

**Exhibit No:** 002

**Issues:** Aquila's Application to Join Midwest  
ISO

**Witness:** Dennis Odell

**Sponsoring Party:** Aquila, Inc.

**Type of Exhibit:** Surrebuttal Testimony

**Case No.:** EO-2008-0046

**MISSOURI PUBLIC SERVICE COMMISSION**

**SURREBUTTAL TESTIMONY**

**OF**

**DENNIS ODELL**

**Aquila, Inc.**

**d/b/a Aquila Networks – MPS and Aquila Networks – L&P**

**CASE NO. EO-2008-0046**

February 2008

Aquila Exhibit No. 2  
Case No(s) EO-2008-0046  
Date 4-14-08 Rptr KF

**SURREBUTTAL TESTIMONY OF  
DENNIS ODELL**

**ON BEHALF OF AQUILA, INC.**

**D/B/A AQUILA NETWORKS-MPS AND AQUILA NETWORKS-L&P**  
**CASE NO. EO-2008-0046**

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

2 A. My name is Dennis Odell, and my business address is 10700 E. 350 HWY, Kansas City, MO  
3 64138

4 **Q. Are you the same Dennis Odell that filed Direct Testimony in this docket?**

5 A. Yes.

## EXECUTIVE SUMMARY

7 Q. What is the purpose of your testimony?

8 A. The purpose of my testimony is to respond to the rebuttal testimony filed in this docket.

9 Q. Please briefly summarize your surrebuttal testimony.

A. In this docket, Aquila requested the Missouri Public Service Commission's ("MPSC") approval to join the Midwest ISO ("MISO") in an Application filed on August 20, 2007 (the "Application"). In support of that request, Aquila provided an RTO Cost-Benefit Analysis ("Study") performed on its behalf by CRA International ("CRA"). This Study calculated net benefits to Aquila's customers of over \$21 million through 2017 if Aquila joined MISO. In addition, Aquila is under an obligation, as a consequence of a settlement of a FERC proceeding, to use its best efforts to secure such approvals as may be necessary to join MISO.

1 Various parties have taken issue with the results of the Study and the conclusions that Aquila  
2 has drawn from it. Some parties, as more fully described below, have suggested that the  
3 Study is flawed and cannot be used to support the request. Other parties have suggested that  
4 the Study is reasonable, but that it should lead Aquila to a different conclusion, that is, it  
5 doesn't support Aquila's request to join MISO. In this surrebuttal testimony, I explain why  
6 Aquila continues to believe that its request to join MISO is the only feasible option available  
7 given the results of the study and Aquila's settlement obligations. In addition, I will address  
8 the conditions proposed by Staff witness Proctor.

9 **SUMMARY OF REBUTTAL TESTIMONY**

10 **Q. Please indicate which parties filed rebuttal testimony in this docket.**

11 A. Rebuttal testimony was filed by Michael S. Proctor on behalf of the staff of the Missouri  
12 Public Service Commission ("Staff"), Johannes P. Pfeifenger and Richard Doying on  
13 behalf of MISO, Robert Janssen on behalf of Dogwood Energy, LLC ("Dogwood"), and Paul  
14 N. Mahlberg and Mark J. Volpe on behalf of the City of Independence, Missouri  
15 ("Independence"). In addition, Mr. Pfeifenger filed Supplemental Rebuttal testimony on  
16 behalf of MISO.

17 **Q. Do any of these parties support the Application?**

18 A. Yes. The MISO and Independence witnesses support the Application, and provide what they  
19 consider to be additional support for the Application.

20 **Q. Do any of these parties oppose the Application?**

21 A. Yes. Staff and Dogwood both oppose the Application. Dogwood suggests that the MPSC  
22 take the additional step of ordering Aquila to join SPP.

**DOGWOOD REBUTTAL**

**Q. Why does Dogwood oppose the Application?**

A. Mr. Janssen suggests that it is not in the public interest for Aquila to join MISO rather than SPP because the Study calculates greater benefits from joining SPP than from joining MISO.

**Q. Is Mr. Janssen correct that the Study calculates greater benefits from joining SPP than from joining MISO?**

A. Yes. However, Mr. Janssen minimizes the fact that Aquila is obligated, as part of its settlement with MISO in 2003, to request MPSC approval to transfer operational control of these facilities to MISO and to diligently pursue that approval. This, coupled with the fact that the Study calculates significant benefits from joining MISO, is sufficient support for Aquila to seek approval to join MISO.

**Q. Does Mr. Janssen recognize Aquila's settlement obligation?**

A. Yes. Mr. Janssen addresses this point on page 10, line 12 through page 11, line 14 of his rebuttal testimony. However, while he recognizes the existence of this obligation, he refers to this obligation as "stale commitments..."

**Q. How do you respond to Mr. Janssen's characterization of Aquila's obligation?**

A. While it is true that this settlement was arrived at several years ago, I am not aware of any provision suggesting that the obligation expires, and Mr. Janssen has offered no evidence to support that such a provision exists.

**STAFF REBUTTAL**

**Q. Please summarize Staff's rebuttal testimony and position?**

1 A. Dr. Proctor provides a thorough explanation of RTOs and cost-benefit analysis. He also  
2 describes the process under which the Study was performed, and discusses interconnections  
3 between Aquila and neighboring utilities. Ultimately, Dr. Proctor opposes Aquila's  
4 Application, calling its approval "a detriment to Aquila's ratepayers and therefore a detriment  
5 to the public interest." Page 4, lines 2 - 3

6 **Q. Does Dr. Proctor recognize the benefits to customers resulting from joining MISO**  
7 **identified by the Study?**

8 A. Yes. On page 24 of his rebuttal testimony he acknowledges that the Study results showed a  
9 \$21.1 million present value net benefit from joining MISO.

10 **Q. How, then, does Dr. Proctor reach the conclusion that approval of this Application**  
11 **would be a detriment to the public interest?**

12 A. In his testimony he refers to "opportunity cost." In his view, because joining SPP would  
13 yield greater economic benefits than joining MISO, this opportunity cost generates a  
14 detriment to Aquila's ratepayers and the public interest.

15 **Q. Do you agree with this position?**

16 A. No. Aquila is proposing in this docket to take an affirmative step that would, according to  
17 the Study, provide substantial net benefits to its customers. The existence of an alternative  
18 that may provide a greater benefit does not, in my view, mean that the first alternative is  
19 detrimental to the public interest.

20 **Q. Does Dr. Proctor recognize and discuss various assumptions that were necessarily made**  
21 **in order to perform the analysis in the Study?**

1 A. Yes. Dr. Proctor spends a great deal of time in his rebuttal testimony discussing various  
2 assumptions and why he feels that those assumptions are valid.

3 **Q. Does Dr. Proctor recognize Aquila's settlement obligation?**

4 A. Dr. Proctor briefly alludes to this agreement on page 40 of his rebuttal testimony. However,  
5 it does not appear that he has considered this obligation in reaching his conclusions.

7 **Q. Does Dr. Proctor recommend any conditions in the event the MPSC should approve  
8 Aquila's Application to join MISO?**

9 A. Yes. Dr. Proctor suggests that if the MPSC approves Aquila's Application, it include a list of  
10 conditions in its order and require the parties to this case to develop a Stipulation and  
11 Agreement that sets out the details regarding how these conditions will be met. He lists these  
12 conditions on pages 37 and 38 of his rebuttal testimony.

13 **Q. Does Aquila agree that these conditions are necessary?**

14 A. Aquila understands that these conditions are similar to those adopted by Kansas City Power  
15 and Light ("KCPL") and The Empire District Electric Company and approved by the MPSC  
16 in their Applications to join SPP. Aquila is not opposed to these conditions. However, to  
17 the extent that Aquila is not able to unilaterally agree to certain of these conditions, I do have  
18 a concern that this process could delay Aquila's membership in MISO.

20 **MISO REBUTTAL AND SUPPLEMENTAL REBUTTAL**

21 **Q. Who are the witnesses who have provided testimony on behalf of MISO in this case?**

1 A. Two witnesses have filed testimony for MISO: Richard Doying and Johannes P.  
2 Pfeifenberger.

3 **Q. What is the purpose of Mr. Doying's testimony?**

4 A. Mr. Doying states the purpose of this testimony is to provide "a more complete picture and  
5 record on all benefits for an entity such as Aquila becoming a transmission-owning member  
6 and fully participating in the Midwest ISO."

7 **Q. According to Mr. Doying, what are these benefits?**

8 A. On page 14 of his rebuttal testimony, Mr. Doying indicates that "these benefits can be  
9 grouped into three general categories: (1) improved reliability; (2) improved efficiency; and  
10 (3) improved opportunities for development of generation and transmission infrastructure."

12 **Q. Do you agree with Mr. Doying regarding these benefits?**

13 A. Yes, I do. These are benefits that Aquila would expect to receive as a member of any RTO  
14 that it would join.

15 **Q. Has Mr. Doying attempted to quantify the financial value of these benefits?**

16 A. Yes. He quantifies these benefits as being worth \$13.9 - \$18.9 million to Aquila on an  
17 annual basis.

18 **Q. Do you have any comments on Mr. Doying's quantification of these benefits?**

19 A. Mr. Doying is attempting to quantify factors and benefits that are inherently difficult, if not  
20 impossible, to quantify. Therefore, I am not able to endorse his calculations. In addition,  
21 these benefits are not directly part of the Study that CRA performed for Aquila, and it is hard  
22 to ascertain whether any of these benefits have already been partially or fully included in that

1 fully included in that analysis in some other fashion. Finally, to my knowledge there has  
2 been no similar calculation performed regarding membership in SPP, so I can not determine  
3 how these benefits might compare from one RTO to another. However, I reiterate that  
4 Aquila would expect these benefits to exist, whether the financial quantification of them is  
5 reasonable or not.

6 **Q. What is the purpose of Mr. Pfeifenberger's testimony in this case?**

7 A. Mr. Pfeifenberger has filed both rebuttal and supplemental rebuttal testimony in this case. He  
8 states the purpose of his rebuttal testimony is to "address certain flaws of the RTO cost-  
9 benefit study..." presented in my testimony. The purpose of his supplemental rebuttal  
10 testimony was three-fold, including a correction to his previous testimony, an update on  
11 additional simulations that he referenced in his previous testimony, and "supplemental  
12 information on the limitations and bias of the GE-MAPS model used to estimate production  
13 cost savings in the Aquila Study..."

14 **Q. Do you have any comments regarding Mr. Pfeifenberger's testimony in this case?**

15 A. Mr. Pfeifenberger critiques the Study at a technical level that I am not qualified to address.  
16 Therefore, Aquila has contracted with CRA, the firm that performed the Study for Aquila, to  
17 respond to Mr. Pfeifenberger's testimony, as well as that of other witnesses in this  
18 proceeding. Specifically, Mr. Ralph Luciani from CRA is sponsoring testimony on behalf of  
19 Aquila, and will address a number of Mr. Pfeifenberger's concerns with the Study.

21 **Q. What conclusions does Mr. Pfeifenberger reach in his testimony?**



1 A. On page 14 of his supplemental testimony, Mr. Pfeifenberger states that "The market  
2 modeling efforts undertaken simply are not sufficiently precise to conclude that joining either  
3 the Midwest ISO or SPP would offer significantly larger production cost savings."

4 **Q. Do you agree with this statement?**

5 A. No, I do not. It is my understanding that the modeling techniques and simulations performed  
6 for the Study are commonly used and are generally consistent with those used in the studies  
7 the MPSC depended on when approving the Applications of AmerenUE, KCPL, and Empire  
8 to join RTOs. It is not surprising that some differences of professional opinion might exist  
9 regarding how to perform such modeling and what assumptions to use. However, the  
10 existence of such differences of opinion does not, and cannot, render the results obtained  
11 from a professionally and independently performed analysis invalid. In my opinion, none of  
12 the concerns raised by Mr. Pfeifenberger should cause the MPSC to reject the validity of the  
13 Study.

14 **INDEPENDENCE REBUTTAL**

15 **Q. Who are the witnesses that have provided testimony on behalf of Independence in this**  
16 **case?**

17 A. Two witnesses have filed rebuttal testimony for Independence: Paul N. Mahlberg and Mark  
18 J. Volpe.

19 **Q. What is the purpose of Mr. Mahlberg's rebuttal testimony?**

20 A. Mr. Mahlberg provides information on Independence's electric system and its position on the  
21 benefits of Aquila joining MISO.

1 **Q. According to Mr. Mahlberg, what are the reasons that Independence lists for its**  
2 **support of Aquila's Application?**

3 A. He lists benefits resulting from access to a fully developed market for sales and purchases, a  
4 larger geographic reach for MISO as compared to SPP, and the ability to transmit power from  
5 anywhere and to anywhere within the MISO and PJM regions without pancaked transmission  
6 charges. In addition, he points out that Missouri customers already have the ability to access  
7 SPP through KCPL.

8 **Q. Do you have any comments on Mr. Mahlberg's points?**

9 A. I am generally in agreement with his first three points, although not necessarily with the  
10 conclusions that he draws from them. Rather, I believe that the Study mostly, if not  
11 completely, captures the factors that Mr. Mahlberg addresses. I do not agree, however, that  
12 the fact that Missouri customers already have access to SPP through KCPL is relevant to  
13 Aquila's decision. Since AmerenUE is already a member of MISO, Missouri customers  
14 already have access to both RTOs.

15 **Q. What is the purpose of Mr. Volpe's rebuttal testimony?**

16 A. Mr. Volpe explains why Independence supports Aquila's Application and explains "some  
17 fundamental flaws" in the Study.

18 **Q. What are the flaws in the Study, according to Mr. Volpe?**

19 A. Mr. Volpe focuses primarily on the assumption in the Study that SPP will have a fully-  
20 functioning market, and that for SPP to get to such a market will take three years and cost  
21 more than was assumed in the Study.

22 **Q. Do you have any comments on these points?**

1 A. These points are addressed for Aquila by Mr. Ralph Luciani in his surrebuttal testimony.

2 **AMERENUE MISO MEMBERSHIP**

3 **Q. Have there been any activities outside of this case that might affect its ultimate**  
4 **outcome?**

5 A. Yes. As I pointed out on page 4 of my direct testimony, Aquila is dependent on AmerenUE  
6 for its physical connection to MISO. As such, any change in AmerenUE's membership in  
7 MISO would impact Aquila's situation.

8 On November 1, 2007 AmerenUE filed an Application with the MPSC to transfer functional  
9 control of its transmission facilities to MISO through April 30, 2012. This Application was  
10 docketed as Case No. EO-2008-0134. If approved, this Application would ensure that Aquila  
11 would have a physical connection to MISO through at least that date. Aquila has intervened  
12 in that case.

13 **Q. What is the status of that case?**

14 A. On December 17, 2007 AmerenUE filed a "Notice of Material Filing at the Federal Energy  
15 Regulatory Commission (FERC) and Request to Suspend Further Proceedings" in Case No.  
16 EO-2008-0134. In that filing, AmerenUE noted that MISO had made a filing with the FERC  
17 in Docket No. ER-08-296 which, if approved, would severely limit the benefits of MISO  
18 membership to AmerenUE. As such, AmerenUE proposed to suspend the procedural  
19 schedule in Case No. EO-2008-0134. After various motions and orders, the MPSC  
20 ultimately scheduled a prehearing conference that was held on February 6, 2008. Finally,  
21 MPSC Staff filed a status report on February 13, 2008 in which it indicated that technical  
22 conferences would be held with all interested parties in this case on February 22 and March

1 on February 22 and March 20, 2008, and that Staff would file an updated status report by  
2 March 27.

3 **Q. What is the status of the FERC case that initiated this suspension?**

4 A. The FERC has conditionally accepted this filing effective February 1, 2008.

5 **Q. Please explain how AmerenUE's case impacts the instant Application.**

6 A. It is my understanding that a final decision regarding AmerenUE's RTO status may not be  
7 known until June, 2008 or later. Aquila would not join MISO until such time as it is clear  
8 that AmerenUE will continue to be a member of MISO. Therefore, there could be a  
9 discrepancy concerning the timing of the issuance of the orders in Aquila's case and  
10 AmerenUE's case.

11 **Q. Do you have a suggestion as to how this timing question could be resolved?**

12 A. Yes. If the MPSC chooses to approve Aquila's Application I would suggest that it add a  
13 condition to those proposed by Dr. Proctor. Specifically, the MPSC could condition the  
14 approval on AmerenUE's continued membership in MISO. Alternatively, if the MPSC  
15 chooses to reject Aquila's Application for any reason other than AmerenUE's membership  
16 status, it becomes a moot issue.

17 **Q. Does this conclude your surrebuttal testimony?**

18 A. Yes.

BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MISSOURI

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

County of Jackson )

) ss.

State of Missouri )

AFFIDAVIT OF DENNIS ODELL

Dennis Odell, being first duly sworn, deposes and says that he is the witness who sponsors the accompanying testimony entitled "Surrebuttal Testimony of Dennis Odell"; that said testimony was prepared by him or under his direction and supervision; that if inquiries were made as to the facts in said testimony and schedules, he would respond as therein set forth; and that the aforesaid testimony and schedules are true and correct to the best of his knowledge, information, and belief.

  
Dennis Odell

Subscribed and sworn to before me this 25<sup>th</sup> day of February, 2008.

  
Notary Public

My commission expires May 4, 2008

