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Midwest ISO
Witness: David A. Whiteley
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Sponsoring Party: Union Electric Co.
d/b/a AmerenUE
Case No.: EO-2001-684
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CASE NO. EO-2001-684

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SURREBUTTAL TESTIMONY

OF

DAVID A. WHITELEY

ON BEHALF OF

UNION ELECTRIC COMPANY

d/b/a AmerenUE

Exhibit No. 2
Date 10/10/01 Case No. EO-2001-684
Reporter KRM

St. Louis, Missouri
September 24, 2001

1 **SURREBUTTAL TESTIMONY**

2 **OF**

3 **DAVID A. WHITELEY**

4 **ON BEHALF OF**

5 **UNION ELECTRIC COMPANY**

6 **d/b/a AmerenUE**

7 **CASE NO. EO-2001-684**

8
9 **Q. Please state your name.**

10 **A. My name is David A. Whiteley.**

11 **Q. Have you previously provided testimony in Case No. EO-2001-684?**

12 **A. Yes, I have.**

13 **Q. Has your business address, educational background and work experience**
14 **changed from that which was filed in your prior testimony?**

15 **A. No, it has not.**

16 **Q. Has your position with Ameren Services and your areas of responsibility**
17 **changed from that which was filed in your prior testimony?**

18 **A. Yes, they have.**

19 **Q. What is your new position with Ameren Services and what are your areas of**
20 **responsibility?**

21 **A. I am now a Senior Vice President of Ameren Services Company. In this position I**
22 **will continue to lead the Energy Delivery Technical Services organization that is**
23 **responsible for the operations, maintenance, planning, engineering design, and**

1 construction of all transmission facilities for AmerenUE and AmerenCIPS, the
2 utility operating subsidiaries of Ameren Corporation. In addition to those
3 responsibilities, I will lead the Corporate Planning and Supply Services Functions
4 at Ameren Services Company.

5 **Q. What is the purpose of your testimony?**

6 A. The purpose of my testimony is to respond to the rebuttal testimony submitted
7 individually by Michael S. Proctor (Dr. Proctor), Ryan Kind (Mr. Kind), Eve A.
8 Lissik (Ms. Lissik) and James R. Dauphinais (Mr. Dauphinais) in Case No. EO-
9 2001-684.

10 **Q. How do you intend to respond to the each of the rebuttal testimonies**
11 **submitted?**

12 A. Rather than responding to each individually, I intend to respond to the most
13 notable issues raised within the individual rebuttal testimonies. However, the fact
14 that I do not address an issue raised in any of the rebuttal testimonies does not
15 mean, nor should it be construed to mean, that I endorse or otherwise agree with
16 the issue or position expressed in the rebuttal testimony.

17 **Q. What are the major issues you intend to respond to in this surrebuttal**
18 **testimony?**

19 A. While there were a number of issues raised within each of the rebuttal
20 testimonies, the most notable include: (i) for-profit governance structure of ARTO
21 versus not-for-profit governance structure of the Midwest ISO (MISO); (ii)
22 impact of transmission revenue retention on the rates of AmerenUE's customers;
23 (iii) RTO seams in Missouri and pancaked transmission rates; (iv) Ameren's

1 ability to recover the exit fee paid to the Midwest Independent System Operator
2 (MISO); (v) the impact Ameren's withdrawal had on the Settlement Agreement;
3 and (vi) Alliance Regional Transmission Organization (ARTO) independence and
4 stakeholder input.

5 **Q. Will AmerenUE's relationship to the for-profit governance structure of the**
6 **ARTO be any different than the relationship it would have had to the not-**
7 **for-profit MISO once the RTOs are operational?**

8 A. No. The relationship AmerenUE will have to ARTO is identical to the
9 relationship AmerenUE would have had with the MISO. Since AmerenUE
10 intends to be a non-divesting transmission owner, the relationship to the for-profit
11 ARTO will be through an operating agreement as would have been the case if
12 AmerenUE were to have remained in the MISO. The ARTO's operating
13 agreement with Ameren codifies the ARTO's ability to provide non-
14 discriminatory transmission service on the Ameren transmission system pursuant
15 to, and in accordance with a FERC approved open access transmission tariff and
16 in a way that will not adversely effect Ameren's transmission system. The
17 operating agreement with MISO would have provided the MISO with the same
18 capability, subject to the same restrictions. The mere fact that ARTO will be a for-
19 profit entity, once operational, will have absolutely no impact on the ARTO's
20 operational relationship with AmerenUE through this operating agreement.

21 **Q. Will the basic functions, characteristics and responsibilities of the for-profit**
22 **ARTO be any different than the not-for-profit MISO?**

1 A. No. The basic functions, characteristics and responsibilities of the for-profit
2 ARTO and the non-for-profit MISO are mandated by FERC in Order No. 2000.
3 In order for the ARTO and the MISO to receive RTO status from FERC they each
4 must comply with these requirements. So the primary difference between ARTO
5 and MISO will arise in the implementation of these required functions,
6 characteristics and responsibilities. Theoretical arguments can be made to support
7 a for-profit as well as a not-for profit governance structure with regard to which
8 will be most effective at implementing these required RTO responsibilities. My
9 firm belief, however, is that the for-profit structure, which allows ARTO to be an
10 independent transmission asset owner, will have greater incentives to implement
11 these functions, characteristics and responsibilities to the benefit of the market as
12 a whole.

13 **Q. A significant portion of Dr. Proctor's testimony focuses on comparing a for-**
14 **profit RTO governance structure with that of a not-for-profit governance**
15 **structure. Are the concerns that he raises throughout his testimony with**
16 **regard to a for-profit model substantiated by fact or are they based purely on**
17 **conjecture?**

18 A. With all due respect to Dr. Proctor, the majority of the concerns that he raises are
19 mere suppositions. For example, on pages 12 - 14 of his testimony, Dr. Proctor
20 raises several issues regarding Performance Based Ratemaking (PBR). However,
21 to make his point, he fabricates hypothetical PBR scenarios that have not even
22 been contemplated by the ARTO or any RTO for that matter. Moreover, any PBR
23 approach proposed by a for-profit or not-for-profit RTO would be subject to the

1 same scrutiny by stakeholders, including state regulators, through the FERC rate-
2 making process. Thus, the theoretical concerns that he raises in his hypothetical
3 scenarios, would be subjected at FERC, prior to implementation, to all the
4 theoretical challenges Dr. Proctor identifies in his hypothetical scenarios.

5 **Q. Does Dr. Proctor make any other suppositions in his testimony?**

6 A. Yes. On page 17 - 20 of his testimony, Dr. Proctor attempts to illustrate, through
7 the use of a number of unrealistic hypotheticals, ways in which operation of a
8 transmission system by a for-profit RTO can lead to ineffective congestion
9 management. For example, the hypothetical on page 19 of Dr. Proctor's
10 testimony requires the for-profit RTO to become a market participant (i.e. by
11 purchasing and selling power), even though this is contrary to one of the required
12 RTO characteristics set forth in Order No. 2000. While these hypotheticals make
13 for interesting reading from an academic standpoint, they fail to point out the true
14 fact that the MISO and ARTO have already agreed, pursuant to the FERC
15 approved Settlement Agreement, to develop a compatible "day two" congestion
16 management system. Thus, the "day two" congestion management system that
17 users of the AmerenUE transmission system would operate under, whether
18 AmerenUE participates in the MISO or the ARTO, will be compatible.
19 Moreover, the compatible "day two" congestion management systems of ARTO
20 and MISO will continue to be developed over the next several months through
21 input received from stakeholders and the transmission owners of the ARTO and
22 the MISO. Due to FERC's recognition of the important role congestion
23 management will play in the energy market, it would be unreasonable to assume

1 that FERC would allow ARTO and MISO to implement congestion management
2 systems that would be incompatible or ineffective in dealing with congestion
3 within the ARTO-MISO super-region.

4 **Q. Can one come to the conclusion that AmerenUE's participation in an RTO**
5 **that has a for-profit governance structure, such as ARTO, would by itself be**
6 **detrimental to the public interest?**

7 A. Absolutely not. As pointed out earlier, AmerenUE's relationship to the ARTO, as
8 a non-divesting transmission owner, will be identical to the relationship it would
9 have had with the MISO. The for-profit or not-for-profit status of the RTO in
10 which AmerenUE is a member will have no impact on this relationship. Nor will
11 the for-profit structure of ARTO have any impact on the zonal transmission rates
12 applicable to the bundled retail load in AmerenUE's zone. Furthermore, each
13 RTO , regardless of its governance structure, will be responsible for implementing
14 the same functions, characteristics and responsibilities under the watchful eye of
15 FERC, the state regulators, marketers, and the transmission owners.

16 **Q. Will the ARTO's for-profit structure provide any operational advantages to**
17 **the transmission network?**

18 A. I think it will. The ARTO's for-profit status allows the ARTO to be a
19 transmission asset owner independent of all market participants. I am a firm
20 believer that the ARTO, as an independent transmission asset owner, will do a
21 superior job of operating the transmission network since it will have its own
22 "skin" in the game. For example, if ARTO imposes certain operating parameters
23 on the transmission owners in ARTO, it will have to impose those same operating

1 parameters on itself. If the ARTO imposes certain maintenance requirements on
2 the transmission owners in ARTO, it will have to impose those same maintenance
3 parameters on itself. The MISO, on the other hand, will not own transmission
4 assets. As a result, MISO will not be impacted in any way by the operating or
5 maintenance parameters that it will have the authority to impose, nor will MISO
6 be impacted by its own failure to enforce such operating or maintenance
7 parameters, which could jeopardize the reliability of the transmission grid.
8 Furthermore, it is without question, the MISO and the ARTO will make mistakes
9 operating the transmission system. However, when a mistake is made by MISO, a
10 not-for-profit entity, the costs associated with the mistake, by necessity (since
11 there is no other entity to absorb such costs) will be passed back to the users of
12 the transmission system. When a mistake is made by ARTO, a for-profit entity,
13 the costs associated with the mistake will be absorbed by the ARTO shareholders.
14 Moreover, I believe a for-profit RTO that owns transmission facilities will be
15 more inclined to innovatively manage the transmission facilities, which will have
16 a positive influence on the stewardship decisions it makes for the entire
17 transmission system.

18 **Q. Dr. Proctor cites in his testimony (on page 23) a 1962 article by Averch and**
19 **Johnson, which he purports "show[s] that a regulated firm operating under**
20 **standard rate of return constraint will over invest in capital." (A-J Effect)**
21 **Dr. Proctor goes on to state that a for-profit RTO will have the same**
22 **incentive, the consequences of which are sending poor price signals of where**
23 **to locate generation and thus higher cost to consumers (see page 23 lines 8 -**

1 **15). Is the conclusion drawn in this 1962 article consistent with the current**
2 **state of the transmission grid?**

3 A. No, it is not. Dr. Proctor admits in his own testimony (page 23, lines 16 - 19) that
4 the problem today is not that there has been too much investment by the for-profit
5 transmission owners, such as AmerenUE, but that the system is currently under
6 built. Furthermore, whether AmerenUE participates in the ARTO or the MISO
7 will have absolutely no effect on the likelihood of the A-J Effect occurring in the
8 future. I also would argue that the MISO could easily fall into the trap of
9 mandating more expensive build options on its member transmission owners to
10 solve problems that it has identified, rather than allowing more innovative and
11 less costly approaches. Moreover, since the MISO does not face the challenges or
12 finance the cost of constructing the solutions it dictates, there is no real incentive
13 for MISO to consider innovative solutions. Again, having the RTO own a portion
14 of the transmission system it manages can help assure prudent decisions are made
15 across the entire transmission system, while the not-for-profit status of MISO will
16 not guarantee against overbuilding of the transmission system under its direction.

17 **Q. If the A-J Effect has not led to the transmission system being over-built to**
18 **date, will it necessarily send the wrong price signals for locating generation?**

19 A. No, I don't think that it will. To date, none of the more than 45 independent
20 power producers requesting authority to connect generation to the Ameren system
21 has stated that a driver in their site location was the alleviation or avoidance of
22 congestion on the transmission system. If anything, the lack of readily available
23 transmission capability has caused the cancellation of generation projects.

1 **Q. Can generation be sited to alleviate constraints on the transmission system?**

2 A. Yes it can. However, siting of generation is highly dependent on the availability
3 of air permits, fuel, water, and other resources. Almost all generation sited today
4 is sited at locations that are close to adequate fuel and water sources and in areas
5 where air permits can be obtained, but rarely if ever, are they installed to relieve
6 transmission constraints. Moreover, if you rely on generation to relieve a
7 transmission constraint, the generator relieving the constraint will by definition
8 have market power. We all know that a generator with market power has a
9 significant financial incentive to game the energy market. Because this risk of
10 market power is high, I believe, for the long term, the most effective way to
11 relieve transmission constraints is to upgrade the transmission network.

12 **Q. If ARTO overbuilds the transmission system that it owns, will that impact**
13 **the transmission rate paid by customers in the AmerenUE pricing zone?**

14 A. No, it will not. The transmission rate paid by the customers in the AmerenUE
15 pricing zone will be based on the investment that AmerenUE has made, and will
16 continue to make, in its transmission system. The AmerenUE zonal rate will not
17 be impacted by upgrades performed in the future on the systems of other
18 transmission owners, including ARTO, in the MISO or ARTO regions.

19 **Q. On page 25 of his testimony, Dr. Proctor states how a not-for-profit RTO will**
20 **determine the need for investment in transmission. How does this differ**
21 **from the manner in which the ARTO will do its transmission planning?**

22 A. It does not differ at all. The for-profit ARTO will utilize the same basic analysis
23 Dr. Proctor describes for the not-for-profit RTO. In fact, the MISO and the

1 ARTO have agreed, pursuant to the FERC approved Settlement Agreement, to
2 adopt compatible system planning standards and protocols. Thus, AmerenUE's
3 participation in the ARTO will not require AmerenUE to adhere to planning
4 standards that are inconsistent with those that it would have adhered to if
5 AmerenUE were in the MISO.

6 **Q. Dr. Proctor, Mr. Kind and Mr. Dauphinais assert that a primary driver for**
7 **Ameren's departure from MISO was to retain transmission revenues. They**
8 **each go on to state that the retention of these revenues by AmerenUE as a**
9 **member of the ARTO will not be beneficial to the customers of AmerenUE.**
10 **Is that true?**

11 A. No, it is not.

12 **Q. How will AmerenUE's retail customers benefit from the retention of these**
13 **open access transmission revenues?**

14 A. The cost of service associated with transmission for AmerenUE's bundled retail
15 customer rates, using a traditional revenue requirement rate calculation, is
16 calculated by capturing AmerenUE's revenue requirement (capital, operations and
17 maintenance, administrative & general) for its entire system, including its
18 transmission system. The revenues AmerenUE receives from those using
19 Ameren's transmission system via the open access transmission tariff are then
20 subtracted from this revenue requirement. If a large portion of these open access
21 transmission revenues are forfeited (like they would have been had AmerenUE
22 remained in the MISO under the MISO's revenue allocation and rate design) the
23 large offsets also would have been forfeited. The large offsets would have been

1 forfeited even though the use of AmerenUE's transmission assets by others may
2 have remained the same if not increased in magnitude. Moreover, it should be
3 noted that the open access transmission revenues AmerenUE received over the
4 past several years, in part, contributed to the revenue credits issued to
5 AmerenUE's customers under the alternative regulation plan that has been in
6 place for the past six years. Thus, AmerenUE's customers also have already
7 reaped the benefit of Ameren's vibrant open access transmission business.

8 **Q. What is the magnitude of potential transmission revenue offsets that Ameren**
9 **anticipated losing under the MISO tariff and revenue allocation structure?**

10 A. At the time of our decision to withdraw from MISO, Ameren estimated that it
11 would forfeit more than \$60 million per year under the MISO tariff and revenue
12 allocation formula. This loss of transmission revenues would have resulted in the
13 entire investment of AmerenUE's transmission system being allocated to the load
14 connected in the AmerenUE zone, thereby providing a basis for increasing the
15 rates assessed to the load in the AmerenUE zone.

16 **Q. Under the ARTO rate structure, which has been designed to be revenue**
17 **neutral to the ARTO members, where will the loss of pancaked transmission**
18 **revenues come from to assure revenue neutrality for ARTO transmission**
19 **owners?**

20 A. While I was not directly involved in the calculation of the zonal rates for the
21 ARTO, I have been informed by the people at Ameren who were involved that the
22 revenues will continue to come from the pricing zones that benefited from the use
23 of the Ameren transmission system. Under the ARTO rate design, and the

1 ARTO-MISO super-regional rate design established as a result of the Settlement
2 Agreement, each pricing zone in ARTO will have the following components: a
3 zonal facilities charge (ZFC), a zonal transition adjustment (ZTA) charge, and a
4 super-regional rate adjustment charge (SRA). The ZTA and SRA of those pricing
5 zones that made use of the Ameren transmission system during the test year (i.e.
6 2000) to import power to load in their pricing zone, will include the cost they paid
7 to Ameren for such use in their respective ZTA and SRA. In addition to the
8 revenues collected via the ZTA and the SRA, transactions that flow through or out
9 of the ARTO will pay a regional through and out rate (RTOR) calculated to
10 collect the remainder of the lost revenues due to the elimination of pancaked
11 transmission rates.

12 **Q. Will the lost pancaked transmission revenues that Ameren would have**
13 **forfeited under the MISO tariff be included in the Ameren ZTA and SRA?**

14 A. No. As I mentioned above, Ameren's lost pancaked transmission revenues
15 will come from the ZTAs and SRAs added to other MISO and ARTO pricing
16 zones not Ameren's pricing zone.

17 **Q. Does the continued collection of the ZTA and SRA represent the**
18 **preservation of pancaked rates?**

19 A. No. They do not. The elimination of pancaked transmission rates required by
20 FERC in Order No. 2000, mandated that all generation in an RTO be able to serve
21 load in the same RTO by paying a single transmission rate (i.e. the zonal rate)
22 corresponding to the zone where the load is located. Within the ARTO-MISO
23 super-region, Ameren's own generation, as a result of the elimination of pancaked

1 rates within the ARTO-MISO super-region, will pay the same transmission cost to
2 serve the Ameren load as will a generator located in the Commonwealth Edison
3 or Cinergy control areas, or any of the other ARTO-MISO super-region control
4 areas from the Virginia coast to Manitoba, Canada. This is precisely what FERC
5 intended when it required the elimination of pancaked rates, and this is exactly
6 what was achieved through the creation of the ARTO-MISO super-region.

7 **Q. Will the ARTO rate structure inhibit generation competition, by reducing**
8 **generation efficiency in the wholesale generation market, as suggested by Dr.**
9 **Proctor in his testimony on page 38 (lines 15 - 17)?**

10 A. Dr. Proctor's assertion that the ARTO rate structure will in any way inhibit
11 generation competition in the ARTO, or in the ARTO-MISO super-region, is flat
12 out wrong. If all generators located in the ARTO-MISO super-region pay the
13 same zonal rate to deliver power to a load in the ARTO-MISO super-region, there
14 is no inefficiency, barrier or any other obstacle inhibiting generation competition
15 in the ARTO-MISO super-region.

16 **Q. Ms. Lissik states in her testimony that if AmerenUE is permitted to withdraw**
17 **from MISO to join the ARTO, an additional seam will be created in**
18 **Missouri. She goes on to state that the additional seam will inhibit**
19 **competitive generation markets. Is this true?**

20 A. No. The addition or presence of a seam does not inhibit the formation of
21 competitive generation markets, it defines them. AmerenUE's decision to
22 withdraw from the MISO and join the ARTO enhanced the non-pancaked access
23 AmerenUE's customers will have to competitive generation supplies through the

1 creation of the ARTO-MISO super-region. It should be noted that competitive
2 generation markets are not defined by state lines. They are defined by the size
3 and scope of the RTO. The mere fact that a number of RTOs intersect in the state
4 of Missouri does not mean that the customers in Missouri do not have access to a
5 competitive generation market. It just means that all customers in Missouri may
6 not have access to the same generation market.

7 **Q. On page 6 of her testimony, Ms. Lissik asserts that if AmerenUE is allowed to**
8 **switch to the ARTO, another seam will be created in Missouri. Is this true?**

9 **A.** No, it is not. Again, the FERC approved Settlement Agreement creating the
10 ARTO-MISO super-region, effectively erases the seam between the ARTO and
11 the MISO for transmission service purposes. Therefore, AmerenUE's move to the
12 ARTO does not create an additional seam in Missouri. Moreover, in light of the
13 fact that FERC has emphatically stated its desire to have three RTOs operating in
14 the eastern interconnect, it is unlikely that FERC would preclude new members in
15 the MISO or ARTO from the benefits of ARTO-MISO super-regional rate.

16 **Q. Mr. Kind, Ms. Lissik, and Mr. Dauphanais all state in their rebuttal**
17 **testimony that they would oppose AmerenUE's recovery of the exit fee it paid**
18 **MISO as a result of the Settlement Agreement. Are you seeking recovery of**
19 **the exit fee in this proceeding?**

20 **A.** No. Ameren is not seeking recovery of the exit fee in this proceeding.

21 **Q. Will AmerenUE's customers in any way benefit from AmerenUE's payment**
22 **of the exit fee to MISO?**

1 A. Yes. I think that AmerenUE's customers will benefit for a number of reasons.
2 One, as discussed earlier, AmerenUE's customers will directly benefit from the
3 retention of lost pancaked transmission revenues made possible by the ARTO
4 tariff and revenue allocation design. This is a direct benefit solely attributable to
5 AmerenUE's withdrawal from MISO, which of course prompted the exit fee
6 payment. Two, as a result of AmerenUE's withdraw from MISO, the ARTO-
7 MISO super-region was formed. The super-region will provide the customers of
8 Ameren with non-pancaked access to generation in the MISO and ARTO regions.
9 Had Ameren remained in MISO, AmerenUE's customers only may have had non-
10 pancaked access to generation in the MISO region. Non-pancaked access to a
11 greater amount of generation should enhance the competitiveness of the wholesale
12 and retail generation markets, and over time, result in significant savings to
13 AmerenUE's customers. Finally, the sole reason MISO remained a viable entity
14 is due to the \$60 million payment made by Commonwealth Edison, Illinois Power
15 and Ameren. Absent this payment, the MISO would have been forced to declare
16 bankruptcy, and ceased to exist. I firmly believe that the continued presence of
17 two operating RTOs, effectively acting as one for transmission rate purposes, at
18 this stage of RTO development, will encourage each of them to be better
19 organizations. In essence, the two RTOs, while coordinating a large number of
20 their activities, will also be competing with one another. Each RTO will want to
21 be viewed by the market, and by the various state and federal regulators, as the
22 most effective provider of open access transmission service. This ongoing
23 competition among the ARTO and MISO RTO models should foster greater

1 efficiencies, better service and the best possible markets for acquiring competitive
2 generation.

3 **Q. Do you think the Settlement Agreement approved by FERC would have**
4 **occurred had Ameren remained a member of the MISO?**

5 A. No, I do not. AmerenUE's departure from the MISO operationally divided the
6 remaining MISO members. This lack of electrical continuity effectively made it
7 impossible for the remaining MISO members to operate as an RTO. The
8 recognition of this impossibility by the remaining MISO members, coupled with
9 the extreme financial uncertainty of the MISO, prompted the remaining MISO
10 members to submit their collective notices of withdrawal. It was this avalanche of
11 withdrawals that prompted FERC, in the Illinois Power Docket, to convene the
12 settlement conference (it was in the Illinois Power Docket solely because IP was
13 the first to request approval from FERC to withdraw). Had Ameren remained in
14 the MISO, I doubt the other remaining members would have submitted their
15 notices of withdrawal, which would have significantly lessened the likelihood that
16 FERC would have ordered the settlement conference.

17 **Q. Is it possible that FERC would have ordered the MISO and ARTO into**
18 **mediation like it has done in the northeast and the south had the Settlement**
19 **Agreement not been reached?**

20 A. Yes. I think that is highly likely. However, had that been the course of action, the
21 operational status of the MISO and ARTO would have been significantly delayed
22 beyond the target date of December 15, 2001. Recently, GridSouth was given a

1 two-year delay in its start up efforts. There is no reason to believe that the MISO
2 and ARTO would not have been afforded a similar delay in implementation.

3 **Q. In each of the rebuttal testimonies submitted, a lack of stakeholder input in**
4 **the ARTO formation process was cited as a major concern. Does Ameren**
5 **support the immediate formation and involvement of a stakeholder advisory**
6 **group at ARTO?**

7 A. Absolutely. Ameren would like to see the immediate formation of a stakeholder
8 advisory group that could provide the needed input for developing the market
9 oriented services that will be facilitated by the ARTO once the ARTO is
10 operational.

11 **Q. Has Ameren been frustrated by the lack of stakeholder involvement in the**
12 **ARTO formation process to date?**

13 A. Yes it has. Ameren has supported the formation of a stakeholder advisory group
14 through its representation at the Management Committee of ARTO. Furthermore,
15 Ameren's generation marketing affiliate, Ameren Energy Marketing, has a
16 significant interest in the immediate formation of the stakeholder advisory group
17 as well.

18 **Q. Do you think that the formation of a stakeholder advisory group will be**
19 **beneficial to the continued development of ARTO?**

20 A. Yes I do.

21 **Q. Does the lack of stakeholder involvement to date mean that the ARTO will be**
22 **less effective at operating the transmission grid than the MISO?**

1 A. No it does not. While the rebuttal testimony was clear about the need for a
2 stakeholder advisory process, I do not believe that any of the rebuttal testimony
3 pointed out how input from a stakeholder advisory group would have led to any
4 changes to the current structure of the ARTO. Nor do they cite in the rebuttal
5 testimony any examples of how the stakeholder involvement at MISO has led the
6 MISO development in a different direction than the ARTO. Furthermore, even
7 though there has not been an official stakeholder advisory committee established
8 at ARTO to date, that does not mean the stakeholders have been denied input. All
9 of the formation and rate design actions taken by ARTO to date have been filed at
10 FERC. The stakeholders can, and have been, intervening in these filings to state
11 their opinion and cite their concerns.

12 **Q. In addition to the stakeholder input deficiency, the rebuttal testimony**
13 **pointed out that ARTO has not complied with the independence requirement**
14 **required by FERC Order No. 2000. Do you agree that Ameren should not be**
15 **permitted to participate in the ARTO if this requirement is not met?**

16 A. Yes I do. However, FERC will not officially grant the ARTO RTO status or
17 allow it to operate if this condition is not met. The ARTO has recently filed its
18 intent for complying with the FERC's directive with regard to independence by
19 naming National Grid as its managing member.

20 **Q. There have been a number of concerns raised regarding the ability of**
21 **National Grid to meet the independence requirement. Do you think National**
22 **Grid can comply?**

1 A. Yes I do. National Grid has assured the ARTO that they are committed to doing
2 whatever it takes to meet the independence requirement established by FERC.

3 Q. **If National Grid is unsuccessful, would Ameren support the formation of an**
4 **interim, independent board until such time that a managing member that**
5 **has met the FERC independence requirement can be found to run the**
6 **ARTO?**

7 A. Yes it would. Ameren recognizes the importance of establishing the ARTO's
8 independence from any market participant. If National Grid is unsuccessful, we
9 would definitely support the immediate formation of an interim board to be
10 selected with input from stakeholders. This interim board would serve until a
11 managing member for the ARTO could be found that meets the FERC
12 independence requirement.

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

14 A. Yes it does.