource Adequacy Enhancements goal is one of five milestones that are to be completed by December 31, 2011. These five milestones are one part of a total of four overall plan goals relating to Strategic Elements. The other three overall goals are Financial Control; Customer Service; and Reliability, Compliance and Markets.

(b) If so, who authorized the compensation plan? If it was a particular board at MISO, please identify the board, the members of the board, and which board members voted in in favor of the proposed capacity market, and which members voted in opposition to the capacity market.

Answer: While no response to this question is required given the "no" answer to Question 15(a), MISO states that the Human Resources Committee of the MISO Board of Directors approves incentive compensation plans on an annual basis. The goals and metrics contained in the plans are developed in conjunction with the MISO stakeholder process which includes opportunities for review and comment by the MISO Advisory Committee and the Organization of MISO States, Inc.

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In addition, the Commission will direct the PSC Staff, the Office of the Public Counsel and any other parties wishing to respond to provide a written response to the following question

16. Are there any other questions the Commission should be asking, but has failed to ask?

Answer: MISO believes that the relevant question is whether Ameren Missouri continuing its membership in MISO is not detrimental to the public interest. The filings submitted by Ameren Missouri in the form of a cost/benefit analysis demonstrate why such membership is in the public interest and should be continued by the Commission.

Respectfully submitted,

/s/ Karl Zobrist

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Certificate of Service

I hereby certify that a true and correct copy of the foregoing was e-mailed on this 16th day of June, 2011, to the persons on the Commission's service list in this case.

/s/ Karl Zobrist
Attorney for Midwest Independent Transmission System Operator, Inc.