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August 7, 2001

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FILED

AUG 7 2001

Missouri Public
Service Commission

Mr. Dale Hardy Roberts
Secretary/Chief Regulatory Law Judge
Missouri Public Service Commission
P. O. Box 360
Jefferson City, MO 65102

RE: Case No. EO-2001-684 – In the Matter of the Application of Union Electric Company (d/b/a AmerenUE) for an Order authorizing it to withdraw from the Midwest ISO to participate in the Alliance RTO

Dear Mr. Roberts:

Enclosed for filing in the above-captioned case are an original and eight (8) conformed copies of the **STAFF'S PROPOSED PROCEDURAL SCHEDULE**.

This filing has been mailed or hand-delivered this date to all counsel of record.

Thank you for your attention to this matter.

Sincerely yours,

Steven Dottheim
Chief Deputy General Counsel
(573) 751-7489
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Enclosure
cc: Counsel of Record

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

FILED

AUG 7 2001

Missouri Public
Service Commission

In the Matter of the Application of Union Electric)
Company (d/b/a AmerenUE) for an Order)
authorizing it to withdraw from the Midwest ISO)
to participate in the Alliance RTO)

Case No. EO-2001-684

STAFF'S PROPOSED PROCEDURAL SCHEDULE

Comes now the Staff of the Missouri Public Service Commission (Staff) in response to the Commission's Order Granting Intervention, Scheduling Prehearing Conference, And Directing Filing Of Procedural Schedule and submits its proposed procedural schedule. In support of its proposed procedural schedule, the Staff states as follows:

1. Applicant Union Electric Company (UE), d/b/a AmerenUE advised the Staff late last week of the procedural schedule that it intended to propose for the proceeding in this case. Upon review of that schedule the Staff determined to propose a procedural schedule with several dates different from those to be proposed by UE. The Staff advised UE of the Staff's suggested dates and UE has advised the Staff that UE has no objection to the procedural schedule that the Staff is proposing. The Staff has communicated with all other parties to this case and each has indicated no objection to the Staff's proposed procedural schedule. The Staff proposes the following procedural schedule:

Direct Testimony of UE	August 17, 2001
Rebuttal Testimony of Staff, OPC & Intervenors	September 12, 2001
Surrebuttal/Cross-surrebuttal Testimony of All Parties	September 24, 2001
List of Issues and Statements of Positions	October 2, 2001
Hearing	October 10-12, 2001
Initial Briefs	October 26, 2001
Reply Briefs	November 7, 2001
Report & Order	December 5, 2001
Report & Order Effective Date	December 15, 2001

The Staff would suggest that the parties will need to attempt to accommodate each other by responding to data requests in less than the 20 days provided by Commission rule.

2. The Application Of Union Electric Company For An Order Authorizing It To Withdraw From The Midwest ISO To Participate In The Alliance RTO states, in part, at paragraph 43 that UE will be required to transfer control of its transmission assets to the Alliance RTO once the Alliance RTO is determined to be functionally operational, which is projected to be on, or some short time after, December 15, 2001. The procedural dates that the Staff is proposing are compressed because of the December 15, 2001 date by which the Alliance Regional Transmission Organization (Alliance RTO) is projected to be functionally operational. If the Federal Energy Regulatory Commission changes this December 15, 2001 date or it becomes clear that the Alliance RTO will not be able to meet this December 15, 2001 date, the

Staff may propose a change in the procedural dates adopted by the Missouri Commission for its proceeding.

3. In setting out in its Application the procedural history associated with its filing on June 11, 2001 to withdraw from the Midwest ISO in order to participate in the Alliance RTO, UE states that it is now before the Commission pursuant to the Stipulation And Agreement in Case No. EO-98-413 that was approved by the Commission in an Order dated May 13, 1999 in Case No. EO-98-413. It is the Staff's understanding that UE's Application requests Commission authorization to withdraw from the Midwest ISO, but UE is not requesting Commission authorization to join the Alliance RTO because UE maintains that neither Section 393.190 RSMo. 2000 nor any other Missouri statute or legal authority requires that UE seek the Commission's authority to transfer the control of its transmission assets to the Alliance RTO.

4. The Staff states that Section 393.190.1 RSMo. 2000 is applicable. Section 393.190.1 provides, in relevant part, as follows:

No gas corporation, electrical corporation, water corporation or sewer corporation shall hereafter sell, assign, lease, transfer, mortgage or otherwise dispose of or encumber the whole or any part of its franchise, works or system, necessary or useful in the performance of its duties to the public, nor by any means, direct or indirect, merge or consolidate such works or system, or franchises, or any part thereof, with any other corporation, person or public utility, without having first secured from the commission an order authorizing it so to do. Every such sale, assignment, lease, transfer, mortgage, disposition, encumbrance, merger or consolidation made other than in accordance with the order of the commission authorizing same shall be void. . . . Any person seeking any order under this subsection authorizing the sale, assignment, lease, transfer, merger, consolidation or other disposition, direct or indirect, of any gas corporation, electrical corporation, water corporation, or sewer corporation, shall, at the time of application for any such order, file with the commission a statement, in such form, manner and detail as the commission shall require, as to what, if any, impact such sale, assignment, lease, transfer, merger, consolidation, or other disposition will have on the tax revenues of the political subdivisions in which any structures, facilities or equipment of the corporations involved in such disposition are located. . . . Nothing in this subsection contained shall be construed to prevent the sale, assignment, lease or other disposition by any

corporation, person or public utility of a class designated in this subsection of property which is not necessary or useful in the performance of its duties to the public, and any sale of its property by such corporation, person or public utility shall be conclusively presumed to have been of property which is not useful or necessary in the performance of its duties to the public, as to any purchaser of such property in good faith for value.

(Emphasis supplied in italics).

5. The Staff would note that UE further states in its June 11, 2001 Application as follows, in relevant part:

11. On April 22, 1999, some of the parties in Case No. EO-98-413 filed with the Commission a Stipulation and Agreement. In the Stipulation and Agreement, the parties agreed that the Commission should approve AmerenUE's application to participate in the MISO, subject to certain conditions. One of the conditions in the Stipulation and Agreement was that "[i]n the event that AmerenUE seeks to withdraw from its participation in the Midwest ISO pursuant to Article five [sic] or Article Seven of the Midwest ISO Agreement, the Company shall file a Notice of Withdrawal with the Commission, and with any other applicable regulatory agency, and such Withdrawal shall become effective when the Commission, and such other agencies, approve or accept such Notice or have otherwise allowed it to become effective." (Stipulation and Agreement at p. 2-3).
22. On November 9, 2000 Ameren Services Company, on behalf of its operating companies Union Electric Company and Central Illinois Public Service Company, provided written notice to the Midwest ISO of its intent to withdraw from participation in the Midwest ISO. . . .
24. On January 11, 2001, Ameren executed an Amendment to the Alliance Agreement to become a transmission owning member of the Alliance RTO. This membership is contingent upon Ameren receiving FERC approval or acceptance for withdrawal from the Midwest ISO and any other required regulatory approvals or acceptances necessary for the release of Ameren's prior commitment to participate in the Midwest ISO and to join the Alliance RTO.
28. On January 24, 2001 the FERC issued an order in the Illinois Power Company withdrawal case in Docket No. ER01-123-000 establishing settlement judge procedures. . . . The FERC went on to say that "it would be in the best interest of all interested parties in the Midwest region . . . to jointly assess the [differences between the Midwest ISO and the Alliance RTO], and to make one last effort at resolving their differences amicably before the [FERC] rules in this proceeding." [citation omitted]

32. On March 21, 2001, a formal Stipulation and Agreement ("Settlement Agreement") was filed with the FERC. Among other things, the Settlement Agreement, if approved by the FERC, would: . . . (iv) permit Illinois Power, Commonwealth Edison and Ameren to withdraw from the Midwest ISO and participate in the Alliance RTO by collectively paying an exit fee of \$60 million which will make the Midwest ISO financially sound; and (v) constitute a complete and final resolution of all issues raised or which reasonably could have been raised in the Union Electric Company and Central Illinois Public Service Company withdrawal case pending at the FERC in Docket No. ER01-966-000.
35. On May 8, 2001, FERC issued its Order on the Settlement Agreement accepting it after making some minor modifications and clarifications.
37. On May 15, 2001, Ameren tendered to the Midwest ISO, in accordance with the terms of the Settlement Agreement approved by the FERC in its May 8, 2001 Order, \$18 million (\$12.5 million from AmerenUE, \$5.5 million from AmerenCIPS).
41. AmerenUE intends to participate in the Alliance RTO as a non-divesting transmission owner. AmerenUE will be required to execute an operating agreement with the Alliance RTO that will allow the Alliance RTO to control and operate the transmission assets of AmerenUE in accordance with the operating agreement.
42. In exchange for its participation in the Alliance RTO, AmerenUE could receive (if issued) non-voting Class C shares in the Alliance Transco.¹ These non-voting Class C shares will be fully exchangeable for non-voting Class B shares should AmerenUE decide in the future to divest or contribute its transmission assets to the Alliance Transco. The Alliance RTO will compensate AmerenUE for the use of its transmission assets in accordance with the terms and conditions of the Alliance Agreement.
43. AmerenUE will be required to transfer control of its transmission assets to the Alliance RTO once the Alliance RTO is determined to be functionally operational. Until that time, which is projected to be on, or some short time after, December 15, 2001, AmerenUE will maintain complete control over its transmission assets. The

¹ It is the Staff's understanding from UE that Class C shares in the Alliance Transco will not be issued. The Staff states that if such shares were issued, the Commission would have jurisdiction of the transaction under Section 393.190.2 RSMo 2000. *See Re Kansas City Power & Light Co.*, Case No. EF-87-29, Order, 29 Mo.P.S.C.(N.S.) 29 (1986) (In The Matter Of The Application Of Kansas City Power & Light Company For Authority To Acquire Certain Share Of Stock Of Wolf Creek Nuclear Operating Company).

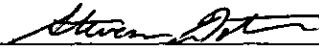
transfer of control of its transmission assets to the Alliance RTO will have no impact on AmerenUE's other ownership rights in its transmission assets.

6. The Staff has become aware of an August 2, 2001 docket entry of the Indiana Utility Regulatory Commission (IURC) in Cause Nos. 42027 and 42032 and for informational purposes has appended that document hereto as Attachment 1.

Wherefore the Staff requests that the Commission adopt the proposed procedural schedule set out above and states that each party to this case has advised the Staff that it has no objection to the procedural schedule proposed by the Staff.

Respectfully submitted,

DANA K. JOYCE
General Counsel



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Certificate of Service

I hereby certify that copies of the foregoing have been mailed or hand-delivered to all counsel of record as shown on the attached service list this 7th day of August 2001.



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JOINT PETITION OF HOOSIER ENERGY)
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INDIANAPOLIS POWER & LIGHT)
COMPANY, PSI ENERGY, INC., VECTREN)
ENERGY DELIVERY OF INDIANA, INC.,)
AND WABASH VALLEY POWER)
ASSOCIATION, INC., SEEKING APPROVAL)
OF, AND RELATED RELIEF, CONCERNING)
THEIR INDIVIDUAL AND COLLECTIVE)
PARTICIPATION AS TRANSMISSION)
OWNER MEMBERS IN THE MIDWEST)
INDEPENDENT TRANSMISSION SYSTEM)
OPERATOR, INC.)

IN THE MATTER OF THE JOINT PETITION)
OF INDIANA MICHIGAN POWER)
COMPANY, D/B/A AMERICAN ELECTRIC)
POWER, AND NORTHERN INDIANA)
PUBLIC SERVICE COMPANY FOR)
APPROVAL, TO THE EXTENT NECESSARY,)
TO TRANSFER FUNCTIONAL CONTROL)
OF TRANSMISSION FACILITIES LOCATED)
IN INDIANA TO THE ALLIANCE REGIONAL)
TRANSMISSION ORGANIZATION)
PURSUANT TO IND. CODE 8-1-2-82.)

FILED

AUG 02 2001

INDIANA UTILITY REGULATORY COMMISSION

CAUSE NO. 42027

CAUSE NO. 42032

You are hereby notified that on this date the Indiana Utility Regulatory Commission ("Commission") has caused the following entry to be made:

The Commission has received proposals from different Indiana utilities to transfer control of their transmission facilities to two distinct Regional Transmission Organizations ("RTO").

The Commission's concern is for the potential adverse reliability and economic affects on Indiana that would emanate from differences in operational protocols and other factors with two RTOs.

The Indiana Commission has consistently supported the FERC's efforts to promote "real" competition in the wholesale power markets and to create a single RTO in the Midwest region, or at a minimum, the functional equivalent of a single RTO. In this regard, the IURC believes

that the institutional structures of a RTO should not unreasonably hinder commerce nor create unnecessary barriers between energy providers and energy buyers with incompatible market rules among RTOs.

This consolidated Docket is intended to comply with Indiana statutes governing the disposition of the assets of Indiana jurisdictional utilities.

The following partial list of issues has been identified by the IURC to facilitate discussions of market reliability as it relates to Indiana. These starting point issues in no way limit the scope or the comments the parties, or the IURC, may wish to develop in this proceeding. It is the Commissions intent that those responding to these questions should view each in the context of the whole.

The following issues have been identified by the Commission in an effort to facilitate the parties' discussion and presentation of issues in this Cause:

1. Rate Ramifications

A. For all power suppliers, wholesale buyers and sellers, and retail consumers in Indiana:

1. What are the wholesale and retail cost implications, and potential benefits, associated with the Alliance Regional Transmission Organization ("Alliance" or "Alliance RTO") and the Midwest Independent Transmission System Operator ("MISO") "Super Regional Rate" (including the Zonal Transmission Adjustment that includes a calculation of lost revenue and the zonal facilities adjustment)?
2. Please indicate the expected transmission rates in terms of total dollars and cost per MWh with a detailed analysis of the assumptions and formulas.
3. With respect to this rate, what concerns do the parties believe should be anticipated upon the expiration of the Inter-Regional Cooperation Agreement ("IRCA") when the "post transitional rates" become effective?

B. For the Indiana MISO and Alliance RTO members how much of the revenues associated with the sale of transmission and ancillary services should be:

1. Flowed through to wholesale customers?
2. With respect to retail customers, what is the appropriate treatment of these revenues for retail purposes, in light of the historic payments retail ratepayers have made to support the transmission system?
3. For Indiana utilities that have capped rates in Indiana, please explain if there are any implications for retail of the revenues and costs associated with the Super-Regional rate? Does the answer change after the expiration of the IRCA?

- C. Other than the rate consequences associated with the revenue flow-through, what are the retail rate consequences associated with the transfer of assets or operational control over those assets to a RTO? What consequences might be expected following the expiration of the IRCA?
- D. Do the parties believe that equivalent transmission pricing structures for both RTOs will eliminate any incentive for transmission owners of one RTO to seek membership in the other RTO on the basis of revenue enhancement alone?
 - 1. Do the parties' believe that the Alliance and the MISO would support such structures?
 - 2. What actions do the parties' believe should be taken within the Alliance and the MISO to obtain such support?

2. Congestion Management

- A. Do the parties believe that the existence of two RTOs will affect the ability of the MISO and the Alliance RTO to manage congestion effectively? Please explain.
- B. How will the congestion management practices differ from those that would have been adopted if there were a single RTO?
- C. Given the configuration of the MISO relative to the Alliance RTO, what practices do the parties believe will be necessary to avoid any difficulties flowing from the existence of two RTOs?
- D. For Day 1 and beyond, will the Alliance RTO and the MISO exchange dispatch information in a timely manner to allow for seamless transactions as well as for planning purposes?
 - 1. To ensure efficient coordination among RTOs, how frequently will this information exchange occur?
 - 2. What actions will each RTO take to ensure that the requisite information is provided in a timely manner?
- E. For the MISO and the Alliance, will Locational Marginal Cost Pricing ("LMP") be used for clearing congestion in the real-time markets? If so, are the approaches to be used by the two RTOs completely compatible?
 - 1. Since the PJM is a traditional trading region for Indiana entities, are the approaches compatible with the PJM? If not, would it be expedient and cost-efficient (for "Day 1" and beyond) to adopt PJM protocols to the maximum extent possible? Please explain.

2. What are other ways to ensure compatibility?
- F. Do the Alliance and the MISO anticipate using what has been referred to as a "hybrid" approach to congestion management? Specifically, will the Alliance and the MISO be using "Flow-Gates" in an effort to develop a forward market and LMP in the real-time markets? If so, do the parties believe that the approaches between the Alliance RTO and the MISO are fully compatible? For example, what are the issues, and complexities associated with the hand-off between the forward market and the real-time markets? In establishing when the forward markets end and the real-time markets begin, certain policy trade-offs have to be explicitly considered, please detail the pros and cons and how your RTO arrived at the decision. In addressing these issues the parties should include all the operational and economic incentives.
1. Since the PJM is a traditional trading region for Indiana entities, are the Alliance and MISO approaches compatible with the PJM?
 2. If not, do the parties advocate compatibility for your RTO and the PJM?
- G. How will flow-gates be defined? Are the definitions to be used by the Alliance RTO and the MISO compatible?
- H. Under "basecase" expectations, how many flow-gates are anticipated for the Alliance and the MISO?
1. Is there agreement between the MISO and the Alliance RTO concerning these basecase expectations?
 2. If not, what are the differences and what is the procedure for resolving differences?
- I. Under a variety of contingencies (e.g., outages of specific lines, outages of generators) how many flow-gates might be expected as an upper-limit in the MISO and the Alliance RTO?
1. Are there procedures in place for each RTO to have assurances that the other RTO has calculated the flow gate capacities in an accurate and transparent manner under all viable operating scenarios?
 2. If there are disputes, including after the fact disputes, what procedures will be used to resolve them?
- J. Are there incentives for the MISO or the Alliance RTO to underestimate the capacity of flow-gates to prevent the risk associated with over-subscription of transactions?

1. If the amount of capacity on a flow-gate is over-estimated, what are the implications?
 2. If the flow-gate capacities are over-estimated and, as a result, over-subscribed would any costs associated with the over-subscription be borne by the RTO or other entity(ies)?
 3. If yes, how do the parties anticipate that these costs will be allocated?
- K. What are the consequences of under-estimating the number of flow-gates or capacity of specific flow-gates under a variety of circumstances and contingencies?
1. Would the parties expect fewer transactions to occur?
 2. Do the parties believe that it would be possible for an RTO to intentionally limit transactions over specific flow-gates to preserve competitive advantages for their Transmission-owners?
 3. What do the parties believe are the potential consequences associated with intentional or unintentional under-estimation of flow-gates and are they the same for the MISO and the Alliance RTO?
- L. To the extent, if any, that the congestion management approaches for "Day 1" and beyond for both the MISO and the Alliance RTO are incompatible, what affect do the parties believe that this incompatibility will have on reliability, commerce, and barriers to entry for new market participants (e.g., new generation)?

3. Real-Time Balancing Markets

- A. How will each RTO perform real-time balancing initially (Day 1)? What entity will be operating the Real-Time Balancing Market for Day 1? What are the reliability and commercial concerns?
- B. If no entity has been contracted with to operate the Real-Time Balancing Market, what options are available to the RTOs for establishment of imbalance markets (e.g., running the markets themselves)? Specifically, are there any conditions that would prompt the MISO or the Alliance to operate a real-time balancing market or a power exchange? What are the reliability and commercial ramifications of each of the options under review by the Alliance and the MISO?
- C. In what ways does the simultaneous existence of the MISO and the Alliance affect the efficient operations of real-time balancing markets?
1. Does the existence of two RTOs impair either the MISO or the Alliance's ability to offer real-time balancing to Indiana MISO or Alliance RTO

members, as well as the MISO and Alliance RTO members in other states?

2. Is there agreement between the Alliance and the MISO that a single real-time balancing market for both RTOs is desirable?
 3. Are there any feasibility concerns that the parties believe may prove to be insurmountable for a single real-time balancing market?
- D. In concert with a real-time balancing market, should and if so what will the MISO and Alliance do to promote a broad regional power exchange to provide services such as market clearing hourly dispatch and beyond as well as accommodate bilateral power transactions? If the parties believe that they should promote a broad regional power exchange, what actions will they take?

4. Security Coordination

- A. The FERC Order 2000, requires that each RTO must have operational authority for all transmission facilities under its control, and must act as the Security Coordinator.
1. Please explain how many Security Coordinators the parties believe should exist in the Alliance RTO and MISO region?
 2. Are there any circumstances where failure to provide information among Security Coordinators could have an adverse affect on reliability or economic efficiency?
 3. How does the existence of two separate RTOs serving Indiana affect the MISO or Alliance's ability to provide Security Coordination for the MISO or Alliance members in Indiana?
 4. Assuming that the MISO or Alliance could provide Security Coordination for its Indiana members, is the expected Security Coordination scheme the most efficient solution and do the parties believe that this approach will it be as reliable as a single Security Coordinator for each RTO?
 5. Would it be feasible and preferable to have a single Security Coordinator for the MISO and the Alliance? Please discuss.
- B. If the Alliance or the MISO has multiple Security Coordinators, what functions and authorities should each Security Coordinator have? What types of checks and balances should be imposed to ensure that they are not acting in an arbitrary manner.
- C. What do the parties believe are the potential reliability and commercial ramifications associated with being a Security Coordinator?

5. Transmission Loading Relief ("TLR")

- A. Over the past five years, how many total TLRs have been issued? How many of the various stages of TLRs have been issued by the East Central Area Reliability Council ("ECAR") Security Coordinators during the same five-year period?
- B. What are the reliability and economic ramifications of TLRs?
 - 1. Even if a TLR is primarily informational and does not specifically preempt or alter a transaction, does it affect the market?
 - 2. Are some transactions not scheduled?
 - 3. Are some transactions purchased as "firm," and at a higher cost, rather than taking a chance on lower cost "interruptible" capacity?
- C. Given the configuration of the MISO relative to the Alliance RTO, how can either RTO develop procedures to address parallel path flows? In particular, how does the simultaneous existence of two RTOs affect Indiana members of the MISO or Alliance RTOs? Are the approaches for the MISO and Alliance compatible? Are the anticipated approaches consistent with neighboring RTOs?

6. Available Transmission Capability ("ATC") and Total Transmission Capability ("TTC")

- A. How does the MISO and the Alliance RTO expect to calculate ATC and TTC independent of current transmission owners?
 - 1. If each RTO uses different methods, will they be compatible and transparent to the other RTO and market participants?
 - 2. What specific processes exist to resolve any incompatibilities?
 - 3. Since the PJM is a traditional trading region for entities in Indiana, are the expected methods of calculating ATC and TTC for both the MISO and the Alliance compatible with the PJM's method?
- B. To what extent, can the method of calculating ATC and TTC affect reliability and the commercial markets? What are the ramifications for differences in the calculation of ATC and TTC?
- C. Aside from the calculation of ATC and TTC necessary to facilitate the forward markets, is there a potential for differences in calculating ATC and TTC among RTOs on an operational basis closer to the real-time market that could have adverse effects on the numbers of transactions, the cost of transactions and reliability?

7. Control Areas

- A. For the MISO and the Alliance, what is the rationale for continuing Control Areas in both the two (2) years and beyond?
- B. What are the commercial ramifications (e.g., are there undue advantages such as in the provision of ancillary services, balancing) of retaining control areas for the MISO and the Alliance?
- C. During critical periods when instantaneous communications and responses are essential do the parties believe that there is a reasonable risk of adverse reliability and economic consequences resulting from responsibilities being spread among the RTOs, real-time balancing markets and control areas?
- D. Do the parties believe that the existence of multiple control areas will make it more difficult to implement an efficacious congestion management protocol? Please provide rationale.
- E. Given the FERC Order 2000, requiring each RTO to be able to exercise control over generation dispatch in all control areas under the RTO's authority, do the parties believe that there are there any circumstances where control area operations could interfere with the RTO's control of generation and transmission operations?
 - 1. Please consider the following example: If control areas are responsible for voltages of 69 kV and below and some generating units -- including some peakers, "merchant plants," co-generation and distributed generation -- are connected to these sub-transmission voltages, could the operation of these facilities pose operational problems for the RTO despite the fact that the control area is "in-balance" and in all respects functioning appropriately?
 - 2. If the RTO does not know which units are being operated, could the operation of these units change "flow-gate" capacities and other elements of the transmission system? If so, what are the implications for reliability and economic efficiency?
- F. As a result of the configuration of the MISO relative to the Alliance RTO, do any individual control areas have an ability to engage in actions that could impede reliability or economic efficiency of the wholesale market within Indiana or otherwise? For example:
 - 1. Can the local control area operator favor its own generation or the generation of an affiliate?
 - 2. Is there any potential for undue preference in the provision of ancillary services? Does the treatment of imbalances favor the control area operator to the disadvantage of other market participants?

- G. Can the local control area operator favor its own generation or the generation of an affiliate? Is there any potential for undue preference in the provision of ancillary services? Does the treatment of imbalances favor the control area operator to the disadvantage of other market participants? Please discuss.

8. Rate Design

- A. For both the Alliance and the MISO, please describe the implications of the "Super Regional Rate" and other rate aspects that affect generators in Indiana as it pertains to transactions within the Alliance – MISO region.
- B. Under the MISO – Alliance Settlement Agreement, generators located outside the MISO and Alliance are not eligible for the Super-Regional Rate. Do the parties believe that this unavailability could have adverse consequences for the cost and reliability of power within Indiana?
- C. Since the Super Regional Rate is only applicable to the MISO and Alliance and since many of the expected transactions involving Indiana power suppliers and utilities involve entities located in the PJM and, to a lesser extent, the Southwest Power Pool ("SPP"), please describe the potential effects of not having the super regional rate extended to the Pennsylvania, New Jersey, Maryland ("PJM") and to the SPP.
1. Are there rate attributes associated with the Super Regional Rate or individual components such as the Zonal Transmission Adjustment or Zonal Facilities Component that have the potential to adversely affect the ability of Indiana utilities and other parties to transact with the PJM and SPP?
 2. Do the parties believe that Indiana entities will be disadvantaged in any way? Please explain.
- D. Under terms of the MISO – Alliance Settlement Agreement, both the Alliance RTO and the MISO can veto a new member's access to the Super-Regional Rate, subject to a review by the FERC. Given the desirability of having all transmission-owning utilities in particular to become members of an RTO to eliminate problems associated with "holes" within RTOs, does the right to veto access to the Super Regional Rate discourage greater participation in RTOs? Please respond to the following examples:

Example 1. Some public power utilities have not been able to join RTOs for fear that they would violate "private use" requirements in the current IRS Code, if the law were changed to permit the participation of public power utilities, would the exercise of this veto authority have a disproportionate adverse affect on public power entities?

Example 2. Do the parties agree that there are other legitimate circumstances that could have caused some transmission owning utilities, or other entities, to delay commitments to join a specific RTO?

- E. To the extent that there may have been legitimate reasons that a specific entity has not yet joined an RTO, do the parties believe that it is in the best interest of the reliability and economic efficiency of the market to preclude these entities from participating in the advantages of the Super Regional Rate?
- F. Has this veto ever been exercised by either the MISO or the Alliance?
- G. Under what specific circumstances would any Indiana utility envision asking their RTO to exercise their veto authority?
- H. Would the Indiana utilities agree not to vote against a new member's access to the Super Regional Rate and would they work to persuade their RTO not to do so?
- I. What is the parties understanding of what would happen when the MISO – Alliance Super Regional Rate period expires? What are the implications of the expiration of the Super Regional Rate, as it affects Indiana entities such as utilities, merchant plants, and marketers, or those that engage in transactions with Indiana entities?

9. Market Monitoring

The following issues assume that the MISO, Alliance RTO and the SPP will contract with a single Market Monitor.

- A. What is the scope of authority for the Market Monitor? Will the Market Monitor have full authority to examine every commercial aspect of the wholesale power markets? Will the Market Monitor have authority to examine all operations and transactions even if they are not under the direct control of the RTO? Please address the following examples:

- The Real-Time Balancing Market,
- The provision of ancillary services,
- The operations of the forward markets,
- The operations of flow-gates,
- The operations of Control Areas.

If the Market Monitor does not have this full authority, what is the procedure for ensuring this result and will Indiana utilities agree to advocate full authority for the Market Monitor?

- B. Will the Market Monitor have the authority to examine and critique the organizational structure and all of the operations of each RTO, and to provide the critique to the FERC, Department of Justice ("DOJ"), state commissions, and reliability councils without prior

notification or approval by any RTO? If not, would Indiana utilities work to persuade their RTO to give the Market Monitor this responsibility?

- C. Will there be an Independent organization of experts, not affiliated with any RTO, to oversee the Market Monitor and the RTOs and make suggestions to the FERC, DOJ, state regulatory commissions, or their Independent Advisory Committees without consulting with the RTOs? If not, would Indiana utilities work to persuade their RTO to establish such an oversight panel?
- D. What type of models will be used by the Market Monitor? Are the models, input and analysis compatible for the Alliance and the MISO? Are they compatible with those used by the PJM? If not, would Indiana utilities work to persuade their RTO to establish compatible approaches?
- E. Does the RTO or the Market Monitor own the software and/or the databases that the Market Monitor and the RTOs will utilize?
- F. Would Indiana utilities advocate that their RTO own the software and databases?
- G. If these items are not to be owned by the RTO, please justify the rationale and the implications for not having the RTOs own the software and/or databases?
- H. If the RTOs do not own the software or the databases, what are the ramifications when the contract term of the Market Monitor expires?
- I. Does the existing Market Monitor have an unfair advantage over any competitors by virtue of ownership of software or databases that are tailored to the specific RTO?
- J. Will the databases and software be "public domain?"
- K. If not, would Indiana utilities work to persuade their RTOs to make this information public?
- L. What sanctions or mitigation measures, is the Market Monitor empowered to impose or propose? What sanctions or mitigation measures can the MISO or the Alliance RTO impose on market participants that are deemed by the Market Monitor to have engaged in activities that are injurious to the commercial operations or to the reliability of the grid?
- M. Given the configuration issues raised in such matters as Congestion Management, Security Coordination, Real-Time Balancing Markets, how can the Market Monitor analyze market structure or operational concerns for Indiana entities?
- N. Will any one or two RTOs be able to dismiss the Market Monitor or will it require all three RTOs to dismiss the Market Monitor?

- O. What is the rationale for the contract term of the Market Monitor? What are the potential implications for having a term that is too short or too long?

10. Regional Planning

- A. What provisions have been made by each RTO to ensure access to necessary information from all transmission owners and generators including utility and non-utility owned generation? What are the implications for Indiana entities if this information is not readily available and in consistent formats? What can the Commission do to facilitate the collection of data?
- B. What provisions have been made for access to load information and forecasts from load-serving entities ("LSEs"), including new suppliers to retail customers as well as traditional utilities? What are the potential ramifications upon Indiana entities regarding the availability of this information? What can the Commission do to facilitate the collection of information?
- C. Will the transmission studies and databases be "public domain?" Please discuss.
- D. Do the Alliance and MISO anticipate making transmission and interconnection studies available to state commissions? Please provide rationale in support the decision made.
- E. Recognizing that there are a variety of new participants in the wholesale market, such as merchant power plants and distributed generating facilities, and that it is imperative that these facilities be incorporated into the power market in an efficient manner, does either the Alliance RTO or the MISO anticipate they will restrict the access of the developers of these generating facilities to transmission and interconnection studies? If so, what restrictions will be imposed and what is the rationale for limiting the information to developers of these facilities? What will be the potential ramifications for the development of new generating units?
- F. Do the parties anticipate that the planning studies carried out by the MISO and Alliance will be available for review and oversight by others such as state commissions, independent experts and market participants in order to provide assurances that the studies are properly conducted so as to provide the requisite information for merchant power plants, distributed generation and DSM to be located in areas that relieve constraints and otherwise benefit the grid?
- G. For the MISO and Alliance individually and combined, how will they pay for expansions and enhancements to the grid?
- H. Do the parties believe that there is the potential that Indiana entities may be adversely affected by inter-RTO differences in the criteria for determining the need for projects, allocation of costs, and timing of expansions and enhancements?

- I. For Indiana companies that operate in other states, what protection is afforded to prevent Indiana consumers from subsidizing competitive markets by unfairly allocating transmission costs?
- J. How will conflicts regarding the asserted need for transmission facilities or upgrades be resolved among RTOs?
- K. Will an independent third-party be commissioned to conduct or review the planning studies?
- L. Under what conditions, if any, will disputes be forwarded to the Market Monitor?
- M. For the MISO and the Alliance, what do the parties believe are the specific incentives and disincentives for transmission enhancements and expansions? Are these features appropriate or could they skew the decision-making process against the most economically and engineering efficient solution? What is the potential that any biasing of incentives could be adverse to Indiana's public interest?
- N. What potential is there that information from the various RTOs regarding operational assumptions about system elements such as flow-gates will not be consistent and result in poor coordination?
- O. What do the parties believe is the potential that information from individual Transmission Owners may be inconsistent or may have differences in format, timing or other factors? Do the MISO and the Alliance anticipate regular inter-RTO coordination meetings to resolve these differences?

11. Interconnection Policy

- A. Are there differences in interconnection policies among RTOs and, if so, what are they?
- B. If there are differences in policies, study parameters or coordination with other RTOs, what are the ramifications, including barriers to entry, for "Merchant Power Facilities" in Indiana?
- C. What are the implications for traditional utility-owned power plants?
- D. What are the implications, including barriers to entry, for "Distributed Generation?"
- E. To ensure competitive neutrality, what provisions have the Alliance and the MISO made, or anticipate making, to ensure independent oversight over the studies and development of policies?
- F. What price, load, and operating information and studies will the RTOs provide to generators and others capable of relieving transmission capacity constraints in order to provide for greater efficiency of the transmission system?

- G. Several states have either developed or are considering interconnection standards and policies. How will the MISO and the Alliance coordinate their efforts with state commissions?

12. Ancillary Services

- A. As a supplier of last resort, how do the parties believe that they can provide ancillary services to their Indiana members without involving the other RTO?
- B. Does any Indiana utility or other entity have any concerns that a viable market for ancillary services will be impaired by the configuration of the MISO or Alliance RTO?
1. Do the parties believe that the MISO and the Alliance have the authority to prescribe the specific policies for each ancillary service?
 2. Since the Control Areas will maintain some autonomy, do the parties believe that either the MISO or the Alliance can enforce policies regarding the provision of ancillary services that are fair to all market participants?
- C. What dispute resolution protocols are anticipated by the Alliance and the MISO?

13. Future Concerns

- A. What are the potential ramifications resulting from the uncertainties associated with the expiration of the Inter-Regional Cooperation Agreement (IRCA)? Specifically, what are the reliability and economic implications for such things as changes in RTO membership, changes in the super-regional rate (or other rate design), changes in the organizational structure of an RTO, changes in wholesale market institutions such as real-time markets?
- B. Given the configuration and compatibility concerns mentioned in previous sections, what do the parties believe are the potential consequences if either the Alliance RTO or the MISO is not operational by December 15, 2001?
- C. What lessons do the parties believe can be learned and applied from the PJM, New York ISO, New England ISO, and the California ISO in the structure of markets as well as RTO and power exchange organization and operations? By way of examples, should a power exchange be operated by the RTO or as a separate entity? Since all the RTOs have different approaches to congestion management, provision of ancillary services, and scheduling, are there some approaches that clearly work or don't work or that are superior? In California, for instance, the inability of the ISO to obtain price and operational information from utilities has been mentioned as a critical problem. Do the parties have any reason to believe that the Indiana members of the MISO or the Alliance are concerned that their RTO will not have the requisite information? In California, there was a concern that the efforts to detect the exercise of market power were hampered by the types of information that were available as well as the types of analysis that were

conducted by those involved in Market Monitoring. Do the parties have any reason to believe that the Indiana members of the MISO or the Alliance have any concerns about the ability to adequately detect market power or abuses?

- D. For the MISO and the Alliance RTO, what is the expected role of the independent Advisory Committees? What is the scope of their involvement? If the Alliance RTO is successful in getting a "Managing Member," will there be any change in the role or scope of the Advisory Committee?

14. Day 1- Operations

- A. Do the parties believe that "Day 1" operational protocols for both the MISO and the Alliance RTO are sufficiently compatible to result in Indiana interests facing a single integrated and efficient market? Please detail any specific concerns. For Day 1, what are the potential consequences of one RTO being operational but not both?

15. Alliance RTO – Specific Issues

- A. What is the status of selecting, impaneling, and gaining the FERC's approval for a Board of Directors, Managing Member, and a stakeholder advisory committee all of which are required to establish "independence" from the Alliance transmission owners?
- B. Please define the roles for each of these groups?
- C. What role will the Advisory Committee have in establishing policies and oversight related to the RTOs "transmission planning," "interconnection standards," "congestion management," "rate structure," and other policy matters?
- D. Do the Indiana members of the Alliance RTO expect that the role for the Advisory Committee will change as a result of selecting a Managing Member, after Day 1?
- E. What is the sequence of events that is necessary for the Alliance RTO to achieve its desired business model (e.g., developing a business plan that is approved by the Board of Directors with input from the Advisory Committee, moving from the "Bridgeco" to the "Newco" to an ISO, to a Transco)?
- F. The FERC Order in the Grid South case prohibits significant expenditures that affect market design. Given that Grid South and Alliance are in similar circumstances, does the Alliance believe that it should delay significant expenditures until an independent board exists and has an opportunity to consider the ramifications of those financial decisions? Please discuss.
- G. One measure of independence for any RTO is the ability of an RTO to secure funding independent of the transmission owners. When does the Alliance RTO expect to issue debt and stock?

H. Since the FERC Order 2000 requires an independent Board of Directors and an independent Advisory Committee be established before any business or operational decisions are made, can the Alliance RTO satisfy following:

1. Meet the December 15, 2001 deadline;
2. Retain expert personnel that are Alliance employees;
3. Resolve the difficult operational policy questions;
4. Acquire the control and communication software that are tailored to the policy decisions;
5. Purchase the necessary computer and other hardware;
6. Conduct successful market trials.

I. Please explain how the commitments made by the Alliance RTO in the AEP-CSW merger case, and the FERC Order 2000 requirements for RTOs to be operational by December 15, 2001, can be satisfied in light of specific concerns raised in the FERC in the merger case regarding AEP's ability to exercise market power.

J. Please define and explain what the Alliance companies mean by a "fully operational RTO." Given the press of time, would the Alliance RTO anticipate contracting with either the MISO or the PJM to perform RTO functions until such time as the Alliance is fully operational? Please explain.

K. What is the status of the proposal for three or four Security Coordinators for the Alliance RTO?

1. Has the North American Electric Reliability Council ("NERC"), SPP and ECAR approved the Security Coordinators?
2. What was the rationale for selecting the Mid America Interconnected Network ("MAIN") as the Security Coordinator rather than soliciting bids from other entities, provided that the bidders had competitive costs and were capable of satisfying the contractual requirements?

L. Given the broad categories of costs enumerated above for establishment of a fully functional RTO by the December 15 deadline, has the Alliance RTO prepared a definitive estimate (within 10% of the final costs) of the costs? If so, please provide the details, and the estimated rate implications.

M. What are the total estimated costs from commencement of service (i.e., December 15) through the expiration of the so-called Day 1 operations?

1. What assurances, if any, can the Alliance offer the IURC that the transmission rates will be "certain" at least for the duration of the Settlement Agreement?
2. Beyond Day 1, has the Alliance prepared any estimate of costs? If so, please provide and an estimate of the rate implications.
3. Has the Alliance done any comparisons of its costs relative to the costs of other RTOs, with any adjustment necessary to reflect the fact that the PJM, New England ISO, New York ISO and the California ISO perform functions that the Alliance does not intend to perform?

N. Is it a fair characterization that the business model desired by the Alliance companies advocates the use of incentives to encourage investment in transmission and maximize throughput?

1. Is it possible that such incentives would bias investment decisions toward transmission "fixes" and away from other solutions that might be lower cost and more efficient (e.g., generation -including cogeneration and distributed generation, Demand-Side Management)? How will the Alliance guard against such biases?
2. How much is the Alliance RTO committed to spending on research and development (e.g., support of the Electric Power Research Institute or others that are engaged in research to improve the transmission system)? Is it a logical extension of the incentive notion to expect the Alliance RTO would devote a greater budget than "not-for-profit" RTOs to support research and development activities that are intended to improve the efficiency of the transmission system?
3. Has either NIPSCO or AEP deferred any investment in transmission facilities until the RTO is functional (e.g., transfer capability between Indiana and Michigan or Indiana and Illinois, particularly in the Chicago area)?
4. Is it possible that the Alliance for-profit business model and structure would preempt certain transmission-owners such as cooperatives or municipally owned utilities or other entities from becoming members of the Alliance?

O. For Day 1 and beyond, will the Alliance RTO permit generators, load serving entities, marketers and others to submit unbalanced schedules?

1. If the Alliance does not permit unbalanced schedules, what is the rationale?

2. If balanced schedules are required, what penalties are anticipated for violations of the policy? What are the policy implications for penalties?
3. What are the implications for the market by insisting on balanced schedules or allowing unbalanced schedules?
4. Would Control Area Operators have an advantage over other market participants in avoiding penalties?
5. If balanced schedules were required, would the number of transactions be reduced?

16. MISO Specific Issues

- A. What is the status of selecting, impaneling, and gaining the FERC's approval for a Board of Directors, Managing Member, and a stakeholder advisory committee all of which are required to establish "independence" from the MISO transmission owners?
- B. Please define the roles for each of these groups?
- C. What role will the Advisory Committee have in establishing policies and oversight related to the RTOs "transmission planning," "interconnection standards," "congestion management," "rate structure," and other policy matters?
- D. Do the Indiana members of the MISO expect that the role for the Advisory Committee will change after Day 1?
- E. One measure of independence for any RTO is the ability of an RTO to secure funding independent of the transmission owners. Given the Settlement Agreement, does the MISO anticipate any difficulties financing operations? Please discuss.
- F. Discuss how the MISO intends to:
 1. Meet the December 15, 2001 deadline;
 2. Retain expert personnel that are Alliance employees;
 3. Resolve the difficult operational policy questions;
 4. Acquire the control and communication software that are tailored to the policy decisions;
 5. Purchase the necessary computer and other hardware;
 6. Conduct successful market trials.

- G. What is the status, or plan, for security coordination for the MISO? Has the North American Electric Reliability Council ("NERC"), SPP and ECAR approved the Security Coordinators?
- H. Has the MISO prepared a detailed estimate of the expected final costs associated with becoming operational on December 15, 2001? If so, what is the estimated cost? What are the expected costs associated with the Day 1 solutions after December 15? While MISO incurred substantial costs in its effort to become operational by December 15, is there any analysis that demonstrates that, on balance, it was preferable (or detrimental) to incur these costs sooner rather than later?
- I. What are the total estimated costs from commencement of service (i.e., December 15) through the expiration of the so-called Day 1 operations?
1. What assurances, if any, can the MISO offer the IURC that the transmission rates will be "certain" at least for the duration of the Settlement Agreement?
 2. Beyond Day 1, has the MISO prepared any estimate of costs? If so, please provide and an estimate of the rate implications.
 3. Has the MISO done any comparisons of its costs relative to the costs of other RTOs, with any adjustment necessary to reflect the fact that the PJM, New England ISO, New York ISO and the California ISO perform functions that the MISO does not intend to perform? If so please discuss. If not why and are any planned?
- J. What incentives does the MISO business model create to encourage investment in transmission and maximize throughput?
1. Is it possible that such incentives would bias investment decisions toward transmission "fixes" and away from other solutions that might be lower cost and more efficient (e.g., generation -including cogeneration and distributed generation, Demand-Side Management)? How will the MISO guard against such biases?
 2. How much is the MISO committed to spending on research and development (e.g., support of the Electric Power Research Institute or others that are engaged in research to improve the transmission system)?
 3. Has any MISO company deferred any investment in transmission facilities until the RTO is functional?
 4. Is it possible that the MISO business model and structure would preempt certain transmission-owners such as cooperatives or municipally owned

utilities or other entities from becoming members of the MISO? Please discuss your response.

K. For Day 1 and beyond, will the MISO permit generators, load serving entities, marketers and others to submit unbalanced schedules?

1. If the Alliance does not permit unbalanced schedules, what is the rationale?
2. If balanced schedules are required, what penalties are anticipated for violations of the policy? What are the policy implications for penalties?
3. What are the implications for the market by insisting on balanced schedules or allowing unbalanced schedules?
4. Would Control Area Operators have an advantage over other market participants in avoiding penalties?
5. If balanced schedules were required, would the number of transactions be reduced?

The issues enumerated in this Docket Entry should be addressed by the parties in this Cause and are being provided by the Commission in an effort to assist all parties in the presentation of issues in this case. The issues contained in this Docket Entry are designed to provide a basic framework, and are not intended to serve as a comprehensive outline of all of the issues that may be properly presented by the parties, or considered by the Commission, in this proceeding.

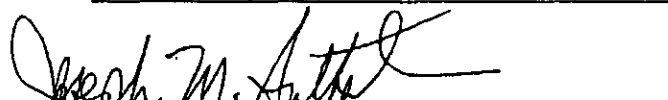
IT IS SO ORDERED.


David E. Ziegner, Commissioner


David W. Hadley, Commissioner


Scott R Storms, Chief Administrative Law Judge

DATE 8/2/01


Joseph M. Sutherland, Secretary to the Commission