BEFORE THE MISSOURI PUBLIC SERVICE COMMISSION

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

MIDWEST INDEPENDENT TRANSMISSION SYSTEM OPERATOR INC.'S STATEMENT OF POSITION ON THE ISSUES

COMES NOW Midwest Independent Transmission System Operator, Inc. (hereinafter "Midwest ISO"), pursuant to the Commission's *Order Adopting Procedural Schedule* issued on October 30, 2007, and respectfully submits its Statement of Position on the issues set forth in the List of Issues filed in this matter on March 7, 2008.

Introduction

Midwest ISO concurs with the statement contained in the List of Issues, Order of Opening Statements, Witnesses and Cross-Examination, that this "'non-binding' listing of issues is not to be construed to impair any party from arguing about any of these issues or related matters, or to restrict the scope of responses to the arguments of other parties." Indeed, Midwest ISO reserves its right to argue, brief, and fully participate with regard to any matter or issue arising in this proceeding.

Statement of Position

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

POSITION: Yes.

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?*

POSITION: Yes, the evidence presented in this proceeding supports a determination by the Commission that it is not detrimental for Aquila to join Midwest ISO consistent with and as requested in Aquila's Application.

In addition to the benefits noted by Aquila Witness Odell, Midwest ISO witness Mr. Richard Doying provides additional bases for Aquila's participation in the Midwest ISO. These include benefits to Aquila and its customers in the following three categories: (1) improved reliability, (2) improved efficiency, and (3) and improved opportunities for the development of generation and transmission infrastructure. The annualized value of these benefits ranges from $13.9 million to $18.9 million[1]. The net annualized benefit after subtracting the annual administrative cost of the Midwest ISO ranges from $10.4 million to $15.4 million[2]. The net positive benefit is evidence that participation by Aquila in the Midwest ISO is not detrimental to the public interest.

Midwest ISO addresses other considerations the Commission should and should not take into account in Issue 5 below.

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?*

POSITION: The Midwest ISO respectfully defers to the Commission on whether to place conditions and what conditions it may deem appropriate and necessary. The conditions

[1] Rebuttal Testimony of Richard Doying, Page 12, Line 20.
[2] CRA Study, Appendix C, Table 15 (RTO Administrative Charges of $3.3 million plus FERC Charges of $0.2 million)

suggested in the rebuttal testimony of Mr. Michael Proctor provide a reasonable starting point but certain items would require input and negotiating by the parties. There are other proposed conditions suggested by Dr. Proctor that would involve entities who are not parties to this docket. He suggests contractual commitments that are presently beyond the control of Aquila or the Midwest ISO without assistance or cooperation of other parties or entities.

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?*

POSITION: No. The Midwest ISO respectfully submits that the appropriate standard of review by the Commission is and has been whether the request is "not detrimental to the public interest". Furthermore, the Applicant has focused its requested relief on joining the Midwest ISO. There are some parties who have attempted to expand this focused request beyond what has been presented by Aquila and employ a variation of a "least cost alternative" standard, namely a greatest benefits standard. Based upon the imprecision of the modeling and forecasting efforts employed in this case, the Midwest ISO submits that employing a new standard such as this that is founded upon modeling projections that are subject to differing results and interpretations is not in the public interest.

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*;

POSITION: The CRA International, Inc. analysis is but one of a number of items that the Commission could consider. However, the Commission should also note and take into account the potential flaws and modeling deficiencies cited in the rebuttal testimony of Midwest ISO

witness Mr. Johannes Pfeifenberger. Additionally, the Commission should rely on the broader cost-benefit discussion presented in the testimony of Midwest ISO witnesses Mr. Richard Doying and Mr. Johannes Pfeifenberger.

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

POSITION: The cost-benefit analysis included in the testimony of Midwest ISO witnesses Mr. Johannes Pfeifenberger and Mr. Richard Doying should also be considered by the Commission. Mr. Pfeifenberger's rebuttal testimony includes the results for simulations that attempt to isolate and correct for modeling shortcomings in the CRA Study, especially those related to the commitment of the Aries merchant units. The revised results indicate savings on the order of one to three percent of the overall production costs for Aquila in the Midwest ISO. The testimony of Mr. Richard Doying provides estimates of benefits to be obtained by Aquila in the Midwest ISO for additional Midwest ISO categories of benefits not quantified by any other party. The benefits discussed by Mr. Doying are reasonably related and relevant to a more complete analysis of whether participation in the Midwest ISO is not detrimental to the public interest.

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;*

POSITION: The Commission should consider all of the benefits, including the qualitative benefits identified by Midwest ISO witness Mr. Richard Doying. These qualitative benefits, while difficult to quantify, are nevertheless relevant to the analysis of the overall benefits of participation in the Midwest ISO.

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

POSITION: The Commission should consider Aquila's request to transfer functional control of its transmission assets to the Midwest ISO on the merits of the application and supporting testimony. The Aquila relationships are, in some cases, reduced to written contract, which have already been presented by Witness Odell or publicly available. Those documents speak for themselves.

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

POSITION: Yes, those differences should be considered. Furthermore, to the extent that these differences are relevant to the underlying modeling efforts in an attempt to estimate and project benefits, then the actual differences must be closely examined as they create hypothetical scenarios which would call into question the validity of the evidence upon which the Commission may rely. The Midwest ISO's electricity market is more evolved than SPP's and its overall size is more than two times that of SPP. Further, there is no firm timetable or commitment for SPP's electricity market to evolve beyond its current functionality. The further the testimony creeps into assumptions based upon hypothetical information, the less credible the results and any opinions or recommendations based on those questionable results.

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

POSITION: The acquisition of Aquila by Great Plains Energy should not be considered by the Commission in this case. This would add a significant layer of complexity that is better left to the Applicant to assess and decide upon. If and when appropriate, Applicant does have the opportunity to affirmatively pursue another course of action. If the Commission were to approve

the acquisition/merger and it closes, and the resultant combined company wishes to operate within a single RTO, the combined company could follow the procedures outlined in the agreements it signed and withdraw its Aquila transmission assets from the Midwest ISO by providing appropriate notice and honoring its contractual obligations.

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

POSITION: No, this is not a consideration for this case. If AmerenUE elects to withdraw its transmission assets from the functional control of the Midwest ISO at some point in the future, the Transmission Owners Agreement provides certain rights to Aquila to protect it against adverse consequences of AmerenUE's actions if any should take place. Further, AmerenUE is a member of the Midwest ISO and it has filed its request to continue to be a Midwest ISO member.

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

POSITION: The Commission should consider Aquila's request to transfer functional control of its transmission assets to the Midwest ISO on the merits of the Application and supporting testimony.

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?*

POSITION: Midwest ISO takes no position on this issue.

Respectfully submitted,

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Certificate of Service

I hereby certify that a true and correct copy of the above and foregoing document was sent via e-mail on this 18th day of March, 2008 to:

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