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2 PUBLIC SERVICE COMMISSION
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6 TRANSCRIPT OF PROCEEDINGS
7 Evidentiary Hearing
8 April 14, 2008
9 Jefferson City, Missouri
Volume 3

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

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MORRIS L. WOODRUFF, Presiding,
18 DEPUTY CHIEF REGULATORY LAW JUDGE.
JEFF DAVIS, Chairman,
19 CONNIE MURRAY,
ROBERT M. CLAYTON III,
20 TERRY JARRETT,
COMMISSIONERS.

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1 P R O C E E D I N G S

2 JUDGE WOODRUFF: All right. Let's come to
3 order, please. Good morning everyone and welcome to the
4 hearing today. This is Case No. EO-2008-0046. Concerns
5 the application of Aquila, Inc., to join Midwest
6 Independent Transmission System Operator, Incorporated.

7 My name is Morris Woodruff. I'm the
8 Regulatory Law Judge who will be presiding today. We'll
9 begin today by taking entries of appearance beginning with
10 Aquila.

11 MR. BOUDREAU: Thank you. Let the record
12 reflect the appearance of Paul A. Boudreau with the law
13 firm of Brydon, Swearngen & England, P.C, Post Office
14 Box 456, Jefferson City, Missouri, appearing on behalf of
15 the applicant, Aquila, Inc.

16 JUDGE WOODRUFF: Thank you. And for Staff?

17 MR. WILLIAMS: Nathan Williams, Deputy
18 General Counsel, P.O. Box 360, Jefferson City, Missouri
19 65102.

20 JUDGE WOODRUFF: And for Public Counsel?

21 MR. MILLS: On behalf of the Office of
22 Public Counsel and the Public, my name is Lewis Mills. My
23 address is P. O. Box 2230, Jefferson City, Missouri 65102.

24 JUDGE WOODRUFF: For the City of
25 Independence?

1 MR. ROBBINS: Alan Robbins from the law
2 firm of Jennings, Strouss & Salmon, 1700 Pennsylvania on
3 behalf of City of Independence. I'd also like to enter
4 the appearance of Allen Garner and Dale Schwarz, the city
5 attorneys.

6 JUDGE WOODRUFF: For the Midwest ISO?

7 MR. COMLEY: Good morning, Judge Woodruff.
8 Let the record reflect the entry of appearances of Mark W.
9 Comley, Newman, Comley & Ruth, 601 Monroe, Suite 301,
10 Jefferson City, Missouri 65101, for the Midwest
11 Independent Transmission System Operator, Inc. And also
12 let me introduce to you and to the other Commissioners
13 Mr. Keith Beall on my left. He will be also representing
14 Midwest ISO. His address is 701 City Center Drive,
15 Carmel, Indiana 46032.

16 JUDGE WOODRUFF: For KCPL?

17 MR. DORITY: Good morning, Judge.
18 Appearing on behalf of Kansas City Power & Light Company,
19 Larry W. DORITY and James M. Fischer, Fischer & DORITY,
20 P.C. Our address is 101 Madison, Suite 400, Jefferson
21 City, Missouri 65101.

22 Also appearing for KCPL is Curtis D. Blanc
23 with Kansas City Power & Light Company. His address is
24 1201 Walnut, Kansas City, Missouri 64141.

25 JUDGE WOODRUFF: And for AmerenUE? Is

1 anyone here for Ameren?

2 MR. THROSSELL: Good morning, your Honor.
3 My name is Spencer Throssell. I'm here on behalf of Union
4 Electric Company. I'm at Smith Lewis, LLP at 111 South
5 9th Street, Suite 200, Columbia, Missouri 65201.

6 JUDGE WOODRUFF: And for Southwest Power
7 Pool?

8 MR. LINTON: Yes, your Honor. On behalf of
9 the Southwest Power Pool, I'm David C. Linton, 424 Summer
10 Top Lane, Fenton, Missouri 63026. Also entering an
11 appearance is Heather Starnes for SPP, 415 North McKinley,
12 Suite 140, Little Rock, Arkansas. Zip code is 62205.

13 JUDGE WOODRUFF: And for Dogwood Energy?

14 MR. LUMLEY: Good morning, Judge. On
15 behalf of Dogwood Energy, Carl Lumley of the Curtis Heinz
16 law firm, 130 South Bemiston, Suite 200, Clayton, Missouri
17 63105.

18 JUDGE WOODRUFF: Thank you. I believe
19 that's all the parties. Now that we've got the entries
20 out of the way, I understand the exhibits have all been
21 prenumbered. If you want to go ahead and -- well, we can
22 either give them to the court reporter now or hold off
23 until they're actually entered. I think it might be
24 easier just to wait until they're actually entered, and
25 unless anybody objects to that, that's what we'll do.

1 MR. BOUDREAU: So in other words, as the
2 witnesses are presented, the testimony --

3 JUDGE WOODRUFF: Yes.

4 MR. BOUDREAU: Very good.

5 JUDGE WOODRUFF: All right. Then we'll
6 begin with opening statements, beginning with Aquila.

7 MR. BOUDREAU: Thank you. Good morning.
8 May it please the Commission. I'm going to keep my
9 comments short. We have quite a few parties, three days
10 and a lot of issues to discuss, so I'll keep things as
11 brief as I can.

12 I guess I want to say here we are at long
13 last. This seems to be the culmination of events from as
14 early as 2001 when Aquila first filed an application to
15 join the Midwest Independent System Operator, or MISO,
16 Regional Transmission Organization or RTO.

17 This is the third time that my client has
18 filed an application for approval of this action. After a
19 couple of false starts, the Commission is now squarely
20 presented with Aquila's request that it be authorized to
21 transfer functional control of its electric transmission
22 system to MISO.

23 The only question before the Commission in
24 this case is whether it would be detrimental to the public
25 interest for Aquila to join MISO.

1 The Commission can grant the company's
2 application to join MISO or deny it. As Staff witness
3 Proctor has pointed out in his prefiled testimony, Aquila
4 has not filed for approval to join the Southwest Power
5 Pool. Aquila asserts that its application should be
6 granted subject to such conditions as the Commission may
7 deem appropriate. It should be granted because the
8 Commission -- or it should be granted because the
9 justification for the request is reasonable, and also the
10 evidence will show that there are significant economic
11 benefits as compared to Aquila operating on the
12 stand-alone basis. As such, the approval for the
13 application -- or the approval of the application rather
14 is not detrimental to the public interest.

15 Now, as to the reasonable basis for the
16 filing of the request, the testimony indicates that as a
17 consequence of a settlement reached in FERC Docket No.
18 ER02-871 in 2003, Aquila is obligated to file its request
19 for approval to join MISO. This is not disputed. One
20 witness has suggested the obligation is stale, but that's
21 not the same as saying the obligation is nonexistent.

22 As far as the economic benefits, Aquila
23 commissioned CRA International, a firm with recognized
24 expertise on this topic, to perform an objective and
25 independent analysis of the costs and benefits of Aquila's

1 membership in MISO as contrasted with a stand-alone
2 scenario. CRA also did the same with respect to the
3 hypothetical membership in SPP. I think that was done
4 originally at the request or at the suggestion of Staff.

5 The CRA study shows a net benefit of
6 joining MISO over the period of 2008 through 2017 to be
7 \$21 million. Inasmuch as joining MISO would provide
8 substantial net benefits for Aquila's customers, it is
9 clear that the granting of the approval sought would not
10 be detrimental to the public interest.

11 There are a number of related topics that
12 have been brought up in various -- in the testimony of
13 various witnesses. One of them is that other parties will
14 contend that joining SPP will provide more benefits, the
15 CRA study indicates \$86 million over the same period of
16 time. But I suggest that this fact is not particularly
17 relevant to the Commission's inquiry. The legal standard
18 applicable to the company's request in this case does not
19 require that the business decision be determined by what
20 someone else might suggest is an optimum choice.

21 The second item is the pending acquisition
22 of Aquila by Kansas City Power & Light Company, which
23 KCP&L is a member of SPP, but this also I would suggest is
24 not particularly relevant to your deliberations because
25 the outcome of that proceeding is not yet known, and to

1 delay this case to await the outcome of that case would
2 only delay the realization of significant economic
3 benefits.

4 The third item that's been mentioned is
5 AmerenUE's filing to extend its membership in MISO, and I
6 think this has been docketed by the Commission's Case
7 No. EO-2008-0134. This actually is a rather significant
8 consideration because Aquila only has connectivity to MISO
9 through Ameren's service territory, but the Commission's
10 approval in this case could simply be conditioned on the
11 outcome of that case.

12 Aquila's presenting the testimony of two
13 witnesses today. The first witness will be Dennis Odell.
14 He's the Senior Director of Business Planning for Aquila
15 who can explain the rather complicated background of this
16 case and also the basis for the company's request to join
17 MISO. Also here today is Ralph Luciani. He's vice
18 president of CRA International, who directed the
19 performance of the cost/benefit analy -- excuse me, the
20 cost/benefit analysis for Aquila to assess the input of
21 its membership in the MISO RTO.

22 I encourage you to inquire of both
23 individuals concerning the matter at hand, and I trust
24 that you will find that their testimony will be
25 informative and helpful. With that, I'll conclude my

1 comments. Thank you.

2 JUDGE WOODRUFF: Thank you, Mr. Boudreau.
3 For Midwest ISO?

4 MR. COMLEY: May it please the Commission?
5 I share Mr. Boudreau's concern about the premium of time
6 we have, and as a consequence MISO's opening will be very
7 brief. May it please the Commission about this, we -- I
8 want to reintroduce Keith Beall to the other Commissioners
9 here. You may not have been here for the entry of
10 appearance. Keith and I will be -- Mr. Beall and I will
11 be representing MISO throughout the proceeding.

12 Basically, the MISO position, the Midwest
13 ISO position is matching Aquila's identically. The
14 evidence in this case should show that it's not
15 detrimental to the public interest for Aquila to join
16 Midwest Independent Transmission System Operator. The
17 evidence comes in the form of not only the study mentioned
18 by Mr. Boudreau, the CRA study, but also by the
19 accumulation of benefits that the Midwest ISO can provide.

20 Mr. Boudreau discussed how membership in
21 the Southwest Power Pool has been brought up and how the
22 CRA study has been utilized in connection with comparing
23 membership between Midwest ISO and SPP. Again, Midwest
24 ISO believes that whether that alternative exists is not
25 relevant to the case.

1 Furthermore, and this is developed by one
2 of our witnesses who I will mention shortly, the analysis
3 done by the CRA study that is attached to Mr.
4 Odell's testimony, that analysis is seriously flawed.
5 There are areas that will be identified by our witness,
6 Johannes Pfeifenberger that point out how the CRA analysis
7 is quite imprecise. Its analysis should be a simulation
8 of what would be actual conditions if Aquila were to join
9 Midwest ISO or SPP. The contentions of the witnesses
10 would be that the simulations do not resemble actual
11 conditions as they would exist.

12 The other contingencies that Mr. Boudreau
13 mentioned, again the issue of the merger between Aquila
14 and an acquisition subsidiary, KCP&L, that kind of factor
15 is not a factor in this matter.

16 Furthermore, the issue of AmerenUE filing
17 to perhaps leave the Midwest ISO, again, that is not a
18 relevant factor in this case. As Mr. Boudreau has
19 mentioned, conditions can be placed on the Commission's
20 approval of the joinder with Midwest ISO.

21 Midwest ISO has two witnesses, Mr. Richard
22 Doying, he will explain to the Commission an assortment of
23 benefits that are available through Midwest ISO, and also
24 Mr. Johannes Pfeifenberger, who I mentioned previously.

25 I will just highlight what the conclusions

1 are of Mr. Pfeifenberger, but it would be of importance to
2 the Commission to make greater inquiry of Mr.
3 Pfeifenberger on the basis of these conclusions. But he
4 has determined that the CRA simulation model excessively
5 and unnecessarily commits and dispatches the Dogwood plant
6 in two of three scenarios. It unrealistically commits and
7 creates erroneously added uplift costs which he defines in
8 his testimony in the same scenarios, and even if those are
9 corrected, the -- the CRA study is still quite imprecise
10 to give the Commission any definitive direction on how to
11 make a decision in this case.

12 We think that the Commission has sufficient
13 evidence on which to conclude that the application should
14 be granted, and would ask the Commission to do so.

15 JUDGE WOODRUFF: Thank you, Mr. Comley.
16 The City of Independence?

17 MR. ROBBINS: Good morning. Alan Robbins
18 on behalf of the City of Independence. The City supports
19 Aquila's application for authorization to participate in
20 the Midwest ISO. The only complication appears to be the
21 CRA study that indicates substantially greater benefits
22 should Aquila participate in SPP, showing some
23 \$45 million of additional benefits over the study period.
24 That, however, is a fictional number.

25 Apart from the details of specifics of how

1 the study was conducted, and the Midwest ISO witnesses
2 address that in significant detail, the fundamental point
3 that does not require a lot of complex understanding is
4 that a key assumption of that study is that SPP and MISO
5 have the same markets or substantially the same markets.

6 In fact, they don't. They didn't when the
7 study was conducted. They don't today. They won't
8 tomorrow. Might they at some point in the future is
9 unknown. The study results, therefore, are purely
10 fictional. Certainly for the first several years when
11 it's undisputed that the markets are not the same.

12 SPP's own testimony indicates that at the
13 soonest if, I repeat if, SPP ultimately decides to adopt
14 markets similar to SPP's, they won't have them in place
15 before 2000 (sic) or 2012 at the soonest. We're
16 approaching the middle of 2008. No decision to move in
17 that direction has been made at this time, and there's
18 significant lead time in implementing markets of this
19 complexity and scope.

20 As a result, all the other flaws aside,
21 even if one assumes the rest of the study approach, it's
22 simply a matter of fact that the bulk of the benefits
23 shown in the early years by the study do not and cannot
24 exist because the markets are just not the same.

25 Now, based on that, we think that as the

1 Commission hears the evidence and reviews the record, it
2 will see that there will be no evidence, no credible
3 evidence regarding participation in SPP. The only
4 evidence that would be of any merit is whether or not --
5 that goes to whether or not Aquila should be authorized to
6 participate in the Midwest ISO, and of course, that's what
7 this application is about.

8 Now, the City operates a not-for-profit
9 municipally owned and operated electric system. It has no
10 pecuniary interest in the case other than to maintain
11 service to its customers reliably and at the lowest cost
12 it reasonably can. It has nothing else to gain, nothing
13 else to lose. Competition is about options.

14 The City supports Aquila's participation in
15 the Midwest ISO because the City believes that that will
16 increase options for Aquila and hence its customers as
17 well as for the City and its customers.

18 Expanded options increase the markets or
19 suppliers and buyers that anybody participating in those
20 areas can access. More options leads to more competition.
21 More competition generally leads to lower cost, and that's
22 what the City's interest is.

23 The city presented the witness -- I'm
24 sorry, the testimony of two witnesses. The first is
25 Mr. Paul Mahlberg. He is employed by the City, and he's

1 very involved in running the City's electric system. His
2 testimony sets forth some basic background about the
3 City's electric system and basically expresses why the
4 City favors or supports Aquila's application to
5 participate in the Midwest ISO.

6 The City's second witness is Mr. Mark
7 Volpe, an independent consultant, and he goes into further
8 detail as to the differential of the markets between SPP
9 and Midwest ISO and why, as I said earlier, it simply is
10 not possible at this point in time for Aquila to
11 experience the benefits that the study claims it would
12 benefit if it participated in Midwest ISO for the
13 fundamental reasons that they don't have the same markets.

14 He does not go into the same level of
15 complexity that the Midwest ISO witnesses did regarding
16 different aspects of the study methodology, but he does
17 give a fairly extended explanation of many of the
18 differences and a rough estimate of the cost differential
19 as compared to what the study itself shows.

20 So the City urges the Commission to give
21 consideration to Aquila's application to join the Midwest
22 ISO and to act favorably on it.

23 JUDGE WOODRUFF: Thank you, Mr. Robbins.
24 For Staff?

25 MR. WILLIAMS: May it please the

1 Commission? My name is Nathan Williams, and I'm
2 representing the Staff in this proceeding.

3 The standard of review in this case is not
4 detrimental to the public interest. It is the Staff's
5 position that in applying that standard in this case and
6 evaluating Aquila's application for authority to transfer
7 operational control of its transmission system to the
8 Midwest Independent Transmission System Operator, the
9 Commission must take a long-term view and consider all the
10 factors before it, including the opportunity costs of
11 granting the application.

12 The evidence in this case will show that it
13 is economically beneficial for Aquila to join either the
14 Midwest ISO or the Southwest Power Pool. However, the
15 evidence in this case will be that for the long-term --
16 will be that the long-term economic benefits from Aquila
17 joining SPP exceed the long-term benefits from Aquila
18 joining MISO.

19 This is driven largely by the greater
20 number of tie lines Aquila has with SPP relative to MISO
21 as shown on Schedule 2 of the rebuttal testimony of Staff
22 witness Dr. Michael S. Proctor. Therefore, it is the
23 Staff's position the Commission should deny Aquila's
24 application in this case.

25 However, if the Commission decides to grant

1 Aquila's application and authorize Aquila to join the
2 Midwest ISO, it is the Staff's position the Commission
3 should condition that authorization so that the actual
4 benefits of Aquila joining the Midwest ISO are known
5 before any final approval is given.

6 The Staff's witness in this case is
7 Dr. Michael S. Proctor who has been employed by the
8 Commission for over 30 years and who has extensive
9 experience with regional transmission organizations such
10 as the Midwest ISO and SPP. I encourage you to take
11 advantage of his knowledge and experience in this
12 proceeding when he appears before you to testify.

13 JUDGE WOODRUFF: Thank you, Mr. Williams.
14 Public Counsel?

15 MR. MILLS: Good morning. May it please
16 the Commission? My opening statement will be quite brief.
17 We have a lot to cover, as Mr. Boudreau and Mr. Comley
18 both noted. Public Counsel takes a position that's fairly
19 close to what the Staff has. We believe at this time the
20 Commission should not approve this transaction, in fact
21 should deny it.

22 Mr. Boudreau and Mr. Comley in their
23 opening statements urged you to ignore what they
24 considered to be extraneous factors such as the proposed
25 GPE acquisition of Aquila, AmerenUE's continued

1 participation in MISO, greater benefits to Aquila's
2 participation in SPP and in MISO.

3 Public Counsel doesn't believe that you can
4 or should ignore those so-called extraneous factors. The
5 parties in this case have all, I believe, unanimously
6 agreed that the appropriate standard is the not
7 detrimental standard. And the reason for that is because
8 this transaction is most closely analogous to a
9 disposition of property or a merger.

10 And in those types of cases, and
11 particularly after the St. Joe Light & Power case that AGP
12 appealed, the courts have said that you have to look at
13 all these factors. You can't simply defer and find out
14 later whether or not they -- they may shift the not
15 detrimental balance.

16 And in this case, the kinds of things we're
17 talking about having you look at are not nebulous events
18 in the far off future. The -- the GPE acquisition of
19 Aquila is set for hearing in just a week or two. The
20 question of whether participation in the Midwest ISO may
21 be available on different terms after Module F is not
22 something that's going to happen years from now. It will
23 happen relatively quickly.

24 So all of these things need to be taken
25 into account because they can and probably will shift the

1 balance between detrimental and nondetrimental and the
2 Commission needs to consider them, and I believe that
3 having considered them, the Commission will come to the
4 conclusion at this time it is detrimental to have Aquila
5 join the MISO as proposed in this case. Thank you.

6 JUDGE WOODRUFF: Thank you, Mr. Mills. For
7 Dogwood Energy?

8 MR. LUMLEY: Good morning. Carl Lumley
9 representing Dogwood Energy. Dogwood opposes Aquila's
10 application for authority to transfer control of certain
11 transmission assets to the Midwest ISO. In support of its
12 position, Dogwood presents the testimonies of Mr. Robert
13 Janssen and Dr. Jonathan Lesser. Mr. Janssen is vice
14 president of Kelson Energy, which owns Dogwood. Dogwood
15 in turn owns the 600 megawatt combined cycle generating
16 facility that's located in Aquila's MPS service territory
17 in Pleasant Hill, Missouri. This facility was formerly
18 owned by Calpine and known as Aries, and you'll see the
19 names kind of go back and forth a little bit in the
20 testimony, but it's the same facility. Dogwood acquired
21 it at the end of 2006.

22 Mr. Janssen's also the president of Red Bud
23 Energy, another Kelson subsidiary with a 1200 megawatt
24 combined cycle generating facility in Oklahoma.
25 His responsibilities include the operation of the Red Bud

1 facility, active representation of Kelson at the SPP RTO,
2 as well as state and federal regulatory agencies, power
3 market development and NERC for 4,000 megawatts of
4 Kelson's generating capacity in the United States,
5 including the Dogwood facility here in Missouri.

6 And specifically his responsibilities
7 include coordinating Dogwood's participation in SPP's
8 electricity markets. His rebuttal testimony describes his
9 background and 13 years of experience in the industry.
10 Mr. Janssen explains that Aquila and KCP&L are potential
11 customers of Dogwood's generating capacity. He shows that
12 the facility will move with Aquila's transmission
13 facilities into whichever RTO Aquila belongs to. He
14 demonstrates that Dogwood's interests are aligned with
15 those of Aquila and its customers in ensuring robust
16 access to both transmission and power supplies in the
17 region.

18 Dogwood benefits from Aquila's transmission
19 facilities being operated in the most efficient manner
20 possible, which is under the SPP RTO. He's also testified
21 in the pending case regarding the proposed merger between
22 GPE and Aquila, and therein he recommends that the
23 Commission condition any approval of that merger on
24 requiring Aquila to join SPP, along with GPE subsidiary
25 KCPL, and to require those two entities to consolidate

1 their balancing authority areas. It explains further that
2 Dogwood opposes the application in this case regardless of
3 the outcome of the pending merger case.

4 Now, together with other witnesses,
5 Mr. Janssen gives the Commission background in terms of
6 the many benefits that Aquila could obtain from membership
7 in any RTO, but then he goes into detail and confirms that
8 Aquila's currently in the transmission footprint of SPP
9 and that all point-to-point service requests are processed
10 through SPP.

11 Aquila receives many services from SPP,
12 such as tariff administration, OASIS administration,
13 available transmission capacity and total transmission
14 capacity calculation, scheduling agent, and regional
15 transmission planning. In contrast, Aquila only obtains
16 security coordination from MISO.

17 Dogwood also will present the surrebuttal
18 testimony of Dr. Jonathan Lesser, an economist and member
19 of the Bates White energy practice. He has 25 years of
20 experience in the energy industry, including RTO design
21 and operation. His testimony describes the scope and
22 extent of his expertise and has many testimonies, reports
23 and publications. Dr. Lesser has significant expertise
24 regarding cost/benefit analysis, and he provides the
25 Commission with a background regarding those types of

1 considerations that the Commission can use when it looks
2 and compares the various analyses provided by the other
3 witnesses.

4 In their testimonies, Mr. Janssen and
5 Dr. Lesser explain why Aquila's proposal to transfer
6 control of transmission assets to MISO would be
7 detrimental to the public interest and should be rejected.
8 Dogwood's evidence together with that submitted by other
9 parties that oppose the application demonstrates in this
10 case the benefits of SPP membership are so substantial
11 that the Commission should not approve the application.

12 Aquila is deeply involved with SPP already,
13 and the evidence shows it would be a significant move
14 backwards for Aquila to sever its ties with SPP and move
15 instead to MISO. The resulting detriment compels
16 rejection of the application.

17 Regarding the specific issues that have
18 been presented by the parties to the Commission, the first
19 issue addresses the appropriate standard, and as Mr. Mills
20 indicated, the parties are in agreement it's not the
21 detrimental to the public interest. And not selecting the
22 alternative providing the greatest expected benefit is
23 detrimental to the public interest.

24 In addition to the reasons identified by
25 other parties in its testimony, Dogwood shows that the

1 Commission should reject Aquila's application for the
2 following reasons: First, Aquila's already substantially
3 involved with SPP. It obtains many services because of
4 it's beneficial and less costly to do so. Second, Aquila
5 only obtains security coordination from MISO.

6 Third, SPP will afford Aquila the full
7 benefits of RTO membership. Contrary to the testimony of
8 MISO witnesses and Independence's witnesses, SPP operates
9 a real-time energy market that's substantially similar to
10 other RTOs and provides region-wide security constraint
11 economic dispatch for all generating facilities within its
12 footprint.

13 SPP also plans to implement day-ahead and
14 ancillary services markets. The short-term absence of
15 these features should not be a defining consideration
16 given the long-term benefits of SPP membership.

17 Fourth, Aquila is heavily interconnected
18 with SPP members with total tie line capacity more than
19 five times as large as connections with MISO members.
20 This greater interconnectivity with SPP members is the
21 primary driver for the substantially greater net benefits
22 of what SPP membership identified in the CRA cost/benefit
23 analysis that Aquila submitted with its application.

24 I would note that Mr. Janssen's testimony
25 shows that there's no basis for MISO's assertions that the

1 CRA study overstates the benefits of SPP membership based
2 on the generating output of Dogwood's facility. Mr.
3 Pfeifenberger failed to take into account significant
4 lengthy interruptions in the output of that facility from
5 2005 to early 2007 in his analysis.

6 Mr. Janssen's testimony also shows that
7 SPP's administrative costs are and will remain less than
8 MISO's, contrary to these witnesses' statements. And
9 Dr. Lesser explains that the CRA study properly includes
10 those uplift costs that Mr. Comley mentioned in his
11 opening.

12 The fifth reason is that Aquila would incur
13 costs in the neighborhood of \$4 million to terminate its
14 relationship with SPP.

15 Sixth, full membership in SPP will ensure
16 more efficient transmission operations and robust access
17 to transmission and power supplies in the region in which
18 Aquila operates, thereby reducing costs. In contrast,
19 membership in MISO would result in substantial cost
20 impediment such as wheeling charges and increased control
21 area generation displacement expenses.

22 And again, as an aside, Mr. Janssen
23 explains in his testimony, there was an effort to say,
24 well, the MISO geography is so much larger than SPP that
25 it's got to be more beneficial, but he explains that the

1 transmission constraints involved prohibit Aquila or would
2 prohibit it from enjoying anything like that. So the
3 sizes don't matter. It's the interconnections that are
4 key. And you see that in the testimony, not only from
5 Dogwood, but from Staff and the Public Counsel.

6 The seventh reason is that the risks
7 associated with steam issues will be substantially less if
8 Aquila becomes a full member of SPP.

9 Eighth, Aquila membership in MISO would
10 impose substantial risks due to lack of transmission
11 interconnectivity, and those risks would increase if
12 AmerenUE were to withdraw from MISO because Aquila would
13 then be islanded, and MISO would most likely not be able
14 to efficiently or effectively operate an energy market
15 within Aquila under any conditions.

16 Ninth, Aquila membership in MISO could lead
17 to higher production costs.

18 Tenth, the proposed acquisition of Aquila
19 by KCP&L's parent would make SPP membership even more
20 beneficial given KCPL's current SPP membership. Many of
21 the identified merger synergies could only be achieved if
22 the two companies were members of the same RTO.
23 Transmission seam issues would be avoided, produce
24 flowgates, simplify management and increase flexibility.
25 Costs would be reduced, and consistency between the

1 companies would be maintained.

2 Eleventh, Aquila has already met its stale
3 commitments to MISO by making and presenting this
4 application. The inefficiencies causing some delays that
5 would be involved in severing its current ties with SPP to
6 join MISO would be substantial and would increase further
7 if Aquila then left MISO and came back to SPP once it's
8 met these contractual obligations.

9 Twelfth and finally, overall, based on the
10 foregoing factors, ratepayers would face higher rates and
11 greater risks if Aquila were allowed to join MISO rather
12 than solidify its current relationship with SPP.

13 As Mr. Williams indicated, another issue
14 presented in the case is, notwithstanding the opposition,
15 if the Commission were to approve the application, are the
16 conditions that should be imposed on that decision, and
17 Dogwood supports the following three conditions in
18 addition to those proposed by Staff.

19 First, require MISO to enter in a seams
20 agreement with AECI that adequately addresses congestion
21 management and parallel power flows over the AECI system
22 between Aquila and MISO, including reciprocal coordination
23 of flowgates.

24 Second, require MISO to enhance its seams
25 agreement with SPP to include a market-to-market

1 interregional coordination process, or an ICP, that
2 includes provisions for efficient and effective congestion
3 management across the SPP/MISO seam, which would allow
4 congestion to be solved with the lowest cost resource
5 regardless of the RTO in which it's located.

6 And third, require MISO to investigate and
7 report back to this Commission regarding the potential for
8 incorporating the market-based congestion management
9 efficiencies into the MISO AECI seams agreement within a
10 year of the decision.

11 And again, Dogwood views those three
12 conditions as critical in the event the Commission deems
13 it appropriate to approve the application. We submit that
14 a bottom -- full membership in SPP would still result in
15 substantially better congestion management and overall net
16 public benefits.

17 Even with the three conditions and the
18 others discussed by Staff, Aquila membership in MISO would
19 impose substantial risks due to lack of transmission
20 interconnectivity. That's the key. And those risks would
21 only increase if Ameren were to withdraw an island Aquila
22 within MISO.

23 On Issue 4, the question is whether the
24 Commission should make this comparison between MISO
25 membership and SPP membership, and obviously Dogwood says,

1 yes, you should, and it's a critical relevant factor for
2 the Commission to think what are the alternatives.

3 Issue 5 presents the Commission a variety
4 of relevant factors and, as Mr. Mills indicated, the law
5 does require the Commission to consider all relevant
6 factors in making such an important decision. The
7 Commission certainly should consider the CRA study on its
8 face to show substantially greater net benefits, and even
9 with any criticism, the best point to say or the worst,
10 however you look at it, is that it's not conclusive.

11 The Commission should also consider all the
12 other cost/benefit analyses presented by other parties,
13 and it should consider cost and benefits that aren't
14 included in any particular study. The Commission should
15 be looking at all relevant factors, and when it does so,
16 the conclusion should be that SPC -- SPP membership is so
17 much better that the Commission cannot allow Aquila to
18 join MISO and foreclose that alternative.

19 The Commission should take into account the
20 disparity between the current extensive relationship
21 between Aquila and SPP and the very minimal one that
22 Aquila has with MISO.

23 The Commission should consider accurate
24 descriptions of the electricity markets between the two
25 RTOs. The Commission should definitely consider the

1 proposed acquisition of Aquila by GPE, which would only
2 make SPP membership all the more beneficial to the public.
3 The Commission should consider the potential
4 discontinuance of AmerenUE's membership in MISO, which
5 would make that membership all the more detrimental to the
6 public interest if Aquila were to join.

7 But the Commission should not consider
8 Aquila's contractual obligation to file and support this
9 application. It has nothing to do with the Commission's
10 jurisdiction, and Aquila has met that stale commitment by
11 presenting the case.

12 Dogwood does not take a position on Issue
13 No. 6 in this case. In conclusion, I would note trading
14 patterns and transmission interconnectivity show that SPP
15 is the more natural and appropriate market for Aquila.
16 Potential changes regarding the proposed merger and
17 AmerenUE's involvement with MISO only make SPP membership
18 with Aquila all the more beneficial to the public. For
19 all these reasons the Commission should deny the
20 application. Thank you.

21 JUDGE WOODRUFF: Thank you.

22 CHAIRMAN DAVIS: Judge, can I inquire of
23 Mr. Lumley?

24 JUDGE WOODRUFF: Go right ahead.

25 CHAIRMAN DAVIS: Mr. Lumley, just a couple

1 of questions. You made many points, but let me see if I
2 can't paraphrase this and you tell me if I'm right or
3 wrong. Do you think it is a violation of the not
4 detrimental to the public interest standard just by the
5 fact that Aquila was not free to negotiate with whatever
6 RTO they choose to negotiate with -- with whatever RTO
7 they choose to negotiate with?

8 MR. LUMLEY: I would -- I would not say
9 that that fact alone makes it a yes or no answer, but I
10 think it should cause the Commission to look carefully at
11 whether the information presented by the applicant, you
12 know, is weighed too heavily to one side and is not as
13 objective as the Commission deserves in this kind of an
14 important case. Has Aquila been able -- has it been free
15 to really tell you what it thinks is best or has its hands
16 been tied? Does that answer your question?

17 CHAIRMAN DAVIS: I think so. And is it --
18 is it your position that the -- because Aquila's hands
19 have, quote, been tied, that that may not necessarily be
20 in the public interest?

21 MR. LUMLEY: Well, I certainly can see how
22 it would cause the Commission concern. I don't know that
23 you can translate that into it being a yes or no answer on
24 the case.

25 CHAIRMAN DAVIS: All right. And let me --

1 going back to the proposed conditions that you offered, do
2 you think it's really feasible to attempt to bind these
3 parties in this case, to make an agreement with AECI who
4 is not a party in this case?

5 MR. LUMLEY: I would agree with you that if
6 the Commission were to say, you know, our condition is you
7 must have an agreement, that sort of gives the nonparty
8 inappropriate upper hand in the negotiations perhaps
9 because now they sort of have a monopoly on the agreement.

10 I think the Commission could have a
11 condition that says, if you-all can't reach a reasonable
12 agreement with AECI, you need to come back to us because
13 we have to look at this again. That's how I would
14 approach that, if you're in the area of imposing
15 conditions.

16 CHAIRMAN DAVIS: Is it -- is it your
17 position that it would be just cleaner and the public
18 interest just to reject the agreement?

19 MR. LUMLEY: The application, yes, sir.

20 CHAIRMAN DAVIS: Thank you, Mr. Lumley.

21 MR. LUMLEY: Thank you.

22 JUDGE WOODRUFF: And for Southwest Power
23 Pool?

24 MR. LINTON: May I approach the Bench?

25 JUDGE WOODRUFF: You certainly may.

1 MR. LINTON: Good morning. May it please
2 the Commission? My name is David Linton, and I'm here on
3 behalf of Southwest Power Pool. SPP is a regional
4 transmission organization approved by the Federal Energy
5 Regulatory Commission to provide transmission service
6 pursuant to an open access transmission tariff.

7 Currently SPP's members serve more than
8 4.5 million customers in a 2 -- or 255,000 square mile
9 area covering all or parts of Missouri, Arkansas, Kansas,
10 Oklahoma, Louisiana, Mississippi, New Mexico and Texas.
11 SPP members include investor-owned utilities, municipal
12 systems, generation and transmission cooperatives, state
13 authorities, independent power producers, power marketers,
14 a contract participant and independent transmission
15 companies.

16 My primary purpose in my opening statement
17 this morning is to give you a few significant dates,
18 basically a timeline if you will, in order to give the
19 Commission a context in which to place the commitments
20 made by Aquila, which are the reason for this application.
21 I believe the dates tell a story that explain why the
22 commitments made by Aquila have become stale and caused
23 the proposed transaction to be detrimental to the public
24 interest.

25 You have already heard and will hear again

1 from Staff and other parties those factors which make the
2 proposed transaction of transfer of functional control of
3 Aquila's transmission facilities to the Midwest ISO
4 detrimental to the public interest. These are important
5 factors that the Commission will no doubt need to consider
6 in its final decision.

7 My purpose here is simply to give an
8 historical context. So here's some dates: SPP has been
9 in existence since 1941. Its heritage is helping its
10 members work together to keep the lights on today and in
11 the future. In the very early days, SPP was a member-run
12 organization dedicated to the reliability of the
13 interconnected system in the southwest. That role is
14 highlighted by its becoming, in 1968, one of 12 regional
15 reliability councils of the North American Power Systems
16 Interconnection Committee, now known as NERC.

17 For these reasons, SPP has a long
18 institutional commitment to reliability of the
19 transmission system of its members. Missouri Public
20 Service Company and St. Joe Light & Power Company, both
21 predecessors of Aquila, have been members of SPP since
22 1951 and 1958 respectively.

23 In many respects this case will be charted
24 back to July 26 of the year 2000 when the FERC approved
25 the merger of St. Joe and MoPub, referred to jointly as

1 UtiliCorp. The FERC relied upon their commitments to join
2 the RTO in its approval of the merger. While recognizing
3 their commitment to join an RTO, the FERC also recognized
4 UtiliCorp's desire to remain flexible.

5 I quote from that July 26th Order, and I --
6 you should also note that the FERC relied heavily and
7 quoted heavily from the application in that case. And I
8 quote, the application notes that, among other reasons,
9 applicants have choice related to their RTO to join,
10 Midwest ISO, MAP or SPP. Given the changing landscape in
11 their region, applicants request that the Commission
12 afford them the flexibility to allow these various RTO
13 options to become better defined before the applicants
14 make a commitment. Applicants say that there is likely to
15 be significant changes in the structure and configuration
16 of the regional transmission entities in its area.

17 In addition, applicants state that
18 naturally it has always been UtiliCorp's expectation that
19 it will join an RTO in its own region, and with the
20 issuance of Order No. 2000 in December 1999 there is now a
21 definite time frame within which that decision will be
22 made. and furthermore, applicants also state that they
23 have no objection to becoming -- of being required to join
24 a regional transmission organization, meeting the criteria
25 of Order No. 2000 as a condition of approval of their

1 mergers, but request that they be given the same latitude
2 afforded to all other public utilities under the Order
3 regarding the timing of their statement of intention with
4 respect to the specific RTO they intend to join.

5 The FERC went on to conclude that we accept
6 applicant's commitment to join an RTO consistent with the
7 requirements of Order No. 2000 and rely on it in approving
8 these mergers. Accordingly, applicants must make a filing
9 on or before October 15th of the year 2000 as required
10 under Order No. 2000 in which applicants, as they have
11 indicated, will propose to transfer operational control of
12 their transmission facilities to a commission-approved RTO
13 on or before December 15th, 2001. The citation to that
14 Order is 92 FERC 61067.

15 It is important to note three things
16 regarding the statement of the Commission in its Order.
17 First, UtiliCorp expected to join an RTO; second, it
18 wanted to join an RTO within its region; and third, it
19 desired to wait until the circumstances became better
20 defined.

21 You will note that on July 12, 2001, FERC
22 rejected SPP's application to become an RTO. It appears
23 at that point the circumstances become better defined.
24 Only four days later UtiliCorp signed its agreement to
25 join the Midwest ISO. The circumstances continue to be

1 better defined when on March 4, 2002, in response to FERC
2 orders rejecting SPP's application to become an RTO, SPP
3 and the Midwest ISO entered into a purchase and assumption
4 agreement. Under that agreement, the Midwest ISO would
5 purchase all of the assets and assume all of the
6 obligations of the SPP. FERC even directed the two
7 companies to develop a resulting company tariff.

8 However, it became apparent that the merger
9 of the two parties would not proceed, and on March 20th,
10 2003, the boards of directors of both parties voted to
11 terminate the agreement. What had appeared to be a
12 movement toward consolidation of the SPP region into the
13 Midwest ISO was now no longer to be. And what had
14 appeared to be a movement towards consolidation was no
15 longer to be.

16 Rather than becoming better defined, the
17 circumstances became less defined. On May 7th, 2003,
18 Aquila and the Midwest ISO filed a Settlement Agreement in
19 a case to remedy a condition in the Midwest ISO OATT that
20 Aquila believed to be unreasonable. The state settlement
21 called for Aquila to file an application once again to
22 this Commission for authority to transfer functional
23 control in its transmission facilities to the Midwest ISO.

24 That Settlement Agreement was approved by
25 letter order July 10, 2003. However, on October -- in

1 October of 2004, the circumstances once again became
2 better defined. However, this time the circumstances were
3 different. SPP was granted approval by the FERC to become
4 an RTO. Those circumstances become still better defined
5 when on June 13th, 2006, this Commission granted Empire
6 District Electric Company and Kansas City Power & Light
7 authority to transfer functional control of their
8 transmission facilities to SPP.

9 Circumstances as they exist today, although
10 better defined, are significantly different than they were
11 at the time UtiliCorp agreed to join the Midwest ISO.
12 Compelled by an Order of the FERC to meet a deadline of
13 December 15th, 2001, UtiliCorp's decision to join the
14 Midwest ISO was made under circumstances which -- in which
15 SPP in large measure, if not in total, would become part
16 of the Midwest ISO. Under those circumstances, the
17 transmission system infrastructure that had been
18 coordinated by one entity, SPP, would be functionally
19 controlled by one entity, Midwest ISO.

20 That now is no longer the situation. Under
21 the circumstances as exists today, the system
22 infrastructure that has been coordinated by one entity,
23 SPP, will be functionally controlled by two entities, SPP
24 and the Midwest ISO, if the Commission approves this
25 application.

5 JUDGE WOODRUFF: Thank you, Mr. Linton.
6 For KCPL.

9 JUDGE WOODRUFF: Thank you. For AmerenUE?

18 JUDGE WOODRUFF: Thank you. That concludes
19 all the opening statements, then, and we'll go ahead and
20 proceed with our first witness, which I believe is the
21 witness for Aquila.

23 (EXHIBIT NOS. 1, 2 AND 3 WERE MARKED FOR
24 IDENTIFICATION BY THE REPORTER.)

1 reminding me exactly what the exhibit numbers are going to
2 be for the testimony?

3 MR. BOUDREAU: I would be glad to do that.
4 Aquila's exhibit numbers -- Aquila's exhibit numbers for
5 Mr. Odell, his direct testimony is Exhibit No. 1,
6 surrebuttal testimony is Exhibit No. 2, and when
7 Mr. Luciani takes the stand, his surrebuttal testimony
8 will be Exhibit No. 3.

9 JUDGE WOODRUFF: You may proceed.

10 DENNIS ODELL testified as follows:

11 DIRECT EXAMINATION BY MR. BOUDREAU:

12 Q. Would you state your name for the record,
13 please, sir.

14 A. My name is Dennis Odell.

15 Q. Can you tell the Commission by whom you're
16 employed and in what capacity?

17 A. I'm employed by Aquila, Inc., as a Senior
18 Director of Business Planning for the Missouri
19 transmission and distribution business.

20 Q. Are you the same Dennis Odell that caused
21 to be filed prepared direct and surrebuttal testimony
22 that's been filed in this case and marked for
23 identification as Exhibits 1 and 2 respectively?

24 A. Yes, I am.

25 Q. Was that testimony prepared by you or under

1 your direct supervision?

2 A. Yes, it was.

3 Q. Would you like to make any corrections to
4 either of those items of testimony at this time?

5 A. No, I would not.

6 Q. If I were to ask you the same questions as
7 are contained in those two items of testimony, would your
8 answers today be substantially the same?

9 A. Yes, they would.

10 Q. And are they true and correct to the best
11 of your information, knowledge and belief?

12 A. They are.

13 MR. BOUDREAU: With that, I will offer
14 Exhibits 1 and 2 into the record and tender Mr. Odell for
15 cross-examination.

16 JUDGE WOODRUFF: All right. Exhibits 1 and
17 2 have been offered into evidence, are there any
18 objections to their receipt?

19 (No response.)

20 JUDGE WOODRUFF: Hearing none, they will be
21 received.

22 (EXHIBIT NOS. 1 AND 2 WERE RECEIVED INTO
23 EVIDENCE.)

24 JUDGE WOODRUFF: And for cross-examination,
25 we begin with MISO.

1 CROSS-EXAMINATION BY MR. COMLEY:

2 Q. Good morning, Mr. Odell.

3 A. Good morning.

4 Q. I realize that Aquila's interests and
5 MISO's interests, Midwest ISO's interests are pretty much
6 the same in this proceeding, but I do have a few
7 clarifying questions which I think would be helpful as the
8 cross-examination unfold for the parties, but one
9 housekeeping question for you.

10 You will recollect that Aquila disclosed
11 some information to Mr. Pfeifenberger that went into one
12 of his highly confidential schedules. It would be JPP-7.
13 And I was going to ask you whether you knew whether the
14 data that was used for that highly confidential disclosure
15 has now been in the public's domain? My understanding is
16 that it was data that was going to be on your FERC Form 1
17 filing.

18 A. Yes, it was going to be. I did not check
19 to see if that Form 1 had actually been filed or not.

20 Q. Is there a way at some point during the
21 proceeding we can find that out? That would kind of
22 eliminate an issue about how to characterize
23 Mr. Pfeifenberger's testimony.

24 A. Yes, we can find that out.

25 Q. I've got a few questions related to the

1 Dogwood Energy plant or the Dogwood plant as it's been
2 referred to. Let me ask you generally, are you familiar
3 with the Dogwood plant and Aquila's relationship with that
4 plant?

5 A. Generally, yes.

6 Q. In connection with your testimony today,
7 did you review Mr. Janssen's testimony, the witness for
8 Dogwood?

9 A. Yes, I did.

10 Q. I have a few questions that will be based
11 upon what you have in general knowledge about that plant.
12 Am I right that Dogwood does not have a contract -- I take
13 it back.

14 Am I right that Aquila does not have a
15 contract to purchase power from Dogwood at this time?

16 A. That is correct.

17 Q. Would it be correct to say that you are not
18 negotiating a contract with Dogwood to purchase power at
19 this time?

20 A. I am not the one that would be responsible
21 for negotiating a contract. I'm not aware that one is
22 being negotiated, but I wouldn't necessarily be aware.

23 Q. You wouldn't necessarily be aware. Would
24 part of the procedures be, though, that you in your
25 position, would you learn as the business manager that

1 there were negotiations under way with Dogwood for power
2 purchases?

3 A. Perhaps I would. It's not necessary. We
4 have a different group that's responsible for securing the
5 energy for our -- for our load. So that group would, you
6 know, would be responsible for any such negotiations.
7 It's likely that they would make me aware of such a thing,
8 but I can't promise that.

9 Q. Do you have any ultimate approval over the
10 negotiations and what would be an approved contract with
11 Dogwood?

12 A. No, I do not.

13 Q. Let me ask you this question: Would it be
14 true that Aquila does not rely on the Dogwood plant for
15 load serving or for reliability reasons?

16 A. Yes, that's correct.

17 Q. Is it fair to say that in the usual case,
18 Aquila would purchase only economy power from Dogwood at
19 the market price?

20 A. Yes, that would be correct.

21 Q. You've been at Aquila long enough to
22 remember that there was a contract with the Dogwood plant,
23 then the Aries plant?

24 A. Correct.

25 Q. There was a contract there. Would it be

1 your memory that Aquila did not buy power in significant
2 amounts from the Dogwood plant during the winter months,
3 January, February and November and December?

4 A. Of what period?

5 Q. I'll say the period between 2002 and 2007.

6 A. My recollection is that we had a contract
7 with that facility, it was called Aries at the time, that
8 was 500 megawatts in the summer and I believe 200
9 megawatts in the winter. So I don't know that I would
10 agree with that statement.

11 Q. Have you seen actual usage data for those
12 years?

13 A. I may have at some point, but I don't
14 recall.

15 Q. I need to get a Data Request response.

16 MR. COMLEY: Your Honor, I'd like to show
17 Mr. Odell a response to a Data Request.

18 JUDGE WOODRUFF: Go ahead.

19 BY MR. COMLEY:

20 Q. Mr. Odell, I'm going to state that I have
21 in front of you the Aquila response to MISO Data Request
22 0001. Are you acquainted at all with that response?

23 A. Yes, I am.

24 Q. And we would tell the Commission that this
25 is a highly confidential response, but I'm going to try to

1 stay away from anything that would be highly confidential.

2 Looking at the attachment of -- behind the
3 cover page of the response, am I correct that the report
4 behind the response shows the degree to which Aquila
5 purchased power from the Dogwood plant during a series of
6 years? And you'll have to tell me, do you know which
7 years it shows?

8 A. It shows years 2001 through 2007.

9 Q. Would you take a moment to review the
10 nature of the purchases that Aquila made from the Dogwood
11 plant during the course of the winter months that I've
12 identified, January, February, November and December?

13 A. Okay.

14 Q. Let me ask the question again. Having
15 refreshed yourself with respect to the answer to that Data
16 Request, would it be a fair statement that there were a
17 number of years that Aquila purchased insignificant
18 amounts of power from Dogwood during the winter months?

19 A. During -- I don't know how you would define
20 insignificant, but during -- during the period of time
21 from 2001 through mid 2005, which is, I believe, when the
22 contract expired, there were purchases during those
23 months. They were certainly not at the same level as what
24 you would see in the summertime, but --

25 Q. How would they compare? How would they

1 compare to those in the summertime?

2 A. Oh, that would depend on what year you
3 wanted to look at, I suppose.

4 Q. Take a look at 2002.

5 A. In 2002, you know, I could do the math, I
6 suppose, but certainly they are far smaller than summer.
7 I don't know if you want a more precise answer than that.

8 Q. May I approach, please? For illustration,
9 can you look at the year 2001 and tell me the difference
10 between what was purchased in the winter months versus the
11 summer months?

12 A. There were no purchases in January and
13 February of 2001. I'm not certain whether the facility
14 was up and running yet at that point. I don't recall when
15 it came online. In November and December, the purchases
16 were roughly -- over those two months, roughly 13,000
17 megawatt hours.

18 Q. And in the summer months we're talking
19 about hundreds of thousands of megawatt hours; would that
20 be a fair statement?

21 A. Not in 2001, but in subsequent years, there
22 were certainly months that exceeded 100,000, yes.

23 Q. Thank you. We'll go on to some other
24 questions. Is it a true statement that Aquila's customers
25 consume on an annual basis more power than Aquila

1 generates?

2 A. Yes, that is true right now.

3 Q. And that would make Aquila a net purchaser
4 of power; is that correct?

5 A. That is correct.

6 Q. And Aquila purchases power from SPP at this
7 time; is that correct?

8 A. From entities within the SPP footprint,
9 yes.

10 Q. And also within the Midwest ISO footprint?

11 A. That is correct.

12 Q. Do you have your surrebuttal in front of
13 you?

14 A. I do.

15 Q. Let's turn to page 8. Let me direct you to
16 line 6 and 7.

17 A. Okay.

18 Q. As I have it there, you mentioned that the
19 modeling techniques and simulations performed for the CRA
20 study, which is attached to your testimony, are commonly
21 used and consistent with studies that have been used in
22 other cases before the Commission. Is that a fair reading
23 of your testimony there?

24 A. Generally consistent, I said.

25 Q. Is it -- it's true, isn't it, that other

1 studies besides the CRA study have been done to determine
2 the benefits Aquila might experience by joining an RTO; is
3 that correct?

4 A. Yes. There have been in the past various
5 studies performed.

6 Q. And those other studies, is it fair to say
7 that the modeling techniques they used were very much like
8 the modeling technique used in the CRA study?

9 A. I believe that that would be a generally
10 true statement, yes.

11 Q. Do you know -- are you aware of a study
12 that was done in 2005 in connection with the benefits
13 Aquila might experience by joining Midwest ISO?

14 A. I'm generally aware of it, yes. I reviewed
15 it quite some time ago.

16 MR. COMLEY: May I approach?

17 JUDGE WOODRUFF: You may.

18 BY MR. COMLEY:

19 Q. As a foundation question, Mr. Odell, did
20 you participate in a response to a Data Request from the
21 City of Independence about whether studies like this had
22 been done in the past?

23 A. Yes. There was -- I do recall a Data
24 Request that asked for other studies, and I believe we
25 produced two.

1 Q. And I've given you a copy of one of the
2 responses to that Data Request. Do you recognize the
3 document?

4 A. Yes. This appears to be one of those two
5 studies.

6 Q. And which study was that? Can you identify
7 it for us, please?

8 A. Well, it's titled Cost/Benefit Analysis of
9 the Participation in Regional Transmission Organizations
10 By the Missouri Operating Companies of Aquila, prepared
11 for the Midwest Independent Transmission System Operator.

12 Q. And it was prepared for Midwest ISO or that
13 was clear?

14 A. Yes, that's what it says.

15 Q. Do you know who the study was prepared by?

16 A. It was prepared, according to this, by
17 Science Applications International Corporation.

18 Q. Do you know what model was used in
19 connection with that study?

20 A. I don't recall.

21 Q. By looking at the document, could you find
22 out?

23 A. I probably could.

24 Q. All right.

25 A. It indicates that the PROMOD IV Model was

1 used in the analysis.

2 Q. Now, look on page 4 of that. There should
3 be a table at the top.

4 A. Yes.

5 Q. Are you -- are you familiar with the
6 results of the table?

7 A. I am.

8 Q. And is it true that the model indicates
9 that by joining MISO, that Aquila would have experienced
10 \$3 million more in benefit than by joining SPP?

11 A. I'm sorry. Say that again, please.

12 Q. Does the table at the -- the results of the
13 study, at the table, does it indicate that Aquila would
14 experience \$3 million more annually in benefit than by
15 joining SPP?

16 A. Well, the table consists of several
17 numbers. There is a number that is described as
18 incremental utility production and purchased power cost
19 net of off-system sales revenue.

20 Q. And in this case, wouldn't that be the same
21 thing as the trade benefits were identified?

22 A. I would -- I don't know the answer to that.
23 It may well be.

24 Q. Let me ask you this: In connection with
25 your understanding of that study, did it affirm that

1 the -- that Aquila would experience more benefit if it
2 joined Midwest ISO than it would SPP?

3 A. Yes, it does reach that conclusion.

4 Q. Is it fair, then, to say that there are
5 studies out there using some similar model base for tools
6 that can reach different conclusions about joining an RTO?

7 A. I would say that -- that at the time that
8 this study was performed, it reached conclusions that
9 you've described. I don't know whether this same study --
10 whether a study like this performed today would reach the
11 same conclusions that this one did or not. I believe this
12 is the study that was used in Aquila's second application
13 when we filed to join MISO, and that docket ultimately was
14 concluded without a finding.

15 Q. Let's take -- the date of this study was
16 October 2005; is that correct?

17 A. That's when the final report was issued,
18 yes.

19 Q. And the study that is attached to your
20 testimony was March of 2007; is that correct?

21 A. That is correct, yes.

22 Q. So it was not quite 24 months between those
23 studies?

24 A. Between the published dates, yes. I'm not
25 sure what period of time this study looked at.

1 Q. I have a few questions about the Dogwood
2 position in this case that -- Mr. Lumley in his opening
3 said that Dogwood and Aquila's interests are in some way
4 aligned, and I want to inquire of you, of -- as I recall,
5 Aquila at one time owned an interest in the Aries plant;
6 is that correct?

7 A. Aquila's merchant business did, yes.

8 Q. And the merchant business has since
9 divested itself of that -- that particular interest in the
10 Aries, now Dogwood plant; is that correct?

11 A. Yes, it is.

12 Q. At this stage, as you look at the situation
13 with Dogwood, are Dogwood's reasons for Aquila joining SPP
14 related more to its financial interests than to your
15 interests in purchasing power at lower cost?

16 A. Well, I would -- I would hesitate to
17 characterize what Dogwood's interests are. I really don't
18 know if I can answer that question.

19 Q. Is there a thought that what's good for
20 Dogwood may not always be good for Aquila?

21 A. Well, I think it's safe to say that we at
22 Aquila don't operate under the assumption that if it's
23 good for Dogwood it's necessarily good for Aquila.
24 That's, you know, we -- we look at what's good for our
25 customers, and if it's good for Dogwood as well, then

1 that's terrific.

2 Q. But that's not your primary concern, is it?

3 A. That is not our primary concern.

4 Q. If Aquila should join SPP, in your
5 experience, would you expect the Dogwood plant would be
6 dispatched at levels much less than the levels at which it
7 is historically dispatched?

8 A. Would you repeat that one more time for me.

9 Q. If Aquila does join SPP, in your
10 experience, would you expect that the Dogwood plant would
11 be dispatched at levels much less than what it
12 historically dispatched?

13 A. No, that would not be my expectation.

14 Q. If Aquila does join SPP, in your
15 experience, would you expect the generation from Aquila's
16 plants to significantly decrease?

17 A. I would expect it to decrease.

18 Q. Would it be significantly so, by over
19 15 percent?

20 A. I -- I believe that the study reflected
21 numbers somewhere in that general range.

22 Q. Would you expect it to decrease by that
23 much, 15 percent?

24 A. Again, I believe that that's generally what
25 the study reflected.

1 Q. It may reflect that, but would that be, in
2 your experience, what you would expect your own plants to
3 do, given the nature of the demand out there right now?

4 A. In terms of meeting the load for Aquila's
5 customers, I believe that the whole point of the study was
6 to determine what the opportunities might be for other
7 facilities to meet part of Aquila's load without the
8 impediments of seams and whatnot. So at this point, I
9 have nothing to go on other than the assumptions that were
10 built into the study and the conclusions that were reached
11 by the study.

12 Q. Do you have the study in front of you?

13 A. I do.

14 Q. Could you go to page 6? I'm doing this
15 somewhat from memory. I failed to bring your testimony
16 with me. On page 6, is there analysis of the degree to
17 which you would expect your plants to stop generation?

18 A. Yes.

19 Q. By what date would your plants generate
20 15 percent less? What year is that?

21 A. That was shown in the first year of the
22 study, 2008.

23 Q. Is that amount to go up as the years
24 progress?

25 A. It does go up, yes.

1 Q. What does the study show with respect to
2 subsequent years, how much would your generation go down?

3 A. By 2012, it was 22 percent, and 2017 was
4 23 percent.

5 Q. Thank you. Finally, on page 7 of your
6 surrebuttal, you comment that Mr. Pfeifenberger has
7 critiqued the CRA study at a technical level that you do
8 not feel qualified to address. Is that a fair reading of
9 your testimony?

10 A. I think that's fair, yes.

11 Q. All right. I take it, then, that you do
12 not consider yourself qualified to dispute the technical
13 flaws that Mr. Pfeifenberger has testified to in his
14 rebuttal and supplemental rebuttal?

15 A. That's correct. That's why we have
16 Mr. Luciani here.

17 MR. COMLEY: I have no other questions.

18 JUDGE WOODRUFF: All right. Then we'll
19 move to Independence.

20 CROSS-EXAMINATION BY MR. ROBBINS:

21 Q. Good morning, Mr. Odell.

22 A. Good morning.

23 Q. Alan Robbins on behalf of City of
24 Independence.

25 A. Hello.

1 Q. Now, in support of your company's
2 application for authorization to join MISO, you, of
3 course, submitted the CRA study, and curiously you
4 submitted a study that shows substantially greater
5 benefits if you join SPP than MISO, correct?

6 A. We did submit the CRA study, yes.

7 Q. And you acknowledge at least according to
8 the study, the study indicates some \$86 million of net
9 benefits if you join SPP as compared to, I guess it's
10 about 21 million for joining MISO, correct?

11 A. That is correct.

12 Q. And on the surface, that would suggest that
13 what you really want to do is join SPP, does it not?

14 A. No. Our application was to join MISO.

15 Q. Since your application is to join MISO, why
16 did you submit a study that -- start at the beginning.
17 Why does it include the SPP portion of the analysis?

18 A. Well, when we -- when we started the
19 process, we -- we knew that there were two -- and I should
20 back up.

21 When we started the process in the late
22 summer or fall of 2006, we recognized that there were two
23 RTOs that we had alternatives to join, SPP and MISO, and
24 we didn't feel that it was prudent to perform a study on
25 just one of those two. Had we done that, we wouldn't --

1 we wouldn't have the information regarding how SPP's
2 stacked up.

3 Q. Well, and then you end up with a study that
4 shows on its own terms at least substantially greater
5 benefits for participation in SPP, correct?

6 A. That's what the study shows, yes.

7 Q. Why then did you proceed to seek
8 authorization to join MISO and at least on the surface
9 appear to be foregoing some \$45 million of additional
10 benefits?

11 A. Well, there -- there was clearly benefit to
12 joining MISO relative to the standalone case, as you
13 pointed out, \$21 million. So that was the first -- the
14 first question.

15 The second question was in regard to the
16 settlement obligation that we had that I think is
17 discussed at length in the testimony, essentially
18 requiring us, obligating us to move forward and diligently
19 pursue filing to join MISO. When you marry those two --
20 those two facts together, the conclusion was as filed.

21 Q. Did you look at options to -- that might
22 have addressed either otherwise resolving or being excused
23 from the contractual obligation to reapply for MISO
24 authorization?

25 A. We did explore those options and were

1 unable to reach any conclusion that would have prevented
2 us from making this filing.

3 Q. So you did not just blindly without
4 consideration simply file for MISO authorization
5 notwithstanding the greater SPP number simply because of
6 the contractual agreement?

7 A. Correct.

8 Q. You're aware, are you not, that the larger
9 number or greater amount of reported benefits, according
10 to the study, for participating in SPP rather than MISO is
11 largely premised on the assumption, the study's assumption
12 that MISO and SPP have the same markets, correct?

13 A. Have the same what? I'm sorry.

14 Q. Markets.

15 A. Yes, that is one of the assumptions that
16 the study includes.

17 Q. And do you agree that SPP and MISO do not
18 have the same markets today?

19 A. I do agree.

20 Q. And do you agree that the difference in the
21 markets between SPP and MISO is significant?

22 A. Again, when we use words like significant,
23 I guess that's a bit harder to define, but there -- there
24 certainly are some fundamental differences between the
25 markets.

1 Q. Well, is it a very different market to
2 have, as MISO does, for example, a day-ahead, your
3 real-time market as compared to where SPP is today?

4 A. Well, SPP is, as has been mentioned, and
5 will be, I'm sure, has its energy imbalance market which
6 in many ways operates like a real-time market. There are
7 no -- there is no day two type of market at SPP at this
8 point.

9 Q. And in your experience, if -- if --
10 wouldn't the difference in those markets likely affect
11 trading patterns in various cases?

12 A. It certainly could affect trading patterns,
13 yes.

14 Q. Let me ask another way. If the distinction
15 in the markets were not considered significant by
16 somebody, do you know why CRA made the assumption in the
17 study that the markets are the same?

18 A. No, I don't.

19 Q. Can you tell us, if you know, when SPP will
20 have markets in place that are substantially similar to
21 the MISO day two markets?

22 A. It's my understanding that the effort is
23 currently under way to identify the costs and benefits of
24 developing such markets, and I believe a report is due
25 back in -- to the SPP board sometime later this year. Of

1 course, then what that -- what that study says, what that
2 report says will determine what future actions would
3 occur. So at this point, I do not know when SPP might
4 have the same markets that MISO does.

5 Q. Would it be fair to say that, in fact, you
6 could not know today even whether they will decide to
7 pursue the same markets as MISO has today?

8 A. That's correct. I would not know
9 whether -- what the ultimate conclusion will be, other
10 than the fact that it's -- it's an assumption that's in
11 the study that if the markets do not develop for SPP,
12 that's because they were not cost beneficial.

13 Q. Which study were you referring to?

14 A. The CRA study.

15 Q. The CR -- maybe I misheard your answer, but
16 the CRA study does not address in any detail market
17 development by SPP, correct?

18 A. It does not address whether market
19 development should occur in SPP. My point was that the
20 assumption is that these markets will develop if they're
21 cost beneficial.

22 Q. Well, actually, isn't it true that the
23 assumption of the study is that the markets between SPP
24 and MISO are essentially the same?

25 A. Yes.

1 Q. The study doesn't really opine about
2 whether, when or why or why not SPP may or may not develop
3 such markets, correct?

4 A. I don't recall specifically whether that is
5 discussed within the study or elsewhere.

6 Q. Now, in addition to the different market
7 structures, you'd agree, of course, that the geographic
8 reach of SPP and MISO differ from each other?

9 A. Sure.

10 Q. Is it your understanding that the MISO
11 geographic reach or the MISO footprint is considerably
12 larger than the SPP footprint at this point?

13 A. It is.

14 Q. Is it also your understanding that
15 transmission rate pancaking has been eliminated between
16 MISO and the PJM RTO?

17 A. That's my understanding, yes.

18 Q. And from that, is it your understanding
19 that, from the market participant standpoint, transacting
20 in MISO or transacting in PJM is essentially transacting
21 in one large footprint?

22 A. That's my understanding.

23 Q. Now, pancaking has not been eliminated at
24 this point between SPP and Midwest ISO, correct?

25 A. That's right.

1 Q. And is it also true that pancaking has not
2 been eliminated between SPP and PJM?

3 A. Correct.

4 Q. To your knowledge, was CRA ever asked to
5 run a -- another version of the study or another scenario
6 that considered the fact that the SPP and MISO markets are
7 not the same?

8 A. I'm not aware that they were asked to do
9 that, no.

10 Q. Now, of course, pending in another docket
11 is the potential acquisition of Aquila by GPE, correct?

12 A. Correct.

13 Q. And GPE -- I'm sorry. GPE, of course, owns
14 KCP&L, does it not?

15 A. Yes.

16 Q. And KCP&L's a participant in the SPP,
17 correct?

18 A. Yes, it is.

19 Q. Did Aquila discuss RTO preferences or this
20 indication before filing with this Commission for
21 authorization to join the Midwest ISO?

22 A. I'm sorry. Say the question again, please.

23 Q. Did Aquila consult with KCP&L and/or GPE
24 before filing its application in this proceeding?

25 A. There have certainly been conversations. I

1 wouldn't -- I wouldn't characterize it as consulting.
2 We -- we have various groups that throughout the merger
3 process have been involved in integration of the
4 facilities, and certainly this has been a topic that's
5 been discussed.

6 Q. And is Aquila's objective to -- in seeking
7 authorization to participate in the Midwest ISO, is it
8 your objective to do something that is at odds with the
9 potential acquisition of your company by GPE?

10 A. Of course not.

11 Q. Now, if you could turn to the CRA study,
12 please. Have you got a copy of your testimony?

13 A. I do.

14 Q. Ask you to turn to page 4 of the CRA study.
15 Table 1 on page 4 summarizes the study's conclusions
16 regarding trade benefits and net benefits of Aquila's
17 participation in the Midwest ISO and Aquila's
18 participation in SPP, correct?

19 A. Yes.

20 Q. And Table 1 on page 4 shows the study
21 period, \$95.7 million of trade benefits if you participate
22 in SPP, correct?

23 A. That's correct, relative to standalone.

24 Q. And it shows net benefits of 86.9 million
25 for participation in SPP compared to standalone, correct?

1 A. Yes.

2 Q. Turn to page 16 of this study, please. I'm
3 sorry, page 39, Table 16.

4 A. I'm there.

5 Q. Table 16, is it correct -- first of all, on
6 the first column under -- first column under present value
7 reflects those same two numbers, correct, 95.7 million of
8 trade benefits and 86.9 million of total or net benefits,
9 correct?

10 A. That's correct.

11 Q. And is it correct to read this that this is
12 showing the derivation of those two numbers from the trade
13 benefits and net benefits of each of the study years that
14 are shown on that table?

15 A. Yes. It's the summation of the ten-year
16 period.

17 Q. So still on Table 16, for example, in 2008,
18 the study indicates that Aquila would have experienced
19 \$14.7 million of trade benefits had it participated in
20 SPP, correct?

21 A. Yes, that's what it shows.

22 Q. And then it shows net benefits of 2008 --
23 for 2008 of 13.4 million, correct?

24 A. Yes.

25 Q. Now, SPP, of course, did not have the same

1 market as MISO in 2008, right?

2 A. That's correct.

3 Q. So even if Aquila had been a participant of
4 SPP in 2008, based on the study's assumption that the
5 markets are the same, Aquila would not have been --
6 experienced the trade benefits or net benefits shown on
7 this table in 2008, correct?

8 A. It's likely that we would not have
9 experienced the full benefits, that's correct.

10 Q. And then the same would be true for any of
11 the subsequent years in which the markets between SPP and
12 MISO continued to be significantly different from each
13 other?

14 A. Correct.

15 Q. And so if one wanted to get an idea from
16 this study of what the benefits would be, once SPP --
17 sorry. Let me rephrase that.

18 If one were going to assume that some day
19 SPP would have the same markets but recognizes that they
20 don't today, if one assumes that the market started in
21 2012, for example, at least by order of magnitude to get
22 an idea of what the study's really showing them, it would
23 be correct that the benefits for 2008, 2009, 2010 and 2011
24 would be subtracted from the total, and then you'd present
25 value that difference, correct?

1 A. Well, I -- no, I don't think that you can
2 simplify it to that degree. The assumption that you would
3 be making is that there are no trade benefits that would
4 accrue for being a member of SPP without the full market
5 development that you would have in MISO, and I don't
6 know -- I don't know that I could agree to that.

7 As previously discussed, there are -- there
8 is some market development in SPP as it currently stands.
9 We've made no attempt to try to quantify what the benefits
10 would be with the existing market over that period of
11 time. So just eliminating all those benefits I don't
12 think would be valid.

13 Q. The CRA study made no effort to do what you
14 just summarized, did it?

15 A. That's correct.

16 Q. And would you agree, then, that the study
17 gives no basis, if one were to, No. 1, recognize that for
18 some number of years, say through 2011, that the markets
19 were not the same, but No. 2, as you said, recognize that
20 there would nevertheless be some benefit if you were in
21 SPP, even if not to the extent shown in the study, and the
22 study does not enable one to reach a new or corrected
23 estimation of those benefits under that situation,
24 correct?

25 A. That's correct. You would have to run a

1 different study. That would be a new scenario.

2 Q. Now, you answered some questions in your
3 prior examination about the 2005 study performed by SAIC,
4 correct?

5 A. I did.

6 Q. Did that study assume that the Midwest ISO
7 and SPP markets were essentially the same, or did it
8 recognize that they're different markets?

9 A. I would have to go back and review the
10 study. I don't recall all the assumptions that were made
11 in that study.

12 Q. Have you got a copy of that study in front
13 of you?

14 A. I don't.

15 Q. You don't?

16 MR. ROBBINS: May I approach the witness?

17 JUDGE WOODRUFF: You certainly may. Are
18 you going to mark this as an exhibit or is this

19 MR. ROBBINS: I might not.

20 BY MR. ROBBINS:

21 Q. You're welcome to take whatever time you
22 like to refresh your memory. Otherwise, or when you're
23 ready, I'll direct your attention to page 4.

24 A. Okay. I'm there.

25 Q. If you would review the discussion that

1 follows the table, my question will be whether this
2 refreshes your memory as to whether this study recognized
3 the difference in the SPP markets versus the MISO markets
4 or whether it assumed that the two RTOs employ the same
5 markets?

6 A. It appears to recognize the differences
7 that existed at the time between the two markets.

8 Q. Thank you.

9 MR. ROBBINS: Your Honor, I would like to
10 mark this as an exhibit, please.

11 JUDGE WOODRUFF: The next number is No. 18.

12 (EXHIBIT NO. 18 WAS MARKED FOR
13 IDENTIFICATION.)

14 BY MR. ROBBINS:

15 Q. Is it correct that this study was prepared
16 at the request of this Commission?

17 A. I don't know if that's true or not. It was
18 prepared for the Midwest ISO. I don't know whether this
19 Commission requested it or not.

20 MR. ROBBINS: Just a moment, your Honor?

21 JUDGE WOODRUFF: Yes.

22 BY MR. ROBBINS:

23 Q. Do you have in front of you the response
24 that Aquila provided to Independence's Data Request
25 No. IND-0002?

1 A. No, I don't.

2 MR. ROBBINS: May I show the witness?

3 JUDGE WOODRUFF: Yes.

4 BY MR. ROBBINS:

5 Q. Do you have in front of you Independence
6 Data Request No. 002 in which Independence asked for
7 copies of any other studies that had been prepared
8 regarding RTO participation by Aquila?

9 A. I do.

10 Q. And does that -- does Aquila's answer to
11 that response indicate that this 2005 study that has been
12 marked as Exhibit 18 was prepared at the request of the
13 Missouri Public Service Commission?

14 A. Specifically what it says is, pursuant to a
15 May 2004 request from the Missouri Public Service
16 Commission in an Aquila docket, the Midwest Independent
17 Transmission System Operator had a cost/benefit analysis
18 performed that focused on the -- on participation in RTOs
19 by Aquila's Missouri electric operations, and then it goes
20 on to refer to this study.

21 Q. Thank you.

22 MR. ROBBINS: Just a moment, your Honor. I
23 think I may be finished.

24 JUDGE WOODRUFF: All right. Did you wish
25 to offer 18?

1 MR. ROBBINS: Yes, please.

2 JUDGE WOODRUFF: Exhibit 18 has been
3 offered into evidence. Are there any objections to its
4 receipt?

5 MR. MILLS: Yes. I object, lack of
6 foundation. This witness doesn't know anything about the
7 study. He didn't know when it was prepared or on whose
8 behalf. He certainly didn't participate in its completion
9 and can't offer any foundation that it's accurate or
10 relies on any kind of sound science or anything.

11 JUDGE WOODRUFF: Any response?

12 MR. ROBBINS: Your Honor, we've not asked
13 the witness to speak to the preparation of the study, but
14 he has testified that he's familiar with it. In fact, it
15 was Aquila that produced this -- identified and produced
16 this study in response to the City of Independence Data
17 Request.

18 The witness has certainly not indicated
19 that there's any question about authenticity, and I think
20 that, with all due respect, the objection is off the mark.
21 We have not asked this -- the witness to simply present
22 himself, not to adopt the study as such, but simply we've
23 asked questions about it. They've produced it. He's
24 acknowledged they've produced it, answered some questions,
25 and I think it would be helpful to the Commission's

1 consideration.

2 JUDGE WOODRUFF: Further response,
3 Mr. Mills?

4 MR. MILLS: Yes, if I may. The mere fact
5 that Aquila produced this in response to discovery does
6 not lay a foundation for its admissibility. The standards
7 for producing information in discovery are something that
8 the company has in its possession and it's relevant to the
9 discovery response. That does not mean that the
10 Commission can rely on it as competent substantial
11 evidence.

12 Without somebody here who can tell us that
13 this was produced using sound science, reliable numbers,
14 there just isn't any foundation for it. The fact that Mr.
15 Odell happens to recognize it does not lay a foundation.

16 MR. COMLEY: Your Honor, during the course
17 of cross-examination of Mr. Odell, he did admit that he
18 was -- he knew the -- he had understanding of the process
19 that was used, in fact identified PROMOD IV as the system
20 used, and he considered it consistent with the GE MAPS
21 system we're using in the CRA study. He also was
22 acquainted with the date it was filed and where it was
23 filed. In fact, our memory is that it was filed in the
24 case with the Commission. It could be that administrative
25 notice could be taken of the filing.

1 JUDGE WOODRUFF: Do you know what case this
2 was filed in?

3 MR. COMLEY: I didn't ask that of the
4 witness. I'm not sure.

5 JUDGE WOODRUFF: Let me go ahead and ask
6 the witness, do you know what case -- what Commission case
7 this was filed in?

8 THE WITNESS: It would -- I don't know the
9 docket number. My understanding is that it was filed as
10 part of our previous, our second filing with this
11 Commission, but again, I don't know the docket number, and
12 I'm not 100 percent certain it was filed with that docket.

13 JUDGE WOODRUFF: Anything else anyone wants
14 to argue on this?

15 MR. ROBBINS: I would just add that the
16 nature of the objection is such, there's plenty of debate
17 about whether the CRA study itself is done correctly,
18 scientifically with appropriate data, et cetera. And
19 therefore, given the nature of the objection, I would
20 suggest that if this study is not to be admitted into
21 evidence, then the same arguments apply to the CRA study
22 itself.

23 JUDGE WOODRUFF: Let me ask a question of
24 counsel here. What is your purpose in offering this
25 exhibit at this time? Are you offering it to -- for the

1 truth of the matters asserted in the document itself or is
2 there some other purpose?

3 MR. ROBBINS: Well, yes, essentially for
4 the study. I think it's helpful for the Commission to be
5 aware that there are prior studies that reached very
6 different conclusions on very different assumptions
7 regarding Aquila's participation in MISO, and that would
8 be the essential purpose for introducing it, yes.

9 JUDGE WOODRUFF: Mr. Mills?

10 MR. MILLS: Yeah. Well, a couple of
11 things. First off, if the Midwest ISO had wanted to
12 introduce this study, they could have sponsored a witness
13 that said, yeah, I'm familiar with the study, I know how
14 it was done, it was done correctly, so on and so forth.
15 They didn't do that. Instead we have Mr. Odell attempting
16 to lay -- or this attorney attempting to lay a foundation
17 with Mr. Odell.

18 And as to the CRA study, I mean, there's
19 significant differences. One is that we have someone who
20 participated in the CRA study who's testifying in this
21 case and can stand cross-examination to ask and answer --
22 be asked and answer questions about how it was prepared,
23 whether the science underlying it is sound, or whether the
24 assumptions are reasonable, whether the numbers are
25 accurate. We don't have that with this study.

1 And finally, the CRA study hasn't been
2 offered yet, and it can be objected to if anybody has the
3 same kinds of objections and if there is not an adequate
4 foundation laid for it.

5 MR. COMLEY: I'm unclear about the status
6 of the record now, Judge. My understanding is the CRA
7 study was sponsored by Mr. Odell behind his testimony on
8 the schedule.

9 MR. MILLS: I'm sorry. I stand corrected.
10 It was attached to Mr. Odell's testimony and it has been
11 admitted.

12 JUDGE WOODRUFF: Which has been admitted.

13 MR. MILLS: It was not objected to.

14 JUDGE WOODRUFF: Right.

15 MR. LINTON: Your Honor?

16 JUDGE WOODRUFF: Yes, Mr. Linton.

17 MR. LINTON: Just a couple in support of
18 Mr. Mills. You'll notice that it says draft final, which
19 typically means it hasn't been finalized.

20 Second of all, Mr. Odell was not the party
21 supervising this. This was conducted on behalf of MISO.
22 So there is nothing that Mr. Odell has admitted to that
23 would provide a foundation for this document.

24 JUDGE WOODRUFF: Anyone else want to jump
25 in here?

1 MR. COMLEY: Again, the witness during
2 cross-examination by MISO indicated that he was aware of
3 the results of the study. He's familiar with it, and he
4 was able to report on it. He's also familiar with the way
5 it was utilized by his company probably in this
6 Commission. I think there's adequate foundation for the
7 study to come into evidence.

8 JUDGE WOODRUFF: Anything else?

9 MR. ROBBINS: Your Honor, if it helps, I'd
10 like to read what Aquila said in response to the Data
11 Request when they provided this study.

12 JUDGE WOODRUFF: All right.

13 MR. ROBBINS: The relevant paragraph, and
14 this is in response to Data Request No. IND-0002, last
15 paragraph of Aquila's response states, quote -- let me
16 give the question first. Request was, other than the CRA
17 analysis submitted as Schedule DO-3, please produce a copy
18 of all analyses performed by, at the request of or on
19 behalf of Aquila evaluating the costs and benefits of
20 participation in any RTO or ISO considered.

21 Third paragraph of Aquila's response
22 states, quote, pursuant to a May 2004 request from the
23 Missouri Public Service Commission in an Aquila docket,
24 the Midwest Independent Transmission System Operator had a
25 cost/benefit analysis performed that focused on

1 participation in RTOs by Aquila's Missouri electric
2 corporations. The analysis was completed by Science
3 Applications International Corporation, MISO and New
4 Energy Associates, Inc. A draft was made available on
5 August 2005 with a final document, parens, marked draft,
6 final close parens, delivered to Aquila in November 2005.
7 It is provided in response to this Data Request, close
8 quote.

9 This is marked draft final, just as the
10 respondent's answer indicates the final was marked. So
11 that should take care of that question.

12 JUDGE WOODRUFF: Mr. Williams?

13 MR. WILLIAMS: Judge, if I might, Staff
14 joins in with Public Counsel in his objections and points
15 out that that response does not indicate that this
16 document was ever filed in any case in front of the
17 Commission. Although it may have been prepared in the
18 context of one, all it relates is that it was provided to
19 Aquila in that context.

20 JUDGE WOODRUFF: Well, I -- I find that I
21 do agree with Public Counsel that there's not sufficient
22 foundation laid, and probably cannot be laid from what
23 I've heard from this witness, for the admission of this
24 document. So it will not be received into evidence. Do
25 you wish to make an offer of proof?

1 MR. ROBBINS: Yes, your Honor, I'll make an
2 offer of proof.

3 JUDGE WOODRUFF: It will be received as an
4 offer of proof. It will not be admitted into evidence.

5 MR. ROBBINS: Thank you, your Honor. Thank
6 you, Mr. Odell. I have no further questions.

7 JUDGE WOODRUFF: We're due for a break.
8 We'll take a break now. We'll come back at 10:45.

9 (A BREAK WAS TAKEN.)

10 JUDGE WOODRUFF: Before we went on break,
11 Independence had completed its cross-examination, so
12 we're -- next party would be AmerenUE. Any questions?

13 MR. THROSSELL: Nothing.

14 JUDGE WOODRUFF: KCP&L?

15 MR. DORITY: No questions, Judge. Thank
16 you.

17 JUDGE WOODRUFF: Southwest Power Pool?

18 MR. LINTON: I have no questions.

19 JUDGE WOODRUFF: Dogwood?

20 CROSS-EXAMINATION BY MR. LUMLEY:

21 Q. Good morning, Mr. Odell.

22 A. Good morning.

23 Q. In your prepared testimony, also in your
24 discussions with Mr. Robbins, you made reference to the
25 settlement contract between your company and MISO from

1 2003, and that was a motivating factor for you-all to file
2 this application and that you're obligated to exert
3 diligent efforts to pursue that; correct?

4 A. That's correct.

5 Q. What are the consequences or what would be
6 the consequences of a breach of those obligations?

7 A. I don't know what the legal consequences
8 would be. That would, I suppose, depend on -- on MISO.

9 Q. Are there specific liquidated damages or
10 any kind of form of financial penalty that automatically
11 applies or anything like that?

12 A. Not that I'm aware of.

13 Q. Is there a concern by Aquila that it would
14 include financial exposure to MISO?

15 A. There is a concern that that -- that that's
16 something that MISO would ask for, yes.

17 Q. Okay. But you're not aware of a formal
18 quantification of that exposure?

19 And I'm not asking for attorney/client
20 privileged information. So I'm not asking for your
21 attorney's opinions, but if it's company information.

22 A. I believe there has been a quantification
23 of exposure done.

24 Q. And can you tell the Commission what that
25 is?

1 MR. BOUDREAU: Well, to the extent it is
2 attorney/client privileged, I'll lodge that objection. If
3 it's a topic that you can address without going into that
4 area, that's fine.

5 THE WITNESS: Yeah. The problem is I'm not
6 really sure. I mean, it's certainly -- there's certainly
7 discussions that we've held with our counsel. Whether
8 that particular number is attorney/client privileged, I
9 don't know.

10 MR. BOUDREAU: Given that circumstance,
11 I'll renew the objections. I think it inquires as to
12 matters that are attorney/client privileged.

13 MR. LUMLEY: If I might pursue the question
14 from a different angle? Are you aware of any
15 circumstances --

16 JUDGE WOODRUFF: Well, for the record I'll
17 sustain that objection. You can go ahead.

18 MR. LUMLEY: Thank you, your Honor.

19 BY MR. LUMLEY:

20 Q. Are you aware of any circumstance where
21 that quantification of exposure has been discussed with
22 third parties, you know, folks that aren't involved with
23 your company and not your attorneys? Do you understand
24 what I'm saying?

25 A. I think I understand, and I'm not aware of

1 a circumstance like that.

2 Q. Is it fair to say, however, that if Aquila
3 exerts best efforts in this case and the Commission
4 ultimately turns down the application, your company would
5 not face such exposure?

6 A. I don't know if that's true. Again, it's
7 not -- it's not for Aquila to decide what action MISO
8 might take, so what exposure we might be -- we might have
9 if we didn't -- if we complete the pursual of this case,
10 pursual -- pursuit of this case, I don't know.

11 Q. Is it your understanding that your
12 contractual settlement acknowledges that the Commission is
13 in a position of approving or denying the application?

14 A. Yes.

15 Q. Since your company entered into that
16 commitment with MISO in 2003, there's certainly been some
17 changes that have occurred that, at least in the absence
18 of that contract, would have given Aquila more options, in
19 particular SPP becoming an RTO; is that correct?

20 A. Yes, it is.

21 Q. Is it correct that Aquila's currently in
22 the transmission footprint of SPP?

23 A. Yes, it is.

24 Q. And does that -- is that a fancy way of
25 saying that they're within the boundaries of the SPP

1 region?

2 A. I think so.

3 Q. And is it correct that Aquila processes
4 point-to-point service requests through SPP today?

5 A. That is correct.

6 Q. And what does that mean?

7 A. It means that essentially if somebody wants
8 a point-to-point service that would utilize some or all of
9 Aquila's system, that they would make that request through
10 SPP and SPP would process that request.

11 Q. And when you say someone, is that another
12 utility or is that a customer or could it be either?

13 A. It could be either.

14 Q. And as you indicate in your direct
15 testimony, currently Aquila obtains tariff administration
16 from SPP?

17 A. That's right.

18 Q. And what does that mean?

19 A. Essentially that means that they -- that
20 they -- that we're part of the SPP tariff, that the
21 changes to the tariff are made by SPP on our behalf, that
22 they maintain the tariff, file it with FERC, all those
23 kinds of things.

24 Q. And additionally Aquila obtains OASIS
25 administration?

1 A. That's right.

2 Q. And what does that mean?

3 A. OASIS is a system, an online system that
4 allows other parties to make requests and to view your
5 tariff and those kinds of things, and that electronic
6 system is maintained by SPP on our behalf.

7 Q. And Aquila also obtains available
8 transmission capacity and total transmission capacity
9 calculation from SPP?

10 A. Correct.

11 Q. Can you explain what that means to the
12 Commission?

13 A. To the extent that it's necessary to
14 identify the capacity that's available on various
15 transmission elements, that's -- that's service that would
16 be performed by SPP on Aquila's behalf, and again, an
17 entity would go to SPP to get that information as opposed
18 to coming to Aquila.

19 Q. And Aquila also obtains scheduling agent
20 from SPP?

21 A. That's right.

22 Q. And what does that mean?

23 A. If somebody wants to schedule power across
24 our system, they would do so through SPP.

25 Q. And additionally it requires regional

1 transmission planning from SPP, correct?

2 A. Uh-huh. Yes.

3 Q. What does that mean?

4 A. That means that the planning that's done

5 across the Aquila system is integrated and done across the

6 entire system, across the entire SPP footprint.

7 Q. Additionally, Aquila participates in the

8 SPP reserve sharing group, correct?

9 A. That's correct.

10 Q. And what does that mean?

11 A. That means that we're able to ensure that

12 our reserves are met not only through our own facilities

13 but also through facilities of other SPP members.

14 Q. And what do reserves mean?

15 A. Reserves are the capacity that you have

16 available in excess of what is necessary to meet your

17 load.

18 Q. Now, in contrast, today Aquila only obtains

19 the security coordination function from MISO; is that

20 correct?

21 A. That's correct.

22 Q. And what does that function involve?

23 A. That function is basically ensuring that we

24 do not get into situations where -- where the transmission

25 system would become endangered where the potential for

1 outages and whatnot would occur.

2 Q. Is it fair to say that Aquila has found SPP
3 services beneficial?

4 A. That's fair.

5 Q. Did you review Mr. Monroe's testimony in
6 this case?

7 A. Yes, I did.

8 Q. Do you generally agree with his description
9 of the benefits that SPP provides its members?

10 A. I do.

11 Q. Do you know what Aquila pays SPP for those
12 services?

13 A. Generally, yes.

14 Q. Is that a public number?

15 A. I believe it is, yes.

16 Q. And can you state the number on an annual
17 or whatever time period you know it to be?

18 A. My recollection is that it's somewhere in
19 the neighborhood of 2 to \$3 million per year.

20 Q. And is that the cost of full membership?

21 A. I believe it is, yes.

22 Q. Is it correct that currently the tie line
23 capacity of interconnections with -- of Aquila's tie line
24 capacity of interconnections with SPP members is more than
25 five times that of connections with MISO members?

1 A. I think that's about right, yes.

2 Q. And there's actually seven times more
3 connections physically?

4 A. As far as number, I'm not -- I'm not
5 certain.

6 Q. Is it correct that there's no current
7 effort under way to increase interconnection with MISO?

8 A. Yes, that's correct.

9 Q. And there haven't been any changes since
10 2001?

11 A. Not that I'm aware of.

12 Q. At page 8 of your direct testimony, you
13 explain that trade benefits refer to economical access to
14 lower cost generation from other sources, and then you
15 indicate that trade benefits are a key beneficial
16 component of RTO membership, correct?

17 A. That's right.

18 Q. And trade benefits depend on efficient
19 interconnection with an RTO and efficient delivery of
20 energy?

21 A. That's right.

22 Q. Is that -- is that area of trade benefits
23 one reason that Aquila does not oppose Staff's proposed
24 conditions of requiring seams agreements to be in place?

25 A. That's correct.

1 Q. In general, do you agree that other
2 benefits would be realized from membership in any RTO such
3 as improved reliability, improved efficiency and improved
4 opportunities to develop infrastructure?

5 A. Yes.

6 Q. Were you able to observe the presentations
7 that were made to the Commission on February 27th of this
8 year regarding the state of the electric industry by
9 Mr. Oldac of the Edison Electric Institute and some other
10 folks?

11 A. No, I was not.

12 Q. I'm going to represent to you that those
13 presenters indicated that nationally transmission
14 congestion is dramatically increasing as shown by the
15 number of requests for transmission loading relief. Would
16 you agree with that observation?

17 A. I have no reason to disagree with it.

18 Q. Notwithstanding the various critiques that
19 have been presented in testimony from other witnesses in
20 this case, Aquila still stands by the CRA study that was
21 submitted with your testimony; is that correct?

22 A. That is correct.

23 Q. And that study documents that Aquila would
24 realize more trade benefits by joining SPP than by joining
25 MISO by more than \$65 million; is that correct?

1 A. Yes, that's correct.

2 Q. Mr. Comley asked you some questions about
3 the SPP scenario in that study and reductions in Aquila's
4 production. Do you recall those questions?

5 A. I do.

6 Q. And wouldn't such reduced production be
7 driven by the opportunity to gain energy from cheaper
8 sources?

9 A. Yes, that's the -- that's the analysis.

10 Q. And isn't it true that the study attributes
11 the greater trade benefits primarily to Aquila's superior
12 interconnection with SPP members?

13 A. That's certainly one of the primary
14 drivers.

15 Q. And you have the study available to you
16 still?

17 A. I do.

18 Q. At page 5 --

19 A. I'm there.

20 Q. -- the study indicates that if Aquila joins
21 MISO, cost impediments such as wheeling charges for
22 transactions with SPP would provide, and I quote, a
23 substantial impediment to Aquila Missouri trade, end
24 quote. Is that correct?

25 A. Can you point me a little more

1 specifically? I think I found it. Yes, it does say that.

2 Q. And in pages 5 and 6 and note 12,
3 Footnote 12, the study notes that Aquila would be able to
4 displace control area generation with, quote, less
5 expensive market purchases to a greater extent in the SPP
6 RTO case, end quote. Do you see that, Footnote 12?

7 A. I'm sorry.

8 Q. At Footnote 12, in the text. I apologize.

9 MR. BOUDREAU: I'm sorry. Carl, now you've
10 lost me. Could you for my benefit redirect the witness,
11 please.

12 MR. LUMLEY: Yeah, let me do that.

13 BY MR. LUMLEY:

14 Q. It's actually just at the bottom of page 5.
15 Do you see that? Aquila would be able to displace control
16 area generation with less expensive market purchases to a
17 greater extent in the SPP RTO case.

18 A. I do see that, yes.

19 Q. Is that what we were just talking about in
20 terms of the reduction of Aquila's own production because
21 of cheaper alternatives?

22 A. Yes.

23 Q. Another change in circumstances since
24 Aquila made the 2003 settlement contract with MISO is the
25 application by GPE to acquire Aquila, correct?

1 A. That's correct.

2 Q. Are you familiar with the prefiled
3 testimony in that pending Commission case?

4 A. Oh, I've looked at some of it.

5 Q. Do you agree that at least certain of the
6 merger synergy benefits described in that application
7 depend on Aquila and KCP&L belonging to the same RTO?

8 A. I really don't know enough about the
9 synergies that have been calculated in that case to
10 respond to that.

11 Q. In your experience, would you expect that
12 there would be benefits to sister corporations belonging
13 to the same RTO?

14 A. There would certainly be some
15 administrative benefits, yes.

16 Q. And KCP&L is a member of SPP, correct?

17 A. That's right.

18 Q. Another change in circumstances since the
19 2003 settlement with MISO involves AmerenUE now
20 considering perhaps terminating its relationship with
21 MISO; is that correct?

22 A. There is a docket open at this point, yes.

23 Q. And that's a new development since your
24 contract was made five years ago?

25 A. It's -- yeah. It's -- the most recent one

1 is certainly new.

2 Q. And is it your understanding that Ameren
3 has, in fact, given its termination notice to preserve its
4 rights?

5 A. I think that's correct, yes.

6 Q. And the case is still pending before the
7 Commission, so the result is uncertain?

8 A. Yes. My understanding is that there are
9 ongoing discussions and that a resolution of that case is
10 expected sometime this summer.

11 Q. Do you agree that if Ameren withdraws from
12 MISO and Aquila was a member, Aquila would be left
13 islanded with respect to MISO?

14 A. That would be the case, yes.

15 Q. And that's because Aquila is dependent on
16 Ameren for a physical connection to MISO?

17 A. Correct.

18 Q. And in your surrebuttal at page 11, you
19 indicate that Aquila would not join MISO if Ameren were to
20 terminate its relationship; is that correct?

21 A. That's right. I also note at that point
22 that -- that there are certainly -- that's certainly a
23 condition that the Commission could put on any approval to
24 join MISO, specifically that they condition it on Ameren
25 remaining as a member of MISO.

1 Q. And you also indicate at that page of your
2 testimony that concerns about Ameren's status with MISO
3 would be moot if the Commission denied this application,
4 correct?

5 A. Yes.

6 Q. Would Aquila face termination fees if it
7 joined MISO and then Ameren completed a termination and
8 Aquila pulled out of MISO?

9 A. That I don't know.

10 Q. Do you think it's likely?

11 A. I think it's likely that MISO would request
12 withdraw fees, yes.

13 Q. Does the 2003 settlement agreement between
14 Aquila and MISO excuse your company from continuing to
15 pursue this application if Ameren terminates its
16 relationship with MISO?

17 A. I don't recall any such provision.

18 Q. Is it -- do you agree with me that another
19 change in circumstances since 2003 is that SPP has
20 developed a real-time energy market?

21 A. Yes.

22 Q. Are you familiar with Mr. Janssen's
23 prefiled testimony in this case?

24 A. I am.

25 Q. Do you generally agree with his testimony

1 describing that market?

2 A. Generally, yes.

3 Q. Are you familiar with SPP's plans to soon
4 implement day-ahead energy and ancillary services markets?

5 A. Well, I'm aware that they are studying the
6 possibility of -- of that, yes.

7 Q. And the subject of their study, if it were
8 implemented, it would be substantially similar to MISO's
9 markets?

10 A. I think that remains to be seen.

11 Q. Is that a reasonable expectation?

12 A. I think it is.

13 Q. Is it true that MISO is still in the
14 process of implementing its own ancillary services market?

15 A. Yes. My understanding is that MISO is
16 planning to implement their ancillary service market in
17 June of this year.

18 Q. Do you agree that the decision to join an
19 RTO requires long-term considerations?

20 A. Definitely.

21 Q. Does Aquila support the CRA study's
22 assumptions regarding the completion of day-ahead energy
23 and ancillary services markets in SPP?

24 A. Well, we -- we do. I think that that's
25 a -- you know, that certainly is one of the key

1 assumptions in the study, and it's one that, you know,
2 that we carefully considered along with -- in consultation
3 with CRA.

4 It's also one that was discussed with the
5 stakeholder group that we brought together before the
6 study was commenced, a stakeholder group including Staff
7 and OPC and SPP and MISO representatives. And really the
8 reason we ultimately concluded that that was an assumption
9 we needed to make was -- was because in looking at a
10 long-term horizon, it seemed very reasonable to expect
11 that SPP would eventually end up with those kind of
12 markets.

13 Q. And doesn't the study also indicate some
14 offsetting assumptions about administrative costs that CRA
15 felt balanced the picture?

16 A. Yes. You can't -- you can't assume that
17 you're going to have more robust markets than currently
18 exist without also assuming that there will be some --
19 some administrative costs that go along with the
20 development and implementation of those markets. So in
21 the study what we did was we brought the SPP
22 administrative costs in line with what they are for MISO.

23 Q. In order to join MISO, wouldn't Aquila have
24 to terminate its relationship with SPP?

25 A. It would.

1 Q. Do you agree that 12 months notice is
2 required to do that?

3 A. That would be -- that would appear to be
4 the case. I think there's still some legal interpretation
5 to be done.

6 Q. Has any such notice been given yet?

7 A. No, it hasn't.

8 Q. Do you agree that Aquila would incur
9 something on the order of \$4 million in termination costs?

10 A. That's a number that SPP calculated in a
11 Data Request that we asked them.

12 Q. Do you have any reason to disagree with
13 that number sitting here today?

14 A. I don't.

15 Q. Was that termination cost included in the
16 CRA analysis?

17 A. No, it was not.

18 Q. What would Aquila have to do to terminate
19 the security coordination services function from MISO in
20 the reverse scenario if it were to join SPP?

21 A. Well, again, there are various legal
22 interpretations, but certainly there would be a process
23 that we would have to go through with MISO to end that
24 relationship.

25 Q. Do you understand it's MISO's position that

1 the earliest termination would be the end of 2009?

2 A. I do understand that that's their position,
3 yes.

4 Q. Does Aquila agree or disagree with that, or
5 still up in the air?

6 A. It's one that I think we would still have
7 some debate on.

8 Q. If that were the case and you had -- and
9 you had to continue to obtain that function until the end
10 of 2009, would that preclude Aquila from pursuing full
11 membership with SPP in the interim?

12 A. I -- I don't think so.

13 Q. So you -- your company could continue to
14 enjoy all the benefits that are enjoyed today from SPP?

15 A. Yes.

16 Q. And the additional energy markets that are
17 introduced?

18 A. Yes.

19 MR. LUMLEY: That's all my questions.

20 Thank you.

21 JUDGE WOODRUFF: Questions by Public
22 Counsel?

23 MR. MILLS: Yes.

24 CROSS-EXAMINATION BY MR. MILLS:

25 Q. Good morning, Mr. Odell.

1 A. Good morning.

2 Q. You've had some questions this morning
3 about Aquila's obligation to request approval from the
4 Missouri Public Service Commission to join the MISO; is
5 that correct?

6 A. Yes, I have.

7 Q. Can you explain to me your understanding of
8 the basis of that obligation?

9 A. My understanding is that there was a
10 disagreement between Aquila and MISO some time ago
11 regarding the fees and charges that Aquila should be
12 paying, and that ultimately we were able to resolve that
13 dispute through settlement, and part of that settlement
14 was that Aquila would file and diligently pursue
15 membership in MISO.

16 Q. And the settlement was in the context of a
17 FERC docket; is that correct?

18 A. That is correct.

19 Q. And was the settlement actually filed --

20 A. Yes.

21 Q. -- with the FERC?

22 Now, I believe when you have discussed that
23 obligation, I believe you've used the word, and correct me
24 if I'm wrong, that you must diligently pursue approval of
25 the Missouri Public Service Commission?

1 A. Yes. I think that's the exact language out
2 of the agreement.

3 Q. So the word diligent is explicit in your
4 agreement?

5 A. Yes.

6 Q. Have you to this point proceeded diligently
7 to seek Missouri Public Service Commission approval?

8 A. I believe we have.

9 Q. And do you plan to continue to do so until
10 this Commission makes a decision?

11 A. Absolutely.

12 Q. If the Missouri Public Service Commission's
13 decision is that you should not join the MISO, do you
14 believe that your settlement obligates you to appeal that
15 decision?

16 A. I don't -- I don't know the answer to that,
17 Mr. Mills. That would be a legal question.

18 Q. If that obligation did not exist, would
19 Aquila be here now seeking approval from the Missouri
20 Public Service Commission?

21 A. I -- that's a difficult question to ask --
22 answer. We -- you know, we obviously have had that
23 obligation, so that's the basis upon, which we've made all
24 of our decisions up to this point.

25 Q. So can I take it that your answer is that

1 you don't know?

2 A. Yes.

3 Q. Okay. If in this particular Case,
4 EO-2008-0046, the Missouri Public Service Commission
5 denies Aquila's application, will Aquila file a new case
6 before the Missouri Public Service Commission seeking
7 approval to join the MISO?

8 A. Again, I think that will depend on what
9 ultimately the Commission decides. Without -- without
10 knowing the basis for whatever decision the Commission
11 might ultimately make, I'm not in a position to answer at
12 this point.

13 Q. And if I were to ask you a similar question
14 about seeking approval to join the SPP, would your answer
15 be the same?

16 A. It would.

17 Q. If the Commission within the next few
18 months issues a decision in this case that does not grant
19 approval to join the MISO, do you have an opinion as to
20 whether or not Aquila would quickly seek approval to join
21 either the SPP or the MISO after a decision is issued?

22 A. Well, I would say that -- that we -- we
23 certainly see benefits to -- as the results of the CRA
24 study show, to being in an RTO, and so as I said before,
25 we would have to analyze the opinion of the Commission and

1 make a determination from that point, but I think it's our
2 general feeling at Aquila that being a member of an RTO is
3 a beneficial thing and that we should continue to pursue
4 that.

5 Q. If you did not have an obligation to seek
6 approval to join the MISO at this time, would Aquila
7 believe that it's in its best interests to wait to see how
8 the GPE/Aquila merger case comes out before it decides
9 which RTO to join?

10 A. No. I don't really believe that's a factor
11 that would influence our decision. As we made the
12 decision, that was not -- it was not a factor that we took
13 into account. We -- you know, this is a long -- a long-
14 lasting case, as you're well aware, and we believe as,
15 again as a CRA study has shown, that being a member of an
16 RTO is something that we really -- that would really be
17 beneficial to our customers. So there always seemed to be
18 some factors that would weigh towards waiting longer to
19 make a decision. That's how we got to the point that
20 we're at now.

21 So I guess it's our belief at this point
22 that we need to continue to move forward and we need to
23 make the decision that's right for Aquila's customers and
24 that ultimately, you know, if the merger does occur, then
25 -- then that analysis will have to be undertaken at that

1 point as to whether that continues to be the right answer
2 or something different needs to happen.

3 Q. And if I asked you a similar question about
4 the outcome of the -- of AmerenUE's weighing of its
5 options in terms of remaining with the MISO, would your
6 answers be the same?

7 A. Well, not exactly. Certainly the -- the
8 MISO, the Ameren situation is one that -- that if they
9 were to exit MISO, that would preclude Aquila from taking
10 any further steps to join MISO, which is why in my
11 surrebuttal testimony I proposed that, assuming that that
12 Ameren case were not decided by the time the Commission
13 were in a position to make a decision on this case, that
14 they would simply condition our membership in MISO to
15 Ameren remaining a member as well.

16 Q. And if it were to happen that you joined
17 the MISO based on the Commission decision in this case and
18 then sometime shortly thereafter AmerenUE withdrew from
19 the MISO, would there be monetary consequences to Aquila
20 from that?

21 MR. BOUDREAU: I'll object to the extent it
22 calls for a legal conclusion. If he has a view based on
23 his experience, that's fine.

24 JUDGE WOODRUFF: Your objection is noted.
25 You can go ahead and answer the best you can.

1 THE WITNESS: Yeah. From the standpoint,
2 you know, certainly steps would be taken and it would
3 depend on how far down the road things got, but you know,
4 there would be certain costs that Aquila would incur in,
5 you know, taking action to become a full member of MISO,
6 and those costs might, you know, might be sunk at that
7 point. But in terms of any kind of withdrawal fees and
8 such things like that, I'm not in a position to respond on
9 that.

10 BY MR. MILLS:

11 Q. But in that event would there have been
12 withdrawal fees paid to SPP?

13 A. Again, that would depend on how far along
14 we had got in the process.

15 Q. Assume that you got far enough along in the
16 process that you did have to pay fees to MISO to join and
17 fees to SPP to leave. Would it be your intention to try
18 to recover those from Missouri jurisdictional customers?

19 A. Well, first of all, I don't know that there
20 would be fees to join MISO. So I don't know that that
21 would be relevant. In term of the withdrawal fees from
22 SPP if we were able to join MISO, I don't believe we've
23 made any conclusions as to whether we would seek to
24 recover those costs in rates or not.

25 Q. Now, I believe you answered in response to

1 a question or two from Mr. Lumley that Aquila does support
2 and stand behind the CRA study; is that correct?

3 A. That is correct.

4 Q. And that study shows that there are greater
5 benefits to Aquila from joining the SPP than from joining
6 MISO; is that correct?

7 A. It does show that, yes.

8 Q. If Aquila does, in fact, join the MISO,
9 would Aquila oppose an adjustment in future rate cases to
10 impute the greater benefits that it would have achieved by
11 joining SPP?

12 A. I'm certain that it would, yes.

13 Q. On what basis?

14 A. On the basis that those savings were never
15 realized, and I'm not aware of any ratemaking mechanism
16 that would be appropriate to charge us for costs that
17 we -- or for savings that we didn't achieve.

18 Q. Now, has Aquila explored with MISO what
19 MISO would do if Aquila had not sought Missouri Public
20 Service approval of joining MISO?

21 A. We've had discussions, yes.

22 Q. And what were the outcome of those
23 discussions?

24 A. This application.

25 Q. And did MISO tell Aquila what steps it

1 might take if Aquila did not file its application?

2 A. There were some discussions along those
3 lines, yes.

4 Q. And what did they tell you?

5 A. Again, this is --

6 MR. BOUDREAU: Well, I think I'm going to
7 object on the grounds that this may be getting into an
8 arena of discussing settlement discussions, testimony
9 about settlement discussions. I'll object at this point.
10 By MR. MILLS:

11 Q. And certainly I'm not asking you to
12 disclose anything that you feel may be part of settlement
13 discussions, but to the extent that you can answer the
14 question without disclosing any of that information.

15 A. I think about all I could probably say is
16 that we did discuss, you know, what the outcome might be
17 if Aquila did not make a filing such as this, and
18 ultimately it was agreed that we would make such a filing.

19 Q. Now, the filing on this case, was it made
20 jointly between Aquila and MISO or solely on behalf of
21 Aquila?

22 A. Solely on behalf of Aquila.

23 Q. Did Aquila work closely with MISO in
24 preparing and prosecuting this case?

25 A. Oh, I don't know if I would describe it --

1 characterize it as closely. We certainly did have
2 numerous discussions and whatnot, but you know, the
3 testimony that I wrote and both the direct and surrebuttal
4 testimony, I did not submit that for review by MISO or
5 anything along those lines, nor did I review any of their
6 testimony prior to this filing.

7 Q. And in terms of the CRA study, did the MISO
8 have any greater input on -- on who was going to do the
9 study or how it was going to be conducted than, for
10 example, the SPP or the Commission Staff?

11 A. No. As I said before, we -- well, Aquila
12 hired CRA. That decision was made unilaterally by Aquila.
13 It was not something that the stakeholder group had a vote
14 on, so to speak, but we did have a stakeholder meeting
15 prior to the commencement of the study where we brought
16 Mr. Luciani in from CRA and the parties, MISO and SPP, as
17 well as Staff and OPC participated in that, and we talked
18 about the various assumptions that -- that we felt were
19 appropriate, and then we had another similar meeting after
20 the study was completed in which the results were
21 discussed.

22 Q. And I think Mr. Lumley asked you a question
23 or two about synergies that may be achieved if GPE
24 acquires Aquila. Did you participate? Were you called
25 upon to calculate or help calculate synergies that may be

1 achieved if a merger is consummated?

2 A. No.

3 Q. Now, with respect to the moment in time at
4 which Aquila filed this case, if there was not an
5 obligation to seek approval to join the MISO, would Aquila
6 have filed to join the SPP or would it have filed to join
7 the MISO?

8 A. Well, again, we -- we never had that
9 question before us. We have had that obligation, and all
10 of our decision-making discussions have been surrounding
11 that situation.

12 Q. I understand it's a hypothetical question.
13 If you did not have that obligation, what would you have
14 done?

15 A. I don't know.

16 MR. MILLS: That's all the questions I
17 have. Thank you.

18 JUDGE WOODRUFF: Okay. Cross by Staff?

19 MR. WILLIAMS: Thank you, Judge.

20 CROSS-EXAMINATION BY MR. WILLIAMS:

21 Q. Would you turn your attention to Exhibit 1,
22 which is your direct testimony, in particular on page 2 at
23 lines 9 through 12.

24 A. Yes, sir.

25 Q. And don't you indicate there that Aquila's

1 electric transmission system within Missouri is 1,257
2 miles of 345 KV, 161 KV and 69 KV transmission lines?

3 A. I do.

4 Q. And isn't the application in this case
5 seeking authority for Aquila to transfer operational
6 control of 100 KV and up transmission lines to MISO?

7 A. Yes, it is.

8 Q. So my question to you is, which part of
9 this 1,257 is the lines that you're wanting to transfer to
10 MISO and which part of it is the 69 KV that's below the
11 100 KV?

12 A. I don't have the breakdown by the different
13 voltages handy. I can't tell you how many miles would
14 actually be in the 100 KV and above class.

15 Q. Do you have any idea as to what portion it
16 may be? Is it going to be half of this? Is it going to
17 be 69 KV?

18 A. I really don't.

19 MR. WILLIAMS: No further questions.

20 JUDGE WOODRUFF: All right. We'll come up
21 for questions from the Bench, then. Commissioner Murray?

22 COMMISSIONER MURRAY: Thank you.

23 QUESTIONS BY COMMISSIONER MURRAY:

24 Q. Good morning.

25 A. Good morning.

1 Q. I don't have a lot of questions for you. A
2 lot of the questions I did have have already been asked.
3 But you were asked about the CRA study and whether you had
4 asked for any different assumptions to be made. First of
5 all, there were three scenarios that you -- you said in
6 your testimony the CRA was instructed to consider three
7 scenarios; is that correct?

8 A. Yes, standalone, MISO or SPP.

9 Q. And is that the full universe of
10 possibilities?

11 A. I think it is, yes.

12 Q. Now, when we look at approving or rejecting
13 the application, we're really -- our options are only
14 approve your joining MISO or reject your joining MISO, is
15 that correct, in your estimation?

16 A. Yes, it is.

17 Q. And if we reject your joining MISO, we're
18 leaving Aquila in a situation where it could possibly
19 remain standalone, could it not?

20 A. Yes, potentially.

21 Q. So if we look at whether this would be
22 detrimental to the public interest, are we considering
23 whether it would be detrimental to the public interest to
24 join MISO versus standalone or are we considering whether
25 it's detrimental by considering the weighing it against

1 the heaviest benefits that you could receive in any of the
2 three scenarios?

3 A. Well, Commissioner, in my view you're
4 weighing it against the alternative that is presented,
5 which is the standalone case, and that's really been the
6 crux of our -- of our argument all along is that there's a
7 \$21 million benefit, according to the study, for us
8 joining MISO, and that that's clearly a benefit to the
9 public.

10 Q. And that being the case, in your estimation
11 why would you have not directed the study just around the
12 two scenarios?

13 A. Well, we wanted to ensure that we looked
14 at -- at the whole -- the whole realm. If we'd have
15 performed a study that only looked at MISO, then we would
16 certainly be here today with a number of parties saying,
17 well, you've ignored one of the options. We wanted to
18 make sure all of the information was on the table and
19 available for the Commission to make their decision.

20 From our standpoint, the fact that there's
21 a \$21 million benefit to joining MISO and the fact that we
22 have a settlement obligation that -- that obliges us to
23 make such a filing, those were the two key points in our
24 decision-making process.

25 Q. Okay. When the CRA study came back showing

1 significantly greater benefits for joining SPP than
2 joining MISO, did you request CRA to run any study using
3 any other assumptions?

4 A. Well, there was -- there was an additional
5 scenario that was run which is mentioned in the study. It
6 was a high gas price scenario. That was done
7 contemporaneously with the base study, and that was just
8 attempting to understand what might happen if gas prices
9 were to go significantly higher than what they were
10 forecast in the study, in the baseline study. But beyond
11 that, no, we did not -- we did not ask for any other
12 scenarios to be run.

13 Part of our thought process throughout this
14 has been that we wanted to get a good high-quality study
15 performed by an independent third party. We've always
16 understood that it was likely that any such study would be
17 challenged, and there's really no end to the various
18 different scenarios that one could run. These studies are
19 not inexpensive, and they do take a fair amount of time to
20 have performed. So rather than opening, you know, the
21 process up to -- to presumably countless different
22 scenarios, we decided to hold it fairly close and stick
23 with the baseline.

24 Q. Did Aquila direct CRA to assume that the
25 markets were the same?

1 A. That was -- that was -- yes. Yes, you
2 could say that we did. I mean, that was a decision that
3 was made in concert with CRA and certainly was discussed
4 as well with the stakeholder group, but ultimately Aquila,
5 you know, made all of those kinds of decisions regarding
6 how CRA would ultimately perform the study.

7 Q. And why was that decision made in terms of
8 the markets, the market assumptions?

9 A. Well, we knew that SPP was working on
10 developing those kinds of markets, and we also believed
11 that it was likely that the ultimate result of their
12 cost/benefit studies would be that -- that those kind of
13 markets did make sense. And given that we were looking at
14 a long planning horizon here in this case, ten years, it
15 made much more sense for us to assume that those markets
16 were going to be together, which is what we believe
17 ultimately will happen, as opposed to assuming that they
18 will continue to stay different.

19 Q. But you don't have a time frame for that;
20 is that correct?

21 A. Well, I don't know when it will ultimately
22 happen. Certainly there's testimony in this case that
23 indicates that it could be somewhere in the 2010, '11,
24 '12 time frame. But at this point, I don't think anyone
25 can say definitively.

1 Q. And I believe I heard you say earlier that
2 you -- that the study calculated the administrative costs
3 for SPP to be equal to those of MISO; is that correct?

4 A. That was one of the assumptions. In order
5 to recognize that -- as it stands today, SPP's
6 administrative costs are lower than MISO's, but of course,
7 MISO provides various markets that are not provided by
8 SPP. So the assumption that was made in the study was
9 that in order to get to equivalent markets, you would also
10 incur equivalent costs.

11 Q. But you assume there were equivalent
12 markets already?

13 A. And costs, yes.

14 Q. So if your assumption had not been made to
15 equalize the administrative costs for SPP and MISO, the
16 benefits to SPP would have been even greater; is that
17 correct?

18 A. They would have. I don't believe that
19 would have been a valid way to proceed with the study, but
20 I think you're right about the conclusion.

21 Q. But speaking of a valid way, on the one
22 hand you're assuming the markets are already as they will
23 be?

24 A. Uh-huh. And we're also assuming the costs
25 are the same.

1 Q. And you're also assuming costs are the
2 same?

3 A. Yes. Yes.

4 COMMISSIONER MURRAY: I think that's all I
5 have. Thank you.

6 THE WITNESS: You're welcome.

7 JUDGE WOODRUFF: Commissioner Clayton?

8 COMMISSIONER CLAYTON: I don't have any
9 questions, Judge. Thank you.

10 JUDGE WOODRUFF: Commissioner Jarrett?

11 COMMISSIONER JARRETT: No questions.

12 JUDGE WOODRUFF: I do have one question,
13 and it's just, every time we talk about electric
14 transmission, the term comes up and I just want to have it
15 clear on the record. Can you describe what pancaking
16 rates are?

17 THE WITNESS: Pancaking is basically having
18 to pay multiple charges to move across systems. So if you
19 had to pay a cost to get through SPP's system and then an
20 additional cost to go through MISO's system, that's what
21 we refer to as pancaking.

22 JUDGE WOODRUFF: Okay. Thank you very
23 much.

24 THE WITNESS: You're welcome.

25 JUDGE WOODRUFF: No other questions from

1 the bench, then. So for recross, beginning with MISO.

2 RECROSS-EXAMINATION BY MR. COMLEY:

3 Q. I have one question, and it follows up on a
4 question -- or several questions from Commissioner Murray.

5 Commissioner Murray asked whether you had
6 considered other assumptions in the CRA study after you
7 saw that SPP, the Aquila and SPP scenario showed some
8 significant benefits. Was there any consideration given
9 by Aquila in connection with this study as to whether or
10 not Aquila and KCPL would see greater benefits as an RTO,
11 MISO as the RTO rather than an SPP?

12 A. No.

13 Q. Had there been any studies like that?

14 A. Not that I'm aware of.

15 MR. COMLEY: That's all I have.

16 JUDGE WOODRUFF: City of Independence?

17 MR. ROBBINS: No questions, your Honor.

18 JUDGE WOODRUFF: Ameren?

19 MR. THROSSELL: No questions, your Honor.

20 JUDGE WOODRUFF. KCPL?

21 MR. DORITY: No questions.

22 JUDGE WOODRUFF: SPP?

23 MR. LINTON: No questions.

24 JUDGE WOODRUFF: Dogwood?

25 RECROSS-EXAMINATION BY MR. LUMLEY:

1 Q. Mr. Odell, some follow-up questions on the
2 standalone scenario just to be clear. The standalone
3 scenario is not today's circumstances, correct?

4 A. That is correct.

5 Q. As we discussed when I was speaking to you
6 earlier, Aquila obtains many services from SPP today,
7 correct?

8 A. That's correct. One of the -- that is one
9 of the other assumptions that was made is that the -- the
10 relationships that we have with the two RTOs today we
11 assume would not be able to be maintained forever. Right
12 now we're kind of one foot in one, one foot in the other,
13 and we assume that we would either have to get completely
14 out of both or that we would get completely into one of
15 the two.

16 Q. So it wouldn't be a question -- if you were
17 to pursue that scenario, it wouldn't be a question of
18 remaining standalone but becoming standalone, correct?

19 A. That's correct.

20 MR. LUMLEY: That's all my questions.

21 JUDGE WOODRUFF: Public Counsel?

22 MR. MILLS: No questions.

23 JUDGE WOODRUFF: Staff?

24 MR. WILLIAMS: Just a few questions.

25 RECROSS-EXAMINATION BY MR. WILLIAMS:

1 Q. Mr. Odell, you remember when Commissioner
2 Murray was asking you about standalone and PSC approval of
3 this application?

4 A. I do.

5 Q. If the Commission does approve Aquila's
6 application in this case, will it still be up to Aquila to
7 decide whether or not it joins MISO?

8 A. No. At that point, I believe that we would
9 proceed with joining MISO.

10 Q. But it will be Aquila's choice, will it
11 not?

12 A. I guess I've never thought about that. I
13 suppose that Aquila could decide not to proceed with
14 joining MISO. I'm not sure what the repercussions of that
15 might be, but --

16 Q. Well, you've not asked the Commission to
17 order you to join MISO, have you?

18 A. No, I've not.

19 Q. And you -- in another part of your
20 responses to Commissioner Murray, you talked about, I
21 believe, discussing the CRA study parameters with
22 stakeholders. Do you recall that?

23 A. That's right, I do.

24 Q. Is Staff one of those stakeholders?

25 A. It is.

1 Q. And who would the other stakeholders be?

2 A. Office of Public Counsel, MISO and SPP.

3 Q. And do you know with whom at Staff the
4 discussions were had?

5 A. Yes. In the initial meeting, Dr. Proctor
6 was invited, and then I think as I mentioned in my
7 testimony, he -- he was unable to attend at that
8 particular date, I think illness or something, but we
9 ultimately briefed him on the content of the stakeholder
10 discussions. And then the stakeholder meeting that we had
11 after the study was completed, Dr. Proctor was in
12 attendance.

13 MR. WILLIAMS: No further questions.

14 JUDGE WOODRUFF: Redirect?

15 MR. BOUDREAU: Just one quick question.

16 REDIRECT EXAMINATION BY MR. BOUDREAU:

17 Q. Mr. Williams kind of covered the question
18 that I had. I was going to ask you the participants in
19 the stakeholder group. But just so the record's clear,
20 with respect to Commissioner Murray's question about one
21 of the assumptions in the CRA study, which is the same
22 market assumption that Mr. Lumley's question about
23 standalone scenario, those were assumptions that were
24 discussed, at least discussed with stakeholder -- members
25 of the stakeholder group before Aquila made the decision

1 to give its directive to CRA as to how to proceed; is that
2 correct?

3 A. That's correct.

4 MR. BOUDREAU: That's all I have. Thank
5 you.

6 JUDGE WOODRUFF: Thank you, Mr. Odell. You
7 can step down. The next witnesses on the list is
8 Mr. Luciani for Aquila. Before we get into -- before we
9 call the next witness, I understand that there was concern
10 that a couple of the witnesses needed to testify today.
11 Which witnesses were those?

12 MR. COMLEY: Mr. Doying is unavailable
13 after noon tomorrow.

14 JUDGE WOODRUFF: Is that the only --

15 MR. LINTON: As is Mr. Monroe.

16 MR. WILLIAMS: Judge, I would like to
17 advise the Commission that Mr. Proctor has a conflict from
18 10:30 until noon tomorrow, until one.

19 JUDGE WOODRUFF: We'll work around that,
20 too. He'll be here every -- all the other time?

21 MR. WILLIAMS: Yes.

22 MR. BOUDREAU: I would like, if possible,
23 to see what progress we can make with Mr. Luciani.
24 Obviously we can keep an eye on other availability. He
25 does have a flight out this afternoon. That's not to say

1 that arrangements couldn't be made otherwise, but if we
2 could accommodate him, see how far along we get.

3 JUDGE WOODRUFF: Well, let's go ahead and
4 call Mr. Luciani. I'll let you know, we'll plan on
5 breaking for lunch at 12.

6 MR. ROBBINS: Your Honor, I think you may
7 be aware, but the City of Independence's witnesses will
8 not be available until tomorrow, but they will both be
9 here tomorrow.

10 (Witness sworn.)

11 JUDGE WOODRUFF: You may inquire.

12 RALPH L. LUCIANI testified as follows:

13 DIRECT EXAMINATION BY MR. BOUDREAU:

14 Q. Would you state your name for the record,
15 please, sir.

16 A. Ralph L. Luciani.

17 Q. And by whom are you employed and in what
18 capacity?

19 A. CRA International, a vice president.

20 Q. Are you the same Ralph Luciani that has
21 caused to be filed in this case prepared surrebuttal
22 testimony which has been marked for identification as
23 Exhibit No. 3?

24 A. Yes, I am.

25 Q. And was that testimony prepared by you or

1 under your direct supervision?

2 A. Yes, it was.

3 Q. Do you have any corrections you would like
4 to make to that testimony at this time?

5 A. No, I don't.

6 Q. If I were to ask you the same questions as
7 are posed in that prepared testimony, would your answers
8 today be substantially the same?

9 A. Yes, they would.

10 Q. And would they be true and correct to the
11 best of your information, knowledge and belief?

12 A. Yes, they would.

13 MR. BOUDREAU: With that, I would like to
14 offer Exhibit No. 3 into the record and tender Mr. Luciani
15 for cross-examination.

16 JUDGE WOODRUFF: Exhibit No. 3 has been
17 offered into evidence. Are there any objections to its
18 receipt?

19 (No response.)

20 JUDGE WOODRUFF: Hearing none, it will be
21 received into evidence.

22 (EXHIBIT NO. 3 WAS RECEIVED INTO EVIDENCE.)

23 JUDGE WOODRUFF: And for cross-examination,
24 we begin with MISO.

25 MR. BEALL: Thank you, your Honor.

1 CROSS-EXAMINATION BY MR. BEALL:

2 Q. Mr. Luciani, we had the pleasure of meeting
3 one another briefly this morning for the first time. I
4 have just a few questions for you. If I could direct your
5 attention to page 2 of your surrebuttal testimony.

6 A. Yes.

7 Q. There at the top of page 2, you begin your
8 discussions about the purpose of your testimony and the
9 impacts of RTO memberships. Do you see that general
10 discussion there at the top of page 2?

11 A. Yes.

12 Q. And is it fair to say generally, in your
13 opinion, that RTO membership provides net benefits to
14 entities like Aquila when they're members?

15 A. As a general matter, in our cost/benefit
16 studies we have been finding benefits to RTO membership.
17 There are significant administrative costs in being part
18 of an RTO. Those can offset those trade benefits, if you
19 will. So I wouldn't make a blanket statement on that
20 particular statement, but as a general matter it seems to
21 be true when we've examined it.

22 Q. And in the specific study that you did and
23 that's been offered into evidence in this docket, it
24 showed there were positive net benefits in the two RTO
25 scenarios you looked at?

1 A. Yes, there were.

2 Q. Now, let's talk about those three
3 scenarios. There's been a lot of discussion this morning
4 about how those three particular scenarios were chosen.
5 Can you enlighten us as to the input that you provided as
6 far as, I think Mr. Odell indicated his belief that
7 those -- that constituted the universe of options. Is
8 that your opinion as well?

9 A. I would say it covers the universe of
10 options. There are a number of options that would be
11 similar to these that could also be considered.

12 Q. Okay. And was it -- was it your
13 recommendation that those be the only three scenarios
14 studied?

15 A. In discussions with Aquila, we recommended
16 these three to be the ones that would be best to evaluate.
17 Now, there are others that could be considered, but in the
18 discussions with Aquila, we decided these three would
19 cover the terrain.

20 Q. And were you given any directions or
21 instructions from Aquila, be it Mr. Odell or anyone else
22 from the company, as to how to perform the study or were
23 you just told study these three options?

24 A. Well, as far as the technical matters in
25 modeling in GE MAPS and so on and analyzing the trade

1 benefits and things of that sort, we didn't get any direct
2 input from Aquila. As far as the general structure,
3 consider MISO, consider SPP, consider a standalone, what
4 do we do about the difference in the market structure
5 between SPP and MISO, we did have discussions with Aquila
6 and ultimately the stakeholders about those particular
7 issues.

8 Q. Okay. Now, let's talk about the
9 stakeholders you mentioned. Who all do you recall talking
10 to?

11 A. At the initial stakeholder meeting, I don't
12 know who all was invited. I do recall that MISO and SPP
13 representatives were there, as well as the Public Counsel,
14 and I know we talked to Dr. Proctor for Staff a few days
15 later thereafter by phone.

16 Q. Help me out with perspective on the time
17 frame. When did -- if you recall, when did those
18 discussions take place?

19 A. I believe they were in November of 2006, in
20 that time frame.

21 Q. Okay. And you said discussions plural.
22 Were there a number of discussions that took place among
23 the stakeholders?

24 A. In the sense that there was the one with
25 the main group, the face-to-face and follow on discussion

1 with Dr. Proctor in November. Now, subsequent to the
2 issuance of the study, there was another meeting with
3 stakeholders, so there was that as well.

4 Q. And if I'm following you correctly, there
5 were three discussions in total; is that correct?

6 A. With stakeholders, correct.

7 Q. And I'm assuming there were a number of
8 discussions you had with the folks at Aquila; is that
9 correct?

10 A. Yes.

11 Q. Let me shift gears a little bit here. This
12 thing on page 2 of your surrebuttal testimony, at the
13 bottom -- I am unfortunately at that age where I've got to
14 shift between glasses and holding it back here.

15 At the bottom of page 2 you talk about
16 study -- the analysis and study that you did was done over
17 a long-term time frame. But then you go on to talk about
18 analyzing potential transition of SPP to full day two
19 market. Do you see that testimony?

20 A. Yes.

21 Q. Okay. There was a lot of testimony this
22 morning about when that day two market would come into
23 being. Were you present in the hearing room?

24 A. Yes.

25 Q. And at some point there was a decision

1 made, we heard Mr. Odell say there was a decision made to
2 have you-all study SPP as if it had a fully functioning
3 day two market; is that correct?

4 A. Yes. As part of the report, yes.

5 Q. And not to beat a dead horse here, but it's
6 your understanding that SPP doesn't have a day two
7 functioning market; is that correct?

8 A. That's correct. It's beyond a day one
9 market in the sense that it has a real-time market, but it
10 doesn't have a day-ahead market, FTRs, things of that sort
11 that are generally associated with a day two market.

12 Q. And it's also a possibility, is it not,
13 that -- that SPP may, after it does its analysis that I
14 believe we've heard Mr. Odell indicate is due to be
15 reported upon at the end of this year, they may decide
16 never to implement a day two market; is that correct?

17 A. That would be a possibility. As we know, a
18 real-time market might get many of the benefits that a
19 full day two market may do. The cost/benefits study would
20 provide guidance on that.

21 Q. And I think earlier you indicated you've
22 done a number of these GE MPPS modeling studies; is that
23 correct?

24 A. Be fair to say cost/benefit studies using
25 the GE MAPS model.

1 Q. Did you happen to work on the AmerenUE
2 study that was brought up earlier today in, I believe it's
3 Missouri docket No. EO-2008-0134?

4 A. If you're referring to the current docket?

5 Q. I am.

6 A. The current Ameren docket, yes, we
7 performed the cost/benefit study for AmerenUE in that
8 docket.

9 Q. So it's fair to say you're fairly familiar
10 with that study; is that correct?

11 A. Yes, albeit it was issued, I think, back in
12 October.

13 Q. And the one at issue in this docket was
14 March of --

15 A. Of 2007.

16 Q. Okay. And isn't it true that in the Ameren
17 study the analysis of the SPP market did not include a day
18 two market?

19 A. Yes. For the beginning years in the Ameren
20 study, we assumed not a full day two market. We did
21 analyze that in the Ameren study.

22 Q. Now, when you say beginning years, could
23 you quantify or help us?

24 A. Without the study in front of me, I believe
25 we instituted the SPP day two, full day two market in --

1 around 2011, but I'd have to look at the study. 2012,
2 2011, something like that.

3 Q. And isn't it also true that when the day
4 two market came into being in that Ameren cost/benefit
5 study, the benefits significantly increased to the tune of
6 tens of millions of dollars?

7 A. No, I don't recall that. I don't recall
8 that specifically. I believe there were general
9 benefits -- the general benefits as I recall for SPP in
10 that particular case were not as good as those from MISO
11 and for the ICT option. I don't recall a dramatic change
12 over the years.

13 Q. Well, in your experience doing these sort
14 of studies, would you agree that a day two market would
15 provide significant benefits to market participants?

16 A. In the absence of any market, yes, again
17 subject to the administrative charges that you would incur
18 to pay for that market. With a day one, a full-time
19 market it's not quite as clear. It's probable you'll get
20 more benefits. You'll also have more administrative
21 charges. Again, that's a difficult analysis that I
22 believe SPP's going to undertake now.

23 Q. I think we have heard already from
24 Mr. Odell that Aquila's a net buyer of electricity. Is
25 that your understanding?

1 A. Yes, as a general matter, they are a net
2 purchaser.

3 Q. And I believe when you were performing the
4 study that's been offered in this docket, you made certain
5 assumptions on the amount of -- of electricity that Aquila
6 was going to buy in the future; is that correct?

7 A. Well, that -- that was dictated by the
8 model runs themselves. We add the input assumptions into
9 GE MAPS and we specify all the operating parameters. We
10 have the Aquila load in there, along with all the other
11 load in the eastern interconnection footprint, and we also
12 have the Aquila generating units in there as well.

13 And the model would dispatch as efficiently
14 as it can, subject to the -- whatever hurdle rates and
15 other impositions you put on it, it will dispatch the
16 units. You can then compare the output of the Aquila
17 generating units to the Aquila load to determine whether
18 it's a net purchase or not.

19 Q. Okay. Now, you mentioned hurdle rates.
20 What -- talk about the hurdle rates. What's the point of
21 the hurdle rates?

22 A. The hurdle rates are necessary because GE
23 MAPS, like any other model of this type, will try to
24 optimize the whole world if you allow it, and in the real
25 world it's just not likely that you'll be able to optimize

1 across regions, across seams, unless you've got some sort
2 of operating agreement in place, a real-time operating
3 agreement that allows you to dispatch and control and look
4 at each other's units in real-time between regions.

5 So given that's the case, you have to
6 impose certain amounts of hurdles between regions in order
7 to get the model to reflect what is actually happening.

8 Q. And what sort of hurdle rates did you use
9 in this study?

10 A. I probably should refer to the study. I
11 think it's in one of the tables here.

12 Q. And just for the sake of the record, you've
13 got a copy of the study in front of you; is that correct?

14 A. I do. There's a list of wheeling rates
15 that were used as part of the hurdle rates in this study
16 in Table 13 on page 32. I think there were certain other
17 items used. A commitment region was done on a pool basis,
18 the wheeling charges which I just mentioned, which are
19 effectively the charges for flows between regions, the
20 transmission charges.

21 We also -- for the flowgate capacity is
22 listed on line 10 -- or on page 10 of the study. We did
23 for the standalone case limit some of the flowgates in
24 order to reflect the less robust ability to manage
25 congestion if you don't have a real-time market.

1 Q. Okay. But what I'm looking for here is the dollar
2 amount, and my recollection was that you used a \$2 hurdle
3 rate, is that correct?

4 A. The wheeling rates were used as the hurdle
5 rates here, along with the pool commitment and the
6 flowgate capacity. Those were the inefficiencies, if you
7 will, put into the market.

8 Q. Okay. And they -- they're not quantified
9 or you're saying they vary throughout?

10 A. I'm not sure what you mean.

11 Q. Well, I'm getting lost myself with you, but
12 I thought the hurdle rates we were talking about here that
13 are used in this particular study that you provided are
14 put in place to somewhat allow you to recognize the fact
15 that there are seams out there?

16 A. Correct. That is correct.

17 Q. And did you use a uniform hurdle rate
18 throughout or were there different hurdle rates for
19 different locations?

20 A. There were different hurdle rates for
21 different locations. I think those were specified in
22 Table 13 and also described on page 10.

23 Q. Now, the impact, I've got a copy --

24 MR. BEALL: Well, your Honor, may I
25 approach the witness?

1 JUDGE WOODRUFF: Yes.

2 BY MR. BEALL:

3 Q. Mr. Luciani, I've just handed you what --
4 what appears to be or what I believe to be is a copy of
5 one of your work papers. Can you identify that for me as
6 being one of your work papers you provided supporting the
7 CRA cost study, cost/benefit study?

8 A. Yes. It appears to be one of the
9 underlying work papers used to come up with the numbers in
10 the study.

11 Q. And for your benefit, and mine as well,
12 I've highlighted certain sections on that work paper, the
13 line noted as -- under the category at the top of the
14 page, Aries Generation. And would you read corresponding
15 to the, what would be the year 2008, are the standalone,
16 in MISO and SPP columns, the numbers going across for the
17 generation. I believe I've highlighted that in yellow for
18 your benefit

19 A. Highlighted in yellow, yes. For 2008, the
20 Aries Generation in the standalone case 1,533 gigawatt
21 hours; in the MISO case, 1413; and in the SPP case, 231.

22 Q. And then below that in what -- well, in the
23 additional highlighting, it's kind of a green there, it's
24 noted as uplift. Do you see that line?

25 A. Yes.

1 Q. Okay. And what -- first of all, what does
2 that represent? The uplift line under the Aries unit, if
3 you recall?

4 A. Uplift, I think I described uplift in my
5 surrebuttal testimony. Uplift for revenues represent
6 market revenues that are received when a unit's production
7 costs during an operating cycle are not fully recovered at
8 the simulated locational marginal price, quote, unquote,
9 LMP, and are a standard calculation in our standard GE
10 MAPS modeling. That's on page 5 of my surrebuttal.

11 Q. And going back to the work paper I just
12 handed you, if you could, just to complete, the comparison
13 of the numbers, the uplift charges for the 2008
14 standalone, 2008 MISO and the 2008 SPP, what are those
15 numbers shown in the work papers?

16 A. Yes. 15.3 million for the standalone case,
17 13.0 million in the MISO case, 0.1 million in the SPP
18 case.

19 Q. And is that, with the exception of the
20 highlighting, a true and accurate copy of that work paper
21 that you provided?

22 A. It appears to be. I'd have to look at my
23 original work paper, but it appears to be the -- our
24 actual work paper that we provided to you.

25 Q. And just one final point. I know you've

1 read the rebuttal and supplemental rebuttal testimony of
2 Johannes Pfeifenberger, our witness?

3 A. Yes, I have.

4 Q. He does take -- raise certain issues with
5 regard to these particular numbers. Do you recall that
6 testimony?

7 A. Yes.

8 Q. Okay. Do you have any reason to disagree
9 with his criticisms based upon these numbers and his
10 conclusions that he draws from those numbers?

11 A. Well, I think I comment upon that in my --
12 again, in my surrebuttal. It's on page 4 and 5. I talk
13 about that particular issue. So I think I've addressed it
14 there in my surrebuttal. As far as the Aries operation
15 this came up in stakeholder meetings that we had back in
16 the spring of 2007 as well. We discussed it at that time
17 at the stakeholders.

18 Q. Well, isn't it true that the numbers we're
19 looking at here, the \$15.3 million uplift charge shown for
20 just -- that's just calendar year 2008; is that correct?

21 A. That is calendar year 2008, that is
22 correct. You can see the other years on the table as well
23 as the gas activity.

24 MR. BEALL: If I could have just a moment,
25 your Honor.

1 JUDGE WOODRUFF: Sure.

2 MR. BEALL: That's all I have, your Honor.
3 Thank you, Mr. Luciani.

4 JUDGE WOODRUFF: Thank you. And it is
5 12 o'clock on the dot, and it's time for lunch. We'll
6 take a break until about one o'clock and we'll resume.

7 (A BREAK WAS TAKEN.)

8 JUDGE WOODRUFF: Good afternoon. I hope
9 you had a good lunch. Before our break, we had Mr.
10 Luciani on the stand, and MISO had completed its
11 cross-examination, so we'll now move on to City of
12 Independence.

13 MR. ROBBINS: Thank you, your Honor.

14 CROSS-EXAMINATION BY MR. ROBBINS:

15 Q. I'm Alan Robbins on behalf of the City of
16 Independence. So I don't distract you, how do you
17 pronounce your name?

18 A. Luciani.

19 Q. Luciani. Thank you. I have a few
20 questions about your surrebuttal testimony. You may want
21 to have it in front of you. You have it?

22 A. (Witness nodded.)

23 Q. On page 7 you conclude by testifying that
24 the CRA study represents, quote, a reasonable, valid and
25 independent analysis of the economics of Aquila's RTO

1 alternatives and can be relied upon by Aquila in
2 evaluating those alternatives, end quote, correct?

3 A. Correct.

4 Q. Now, that same CRA study assumed that SPP
5 has essentially the same markets as MISO, correct?

6 A. Yes. Throughout the ten-year horizon, it
7 assumed that SPP had the same day two market as MISO.

8 Q. And the first year of that ten-year study
9 period is 2008, correct?

10 A. Correct.

11 Q. And, in fact, in 2008 SPP did not have the
12 same market as MISO, correct?

13 A. It does not have the same markets. It has
14 a real-time market in place, but not a day-ahead market.

15 Q. And by day -- the reference to a day two
16 market, I think in your testimony you include in that a
17 day-ahead market as well as FTRs, correct?

18 A. Correct.

19 Q. And just to be clear, SPP does not
20 currently have a day-ahead market?

21 A. It does not have a day-ahead market.

22 Q. And does not currently employ FTRs?

23 A. It does not.

24 Q. Now, you can't say when SPP will initiate a
25 day two market, can you?

1 A. No. No. It will be the subject of
2 cost/benefit analysis, and if that cost/benefit analysis
3 shows positive benefits, I assume they will implement it
4 at that time.

5 Q. And for that very reason, as you sit here
6 today, you can't say with certainty that SPP will adopt a
7 day two market?

8 A. It may well not. The administrative
9 charges to implement that next stage can be significant,
10 and the real-time market they have in place can be
11 achieving many of the benefits that a full day two market
12 might have.

13 Q. Now, is it fair from what you just said to
14 assume or to understand, rather, that in your experience
15 it is not automatically true that a day two market is more
16 beneficial than a day one plus market?

17 A. Taking into account the administrative
18 charges, that may well be the case. You'd have to analyze
19 it.

20 Q. But certainly market participants need to
21 take charges, not just benefits?

22 A. Definitely.

23 Q. Now, again, your conclusion in your
24 surrebuttal testimony is that the study represents a
25 reasonable, valid and independent analysis of the

1 economics of Aquila's RTO alternatives and can be relied
2 upon by Aquila in evaluating those alternatives?

3 A. Correct.

4 Q. We know that the study indicates
5 significantly greater net benefits for Aquila if they
6 participate in SPP rather than MISO, correct?

7 A. It's showing greater benefits for the SPP
8 alternative, yes.

9 Q. Now, if you were management of Aquila and
10 you were reporting to the shareholders of Aquila that you
11 have decided that it's in the interests of Aquila and its
12 ratepayers to join SPP and here are the net benefits we're
13 going to see by doing so over the next ten years, would
14 you rely on the CRA study for that?

15 A. I'm not sure I follow.

16 MR. BOUDREAU: I think I'm going to object
17 that it's outside the scope of this witness' testimony.

18 JUDGE WOODRUFF: Response?

19 MR. ROBBINS: Your Honor, as I've
20 indicated, the witness testified that in his opinion the
21 study is a reasonable, valid and independent analysis of
22 the RTO and can be relied upon by Aquila in evaluating
23 those alternatives. I'm testing to see what he means by
24 that.

25 JUDGE WOODRUFF: I'll overrule the

1 objection. You can answer.

2 MR. ROBBINS: Thank you, your Honor.

3 BY MR. ROBBINS:

4 Q. Now, if you put yourself in the role of
5 management reporting to shareholders that you recommend or
6 have decided that Aquila should join SPP, would you use
7 the existing CRA study to show them what those benefits
8 would be over the ten-year period reflected in the study?

9 A. I would use the CRA study as guidance in
10 that opinion, yes.

11 Q. Well, the CRA study, for example, shows --
12 we can turn back to it, but roughly \$14 million. I'm
13 rounding. It's in Table 16. But in 2008 it shows net
14 benefits of, what, 13 something million dollars for '08.
15 I can get the study if you like.

16 A. Yeah. I think 13.4 million undiscounted.

17 Q. And since SPP does not, in fact, have day
18 two markets in place in 2008, is it still your testimony
19 that you would expect Aquila to, in fact, experience that
20 amount of net benefits participating in SPP in 2008?

21 A. You couldn't say specifically it would be
22 13.4 because, again, we analyzed it with day two markets
23 in place in both the SPP and MISO cases. What you could
24 say is that given the existence of the real-time market in
25 SPP providing many of the benefits that you would expect

1 by the management of congestion on an economic basis, and
2 offset by the lowered administrative charges in the SPP
3 case, that this is indicative of the type of benefits you
4 would get.

5 Q. Even without a day two market?

6 A. Even without a day two market.

7 Q. Then why -- I didn't mean to interrupt.

8 A. Without a day two market, you wouldn't have
9 the day-ahead commitment, day-ahead market rate. You
10 would have a real-time market. You would have lower
11 administrative charges as well.

12 Q. So is it your testimony that the expected
13 benefits to Aquila of participating in SPP would be
14 roughly the same with or without a day two market?

15 A. To do that fully, you would have to analyze
16 the benefit to SPP of a -- of just having a real-time
17 market with lower administrative charges or having the
18 day-ahead market with the higher administrative charges.
19 And again, that is a sophisticated analysis which I don't
20 know the results of. So you can't say that definitively,
21 no.

22 Q. But you -- in fact, the CRA study did not
23 do that analysis?

24 A. No, it did not.

25 Q. It assumed a day two market for SPP?

1 A. That's correct.

2 Q. And is it your testimony, then, that even
3 without a day two market, the expected benefits would be
4 essentially the same as if there was a day two market?

5 A. It could be. It could be.

6 Q. The question was, is it your testimony that
7 without a day two market, the benefits would be -- could
8 be expected to be the same?

9 A. Without a day two market, I would not
10 expect them to be the same.

11 Q. You would expect them to be higher or
12 lower?

13 A. They could be higher. They could be lower.
14 It would depend again on an analysis of the extra
15 efficiency of the day-ahead market relative to the extra
16 administrative charges.

17 Q. Now, you could have, I assume, run the
18 study a little differently and in effect said, all right,
19 we're looking at a ten-year period, we know that SPP
20 doesn't have the same markets today. We're not sure when
21 or even if they will, but we've got to use some
22 assumptions. Let's assume it will be X years before they
23 start comparable markets. And so for the first number of
24 years, they have what they have, and then from year X
25 forward they have day two markets. You could have done

1 that, correct?

2 A. Yes, we could have done that. In fact, we
3 did something similar to that in the Ameren study, and
4 also we did an analysis similar to that for MISO in this
5 docket.

6 Q. Now, let's come back to my original
7 question. If you were talking to the shareholders, for
8 example, would you want them to -- would you be
9 comfortable with them believing that in 2008, if SPP was
10 the RTO that Aquila was in, that Aquila could expect
11 13.4 million of net benefits and you know that that number
12 assumes day two markets and you know that, in fact, SPP
13 does not have day two markets?

14 A. Again, I would not use the 13.4 number
15 except as an example of a longer term type results that we
16 found here.

17 Q. Now, in your surrebuttal testimony you
18 respond in part to testimony submitted by Independence's
19 witness Mark Volpe, correct?

20 A. Yes, I did.

21 Q. And you indicate there that you think that
22 the manner in which Mr. Volpe sort of recalculated the
23 benefits to reflect the difference in markets for I think
24 it was the first three years, that you don't agree with
25 the way he did that calculation, correct?

1 A. Yeah. That's correct. It's on page 3.

2 Q. And one of your comments is that you feel
3 that he did not adequately reduce the SPP day two
4 administrative costs in doing that, right?

5 A. The administrative charges to move from a
6 day without the day-ahead market, correct.

7 Q. And then your understanding was that for
8 the years that he eliminated, he just took the sum of the
9 exhibited trade benefits and subtracted them from the
10 total rather than taking the present value, that sum and
11 subtracting it from the total, correct?

12 A. That seemed to be what he did, yes.

13 Q. But subject to those adjustments, you
14 didn't otherwise contest his reducing of the benefits
15 shown, correct?

16 A. In my surrebuttal, no, I did not address
17 the content of eliminating those trade benefits. Again, I
18 would not eliminate all those trade benefits given the
19 existence of a real-time market in SPP.

20 Q. You didn't get into that in your testimony,
21 did you?

22 A. I did not.

23 Q. Now, on page 2 of your testimony, carrying
24 over to page 3, starting at the bottom of page 2, you talk
25 about SPP's potential transition to full day two market,

1 right?

2 A. Correct.

3 Q. And then at the top of page 3, you
4 reference a document called, quote, proposed high level
5 design for Southwest Power Pool, future market
6 development, close quote, correct?

7 A. Correct.

8 Q. Are you familiar with that document?

9 A. I've read through that document, yes.

10 Q. And do you agree that that document
11 contemplates studies that address options in addition to
12 transition to a full day two market?

13 A. It has a number of permutations within it,
14 yes.

15 Q. And many of those permutations involve a
16 market something short of the full day two market that
17 MISO currently has, correct?

18 A. I don't know if I would call it short. I
19 would say different.

20 Q. Well, by short, I'm not demeaning, not even
21 editorializing, believe it or not, but simply mean with
22 less features or not involving all of the architecture of
23 the day two MISO markets.

24 A. There are a couple of options in there that
25 looked different than what MISO and indeed PJM are

1 currently doing. I wouldn't say without understanding
2 what all the nuances meant in that document that it was
3 not necessarily fully functional in the same way.

4 Q. Well, isn't one of the considerations
5 whether or not to look at the possibility of not having a
6 virtual market?

7 A. I believe that was mentioned in it, but
8 I -- it's been a little while since I looked at the
9 document.

10 Q. Do you recall that another option is to
11 look at a more simplified day-ahead market than what MISO
12 has?

13 A. Yes, I did see that.

14 Q. And does it also involve review of greater
15 emphasis or opportunity for bilateral transactions than is
16 involved in the MISO markets?

17 A. I believe I saw reference to that.

18 Q. And does it also look at the possibility of
19 maybe just some ancillary services addition only?

20 A. That was going to be one of the
21 sensitivities in the study as I understand it, yes.

22 Q. And another one was a day-ahead addition
23 only?

24 A. Correct.

25 Q. And of course, MISO doesn't have ancillary

1 services only, does it?

2 A. It has a day-ahead market, and it is about
3 to institute an ancillary services market.

4 Q. And doesn't have a day-ahead only either?

5 A. It doesn't have a day-ahead in the sense
6 that it's about to put in an ancillary services market, if
7 that's what you mean, yes.

8 Q. Well, even today it also has a real-time
9 market, FTRs?

10 A. The SPP document assumes it already has the
11 in-balance market, the real-time market in place. When it
12 says day-ahead only, it really means only implement a
13 day-ahead, in addition to what we already have.

14 Q. So the assumption that -- well, the
15 assumption in the study that SPP would have a day two
16 market comparable to MISO's is one of many assumptions
17 that could have been made, correct?

18 A. Yes, which is one of the reason we chose
19 this more simplified technique.

20 Q. And had you known that SPP was going to
21 adopt market architecture that did not involve all the
22 features of the day two MISO market, would your study have
23 then attempted to show the trade benefits and costs in SPP
24 based on an understanding of the market that they would
25 have been planning to adopt?

1 A. It would be a timing issue. If we knew
2 definitively that SPP had chosen what market to perform,
3 again, based on cost/benefit analysis or whatever
4 decisions were used to do that, and that was definitive
5 how the market was going to be modeled in the future or
6 run in the future, yes, we would have tried to take that
7 into account.

8 Q. Now, in the case of MISO, of course at the
9 time you did your study you knew they had their day two
10 markets?

11 A. Oh, yes.

12 Q. And I assume you'd agree it wouldn't have
13 made much sense when looking at the MISO scenario to
14 assume that they did not have the day two market?

15 A. He wouldn't have done that unless there was
16 some indication that MISO was going to reverse its market.

17 Q. And absent such an indication -- I take it
18 you're not aware of any, by the way?

19 A. I am not aware of any.

20 Q. Since they, in fact, have a day two market,
21 to do an analysis that assumed no day two market wouldn't
22 tell you very much about what to expect if one
23 participated in the day two market that actually exists,
24 correct?

25 A. I believe that's correct. Since we know

1 how MISO is going to run its market presumably over the
2 next ten years, that's what we used.

3 Q. The point is these markets affect trading
4 patterns, correct?

5 A. The way the market is structured can affect
6 the trading patterns, yes.

7 Q. And that, therefore, affects both potential
8 benefits as well as costs associated with it?

9 A. It can do that.

10 Q. I don't want to overbelabor this, but my
11 point is, it's a very functional difference, it's not a
12 matter of this room can function just as well whether the
13 walls are gray, pink or blue. This goes to functionality,
14 not just cosmetic, does it not?

15 A. It definitely goes to functionality, and it
16 goes to costs and benefits of implementing that function.

17 Q. Or the flow from -- when you say
18 implementing, you mean or participating in it as a market
19 participant?

20 A. My answer there was characterized from
21 SPP's perspective. Would they go ahead and do it, they
22 would have to do a cost/benefit study to see if it was
23 beneficial to do so.

24 Q. From a market participant standpoint, what
25 I was coming from is that the architecture and features of

1 the market that you're in, in fact, influence what
2 transactions you may or may not do and what the costs and
3 benefits of those would be?

4 A. They can do that, yes.

5 Q. Can or essentially do?

6 A. It depends on the nature of the change
7 you're talking about, but yes.

8 MR. ROBBINS: Just seeing if I'm finished,
9 your Honor.

10 BY MR. ROBBINS:

11 Q. Would you agree that there's lead time
12 involved in implementing a market for the first time?

13 A. Yes.

14 Q. And have you reviewed the testimony of
15 Mr. Carl Monroe of SPP that indicates that it will be
16 somewhere between the end of 2010 and 2012 before SPP
17 could implement these future markets?

18 A. I did see that.

19 Q. And do you have any reason to disagree with
20 his estimate of timing?

21 A. No, I do not.

22 Q. Have you had direct involvement in the
23 implementation by an RTO of these markets?

24 A. When you say direct involvement, other than
25 the performance of cost/benefit studies?

1 Q. Yes.

2 A. No.

3 Q. So you're not familiar with all the various
4 steps that an RTO has to go through in order to go from
5 the date we say yes, let's do it, to then getting --
6 actually having a market in operation?

7 A. The operational steps, no. I mean, to the
8 extent we examine some of those items in a cost/benefit
9 study, we need to do this function, you need to do that
10 function, it would cost this much, these are the
11 administrative charges, we assess that. But the actual
12 mechanics of implementing the market, no.

13 Q. Do you generally agree it's a very complex
14 and multi-faceted undertaking?

15 A. For RTO market development, yes.

16 Q. There's a lot of computer software --

17 A. Yes.

18 Q. -- that has to be programmed and systems to
19 be designed and tested and implemented, correct?

20 A. Yes.

21 Q. And then there's regulatory approvals and
22 tariff information, tariff production first and then
23 regulatory approvals related to that?

24 A. Yes.

25 Q. Stakeholder processes throughout much of

1 that?

2 A. Yes.

3 Q. I'm not pretending that's an exhaustive

4 list, but you'd agree that gives a flavor of what's

5 involved?

6 A. It's a significant endeavor.

7 MR. ROBBINS: Thank you, Mr. Luciani. No

8 further questions.

9 JUDGE WOODRUFF: Thank you. And for

10 Ameren?

11 MR. THROSSELL: No.

12 JUDGE WOODRUFF: KCPL?

13 MR. DORITY: (Shook head.)

14 JUDGE WOODRUFF: SPP?

15 MR. LINTON: No questions.

16 JUDGE WOODRUFF: Dogwood?

17 CROSS-EXAMINATION BY MR. LUMLEY:

18 Q. Good afternoon.

19 A. Good afternoon.

20 Q. If you could refer to page 6 of your

21 surrebuttal testimony.

22 A. Yes.

23 Q. At the top of the page, you indicate the

24 combination of gas prices, transmission limitations and

25 seams charges results in errors being committed less often

1 in the SPP case. Do you see that?

2 A. Yes.

3 Q. Does that mean in layman's terms that
4 Aquila would be buying less energy from Dogwood, from
5 Aries?

6 A. It would mean that Aries would be committed
7 and run less in the -- in the SPP case is what we found.

8 Q. So you'd be selling less energy?

9 A. Yes.

10 Q. And on the flip side, in Schedule DO-4 to
11 Mr. Odell's testimony that you referred to, it shows in
12 the MISO case it would be selling more energy?

13 A. It would be?

14 Q. Dogwood?

15 A. Dogwood. I'd have to look at that, but I
16 believe that it was running more in those two cases.

17 Q. And as we -- as you sit here today, you
18 still stand by the study results, correct?

19 A. Yes.

20 MR. LUMLEY: That's all my questions.

21 JUDGE WOODRUFF: Public Counsel?

22 MR. MILLS: No questions.

23 JUDGE WOODRUFF: For Staff?

24 MR. WILLIAMS: Thank you, Judge.

25 CROSS-EXAMINATION BY MR. WILLIAMS:

1 Q. Good afternoon, Mr. Luciani.

2 A. Good afternoon.

3 Q. My name is Nathan Williams, and I'm
4 representing the Commission Staff.

5 With regard to unit commitment, how did the
6 study that CRA performed for MISO differ from the analysis
7 it performed for Aquila?

8 A. In the -- in the analyses that we performed
9 for MISO, MISO requested that we switch from pool
10 commitment which is what we used in the CRA study, to
11 something called system commitment for those runs for
12 MISO. System commitment generally allows units, albeit
13 with perhaps a hurdle rate, outside of the pool to be
14 committed for your benefit on a day-ahead basis.

15 Q. Do you agree that with a system-wide
16 commitment where you're using commitment hurdle rates, it
17 is important to calibrate the commitment hurdle rates to
18 match results that are consistent with standalone results
19 where transactions are based only on bilateral
20 arrangements?

21 A. It would be useful to calibrate. It's
22 always useful to calibrate.

23 Q. Without such a calibration, what value are
24 the results of such an analysis that uses system-wide
25 commitment?

1 A. Well, I think it's an interesting
2 sensitivity to do to see if it matters. We do have pool
3 commitment in our study as the basis for the day-ahead
4 commitment for Aquila depending on where it belongs and
5 which pool it is. So I think it is interesting to relax
6 that assumption and see what happens.

7 Q. Did you perform that calibration in your
8 study for Aquila?

9 A. I'm sorry. Could you repeat that?

10 Q. Did you perform that type of a calibration
11 in the study you did for Aquila?

12 A. That type of calibration being?

13 Q. The calibration, the matching -- maybe my
14 question's mis -- calibrating commitment, hurdle
15 commitment rates by using -- matching them to obtain
16 results that are consistent with standalone results where
17 the transactions are based only on bilateral arrangements?

18 A. I'm not sure I can answer that as phrased.
19 If you could repeat it for me one more time.

20 Q. I can try. In the CRA study that you did
21 for Aquila, did you do a calibration to match the
22 commitment hurdle rates to results that are consistent
23 with standalone results where transactions are based only
24 on bilateral arrangements?

25 A. We did not directly do such calibration,

1 no.

2 Q. Did you do that type of a calibration in
3 the study you did for MISO?

4 A. No.

5 Q. If you see significant savings from
6 system-wide commitment in comparison to pool commitment
7 when fairly low commitment hurdle rates are used, does
8 that cause you any concerns?

9 A. I think I understand the question. I
10 missed the very first part of it. Could you repeat the
11 very first part?

12 Q. If you see significant savings from
13 system-wide commitment --

14 A. Stop there. Savings for Aquila? I just
15 don't know what the savings are.

16 Q. Yes.

17 A. Savings for Aquila. Okay. Sorry. Go
18 ahead.

19 Q. In comparison to when you use pool
20 commitment, when fairly low commitment hurdle rates are
21 used, does this cause you any concern?

22 A. Again, any sensitivity can be useful. You
23 always have to look at what the underlying assumptions are
24 used. If there are additional benefits under system
25 commitment, you'd probably want to think through why that

1 was, whether the hurdle rates were set appropriately. You
2 might try different hurdle rates. You might do that as
3 well to help provide some guidance. I don't know if it
4 would move me one way or another without sort of
5 investigating it on those lines.

6 Q. But it would cause you to take a look at
7 it?

8 A. Any -- as an analyst, any sensitivity
9 provides me additional data to look at, and I'm always
10 happy to look at it.

11 MR. WILLIAMS: No further questions.

12 JUDGE WOODRUFF: Questions from the Bench.
13 Commissioner Murray, do you have any questions?

14 COMMISSIONER MURRAY: A few. Thank you.

15 QUESTIONS BY COMMISSIONER MURRAY:

16 Q. Good afternoon.

17 A. Good afternoon.

18 Q. If Aquila joins MISO, how will the Aries
19 uplift costs be allocated?

20 A. My understanding is if there were to be
21 uplift and uplift in general, it would be spread through
22 RSG charges across the MISO footprint. In that same
23 sense, uplift for units not in Aquila's service territory,
24 for example, somewhere else in MISO, are also spread
25 throughout the footprint through the RSG charges.

1 Q. And that is not the way you allocated the
2 Aries uplift charges in your study; is that right?

3 A. That's correct. The uplift charges were
4 applied directly to Aquila. Now, we also did not apply
5 RSG charges in general to Aquila in the study to offset
6 that.

7 Q. Was there an equal offset or a comparable
8 offset or did you make that analysis?

9 A. We did not make that analysis. The RSG
10 charges are, as I understand it, fairly contentious. In
11 the Ameren study, the RSG charges were a significant part
12 of the MISO-related costs that were rolled into the
13 analysis. So they can be significant. But for the Aquila
14 study, again, Aquila not being a member of MISO and Ameren
15 is a member of MISO and, therefore, it knows what its RSG
16 charges have been, it was difficult to assess that, so we
17 did not.

18 Q. Are you familiar with Mr. Pfeifenberger's
19 testimony filed in this case?

20 A. I've read through it, yes.

21 Q. He talks about Aquila having been a net
22 buyer from MISO while it has been a net seller to SPP.
23 And on page 14 of his surrebuttal testimony he indicates
24 that the average midwest ISO purchase price, I don't think
25 I'm -- this isn't HC, is it?

1 MR. BOUDREAU: I think there was only --
2 excuse me. I think there was only one schedule that
3 Mr. Pfeifenberger filed that's highly confidential. I
4 think his testimony's fine.

5 COMMISSIONER MURRAY: Thank you.
6 BY COMMISSIONER MURRAY:

7 Q. That the average Midwest ISO purchase price
8 was more than \$7 a megawatt hour below the average SPP
9 purchase price. Would you agree with that?

10 A. Again, I'm not remembering the exact
11 numbers that you're citing. I think he was talking about
12 some spot price differentials between the study and the
13 actual results he was digging out of the 2007 data. And
14 again, I think he took the comparison to the standalone
15 Aquila case, and again, we have to remember that none of
16 the three cases reflect Aquila's situation as it stands
17 today. As a member of the SPP tariff, it does not have
18 pancaked wheeling charges into SPP today.

19 So it's difficult to pull numbers from one
20 of those particular cases and compare that without that
21 particular case being directly comparable.

22 Q. All right. I think he was indicating that
23 your study likely understated the significance of Aquila's
24 interconnection with the MISO.

25 A. I'm not sure if I remember that exact

1 assertion. In our modeling, of course, we've got the
2 transmission topology that actually exists with the
3 interconnections that actually assist with MISO, between
4 Aquila and MISO, Aquila and ACI, Aquila and SPP. So those
5 are actually included in our model.

6 Q. Can you explain how much of the savings
7 that -- or the benefit, I guess, that you calculate as
8 being attributable to SPP over MISO was in the pancaking
9 figure?

10 A. The pancaking being the transmission
11 wheeling charges between the two. It's certainly a piece
12 of it, and again, as we talked a little bit earlier, we
13 had separate -- three separate items between the cases
14 that dictated how the modeling was different in each of
15 the three cases. Clearly when we have these inter-ties,
16 these inter-ties with SPP and we place a charge on it, it
17 would seem to have an impact.

18 Q. And when you say that, are you saying
19 different than your study showed?

20 A. The study took those into account. It took
21 those wheeling charges into account when it -- when it
22 placed Aquila in each particular pool, if it placed in
23 MISO, then it had a different wheeling charge impact. If
24 it was in MISO, for example, it had a wheeling charge
25 between itself and SPP. If it was in SPP, it had a

1 wheeling charge between itself and MISO. So that was
2 taken into account in the study. That was one of the key
3 parts of the results.

4 Q. And were those wheeling charges different
5 in each scenario? I mean, for --

6 A. They were -- they were slightly different,
7 as I understand it. We looked at the actual tariffs in
8 place at that time, and so I think we were using the
9 actual non-firm wheeling rates that were -- that were
10 issued, that were in effect as of that time. So they
11 were -- they were different between the pools.

12 Q. I think that may be all. Just give me a
13 minute, please.

14 I guess I'll just ask one last question.
15 Would you agree that if the markets were not assumed to
16 have been the same, that the differences between the
17 benefits of belonging to MISO and that of belonging to SPP
18 would have been less?

19 A. And again, that's a -- it was a similar
20 question to what was just asked. It's likely that the
21 trade benefits might have been less, but the
22 administrative charges would also have been less because
23 it costs money to do FTRs and a day-ahead market. There's
24 additional administrative charges that are incurred.

25 Are those enough that the benefits exceed

1 those charges? Well, that's the subject of an SPP
2 cost/benefit analysis that's being undertaken as I
3 understand it. So without knowing the answer to that, I
4 can't say.

5 COMMISSIONER MURRAY: Okay. Thank you.

6 JUDGE WOODRUFF: Commissioner Jarrett?

7 COMMISSIONER JARRETT: I have no questions.

8 Thank you.

9 JUDGE WOODRUFF: I don't have any
10 questions. Recross, we go to MISO.

11 MR. BEALL: I have nothing, your Honor.

12 JUDGE WOODRUFF: Okay. Independence?

13 MR. ROBBINS: No, sir.

14 JUDGE WOODRUFF: Ameren? KCPL?

15 (No response.)

16 JUDGE WOODRUFF: SPP?

17 MR. LINTON: No questions.

18 JUDGE WOODRUFF: Dogwood?

19 (No response.)

20 JUDGE WOODRUFF: Public Counsel?

21 MR. MILLS: No.

22 JUDGE WOODRUFF: Staff?

23 MR. WILLIAMS: No questions.

24 JUDGE WOODRUFF: Then we go to redirect.

25 MR. BOUDREAU: I just have one question in

1 the nature of clarification.

2 REDIRECT EXAMINATION BY MR. BOUDREAU:

3 Q. I believe in answer to a number of
4 questions you got from Commissioner Murray you were using
5 the phrase RSG charges. What is that an abbreviation for?

6 A. I believe it is a revenue sufficiency
7 guarantee, although I would have to look it up to know for
8 sure.

9 MR. BOUDREAU: Thank you. That's all I
10 have. Thank you.

11 JUDGE WOODRUFF: All right. Thank you.
12 Mr. Luciani, you may step down.

13 MR. BOUDREAU: If I may inquire, is
14 Mr. Luciani excused at this point?

15 JUDGE WOODRUFF: Yes, you're excused.

16 MR. BOUDREAU: Very good. Thank you.

17 JUDGE WOODRUFF: I believe the next
18 witness, then, is for MISO, Mr. Doying.

19 (Witness sworn.)

20 (EXHIBIT NO. 4 WAS MARKED FOR
21 IDENTIFICATION BY THE REPORTER.)

22 RICHARD DOYING testified as follows:

23 DIRECT EXAMINATION BY MR. BEALL:

24 Q. Mr. Doying, would you please state your
25 full name for the record.

1 A. Richard Doying.

2 Q. And by whom and in what capacity are you
3 employed?

4 A. By the Midwest ISO as Vice President of
5 Market Operations.

6 Q. I've had placed in front of you what's been
7 marked by the reporter as Exhibit No. 4, I believe. Do
8 you recognize Exhibit No. 4?

9 A. I do. It looks like my testimony that was
10 filed in this proceeding.

11 Q. That would be the testimony prefiled on
12 November 29th, 2007; is that correct?

13 A. It has the month and year. I don't see the
14 date that it was actually filed. But my recollection, it
15 was on or about that date.

16 Q. All right. And if I were to ask you the
17 questions contained in that prefiled testimony here today,
18 would your answers be the same or substantially the same?

19 A. It would be.

20 Q. Do you have any corrections, modifications
21 that you need to make to that testimony?

22 A. No, I do not.

23 MR. BEALL: With that, your Honor, I would
24 offer into the record Exhibit No. 4 and tender the witness
25 for cross-examination.

1 JUDGE WOODRUFF: Thank you. Exhibit 4's
2 been offered into evidence. Are there any objections to
3 its receipt?

4 (No response.)

5 JUDGE WOODRUFF: Hearing none, it will be
6 received into evidence.

7 (EXHIBIT NO. 4 WAS RECEIVED INTO EVIDENCE.)

8 JUDGE WOODRUFF: And for cross-examination,
9 we begin with Aquila.

10 CROSS-EXAMINATION BY MR. BOUDREAU:

11 Q. I just have a few questions. Mr. Doying,
12 are you -- are you familiar with CRA International and its
13 capabilities?

14 A. Only somewhat.

15 Q. Let me ask you this, then. Based on
16 your -- what knowledge you have of CRA International, is
17 it a firm, to your knowledge that's sufficiently
18 knowledgeable and experienced to perform the sort of
19 analysis that's contained in the cost/benefit study that's
20 been sponsored by Aquila?

21 A. I am familiar enough with their
22 capabilities to know that they have the technical
23 expertise to run the types of models that they run. I
24 don't know beyond that what types of use they put those
25 models to in the past, so I can't offer an opinion.

1 Q. Fair enough. Would you agree with me that
2 the cost/benefits study prepared by CRA and submitted by
3 Aquila demonstrates that there's a net economic benefit to
4 Aquila to joining MISO and compared to a standalone
5 scenario?

6 A. Yes. That's consistent with my
7 understanding based on my review of the study.

8 Q. And that that benefit as calculated by CRA
9 is approximately \$21 million over the period 2008 to 2017?

10 A. That's consistent with my memory from
11 reviewing the study, yes.

12 MR. BOUDREAU: That's all the questions I
13 have. Thank you.

14 JUDGE WOODRUFF: For City of Independence?

15 MR. ROBBINS: No questions, your Honor.

16 JUDGE WOODRUFF: Ameren?

17 MR. THROSSELL: No.

18 JUDGE WOODRUFF: KCPL?

19 MR. DORITY: No questions.

20 JUDGE WOODRUFF: SPP?

21 MR. LINTON: No questions.

22 JUDGE WOODRUFF: Dogwood?

23 MR. LUMLEY: No questions.

24 JUDGE WOODRUFF: Public Counsel?

25 MR. MILLS: Yes, a few. Thank you.

1 CROSS-EXAMINATION BY MR. MILLS:

2 Q. Good afternoon, Mr. Doying. My name is
3 Lewis Mills. I represent the Public Counsel in this
4 proceeding.

5 Does Midwest ISO currently provide
6 transmission services to entities in Missouri?

7 A. We do.

8 Q. Do those entities include AmerenUE?

9 A. Yes, that would be one of our transmission
10 customers in Missouri.

11 Q. Does AmerenUE make substantial payments to
12 the MISO for transmission services?

13 A. No, not on a net basis, sir, they do not.
14 The owners of the transmission facilities make payments
15 under our tariff which for their network service needs,
16 which is the vast majority of all of our transmission
17 owning member needs, are rebated back to the company.
18 It's a pass through mechanism whereby we assess a rate
19 based on their embedded cost of service and their approved
20 tariff rate and that money is returned to the company. So
21 they do not on a net basis pay for transmission service to
22 the Midwest ISO for that purpose.

23 Q. In that case, how does the Midwest ISO get
24 the funds from which it operates?

25 A. We have administrative charges that we have

1 included in our tariff. They are -- they are for
2 transmission related services that are provided. For
3 example, the market administrative charges are collected
4 under Schedule 17. The financial transmission rate
5 charges are collected under Schedule 16. So there are
6 charges that are service specific under the tariff.

7 Q. And do those payments help fund MISO, which
8 in turn pays your salary?

9 A. Absolutely. They go to offset our total
10 cost of operation, which includes our ongoing operating
11 cost as well as debt recovery.

12 Q. Does Aquila at this time make payments to
13 the MISO?

14 A. I am not familiar with our contractual
15 arrangements with Aquila for providing services we
16 provide, but I assume that they do. I'm just not familiar
17 with that contract.

18 Q. If Aquila joins the MISO as you propose in
19 this case, will those payments increase significantly?

20 A. The payments for the services they receive,
21 no, but they would be subject to the other market-based
22 administrative charges that I referred to.

23 Q. And those would be a significant increase
24 over what they pay now?

25 A. A significant increase over what they pay

1 to Midwest ISO now?

2 Q. Yes.

3 A. Yes. It would be an increase, yes.

4 Q. Now, is one of the -- one of the important
5 principles behind the Midwest ISO is their responsibility
6 to stakeholders in the process?

7 A. Absolutely.

8 Q. And, in fact, you have a big stakeholder
9 meeting this week; is that correct?

10 A. We do. We have an annual stakeholder
11 meeting which is occurring this week.

12 MR. MILLS: Your Honor, may I approach?

13 JUDGE WOODRUFF: You may.

14 BY MR. MILLS:

15 Q. I've handed you a printout from the welcome
16 page of the Midwest ISO web page, and I'd like to read a
17 statement from that page and ask you if you agree to it.
18 It says, the Midwest ISO is committed to reliability, the
19 nondiscriminatory operation of the bulk power transmission
20 system, and to working with all stakeholders to create
21 cost effective and innovation solutions for our changing
22 industry. Did I read that accurately?

23 A. I believe the last sentence was, and to
24 work -- to working with all stakeholders to create cost
25 effective and innovative solutions for a changing

1 industry. I believe you said innovations.

2 Q. Okay. Thank you. With that correction, is
3 that -- is that what your website says?

4 A. I'll note that this is a -- appears to be a
5 copy of the new website, which was only recently launched,
6 and this looks familiar to me, but I am not as familiar
7 with the new version of the website, which we just
8 launched, as the old one, but the words I certainly
9 recognize.

10 Q. And let me ask you more about the words
11 rather than the source. Do you agree that that is an
12 accurate statement of -- of MISO's position on this issue?

13 A. Yes, sir.

14 Q. Okay. Now, as part of that commitment,
15 MISO has committed to work with all stakeholders to create
16 cost effective and innovative solutions for our changing
17 industry, correct?

18 A. Correct.

19 Q. Now, isn't it true that significant changes
20 have occurred in the electric industry since the time that
21 Aquila made its commitment to join the MISO?

22 A. There are certainly changes on an ongoing
23 basis. I guess I would ask you to define what you would
24 mean by significant in order for me to be able to answer
25 that question well.

1 Q. Let me give a couple of examples. Is the
2 beginning of the SPP RTO operations a significant change?

3 A. Certainly.

4 Q. Is the startup of the energy market of the
5 SPP a significant change?

6 A. Yes, it would be.

7 Q. Now, when you talk about stakeholders, are
8 stakeholders, does that incorporate entities such as
9 Aquila, the Office of Public Counsel, the Missouri
10 Commission and its Staff?

11 A. It would.

12 Q. Are you familiar with the position
13 statement that Aquila -- I'm sorry -- that MISO filed in
14 this case?

15 A. I have seen it, yes. I am not familiar
16 with it enough to be able to recite it back to you or
17 identify it if you were to read portions of it, but I
18 could certainly --

19 MR. MILLS: Your Honor, may I approach
20 again?

21 JUDGE WOODRUFF: You may.

22 BY MR. MILLS:

23 Q. Mr. Doying, I've handed you a copy of the
24 position statement that MISO has filed in this case, and
25 if I can get you to turn to Issue No. 4, which I've tabbed

1 and highlighted. Do you see that?

2 A. I see that.

3 Q. Is it accurate that the MISO's position in
4 this case is that the Commission should not look at what
5 other alternatives may exist but rather should evaluate
6 whether or not the -- Aquila should join the MISO based on
7 the fact that there may be benefits there?

8 A. In looking at the question and the specific
9 response, this is probably a question that is better asked
10 of an attorney working on the case. This looks to be a
11 fairly narrow question as to what are the appropriate
12 elements to consider in granting the relief requested
13 under this case, and the response that's given back is a
14 fairly narrow, to my nonlawyer eyes, response about
15 parties and attempts to expand focus beyond what's
16 requested, and that seems to me a fairly narrow technical
17 legal issue that I don't have an opinion on.

18 Q. So you don't have an opinion on whether --
19 on the answer to that question as you sit here today
20 representing MISO?

21 A. No, sir, I don't. I believe that looks
22 like a question that is better asked and answered by
23 people working on the legal team.

24 Q. Let me try this again in a slightly
25 different way. When we talked about the statement that

1 Midwest ISO is committed to working with all stakeholders
2 to create cost effective and innovative solutions, do you
3 see cost effective as somehow different than most cost
4 effective?

5 A. Let me try answering by giving you some
6 context to the statement as it appears on the website. As
7 a not-for-profit company that is a voluntary membership
8 company, we work closely with all of our stakeholders to
9 understand the needs of the industry in terms of
10 transmission services and market elements that the
11 industry finds valuable, and we work through an extensive
12 stakeholder process, which I believe what that is
13 referring to, it is a structured process with defined
14 stakeholder elements.

15 You mentioned a few of them may include
16 market participants or transmission customers, may include
17 various regulatory entities and staffs of regulatory
18 agencies. And we work through a very structured process
19 to receive input from, to provide task force working group
20 efforts that involve all of those people that help us when
21 we're trying to reach decisions as to how the market ought
22 to function, how the transmission services ought to be
23 administered. And there are lots of attributes that those
24 various groups would look at, and cost effectiveness is
25 certainly one of them.

1 Q. And let's explore that in the concept of
2 voluntary membership that you just mentioned. Would you
3 be willing on behalf of the Midwest ISO to release Aquila
4 from its obligation to seek Commission approval in this
5 case to see if it truly is voluntarily interested in
6 becoming a member of the Midwest ISO?

7 MR. BEALL: Your Honor, I think I'm going
8 to have to object at this point. This is getting well
9 beyond the scope of Mr. Doying's testimony, and I think
10 he's delving into potentially issues related to legal
11 matters that are beyond the expertise of Mr. Doying.

12 Mr. MILLS: It certainly was not -- if I
13 may respond? It certainly was not asking for any kind of
14 legal opinion about whether or not it's lawful or
15 unlawful. I was asking from his position as an executive
16 for Midwest ISO, if the Midwest ISO would be willing to
17 release Aquila from its obligation to find out whether or
18 not Aquila without that obligation would still be seeking
19 to become a voluntary member of the Midwest ISO.

20 MR. BEALL: Again, your Honor, it's well
21 beyond the scope of his testimony.

22 MR. MILLS: Your Honor, this is
23 cross-examination. It's not limited by the scope of his
24 testimony.

25 JUDGE WOODRUFF: I'll overrule the

1 objection. You can answer the question if you can.

2 THE WITNESS: Sure. I don't believe I have
3 the authority of my company to consider a request such as
4 that. It is one that would need to be considered by the
5 organization overall, and I don't believe my company has
6 empowered me to make a decision like that today.

7 BY MR. MILLS:

8 Q. Is it something that the company -- that
9 the Midwest ISO would consider?

10 A. The Midwest ISO has contractual
11 relationships with many entities, including all of our
12 transmission owning members, and we -- we routinely work
13 with all of our -- with all of our counterparties on lots
14 of business questions, and we would certainly -- we would
15 certainly be willing to talk to any of our transmission
16 owning members about questions they had about the
17 agreements that they had in place with us. We do so on a
18 routine basis.

19 Q. And would you be willing to submit
20 something to this Commission saying whether or not your
21 company, your organization is willing to release Aquila?

22 A. Would I personally? Again, no, sir, I
23 don't believe I have the authority to do that on behalf of
24 my company, although Aquila certainly has within their
25 rights to approach the Midwest ISO and request a dialog

1 around their obligations under their contract, and we
2 would certainly -- we would certainly engage in that
3 conversation.

4 Q. And do you know whether or not Aquila has
5 made such an approach?

6 A. I personally do not, no, sir. They have
7 not made that approach to me.

8 Q. So you don't know whether that's happened
9 or not?

10 A. To my knowledge, it has not, but I do not
11 know.

12 Q. And back to my question, is -- not you
13 personally, but is the Midwest ISO willing to submit
14 something in this docket telling the -- telling the
15 Missouri Commission whether or not the Midwest ISO is
16 willing to release Aquila from that commitment?

17 MR. BEALL: Your Honor, I'm going to object
18 again. I think that's asked and answered.

19 JUDGE WOODRUFF: I believe he said he
20 didn't have the authority to do that, so I'm going to
21 sustain the objection.

22 BY MR. MILLS:

23 Q. Now, is it true that one of the objections
24 that Aquila has -- I'm sorry -- that the Midwest ISO has
25 to looking at alternatives beyond the Midwest ISO is that

1 the evaluation of alternatives was based upon modeling?

2 A. I don't believe that was the answer that I
3 gave previously, and no, I don't believe so, no.

4 Q. Well, let me -- let me refer you again to
5 your answer to No. 4 in the position statement.

6 A. This is the question I believe I answered
7 earlier and said that I thought this was a fairly narrow
8 legal question that had been asked and answered, and I did
9 not have an independent opinion.

10 Q. And I'm asking you about a different aspect
11 of the answer which has to do with modeling.

12 A. Can you refer me to the portion of the
13 answer you're referring to, please?

14 Q. There's only about three lines highlighted.
15 It's one of those, I believe. It's within the answer to
16 No. 4, which is about two paragraphs.

17 A. It's not in the highlighted section. Just
18 a moment and I can read the paragraph.

19 MR. BEALL: If we could, I'm getting lost
20 in the discussion here. What was the original question?

21 BY MR. MILLS:

22 Q. The question is, does -- is part of the
23 Midwest ISO's objection to considering other alternatives
24 in this case based upon the fact that the evaluation of
25 those alternatives was done through modeling, and I'm

1 asking him, first of all, whether he knows that to be the
2 case, and he's indicated that he doesn't.

3 And then I was asking him whether or not
4 reading the response to Issue No. 4 in the issues list
5 refreshes his recollection of the Midwest ISO's position
6 on that question?

7 A. Again, the question asked is whether or not
8 the Commission should compare Aquila's membership to MISO
9 to alternatives, and the answer as you've highlighted it
10 is no. There are some parties who attempted to expand
11 this focus request beyond what has been presented by
12 Aquila and employ a variation of a least cost alternative
13 standard. That's the extent to which you highlighted the
14 answer.

15 Later in the answer it says, based on the
16 imprecision of the modeling and forecasting efforts
17 employed in this case, the Midwest ISO submits that
18 employing a new standard such as this that is founded upon
19 modeling projections that are subject to differing results
20 and interpretations is not in the public interest.

21 Again, this has been identified as being a
22 document that was produced by the Midwest ISO and
23 represents our position, but that is a legal answer to a
24 legal question. I don't have a separate opinion about it.

25 Q. So you don't have an opinion whether or not

1 that's an accurate recitation of the Midwest ISO's
2 opinion?

3 A. I don't have an opinion as to whether or
4 not this is other than a legal response to a narrow legal
5 question of what the appropriate scope of the proceeding
6 is.

7 MR. MILLS: Okay. Thank you. Your Honor,
8 that's all the questions I have.

9 JUDGE WOODRUFF: All right. Then questions
10 from Staff?

11 MR. WILLIAMS: No questions.

12 JUDGE WOODRUFF: Questions from the Bench,
13 Commissioner Murray?

14 COMMISSIONER MURRAY: Just a couple.

15 QUESTIONS BY COMMISSIONER MURRAY:

16 Q. Good afternoon.

17 A. Good afternoon.

18 Q. You just tried to set out some additional
19 benefits that were not set out in other testimony, is that
20 right, the additional benefits of belonging to MISO?

21 A. Yes, Commissioner, but that was -- the
22 purpose of my testimony was to point out that the
23 production cost modeling benefits were but a subset of the
24 total benefits available for participating in an RTO.

25 Q. And you were doing that in comparison to

1 a stand -- Aquila as standalone; is that correct?

2 A. To the extent the testimony did include at
3 the back some very rough calculated figures for the amount
4 of the overall benefits in the various categories that
5 might be -- that might be attributable or associated with
6 Aquila's membership, yes, it would be -- it would be
7 relative to a standalone.

8 Q. And would those same benefits, perhaps to a
9 different degree, but would those same benefits be
10 available for membership in any RTO?

11 A. Yes, I believe that's the case. I believe
12 I stated that in my testimony, and certainly in answer to
13 some of the information requests we received, that the
14 magnitude of benefits may differ, for example, based on
15 the specific services that were provided, but that in
16 general any RTO should offer the three broad categories of
17 benefits that were identified.

18 COMMISSIONER MURRAY: Thank you.

19 JUDGE WOODRUFF: Commissioner Jarrett?

20 COMMISSIONER JARRETT: No questions.

21 JUDGE WOODRUFF: I have no questions. Does
22 anyone wish to recross based on Commissioner Murray's
23 questions?

24 (No response.)

25 JUDGE WOODRUFF: Seeing no one, then we'll

1 go to redirect.

2 MR. BEALL: Thank you, your Honor.

3 MR. BEALL: I just have a couple so I'll
4 stay right here if that's okay with everybody.

5 JUDGE WOODRUFF: That's fine.

6 REDIRECT EXAMINATION BY MR. BEALL:

7 Q. Mr. Doying, during Mr. Mills' cross
8 examination of you, he asked you several times about your
9 ability to release Aquila from some of its contractual
10 obligations. Do you recall that series of questions?

11 A. I do.

12 Q. And in response to one of them, you
13 indicated that there were contractual obligations and
14 other folks involved in that process. Do you remember
15 that response?

16 A. I do.

17 Q. Are there -- to your knowledge, is the
18 Midwest ISO under contractual obligations as well,
19 fiduciary obligations to its members and participants in
20 the market and they would have to be involved in any sort
21 of discussions along those lines?

22 A. Certainly in many different areas. The one
23 specific that I had in mind in response to the question
24 was the transmission owners agreement, which is an
25 agreement by which all of the companies who have turned

1 over their transmission assets to the operation of the
2 Midwest ISO have entered into a joint agreement between
3 themselves and the Midwest ISO.

4 And we do have a fiduciary responsibility
5 to all of our counterparties under that agreement when
6 negotiating with other members about their transmission
7 owner membership.

8 Q. Is it fair to say that the Midwest ISO
9 wouldn't be able to act alone in that sort of a discussion
10 on that topic?

11 A. I believe that is correct, yes.

12 MR. BEALL: Thank you, your Honor. That's
13 all I have.

14 JUDGE WOODRUFF: All right. Then
15 Mr. Doying, you may step down and you're excused.

16 THE WITNESS: Thank you.

17 JUDGE WOODRUFF: I believe there is one
18 more MISO witness, Mr. Pfeifenberger.

19 MR. BEALL: Thank you. Your Honor, is it
20 okay if Mr. Doying can be excused?

21 JUDGE WOODRUFF: Yes, he is.

22 MR. COMLEY: Your Honor, our list of
23 witnesses I think, included Mr. Monroe somewhat out of
24 turn because of Mr. Monroe's scheduling issues tomorrow.

25 JUDGE WOODRUFF: That's fine. We'll go

1 with Mr. Monroe then. Please raise your right hand.

2 (Witness sworn.)

3 (EXHIBIT NO. 9 WAS MARKED FOR
4 IDENTIFICATION.)

5 CARL MONROE testified as follows:

6 DIRECT EXAMINATION BY MR. LINTON:

7 Q. Good afternoon, Mr. Monroe. Could you
8 please state your name and your title for the record.

9 A. Carl Monroe. I'm the Executive Vice
10 President and Chief Operating Officer of Southwest Power
11 Pool.

12 Q. Are you the same Carl Monroe who had
13 prepared what has been marked as Exhibit No. 9 that is
14 before you consisting of 22 pages of typewritten questions
15 and answers?

16 A. I am.

17 Q. Did you prepare that testimony?

18 A. Yes, sir.

19 Q. If I were to ask you those questions today,
20 would your answers be the same?

21 A. Yes.

22 Q. Do you have any corrections to make?

23 A. No.

24 Q. And do you believe these answers to be true
25 and accurate answers to your best of your belief?

1 A. Yes, I do.

2 MR. LINTON: I move for the admission of
3 Exhibit No. 9 and tender the witness for
4 cross-examination.

5 JUDGE WOODRUFF: No. 9 has been offered
6 into evidence. Any objections to its receipt?

7 (No response.)

8 JUDGE WOODRUFF: Hearing none, it will be
9 received into evidence.

10 (EXHIBIT NO. 9 WAS RECEIVED INTO EVIDENCE.)

11 JUDGE WOODRUFF: And for cross-examination,
12 I didn't put down on my chart who goes first on
13 cross-examining Southwest Power Pool witnesses, so I'll
14 ask for direction. Who wants to go first?

15 MR. MILLS: I'd be happy to go first. I
16 have no questions.

17 JUDGE WOODRUFF: Let me ask it this way.
18 Does anybody have any questions for Mr. Monroe?

19 MR. COMLEY: I have questions.

20 MR. BOUDREAU: I may have one or two.

21 JUDGE WOODRUFF: Okay. Sorry. I saw Carl
22 back there.

23 MR. LUMLEY: Mark probably wants me to go
24 before him.

25 JUDGE WOODRUFF: All right. Go ahead.

1 CROSS-EXAMINATION BY MR. LUMLEY:

2 Q. Do you have your prefiled testimony
3 available to you?

4 A. Yes.

5 Q. Could you just look at page 4? You
6 indicate that in October of 2004 the FERC granted RTO
7 status subject to fulfillment of certain limited
8 requirements. Do you see that?

9 A. Yes.

10 Q. Has that all been accomplished?

11 A. Yes.

12 Q. And a little further down you indicate that
13 in April of 2007 SPP received FERC's authorization as a
14 regional entity. Do you see that?

15 A. Correct.

16 Q. Can you explain to the Commission the
17 distinction between RTO status and being a regional
18 entity?

19 A. Yes. The regional entity is a regional --
20 regional organization that provides services that focus on
21 reliability, specifically two areas. One is in measuring
22 compliance of reliability entities to the reliability
23 standards that are set by the North American Electrical
24 Reliability Corporation, which is referred to in some of
25 these as NERC. And then also to -- if there are regional

1 standards that are necessary for maintaining reliability,
2 to develop and approve those regional standards for use by
3 the region.

4 There are some other functions that are
5 provided as a regional entity as in training is one of the
6 other nonstatutory functions that are provided by a
7 regional entity, as opposed to the regional transmission
8 organization which operates -- traditionally operates as a
9 reliability coordinator, which is one of the entities that
10 is responsible for meeting the reliability standards that
11 are set by NERC in the region as well as other functions
12 like tariff administration, running of markets and other
13 functions that are provided for the transmission owners
14 and customers within the area.

15 Q. On page 5, line 14, you indicate that
16 Aquila avails itself of all the services that SPP provides
17 except participation in the SPP EIS market and reliability
18 functions provided by the Midwest ISO. Do you see that?

19 A. Correct. I do.

20 Q. When you refer to the EIS market, you're
21 referring to the real-time energy market of SPP?

22 A. That's correct.

23 Q. Are you familiar with the prefiled
24 testimony in this case from Mr. Janssen on behalf of
25 Dogwood?

1 A. Yes.

2 Q. Do you generally agree with his description
3 of that real-time energy market?

4 A. Yes.

5 Q. And at page 13, line 23 -- well, starting
6 at line 19, you're referring to the aggregate transmission
7 study process that SPP provides?

8 A. Yes, sir.

9 Q. And that's a service that is being provided
10 to Aquila; is that correct?

11 A. That's correct.

12 Q. And you describe that as a unique and
13 innovative process that only SPP provides?

14 A. Correct.

15 Q. Back on page 5, when you -- the two
16 exceptions you noted was the second reliability function
17 from Midwest ISO?

18 A. Yes.

19 Q. And is that another word for -- or another
20 name for security coordination?

21 A. Correct.

22 Q. Does Aquila pay the full cost of
23 membership?

24 A. Yes.

25 Q. At page 5, line 11, you refer to future

1 market development. Do you see that?

2 A. Yes.

3 Q. Is that a reference to the plans we've
4 heard about for day-ahead energy and ancillary services
5 markets?

6 A. Yes.

7 Q. Do you have any update to your testimony
8 regarding the status of those plans?

9 A. No update. We're in the -- we're in the
10 process of the cost/benefit study. There's actually been
11 a vendor selected. I don't know if that's significant
12 enough to know, but there has been a vendor selected.

13 Q. Vendor to do what?

14 A. To do the cost/benefit analysis.

15 Q. If SPP went forward with those plans and
16 implemented those markets, would you expect them to be
17 substantially similar to Midwest ISO's?

18 A. They're -- the -- part of the cost/benefit
19 study is to identify those functions that provide the
20 benefits that outweigh the cost of doing those. In the
21 cost/benefit study, the members of SPP determined that
22 they would like to look at different options, so it will
23 be substantially the same based on whether the benefits
24 outweigh the costs in those areas.

25 Q. To your knowledge, has SPP received any

1 notice of termination of its relationship with Aquila?

2 A. No.

3 Q. Am I correct that it's SPP's position that

4 at 12 months advance notice is required?

5 A. That's correct.

6 Q. And am I correct that SPP has estimated the

7 termination costs to be approximately \$4 million?

8 A. Approximately 4 million, yes.

9 Q. At page 21, line 15, starting on line 14,

10 but ends on line 15 with the concept of the demands of a

11 constrained area. Do you see that reference?

12 A. Yes.

13 Q. Is that a reference to congestion?

14 A. In a general sense, yes, congestion can

15 mean constrained area.

16 Q. Is it a reference to limited

17 interconnections?

18 A. Normally that's where constraints come from

19 in both the day-ahead and real-time market is from

20 limitations of the transmission system.

21 Q. And on page 22 when you talk about limited

22 system capability and limited transfer capability, are you

23 referring to the same things?

24 A. Correct.

25 Q. At page 22, line 15, you're talking -- you

1 see the reference to additional processes?

2 A. Correct.

3 Q. Can you amplify on what you're referring to
4 there?

5 A. Because of the integration of Aquila within
6 the transmission system of SPP, we would expect that we
7 would with MISO have to agree to ways in which to operate
8 together to guard those types of market efficiencies and
9 provide equitable treatment. MISO and PJM have had such
10 agreements before, so we have a basis for knowing that
11 those agreements can be reached and are necessary to
12 provide that.

13 Q. And are you familiar with the portions of
14 Mr. Janssen's testimony where in the instance of -- in the
15 scenario of Aquila joining Midwest ISO, he recommends the
16 Commission look at certain conditions?

17 A. Yeah, generally. I can remember generally
18 that.

19 Q. And with regard to the seams arrangements
20 between SPP and MISO, he talks about an ICP?

21 A. Yes.

22 Q. Do you agree with him that that's a point
23 of significant concern?

24 A. Yes. That there would be both a reasonable
25 expectation that something like that would be required in

1 order to provide both the reliable operation of the
2 systems and -- and to provide the economic benefits that
3 could be obtained from those.

4 Q. And is that an example of these additional
5 processes you're referring to --

6 A. Yes.

7 Q. -- on page 22?

8 A. That's an example of it, yes.

9 MR. LUMLEY: That's all my questions,

10 JUDGE WOODRUFF: And I believe MISO had
11 questions?

12 MR. COMLEY: I would defer to Aquila.

13 MR. BOUDREAU: If I might, Judge, I have
14 just a few questions.

15 JUDGE WOODRUFF: Go right ahead.

16 MR. ROBBINS: Your Honor, I'll have some
17 also.

18 MR. BOUDREAU: Again, I'll keep this very
19 brief.

20 CROSS-EXAMINATION BY MR. BOUDREAU

21 Q. Good afternoon, Mr. Monroe.

22 A. Good afternoon.

23 Q. Let me ask you this: In your capacity as
24 executive vice president and chief operating officer of
25 Southwest Power Pool, have you had occasion to become

1 familiar with CRA International and its capabilities?

2 A. Yes. Generally, yes. We've used them
3 actually as a vendor before.

4 Q. So you have used them?

5 A. Well, actually, I can't say that. I
6 shouldn't say that. The SPP, Inc. organization did not
7 use CRA. It was -- that contract of the other study that
8 has been quoted in some of these materials was actually
9 contracted by another organization called the Regional
10 State Committee of Southwest Power Pool. So no, we did
11 not.

12 Q. I see. Thank you for that clarification.
13 Well, based on your -- what familiarity you do have with
14 the CRA, is it a firm in your view that is sufficiently
15 knowledgeable and experienced enough to perform the sort
16 of analysis that is contained in the cost/benefit study
17 that's been sponsored by Aquila?

18 A. Yes.

19 Q. Would you agree with me that -- have you
20 had a chance to review that cost/benefit study?

21 A. Just generally.

22 Q. Well, let me ask you this: Would you agree
23 with me that that study that was prepared by CRA for
24 Aquila demonstrates that there's a net economic benefit to
25 join MISO when compared to a standalone scenario?

1 A. Yes.

2 Q. Do you know whether or not that -- is your
3 recollection such that -- that that benefit is calculated
4 to approximately \$21 million for the period of 2008 to
5 2017?

6 A. Yes.

7 Q. Are you familiar, or are you aware of a
8 settlement that came about concerning Aquila and MISO in
9 2003 in the FERC Docket No. ER 2008871?

10 A. yes.

11 Q. Are you aware enough about the nature of
12 that settlement to know that whether Aquila agreed to file
13 with this Commission for authority to transfer operational
14 control of its transmission --

15 A. I don't know that for a fact. I've been
16 told that, but it's hearsay.

17 MR. BOUDREAU: That's all the questions I
18 have. Thank you.

19 JUDGE WOODRUFF: Independence had
20 questions?

21 MR. ROBBINS: Yes, sir.

22 CROSS-EXAMINATION BY MR. ROBBINS:

23 Q. Good afternoon, Mr. Monroe.

24 A. Good afternoon.

25 Q. You know I'm Allen Robbins representing

1 City of Independence?

2 A. Yes, sir.

3 Q. Your surrebuttal testimony, the part you

4 respond to portions of Mr. Volpe's testimony, correct?

5 A. Correct.

6 Q. And on page 16 of your surrebuttal, you're

7 asked whether the City of Independence witness Volpe

8 accurately describe -- does the City of Independence

9 witness Volpe accurately describe the current SPP EIS

10 market on pages 6 through 7 of his rebuttal testimony,

11 correct?

12 A. Correct.

13 Q. And you say he does not; is that right?

14 A. Correct.

15 Q. Now, the market is, in fact, referred to as

16 an EIS market, is it not?

17 A. The name of the market? Yes. We refer to

18 it as ESI market, yes.

19 Q. And EIS does stand for Energy Imbalance

20 Market?

21 A. Correct.

22 Q. Or Service Market?

23 A. Yes. Energy Imbalance Service Market.

24 Q. Now, starting on the bottom of page 6 of

25 his testimony, Mr. Volpe says -- he's asked to explain

1 what is meant by the key assumption. He says it is
2 fundamentally flawed. And the first line of his answer is
3 that the current SPP energy market consists primarily of
4 the market for imbalanced energy. Do you disagree with
5 that sentence?

6 A. Yes.

7 Q. And is that because -- well, tell me why.

8 A. Well, the market as it was designed was to
9 fulfill the requirements of FERC to provide energy
10 imbalance. That's what the name -- that's why the name is
11 Energy Imbalance Service Market. But the market goes
12 beyond just providing energy imbalance. It provides a
13 mechanism, as I say in my testimony, to where parties can
14 actually offer their -- their resources to the market to
15 meet their loads also.

16 Q. So you think his description is too
17 limiting in that it suggests that it's strictly for
18 imbalances?

19 A. Correct.

20 Q. Now, on line -- the next sentence of his
21 answer on line 20 of page 6 of his rebuttal testimony,
22 Mr. Volpe says, this is in contrast to the Midwest ISO
23 day-ahead and real-time security constrained markets where
24 network resources are required to submit offers to supply
25 their generation in the day-ahead energy market.

1 A. Yeah.

2 Q. Do you disagree with that sentence?

3 A. State the question again. I'm sorry.

4 Q. Mr. Volpe is comparing ESP EIS market, and
5 he says that that market is, quote, in contrast to the
6 Midwest ISO day-ahead and real-time security constrained
7 markets where network resources are required to submit
8 offers to supply their generation in the day-ahead energy
9 market?

10 A. Yeah. The distinction that I would have
11 there is that the real-time market even within SPP allows
12 parties to voluntarily bid their generation into the
13 market for a security constrained economic dispatch. So I
14 would not dispute that SPP does not have a day -- SPP does
15 not have a day-ahead energy or a market. So from that
16 perspective, that statement is true in his testimony.

17 Q. And, in fact, the next sentence of his
18 testimony, he says, and this begins on line 23 of page 6,
19 the major difference between the SPP model and Midwest
20 ISO's market is that there is no financially binding
21 day-ahead market within SPP's market design and the
22 majority of the transactions in SPP occur on a bilateral
23 basis because there's no essentially administered market
24 as there is in the Midwest ISO.

25 MR. LINTON: Your Honor, may I offer the

1 witness Mr. Volpe's testimony?

2 JUDGE WOODRUFF: Any objection?

3 MR. ROBBINS: No, your Honor. I apologize.

4 I thought the witness had it. I wasn't trying to test

5 your memory, Mr. Monroe.

6 MR. LINTON: Sometimes it's just easier to

7 see the words.

8 MR. ROBBINS: I thought he had it, and I

9 apologize.

10 THE WITNESS: Where were you reading from?

11 I'm sorry.

12 BY MR. ROBBINS:

13 Q. Mr. Volpe's rebuttal testimony.

14 A. Yes.

15 Q. Bottom of page 6 and then carrying over to

16 the top of 7.

17 A. Okay.

18 Q. I've been asking you about his response to

19 the question that begins on line 15 of page 6.

20 A. What he is saying there, there is a

21 difference between the SPP energy imbalance market, which

22 he puts model, and I'm not sure exactly what he's

23 referring to there, but between that and Midwest ISO

24 market, that SPP's does not have, and he's correct in

25 saying no financially binding day-ahead market.

1 And the majority of the transactions in SPP
2 do occur on a bilateral basis, but there is a centrally
3 administered market in SPP, so that's not a true
4 statement.

5 Q. On line 4 on page 7, he then says,
6 furthermore, in SPP there are no financial transmission
7 rights to provide customers with the opportunity to hedge
8 against cost of congestion in a locational marginal
9 cost-based market as is the case in Midwest ISO. In your
10 opinion, is that a true statement?

11 A. SPP does not offer financial transmission
12 rights, but we do offer customers the opportunity to hedge
13 against cost of congestion in an LMP, which we call LIP,
14 market -- based market.

15 Q. But you don't utilize financial
16 transmission rights?

17 A. We don't utilize financial transmission
18 rights, no.

19 Q. And you still utilize TLRs to address
20 congestion?

21 A. We still use TLRs to address congestion,
22 yes.

23 Q. And he points that out starting in the next
24 sentence, correct, line 6 carrying over to 7?

25 A. Yes. But it goes on to say that it enables

1 hedging against congestion charges, which we do allow even
2 through the TLR process a hedge for congestion charges.
3 So that's not quite right either.

4 Q. Well, let's read the sentence. SPP thus
5 still utilizes its TLRs to address congestion. Is that
6 phrase correct?

7 A. That is correct.

8 Q. Then the sentence continues, rather than
9 the Midwest ISO's use of congestion charges based on
10 location marginal pricing and financial transmission
11 rights to enable hedging against congestion charges. Does
12 Midwest ISU -- I'm sorry. Does the Midwest ISO use
13 congestion charges based on location marginal pricing and
14 financial transmission rights to enable hedging against
15 congestion charges?

16 A. Yes. As far as I understand, yes.

17 Q. Then he says that the SPP market is still
18 rooted in the defined set of fiscal transmission rights;
19 is that correct?

20 A. That's correct.

21 Q. Now, then on page 17 of your surrebuttal
22 testimony, you say that Mr. Volpe did not accurately
23 describe SPP's market development status on page 8 of his
24 testimony, correct?

25 A. Correct.

1 Q. What part of his answer are you disagreeing
2 with?

3 A. The first part of that answer starting at
4 line 9 says, given that SPP has not begun to conduct
5 further cost/benefit analysis or to develop markets
6 analogous to on -- at the time of that, we have -- as I
7 state here, SPP has a high level design for future market
8 steps, and this was used to budget for an RFP for the
9 cost/benefit study that we mentioned above. So that's the
10 piece.

11 Q. All right. And after saying that, then on
12 line 15 he says, it would be more realistic to assume that
13 SPP cannot implement a market similar to Midwest ISO's
14 before 2011 at the earliest.

15 A. Oh, yes.

16 Q. Do you agree with that statement?

17 A. Well, as I -- if you look at my surrebuttal
18 testimony, we anticipate that somewhere between the end of
19 2010 and 2012 is when we would be implementing future
20 markets.

21 Q. So he's either right or not very far off on
22 that?

23 A. Yeah.

24 Q. That's not the sentence you're just
25 referring to?

1 A. No. It's -- just as I said, it was that
2 first sentence.

3 Q. Now, then on your rebuttal testimony,
4 bottom of page 17, and then carrying over, you seem to
5 disagree with Mr. Volpe's statement that an RTO's
6 administrative costs are largely fixed costs and,
7 therefore, that recovery of fixed costs are to be spread
8 over a small denominator in SPP compared to a larger
9 denominator in the Midwest ISO?

10 A. Correct.

11 Q. Do you disagree that a significant portion
12 of the administrative costs relative to markets like this
13 are a fixed cost?

14 A. As we found, no, we haven't found those to
15 be fixed costs in the sense that they're fixed based on
16 the functionality. They're fixed based on the schedule,
17 some having to do with the functionality and the size. So
18 no, I would disagree that they are fixed cost.

19 Q. Given an example of what -- well, let's try
20 it this way.

21 If SPP implements day two markets, is it
22 likely that it will need significantly -- to invest
23 significantly in computer hardware and software?

24 A. There will be investments in software and
25 hardware. I'm not sure what you mean by significant.

1 There -- it is, I mean, we have -- I've stated in my
2 testimony, I believe we've done some estimates on what we
3 anticipate that cost to be for at least the ancillary
4 service markets. I'm -- we haven't yet estimated the cost
5 for day-ahead market.

6 Q. Well to the extent you do have to invest in
7 computer hardware and software, would you view those as
8 fixed costs or variable costs?

9 A. It depends on what you mean by fixed and
10 variable then. In my mind, fixed costs would mean they
11 are fixed based on the functionality. They are costs that
12 would be incurred that would be a capital expenditure. So
13 I'm not sure exactly what you mean by fixed cost. Maybe
14 if you could help me there.

15 Q. Well, let's start closer to the beginning.
16 If you have to spend -- if you make a million dollar
17 capital investment and then have to recover that million
18 dollars from your market participants, is the unit rate
19 going to be smaller as the denominator gets bigger?

20 A. The unit rate get smaller. If you set the
21 rate based on the full recovery of the capital cost over a
22 set period of years and the denominator represents the
23 billing units, yes, the rate would get smaller.

24 Q. All right. So if you had one billing unit,
25 for example, the rate would be a million dollars per unit,

1 right?

2 A. Yes.

3 Q. And if you had a million billing units, the
4 rate would be \$1 per unit, correct?

5 A. Correct.

6 Q. And to the extent that -- do you agree that
7 the billing units in MISO are likely larger than they are
8 in SPP?

9 A. Yes.

10 Q. And therefore, do you agree that to the
11 extent that there's a dollar cost, the fixed cost to be
12 recovered, the unit cost of recovery to MISO will be lower
13 than the unit cost for that same cost in SPP?

14 A. Yeah, if you have to recover the same
15 amount of money spent on the capital expenditure over a
16 larger billing, number of billing units, then the rate is
17 smaller, yes. That's not what we were disputing in there.

18 Now, if you want me to go further in, if
19 you look at my testimony starting -- even starting on page
20 19 at 39, the member-driven design organization project is
21 not being driven by a schedule, which would be -- have
22 extensive one-time cost, that SPP members bear a portion
23 of the cost of implementation and thereby they make more
24 rationale approaches to the way we do it.

25 We will benefit and have benefited before

1 from preceding development on new functionality by other
2 RTOs, which allows us to select from those that have
3 already done it, and don't -- and we do not have to put
4 the money into the development of working through the
5 bugs. And then there's also other -- what you would call
6 fixed costs that are really smaller based on the size and
7 the scale the functionality that you even have to provide.

8 Q. So is the gist of what you're trying to
9 convey there is that for the reasons stated, you think
10 that basically what MISO did for dollars X you're going to
11 be able to do it for some lower amount of dollars?

12 A. Uh-huh.

13 Q. Is that the thrust of the message you're
14 trying to convey here?

15 A. Yeah. Yeah.

16 Q. Now, even if that's true, the dollars that
17 you do have to recover, the simple math we went through
18 before still applies, does it not, that -- the unit cost?

19 A. Well, the unit cost then varies -- I'm
20 sorry. Go ahead.

21 Q. Well, if the numerator is the same, then
22 the bigger the denominator, the lower the unit rate,
23 correct?

24 A. If the rate is based on the numerator and
25 the denominator, both of them change, then I can't tell

1 you whether the rate would be higher or lower.

2 Q. But if you have the same cost, if the
3 numerators are constant --

4 A. Correct. Yeah.

5 Q. -- and the unit cost goes down if there's a
6 larger denominator?

7 A. Correct.

8 Q. Now, SPP hasn't decided what markets to
9 pursue yet, correct?

10 A. We haven't decided, no. We have decided
11 which types of markets to pursue through the cost/benefit
12 analysis, but we had not decided which of those markets we
13 will implement.

14 Q. Let's be clear about that because you used
15 implement synonymously with -- what I intended by pursue,
16 let's be clear.

17 A. Yeah. That's why I wanted to be clear
18 about it. Yeah.

19 Q. SPP's decision at this point is that it has
20 authorized a cost/benefit study to look at the options in
21 the high level design, correct?

22 A. Correct.

23 Q. Other than the EIS market that's already in
24 place, SPP has not yet decided which, if any, of the
25 market design alternatives being studied in the

1 cost/benefit study to adopt and implement?

2 A. Correct.

3 Q. Therefore, I take it since you haven't
4 decided which markets you're going to implement, you
5 haven't put out any bids for vendors to assist you with
6 the implementation?

7 A. That is correct.

8 Q. Nor have you spec'd out what might be
9 required at this point?

10 A. That's correct.

11 Q. Therefore, you don't yet know what costs
12 you will need to incur to implement whatever markets are
13 ultimately decided upon, correct?

14 A. Besides what we can estimate, yes.

15 Q. So the reasons stated in your -- or set out
16 in your rebuttal testimony are reasons why you believe you
17 will be able to do it at a lower cost than MISO did, but
18 you haven't yet tested those beliefs on those kinds of
19 costs?

20 A. Yes. It's -- again, it's only as I stated
21 in the first of it, and that was from my experience and
22 the experience of SPP, that we've been able to provide
23 these types of services at a lower cost than other
24 entities.

25 Q. Finally, if you'd reference page 20 of your

1 surrebuttal.

2 A. Sure.

3 Q. And then carrying over to the top of 21, I
4 want to be clear. Last paragraph on page 20, you talk
5 about your -- SPP's October '07 budget estimates for the
6 ancillary service market and capital costs consolidating
7 balancing authorities, correct?

8 A. Correct.

9 Q. Then you say these estimates include
10 changes to real-time market resulting from an ancillary
11 services market, right?

12 A. Correct.

13 Q. At the top of 20, though, you say, costs
14 for a day-ahead market have not yet been estimated.
15 That's one of the things we just confirmed before, right?

16 And that finally you anticipate that the
17 cost/benefit study will provide cost estimates for such
18 markets; is that right?

19 A. Correct.

20 Q. So then coming back to the question that
21 starts at the bottom of 17 of your surrebuttal, I'm trying
22 to understand just what it is you're saying you disagree
23 with, because as quoted in the question, you're being
24 asked -- or starts with the statement that Mr. Volpe
25 claims on page 10 of his rebuttal testimony that, quote,

1 the RTO administrative costs associated with developing/
2 operating an energy market are largely fixed costs, close
3 quote, and that, therefore, given that recovery of fixed
4 costs are to be spread over a smaller denominator in SPP
5 compared to a larger denominator in the Midwest ISO, it
6 would be logical -- logical to conclude that the share of
7 administrative costs associated with Aquila's
8 participation in SPP to be higher due to the fact that
9 there's significantly less billing determinants or load to
10 spread these costs over. And then you say, I disagree.

11 And I take it that you're not disagreeing
12 with the arithmetic principle of dividing a constant
13 numerator by a larger denominator produces a lower
14 quotient, right?

15 A. I'm not disputing that calculation, no.

16 Q. Okay. What is it in the statement
17 Mr. Volpe that's quoted in the question that you see other
18 than reference essentially to that principal of
19 arithmetic?

20 A. The issue would be it seems -- it seems
21 it's not logical unless you know the actual fixed cost
22 dollars are going to be exactly the same in both, that the
23 admin -- share of the administrative costs associated with
24 Aquila's participation will be higher. Until you know the
25 numerator difference you can't -- I don't think that you

1 can make the statement that you know that their share of
2 administration costs in Aquila participating in SPP would
3 be higher or lower.

4 Q. So you're reading this testimony as
5 essentially saying that the numerator would be the same or
6 very similar and you have a problem with that inference?

7 A. Yes. Yes. Yes.

8 Q. And I take it, then, the rest of your
9 answer where you go into, not being critical, but just a
10 fairly extended response, it goes to the reasons why you
11 think that SPP may be able to do it for less?

12 A. Yes, the numerator may be different, yes.

13 Q. That's the point you're making?

14 A. Yes.

15 MR. ROBBINS: I have no further questions.

16 Thank you.

17 JUDGE WOODRUFF: Is there any other cross?

18 MR. COMLEY: I have some.

19 JUDGE WOODRUFF: Let's take a break first.

20 Come back at three o'clock.

21 (A BREAK WAS TAKEN.)

22 JUDGE WOODRUFF: Welcome back from break,
23 and we're ready for cross-examination by MISO.

24 MR. COMLEY: Thank you very much, Judge
25 Woodruff.

1 CROSS-EXAMINATION BY MR. COMLEY:

2 Q. Mr. Monroe, I have a few questions about
3 page 21 of your surrebuttal, and if you wouldn't mind
4 going to that page for me?

5 A. Sure.

6 Q. And I'm going to read the line starting at
7 line 11, your testimony at that spot, if I'm reading it
8 correctly, it says in my experience and based on the
9 system capability between Aquila and the Midwest ISO
10 presented by Staff witness Proctor, there is a reasonable
11 explanation for the unit dispatch difference. In my
12 experience, a plant that exhibits these characteristics is
13 usually driven by the need for generation capacity to meet
14 the demand of a constrained area. Did I read it
15 correctly?

16 A. That's correct.

17 Q. And if I'm further correct, you're
18 referring to the Dogwood or Aries plant that's referred to
19 in the CRA study when you refer to the plant; am I right?

20 A. Correct.

21 Q. Okay. Do you know the size of the
22 interface between Aquila and Midwest ISO?

23 A. Not off the top of my head. I mean, it's
24 in --

25 Q. It's in Mr. Proctor's testimony?

1 A. Mr. Proctor's testimony, yes.

2 Q. I think he said it was 1200 megawatt
3 amperes?

4 A. Yes.

5 Q. Does that sound --

6 A. That sounds correct.

7 Q. Would you happen to know the peak summer
8 load for Aquila?

9 A. No, I don't.

10 Q. You do not know?

11 A. Huh-uh.

12 Q. Did the CRA study identify any kind of
13 restraint between Aquila and Midwest ISO?

14 A. Not that I'm aware of.

15 Q. The only -- the only time that you think
16 that -- the basis for your statement that there is a
17 constraint was Dr. Proctor's testimony?

18 A. It was the limited capability between
19 Aquila and MISO, yes.

20 Q. And that was based on Dr. Proctor's
21 testimony?

22 A. Correct.

23 Q. But you don't know Aquila's total load?
24 Let's say their total peak load is 1900 megawatt amperes
25 during the summer and they have a 1200 megavolt ampere

1 interconnection already. Is that a sign of constraint?

2 A. I can't tell from those, just those figures
3 whether that's constraint or not.

4 Q. So basically you would not know whether
5 there's a constraint except for your reading of
6 Dr. Proctor's testimony?

7 A. No. It was my -- it's from reading
8 Dr. Proctor's testimony and from the characteristics that
9 were exhibited in the MISO and the standalone case where
10 the plant was running at a minimum value that normally to
11 me means a commitment, that its being committed for
12 capacity reasons and not to produce energy to meet the
13 demands of that local area.

14 Q. I think I understand that. I'm going to
15 move on, though.

16 A. That's fine.

17 Q. I want to go through the process that I
18 think SPP follows when it handles transmission service
19 requests.

20 I understand that a member would contact
21 SPP on a daily basis perhaps and ask for transmission
22 capacity by some form of application; would that be a fair
23 statement?

24 A. Let me make sure we're using the correct
25 terms here.

1 Q. All right.

2 A. A transmission customer makes a request on
3 the OASIS for transmission service, yes.

4 Q. OASIS is Open Access --

5 A. Access Same Time Information System.

6 Q. And that is part of your energy imbalance
7 system?

8 A. No. It's -- well, it's not, no. The OASIS
9 is the way in which we provide the tariff administration
10 that was talked about before, the way in which we provide
11 the transmission service, that then the energy imbalance
12 market relies on, that customers rely on in the energy
13 imbalance market to hedge their transactions

14 Q. When you get a request like that from
15 OASIS, that is a request for transmission capacity; is
16 that correct?

17 A. Correct.

18 Q. Okay. And on a daily basis, do you grant
19 all of those requests?

20 A. Not all -- no, not all transmission service
21 requests can be granted because the transmission capacity
22 is limited.

23 Q. And does that vary with the season?

24 A. It only varies with the season because
25 other things vary. It varies because of transmission

1 system outages. It varies because of generation dispatch.

2 It varies based on previously sold service.

3 Q. Would you happen to know what percentage of
4 those requests SPP may deny, say, at this time of year?

5 A. No, I don't, not off the top of my head.

6 Q. Would you happen to know how many SPP may
7 deny during the summer?

8 A. No, not off the top of my head.

9 Q. But you do deny certain requests?

10 A. Yes. Yes.

11 Q. So at some point all the requests that you
12 get for transmission capacity are not granted on a daily
13 basis?

14 A. Correct.

15 Q. Let's go back to your description of the
16 Dogwood plant and the characteristics that you refer to.
17 I'm going to go back to -- it's lines 13 and 14. In my
18 experience, the plant that exhibits these characteristics
19 is usually driven by the need for generation capacity to
20 meet the demands of the constrained area. Let me you talk
21 to about that.

22 One more question. If I'm reading your
23 testimony correctly, you're claiming that the Dogwood
24 plant's characteristics of the model study is because
25 of -- and I'm talking about the Aquila in MISO and even

1 the Aquila in SPP areas. Those results are driven by
2 limited tie capacity?

3 A. They're driven by constraints, which the
4 limited tie capability may give an indication of whether
5 they're limited and whether the transmission capacity is
6 limited between entities. The tie capacity itself is
7 not -- is not the -- not the determining factor, but it
8 does give an indication of whether there's a limitation
9 between areas or not.

10 Q. I think I understand that. I think -- I
11 think we're on the same wave here of -- with respect to
12 the characteristics of the Dogwood plant in the model as
13 being somewhat related to the transmission capacity.

14 A. Uh-huh.

15 Q. Okay. Did you have a chance to read
16 Mr. Janssen's testimony in connection with your testimony
17 today? I think Mr. Lumley and you visited about
18 Mr. Janssen's testimony. He's a Dogwood witness.

19 A. Yeah, I know he's a Dogwood witness. I'm
20 not sure of the conversation you're talking about.

21 Q. Well, I'll ask you, did you read
22 Mr. Janssen's testimony as part of your preparation today?

23 A. Not as part of preparation today.

24 Q. Have you read it?

25 A. I think I have read it once, yeah.

1 Q. Mr. Janssen on page 8 of his surrebuttal
2 testimony says that the average annual output of the
3 Dogwood plant has been around 866 gigawatt hours. Do you
4 recall that?

5 A. I'd have to look at it.

6 Q. Do you --

7 A. I don't recall it off the top of my head.

8 Q. -- want to take a look at it real quick?

9 THE WITNESS: What page are we on?

10 BY MR. COMLEY:

11 Q. It's on page 8. Let me direct you there,
12 and it's the first four -- excuse me, be lines 4 through
13 7.

14 A. Okay.

15 Q. Just take a moment to read that. You don't
16 have to read it out loud.

17 A. Okay. Yeah. I've got it.

18 Q. And he says that -- the way I read the
19 testimony is that he's saying that the output of the
20 Dogwood plant has been around 866 gigawatt hours. Would
21 that be fair, a fair interpretation of his testimony,
22 Mr. Monroe?

23 A. During 2002 and 2004, that's what he
24 states, yes.

25 Q. Right. Okay. Let's assume that's correct

1 for the next series of questions I've got. If Aquila
2 joins SPP, would you expect that the dispatch for the
3 Dogwood plant would differ from what has been its
4 historical dispatch rates?

5 A. I'm sure it would differ, but I just don't
6 know whether it would be higher or lower. I don't have
7 any indication of that.

8 Q. Were you here when Mr. Luciani was
9 testifying about the 2008 runs in the model?

10 A. Yes.

11 Q. Have you reviewed Mr. Pfeifenberger's
12 testimony, particularly his Schedule 3 that was attached
13 to his, I think it's his rebuttal testimony?

14 A. I'm going to have to look at that. I don't
15 remember particularly reading that.

16 Q. It's JPP-3. I think it's behind
17 Mr. Pfeifenberger's rebuttal testimony. Surrebuttal.
18 Excuse me. Surrebuttal testimony.

19 A. Okay.

20 Q. On JPP-3, Mr. Pfeifenberger has two
21 columns, one showing Aries generation, and he has lines
22 for the 2008 run, and do you recall Mr. Luciani talking
23 about this 2008 run in the CRA study? I think it was in
24 connection with a work paper that was identified by
25 Mr. Beall. Do you remember that?

1 A. I remember the conversation, yes.

2 Q. All right. The Aries generation in SPP for
3 the first year, 2008, it's showing up as 231 gigawatt
4 hours. Is that according to what JPP-3 says?

5 A. That's what JPP-3 says, yes.

6 Q. All right. I think -- let me ask you this.
7 Assuming Mr. Janssen is correct that the Dogwood Energy
8 plant has been running at about 866 gigawatt hours a year,
9 and assuming further that under the study that we're
10 looking at, the first year of membership in SPP shows the
11 Dogwood plant running at 231 gigawatt hours, let me ask
12 you this question: Would you dispatch the Dogwood plant
13 at that level if Aquila were in SPP?

14 A. The best I can say is, based on the
15 CRA run, that's what it would show. I don't know what we
16 would dispatch. It depends on a lot of other variables
17 besides just what the CRA took into account.

18 Q. In other words, you wouldn't count on the
19 CRA study as being the basis for whether you ran the plant
20 at that level or not?

21 A. That's -- we don't use the CRA study to
22 determine how we dispatch any unit.

23 Q. If you were to run the unit at that level,
24 what would be the effect on Dogwood?

25 A. They would run less. I don't know.

1 Q. Is there an economic impact on Dogwood?

2 A. Oh, I'm sure there is. I mean, I'm sure
3 that they would expect more as they sell more energy to
4 make more money, but we don't -- I don't have any clue
5 about whether they're making money or not.

6 Q. They would represent almost an 80 percent
7 drop in what they've been running the plant at. Wouldn't
8 that be a difference in their economic outlook?

9 MR. LINTON: I object. He's asking the
10 witness here, who is employed by SPP, to testify on behalf
11 of Dogwood. I don't think this witness can address this
12 question.

13 MR. COMLEY: I'll make -- I'll withdraw
14 that question.

15 BY MR. COMLEY:

16 Q. As an SPP network, you'd have an
17 obligation, wouldn't you, just like MISO would have, in a
18 fiduciary capacity to make sure all elements of your
19 operation were cost effective, and you wouldn't want to
20 bankrupt any of the generators; wouldn't that be a correct
21 statement?

22 A. That's not part of our fiduciary
23 responsibility.

24 Q. So as a consequence, the -- you would have
25 no loyalty to the generator in this situation?

1 A. It's not part of our fiduciary
2 responsibility.

3 Q. So you're saying that you would -- you
4 would -- if the circumstances were present, you would
5 dispatch that unit at 80 percent of what is normally done?

6 A. Given the right circumstances, yes.

7 Q. And you would do that for 2008 for a whole
8 year?

9 A. We would -- we would dispatch it based on
10 what the needs of the system were and what their bid was,
11 yes, and I don't know whether it's 80 percent or 30
12 percent.

13 Q. In your analysis of the CRA study, do you
14 think that the reduction of the Dogwood plant's annual
15 generation as shown on JPP-3 and in the study -- by the
16 way, is that based upon the nature of the constraints
17 between Aquila and Midwest ISO?

18 A. I can't say that, no.

19 MR. COMLEY: Thank you. I have no other
20 questions.

21 JUDGE WOODRUFF: Was there any other cross?

22 (No response.)

23 JUDGE WOODRUFF: Questions from the Bench,
24 then. Commissioner Clayton?

25 COMMISSIONER CLAYTON: No questions.

1 JUDGE WOODRUFF: Commissioner Jarrett?

2 COMMISSIONER JARRETT: I don't have any
3 questions.

4 JUDGE WOODRUFF: I have no questions, so no
5 need for recross. Any redirect?

6 MR. LINTON: Just a couple, your Honor.

7 REDIRECT EXAMINATION BY MR. LINTON:

8 Q. Mr. Monroe, you had a dialog with
9 Mr. Robbins regarding fixed costs and numerators and
10 denominators, and if the numerator stays the same, if the
11 denominator increases, the unit rate decreases. You don't
12 dispute any of that calculation or mathematics, do you?

13 A. No, I do not.

14 Q. Okay. Your sole dispute is in relationship
15 to what?

16 A. The cost of implementing the day-ahead
17 market and the ancillary services market.

18 Q. You have developed and you were involved in
19 the development of the EIS market, correct?

20 A. That's correct.

21 Q. Do you believe that is a sufficient
22 foundation on which for you to base your judgment that you
23 will make significant savings in your development of the
24 day-ahead market?

25 A. That's true, both the EIS market and other

1 large and complex computer systems that we put in for.

2 Q. So you've developed these systems, EIS
3 market and other complex computer systems to give you that
4 experience?

5 A. Yes.

6 MR. LINTON: Thank you. No further
7 questions.

8 JUDGE WOODRUFF: And Mr. Monroe, you can
9 step down and you are excused.

10 MR. LINTON: Is he excused?

11 JUDGE WOODRUFF: Yes, he is excused. And I
12 believe we're now back to Mr. Pfeifenberger.

13 MR. COMLEY: Your Honor, we have only one
14 copy of Mr. Pfeifenberger's testimony. On that set of
15 testimony is both the public version and the highly
16 confidential version of his last schedule. I take the
17 blame for this. I anticipated that the information on the
18 highly confidential schedule would be in the public domain
19 by now. Mr. Boudreau has advised me that it will probably
20 be in the public domain by Friday.

21 In the off -- at this moment, though, I
22 would propose that we would mark Mr. Pfeifenberger's
23 testimony as HC only and not put a public version in, if
24 that would be okay with the Commission. It would,
25 however, bring up a spare number for the exhibit list, but

1 I'm hoping that the court reporter could help us, just
2 simply say there won't be an Exhibit 8.

3 JUDGE WOODRUFF: Well, Exhibit 8 right now
4 is Schedule JPP-7, which is what you're talking about.

5 MR. COMLEY: Exactly.

6 JUDGE WOODRUFF: It's not --

7 MR. COMLEY: It's connected to his
8 testimony. We would put it on his testimony, and then
9 Exhibit 8 could be reserved for another purpose.

10 JUDGE WOODRUFF: Or we could just leave it
11 blank.

12 MR. COMLEY: Or we could just leave it
13 blank.

14 JUDGE WOODRUFF: Exhibit 7 right now
15 contains the HC?

16 MR. COMLEY: Yes.

17 JUDGE WOODRUFF: So we need to make
18 Exhibit 7 HC?

19 MR. COMLEY: Yes.

20 JUDGE WOODRUFF: All right. We can
21 certainly do that. And you're anticipating by Friday then
22 this all will be made public, something will be filed to
23 change that?

24 MR. COMLEY: At least that's what I
25 understand.

1 MR. BOUDREAU: I'd be willing to do that.

2 We're just awaiting the filing of the FERC Form 1.

3 JUDGE WOODRUFF: I think there was

4 discussion of that earlier.

5 MR. BOUDREAU: When that occurs, I can

6 notify the Commission or if you want to handled it

7 differently --

8 JUDGE WOODRUFF: Just file a notice in the

9 case and we can make the change.

10 MR. BOUDREAU: So that I understand that,

11 we're going to mark Exhibit 7 as 7HC?

12 JUDGE WOODRUFF: Yes.

13 MR. BOUDREAU: And 8 is just going to be

14 for the time being anyway --

15 JUDGE WOODRUFF: Will just be blank. There

16 will not be an Exhibit 8.

17 MR. BOUDREAU: Okay. Thank you.

18 JUDGE WOODRUFF: And when you tell me that

19 Exhibit 7 is no longer HC, we'll change it back to 7

20 non-HC and 8 will still be blank.

21 (Witness sworn.)

22 JUDGE WOODRUFF: Take your seat.

23 (EXHIBIT NOS. 5, 6 AND 7 WERE MARKED FOR

24 IDENTIFICATION.)

25 JOHANNES P. PFEIFENBERGER testified as follows:

1 DIRECT EXAMINATION BY MR. BEALL:

2 Q. Mr. Pfeifenberger, if you would, please
3 state your full name for the record.

4 A. Johannes P. Pfeifenberger.

5 Q. And by whom and in what capacity are you
6 employed?

7 A. I'm employed with the Bradley Group as a
8 principal.

9 Q. And on whose behalf are you testifying
10 today?

11 A. I'm testifying on behalf of Midwest ISO.

12 Q. I believe we have in front of you what's
13 been marked by the reporter as Exhibits 5, 6 and 7HC.

14 A. Yes, I have that.

15 Q. Are you familiar with those three exhibits,
16 Mr. Pfeifenberger?

17 A. Yes, these are the three pieces of
18 testimonies I've prepared in this case.

19 Q. Okay. Prepared and prefiled. I believe
20 Exhibit 5 was prefiled November of 2007. 6 --

21 A. Was prefiled in December of '07, and 7HC
22 was prefiled in February '08.

23 Q. And those three filings were prepared by
24 you or under your supervision?

25 A. Yes.

1 Q. And if I were to ask you the same questions
2 that are presented in those three exhibits, would your
3 answers be the same or substantially the same?

4 A. Yes.

5 Q. Do you have any corrections, modifications
6 or additions to any of those?

7 A. I had corrections to pages 10, 11 of my
8 rebuttal testimony, which I corrected on pages 3 and 4 of
9 my surrebuttal testimony already, so I have no further
10 corrections at this time.

11 Q. And if I understand you correctly, you're
12 saying the corrections you would have otherwise made you
13 went ahead and made in your surrebuttal testimony?

14 A. That's right.

15 Q. Beyond that, no other --

16 A. I made them in my supplemental rebuttal
17 testimony.

18 Q. Thank you for that clarification. Beyond
19 those changes or modifications, do you have any others?

20 A. No.

21 Q. And do you believe the answers you provided
22 are true and accurate statements?

23 A. Yes.

24 MR. BEALL: Your Honor, I would offer into
25 the record Exhibits 5, 6 and 7HC.

1 JUDGE WOODRUFF: 5, 6, and 7HC have been
2 offered into evidence. Any objections to their receipt?

3 (No response.)

4 JUDGE WOODRUFF: Hearing none, they will be
5 received into evidence.

6 (EXHIBIT NOS. 5, 6 AND 7HC WERE RECEIVED
7 INTO EVIDENCE.)

8 MR. BEALL: Happy to tender
9 Mr. Pfeifenberger for cross.

10 JUDGE WOODRUFF: For cross then beginning
11 with Aquila.

12 MR. BOUDREAU: Thank you.

13 CROSS-EXAMINATION BY MR. BOUDREAU:

14 Q. Good afternoon, Mr. Pfeifenberger.

15 A. Good afternoon.

16 Q. My name is Paul Boudreau representing
17 Aquila, Inc. I just have a few questions for you. I
18 understand from your testimony that you were commissioned
19 or hired to assess the cost/benefit study that was
20 performed by CRA International; is that correct?

21 A. That's right.

22 Q. So you -- are you familiar with CRA
23 International and its capabilities?

24 A. Yes, I am.

25 Q. This is a firm -- based on that

1 familiarity, is this a firm that in your view is
2 sufficiently knowledgeable and experienced to perform the
3 type of analysis that is contained in the cost/benefit
4 study that's been sponsored by Aquila?

5 A. In general, yes.

6 Q. And would you agree with me that that
7 cost/benefit study prepared by CRA shows that there's a
8 net economic benefit to Aquila to joining MISO when
9 compared to a standalone scenario?

10 A. That study shows that, but as you know, I
11 disagree with those findings.

12 Q. Okay. I understand that. Thank you.

13 And that the benefit calculated by CRA is
14 approximately 21 million for the period 2008 to 2017; is
15 that correct?

16 A. For the Midwest ISO --

17 Q. Yes.

18 A. -- participation, yes.

19 Q. Thank you for that.

20 MR. BOUDREAU: I believe that's all the
21 questions I have for Mr. Pfeifenberger. Thank you, sir.

22 JUDGE WOODRUFF: Then for Independence?

23 MR. ROBBINS: No questions, your Honor.

24 JUDGE WOODRUFF: Ameren?

25 MR. THROSSELL: No questions.

1 JUDGE WOODRUFF: KCPL?

2 MR. DORITY: No questions.

3 JUDGE WOODRUFF: SPP?

4 MR. LINTON: No questions.

5 JUDGE WOODRUFF: Dogwood?

6 MR. LUMLEY: No questions.

7 JUDGE WOODRUFF: Public Counsel?

8 MR. MILLS: No questions.

9 JUDGE WOODRUFF: Staff?

10 MR. WILLIAMS: No questions.

11 JUDGE WOODRUFF: Questions from the Bench

12 then, commissioner Jarrett?

13 COMMISSIONER JARRETT: No questions.

14 JUDGE WOODRUFF: I have no questions, so no

15 recross. Any redirect? No redirect.

16 MR. BEALL: No redirect.

17 JUDGE WOODRUFF: All right, then.

18 Mr. Pfeifenberger, thank you for coming. You may step

19 down, and you are excused.

20 THE WITNESS: It was a pleasure to be here.

21 COMMISSIONER WOODRUFF: All right. Where

22 are we at for the rest of the day now? Independence's

23 witnesses are next on the list. Are they here?

24 MR. ROBBINS: They're in transit, I

25 believe, your Honor. My understanding at least from the

1 discussion among the parties, I hope it was imported to
2 you and the Commission, that we were sure that they would
3 not be called today. They'll be here this evening.

4 JUDGE WOODRUFF: That's fine. Do you want
5 to just wait 'til tomorrow or do we want to take anybody
6 else today? It makes no difference to me.

7 MR. WILLIAMS: Staff's prepared for his
8 witness to go if the other parties are.

9 JUDGE WOODRUFF: I think some of the
10 Commissioners would like to have a chance to talk to
11 Mr. Proctor also. So the Commissioners aren't here today,
12 so I think we'll just wait and start tomorrow morning with
13 the two witnesses from Independence and then Dr. Proctor.
14 I understand he won't be available from 9:30 to 12.

15 MR. WILLIAMS: 10:30 to 1.

16 JUDGE WOODRUFF: 10:30 to 1. We'll work
17 around that as we need to. Anything else anyone wants to
18 bring up now?

19 MR. ROBBINS: We're starting at 8:30 in the
20 morning?

21 JUDGE WOODRUFF: We'll start at 8:30
22 tomorrow. We're adjourned for the day.

23 WHEREUPON, the hearing of this case was
24 recessed until April 15, 2008.

25

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1 C E R T I F I C A T E

2 STATE OF MISSOURI)
3 COUNTY OF COLE) ss.

4 I, Kellene K. Feddersen, Certified
5 Shorthand Reporter with the firm of Midwest Litigation
6 Services, and Notary Public within and for the State of
7 Missouri, do hereby certify that I was personally present
8 at the proceedings had in the above-entitled cause at the
9 time and place set forth in the caption sheet thereof;
10 that I then and there took down in Stenotype the
11 proceedings had; and that the foregoing is a full, true
12 and correct transcript of such Stenotype notes so made at
13 such time and place.

14 Given at my office in the City of
15 Jefferson, County of Cole, State of Missouri.

16

17 Kellene K. Feddersen, RPR, CSR, CCR
18 Notary Public (County of Cole)
My commission expires March 28, 2009.

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