

Exhibit No.:  
Issues: Lack of Relevance of JDA  
Agreement on Application to  
Participate in MISO through  
GridAmerica  
Witness: James C. Blessing  
Sponsoring Party: Union Electric Company  
Type of Exhibit: Surrebuttal Testimony  
Case No.: EO-2003-0271  
Date Testimony Prepared: June 3, 2003

**MISSOURI PUBLIC SERVICE COMMISSION**

**CASE NO. EO-2003-0271**

**SURREBUTTAL TESTIMONY**

**OF**

**JAMES C. BLESSING**

**ON BEHALF OF**

**UNION ELECTRIC COMPANY  
d/b/a AmerenUE**

**St. Louis, Missouri  
June, 2003**

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

Application of Union Electric Company  
for Authority to participate in the Midwest  
ISO through a contractual relationship  
with GridAmerica

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Case No. EO-2003-0271

**AFFIDAVIT OF JAMES C. BLESSING**

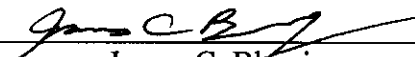
**STATE OF MISSOURI**     )  
                                      ) ss  
**CITY OF ST. LOUIS**     )

James C. Blessing, being first duly sworn on his oath, states:

1.     My name is James C. Blessing. I work in St. Louis, Missouri, and I am employed by Ameren Services Company as a Consulting Planning Engineer in the Corporate Planning Department.

2.     Attached hereto and made a part hereof for all purposes is my Surrebuttal Testimony on behalf of Union Electric Company d/b/a AmerenUE consisting of 6 pages, which has been prepared in written form for introduction into evidence in the above-referenced docket.

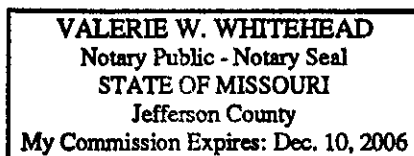
3.     I hereby swear and affirm that my answers contained in the attached testimony to the questions therein propounded are true and correct.

  
James C. Blessing

Subscribed and sworn to before me this 3<sup>rd</sup> day of June, 2003.

  
Notary Public

My commission expires:



**SURREBUTTAL TESTIMONY**

**OF**

**JAMES C. BLESSING**

**CASE NO. EO-2003-0271**

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

A. My name is James C. Blessing. My business address is One Ameren Plaza, 1901 Chouteau Avenue, St. Louis, Missouri 63103.

**Q. By whom are you employed and in what position?**

A. I am employed by Ameren Services Company as a Consulting Planning Engineer in the Corporate Planning Department.

**Q. Please describe your educational background, your work experience and the duties of your position.**

A. I received a Bachelor of Science degree in Electrical Engineering from the University of Missouri-Rolla in 1988 and a Masters in Business Administration from St. Louis University in 1998.

My work experience started as an Electrical Project Engineer for Southern Indiana Gas & Electric Company in October of 1988. In 1992, I accepted a position with the Power Generation Services Division of General Electric Company as a Field Engineer. In 1994, I left General Electric Company to accept a position with Union Electric Company as a Plant Engineer at the Labadie Power Plant. In 1999, I transferred to Corporate Planning and assumed my current duties. As a Consulting Planning Engineer in the Corporate Planning Department, these duties consist of market modeling, development of forward price curves for the Ameren system and asset valuation analysis.

1           **Q.     What is the purpose of your Surrebuttal Testimony in this**  
2 **proceeding?**

3           A.     My surrebuttal testimony will address the rebuttal testimony of MoPSC  
4 Staff witness Dr. Michael S. Proctor. Specifically, I will address Dr. Proctor's  
5 recommendation that the Commission's approval of Union Electric Company's d/b/a  
6 AmerenUE's ("AmerenUE" or "UE") request to participate in the Midwest ISO through a  
7 contractual arrangement with GridAmerica be conditioned on AmerenUE terminating the  
8 Joint Dispatch Agreement prior to the end of the rate moratorium on June 30, 2006.

9           **Q.     What is the Joint Dispatch Agreement?**

10          A.     The Joint Dispatch Agreement ("JDA") is the agreement originally  
11 entered into by UE and Central Illinois Public Service Company d/b/a AmerenCIPS  
12 ("AmerenCIPS" or "CIPS") in 1995 (CIPS's obligations were eventually transferred to  
13 AEG). These obligations require UE and CIPS to operate as a single, integrated control  
14 area and to economically commit and dispatch their combined generating resources. The  
15 basic premise of the JDA is that UE and CIPS operate as an integrated control area but  
16 plan as two separate operating companies. In other words, UE and CIPS each must  
17 acquire sufficient generation capacity to meet their respective planning reserve  
18 obligation. Once each has acquired sufficient generation capacity, the actual generation  
19 resources are dispatched real-time on a least cost basis regardless of the respective real-  
20 time loads of UE or CIPS.

21          **Q.     How does the existence of the JDA bear on the Commission's**  
22 **determination of whether UE's Application in this case is detrimental to the public**  
23 **interest?**

Surrebuttal Testimony of  
James C. Blessing

1           A.       It does not bear on that determination at all. In his rebuttal testimony,  
2   Dr. Proctor describes “the need for and benefits of RTOs” (see Dr. Proctor’s discussion  
3   beginning on page 6, line 12 of his rebuttal testimony). He lists two such items: 1) the  
4   need for an independent provider of transmission service, and 2) the need for a facilitator  
5   for wholesale energy markets. The existence of the JDA in no way impedes an  
6   independent provider of transmission service or diminish the value of a facilitator for  
7   wholesale energy markets as described by Dr. Proctor. And therefore the existence of a  
8   JDA has no bearing on whether or not UE’s Application in this case is detrimental to the  
9   public interest.

10           **Q.       What reasons does Dr. Proctor provide for the need for an**  
11 **independent provider of transmission service?**

12           A.       Dr. Proctor states that an independent provider of transmission service is  
13   needed to prevent integrated utilities from asserting monopoly power in non-regulated  
14   wholesale markets. The market power he discusses comes from integrated utilities  
15   owning and controlling both generating assets and transmission assets and his opinion  
16   that “the vertically integrated utility has every motivation to withhold transmission  
17   service whenever it is to the advantage of its generation operations to do so”. (Proctor  
18   Rebuttal at p. 7, l. 3-4.)

19           **Q.       Does Dr. Proctor state in his rebuttal testimony how the JDA reduces**  
20 **the benefits of an independent provider of transmission service?**

21           A.       No, he does not.

1           **Q.     Does JDA affect the benefits of an independent provider of**  
2 **transmission service as described by Dr. Proctor?**

3           A.     No. The JDA does not affect, in any way, (1) the Midwest ISO's ability to  
4 take on and perform the role of an independent provider or transmission service, or  
5 (2) UE's participation in the Midwest ISO through GridAmerica.

6           **Q.     What reasons does Dr. Proctor provide for the need for a facilitator**  
7 **for wholesale energy markets?**

8           A.     Dr. Proctor states that "a formal spot-market for electricity that is overseen  
9 by a market monitor to identify and mitigate market power provides the most efficient  
10 short term use of generation". (Proctor Rebuttal at p. 7, l. 16-18.) He also states that "the  
11 bilateral markets that exist today do not provide a structure for the most efficient short-  
12 term use of generation". (Proctor Rebuttal at p. 7, l. 15-16.)

13           **Q.     Does Dr. Proctor state in his testimony how the existence of the JDA**  
14 **affects the market facilitator's ability to identify and mitigate market power?**

15           A.     No, he does not.

16           **Q.     Does the existence of the JDA affect the market facilitator's ability to**  
17 **identify and mitigate market power?**

18           A.     No. The JDA does not affect the Midwest ISO's ability to facilitate  
19 wholesale energy markets, nor does it affect UE's participation in the Midwest ISO via a  
20 contractual relationship with GridAmerica.

21           **Q.     Does Dr. Proctor state in his testimony how the JDA affects the**  
22 **market facilitator's ability to create an efficient short-term market?**

23           A.     No, he does not.

1           **Q.     Does the existence of the JDA affect the market facilitator's ability to**  
2           **create an efficient short term market?**

3           A.     No. Whether or not the JDA exists has no effect on the Midwest ISO's  
4           ability to create such a market.

5           **Q.     If the JDA has no effect on the market facilitator's ability to identify**  
6           **and mitigate market power and to create efficient short-term markets, why does**  
7           **Dr. Proctor ask the Commission to condition its approval in this case on AmerenUE**  
8           **committing to terminate the JDA?**

9           A.     Dr. Proctor states that the benefits of the Midwest ISO-facilitated spot  
10          markets to UE are likely to be minimal because of the existence of the JDA. His  
11          statement implies that the benefits of the JDA flow only to AEG because AmerenUE's  
12          low cost generation sources may be used to meet AEG's native load at cost rather than  
13          being sold into the market. But these benefits flow in both directions, a fact Dr. Proctor  
14          overlooks. The magnitude of the benefits to either company vary over time, with  
15          significant operating benefits associated with operating as a single, integrated system  
16          rather than multiple independent systems.

17          **Q.     Do you agree that as a condition to the Commission's approval in this**  
18          **case AmerenUE should commit to terminate the JDA?**

19          A.     No, I do not. Dr. Proctor recommends that the JDA be terminated as a  
20          condition of the Commission approval in this case based on a narrow, unqualified  
21          perception of the value of the JDA to AmerenUE. A decision to terminate the JDA  
22          should be based on a robust analysis that quantifies the bilateral benefits the JDA brings  
23          to both companies, including UE. Furthermore, as the JDA has no effect on the benefits

Surrebuttal Testimony of  
James C. Blessing

1 of RTO participation as discussed by Dr. Proctor, its termination or continuation is an  
2 inappropriate issue for this case.

3 **Q. When does AmerenUE believe is the appropriate time to perform a**  
4 **robust analysis of the JDA?**

5 A. The rate moratorium in the state of Missouri makes the AmerenUE  
6 Missouri ratepayers indifferent to the existence of a JDA through June 30, 2006. Because  
7 of the rate moratorium in Missouri, AmerenUE sees the JDA as an option that should  
8 remain available, including the option to continue the JDA beyond June 30, 2006.  
9 Similar to a stock option, it does not make sense for AmerenUE to give up its right to  
10 strike on this option today. The value of the JDA depends on many ever changing  
11 variables including the capacity mix of each party to the JDA, the price of fuel of each  
12 generating unit included in the joint dispatch, the availability of those generating units  
13 and the market price of electricity. The decision to terminate the JDA must be made on  
14 the best available information at the time such decision needs to be made. That time is no  
15 earlier than June 30, 2005 (the JDA requires a one year notice of cancellation)

16 **Q. Does Dr. Proctor agree that the JDA, even if his views of its benefits**  
17 **or lack of benefits were assumed to be correct, need not be terminated at this time?**

18 A. Yes, in his rebuttal testimony he states "Since AmerenUE's Missouri  
19 bundled retail customers are currently under a rate moratorium, there is some flexibility  
20 in the exact timing for terminating the Joint Dispatch Agreement". (Proctor Rebuttal  
21 p. 9, l. 17-19.)

22 **Q. Does this conclude your Surrebuttal Testimony?**

23 A. Yes, it does.