

1 STATE OF MISSOURI
2 PUBLIC SERVICE COMMISSION
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6 TRANSCRIPT OF PROCEEDINGS

7 Evidentiary Hearing

8 April 15, 2008
9 Jefferson City, Missouri
Volume 4

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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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23 REPORTED BY:

24 KELLENE K. FEDDERSEN, CSR, RPR, CCR
MIDWEST LITIGATION SERVICES

25

1 APPEARANCES:

2 PAUL A. BOUDREAU, Attorney at Law
3 Brydon, Swearngen & England, P.C.
4 312 East Capitol
5 P.O. Box 456
6 Jefferson City, MO 65102-0456
7 (573)635-7166
8 paulb@brydonlaw.com

9 RENEE PARSONS, Attorney at Law
10 20 West 9th Street
11 Kansas City, MO 64105
12 (816)467-327
13 renee.parsons@aquila.com

14 FOR: Aquila.

15 MARK W. COMLEY, Attorney at Law
16 Newman, Comley & Ruth
17 601 Monroe, Suite 301
18 P.O. Box 537
19 Jefferson City, MO 65102
20 (573)634-2266
21 comleym@ncrpc.com

22 KEITH L. BEALL, Attorney at Law
23 701 City Center Drive
24 Carmel, IN 46082
25 (317)249-5400
kbeall@midwestiso.org

FOR: Midwest Independent Transmission
System Operator, Inc.

DAVID C. LINTON, Attorney at Law
424 Summer Top Lane
Fenton, MO 63026
(636)349-9028
djlinton@charter.net

FOR: Southwest Power Pool, Inc.

1 JAMES M. FISCHER, Attorney at Law
LARRY W. DORITY, Attorney at Law
2 Fischer & DORITY
101 Madison, Suite 400
3 Jefferson City, MO 65101
(573)636-6758
4 lwdority@sprintmail.com

5 CURTIS D. BLANC, Managing Attorney - Regulatory
Kansas City Power & Light
6 P.O. Box 418679
1201 Walnut, 20th Floor
7 Kansas City, MO 64106
(816)556-2483
8 curtis.blanc@kcpl.com

9 FOR: Kansas City Power & Light.

10 CARL J. LUMLEY, Attorney at Law
Curtis, Oetting, Heinz, Garrett & O'Keefe
11 130 South Bemiston, Suite 200
Clayton, MO 63105-1913
12 (314)725-8788
clumley@lawfirmemail.com

13 FOR: Dogwood Energy, LLC.

14 SPENCER L. THROSSELL, Attorney at Law
15 Smith Lewis, LLP
111 South 9th Street, Suite 200
16 P.O. Box 918
Columbia, MO 65205-0918
17 (573)443-3141
throssell@smithlewis.com

18 FOR: Union Electric Company.

19 ALAN ROBBINS, Attorney at Law
20 1700 Pennsylvania Avenue NW
Washington, DC 20506
21 (202)371-9030
arobbins@jsslaw.com

22 FOR: City of Independence, Missouri.

23

24

25

1 LEWIS R. MILLS, JR., Public Counsel
2 P.O. Box 2230
3 200 Madison Street, Suite 650
4 Jefferson City, MO 65102-2230
5 (573)751-4857

6 FOR: Office of the Public Counsel
7 and the Public.

8 NATHAN WILLIAMS, Deputy General Counsel
9 P.O. Box 360
10 200 Madison Street
11 Jefferson City, MO 65102
12 (573)751-3234

13 FOR: Staff of the Missouri Public
14 Service Commission.

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

2 JUDGE WOODRUFF: Good morning, everyone,
3 and welcome back for day two of this hearing in
4 EO-2008-0046. I believe we're ready for Mr. Mahlberg for
5 Independence.

6 MR. ROBBINS: Yes, your Honor. Thank you.
7 (Witness sworn.)

8 JUDGE WOODRUFF: You may inquire.

9 MR. ROBBINS: Thank you, your Honor.

10 PAUL N. MAHLBERG testified as follows:

11 DIRECT EXAMINATION BY MR. ROBBINS:

12 Q. Good morning, Mr. Mahlberg.

13 A. Good morning.

14 Q. Would you please identify yourself and
15 position for the record.

16 A. Paul Mahlberg. I am the power planning and
17 rates supervisor for the City of Independence Power and
18 Light Department.

19 Q. Thank you. And you're the same Paul
20 Mahlberg that prepared the rebuttal testimony and
21 supplemental rebuttal testimony -- I'm sorry, rebuttal
22 testimony on behalf of the City of Independence in this
23 case?

24 A. Yes.

25 Q. And was that testimony prepared by you or

1 under your supervision?

2 A. Yes.

3 Q. Do you have any corrections to make to that
4 testimony?

5 A. No, I do not.

6 Q. If I ask you today the same questions
7 presented in that testimony, would your answers be the
8 same as presented?

9 A. Yes.

10 MR. ROBBINS: Your Honor, I would move --
11 and I'm sorry. I lost track of the exhibit number.

12 JUDGE WOODRUFF: Exhibit No. 10.

13 MR. ROBBINS: -- Exhibit No. 10 into
14 evidence.

15 JUDGE WOODRUFF: No. 10 has been offered
16 into evidence. Are there any objections to its receipt?

17 (No response.)

18 JUDGE WOODRUFF: Hearing none, it will be
19 received into evidence.

20 (EXHIBIT NO. 10 WAS RECEIVED INTO
21 EVIDENCE.)

22 MR. ROBBINS: As I mentioned, the extra
23 copy for the reporter is being sent to me, and I'll bring
24 it over later today.

25 JUDGE WOODRUFF: For cross, beginning with

1 Aquila.

2 MR. BOUDREAU: Yes, thank you.

3 CROSS-EXAMINATION BY MR. BOUDREAU:

4 Q. I just have a few questions, Mr. Mahlberg.
5 Good morning. My name is Paul Boudreau. I'm an attorney
6 for Aquila.

7 A. Okay.

8 Q. In your capacity as planning and rates
9 supervisor for the Power and Light Department in the City
10 of Independence, have you had occasion to become familiar
11 with CRA International and its capabilities?

12 A. The first time I've ran across them is the
13 work they've done in this case.

14 Q. Okay. Have you -- so other than that, you
15 have no other experience or background with that firm?

16 A. No, I do not.

17 Q. Have you read the -- or have you reviewed
18 the cost/benefit study that CRA International performed
19 for Aquila?

20 A. I have read it.

21 Q. And you agree that the -- that study
22 indicates that there's a net economic benefit to Aquila
23 joining MISO when compared to a standalone scenario and
24 quantified at approximately \$21 million?

25 A. Yeah. I don't recall exactly the number,

1 but yes.

2 Q. Let me ask you one other question. Are you
3 familiar with the settlement that came about as between
4 Aquila and MISO in 2003 in FERC Docket ER-02-871?

5 A. I'm aware of it, yes.

6 Q. Are you aware that Aquila agreed to file
7 with the Commission here for authority to transfer
8 operational control of its electric transmission
9 facilities --

10 A. Yes.

11 Q. -- to MISO?

12 A. Yes.

13 MR. BOUDREAU: I think that's all the
14 questions I have for this witness. Thank you, sir.

15 JUDGE WOODRUFF: And for MISO?

16 MR. COMLEY: No questions. Thank you.

17 JUDGE WOODRUFF: Ameren?

18 MR. THROSSELL: No questions.

19 JUDGE WOODRUFF: KCPL?

20 MR. DORITY: No questions. Thanks.

21 JUDGE WOODRUFF: SPP?

22 MR. LINTON: No questions.

23 JUDGE WOODRUFF: Dogwood?

24 MR. LUMLEY: No, your Honor.

25 JUDGE WOODRUFF: Public Counsel?

1 MR. MILLS: No questions.

2 JUDGE WOODRUFF: Staff?

3 MR. WILLIAMS: No questions.

4 JUDGE WOODRUFF: All right. Then we'll

5 come up for questions from the Bench. Commissioner

6 Jarrett, do you have any questions?

7 COMMISSIONER JARRETT: No questions.

8 JUDGE WOODRUFF: I have no questions, so

9 there's no need for recross. Any redirect?

10 MR. ROBBINS: No, your Honor.

11 JUDGE WOODRUFF: All right. Then,

12 Mr. Mahlberg, you can step down and you are excused.

13 Next witness, then, Mr. Volpe.

14 (Witness sworn.)

15 MARK J. VOLPE testified as follows:

16 DIRECT EXAMINATION BY MR. ROBBINS:

17 Q. Good morning, Mr. Volpe. Would you please

18 state your name and position for the record.

19 A. My name is Mark Volpe. I'm with the law

20 firm Jennings, Strouss & Salmon as a consultant.

21 Q. And are you the same Mark Volpe that

22 prepared the rebuttal testimony of Mark J. Volpe on behalf

23 of the City of Independence, Missouri in this case?

24 A. Yes.

25 Q. Was that testimony prepared by you or under

1 your supervision?

2 A. Yes, it was.

3 Q. Do you have any corrections to make to that
4 testimony?

5 A. No.

6 Q. If I asked you the same questions today
7 that are presented in the testimony, would your answers be
8 the same?

9 A. Yes.

10 MR. ROBBINS: Your Honor, I'd move Exhibit
11 No. 11, is it?

12 JUDGE WOODRUFF: Yes.

13 MR. ROBBINS: -- into evidence.

14 JUDGE WOODRUFF: No. 11 has been offered
15 into evidence. Are there any objections to its receipt?

16 (No response.)

17 JUDGE WOODRUFF: Hearing none, it will be
18 received into evidence.

19 (EXHIBIT NO. 11 WAS RECEIVED INTO
20 EVIDENCE.)

21 MR. ROBBINS: Thank you. And as the case
22 with Mr. Mahlberg's testimony, the extra copy for the
23 reporter is in transit to me, and I'll deliver it later
24 today. Mr. Volpe's available for cross-examination.
25 Thank you.

1 JUDGE WOODRUFF: For cross, then, beginning
2 with Aquila?

3 MR. BOUDREAU: Yes, thank you.

4 CROSS-EXAMINATION BY MR. BOUDREAU:

5 Q. Good morning, Mr. Volpe. My name is Paul
6 Boudreau. I'm the attorney for Aquila in this case. I've
7 been asking some similar questions of a number of
8 witnesses in this case, and you're not going to escape
9 unscathed. You're going to get a few of the same. In
10 your capacity -- you've been hired by the City to review
11 Aquila's filing in this case; is that correct?

12 A. Yes.

13 Q. And one of the responsibilities that you've
14 had is to review the CRA cost/benefit study that was
15 sponsored by Aquila --

16 A. Yes.

17 Q. -- is that correct?

18 Okay. Are you familiar with CRA
19 International and its capabilities?

20 A. I am now that I've reviewed the study, but
21 I had no prior experience or knowledge of CRA prior to
22 looking at the exhibits that were part of the proceeding.

23 Q. Okay. Well, let me ask you this: Given
24 your review and your knowledge at this point, do you
25 believe that this is a firm that has -- that is

1 sufficiently knowledgeable and experienced to perform the
2 sort of analyses that are contained in the cost/benefit
3 study that they prepared?

4 A. Yes.

5 Q. And I know you have some critique of that
6 study, but the study that has been prepared indicates that
7 there is a net economic benefit of approximately
8 \$21 million over the period 2008 to 2017 of Aquila joining
9 MISO compared to a standalone scenario?

10 A. Correct.

11 Q. Are you familiar at all with the settlement
12 that came about as between Aquila and MISO in FERC Docket
13 ER-02-871?

14 A. Yes, I am. At the time that that was
15 filed, I was actually employed with the Midwest ISO, so I
16 am familiar with that -- that docket.

17 Q. Okay. And you are familiar that that --
18 the settlement of that case obligated Aquila to make a
19 filing with this Commission for approval to transfer
20 operational control to MISO?

21 A. Yes.

22 MR. BOUDREAU: Very good. That's all the
23 questions I have for the witness. Thank you.

24 JUDGE WOODRUFF: And for MISO?

25 MR. COMLEY: No questions.

1 JUDGE WOODRUFF: Ameren?
2 MR. THROSSELL: No questions.
3 JUDGE WOODRUFF: KCPL?
4 MR. DORITY: No questions.
5 JUDGE WOODRUFF: SPP?
6 MR. LINTON: No questions.
7 JUDGE WOODRUFF: Dogwood?
8 MR. LUMLEY: No questions.
9 JUDGE WOODRUFF: Public Counsel?
10 MR. MILLS: No.
11 JUDGE WOODRUFF: Staff?
12 MR. WILLIAMS: No questions.
13 JUDGE WOODRUFF: Commissioner Jarrett?
14 COMMISSIONER JARRETT: No questions.
15 JUDGE WOODRUFF: I have no questions, so no
16 questions from the Bench. No recross. Any redirect?
17 MR. ROBBINS: No, your Honor.
18 JUDGE WOODRUFF: Mr. Volpe, you can step
19 down. You are also excused.
20 All right. I believe that's all the
21 witnesses for City of Independence, then, and we move on
22 to Dr. Proctor for the Staff.
23 (Witness sworn.)
24 MICHAEL S. PROCTOR testified as follows:
25 DIRECT EXAMINATION BY MR. WILLIAMS:

1 Q. Good morning, Mr. Proctor.

2 A. Good morning.

3 Q. What is your name?

4 A. My name is Michael S. Proctor.

5 Q. And by whom are you employed and in what
6 capacity?

7 A. I'm employed by the Missouri Public Service
8 Commission. I'm the chief economist for the Commission.

9 Q. Did you prepare rebuttal testimony that's
10 been marked as Exhibit No. 10 for purposes of this
11 proceeding -- I mean as Exhibit No. 12 in this proceeding,
12 and did you also prepare cross-surrebuttal testimony
13 that's been marked for purposes of this proceeding as
14 Exhibit No. 13?

15 A. I did, yes.

16 Q. Are Exhibits 12 and 13 your testimony here
17 today?

18 A. Yes, they are.

19 MR. WILLIAMS: With that, I move for the
20 admission of Exhibit Nos. 12 and 13.

21 JUDGE WOODRUFF: 12 and 13 have been
22 offered. Are there any objections to their receipt?

23 (No response.)

24 JUDGE WOODRUFF: Hearing none, they will be
25 received into evidence.

1 approves this application and as a result Aquila takes
2 advantage of that and actually goes through the process of
3 terminating its relationship with SPP and moving into
4 MISO, would the Staff have a concern about Aquila trying
5 to recover the \$4 million in termination fees in ratepayer
6 rates?

7 A. The \$4 million termination fees, if you
8 could explain that?

9 Q. To exit SPP.

10 A. SPP. Haven't -- haven't really thought
11 through that. It certainly would be a part of that
12 approval that the Commission would have taken into
13 account. The Staff would probably take a position on it,
14 but we haven't sat down and discussed it as a Staff as a
15 whole. So I can't speak for the Staff.

16 Q. Given the disparity in the results of the
17 cost/benefit analyses in the SPP and MISO cases or
18 scenarios that have been presented, and given Aquila's
19 position that, notwithstanding the fact that one choice
20 may be substantially better, we still want to do choice B
21 because we think it's better than doing nothing, would the
22 Staff in your mind be foreclosed in a future rate case
23 from seeking adjustments to address the fact that the
24 company had not pursued the more advantageous scenario?

25 A. Let me pose the scenario a little bit

1 differently. Let's suppose that --

2 MR. BOUDREAU: I think I'm going to lodge
3 an objection at this point on the grounds it just calls
4 for speculation.

5 JUDGE WOODRUFF: Would you repeat the
6 question for me?

7 MR. LUMLEY: Certainly. I'm asking Staff's
8 expert witness whether in his view and experience there
9 could be an issue in future rate cases with regard to
10 adjustments to rates, again in a hypothetical scenario
11 that Aquila's granted permission to pursue the less
12 beneficial route, whether we would have a fight in a
13 future rate case, you know, not what the outcome would be,
14 but just whether it would likely be a disputed point.

15 JUDGE WOODRUFF: I'll overrule the
16 objection. You can answer the question.

17 THE WITNESS: The reason I'm struggling is
18 the assumption that you've made that the Commission has
19 given permission for them to go ahead and join the Midwest
20 ISO. That -- that throws -- that puts us -- would put the
21 Staff in the position of coming back in a future rate case
22 and saying, Commission, we think you did the wrong thing,
23 and that's why I'm struggling with answering it.

24 Now, if the premise was that the
25 Commission, you know, denied the application and Aquila

1 went ahead and joined the Midwest ISO irrespective of what
2 the Commission had said, would the Staff do the things
3 you're talking about, and the answer is yes.

4 BY MR. LUMLEY:

5 Q. Let me explore it a little further in this
6 way. So if Aquila's interpretation of the not detrimental
7 to the public interest standard is correct, if we assume
8 that, do you see that there's a distinction between that
9 standard and the standard of prudently incurred costs in a
10 rate context?

11 A. Well, I --

12 MR. BOUDREAU: I'm going to object again.
13 This is on the grounds of relevance, it really doesn't
14 have anything to do with the matter that's currently
15 before the Commission.

16 JUDGE WOODRUFF: I'll overrule the
17 objection.

18 THE WITNESS: I don't draw a distinction
19 between those two standards. If -- if the company is
20 acting imprudently, then that's detrimental to the public
21 interest.

22 BY MR. LUMLEY:

23 Q. Thank you. At page 22 of your rebuttal
24 testimony, in the answer at the bottom of the page, you're
25 addressing your concerns with a prior study that was

1 performed by MISO. Do you see that?

2 A. That's correct.

3 Q. Is that the 2005 study performed by Science
4 Applications International Corporation that's been
5 discussed earlier in the hearing?

6 A. Yes, it is.

7 Q. Page 23, line 21, am I reading your
8 testimony correctly that in your view the CRA study that's
9 been submitted in this case is unbiased?

10 A. I believe that they made a good faith
11 effort in producing an unbiased. Whether it's actually
12 unbiased or not I think is the subject of what's being
13 discussed at this point in this proceeding.

14 Q. Nonetheless, it was sufficiently unbiased
15 that you're comfortable including it as a basis for your
16 recommendation; is that right?

17 A. I think -- I think in my rebuttal testimony
18 I was aware of the concerns that the Midwest ISO had
19 raised about this study, and in my rebuttal testimony I
20 knew that they were going to be doing some additional
21 analysis, and so I made my recommendation in my rebuttal
22 contingent upon the results of that analysis because there
23 was a -- still a concern out there that there potentially
24 was a bias in the original study that was submitted.

25 Q. But then you reviewed that initial

1 additional study, and your recommendations in this case
2 are based in part on the CRA study?

3 A. That's correct.

4 Q. At page 25, line 6, and we've had questions
5 yesterday on the topic of the assumptions in the CRA study
6 about the status of SPP markets. You recall those
7 discussions?

8 A. Correct.

9 Q. It's in the prefiled testimony as well.
10 You're indicating here that you're satisfied that CRA
11 dealt with that issue in an appropriate manner; is that
12 correct?

13 A. That's correct.

14 Q. At page 34, you're addressing seams
15 agreements?

16 A. Yes.

17 Q. And have you reviewed Mr. Janssen's
18 prefiled testimony in this matter?

19 A. Yes, I have.

20 Q. Do you agree with him that consideration
21 should be given to including interregional coordination
22 processes into these seams agreements?

23 A. Yes, I do.

24 Q. At page 45, still in your rebuttal, you're
25 addressing the proposed acquisition of Aquila by GPE; is

1 that correct?

2 A. Yes.

3 Q. It's your recommendation that if the
4 Commission were to be inclined to go down the road of
5 approving the application in this case, that further
6 examination would first occur regarding that transaction;
7 is that right?

8 A. Give me just a second.

9 Q. I was looking specifically at line 5.

10 A. I think -- I think what I was addressing
11 was that if the Commission was inclined to move towards
12 the -- to approve Aquila joining MISO, then one of the
13 things that needs to be taken into account is the -- the
14 merger and what impact the merger would have on that, and
15 I wasn't involved in the merger case, am not involved in
16 the merger case.

17 And what I was talking about here is if the
18 merged entity would continue to operate the Aquila
19 generation separate from the KCPL generation, then an
20 additional cost/benefit study wouldn't be needed. But if
21 on the other hand in that merger case they were going to
22 jointly operate all of the generation, there's a --
23 there's a real question that gets raised by that, how do
24 you do that and have one entity in the Midwest ISO, the
25 other entity in the Southwest Power Pool? And they might

1 need to and want to look at what would be the result in
2 terms of cost/benefits of the merged entity being in one
3 or the other.

4 Q. Thank you for the explanation. Turning
5 briefly to your cross-surrebuttal testimony, page 17, in
6 this area of your testimony you're addressing the
7 additional studies that MISO commissioned through CRA in
8 particular here you're looking at using a system-wide unit
9 commitment instead of a pool commitment, correct?

10 A. Correct.

11 Q. At the top of the page, you indicate that
12 in your view that adjustment results in a bias in favor of
13 the Aquila and MISO scenario compared to the SPP scenario,
14 correct?

15 A. Correct.

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

17 Thank you.

18 JUDGE WOODRUFF: For SPP?

19 MR. LINTON: No questions.

20 JUDGE WOODRUFF: KCPL?

21 MR. DORITY: No questions.

22 JUDGE WOODRUFF: AmerenUE?

23 MR. THROSSELL: No questions.

24 JUDGE WOODRUFF: City of Independence?

25 MR. ROBBINS: Yes, your Honor.

1 CROSS-EXAMINATION BY MR. ROBBINS:

2 Q. Good morning, Dr. Proctor.

3 A. Good morning.

4 Q. Alan Robbins on behalf of the City of
5 Independence,

6 A. Yes.

7 Q. You testified that an RTO cost/benefit
8 analysis is an estimate of the benefits and costs that a
9 utility can expect if they're to join an established RTO,
10 correct?

11 A. That's correct.

12 Q. And the CRA study concludes that Aquila
13 would realize more benefit from joining SPP than MISO,
14 correct?

15 A. That's correct.

16 Q. And the study assumes, among other things,
17 that SPP and MISO have essentially the same markets,
18 correct?

19 A. It did, yes.

20 Q. And you acknowledge that, in fact, SPP and
21 MISO today do not have the same markets?

22 A. That's correct.

23 Q. And as I understand it, it's your view that
24 the study is nevertheless meaningful because one in your
25 opinion should take a long-term view and not get, in fact,

1 hung up on shorter term differences; is that right?

2 A. That's one of the reasons, yeah.

3 Q. Is it your assumption, then, that at some
4 point in time MISO and SPP will have substantially similar
5 markets?

6 A. That's one assumption. It's not
7 necessarily the only one. The other -- and I discussed
8 this in my rebuttal testimony. The other -- the other
9 assumption, which is the reality right now, is that SPP is
10 doing a cost/benefit analysis of implementation of
11 these -- of a day-ahead market and an ancillary services
12 market, and if that analysis shows that the cost of
13 implementing those markets are greater than the benefits,
14 okay, then in my view the cost/benefit study that we have
15 before us that assumes that they've implemented those
16 markets and are paying those costs will underestimate the
17 benefits to SPP.

18 Q. I may not have followed the thrust of
19 your --

20 A. Well, if -- if -- if the study we have now
21 includes the cost of implementing those markets and the
22 benefits from implementing those markets, then that's what
23 we're basing our conclusions from this study on, okay,
24 and, in fact, the costs exceed the benefits, SPP
25 determines that those costs exceed the benefits when we

1 remove those costs and we remove those benefits from this
2 current study, we will be removing more costs than we will
3 be removing benefits and the overall benefits to SPP will
4 go up.

5 Q. Is there any circumstance in your opinion
6 in which the benefits reflected from -- for Aquila for SPP
7 participation could go down?

8 A. Compared to the study?

9 Q. Yes.

10 A. Oh, yeah. Sure. There are all kinds of
11 assumptions built into the study. Okay. There's
12 assumptions about gas prices, coal prices. Any of those
13 change and the benefit -- benefits that you get from trade
14 are going to change.

15 Q. Let's focus on the assumption regarding
16 what markets --

17 A. Okay.

18 Q. -- there are. Because the other variables
19 there are too many and in certain respects ought to be a
20 wash in the sense that they apply regardless of what
21 markets are in place?

22 A. In that context, then, if -- if, for
23 example, the estimates of cost for SPP implementing its
24 market, I'll just focus on that side because I answered
25 before with respect to benefits, trade benefits could

1 change. Okay? So just focus on the cost side. You know,
2 the assumption was that the cost for SPP implementing that
3 market would end up being the same. They would end up in
4 the same place as the cost for the MISO market. Okay?

5 So if the -- if that assumption's not true,
6 if the cost for SPP would end up being larger, okay,
7 then -- then there's a potential that -- that the
8 cost/benefit study has overestimated the net benefits.
9 But right now, that's the best cost estimate that we have.

10 Q. Well, the SPP is currently looking at a
11 variety of different options --

12 A. Yes.

13 Q. -- for its potential market design,
14 correct?

15 A. That's correct.

16 Q. And would you agree that, broadly speaking,
17 in one manner of description, there's something of a
18 continuum beginning with where they are today?

19 A. Uh-huh.

20 Q. The IS market. And presumably the other
21 end of the spectrum, for the moment at least, is a full
22 day two market long line supply?

23 A. I'm not -- I'm not sure what people mean by
24 full day two market. Does that mean day-ahead and energy
25 market or does it include the ASM market?

1 Q. Well, I guess it depends on one description
2 as (CHECK FOR MORE. What -- what has been your
3 understanding of how people have meant day two as they've
4 used that term in this case with or without ASM?

5 A. Well, I'm not sure I'm familiar with that
6 term in this case, but MISO has used the term day two to
7 mean day one was without an energy market, day two is with
8 the energy markets that included day-ahead and real-time
9 markets.

10 Q. Let's try it a different way without
11 hanging up on the definition of day two or the usage of
12 it. The MISO markets today or very shortly include -- and
13 tell me if you disagree -- day-ahead market, real-time
14 markets, congestion charges based on LMP pricing --

15 A. Sure.

16 Q. -- FTRs, right?

17 A. (Witness nodded.)

18 Q. And an ancillary services market?

19 A. That's correct.

20 Q. Correct?

21 A. I agree.

22 Q. And the SPP market today is called the
23 energy imbalance market. Some describe it as essentially
24 a real-time energy market. Others differ with that, I'm
25 sure you know. But they don't have a day-ahead market,

1 agreed?

2 A. Agree.

3 Q. They don't assess congestion charges based

4 on LMP pricing?

5 A. I disagree.

6 Q. They assess charges?

7 A. Sure. Absolutely.

8 Q. In what form do they assess LMP charges?

9 A. If -- do you want me to give you an

10 example?

11 Q. Yes.

12 A. Sure. If I have -- well, let's take Aquila

13 specifically because we're familiar with it. If I have

14 scheduled -- if Aquila has scheduled, say, the Dogwood

15 plant to serve load the next day and they submit the -- an

16 offer into the SPP real-time market, or we call it energy

17 imbalance market, for that particular plant, okay, and SPP

18 looks at that plant and says, you know, we've got cheaper

19 alternatives out here than the Dogwood plant, so we're not

20 going to take the energy from the Dogwood plant, we're

21 going to take the energy from some other plant, so what

22 happens then is that Aquila would end up paying a

23 real-time LMP at their load that would include any

24 congestion -- any congestion charges that are required to

25 get that energy from the system to the Aquila load.

1 Q. In other words, they'd pay the energy
2 market price --

3 A. Yes.

4 Q. -- rather than --

5 A. Rather than running the --

6 Q. But that price will be lower than the
7 production cost?

8 A. That's right.

9 Q. Okay. Now, in MISO, is it your
10 understanding that congestion charges typically lower the
11 transmission costs for the market participant?

12 A. I didn't -- well, I need a context for
13 that. It's my understanding that running a market
14 typically lowers the costs, production costs for the
15 participants. It's not a question of congestion cost.
16 It's a question of running a market. Does that market
17 include congestion costs? The answer is yes.

18 Q. Well, let's see if -- what your
19 understanding is on the following: Let's assume that the
20 transmission customer is purchasing an amount of fair
21 energy under a bilateral contract with the seller, and so
22 that price is set by the contract.

23 A. Right.

24 Q. Okay. And let's just assume that, whether
25 you think they're crazy or not, they elect to buy at the

1 contract price from the seller rather than employ the
2 market.

3 A. Okay.

4 Q. Okay. They have that right, don't they?

5 A. Sounds like a hedge, but go ahead, yes.

6 Q. Now, they will have, if they have firm
7 transmission service to support that transaction, we're
8 still in MISO here, they will either have a firm
9 point-to-point reservation or they will be a network
10 customer designated resources designating the network
11 resource, agreed?

12 A. I agree.

13 Q. And they will pay a tariff rate for that
14 transmission service, correct?

15 A. Correct.

16 Q. Now, under the MISO structure, in addition
17 to the transmission rate that they pay under the tariff,
18 and in addition to the contract rate that they're paying
19 for the energy to the seller, isn't it correct that they
20 are also exposed to paying congestion charges --

21 A. Sure.

22 Q. -- that are assessed by MISO? Before you
23 go on, yes or no?

24 A. When you say -- I need a clarification.

25 When you say exposed, what do you mean?

1 Q. I mean they're likely -- if there are
2 congestion charges that apply to that path, they're going
3 to be assessed congestion charges by MISO.

4 A. I agree with that statement.

5 Q. Now --

6 A. But I don't agree they're exposed, but
7 that's fine.

8 Q. All right. Let's find out why you don't
9 agree with exposed.

10 A. Well, if you've -- if you've -- if you've
11 got that contract, okay, and you offer that contract into
12 the market --

13 Q. First of all, my scenario said it didn't.

14 A. Oh, why would you -- okay. Yeah. But I
15 would say there's -- that's not -- doesn't make a whole
16 lot of sense. But you told me to forget whether it made
17 sense or not.

18 Q. Well, maybe -- here's one reason it might
19 make sense. Maybe it was a good deal when the contract
20 price is lower than the market price.

21 A. And that's fine, but why not offer it into
22 the market?

23 Q. I asked you to assume.

24 A. I know.

25 Q. And I said crazy or not.

1 A. Yeah, I know.

2 Q. Okay. Sometimes there's no explaining
3 people's behavior.

4 A. All right.

5 Q. They don't all respond to economic models.

6 A. All right.

7 Q. I'm simply trying to understand the
8 mechanics or get your understanding of the mechanics of
9 the MISO structure, not opine on whether somebody should
10 or shouldn't be in that -- apply that particular strategy.

11 A. I don't understand the strategy, but fine.
12 If they employ that strategy, you're acting as if that
13 bilateral was delivered to me as energy, and if it was
14 delivered to me as energy, then I'm exposed to congestion
15 charges. Is that what you're asking?

16 Q. In addition to the transmission charges.
17 Aren't MISO congestion charges in addition to the tariff
18 transmission rate?

19 A. I would -- I would say the MISO market
20 doesn't work that way, but under your assumptions that it
21 works that way, I would have to agree.

22 Q. Well, in the end my assumptions aren't the
23 point. I'm trying to establish your understanding. Now,
24 is it --

25 A. But you've set up assumptions where I can't

1 explain my understanding.

2 Q. Is it your understanding that under the
3 MISO markets congestion charges are not separate from and
4 in addition to the underlying transmission charge?

5 A. Yes.

6 Q. Yes, that's correct?

7 A. That's correct.

8 Q. Now, lets go to SPP. Same scenario. A
9 utility has -- let's say the City of Independence or any
10 wholesale customer is buying power under contract from a
11 supplier within SPP, and they have firm transmission
12 rights to support that transaction whether it's
13 point-to-point or middle. They will pay the tariff rate
14 for that transmission service, correct?

15 A. That's correct.

16 Q. Does SPP also assess or even have the right
17 to assess a congestion charge on that transaction in
18 addition to the transmission charge?

19 A. Okay. Now if you'll let me, I'll explain
20 the difference between the two.

21 Q. Well, the question is a simple yes or no.
22 Either --

23 A. It depends. If they scheduled that, if
24 they scheduled it in day-ahead or hour-ahead, they
25 scheduled that transaction an hour ahead and it passes

1 through the simultaneous system application of whether
2 it's feasible or not, okay, then they are not assessed
3 congestion charges on that transaction because they paid
4 for the transmission.

5 In MISO, instead they use financial
6 transmission rights, and I'm substituting there some
7 historical transmission from an existing resource that I
8 had before the market started, and I'm getting financial
9 transmission rates on those that I don't to have pay
10 congestion on. SPP allows you to substitute on a
11 real-time basis between what you had historically and what
12 you're doing today, where MISO doesn't.

13 Q. Is it your understanding that market
14 participants in MISO cannot do bilateral contracts?

15 A. No, I didn't say that. But they don't get
16 financial transmission rights for the bilateral.

17 Q. I haven't talked about financial
18 transmission rights.

19 A. But you're comparing what SPP is doing in
20 terms of allowing people to be forgiven congestion
21 charges, and when you're talking about that compared to
22 MISO, you have to talk about what SPP is doing in that
23 role as compared to what MISO is doing in that role. And
24 MISO is using financial transmission rights, and right now
25 SPP is not. They're using actual physical transmission

1 rights.

2 Q. Well, financial transmission rights and
3 MISO don't go to whether there's a congestion charge or
4 not, agreed? I mean, whether one holds an FTR or not, one
5 is going to get assessed a congestion charge if it applies
6 to the path that you're using?

7 A. Correct.

8 Q. What FTRs do is, to the extent you hold
9 them, is give you the expectation or right to then get all
10 or some portion of those charges distributed back to you
11 at a later point in time?

12 A. That's -- well, distributed back to you
13 based upon what your historical transmission rights were,
14 yeah.

15 Q. Generally speaking, you get a share of
16 their FTR revenues --

17 A. Right.

18 Q. -- distributed back to you if you hold an
19 FTR?

20 A. Yes.

21 Q. But you have to pay the congestion charge
22 up front whether or not you hold the FTR?

23 A. Sure.

24 Q. Now, in SPP they don't have an FTR
25 mechanism?

1 A. I agree.

2 Q. Agreed?

3 A. I agree.

4 Q. And there's no congestion charge that you
5 pay up front to begin with, correct?

6 A. On things that you -- on your bilaterals?

7 Q. Yes.

8 A. Yes.

9 Q. Yes, it's correct that there's no charge?

10 A. That's -- it's correct that if you schedule
11 that day-ahead, there is no -- there is no congestion
12 charge placed on that, yes.

13 Q. Now, before we got into that, I was trying
14 to understand. To my ears what you were saying, and I --
15 I'm telling you what I heard so that if it's incorrect,
16 you can say so. Essentially what I heard before was that
17 you foresee the possibility that the benefits of the
18 proposed participation in the SPP could be greater than
19 the CRA study shows depending on the market design
20 selected by SPP.

21 And my question was, under what
22 circumstances could SPP's market design decisions in your
23 opinion cause the estimated benefits to decrease rather
24 than increase? So far what I understand that you've said
25 is, well, if the cost of implementing the market are

1 greater than the study assumes, that would decrease the
2 net benefits?

3 A. Sure. Yes, sir.

4 Q. I've got that right so far?

5 A. Correct.

6 Q. Let's assume that cost estimates are okay.

7 A. Okay.

8 Q. Does the -- in your opinion, does the
9 magnitude of trade benefits that Aquila can expect in SPP
10 depend on what kind of market design SPP ultimately
11 adopts?

12 A. If it -- yeah. The trade benefits will
13 vary with the design of the market, yes.

14 Q. And is it your opinion that they can only
15 go up from where the CRA study --

16 A. No. We're just looking at trade benefits.

17 Q. Yes.

18 A. I don't think I made that statement. No,
19 that's not my opinion.

20 Q. It was a question, so you can answer it yes
21 or no.

22 A. No, that's not my opinion.

23 Q. So certain market decisions by SPP could
24 result in less trade benefits to Aquila than the CRA study
25 shows?

1 A. Sure.

2 Q. Now, the CRA study doesn't tell us, doesn't
3 analyze potential trade benefits or debt benefits under a
4 variety of different potential market designs in SPP?

5 A. No.

6 Q. We just made the one assumption of markets
7 comparable to the MISO markets, correct?

8 A. Yes.

9 Q. As far as the market?

10 A. Yes.

11 Q. I'm not saying that's the only assumption
12 that's there.

13 A. Right.

14 Q. Would you agree that in assuming the same
15 markets -- let me rephrase it.

16 Would you agree that in assuming that SPP
17 will have the same markets as MISO, implicit in that
18 assumption is that it would be cost beneficial for SPP to
19 adopt and implement such markets?

20 A. Not necessarily. As I explained before, if
21 the costs of the market of implementing a specific kind of
22 market beyond where SPP is right now exceeds the benefits,
23 which in my understanding is that that particular market
24 would not be cost beneficial. Okay. Now, as I stated
25 earlier, assuming that it's in there, removing it would

1 remove more cost than benefits, and therefore, the study
2 would underestimate the benefits.

3 So, you know, if your question is if you
4 look -- if your question is, just looking at the results,
5 do those results assume that it's cost beneficial, the
6 answer is yes, if that was the question we're looking for.
7 Does that make the study not valid if that assumption's
8 not made? My answer is no.

9 Q. Well I'm trying to understand --

10 A. Sure.

11 Q. -- why the assumption was made and what you
12 think the significance of making that assumption is or
13 isn't. So let me try it a different way.

14 One might have told CRA go study Aquila's
15 participation in SPP and MISO as each essentially exists
16 today. Okay. So maybe on the MISO side they say, well,
17 by today -- am I including ASM or am I not. So you
18 clarify and you give them an answer. And on SPP you say,
19 all right, they've got the energy imbalance market for
20 now. You know, we don't know what they're going to decide
21 down the road or when. So you're looking at SPP with the
22 energy imbalance market and MISO with whatever version of
23 day two you tell them. Now, that could have been done
24 likely, could it not?

25 A. Sure.

1 Q. Okay.

2 A. Yes.

3 Q. And do you have any sense as to how the
4 trade benefits for Aquila would look if Aquila's
5 participation in SPP had been studied on the actual
6 markets that exist today in SPP as distinct from the basis
7 that the CRA study did assume it to be?

8 A. Like a general sense of how much difference
9 it makes to include the ASM market in the day-ahead?

10 Q. Well, let's start -- which way would --
11 would -- which direction would the arrow point?

12 A. Well, if you -- as you include more
13 markets, the trade benefits are going to go up and the
14 costs are going to go up. Okay.

15 Q. And would you assume that the net benefits
16 would go up? In other words, do you assume that the --

17 A. You don't know. Frankly, if we knew that,
18 we would have already performed the cost/benefit study for
19 SPP, so you don't know that, you don't have the
20 information on that. What's -- here's the -- here's kind
21 of the back -- I think what you're really asking is what's
22 the background that went into this.

23 Q. Well, it's not quite.

24 A. Okay. All right.

25 Q. And I tell you that not to cut you off.

1 A. No, no. That's fine.

2 Q. Not have us spend time in miscommunication.

3 A. Well, I think you're asking why did the
4 group decide to formulate the study this way.

5 Q. In a sense we are where we are, so the whys
6 maybe don't matter as much as what the significance is.

7 A. Okay.

8 Q. Now, I think you just said a moment ago
9 that the more markets you add, the greater the trade
10 benefits?

11 A. Right.

12 Q. And by assuming that SPP had the same
13 markets as MISO, the study essentially adds markets to SPP
14 that do not exist today, agreed?

15 A. That's correct.

16 Q. Therefore, it follows that the trade
17 benefits reported by the study are greater than they
18 would -- what they would have reflected had they studied
19 the markets that SPP actually had someplace; is that
20 agreed?

21 A. That's agreed.

22 Q. By the way, a different topic. You were
23 asked in prior cross about something you say on page 45 of
24 your, I think it was rebuttal testimony. Yes. Regarding
25 the impact and your views on the impact of the pending

1 merger docket, correct?

2 A. That's correct.

3 Q. Now, if I heard you correctly, I believe
4 you stated that you have not been involved in that merger
5 proceeding?

6 A. That's correct.

7 Q. Therefore, it would be correct to assume
8 that you're not familiar with what the applicants have
9 said regarding -- in that case, regarding their plans to
10 jointly dispatch or not jointly dispatch the company's
11 generation?

12 A. That's correct.

13 Q. That you're not aware of it?

14 A. I'm not aware.

15 Q. Would you also not be aware of what the
16 companies have said or not said in that case regarding RTO
17 strategy and elections?

18 A. That's correct. I had not participated in
19 the case.

20 Q. You're an economist, correct?

21 A. Correct.

22 Q. Would you agree that generally buyers favor
23 lower prices than higher prices?

24 A. Yes.

25 Q. Would you agree that generally sellers

1 prefer higher prices rather than lower prices?

2 A. Yes.

3 Q. Is Aquila a net seller or net buyer?

4 A. Net buyer.

5 Q. Is Independence a net seller or net buyer?

6 A. Buyer.

7 Q. Is Dogwood a net seller or a net buyer?

8 A. Seller.

9 Q. In your -- quite honestly, I'm not sure how

10 to proceed here, so I'm going to ask you some preliminary

11 questions to see whether I can avoid getting into what I

12 anticipate will be a somewhat extended and detailed

13 examination, depending on how you respond.

14 What I'm referring to, Dr. Proctor, is in

15 your cross-surrebuttal testimony, beginning on page 35 and

16 going through quite a number of pages, you take issue with

17 different aspects of testimony by Mr. Volpe and maybe in

18 certain respects Mr. Mahlberg. A big portion of that

19 involves your discussing your understanding of FTRs,

20 congestion charges, cost responsibility for transmission

21 upgrades versus exposure congestion charges and the like.

22 A. That's correct.

23 Q. It's that whole area that I'm trying to

24 figure out whether I need to go through with you or not.

25 That will take some time if I do.

1 A. Okay.

2 Q. Let me see if there's a chance of avoiding
3 that --

4 A. Okay.

5 Q. -- by seeing if we can speak a little more
6 generally for starters. Frankly, as I read your
7 testimony, you're much more polite than -- you're much
8 more polite than the description I'm about to apply to
9 your testimony.

10 A. Oh, okay.

11 Q. But I've read that testimony many times,
12 and every time I leave with the sense that one of the
13 messages you're sending is that you don't understand what
14 Independence is thinking or why. So they're either
15 ignorant or out of their minds, but you can't for the life
16 of you seem to figure out why they would want to
17 participate in MISO rather than SPP or see Aquila do so
18 rather.

19 Now, I've spoken fairly candidly and
20 bluntly, so you may not like all the words, but is that
21 the gist of what -- am I walking away with essentially the
22 right impression?

23 A. Kind of, yes. I am struggling with your
24 description of it. From reading the testimony of the City
25 of Independence, I think they have -- and I will use a

1 strong word here for me -- a naive concept of what it
2 means to arrange for power within the Midwest ISO, to
3 arrange a contract for power within the Midwest ISO.
4 They -- what comes across is because the Midwest ISO
5 region is larger, you're going to have more alternatives
6 than they would have if they were, say, arranging for a
7 power contract within the Southwest Power Pool.

8 And, yes, I believe that's -- I believe
9 that's a relatively naive view of what it means to arrange
10 for power contracts given my experience, and I think
11 what's been the experience of municipals within the state
12 of Missouri for arranging power contracts. I really do
13 believe that's not a true study.

14 Q. Well, you don't disagree that the
15 geographical footprint of MISO's larger than SPP's, do
16 you?

17 A. Oh, no. Sure.

18 Q. And do you agree that within that footprint
19 is a large number of potential suppliers than there would
20 be in SPP?

21 A. In total, sure.

22 Q. But I take it from what you said in
23 describing them as being naive that you apparently, I'm
24 assuming, were understanding your testimony to say, hey,
25 it's a big area, it's better, period, as if they have no

1 knowledge or appreciation of what it means to actually
2 transact business in that large a region.

3 Now, is there anything in particular in
4 their testimony that caused you, other than the general
5 statement about it being bigger geographically, they
6 didn't come out and say and it's nothing but smooth season
7 in MISO compared to SPP, in effect, did they?

8 A. That's the implication of their testimony
9 if their testimony says the reason we want to get into
10 MISO is because it's a bigger geographic region and there
11 are going to be more alternatives there, and that's the
12 implication of it. The question is -- the question is,
13 can -- do you have access to those alternatives, not
14 whether they exist. The question is, can I get that
15 energy delivered to me, No. 1. Okay. Or No. 2, am I
16 going to get in MISO, am I going to get FTRs to cover the
17 congestion? None of those questions were addressed, and
18 that's all my testimony is saying is --

19 Q. Why would you have expected them to address
20 that in the context -- this is a case about Aquila's
21 participation, not about their own direct participation.

22 A. Read their testimony.

23 Q. I have.

24 A. Yeah. I mean, their testimony was about
25 what was -- what was available to them.

1 Q. All right. We --

2 A. Did I misunderstand their testimony? I
3 mean, I --

4 Q. Well, I'm not in a position to testify, but
5 I will represent to you that the City does not consider
6 itself as naive, as it apparently caused you to think that
7 they are.

8 Now, my difficulty is, we disagree and have
9 a very different understanding about how the MISO
10 structure works than you seem to, at least based on the
11 way we read your testimony.

12 A. Okay.

13 Q. I can spend a lot of time getting into
14 this, but you know, this case isn't about a debate about
15 how the MISO structure works as such. And it's not about
16 in the end what Independence should do, and therefore, you
17 know, I'm reluctant to get into all this, because it will
18 take an awful lot of time. And on the other hand it's
19 difficult for us to leave unchallenged a mini diatribe
20 about everything that you seem to think that --

21 MR. WILLIAMS: Judge, I'm going to object
22 at this point. I don't know what the question is. I'm
23 hearing the -- the attorney for Independence making
24 speeches. What is the question?

25 BY MR. ROBBINS:

1 Q. All right. Was your point anything beyond
2 trying to explain your view about Independence being
3 naive, as you put it?

4 A. My understanding is -- the point of my
5 testimony was to rebut the what I felt were misleading
6 statements in the rebuttal testimony that was submitted on
7 the part of the City of Independence. It wasn't to say
8 that they were naive. It was to rebut the statements that
9 they were making that they felt supported Aquila joining
10 the Midwest ISO.

11 Q. Would the need for this portion of your
12 testimony in your opinion have been eliminated if that
13 testimony had said, you know, it's a bigger market with
14 more options, but we realize that our ability to access
15 those options will depend on our ability to get
16 transmission service and/or either accept or hedge against
17 congestion charges and the like, that we understand what
18 the tariff involves. We're not saying that we have, you
19 know, a free route to all those options. We're just
20 pointing out that they're all out there. Would that have
21 sort of negated the need for this?

22 A. Why would you -- then what value does the
23 statement have, the initial statement have with respect to
24 Aquila being in MISO versus SPP?

25 Q. Well, if we were to say we favored SPP,

1 would it be your opinion that -- that Independence need
2 not be concerned about the availability of transmission in
3 SPP, that that concern only exists in MISO?

4 A. No.

5 Q. There are a lot of constraints on SPP, are
6 there not?

7 A. Of course there are.

8 Q. And there are transmission service requests
9 that get turned down for lack of available transmission
10 capacity; is that right?

11 A. Sure.

12 Q. And are you told that in order to get that
13 service request granted, it's going to require upgrades
14 that are going to cost so much money and take so much time
15 and what do you want to do, correct? So broadly speaking,
16 the mechanics differ between MISO and SPP, but isn't that
17 fundamental risk existent in both SPP and MISO?

18 A. Yes. And the fact that MISO's a larger
19 geographic area does not negate that risk, and that was
20 the point of my testimony.

21 Q. And just to be clear, not to beat the
22 horse, but to avoid again even further discussion, when
23 you get into your discussion then about your views of --
24 of responsibilities for direct assignment facilities or
25 congestion charges or upgrade costs or what it takes to

1 get FTRs if you can get them at all, all that stuff,
2 that's all aimed at what you just said?

3 A. Sure.

4 MR. ROBBINS: Okay. Happily, I think we
5 can avoid going through all the details. That concludes
6 my examination. Thank you, Dr. Proctor.

7 JUDGE WOODRUFF: Then for MISO?

8 CROSS-EXAMINATION BY MR. BEALL:

9 Q. Good morning, Dr. Proctor.

10 A. Good morning.

11 Q. I know you've got some time constraints we
12 need to be mindful of, and I hope to be done well in time.
13 I want to pick up on a couple of topics that you discussed
14 with Mr. Robbins earlier this morning early on in his
15 cross-examination, and I jotted down the phrase that you
16 made that the CRA study was the best cost estimate we
17 have. Do you remember making that statement?

18 A. Yes.

19 Q. And I took from that statement that -- and
20 correct me if I'm wrong or if I misstate the implication
21 of that, but I took from that that it may not be perfect
22 in your mind, there were some things that could be
23 adjusted, but the end result was sufficiently reliable for
24 you to base your opinion on, is that --

25 A. That's correct.

1 Q. And I know you've read the testimony of
2 Mr. Pfeifenberger?

3 A. Yes, I have.

4 Q. Do you agree with some of the adjustments
5 or some of the critiques that he made testing some of
6 those assumptions that went into the CRA study?

7 A. Let me -- let me characterize it in the
8 following way: I think Mr. Pfeifenberger provided some
9 needed input to this process and pointed out some issues
10 that probably wouldn't have been discovered had he not
11 been a part of the process. So, yes, in that sense, I --
12 I appreciate his participation in this process.

13 Q. You also had a bit of a discussion with
14 Mr. Robbins about the market structures comparing MISO to
15 SPP, and without getting into all the nuances there, let
16 me go at it this way.

17 Are you familiar with the CRA study that
18 Mr. Lucianni talked about yesterday with me that -- that
19 they prepared on behalf of AmerenUE?

20 A. Yes, I am.

21 Q. And are you also aware that in that study
22 they did model SPP as not having the additional markets
23 that MISO has?

24 A. In -- I believe in the first year of that
25 study, they modeled it that way. These models, they don't

1 model every year, so -- it's just too expensive, and these
2 are estimates anyway. So they tend to model both ends of
3 a ten-year period and then somewhere in between, and they
4 make -- I don't remember if in the AmerenUE study they had
5 two points in between or exactly. I'd have to go back and
6 look, but -- but then you -- they interpellated the first
7 year SPP did not have the ancillary service market. In
8 the next set of years that they modeled, they did. And I
9 can't remember exactly what those years were, and then
10 they interpellated between those two for the in-between
11 years, yes.

12 Q. And do you recall what the result relative
13 to the trade benefits were?

14 A. What I remember right now about the results
15 was that it probably wouldn't have made any difference how
16 they modeled SPP, the results for Ameren were being in
17 MISO was a better result than being in SPP. We did -- we
18 did -- I believe a sensitivity was run on the SPP case. I
19 don't remember the exact results of it or what the
20 differences were, but it wouldn't have mattered whether
21 they modeled the SPP markets one way or the other. Being
22 in MISO is a better result for AmerenUE.

23 Q. Let me direct you to page 4 of your
24 rebuttal testimony.

25 A. Okay.

1 Q. Let me know when you're there.

2 A. I am there.

3 Q. Okay. And specifically I'm looking at the
4 top of that page, the first full sentence that reads, thus
5 with a likely greater benefit from joining SPP than MISO,
6 approval for Aquila to join MISO would be a detriment.
7 The word I'm keying on is likely.

8 A. Uh-huh.

9 Q. Is that again a qualifier recognizing that
10 there are a number of assumptions in the CRA model or am I
11 misreading that?

12 A. These -- all of these cost/benefit studies
13 are forward looking. There are assumptions that go in.
14 You're doing the estimates, so they are estimated. So I
15 think the word likely is appropriate.

16 Q. And the assumptions that are made could
17 cause the study to -- the study results to swing
18 significantly; is that a fair statement?

19 A. I don't know if significantly's a fair
20 statement. In -- for example, in the AmerenUE study, we
21 attempted to pick out, and again they had a stakeholder
22 group, and -- as they did in the Aquila case, and we
23 tended -- we tried to pick out the things that we felt
24 would -- that could cause significant swings in the
25 results and do as Mr. Lucianni described yesterday,

1 sensitivity analyses on those -- those particular
2 assumptions to determine whether or not they would, and
3 typically what we find out is -- or what we found out in
4 that case is that the bottom line results don't change
5 with moving those assumptions around.

6 Q. Okay. And that's the point of doing a
7 sensitivity, to check one particular assumption or isolate
8 that; is that correct?

9 A. That's correct.

10 Q. And would it be fair to say that
11 Mr. Pfeifenberger's approach of removing the Dogwood plant
12 from the equation is a way to measure that impact?

13 A. It's a sensitivity that he -- well, I don't
14 know if he ran it. CRA -- MISO had CRA run that, is to
15 get a feel for why this difference on the Dogwood plant
16 was showing up between the SPP results or the Aquila in
17 SPP results versus the Aquila in MISO results. And they
18 had that sensitivity run to determine that, and that
19 sensitivity indicated that that made a significant amount
20 of difference, whether the Dogwood plant was there or not.

21 Q. And you would agree, would you not, that
22 Aquila has no contractual arrangement with Dogwood?

23 A. That's correct.

24 Q. And so would you agree that -- that under
25 that circumstance, that removing the Dogwood plant from

1 using that sensitivity analysis is one way to measure the
2 impact of the Dogwood plant on the CRA study?

3 A. It gives you -- yeah. It gives you an
4 estimate of the impact the way that the CRA study had
5 modeled the Dogwood plant, what the impact of that was,
6 yes.

7 Q. And would you also agree that that impact
8 of including Dogwood or not including Dogwood did have a
9 significant swing in the results of the three scenarios,
10 Aquila in Midwest ISO, Aquila in SPP and standalone?

11 A. Yeah. It had the biggest impact on the
12 standalone and MISO cases.

13 Q. And that impact showed up in the form of
14 uplift charges; is that correct?

15 A. That's one way to characterize it, yes.

16 Q. Just one housekeeping point. You didn't
17 run any studies yourself, did you?

18 A. No.

19 Q. They're pretty complex to do?

20 A. Staff doesn't have capability to run these
21 kind of studies.

22 Q. And that's, I think, why we ended up asking
23 CRA to run some of these variations. They take quite a
24 bit of time and they're very expensive to run, are they

25 not? A. Yes, they are.

1 Q. So your testimony is based entirely on the
2 CRA analysis; is that correct?

3 A. Yes. That's all I had to look at, correct.

4 Q. Now, let's get back to the uplift charges.
5 If you recall, in that standalone scenario, isn't it true
6 that the uplift charges when the Dogwood plant was
7 included resulted in a \$15.3 million uplift addition?

8 A. If you're going to specific numbers, I
9 would have to get a copy of Mr. Pfeifenberger's testimony
10 to confirm.

11 Q. Be happy to do that. May I have a moment,
12 your Honor?

13 A. My attorney's got a copy.

14 Q. Just for the sake of the record, you do
15 have a copy of Mr. Pfeifenberger's rebuttal testimony?

16 A. I do. I do have a copy of
17 Mr. Pfeifenberger's rebuttal testimony where the uplift
18 charges -- it appears on page 14 of his testimony, and I
19 did confirm these from his work papers, so the work papers
20 indicate that these numbers are correct. A 15.3 million
21 uplift charge for the Aquila standalone case, and a
22 13 million uplift charge for Aquila in the Midwest ISO
23 case.

24 Q. And does it also show the corresponding
25 number for Aquila and SPP?

1 A. Yes. It shows 0.1 million of uplift for
2 the Aries plant or Dogwood plant in the SPP case.

3 Q. So using those ranges, there's significant
4 difference between 15 million and .1?

5 A. Yes.

6 Q. Now, with regard to how the model and CRA
7 dealt with these uplift charges now that we've quantified
8 them or looked at them, isn't it true that under -- under
9 the study that was done by CRA, all those uplift charges
10 were borne by Aquila?

11 A. They were included in Aquila's production
12 cost, yes.

13 Q. It would be -- right. All right.

14 And would that -- that would hold
15 throughout the ten-year -- full ten-year time horizon of
16 the study if there were any uplift charges?

17 A. If there were any, yes.

18 Q. And would you expect there to be uplift
19 charges throughout the entire ten-year period?

20 A. Boy, that's a hard -- I'm just familiar
21 with what occurred in the -- I think it was the 2008 time
22 frame that Mr. Pfeifenberger looked at. I did not look
23 beyond that, so I'm reluctant to say what I would expect
24 to occur out there without having looked at it.

25 Q. And I didn't either. I just figure you --

1 you might know.

2 A. No, I don't.

3 Q. You haven't looked at it, but in your
4 opinion, do you think they would end after 2008?

5 A. Probably not, but I'm -- you know, I'm
6 guessing now. This is -- the thing that seemed to have
7 caused those uplift charges was -- was lack of units to
8 commit to load. It'll depend upon the -- I did do
9 detailed analysis in 2008. And what caused this problem
10 was outages, maintenance outages on existing base load
11 generation for Aquila.

12 When those units were taken down for
13 maintenance outage and in the particular pattern that they
14 were taken down, there were times when there wasn't enough
15 generation left to commit. Without looking at the Aries
16 unit and looking at combustion turbines, whether that
17 would -- that would have carried over to the future years
18 or not, I don't know. So --

19 Q. But -- but is it fair to say under the
20 model if there were any uplift charges, they would have be
21 handled in the same, where they would --

22 A. Yes.

23 Q. -- all be allocated to Aquila?

24 A. Yes.

25 Q. And you're familiar with the Midwest ISO

1 tariff, are you not --

2 A. Yes.

3 Q. -- how it operates?

4 Is that how -- well, let me connect the
5 dots. There was discussion -- I think you were present in
6 the hearing room yesterday -- about RSG, revenue
7 sufficiency guarantee payments?

8 A. Right.

9 Q. Do those correspond in uplift charges?

10 A. Yes.

11 Q. And how are RSG costs handled in the
12 Midwest ISO?

13 A. That's -- that's in the state of flux.

14 Q. Fair enough.

15 A. There's a lot of -- there's been a lot of
16 meetings. There's a task force on proposing how to handle
17 RSG charges, how to get RSG charges down, but currently
18 RSG charges go into a -- say a pot of dollars. And then
19 that pot of dollars is distributed to those whose -- I'm
20 trying to make it somewhat simplified -- whose real-time
21 loads or generation are different from what was taken in
22 the day-ahead market. So where there's imbalance, it's
23 based kind of on how they contributed to the imbalance.

24 Q. Is it -- well, I'm going to try and
25 simplify it even further.

1 A. Okay. Go ahead.

2 Q. Would Aquila be charged, just to go back to
3 the numbers we just talked about, the full \$15.3 million
4 in RSG costs?

5 A. It's hard to determine that. The way the
6 model works, they have tremendous imbalance because in the
7 unit commitment phase, which kind of represents the
8 day-ahead phase, they are not only committing the Aries
9 unit, I'm sorry, the Dogwood unit, they're not only
10 committing it, but they're running it.

11 Okay. In the real-time portion of the
12 model, going beyond unit commitment to the dispatch
13 portion, what was going on was, instead of dispatching
14 energy from that unit, they were buying it from the
15 market.

16 Okay. So they were backing down that unit.
17 So you've got all that energy that's backed down from what
18 would have been in the day-ahead, and that would have been
19 an imbalance, and they may have -- because of that large
20 imbalance, they may have been allocated a -- a significant
21 portion of imbalance charges. Now, whether it would be
22 the full 15 million or more or less, I don't know.

23 Q. Help me understand it. The description you
24 just gave, is that under the modeling scenario or is that
25 under what actually occurred?

1 A. What would occur in the MISO market. I
2 thought that's what we were trying to do was reconcile
3 what the model did to what you -- what would actually
4 occur in the Midwest ISO. I was describing what would
5 actually occur in the Midwest ISO with RSG charges. But I
6 had to put it in the context -- I had to put it in the
7 context of what was going on with that -- with the Dogwood
8 unit in the model, and what I was saying is there are a
9 lot of -- that would create a lot of imbalance for Aquila.

10 Q. Under the modeling scenario?

11 A. Under the modeling scenario, and therefore
12 they -- they -- I don't -- they would get a big imbalance
13 charge, but whether it's the full 15 million or more or
14 less, I don't know, and it would be very difficult to
15 estimate.

16 Q. Okay. Well, let's talk about the modeling
17 scenario and Dogwood.

18 A. Okay. Sure.

19 Q. And how that -- how it treated Dogwood.
20 Under the model -- well, if you recall, didn't it show
21 that the Dogwood plant would be dispatched, I think it was
22 230 gigawatts on an annual basis? Do you have that
23 information in front of you? Can you check?

24 A. I vaguely remember it. I don't know if
25 I've got that information in front of me. I'm trying to

1 remember. I think that was off of the CRA. The CRA
2 cost/benefit study had -- I'm trying to remember where I
3 saw it.

4 Q. Well, I just happen to have the work papers
5 that I chatted with Mr. Lucianni. May I have approach the
6 witness? Now, Dr. Proctor, I've handed you the same work
7 paper I was discussing with Mr. Lucianni yesterday which
8 he identified as being one of the supporting work papers,
9 and it's got highlighted on there the Aries generation in
10 yellow.

11 A. Yes.

12 Q. Does that refresh your memory on the
13 numbers?

14 A. Yes, that's -- that's what I recall.

15 Q. Okay. And there it's showing 231 gigawatts
16 during 2008?

17 A. Correct, for Aquila in SPP.

18 Q. Right.

19 A. Uh-huh.

20 Q. And going right to left, showing 1,413
21 gigawatts, and 15 -- roughly 1,500 gigawatts in the
22 standalone?

23 A. Yes.

24 Q. The second number 1,413 I gave was for the
25 Aquila in Midwest ISO, correct?

1 A. Correct.

2 Q. Now, have you read Mr. Janssen's testimony?

3 A. Yes.

4 Q. Okay. Do you recall what he was estimating

5 that they would be running the Dogwood plant at?

6 A. I'm actually recalling more from

7 discussions yesterday, but I think it was in the 800

8 gigawatt hour range.

9 Q. So there's quite a bit of discrepancy

10 between the model here and what Dogwood is planning on

11 doing, and I'm trying to understand that huge discrepancy.

12 Help me.

13 A. You want an explanation of why these

14 differences? I'm not sure.

15 Q. Well --

16 A. Why the 231's less than 800 or why the 14

17 and 1,500 are greater than 800?

18 Q. Let's focus in on the 231 versus the 800

19 rough estimate --

20 A. Sure.

21 Q. -- that Dogwood, the plant owner is saying

22 they're going to run it at.

23 A. Right. What -- what appears to be going on

24 in that particular scenario is that there's cheaper

25 generation available to Aquila in the market than this

1 particular -- the generation from this particular unit,
2 from the Aries unit. Part of -- part of that issue, I
3 think, revolves around when does the Aries unit get
4 committed and when does it not get committed. Now, when
5 it's -- when it's not committed day-ahead, it's not
6 available in real-time. Okay. So if the unit's not
7 committed, it's not online, it's not going to be
8 available, is the assumption in this model.

9 It doesn't run like a combustion --
10 combustion turbine is my underst -- again, I'm giving you
11 my understanding of what's going on. So in the unit
12 commitment logic in the SPP case, it appears that there is
13 sufficient other generation in this. What they use is a
14 pool dispatch. So within the SPP pool to make the unit --
15 to meet the unit commitments for the region that -- so
16 that the Aries plant doesn't get committed very often.

17 Q. Okay.

18 A. Okay. Now, historically, the Aries unit
19 was under contract and was in -- in the Aquila control
20 area, and Aquila didn't have access to a market where it
21 could just go out and pull in other units to commit to
22 meet its load on a day-ahead basis. They could do it on a
23 bilateral basis, but that's -- there's some -- there's
24 some difficulty in doing that compared to being in the
25 market. That's one of the advantages of having market.

1 So historically it appears -- and I'm
2 just -- that the Aquila unit -- I'm sorry, the Aries unit
3 or Dogwood unit was committed frequently enough to produce
4 this 800,000 -- or I'm sorry, yeah, I guess it was
5 800,000 -- 800 gigawatt hours. I've got to be careful.
6 800,000 megawatt hours. 800,000 gigawatt -- or 800
7 gigawatt hours, but if -- on a going forward basis, that
8 may not be the case in SPP.

9 Q. Well, isn't it Mr. Janssen's testimony
10 going forward that is what they are planning to sell? Do
11 you recall him saying that?

12 A. I don't -- I don't remember specifically
13 that he said that, but could be, you know, and -- my
14 question, you know, people have plans, but what's the
15 basis of it? I don't know.

16 Q. Well, I can appreciate that. And that's
17 one reason why we're here. We're looking at the plans on
18 what Aquila's attempting to do. But let's go back to the
19 three numbers that I've just pointed out. These
20 generation levels result in the uplift charge we were
21 talking about earlier; is that correct?

22 A. For the -- yes. For the -- particularly
23 for the standalone and in MISO cases, yes.

24 Q. Under the model, just so we're clear?

25 A. Yes, under the model.

1 Q. And that was for just the year 2008,
2 correct?

3 A. That's correct.

4 Q. And what's that -- what that's showing is
5 that \$15.3 million differential between the standalone and
6 Aquila in SPP, correct?

7 A. Correct.

8 Q. Now, I want to circle back. You said
9 historically the Dogwood was dispatched. Give me a time
10 frame on that.

11 A. Apparently from -- well, from the data
12 that -- I'm trying to remember the exact years that --
13 that Aquila had a contract on -- on the Aries plant, but
14 that period is the period I was referring to. I think
15 it's approximately 2000 to 2005. But my memory of those
16 kinds of specific details can be not too good.

17 Q. Well, is it fair to say that -- well, we've
18 already established there's no longer a contract
19 between --

20 A. That's correct.

21 Q. -- Aquila and Dogwood?

22 Okay. And do you have -- do you recall or
23 do you have a copy of Mr. Janssen's testimony?

24 A. I can get one.

25 Q. Thanks, Mr. Williams, for that.

1 A. Yes, I do.

2 Q. I'm trying to get my reference and catch up
3 here. I believe it's on page 9.

4 A. Of rebuttal?

5 Q. Of his surrebuttal. Do you have that in
6 front of you?

7 A. Yes. Just a second. I'm there.

8 Q. Okay. And I believe in Figure 1 on page 9
9 there is -- it's showing the dispatch, the Dogwood plant.
10 I don't have a copy in front of me, but I hope you do.

11 A. Yes.

12 Q. Okay. Now, what's it showing for their
13 actual dispatch during the winter months, November,
14 December, January, February?

15 A. I'm going to have to interpellate here,
16 but --

17 Q. Just roughly?

18 A. Per month, like January, February, March,
19 October, November, fell a little off in December, it was
20 like 25,000 megawatt hours.

21 Q. So significantly less than what we've been
22 talking about at this point?

23 A. Yes.

24 Q. And under the model, I think we established
25 earlier that it's indicating in 2008 there would be a

1 total of 231 gigawatt hours?

2 A. That's correct.

3 Q. And we also talked about Mr. Janssen's
4 hopes of dispatching roughly 800 gigawatt hours during the
5 year. So is it fair to say they would have to have a heck
6 of a peak during the summer to get to that 800 gigawatt
7 level if they're dispatching in the winter month at
8 roughly 25,000?

9 A. Yeah. I can do the math if you want me to.

10 Q. Well, that's okay.

11 A. Yeah. They're going to have a big increase
12 over the 25,000 in the summer months.

13 Q. And where I'm going with all this is we
14 still have that big discrepancy between what the CRA study
15 was showing during 2008, what Mr. Janssen is estimating in
16 2008, and I'm just trying to get a feel for which number
17 is -- is the more accurate one. Do you have an opinion on
18 that, again, just focusing on calendar year 2008?

19 A. Here's -- yeah, I probably do have an
20 opinion on it, is that if you're trying to estimate what's
21 going to occur in the future, looking at the past may not
22 provide a reasonable estimate. Okay. Typically you look
23 at the past in order to calibrate these models to make
24 sure that they're on solid ground before you benchmark the
25 models, make sure they're on solid ground before you do

1 the projections, and then as you project out in the
2 future, you look at -- from my perspective, you look at
3 various scenarios, and under those various scenarios are
4 assumed futures that are driving these things. You're
5 going to get different results, and if -- if the results
6 that you did get on this particular thing, this particular
7 question vary widely, then you basically say, I'm pretty
8 uncertain about, for example, what the generation of the
9 Dogwood plant's going to be from the models.
10 Historically, here's what it was. Under certain scenarios
11 we may reach that level. Under other scenarios we won't.
12 That's the way I would approach it.

13 Q. And when you talk about scenarios, those
14 are the assumptions that are put into the model?

15 A. Right.

16 Q. And just to tie this up, this particular
17 issue up, isn't it true that the CRA study shows that
18 during those winter months we just talked about the
19 Dogwood plant is dispatched at approximately 100 gigawatts
20 during the four winter months total, if you recall?

21 A. I don't recall, but I --

22 Q. I'm not sure that --

23 A. It's probably in the work papers. I don't
24 recall if it's in anybody's testimony, what they were by
25 seasons.

1 Q. Okay.

2 A. I don't recall.

3 Q. Well, let me ask this question of you,

4 Dr. Proctor. You expect that Dogwood dispatch to remain

5 the same, increase or decrease if Aquila were to join SPP?

6 A. Compared to the 800?

7 Q. Well, compared to -- no. The CRA model.

8 A. I'm sorry. Ask the question again.

9 Q. Yeah. I don't want to compare to anything.

10 Just would you expect that the Dogwood dispatch -- well, I

11 guess I do need to compare to give you a point of

12 reference here. Compared to the figure shown in the CRA

13 study at 231 gigawatts, do you expect that number to

14 increase, decrease or stay the same in reality? I mean,

15 you've qualified this study as being, you know, best --

16 A. I haven't looked at that. I don't -- I

17 mean, we're a couple of months in to 2008, and to answer

18 that question I would have to go back and say, well, how

19 did the assumptions in the model compare to what's

20 actually occurring so far, and do I have any changes to

21 make? And if I made those changes, what would the

22 model -- what would come out of the model? And I haven't

23 done that kind of analysis. I really don't have -- I

24 don't have an expectation.

25 Q. Just a couple of additional points on

1 separate topics here, Dr. Proctor. In your rebuttal
2 testimony, you specify a number of conditions if the
3 Commission were to grant Aquila's request to join the
4 Midwest ISO. If, for whatever reason, Aquila chose not to
5 go forward with that course of action and instead decided
6 to join SPP, would those same seven or eight conditions
7 apply in that scenario as well in your mind or should they
8 apply?

9 A. Generally, yes. I think those -- I'd have
10 to look at each one.

11 Q. Let me focus you in on the seams agreement
12 requirement.

13 A. Okay.

14 Q. Do you think seams agreement issues should
15 be the same no matter what RTO Aquila would be in?

16 A. Well, I think SPP has a different seams
17 agreement with AECI than what MISO has. Okay. And I
18 think it's something we would need to look at in order to
19 determine going forward. I think the seams agreement with
20 AECI is a -- for me is a bigger issue for Aquila in SPP --
21 excuse me, in MISO than Aquila in SPP. And that's because
22 I think more of the -- there's going to be more dependence
23 on going through the AECI system for delivery of power
24 from -- from MISO to Aquila, who's a net purchaser, than
25 there would be from SPP.

1 Q. So --

2 A. I mean, it's a larger -- it's a more
3 important factor for me in MISO.

4 Q. But generally speaking, you think seams
5 agreements are necessary regardless of --

6 A. Absolutely. Number -- I might just mention
7 No. 4 would not apply in SPP because MISO is -- is
8 offering this kind of special membership in the RTO or
9 different membership in RTO. SPP's not offering that.

10 Q. Is that possibly one of the scenarios that
11 is being looked at under the study? I'm not as familiar
12 with that.

13 A. No. It's -- it doesn't really have -- it
14 doesn't have anything to do with modeling and trade
15 benefits. It has more to do with cost sharing and
16 transmission upgrades and whether or not your transmission
17 planning is going to be part of the Midwest ISO
18 transmission expansion planning or whether you're going to
19 be a little different from that and covered by FERC Order
20 890.

21 I mean, you're going to get included in it.
22 It's just how you get included and what you get included
23 for cost allocation of upgrades that other people make
24 within the Midwest ISO.

25 Q. Fair enough.

1 A. And I think that's particularly important
2 for Aquila if they join that MISO is -- given the way that
3 the cost allocation methodology works, and they are, and
4 I'll just say the extreme edge of MISO. They might fully
5 consider not getting involved in the cost allocation of
6 transmission upgrades.

7 Q. Switching gears or topics here, I've got a
8 couple more questions and I'm hoping to wrap it up. Do
9 you track and keep up to date on the monthly SPP market
10 reports? Is that one of your tasks and responsibilities?

11 A. No. We have somebody in the St. Louis
12 office that downloads that information for us and looks at
13 that, but I don't.

14 Q. Are you generally aware of the process that
15 SPP goes through with transmission requests when they come
16 in and process them?

17 A. Generally, yeah.

18 Q. Are you aware that SPP has been -- or has
19 refused some of those transmission requests?

20 A. No.

21 Q. You're not aware of that?

22 A. Refused somebody --

23 Q. Refused a transmission request when they
24 want to make a transmission, when they want to make
25 arrangements for transmission of power?

1 A. Who wants to? I'm sorry. I missed who.

2 Q. Two parties go to SPP. They want to make

3 arrangements --

4 A. Right.

5 Q. -- and they make a transmission request,

6 right, with SPP?

7 A. Uh-huh.

8 Q. It's true, is it not, that on occasion

9 SPP --

10 A. Sure.

11 Q. -- denies those?

12 A. Yes.

13 Q. And do you have any knowledge about the

14 magnitude of those denials?

15 A. No.

16 Q. Do you, Dr. Proctor, follow the IMM

17 reports, Independent Market Monitor reports --

18 A. Yes.

19 Q. -- in the two RTOs?

20 A. Yes.

21 Q. Do you recall reading the most recent IMM

22 annual report?

23 A. For MISO.

24 Q. For MISO?

25 A. No, I don't. I -- I don't recall reading

1 it.

2 Q. So you --

3 A. Was it the December report, is that the one
4 you're talking about, or is there a more recent one than
5 that?

6 Q. I believe -- well, there's one -- I've got
7 two, one dated May of 2007, one dated July.

8 A. Of 2007?

9 Q. Well, for 2006, state of the market report.

10 A. Okay. Those are --

11 Q. Those are the most recent.

12 A. Are those the most recent?

13 Q. To my knowledge, they are.

14 A. Okay. Well, OMS gets updates, and we
15 typically will get an update from Market Monitor at the
16 annual OMS meeting, which is in December, and that's why I
17 was keying off the December date. This year I had -- I
18 was -- I had a surgery and I was not able to make that
19 meeting. So that's -- that's the way I follow most of
20 what the Market Monitor is doing in the Midwest ISO.

21 Q. Well, then let me ask you this.

22 A. Sure.

23 Q. You may not be aware, and I want to get
24 back to the RSG cost allocations. You gave a long
25 description of that, but very specifically, are you aware

1 that in that report the IMM, the Independent Market
2 Monitor, reports that the RSG costs are .04 percent of
3 production costs? Have you seen that figure before?

4 A. That doesn't ring a bell, no.

5 Q. And does it -- do you have any reason to
6 disagree with that --

7 A. No.

8 Q. -- that value?

9 A. My understanding is the RSG costs have been
10 going down at MISO from the initial market startup, and I
11 know MISO's involved and the RSG task force is involved in
12 trying to come up with not only how to allocate these
13 costs, but ways to cause those costs to get smaller.

14 Q. And the .04 percent of production costs --
15 well, strike that.

16 We established earlier that the RSG costs
17 correspond to uplift charges that are shown in the CRA
18 report --

19 A. Yes.

20 Q. -- correct?

21 And the percentage, if you take this
22 percentage of .04 percent of production costs, and I'm
23 going to ask you since you haven't been able to verify
24 that, take that as a hypothetical.

25 A. Okay.

1 Q. If we were to apply that same .04 percent
2 and allocate that based against the rough production costs
3 that are shown for Aquila, about \$220 million, that would
4 work out math-wise to be 800, \$900,000 allocation of RSG
5 costs?

6 A. .04 percent. That's pretty small. Of
7 what? 20 million?

8 Q. 220 million.

9 A. 220?

10 Q. Is the rough number that I pulled out of
11 the CRA study for the production costs. Is that --

12 A. I'd have to check on that, but I'll take
13 that as assumption, too. And so what was your final
14 number, 800?

15 Q. \$880,000?

16 A. Right. That sounds approximately correct.
17 Yeah.

18 Q. Okay. And I'm --

19 A. I may have done the math wrong here, too.
20 I sometimes can get the decimal points -- when you're
21 talking .04 percent, I think that's -- I think that's
22 .0004 times 20 million, but --

23 Q. Well, no. The number -- the figure I asked
24 you to calculate was the \$220 million production cost --

25 A. Right.

1 Q. -- figure, and do I -- am I in the ballpark
2 for production costs for Aquila? I'm desperately looking
3 through your testimony here. I thought you had referenced
4 that, but --

5 A. On the handout that you sent, the second --
6 or gave me, the second line shows the production costs.

7 Q. Sure.

8 A. And yeah, it's -- it varies between the
9 standalone and SPP case, but 228, 225. In the SPP case,
10 it's 154. So yeah, you're in the right ballpark.

11 Q. Okay. Well, if I can't get you to read the
12 Independent Market Monitor report in the next five minutes
13 here and verify that number for me, I guess I'll have to
14 leave it there, and I thank you very much, Dr. Proctor.

15 MR. COMLEY: We may have couple more
16 questions for Dr. Proctor.

17 JUDGE WOODRUFF: Well, I understand
18 Dr. Proctor is going to be unavailable from 10:30 'til 1.

19 MR. WILLIAMS: That's correct.

20 MR. BEALL: That's all I have, your Honor.
21 Thanks.

22 JUDGE WOODRUFF: Well, we're due for a
23 break, and Dr. Proctor won't be available when we come
24 back from the break, so we'll suspend his examination and
25 go on to Mr. Kind when we come from break, if he's ready.

1 Let's take about a 20-minute break. We'll come back at
2 10:45.

3 (A BREAK WAS TAKEN.)

4 (EXHIBIT NO. 14 WAS MARKED FOR
5 IDENTIFICATION.)

6 JUDGE WOODRUFF: Mr. Kind has come up to
7 the stand.

8 (Witness sworn.)

9 RYAN KIND testified as follows:

10 DIRECT EXAMINATION BY MR. MILLS:

11 Q. Could you please state your name for the
12 record, please.

13 A. My name is Ryan Kind.

14 Q. And by whom are you employed and in what
15 capacity?

16 A. I'm employed as the Chief Energy Economist
17 at the Missouri Office of the Public Counsel.

18 Q. And did you cause to be filed in this case
19 surrebuttal testimony of Ryan Kind?

20 A. Yes, I did.

21 Q. Is that testimony -- first of all, do you
22 have any corrections to make to that testimony?

23 A. No, I do not.

24 Q. Is that testimony true and correct to the
25 best of your knowledge and belief?

1 A. Yes, it is.

2 MR. MILLS: Your Honor, with that I would
3 offer Exhibit 14, the surrebuttal testimony of Ryan Kind,
4 and tender Mr. Kind for cross-examination.

5 JUDGE WOODRUFF: Exhibit 14's been offered
6 into evidence. Are there any objections to its receipt?

7 (No response.)

8 JUDGE WOODRUFF: Hearing none, it will be
9 received into evidence.

10 (EXHIBIT NO. 14 WAS RECEIVED INTO
11 EVIDENCE.)

12 JUDGE WOODRUFF: And for cross-examination
13 we begin with the Staff.

14 MR. WILLIAMS: No questions.

15 JUDGE WOODRUFF: Dogwood?

16 MR. LUMLEY: Very briefly.

17 CROSS-EXAMINATION BY MR. LUMLEY:

18 Q. In your testimony you address the case
19 that's pending before the Commission regarding Ameren's
20 status with MISO; is that correct?

21 A. That's correct.

22 Q. Can you update the Commission on anything
23 that's happened in that proceeding since your prefiled
24 testimony was submitted in February?

25 A. Certainly. The things that have happened

1 that I have knowledge about are that the parties to that
2 case have had several informal meetings just to -- mostly
3 to discuss new developments in the case and to try and
4 determine whether any particular parties might think
5 there's a need to do some additional modeling to reflect
6 those developments, and we have another meeting scheduled
7 amongst the parties that's coming up shortly on
8 April 25th.

9 Q. And in the case papers does it reflect a
10 commitment by Staff to make a report on status in May then
11 to the Commission?

12 A. I don't recall that detail. I know there
13 are some requirements for status reports.

14 Q. But as we stand here today, that case still
15 is in flux?

16 A. Yes, it is.

17 MR. LUMLEY: Thank you.

18 JUDGE WOODRUFF: SPP?

19 MR. LINTON: I have no questions.

20 JUDGE WOODRUFF: KCPL?

21 MR. DORITY: No questions.

22 JUDGE WOODRUFF: Ameren?

23 MR. THROSSELL: No questions.

24 JUDGE WOODRUFF: City of Independence?

25 MR. ROBBINS: Yes, sir.

1 CROSS-EXAMINATION BY MR. ROBBINS:

2 Q. Good morning. Alan Robbins on behalf of
3 the City of Independence.

4 A. Good morning.

5 Q. Are you involved in the pending proceeding
6 involving the proposed acquisition of Aquila by GPE?

7 A. I am not involved as a witness, but I've
8 been involved in some of the discussions in that case, in
9 the prehearing conferences in that case and things like
10 that.

11 Q. Have you reviewed the filed testimony in
12 that case?

13 A. I reviewed, I think, some of the direct
14 testimony, but I haven't reviewed any testimony since that
15 time.

16 Q. Are you aware that the applicants have
17 stated that they have no present intent to jointly
18 dispatch the generation of the two companies if the
19 acquisition goes through?

20 A. I am aware that that's what's stated in
21 their testimony.

22 Q. And with respect to participation in an RTO
23 by Aquila, are you aware that they've stated that RTO
24 decisions or strategy will be determined at some later
25 point?

1 A. Yes, I am.

2 MR. ROBBINS: I have no further questions.

3 Thank you.

4 JUDGE WOODRUFF: Thank you. And for MISO?

5 MR. COMLEY: Your Honor, just one question.

6 CROSS-EXAMINATION BY MR. COMLEY:

7 Q. Mr. Kind, in reading your testimony, is it
8 a correct statement to say that the Office of Public
9 Counsel conducted no independent study of the benefits
10 that Aquila might derive from joining either of the RTOs?

11 A. We've conducted no study beyond our
12 involvement in the CRA study as one of the stakeholders
13 that provided input to that study.

14 Q. And your recommendations in your
15 surrebuttal is based primarily upon the CRA study that's
16 been filed behind Mr. Odell's testimony; is that correct?

17 A. That's correct.

18 Q. And also what you derived from
19 Dr. Proctor's testimony; is that correct?

20 A. That and my general knowledge of the
21 electric utility industry.

22 Q. But again, you conducted no independent
23 study yourself, you relied on the CRA study; is that
24 correct?

25 A. No independent quantitative study was

1 performed by the Office of the Public Counsel.

2 MR. COMLEY: Thank you.

3 JUDGE WOODRUFF: Then for Aquila?

4 MR. BOUDREAU: Yes. Thank you. Just a
5 couple.

6 CROSS-EXAMINATION BY MR. BOUDREAU:

7 Q. Good morning, Mr. Kind.

8 A. Good morning.

9 Q. Have you had occasion in the context of
10 your responsibilities with the Office of the Public
11 Counsel to become familiar with the capabilities of CRA
12 International who performed the cost/benefit study that
13 Aquila sponsored?

14 A. I have. I have experience with their
15 studies in several different contexts.

16 Q. Okay. Based on that familiarity with this
17 firm, do you know whether this firm is sufficiently
18 knowledgeable and experienced to perform the sort of
19 analysis as is contained in that cost/benefit study?

20 A. I believe that they are.

21 Q. I notice -- I don't believe in your
22 testimony that you made any mention of this circumstance.
23 I want to ask you if you are aware of a settlement that
24 came about as between Aquila and MISO in 2003 in FERC
25 Docket No. ER-2001-871?

1 A. I'm aware that there was a settlement.
2 I don't -- I'm not really aware of all of the details of
3 that settlement.

4 Q. So are you aware, then -- just kind of a
5 specific question. Are you aware that one of the features
6 of that settlement is that Aquila agreed to file with the
7 Commission here for authority to transfer its operational
8 control of its electric transmission system to MISO?

9 A. I don't really know if it was stated that
10 they had committed to file an application. I know that
11 they had committed to pursue whatever authorizations were
12 necessary.

13 MR. BOUDREAU: Fair enough. That's all the
14 questions I have for this witness. Thank you, sir.

15 JUDGE WOODRUFF: Thank you. Then we'll
16 come up for questions from the Bench. Commissioner
17 Jarrett?

18 COMMISSIONER JARRETT: No questions.

19 JUDGE WOODRUFF: I have no questions. No
20 need for recross. Any redirect?

21 MR. MILLS: No questions.

22 JUDGE WOODRUFF: Okay. Mr. Kind, you can
23 step down.

24 THE WITNESS: Thank you.

25 JUDGE WOODRUFF: All right. Well, we're

1 rolling right along here today, and I believe we've
2 actually outrun the availability of our witnesses; is that
3 correct, that the Dogwood witnesses are not present right
4 now?

5 MR. LUMLEY: Yes, your Honor. I spoke with
6 Mr. Janssen at the break. He's en route and would expect
7 to arrive in Jefferson City at 11:30. Dr. Lesser's plane
8 has not quite landed yet in Kansas City, so he's a little
9 bit away.

10 JUDGE WOODRUFF: Well, then I guess we're
11 going to have a long lunch break today then. We'll take a
12 lunch break now. We'll come back at one o'clock with
13 Dr. Proctor. We'll finish him up, and then we'll do the
14 Dogwood witnesses. So with that, we are adjourned until
15 one o'clock.

16 (A BREAK WAS TAKEN.)

17 (EXHIBIT NOS. 10 AND 11 WERE MARKED FOR
18 IDENTIFICATION.)

19 JUDGE WOODRUFF: All right. Welcome back
20 from lunch, and we'll start off this afternoon with
21 Dr. Proctor back on the stand. When we left off, we were
22 about to ask Aquila if they were ready to cross-examine.

23 MR. BOUDREAU: I am ready.

24 JUDGE WOODRUFF: Go ahead.

25 MICHAEL PROCTOR testified as follows:

1 CROSS-EXAMINATION BY MR. BOUDREAU:

2 Q. Good afternoon, Dr. Proctor.

3 A. Good afternoon.

4 Q. I just have a few questions for you.

5 A. Sure.

6 Q. Some of them will sound familiar. I want
7 to ask you whether in the context of your responsibilities
8 with the Commission, whether you've become familiar with
9 CRA International and its capabilities?

10 A. Yes, I have.

11 Q. And do you believe that this firm is
12 sufficiently knowledgeable and experienced about the sort
13 of analysis that's contained in the cost/benefit study
14 that's sponsored by Aquila to be relied upon?

15 A. Yes.

16 Q. Did you -- I take it that you reviewed Mr.
17 Lucianni's surrebuttal testimony in this case?

18 A. Yes.

19 Q. If you need to take a look at it, I'll
20 bring it over, but do you recall that his ultimate
21 conclusion in his testimony was to the effect that the
22 study represents a reasonable, valid, independent analysis
23 of the economics of Aquila's RTO alternatives and can be
24 relied on by Aquila to evaluate those alternatives?

25 A. I recall something along that line, yes.

1 That he supported -- he supported the work he did and said
2 it could be relied on.

3 Q. By Aquila?

4 A. By Aquila.

5 Q. And my question to you is, do you believe
6 that the CRA study provides a valid analysis on which the
7 Commission can rely upon to make its decision in this
8 case?

9 A. Yes. And when I say that, I'm saying that
10 with respect to the Staff's recommendation.

11 Q. Yes.

12 A. Okay.

13 Q. I understand that. Thank you. I believe
14 in your testimony earlier today that you visited, I think,
15 both with Mr. Lumley and Mr. Beall about some of the
16 reservations about the CRA study that was -- that had been
17 articulated by MISO. Do you recall that?

18 A. Yes.

19 Q. And you also, I think, testified that MISO
20 performed some additional analysis based on some different
21 assumptions; is that correct?

22 A. That's correct.

23 Q. And you reviewed those studies?

24 A. Yes, I did.

25 Q. And that analysis was provided or at least

1 sponsored by Mr. Pfeifenger?

2 A. That's correct.

3 Q. Now, did this analysis cause you to change
4 your views or change the views that you expressed in your
5 rebuttal testimony?

6 A. No, they did not.

7 Q. And is the same also true with respect to
8 the reservations that have been articulated by Mr. Volpe?

9 A. The same is true, yeah.

10 Q. And this was all addressed in your
11 surrebuttal testimony?

12 A. That's correct.

13 Q. I want to talk with you for just a minute
14 or two about the study's assumptions. That's gotten quite
15 a bit of play yesterday and today; isn't that correct?

16 A. Yes.

17 Q. We're talking about a number of the topics
18 that have come up, and this isn't exhaustive, but we
19 talked about the same markets assumption and the dispatch
20 of Dogwood and the pool versus system commitment and a
21 number of things --

22 A. Right.

23 Q. -- is that right?

24 A. That's correct.

25 Q. Now, would you agree with me that in order

1 to perform a cost/benefit study of this nature, certain
2 assumptions do need to be made?

3 A. Yes.

4 Q. And because we're dealing with basically
5 trying to make some projections about future events; isn't
6 that correct?

7 A. That's correct.

8 Q. And I believe you've also testified in
9 response to a couple of inquiries that were made earlier
10 today that in order to -- that these modeling studies like
11 the CRA study in this case are fairly expensive and
12 involved?

13 A. Yes.

14 Q. And so it's not real -- would you agree
15 with me that it's not real practical to necessarily model
16 for every -- every possible iteration of scenarios that
17 could come about?

18 A. No. And that's, I think, why it's
19 important in these cases to put together stakeholders,
20 people that have a stake in the decision, and ask how --
21 what's the best way to model this, what kinds of
22 variations do we need to run.

23 Q. And, in fact, that process was going --
24 kind of anticipated my next question. That process was
25 gone through to some extent in this case?

1 A. To some extent, yes.

2 Q. I want to finish up by asking you if --
3 there were some questions put to you this morning by
4 Mr. Lumley concerning the application of a standard for
5 approval in this case. Do you recall that discussion?

6 A. Yes.

7 Q. And I believe your testimony was, and
8 correct me if I misstate it, is that in your view that the
9 ratemaking prudence standard is -- roughly covers the same
10 territory as the not detrimental standard. I mean, did
11 you find that it's not detrimental -- I mean, maybe you
12 could elaborate on that.

13 A. No. I think what I said is, is if a
14 utility made a decision that was imprudent, that that
15 decision would be detrimental to the public interest.
16 Okay. I don't -- the standards aren't equivalent. What I
17 was saying --

18 Q. Okay. So you're saying that you did not
19 make that statement. I thought I heard you say that, but
20 I may have been mistaken.

21 A. No. If -- well, I don't think I did, but
22 if -- if a utility makes an imprudent decision, that
23 decision is not going to reflect the -- is -- it impacts
24 the public, then it's not going to be -- it's going to be
25 detrimental to the public interest.

1 Q. I understand. Let me kind of come at this
2 from a somewhat different angle. If the Commission
3 approves Aquila's application in this case, would you
4 agree with me that whether or not the decision is prudent
5 has more or less been taken care of, that the Commission
6 has looked at this and decided that this is an appropriate
7 approach for the company to take?

8 A. I don't want to get on slippery legal
9 ground here. The fact that -- well, let me just answer
10 the question in the following way. I would really have to
11 sit down with my attorneys to see what their position on
12 that is exactly from a legal standpoint.

13 From just a practical standpoint, if the
14 Commission -- not necessarily a legal standpoint, if the
15 Commission has approved something that the company's asked
16 to do, I think the Staff would have a real uphill battle
17 in saying the thing that was approved for them to do was
18 imprudent.

19 Q. That's fair enough. And I wasn't -- I'm
20 not going to ask you for a legal opinion. So I'll accept
21 that answer. Thank you.

22 The last question I have for you is, you
23 mentioned the -- I believe you mentioned in your
24 testimony, your prepared testimony, the fact of Aquila,
25 Aquila's settlement agreement with MISO in the FERC docket

1 wherein it agreed to diligently pursue approval of the
2 Commission in this case?

3 A. Uh-huh.

4 Q. And -- but you don't really address -- I
5 mean, you -- I think you mentioned that it exists, but you
6 didn't really elaborate on it. Is that -- what I want to
7 ask you is, do you consider that FERC, that obligation on
8 behalf of my client in the FERC settlement to be
9 inconsequential for purposes of the topic that's under
10 consideration here today?

11 A. Inconsequential?

12 Q. Well, the reason I ask that is because you
13 didn't elaborate on the topic much other than just to note
14 that it existed. So I guess I'm asking you what your
15 views are on that.

16 A. What my views are on that?

17 Q. Yes.

18 A. I wouldn't view it as inconsequential. I
19 would -- I would view it as an agreement that the company
20 had with the Midwest ISO. It wasn't an agreement the
21 Staff had with the Midwest ISO, and it certainly wasn't an
22 agreement that the Commission had with the Midwest ISO. I
23 think the Commission understands that agreement was out
24 there and you agreed to do that and it was in the context
25 of -- of -- of -- a disagreement that you -- well, a case.

1 I think it was a complaint or with MISO regarding some of
2 their charges.

3 But does the Commission have to honor that
4 agreement in making its decision? And the answer is no,
5 because the agreement was that you would bring it to the
6 Commission and you would support it and that was what the
7 agreement was. The agreement wasn't that you would join
8 MISO. The agreement was that you would pursue joining
9 MISO and bring it to the Commission. So there's nothing
10 there for the Commission to honor. By the way, it was an
11 agreement between you and MISO, and you can't agree to
12 something that would bind the Commission anyway. So
13 that's why I didn't spend very much time on it.

14 Q. Fair enough. I appreciate that.

15 MR. BOUDREAU: I have no further questions
16 for this witness. Thank you, Dr. Proctor.

17 JUDGE WOODRUFF: For questions from the
18 Bench, then, Commissioner Clayton?

19 QUESTIONS BY COMMISSIONER CLAYTON:

20 Q. Good afternoon, Dr. Proctor.

21 A. Good afternoon.

22 Q. How was your phone call today?

23 A. It was okay.

24 Q. Thrilling, I'm sure.

25 A. Absolutely.

1 Q. Did you solve all the world's problems?

2 A. Absolutely not.

3 Q. Good. I just want to go through some
4 general points in your testimony and make sure that --
5 make sure I'm clear because I haven't been able to be in
6 the room for every second of the hearing.

7 I just wanted to clarify, just to start off
8 in general terms, it is still your recommendation that the
9 Commission not approve this application for Aquila to join
10 the Midwest ISO; is that correct?

11 A. That's correct.

12 Q. Okay. And that is based on a cost/benefit
13 analysis that was conducted by CRA Associates, or an
14 entity known as CRA?

15 A. That's correct.

16 Q. Okay. And CRA is -- is an organization
17 that was hired by whom to complete that cost/benefit
18 study?

19 A. CRA was hired by Aquila to perform the
20 cost/benefit study, and Aquila brought stakeholders
21 together initially to delineate what would be included in
22 that cost/benefit study.

23 Q. Okay. Who paid for the study?

24 A. Aquila.

25 Q. Aquila paid for it entirely?

1 A. That's correct.

2 Q. In the stakeholder process, were the
3 parties given ample time to raise concerns or issues that
4 should be considered by -- by CRA in the analysis?

5 A. The stakeholders -- well, let's look at
6 some of the issues here. Should SPP -- when they model
7 SPP, should they treat them as having full markets or not?
8 That was one of the issues that was addressed beforehand
9 by the stakeholders. Should we do that or not do that?
10 And the stakeholders said, well, let's -- SPP appears to
11 be going in that direction. Let's put it in that way, but
12 let's make sure we put in the costs that go with that. So
13 those kind of -- those kinds of issues were addressed
14 beforehand.

15 Now, after the results of the study came
16 out, issues regarding how the -- the Aries plant or the
17 Dogwood plant was treated in the study were then raised.
18 MISO raised those issues. MISO hired a consultant to come
19 in to review that after the study. We sat down as
20 stakeholders and -- and went through that and discussed
21 that at that time. But you really have to start getting
22 into digging into the details of the results before you
23 start coming up with explanations.

24 I'll give you an example. In that
25 particular instance, initially the response was, well,

1 it's a lack of connectivity between Aquila and MISO that
2 caused that result in terms of the dispatch of -- of the
3 Aries plant. But as people got in and began digging into
4 that, there were other issues, you know, pool dispatch
5 versus system-wide dispatch, other things that came out
6 and then were run as sensitivities and paid for by the
7 Midwest ISO.

8 Q. So there was an opportunity for input by
9 the stakeholders prior to the study being conducted?

10 A. Yes.

11 Q. And then there was an opportunity following
12 the study to raise additional issues that required either
13 further scrutiny or consideration?

14 A. That's correct.

15 Q. Okay. Now, did the stakeholders establish
16 the three scenarios that were included within the study?

17 A. Yes, they did.

18 Q. And are there any other potential scenarios
19 that were not considered in this study that could have
20 been considered? Are there any other scenarios other
21 than the three, the standalone transmission company,
22 joining SPP, joining MISO? Are there any other
23 possibilities?

24 A. As far as running the models are concerned,
25 you know, estimating trade benefits are concerned,

1 probably not. I mean, being -- being in the MISO pool,
2 being in the SPP pool or doing it on your own are really
3 the only alternatives available to Aquila.

4 Q. How would you characterize Aquila today?
5 Are they just doing it alone as they are today? How would
6 you describe it?

7 A. On the cost side, okay. On the
8 administrative cost side and participation in RTOs, there
9 are lots of variations that could have been looked at.
10 Okay. That I don't think was the fundamental issue here.
11 Fundamental issue is on the trade benefit, should there be
12 a MISO or should there be an SPP? But on the cost side
13 currently, SPP is providing them with certain services.
14 MISO's providing them with security coordination. You
15 could go through all kinds of evaluations on the cost
16 side, you know, if you're not going to be an RTO, where
17 should you be and what should you do?

18 Q. Can we -- can we talk for a minute about
19 exactly what Aquila is doing today?

20 A. Okay.

21 Q. You mentioned that MISO's conducting
22 100 percent of their security coordination?

23 A. Yes.

24 Q. All right. And then what is SPP providing
25 in terms of services?

1 A. My understanding is SPP is providing them
2 with transmission service through and into Aquila. Okay.
3 So if Aquila -- if -- make sure I get this right. If --
4 if a generation resource within Aquila wants to make a
5 sale outside of Aquila, my understanding is they go
6 through Aquila to acquire that transmission service.

7 Q. If one of Aquila's resources or --

8 A. Yeah, one of Aquila's resources or an IPP,
9 for example, the Dogwood plant which is in their control
10 area, wants to sell outside, that's an out service.
11 They -- I think they get that from Aquila, I think is the
12 way it works. But if it's coming into or going through,
13 SPP provides it.

14 Within services, I'm -- I'm pretty sure
15 Aquila would provide those as well. So if you had to
16 arrange transmission between the Dogwood plant and Aquila
17 that would be on Aquila's tariff. So they're providing
18 most of their -- most of what you would call more regional
19 type of transmission service they're providing to Aquila.
20 The more local type of transmission service within Aquila
21 or getting out of Aquila I think Aquila's providing on its
22 own, on its own OASIS.

23 Q. Okay. Now, the third scenario -- or the
24 first scenario that was included within the CRA study is
25 Aquila acting as its own transmission entity, or would it

1 set up a new entity that would be known as Aquila
2 Transmissio Co. or something like that? Explain how the
3 third aspect works.

4 A. Okay. As I understand the third one is
5 Aquila would be the transmission provider. Okay. So in
6 that scenario, under that scenario, they would have to
7 provide the transmission service. So SPP would not
8 provide transmission service for Aquila, whether it was
9 into or through Aquila.

10 Okay. Now, so there's a -- there's a
11 difference there. How important that difference is is a
12 question of how much Aquila's paying for services from SPP
13 and, if they did it on their own, how much it would cost
14 them to perform those services on their own.

15 Q. If -- if we were here today to do multiple
16 choice and pick which option is best, I think your
17 testimony's been that SPP tends to show the most net
18 benefits that would come to Aquila; is that correct?

19 A. That is correct.

20 Q. What is the second best option of the
21 three?

22 A. In the original CRA study, joining MISO
23 would be the second best option.

24 Q. Okay. And then the standalone transmission
25 operator would be the third option or would -- remaining

1 as they are today would be the third option?

2 A. Well --

3 Q. Or is that even possible to answer?

4 A. Yeah. Part of the concern is can Aquila go
5 forward on a long-term basis remaining as they are? Okay.
6 So where they are today in a long-term concept may or may
7 not be an option.

8 Q. As they are today?

9 A. As they are today.

10 Q. Why is that?

11 A. Well, it just depends on what the RTOs
12 offer. If they offer those services and it's cheaper for
13 the RTO to provide those services than for SPP -- or I'm
14 sorry, for Aquila to provide those services, then it makes
15 sense to have the RTO provide those services.

16 Q. Okay.

17 A. If -- if you're looking at MISO right now,
18 they are just -- they're right now in the process of
19 submitting a tariff that would offer different kinds of
20 membership in the Midwest ISO that involve different kinds
21 of services that you take. So this originally wasn't the
22 case, you know.

23 And so that thing's -- that kind of thing's
24 going to be changing and it's going to be changing over
25 time, and that's why in one of the conditions that I put

1 in, if you-all want to go forward and approve them joining
2 MISO, I think some very serious consideration needs to be
3 given as to exactly what that membership in MISO should
4 be. Should it be a full membership or partial?

5 Q. Now, you've just mentioned conditions, and
6 I don't want to get into the full list of conditions, not
7 yet anyway, but I want to be clear. Are you recommending
8 that we approve this application with the conditions or
9 are you recommending that we deny the application?

10 A. I'm recommending that you deny the
11 application, but if you go against my recommendation --

12 Q. But if we must?

13 A. But if you have to --

14 Q. It we absolutely must?

15 A. Yeah. And then -- then you require -- you
16 approve it on a conditional basis.

17 Q. Okay. I want to ask you -- I've got just
18 some general questions here. Can you help me understand
19 hurdle rates and unit commitment hurdle rates? I've read
20 the material in your testimony, and I just -- I couldn't
21 get ahold of it.

22 A. Okay.

23 Q. Can you --

24 A. Sure. First of all, this -- let's talk
25 about the difference between unit commitment and unit

1 dispatch. That's a -- just an absolutely key concept to
2 what's going on in these studies.

3 Unit commitment you may think of and should
4 think of is something that's done ahead of real-time,
5 day-ahead. It can be changed up to an hour ahead. But
6 commitment involves what units are going to be online or
7 can come online quickly to meet your load. Okay. And
8 each -- on a standalone basis, you are required to meet
9 your load.

10 If you're in a pool, the pool is required
11 to commit enough generation to meet load. The individuals
12 within the pool don't have that requirement anymore. It
13 becomes a requirement for the pool, and that's where some
14 of the savings come from, is now I don't have to -- I
15 don't have to do that commitment just for me and all of
16 the individuals who are doing it. I can lower costs by
17 having the units committed on a pool-wide basis. So
18 that's one of the savings that you get from pooling or
19 from an RTO.

20 If you're doing it on an individual basis,
21 you can -- you can commit generation from somebody else's
22 area, but to do that you have to arrange a bilateral
23 contract ahead of time and transmission service ahead of
24 time so that you know that you can deliver that power to
25 your load. In an RTO, however, all of that's already

1 taken care of.

2 Q. Got you. I follow you so far.

3 A. Okay.

4 Q. So getting to hurdle rates, what are we
5 talking about in hurdle rates?

6 A. So one way that hurdle rates are used, unit
7 commitment hurdle rates, hurdle rates for commitment are
8 used, and it depends on the particular study and the
9 particular use of them, too, different people use them in
10 different ways, but one of the applications is, is I am
11 going to put in this hurdle rate for the standalone case,
12 because the model I'm going to run is going to -- is going
13 to -- is going to commit the cheapest thing on a model-
14 wide basis. Okay. No matter what I do, it's going to do
15 that. Unless -- unless I restrict it to a pool-only
16 commitment, that's what it's going to do.

17 So I need to put in a hurdle rate to -- to
18 cause it to say, hey, that's resource that's outside of my
19 utility, outside of my control area. That resource I'm
20 only going to commit if I can overcome that hurdle rate.
21 Okay. Because I'm trying to commit on a least cost basis.
22 So if I -- the more -- the higher and higher I push that
23 hurdle rate, the fewer and fewer resources I'll be able to
24 commit from outside of my control area.

25 And in that type of approach, what people

1 like CRA or whoever it is that's running the study will do
2 is, is they will calibrate that hurdle rate, they'll move
3 it up, and keep moving it up until they get a picture on
4 the standalone basis of what actually occurred in some
5 historical period. They will try to benchmark it by
6 moving that rate up.

7 Okay. So that's one use of the commitment
8 hurdle rate is to restrict the unit commitment so that it
9 looks like what's occurring out there on a standalone
10 basis. In other words, what you're trying to do is take
11 this one parameter and move it around so that you get
12 something that looks like what happened when they just had
13 bilateral contracts --

14 It's -- it's a -- I would say it's the art
15 part of doing this. The dispatch rate on the other hand
16 is also a hurdle rate. That -- after the units are
17 committed, then that also restricts the amount of power
18 flows. I don't know. Did that help?

19 Q. Could you repeat your answer, please?

20 A. No. Yes, if you really want me to, I can.

21 Q. Which part do you want me to repeat? The
22 whole thing. I think I have a general idea of what it
23 means.

24 I want to talk a little bit about -- or ask
25 some questions about the Dogwood facility or the Aries

1 facility?

2 A. Sure.

3 Q. Is that -- its presence where it is, where
4 it's located on the map, is that relevant in the analysis
5 here today?

6 A. On the transmission map, yes. It's
7 contained -- it's within the Aquila control area. So it's
8 connected to the grid through Aquila transmission
9 facilities.

10 Q. How large is the Aquila control area
11 geographically speaking?

12 A. Well geographically it kind of surrounds
13 the Kansas City area. Okay. I don't know how familiar
14 you are with the Kansas City area, but it's kind of the
15 outer suburbs of the Kansas City -- it goes north.

16 Q. Goes to St. Joe?

17 A. It goes up into St. Joe and it goes west.
18 It's -- and I probably won't get the towns right, but
19 these are the suburbs around the Kansas City area that are
20 being served by Aquila.

21 Q. Does it go into Kansas?

22 A. No, not -- they had some service territory
23 in Kansas, but it was out in the flat part of Kansas. It
24 wasn't near the Kansas City area, and they have sold that.

25 Q. So it's -- the Aquila control area is

1 Missouri only?

2 A. Yes.

3 Q. And it would be the suburbs, and that would
4 take in this Aries facility in Cass County?

5 A. Yes.

6 Q. Now, generally when you say the Aquila
7 control area, what responsibilities does Aquila actually
8 have? If it is called the Aquila control area, what does
9 that mean?

10 A. Well, control area specifically means an
11 area in which you need to balance your generation and your
12 load with any transmission service. Let me just call it
13 net imports or exports. They've got another word for it,
14 but you've got -- you've got flows into your control area,
15 you've got flows out of your control area that are
16 scheduled, and it's called net scheduled interchange.

17 So you have to balance your generation so
18 that that net, the actual interchange that's occurring in
19 your control area and it's metered. At every entry point
20 and every exit point there's a meter, and it's telemetered
21 back. That has to balance against what was scheduled.

22 All right. And then the -- in order to do
23 that, you have generation that you move up or down if the
24 schedule starts to get out of balance, if it starts not to
25 match what was scheduled.

1 Q. How many generation resources are located
2 within the Aquila control area that are not owned or
3 controlled by Aquila? Dogwood is one.

4 A. Dogwood's the only one that I'm familiar
5 with.

6 Q. It's the only one?

7 A. Uh-huh, but -- that's the only one I'm
8 familiar with.

9 Q. So KCP&L doesn't have any facilities that
10 are close by? AECI doesn't have any facilities that are
11 within the control area? We're basically talking about
12 Aquila facilities plus Dogwood?

13 A. Yeah. That's correct. And a lot of the --
14 a lot of baseline facilities that serve Aquila's load are
15 not located in their control area.

16 Q. That was my next question. How many
17 generation facilities owned by Aquila for -- or a
18 situation like Iatan where they have a piece of the
19 action, how many of those facilities are located outside
20 of the Aquila control area?

21 A. Iatan, Jeffrey are units that they jointly
22 own, and then they have contracts in Nebraska with the
23 Jenneman coal plants, coal units. I guess it's a coal
24 plant. There's a couple of units, and with the nuclear
25 unit at Cooper. So they've got contracts in for both of

1 those.

2 Q. Those are bilateral contracts?

3 A. Yes.

4 Q. And then who -- who provides the
5 transmission service to get the power there, do you know?

6 A. From -- no, I'm not sure I can tell you on
7 each one of those. I would suspect on the Jeffrey units
8 and the Iatan units, that those are what are called
9 grandfathered contracts, because those -- they've been
10 around for a while, and when they entered in and jointly
11 owned those units, transmission was included as part of
12 the whole business.

13 So the transmission services grandfathered
14 it, so it's -- I guess it's provided by Southwest Power
15 Pool in that context, but I don't think Aquila's paying
16 Southwest Power Pool for it. I think it came through a
17 grandfathered agreement. On the -- on the units in
18 Nebraska, I suspect they're having to pay the Nebraska
19 Public Power District transmission charges. Again, how
20 much of that got built into the contract, I'm not real
21 sure of.

22 And then as they cross out of their control
23 area into Missouri, I'm not sure whether they go into,
24 whether that's part of Kansas City Power & Light or part
25 of the AECI or combinations of those. I'm unsure on that.

1 Q. I was asking you a trick question and you
2 answered it.

3 A. Okay. I passed.

4 Q. Those grandfather deals are tricky every
5 time.

6 A. Yeah.

7 Q. What I am looking for right now, I want to
8 talk about interconnections also, and you discuss in your
9 testimony about how the number of interconnections between
10 Aquila's facilities and other entities such as MISO or
11 AECI or SPP, and I think -- I was looking for the chart.
12 Here it is. You have 14 lines, and this is all public, I
13 guess, right?

14 A. Uh-huh.

15 Q. 14 --

16 A. Yes.

17 Q. -- lines for -- yeah, once I've already
18 said the number, then I ask if it's public.

19 A. No. It's public or it would have been
20 marked.

21 Q. Yeah. 14 lines for SPP, 10 lines with
22 AECI, and I guess only two lines connected with MISO and
23 then two to others?

24 A. Right.

25 Q. And that's a significant concern for you?

1 A. Well, yeah. It's a significant concern if
2 Aquila becomes part of MISO for me because in that concern
3 primarily -- the primary reason for putting this in here
4 is the concern that a lot of power coming from MISO to
5 Aquila, who's a net purchaser, okay, is going to be coming
6 through the AECI system. So I was very, very much
7 concerned about that, and what seams agreements were there
8 with AECI.

9 Now, one of the things that you can't do is
10 look at these numbers and translate that into megawatts.
11 I tried to make that clear in my testimony. For example,
12 you can't compare the 1,200 mega -- MVA of -- on these tie
13 line capacities to Aquila's peak load, for example.

14 That's an improper comparison, because
15 there's lots of -- lots of power flowing over this.
16 Irrespective of MISO, we've got power flowing through
17 here. Irrespective of anybody's contracts across this
18 there's power flowing across. It's part of an
19 interconnected system, and that number does not represent
20 what's called the available transfer capability from MISO
21 to Aquila. The available transfer capability is a lot
22 lower than 1,200 megawatts.

23 All right. So I -- but the reason I put
24 the diagram in, I could not get the available transfer
25 capability numbers. They have to be run under certain

1 models to determine them. Neither SPP nor MISO tend to
2 run those models anymore because they do -- they do a
3 different kind of modeling than the old -- than what's
4 called ATC type of modeling, and so they -- those aren't
5 very available or I would have added those numbers in, but
6 I put this in just to show what -- what the restrictions
7 were.

8 Q. What is AECI's relationship with MISO?
9 They're not a member of MISO. They're their own entity,
10 are they not?

11 A. That's correct, they are not a member of
12 MISO. They are, as you would -- we can use the word
13 standalone to describe AECI, would be a proper word to
14 describe them. The relationship to MISO is that they have
15 to coordinate with MISO on a day-to-day basis. With FERC
16 Order 890, they're going to have to start coordinating
17 with both MISO and SPP on transmission planning.

18 That coordination was actually entered into
19 terms of what we call a seams agreement, the operational
20 control, in a seams agreement, but that seams agreement
21 was really with TVA, and AECI -- TVA is the security
22 coordinator for AECI. So there's -- MISO entered into a
23 seams agreement that has to do with providing information
24 on a daily basis, coordinating those types of things with
25 TVA, and since TVA was the person controlling that

1 information for AECI, that information is coordinated with
2 MISO. So on an operational basis, they are coordinated,
3 both real-time and I think day-ahead, short-term planning.

4 Q. Do these numbers change if -- if Ameren's
5 status with MISO changes?

6 A. Yes.

7 Q. Can you explain how they would change?

8 A. Well, yeah. The 12 -- instead of MISO RTO,
9 it would be AmerenUE. It's that -- basically that simple.

10 Q. So what would the number be, if assuming --

11 A. The number --

12 Q. -- if you make the assumption that Ameren
13 is no longer a member of MISO, which there's been
14 discussion of that?

15 A. Then there's no interconnection between
16 Aquila and MISO at all.

17 Q. So the number would be zero?

18 A. The number would be zero.

19 Q. Zero tie lines?

20 A. Yeah.

21 Q. So could Aquila be a member of MISO at that
22 point?

23 A. Yes, they -- I think they could. What
24 happens is -- is MISO would have to what they call
25 dynamically schedule Aquila's load and generation into --

1 into MISO.

2 Q. Sounds expensive.

3 A. I don't know if it's expensive or not,
4 but -- but if that was the case, I'd really start getting
5 concerned about running over AmerenUE's system and AECI's
6 system and -- and all of that. Becomes a larger and
7 larger concern, but could they be a member? I think they
8 probably could. Well, let me give you an example.

9 Q. Well, what would be the impact? Would the
10 impact would reduce either net benefits or possibly create
11 a cost? You're going to have to --

12 A. It's going to create some problems. That
13 occurred when Com Ed in Chicago, that serves the Chicago
14 area, made the decision it was going to join PJM. Okay.
15 And in -- virtually was not connected to PJM, and
16 that's -- FERC says, okay, we'll allow you to do this,
17 folks. If you really want to do this, we'll allow you to
18 do it, but we want some really strong seams agreements
19 between MISO and PJM, okay, because if we don't -- if we
20 don't -- if you don't have good information, that's going
21 to hurt reliability flows. If you don't have certain
22 arrangements about the economics, that's going to hurt the
23 economics of the situation. So we want really strong
24 seams agreements.

25 And that's kind of where I'm coming from as

1 well here. You really need some strong seams agreements.
2 Well, this situation's even kind of worse because you have
3 this standalone entity that's kind of sitting there
4 between.

5 Q. So if Ameren's out of MISO, would that make
6 you more likely or less likely to be supportive of an
7 application of Aquila to join MISO?

8 A. Less likely.

9 Q. Even less likely?

10 A. Even less likely.

11 Q. The number of tie lines that go into SPP,
12 are those generally going to be interconnections with
13 other Missouri regulated utilities, Empire and KCP&L?

14 A. They actually had the breakdown in the data
15 that was sent as to who -- who these interconnections were
16 with. KCPL was a large number of these interconnections.
17 Were there some -- I don't remember whether West Star
18 provided some of these interconnections or not.

19 Q. Is West Star in SPP now?

20 A. Yes. I think West Star did provide some of
21 these interconnections, but I'd have to go back and look
22 at the document to see. Another entity that could have
23 provided some of those is -- there's a utility over in --
24 on the Kansas City, Kansas side of Missouri that could be
25 interconnected to Aquila as well.

1 Q. Well, with -- with some of the testimony
2 that we've had or some of the arguments that we've had
3 here at the Commission regarding Ameren's application to
4 either stay with MISO or to leave MISO, would you find --
5 would you believe it would be advisable to wait until that
6 decision is made before rendering a decision in this?

7 A. If -- if you were to support the Staff
8 position in this case, I don't think you need to wait. I
9 think you just turn it down now.

10 Q. Just deny it now?

11 A. Yeah, just deny it now. If you were
12 considering supporting the company's filing in this case,
13 I think it probably -- a better approach would be to
14 condition your approval on AmerenUE staying in. I mean,
15 you could wait, but why not just put that in as a
16 condition?

17 Q. All right. Let's talk about these
18 conditions. Page 36 of your rebuttal testimony is where
19 that starts. Can you kind of just walk me through the
20 conditions if -- if the Commission were to thank you for
21 your position and thank you for your testimony but were to
22 say we disagree and we will approve the application, walk
23 me through some of these conditions.

24 A. Okay.

25 Q. And in order of priority and importance --

1 A. Okay.

2 Q. -- if possible.

3 A. Well, probably the top priority item is the
4 one that's labeled No. 5, is the service agreement between
5 Aquila and MISO that prevents the transfer of transmission
6 rate setting for existing facilities from the Commiss --
7 the state commission, Missouri, to the FERC. And that was
8 in all of our previous, whether it was Kansas City Power &
9 Light or AmerenUE or Empire District Electric, that coming
10 up with that service agreement between the RTO and the
11 utility was a key component.

12 What that does is it basically makes a mark
13 in the ground at a certain point in time, and it says the
14 facilities that are serving this load before it went into
15 the RTO, those transmission facilities, the rates for
16 retail customers were set by the Missouri Commission for
17 that -- for those transmission facilities, and they will
18 continue to be set by the Missouri Commission for those
19 transmission facilities.

20 Now, you joining an RTO, you're joining in
21 a regional group. We know you're going to get benefit
22 from regional transmission facilities, facilities that are
23 built for the region. Yes, we understand we'll
24 participate in those, but those -- and yeah, our retail
25 load can benefit from it, but only to the extent that

1 there's a wholesale market occurring out there. And so,
2 yeah, FERC will set the rates for that, and those will be
3 determined in the SPP rates.

4 Q. All right. Now, this condition would be
5 consistent with Orders that we entered for Ameren, KCPL
6 and for Empire joining their respective RTOs?

7 A. That's correct.

8 Q. Okay. What do you see as next?

9 A. Well, I -- I hadn't prioritized these
10 before, but I knew that one was the No. 1 priority.
11 Probably the second one in my mind deals with the seams
12 agreements in this particular case. I think in -- you
13 know, there's some difficulty with this particular
14 condition.

15 Q. Are you talking about Item 2 or Item 6?

16 A. Item 6.

17 Q. Item 6?

18 A. Item 6. The seams agreements, and -- and
19 this would put this particular thing, I haven't -- we
20 haven't crafted the language for this one. This one is
21 going to be difficult to put together in terms of how do
22 you craft the language and what kinds of things do you put
23 in there that say, okay, now this condition's met. Okay.
24 This one's more difficult in that context.

25 Q. Are there seams agreement --

1 A. Yes.

2 Q. -- portions in the other orders?

3 A. No, because seams agreements existed, okay,
4 and -- and were sufficient. The companies committed to if
5 they didn't have those seams agreements, they committed --
6 RTO committed to work on those. Okay. For example, in
7 UE, there was a commitment by MISO to work on a seams
8 agreement with AECI. I mean, it was a concern. Here to
9 me it became a bigger concern.

10 Q. But they haven't made that commitment like
11 they had in the other?

12 A. No. They made the commitment in the other.
13 They could make the commitment here to improve the seams
14 agreements in however we might want to do that. We have a
15 position on it. Our position was that they need to move
16 towards an agreement that -- that -- that allocates how
17 much loading they can put on the other person's
18 facilities.

19 Okay. Right now that doesn't exist. We
20 can say okay -- for example, we can say here, MISO commits
21 to working towards that goal of getting that done, you
22 know, that type of thing. The problem is when you've got
23 two parties inv -- this is negotiation, by the way. You
24 think about it. How much can I load up your facilities?
25 How much can you load up my facilities? We're going to

1 negotiate over that. That's not just a simple thing.

2 And so how far you go depends upon what you
3 want to do in terms of that negotiation. So you might
4 require -- as we get into this, you might require a
5 schedule. MISO's going to need a schedule to meet with
6 AECI directly. They went through TVA. They got the
7 inform -- they got the basic seams thing addressed through
8 TVA. We don't think that's sufficient in this case. You
9 need to go further. So we would have to sit down and
10 address how much further you need to go, that type of
11 thing, if the Commission wanted to go forward with this.

12 Typically, in all the other cases we've had
13 agreement about the application. We agree you can join,
14 and then we sat down and over a period of several months
15 negotiated the conditions. Here, it's not the same.
16 We're saying, no, we disagree, you shouldn't approve the
17 application. So we haven't gone through that process yet.
18 That would probably be my No. 2.

19 Q. Go ahead. Sure.

20 A. I'm kind of torn at that point on the rest
21 of them, but three and four are very important for me.
22 Three says, look, if -- if MISO's administrative costs
23 start going up significantly and we put caps, we determine
24 what those caps were --

25 Q. Let me stop you right there. What -- with

1 MISO -- regarding MISO administrative costs, was there
2 such a condition placed on the Ameren Order --

3 A. No.

4 Q. -- and if so or if not --

5 A. No.

6 Q. -- has your experience with Ameren's
7 participation in MISO caused you to suggest this condition
8 here?

9 A. Actually, this condition came out in the
10 Empire and Kansas City Power & Light cases.

11 Q. Okay.

12 A. Okay.

13 Q. So just as the evolution of Missouri
14 utilities joining RTOs?

15 A. Part of the concern there was they were
16 moving from being an RTO without markets to being an RTO
17 with markets, and we had estimates of what those costs
18 were. We weren't sure where they were going to go. So we
19 put it -- we put a cap -- we wanted to cap that that said,
20 if you exceed that, you guys need to -- you need -- it
21 triggers a filing with the Commission. You need to let
22 them know that you've exceeded that, and whether or not
23 you stay in or stay out is -- is a question that you need
24 to address. And by the way, that was one of the reasons
25 for the interim approval. At this point we probably

1 have -- well, we have a very good idea of what the energy
2 imbalance market for SPP is. MISO has a very good idea of
3 what their energy markets are. They are just now
4 implementing ancillary services market.

5 That's a big concern to everybody, how much
6 is it going to cost to run and operate this market? You
7 can say, well, don't you know what the costs are right
8 now? And the answer is yeah, you have a pretty good idea
9 of what the costs are going to be, but this market's going
10 to go into place in September of this year. If there are
11 problems, those problems won't get fixed without some
12 additional dollars being spent.

13 Q. Okay. Have the triggers -- have the --
14 have the costs triggered an additional filing with either
15 KCPL or Empire?

16 A. No.

17 Q. Not so far?

18 A. Not so far.

19 Q. And have administrative costs been an issue
20 thus far with Ameren that you're aware of?

21 A. That wasn't a part of the conditions, so we
22 really haven't been tracking it in Ameren. What we've got
23 instead was an agreement that they come in, come back
24 fairly quickly and submit a cost/benefit study, and that's
25 what they've done. So we're kind of beyond that in the

1 Ameren -- we're looking at the full-blown thing, not just
2 one side of it.

3 Q. Now, on Item No. 4, we're talking about
4 Aquila joining MISO on the same basis as other MAP
5 utilities that are not now members without Aquila
6 incurring any MISO exit fees?

7 A. Yes.

8 Q. Help me understand. I know what an exit
9 fee is. I know what you're talking about with MAP
10 utilities. I understand them not being members of MISO
11 has to do with a certain degree of treatment after MISO
12 has been in existence for some time. But help me
13 understand what -- what we're talking about here and a
14 little bit of history.

15 A. Okay. Probably the best way to understand
16 at least the exit fee portion of this is -- and I'll just
17 take an example. AmerenUE, who's already a member of
18 MISO, if it wants to leave its current membership in MISO
19 and come in as one of these -- well, I use the word MAP --
20 well, with the MAP utilities is why it was set up, but
21 come in on a different basis, it's very likely that MISO
22 would sit down and say, yes, but here, since you are going
23 to not be incurring these costs, and we've already
24 committed to those costs on your behalf, here is an exit
25 fee that would get --

1 Q. I follow that. Now, why is -- is Ameren a
2 MAP utility?

3 A. No.

4 Q. It is not. MAP is north?

5 A. Yes.

6 Q. Is that right?

7 A. This doesn't have anything to do -- I wish
8 I had --

9 Q. I know what an exit fee is. I understand
10 why that's there. Why are there utilities able to get in
11 MISO without exit fees, I guess is what I'm trying to --

12 A. Oh, with reference to this, is MISO said
13 that they have an agreement with Aquila. Aquila has
14 agreed to pursue joining MISO. Okay. And if Aquila did
15 not pursue that and did not fulfill its agreement, they
16 would have to pay MISO essentially an exit fee for not
17 doing that.

18 Okay. What I'm asking here is, that a
19 condition be that full consideration be given on the part
20 of MISO to Aquila joining in the same way that these
21 utilities up in the MAP region are now going to be allowed
22 to join MISO. Their agreement did not contemplate that.
23 Okay. But I think it's a very -- I think it's a very
24 critical item for Aquila because Aquila is on the very
25 boundary of MISO, and without getting into all the

1 different kinds of memberships that you might have there,
2 I don't -- I don't want -- if you decide they ought to
3 join MISO, I don't want MISO coming back and saying, well,
4 if you -- if you join, like, like these guys up in MAP,
5 we're going to still charge you an exit fee for it.
6 That's what I'm saying.

7 Q. I see. Okay.

8 A. The other item -- Items 1 and 2, the
9 interim approval for a period of seven years and the
10 follow-up cost/benefits study, we just view that as a
11 safety guard. What we're looking at right now is
12 estimates. Okay. Somebody asked me this morning, are
13 these -- will these estimates come true? And the answer
14 is no. An estimate's an estimate. It's going to be
15 wrong. It's the best thing that you've got at that time.
16 It's there for an interim approval is our view, and after
17 this period of seven years, you're going to have a much
18 better estimate of what the costs are.

19 For example, there was no way that we could
20 estimate financial transmission rate costs and revenues
21 and costs for Aquila in MISO. In the UE case, since UE
22 was already in, we had a history. We knew what -- we knew
23 what they were getting for financial transmission rates.
24 We won't know that until Aquila's in MISO and has been in
25 there for a while to get an estimate of that. So that's

1 where those two are kind of coming from.

2 Provision 7 is just a protection.

3 MISO's -- if they decide to withdraw -- I'm sorry. If
4 Aquila decides to withdraw from MISO or change the way in
5 which they're joining MISO, if they'd come in and let the
6 Commission know that and get the Commission approval for
7 that.

8 So it's just kind of a -- I'll tell you why
9 -- primarily why it's out there is what are called
10 independent transmission companies. Aquila could sell all
11 of its transmission assets to an independent transmission
12 company, probably not without the Commission's permission
13 to do that, but they could do that, or they could decide
14 to join an independent transmission company, not sell
15 their assets yet, and join MISO through that venue, and
16 that's just there to protect that, and that really covers
17 all the conditions.

18 Q. I've been advised that the excitement
19 upstairs in the ballroom is --

20 JUDGE WOODRUFF: Actually, it's in 315.

21 COMMISSIONER CLAYTON: Oh, in 315, right
22 out here?

23 JUDGE WOODRUFF: Yeah.

24 COMMISSIONER CLAYTON: It's going to begin
25 here pretty soon. I just have a couple more questions.

1 So you may miss the opening speech.

2 BY COMMISSIONER CLAYTON:

3 I want to talk about the merger application
4 that's also pending --

5 A. Okay.

6 Q. -- between KCP&L or Great Plains and
7 Aquila, and I think in your testimony you suggest that
8 there's a potential conflict if the -- if that merger were
9 to be approved, there would be a potential conflict with
10 Aquila being a member of MISO and KCP&L being a member of
11 SPP, and I was wondering if you can elaborate on that a
12 little bit and explain why that is?

13 A. Yeah. In my testimony, I -- I was
14 concerned about potential joint dispatch of generation,
15 but I think there's potentially a conflict there anyway.
16 And, for example, Aquila's a partner in the Iatan plant.
17 Okay. And if Aquila is in MISO and KCPL's in SPP,
18 something's going to have to be done to decide how much of
19 the Iatan plant gets dispatched vis-a-vis the SPP market
20 and how much of it gets dispatched versus the MISO market,
21 and that raises some potential issues and some potential
22 conflict. It can be handled. It can be dealt with, but
23 does it affect the benefits?

24 Q. That presumes that the two systems would be
25 then --

1 A. Separate.

2 Q. That they'd be separate or that -- would
3 they eventually be organized into one system?

4 A. Well, if they're eventually organized into
5 one system with the joint dispatch, I'd really have to
6 think through how then the transmission systems could be
7 in separate RTOs. I just don't think it's going to work
8 very well.

9 Q. Okay. So that would also make you less
10 likely to approve this application, if that merger were
11 approved?

12 A. I think -- yeah, I think it would make me
13 less likely to approve. I'm not very likely to recommend
14 approval anyway, so --

15 Q. I understand. So even less so. Lastly,
16 you mentioned that congestion would be a greater problem
17 if Aquila joined MISO. Maybe I should clarify. Economic
18 congestion would a problem with MISO. Can you explain
19 that with a little more detail for me?

20 A. Yes. See if I can try to explain it
21 very -- in a very short manner. If Aquila's in the
22 Midwest ISO, you're going to have dominant power flows
23 from east to west, MISO bringing imports into Aquila.
24 Aquila's the net buyer. So you're going to have dominant
25 east to west flows through the transmission system.

1 If on the other hand Aquila is in SPP,
2 okay, you will not have those dominant flows. You're
3 going to be, again, as an importer, you're going to be
4 importing a lot of energy from -- from the SPP utilities
5 who are west, so you're going to have more west to east
6 flows. Okay. Now, this is -- I'm simplifying this a
7 little bit, but -- but under those two scenarios, which of
8 those dominant east to west or dominant west to east flows
9 produces the highest level of congestion in and around the
10 Aquila area, and the answer is the dominant east to west
11 flows tend to do that, not the west to east flows. Now,
12 they both have congestion, but it's greater when they're
13 in MISO than it is when they're in SPP. Hope that helps.

14 COMMISSIONER CLAYTON: It does. I'm
15 stalling. Less time I have to go to the reception. But I
16 don't think I have any more questions. Dr. Proctor, it's
17 good to see you, thank you very much for your testimony.

18 JUDGE WOODRUFF: We'll take a break now.
19 We'll come back at 2:30.

20 (A BREAK WAS TAKEN.)

21 JUDGE WOODRUFF: Let's come to order. All
22 right. Welcome back from the 95th birthday celebration.
23 We'll begin. We had finished questions from the Bench for
24 Dr. Proctor, so we'll go to recross based on those
25 questions, beginning with Public Counsel.

1 MR. MILLS: No questions.

2 JUDGE WOODRUFF: All right. Dogwood?

3 RECROSS-EXAMINATION BY MR. LUMLEY:

4 Q. You were discussing the stakeholder
5 meetings with Commissioner Clayton. Just to clarify the
6 record, I'm correct that Dogwood was not a participant in
7 those stakeholder meetings; is that right?

8 A. That's correct.

9 MR. LUMLEY: Thank you.

10 JUDGE WOODRUFF: And for SPP?

11 MR. LINTON: No questions.

12 JUDGE WOODRUFF: KCPL? He's not back yet,
13 but I doubt he has any questions. Ameren?

14 MR. THROSSELL: No questions.

15 JUDGE WOODRUFF: City of Independence?

16 MR. ROBBINS: Yes, sir.

17 RECROSS-EXAMINATION BY MR. ROBBINS:

18 Q. Dr. Proctor, likewise, City of Independence
19 was not involved in those stakeholder discussions,
20 correct?

21 A. I believe that's correct, yes.

22 Q. Your rebuttal testimony listed Aquila,
23 Commission Staff, Office of Public Counsel, MISO and SPP
24 as the participants; is that correct?

25 A. That's my recollection, yes.

1 Q. And to your knowledge, is that a complete
2 list of the participants?

3 A. Yes, I think it is.

4 Q. In the context of the electric industry in
5 your experience or your understanding, is prudent
6 synonymous with optimal?

7 A. I would say no, but depends on your
8 definition of optimal, and optimal to some folks means
9 something like least cost or something along that line.
10 And the Commission in 1993 adopted a resource planning
11 rule in which it recognized the fact that when you're
12 looking on a forward basis, that there are lots of
13 alternatives that you need to evaluate in terms of the
14 future.

15 And while on an expected value basis you
16 could pick an optimal resource plan, okay, that it might
17 not be prudent to do that, and optimal meaning in that
18 context least cost. It might not be prudent to do that
19 because it may not be the best plan to implement in order
20 to manage the risks that you face as you go -- as you look
21 forward to the future.

22 Q. Now, similarly, do you review or get
23 involved in electric utility bilateral contracts, whether
24 they're for major purchase and sale transactions, joint
25 participation in power plants, things of that like -- of

1 that type?

2 A. Me personally or the Commission?

3 Q. Do you consider yourself familiar with
4 contracts like that?

5 A. Yes. From in the past with respect to
6 resource plans and resource planning, I was heavily
7 involved in that and from -- utilities would propose
8 contracts as a part of their resource plan, we would
9 review those, yes.

10 Q. And to your knowledge, do those contracts
11 typically contain a definition of prudent utility practice
12 or good utility practice?

13 A. I don't think we got down to that level of
14 detail. I don't know. The answer is I don't know.

15 Q. So you're not familiar with --

16 A. I'm not familiar.

17 Q. -- what one might consider a standard
18 definition of prudent utility practice?

19 A. That's correct.

20 Q. Now, in -- in connection with Aquila's
21 potential participation in the Midwest ISO, to your
22 knowledge has Aquila submitted a transmission service
23 request to the Midwest ISO?

24 A. I don't know the answer.

25 Q. Is it your understanding that just in terms

1 of process, when a customer submits a transmission service
2 request, the RTO has to undertake analysis of that
3 request?

4 A. That's correct.

5 Q. And so the first level of analysis is to
6 determine whether it has the capability to provide the
7 requested service?

8 A. That's correct.

9 Q. And if they determine that they may not be
10 able to provide the requested service, then at the
11 customer's request they'll go to the next stage and
12 undertake a further study to determine what kind of
13 upgrades might be needed?

14 A. That's correct.

15 Q. And to your knowledge, this hasn't occurred
16 in this instance?

17 A. I don't think they're requesting
18 point-to-point -- what you just described is
19 point-to-point transmission service, and I don't think
20 they're requesting point-to-point transmission service.

21 Now, the other question is if they would
22 join the Midwest ISO as a network service customer, is
23 that type of study performed for someone who wants to come
24 into the RTO and become a network service customer? Is
25 that the question?

1 Q. Yes. I was not specifically limiting my
2 question to point-to-point service requests.

3 A. I don't know whether they have or not.

4 Q. Is it your understanding that essentially
5 the same procedure applies to applications for network
6 service with respect to the designated network resources?

7 A. My familiarity with that process deals with
8 entities already in the RTO who are requesting to
9 designate new or changed resources as network resources.

10 Q. And at least in that instance --

11 A. They do perform a study, yes, same process
12 you described.

13 MR. ROBBINS: Thank you, Dr. Proctor. No
14 further questions, your Honor.

15 JUDGE WOODRUFF: MISO?

16 MR. BEALL: Just a few.

17 RECROSS-EXAMINATION BY MR. BEALL:

18 Q. Dr. Proctor, if you bear with me a little
19 bit longer here, I just have a couple of questions.

20 Commissioner Clayton asked you about the
21 three scenarios under the CRA study, and under that study,
22 it estimated that the -- that as compared with Aquila
23 today, Aquila would see a \$13.8 million cost reduction; is
24 that correct? Under -- I'm sorry. Under the SPP
25 scenario, SPP scenario compared with the standalone?

1 A. Is that a one year number? I'm not --

2 Q. I believe it is.

3 A. Is it 2000?

4 Q. Do you happen to have --

5 A. That sounds like a 2008 number for --

6 Q. And I believe it is.

7 A. -- net benefits for SPP. That's what that

8 sounds like to me.

9 Q. And I think we agreed earlier when we spoke

10 that there was a total production cost for Aquila of

11 roughly \$220 million. Do you remember that figure?

12 A. I remember that figure, yes.

13 Q. So \$13.8 million divided by about 220 would

14 be about 6 percent?

15 A. 6 percent, something in that range, yes.

16 Q. And do you think that's a reasonable level

17 in one year for Aquila to expect to see as far as a

18 decrease in its generation, net generation costs? And

19 this is assuming it will go into SPP.

20 A. I'm trying to put it in a context. You

21 asked the word reasonable. I'm trying to put it into a

22 context, and I can tell you the context I'm going to use

23 is the ICF study that was performed for MISO, and I'm

24 trying to remember the percentage number from that study,

25 but I think it was more in the 3 percent range overall, so

1 6 percent is above that level. This is all from memory,
2 which may not be all that great, but 6 percent in that
3 context may be a little bit high.

4 Q. Would that fall in the category of the
5 general discussion you had with Commissioner Clayton about
6 how these studies, these future-looking studies are not as
7 precise, and you understand that going in, and one reason
8 why you would recommend revisiting the cost/benefit
9 analysis at some point regardless?

10 A. Yes, that's correct.

11 Q. Now, one other thing I wanted to clear up.
12 You did have a discussion with Commissioner Clayton about
13 hurdle rates, and while I don't want to revisit all those
14 points, the only thing I wanted to nail down was, in the
15 handout I gave you to refresh your memory, we were talking
16 about the Aries generation, Dogwood generation levels, and
17 that was for 2008. Do you recall those discussions?

18 A. That's correct.

19 Q. Those numbers, the roughly 1,500
20 standalone, 1,500 gigawatt hours per year standalone,
21 1,400 approximately gigawatt hours standalone -- or I'm
22 sorry, Aquila in Midwest ISO and then the 231 gigawatt
23 hours total for 2008, were those what the model indicated
24 were the total output for the Dogwood plant production for
25 that year or was that just a proportionate amount, to your

1 knowledge?

2 A. To my knowledge, those numbers were totals.

3 Q. Total?

4 A. Yeah.

5 Q. One final point. You reiterated with
6 Commissioner Clayton your concerns about the
7 interconnection issues, especially those related to AECI.

8 A. Yes.

9 Q. In your opinion, is it easier to manage a
10 constrained transmission -- a constrained transmission
11 interface if that interface is within two RTOs as opposed
12 to one RTO?

13 A. I think I understand the question. If --
14 if a constraint involves an interface between two RTOs,
15 okay, then the RTOs' seams agreements will allow you to
16 manage that. Now, how you manage that depends upon the
17 seams agreement. I think you're comparing that to the
18 case where maybe you have an RTO interconnected to a
19 non-RTO --

20 Q. That's where I was going.

21 A. -- entity, like AECI for example, the
22 management -- that seam also requires -- or congestion
23 across that seam would require an agreement between the
24 RTO and the non -- the non-RTO.

25 Now, is it -- is it more difficult to

1 manage one versus the other? I kind of back up even
2 before that. Is it more difficult to get a seams
3 agreement? If you had the same seams agreement, you could
4 equally manage it under both situations. Is it more
5 difficult to get into a seams agreement with a non-RTO
6 that gives you the most effective management of that seam?
7 my answer is yeah, probably, it is.

8 Q. And is it fair to say the seams agreement
9 is the way to deal with these interface issues, these
10 interconnection interface issues at the seams?

11 A. I think the word seams agreement is used to
12 describe how you deal with these -- with several issues,
13 one of those being the interface, the interfaces between
14 neighbors, but there are other issues that are included in
15 the seams agreements as well.

16 Q. Right. And I understand that. I was just
17 trying to focus in on those you were talking about with
18 the Commissioner, and raising the practical issue of AECI
19 and how this potentially could create a situation where
20 you've got a non-RTO participant, AECI.

21 A. AECI.

22 Q. Thanks. And then under your
23 recommendation, an RTO on one side and then a different
24 RTO on another, so you've got multiple interfaces?

25 A. That's going to occur under -- whether

1 Aquila joins MISO or Aquila joins SPP. And the reason is
2 KCPL has a lot of interconnections with AECI. So that's
3 going to be a seam between the SPP and the AECI, that has
4 to be managed. If Aquila goes into SPP, then you're going
5 to be able to manage more seams from that side through SPP
6 with AECI. On the other side, if they go into MISO,
7 MISO's going to have to manage more seams with AECI than
8 it did before. That would be where AECI joins together
9 with Aquila, but you're still going to have people in SPP
10 that are -- it's just a question of where are you going to
11 move the most of these seams with AECI? They're going to
12 exist in either case.

13 Q. Where do you draw the line?

14 A. Yes. That's right.

15 MR. BEALL: Thank you, Dr. Proctor. That's
16 all I have.

17 JUDGE WOODRUFF: For Aquila?

18 MR. BOUDREAU: I have no further questions
19 for Dr. Proctor. Thank you.

20 JUDGE WOODRUFF: Any redirect?

21 MR. WILLIAMS: Yes, Judge.

22 REDIRECT EXAMINATION BY MR. WILLIAMS:

23 Q. Good afternoon, Mr. Proctor.

24 A. Good afternoon.

25 Q. Have the parties in this case had an

1 opportunity to provide input regarding the cost/benefit
2 study that CRA performed for Aquila in this case, for
3 purposes of this case?

4 A. Yes, they have.

5 Q. And have they done so?

6 A. They certainly have.

7 Q. And you testified, did you not, that Staff
8 had relied upon the CRA study that was performed for
9 Aquila in reaching its recommendations in this case?

10 A. That's correct.

11 Q. Did you rely on anything else besides the
12 study itself?

13 A. Absolutely. The -- and that's reflected
14 first in my rebuttal testimony, which said the
15 recommendation was conditioned upon seeing further results
16 that I knew the Midwest ISO was having performed, and they
17 performed those results and submitted them probably about
18 a month later after we had filed rebuttal. They filed
19 supplemental rebuttal testimony.

20 And subsequent to that filing, I spent a
21 significant amount of time, I would say, whatever that
22 means, reviewing the work that they had done, and as I
23 stated earlier, I really appreciate that work. I think it
24 -- I think it helped to -- helped us all to understand
25 better the initial CRA analysis. And what I was looking

1 for in particular was whether or not what had been done
2 would change what my recommendation was, and so I -- I
3 relied on that in making that decision, and my decision
4 was not to change my recommendation.

5 MR. WILLIAMS: No further questions.

6 JUDGE WOODRUFF: All right. Dr. Proctor,
7 you can step down.

8 The next two witnesses then are both for
9 Dogwood. Is Mr. Janssen here?

10 Good afternoon.

11 (Witness sworn.)

12 JUDGE WOODRUFF: You may be seated. You
13 may inquire.

14 MR. LUMLEY: Thank you, Judge.

15 ROBERT JANSSEN testified as follows:

16 DIRECT EXAMINATION BY MR. LUMLEY:

17 Q. Would you state your name for the record,
18 please.

19 A. Robert Janssen.

20 Q. By whom are you employed?

21 A. Kelson Energy.

22 Q. In what capacity?

23 A. I am a vice president with Kelson, and I am
24 the president of Red Bud Energy, which is a subsidiary of
25 Kelson.

1 Q. And what's the connection between Kelson
2 and Dogwood, the party in this case?

3 A. Kelson is the direct owner of Dogwood.

4 Q. Did you cause to be prepared and filed in
5 this case rebuttal and surrebuttal testimony that's been
6 marked as Exhibits 15 and 16?

7 A. Yes, I did.

8 Q. Do you have any corrections today?

9 A. No, I don't.

10 Q. If I asked you the questions set forth in
11 that prefiled testimony today, would your answers be
12 substantially the same?

13 A. Yes, they would.

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

16 A. Yes, they are.

17 MR. LUMLEY: Judge, I would move the
18 admission of Exhibits 15 and 16 and tender the witness for
19 cross-examination.

20 JUDGE WOODRUFF: 15 and 16 have been
21 offered into evidence. Are there any objections to their
22 receipt?

23 (No response.)

24 JUDGE WOODRUFF: Hearing none, they will be
25 received.

1 (EXHIBIT NOS. 15 AND 16 WERE MARKED FOR
2 IDENTIFICATION AND RECEIVED INTO EVIDENCE.)

3 JUDGE WOODRUFF: All right. For cross
4 examination, we begin with Staff.

5 MR. WILLIAMS: No questions.

6 JUDGE WOODRUFF: Public Counsel?

7 MR. MILLS: No questions.

8 JUDGE WOODRUFF: SPP?

9 MR. LINTON: No questions.

10 JUDGE WOODRUFF: KCPL?

11 MR. DORITY: No questions.

12 JUDGE WOODRUFF: Ameren?

13 MR. THROSSELL: No questions.

14 JUDGE WOODRUFF: City of Independence?

15 CROSS-EXAMINATION BY MR. ROBBINS:

16 Q. Good afternoon, Mr. Janssen.

17 A. Good afternoon.

18 Q. Alan Robbins on behalf of the City of
19 Independence. To your knowledge, are transmission service
20 requests from time to time denied by SPP due to
21 unavailability of available transmission?

22 A. Yes, they are.

23 Q. Does that occur with some frequency, to
24 your knowledge?

25 A. I suppose it depends on how you define

1 frequency, but SPP makes publicly available records,
2 particularly at their board meetings, which I'm a member
3 of. Actually a member of the members committee that
4 advises the board, and they make those statistics
5 available on a quarterly basis.

6 And SPP obviously does have a significant
7 proportion, like I believe most transmission providers do,
8 a significant proportion of requests that are not
9 approved, and there are a variety of reasons for that, but
10 that is the case.

11 MR. ROBBINS: Thank you. No further
12 questions.

13 JUDGE WOODRUFF: And from MISO?
14 CROSS-EXAMINATION BY MR. BEALL:

15 Q. Good afternoon, Mr. Janssen. I'm Keith
16 Beall, one of the attorneys for Midwest ISO.

17 A. Good afternoon.

18 Q. Let me pick up where Mr. Robbins just left
19 off. You said you review the quarterly reports but you
20 don't recall the number of times that transmission
21 requests were denied in SPP?

22 A. I don't recall the percentage.

23 Q. Mr. Janssen, SPP does not have a
24 centralized or optimized unit commitment; is that correct?

25 A. It does not. Each individual utility or

1 balancing authority control area is another word for it,
2 they still currently schedule all their own generation or
3 all the generation under contract to be online to optimize
4 their own operations as opposed to the operation of the
5 pool as a whole.

6 Q. And there's no day-ahead congestion
7 management system in the SPP; is that correct?

8 A. Not the way you would think of it as, say,
9 MISO has a day-ahead energy market. I mean, there is
10 day-ahead, week-ahead, long-term-ahead congestion
11 management in the term of approving schedules that are
12 feasible or not schedule. That's how you deal with the
13 reliability of that until you get up to real-time in this
14 case, and then in real-time you would have a real-time
15 congestion management process in addition to the potential
16 for curtailing schedules in SPP.

17 Q. Since you indicated familiarity with --
18 with SPP markets, sounds like you did quite a bit of work
19 there, then you're familiar with the TLR process?

20 A. Yes, I am.

21 Q. And that's -- that's the method SPP uses to
22 manage congestion is using TLRs, calling TLRs?

23 A. Yes and no. They do use TLRs. The way
24 they use TLRs today is different than the way they were
25 used prior to the start of the market.

1 JUDGE WOODRUFF: If I can interrupt for a
2 moment? You keep using that term, TLR. What is that?

3 THE WITNESS: Transmission loading relief.
4 It's a NERC process which ensures the reliability of the
5 transmission system by making sure sets of transmission
6 lines that are grouped together for reliability purposes
7 aren't overloaded by too much power flow on those lines.

8 JUDGE WOODRUFF: Thank you.

9 MR. BEALL: My apologies, your Honor.

10 THE WITNESS: And so, yes, SPP still uses
11 the TLR process because they still have physical schedules
12 as opposed to what you might call solely financial
13 schedules for transmission service. However, the TLRs
14 currently work as both a trigger for the SPP market to run
15 its congestion management through an optimized economic
16 process, as well as potentially curtailing schedules when
17 it's needed for feasibility purposes.

18 BY MR. BEALL:

19 Q. Now, are the number of TLRs something
20 that's also reported quarterly that you'd review as part
21 of your responsibilities?

22 A. Yes.

23 Q. And isn't it true that there are a very
24 significant number of TLRs called on the SPP system?

25 A. Yes, that's true. They jumped dramatically

1 since the start of the market, but that's part of the
2 process that I've already described. The actual amount of
3 curtailed schedules has not increased year on year, you
4 know, from 2006, 2007, now to 2008 appreciably that I'm
5 aware of, but the number of TLRs has dramatically, and
6 it's largely because SPP is actively using that congestion
7 measurement process built into the real-time market to
8 manage congestion.

9 Q. Now, let's -- let me turn your attention to
10 your testimony, and let's start with your rebuttal
11 testimony. On page 3, turn to page 3. Are you with me?

12 A. Yes, I am.

13 Q. Okay. Line 17, one of your recommendations
14 that you make to the Commission is order Aquila to take
15 all actions necessary to join SPP. Do you see that line?

16 A. Yes, I do.

17 Q. If the Commission were to do what you
18 recommend, is it your belief that Dogwood dispatch would
19 dispatch as generation the same amount that it has, let's
20 say, compared to 2007, which I believe you've testified
21 was roughly around 800 gigawatts, gigawatt hours?

22 A. No. I would expect it to change.

23 Q. Okay. Go up or go down?

24 A. I would expect it to go up.

25 Q. And how high?

1 A. I don't know for sure how high. My
2 benchmark would be, you know, the generating unit that we
3 currently have in SPP, the Red Bud facility, which I'm the
4 general manager and president of. It has seen about
5 5 percent to 6 percent of its energy output now going
6 through the energy imbalance market, and that's on a net
7 basis because we'll buy and sell on the energy market, as
8 opposed to being scheduled a day ahead. So if that's an
9 indication, you know, we might see the same amount, but I
10 don't have an estimate of that.

11 Q. But your expectation is it would increase
12 above the roughly 800 gigawatt hours?

13 A. Yes, and the 800 is -- well, I think in my
14 testimony I talked about the April or May to October/
15 November time frame maybe and it was 700 some thousand
16 megawatt hours or 700 some gigawatt hours. So that's a
17 partial year, but yes, above that amount. Certainly that
18 would be my hope.

19 Q. Well, you caused me to take a little side
20 trip. Your objective is to make money for your
21 shareholders, is it not?

22 A. Certainly. I would think any -- any entity
23 that's a for-profit business would have that as a primary
24 motive.

25 Q. I was pretty certain you were going to

1 answer that way, especially with you being under oath, and
2 I appreciate that.

3 In your testimony you're a strong supporter
4 of the CRA study that's been presented by Aquila in this
5 matter, are you not, the results of that?

6 A. I believe it can be relied upon for this
7 particular case. Outside of this case, I haven't
8 independently verified the results, but, you know, to me,
9 it looks like a study that you can use to do some
10 sensitivities and look at what would happen in different
11 scenarios and has applicability here.

12 Q. And I realize you just recently arrived, so
13 I can't ask you if you've heard earlier testimony. But
14 have you looked at the CRA study in some detail, well, to
15 know what the results were, what the predictions were for
16 the Dogwood plant?

17 A. Yes. I've read through the study. All the
18 detailed study work was conducted by Dr. Jonathan Lesser,
19 which is why we brought him into the proceeding. I didn't
20 do it myself and go through all the details that were
21 available, but yes, I'm familiar with the study and the
22 results.

23 Q. And do you recall the results for 2008
24 indicating that the Dogwood plant would be dispatched only
25 up to 230 gigawatt hours?

1 A. I saw that that was a result that was much
2 discussed and disputed among parties about how the Dogwood
3 output would change between being in MISO versus --
4 between Aquila being in MISO versus Aquila being in SPP or
5 even in standalone.

6 Q. Okay. And let me clarify. I think you and
7 I are on the same wavelength, but for the sake of the
8 record, the 230 gigawatt hours was under the Aquila and
9 SPP scenario; is that correct?

10 A. Yes, that's correct.

11 Q. Well, I'm somewhat confused because I just
12 heard you tell me you thought you were going to be doing
13 much better this year. Let me ask you, how are you doing
14 so far this year? We're into April. Is that a figure
15 that you know and can share, the gigawatt hours that
16 Dogwood has produced up to this point?

17 A. Yeah. I actually reviewed that yesterday
18 before I came, assuming someone would probably want to ask
19 me that question.

20 Q. Glad I'm not disappointing.

21 A. Let me talk about it in a, I will say the
22 beginning of our ownership to today. Calendar year is
23 kind of difficult to talk about since we really started
24 out last May. Since last May through this April so far
25 and what I would estimate our output to be for this April,

1 we've actually beat all generation output for calendar
2 years previously. Will be slightly over a million
3 megawatt hours.

4 So far this year, you know, we've run
5 heavily due to outage season, plant outage season in March
6 and April, about a 100,000 megawatt hours a month. And
7 that'll all be public at some point in time when we file
8 our QRs, et cetera, at FERC.

9 Q. So is there a cumulative amount? Would I
10 take the 100,000 times four for the last -- we haven't
11 gotten through April yet. I'm being optimistic for you,
12 but would that be 100,000 for January, February, March?

13 A. No. It was -- we were slightly over
14 100,000 megawatt hours in March. We are running similarly
15 in April, although we expect to pick up toward the end of
16 April based on arrangements we're making now, so probably
17 something north of 107,000 megawatt hours in April, and at
18 this point I can't make projections for May and going out
19 farther. But that's why I look at it from last May
20 through what I can estimate through the end of this year
21 is slightly over a million megawatt hours.

22 Q. And if I'm following you, that's a rolling
23 12-month number?

24 A. Rolling 12 months, that's correct, from
25 when we consider we started up, May 1 last year.

1 Q. And as I read your testimony, I understood
2 your recommendation to be Aquila join SPP and your belief
3 that you would be able to sell more if Aquila is in the
4 SPP RTO; is that correct?

5 A. Yes. I think the second part of that I
6 actually said today, but it's all part of my testimony, so
7 I'll say yes as a general rule, it's all that.

8 Q. So if the Commission were to not take up
9 your invitation and grant Aquila the request it's made to
10 join the Midwest ISO, do you believe that Dogwood would be
11 dispatched less -- let's just do the same three, the same,
12 less or more?

13 A. Well, there are two other scenarios. One
14 is Dogwood going into the MISO and then Dog -- or not
15 Dogwood -- yeah, sorry, Aquila going into the MISO and
16 Aquila standing alone. It is tough to tell. Both of
17 those other situations result in what I feel are
18 constrained or congested markets. As a policy, I do not
19 want power plants in constrained or congested markets,
20 because it both limits my access to customers and
21 customers' access to me. I want a broad, competitive,
22 sustainable market.

23 If I'm in a situation where one of my
24 plants really has to rely on one purchaser, I kind of get
25 into a monopsony scenario. Even though I may have extra

1 leverage for that one purchaser, they have extra leverage
2 against me, and I can't tell you for sure how that's going
3 to turn out. There's a lot of risks and uncertainty that
4 go along with that, so I can't tell you for sure.

5 What this study does indicate is that,
6 against a baseline, you know, I could have more sales than
7 some baseline here if MIS -- if we went into MISO or we
8 went into Aquila standalone. That's also because you're
9 in a capacity short situation. There's a lot of
10 uncertainties there, as opposed to having access to a
11 wider market that you can sell to and have more customers,
12 which is one of the reasons why I think we see things a
13 little bit differently when it comes to SPP -- Aquila and
14 SPP.

15 Q. Okay. And you touched on a couple things I
16 was going to get to that may allow me to shortcut some of
17 my questions. I believe I heard you say, and recognize
18 that the CRA study did show that the Dogwood plant would
19 be more profitable if Aquila was in the Midwest ISO versus
20 SPP; is that correct?

21 A. And I have the piece of paper that I think
22 you're referring to. My attorney very wisely gave it to
23 me to take a look at. And I believe there are margin
24 numbers on here. I don't recall. I mostly focused on the
25 generation. The generation difference is quite striking.

1 However, just looking at generation, it doesn't give you
2 the full picture of revenue because there's both energy
3 revenues as well as capacity revenues.

4 Q. Are you saying you didn't see the margin
5 numbers? I'd be happy to point it out.

6 A. If we go down, you represent to me that
7 that margin number, the 3.7 in 2008 standalone, 4.4 versus
8 2008 in MISO, versus 3.1 in 2008 in SPP, then I see those
9 numbers.

10 Q. Okay. And that's what I'm referring to.
11 This is actually a work paper, I don't know if counsel
12 told you, work paper provided by witness Lucianni.

13 A. Okay. I did not know that.

14 Q. This is something beyond me. I'll readily
15 confess that. But these are his results, and if I'm
16 reading it correctly, it shows that -- that the Dogwood
17 unit would be more profitable in MISO. Is that the way
18 you're reading it?

19 A. Under these assumptions and the conditions
20 under which this study was run, that's correct.

21 Q. And again, that's a study that you agree
22 with and support and say the Commission should order
23 Aquila into SPP on; is that correct?

24 A. Well, I don't limit my support of the move
25 into SPP as opposed to MISO just based on this study. I

1 think there are a lot of other important factors, but for
2 the purposes of this proceeding, I think this is a good
3 study that gives some good indicators and is a good tool
4 for making decisions in this case.

5 Q. I guess I would be remiss if I didn't ask
6 the same question of you that I've asked of other
7 witnesses. It's correct, is it not, that Dogwood does not
8 have any contractual arrangement with Aquila currently?

9 A. Not that I'm aware of. Obviously we do
10 sell power to Aquila from time to time. I am not aware
11 that we have any power sales arrangements signed up with
12 them today.

13 Q. Is there somebody other than you that would
14 be aware or is it something that you would be aware of if
15 it existed?

16 A. I would be aware of something if it were
17 signed, most likely. I mean, my commercial director for
18 SPP has a much better handle than I do on potential deals
19 that are farther out that our energy marketers are working
20 on. Of course, the energy marketers know the intimate
21 details of everything that we're working on.

22 Q. When you say detail -- things that are
23 further out, you're talking about things that are
24 potentially in the negotiation phase right now?

25 A. Yeah. I mean, just as an example, we use

1 West Star for energy marketing for SPP for both of our
2 clients. And West Star is talking every day to Aquila, to
3 OG&E, everybody, about what the offered prices are, to
4 purchase what we're going to sell at, et cetera, and I
5 hear sometimes, somebody bid this, somebody bid that, it
6 was good, it wasn't good, and we're selling, we're not
7 selling. But as of right now, for example, I don't
8 know -- I have no knowledge that Aquila is stepping up to
9 buy, say, one of Dogwood's trains for the summer.

10 Q. I've got to ask. You said you are the
11 president of Red Bud. Is it Red Bud Energy, LP?

12 A. Yes.

13 Q. And isn't it true that at one point in time
14 Red Bud was the owner of a plant down in Oklahoma?

15 A. It still is, yes.

16 Q. It still is. Is there a deal pending right
17 now where Red Bud is attempting to sell that plant?

18 A. Yes. In general terms, I won't go into the
19 nuances of the transaction, but OG&E, Oklahoma Gas and
20 Electric, and a municipal authority and state power
21 authority approached us about selling Red Bud to those
22 entities. As a result of -- I won't get into details, but
23 yes, we've signed a deal to sell Red Bud, and we're
24 currently in the transition and going through regulatory
25 approval processes as well as the transition to make that

1 happen.

2 Q. And I certainly don't want to ask you about
3 the latter, the regulatory approval process. I'm more
4 interested in the former. The details of the deal have
5 been made public, have they not?

6 A. Some of them have, yes.

7 Q. And particularly the selling price?

8 A. Yes.

9 Q. And I believe the selling price, as I read
10 the trade press, is about \$852 million, is that --

11 A. That's correct, plus or minus purchase
12 price adjustments.

13 Q. And that is for -- the plant has an output
14 of 1,200 megawatts?

15 A. Nominal, yeah, plus or minus depending on
16 the season.

17 Q. I'm going to have you do a little math
18 here. If I take the 852 and divide it by \$1,200, I come
19 out with about \$693 per megawatt.

20 A. Yes.

21 Q. Does that sound about right?

22 A. Yes. I think based on our most recent
23 capacity test, which OG&E did as part of their due
24 diligence, the best numbers that I've seen recently to use
25 are 11.95 summer rating and 12.70 winter rating. So you

1 can look at it on a seasonal basis if you choose.

2 Q. Well, I'm going to come full circle back to
3 your making profits for your shareholders. I'm assuming
4 that's making a hefty profit for your shareholders by
5 selling that plant, that's the reason why you-all are
6 doing it?

7 A. You can assume that. I'm not at liberty to
8 give you any indication one way or the other.

9 Q. I won't get into that. And again,
10 that's -- you recently bought the Dogwood plant here a
11 couple years ago, did you not?

12 A. We did, yes.

13 Q. And that purchase price, again a public
14 number, it was through a bankruptcy proceeding, so it was
15 public, was \$234 million. Does that sound about right?

16 A. I'm not sure. I'm more familiar with
17 approximately what it would translate to in a dollar per
18 kilowatt number. I'm not sure of the actual dollar
19 amount.

20 Q. Well, now I can't have you do the math.
21 Well, I can ask you about the output of the plant, which
22 is 580 to 600 megawatts; is that about right?

23 A. Nominally, yes, approximately.

24 Q. And if I'm correct on the purchase price
25 number, I come up with a number of \$397 per kilowatt?

1 A. That's close. I've been using a rule of
2 number of about \$400 a KW.

3 Q. So the sale of the Red Bud plant was well
4 above your target number of \$400 a KW?

5 A. I wouldn't say they're comparable, but yes.

6 Q. Is it fair to say that Kelson's strategy is
7 buy low, sell high if you can?

8 A. I don't think there's any debate that what
9 we've said publicly is that we are a distressed asset
10 workout company, at least at this point in time. You
11 know, the people at Kelson have gone through a variety of
12 phases from developing coal plants to developing gas
13 plants to now buying assets that exist, you know, given
14 certain distressed asset opportunities. I'm sure that
15 will change again, but that is what we do today.

16 Q. And one of your motivations to get the best
17 bang for your investment would be to look to have the
18 plant situated in an area where it could generate the most
19 money; is that a fair statement?

20 A. That's a fair statement. But we're talking
21 a lot about money, and there are other concerns that come
22 into that. I'd say first of all, anybody who just chases
23 the dollar is missing the point and likely to get into
24 trouble, as we've seen with Enron and others and all the
25 litigation in California.

1 I mean, the whole point is to, particularly
2 in the utility industry, with electric power plants, is
3 make a reasonable return. If you get too high, you run
4 into problems. You can't gouge people without running
5 into trouble and winding up in litigation for a decade.

6 So I mean, I would say we're about getting
7 the most value reasonably that we can for our
8 shareholders, and part of that is, you know, trying to get
9 our plants into markets that I would say are sustainable,
10 broad-based, competitive with reasonable opportunities for
11 our plants to compete.

12 That's really the fundamental reason why
13 they're built and why they are situated where they are is
14 because the original owners thought there was an
15 opportunity to compete, and it may or may not have arisen,
16 and where it didn't we usually see opportunities to buy
17 plants at less than -- less than a market value that they
18 might eventually achieve.

19 Q. But at the end of the day, you're in
20 business to make money, are you not?

21 A. We are in business to make money, just like
22 any other firm is, yes.

23 MR. BEALL: Thank you, Mr. Janssen. That's
24 all I have.

25 JUDGE WOODRUFF: Cross-examination from

1 Aquila?

2 MR. BOUDREAU: Yes, just a few questions.

3 CROSS-EXAMINATION BY MR. BOUDREAU:

4 Q. Good afternoon, Mr. Janssen. Mr. Beall
5 covered at least one of the topics I was going to, so that
6 kind of narrows things down for me.

7 I was looking at your testimony, and
8 Mr. Beall asked you what Dogwood recommends to the
9 Commission in this case. I'm going to your testimony.
10 The recommendation is that --

11 A. Which testimony?

12 Q. Your rebuttal testimony.

13 -- is that the Commission should require
14 Aquila to join SPP. You are aware, are you not, sir, that
15 this case is positioned before the Commission as an
16 application by Aquila to join MISO? It's not a joint app
17 -- or a multiple choice sort of application. There's a
18 request before the Commission to join MISO. Do you
19 understand that?

20 A. I understand that's the way Aquila has
21 positioned the case, that's correct.

22 Q. Also, referring to basically the same
23 portion of your testimony, you make a passing reference to
24 what I believe to be the commitment that Aquila has made
25 to MISO in the context of a FERC settlement; is that

1 correct?

2 A. That's correct.

3 Q. So you are aware that there is a commitment
4 that's been made in the context of that case?

5 A. Yes, I'm aware of it, you know, as I
6 believe Mr. Odell described it, that Aquila has a
7 commitment to pursue participation in MISO.

8 Q. Very good. Thank you. And also, just
9 occurs to me that -- and it should have occurred to me
10 sooner. We've got the Dogwood plant and we've got the Red
11 Bud plant. I take it somebody at Kelson is a fan of
12 flowering trees?

13 A. If you really want the story, I can give
14 you the story.

15 Q. Probably not. Probably not appropriate on
16 the record.

17 MR. BOUDREAU: That's all the questions I
18 have for this witness. Thank you.

19 JUDGE WOODRUFF: Come up for questions from
20 the Bench, then. Commissioner Clayton?

21 COMMISSIONER CLAYTON: No questions. Thank
22 you.

23 JUDGE WOODRUFF: Commissioner Jarrett?

24 COMMISSIONER JARRETT: No questions.

25 JUDGE WOODRUFF: All right. No need for

1 recross. Any redirect?

2 MR. LUMLEY: I'm tempted to delve into the
3 tree issue, but no redirect.

4 JUDGE WOODRUFF: Well, thank you,
5 Mr. Janssen. You can step down, and you are excused.

6 THE WITNESS: Thank you, your Honor.
7 (Witness sworn.)

8 JUDGE WOODRUFF: You may inquire.

9 MR. LUMLEY: Thank you, Judge.

10 JONATHAN LESSER testified as follows:

11 DIRECT EXAMINATION BY MR. LUMLEY:

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

14 A. Jonathan Lesser.

15 Q. By whom are you employed?

16 A. I'm employed by Bates White Consulting Firm
17 in Washington, D.C.

18 Q. On whose behalf are you testifying in this
19 case?

20 A. I am testifying on behalf of Dogwood
21 Energy.

22 Q. Did you cause to be prepared and submitted
23 into this case record the surrebuttal testimony that's now
24 before you and which has been marked Exhibit 17?

25 A. Yes, I did.

1 Q. Do you have any corrections to that
2 prefiled testimony today?

3 A. No, I don't, sir.

4 Q. If I asked you the questions contained in
5 that prefiled testimony today, would your answers be
6 substantially the same as set forth in this testimony?

7 A. Yes.

8 Q. And are those answers true and correct to
9 the best of your information, knowledge and belief?

10 A. Yes, sir, they are.

11 MR. LUMLEY: Your Honor, I move admission
12 of Exhibit 17, tender the witness for cross-examination.

13 JUDGE WOODRUFF: 17 has been offered into
14 evidence. Are there any objections to its receipt?

15 (No response.)

16 JUDGE WOODRUFF: It will be received.

17 (EXHIBIT NO. 17 WAS MARKED FOR
18 IDENTIFICATION AND RECEIVED INTO EVIDENCE.)

19 MR. LUMLEY: Thank you.

20 JUDGE WOODRUFF: Cross-examination,
21 beginning with Staff.

22 MR. WILLIAMS: No questions.

23 JUDGE WOODRUFF: Public Counsel?

24 MR. MILLS: No questions.

25 JUDGE WOODRUFF: SPP?

1 MR. LINTON: No questions.

2 JUDGE WOODRUFF: KCPL?

3 MR. DORITY: No questions.

4 JUDGE WOODRUFF: Ameren?

5 MR. THROSSELL: No questions.

6 JUDGE WOODRUFF: City of Independence?

7 MR. ROBBINS: No, sir.

8 JUDGE WOODRUFF: MISO?

9 MR. COMLEY: Yes.

10 CROSS-EXAMINATION BY MR. COMLEY:

11 Q. Dr. Lesser, my name is Mark Comley, and I
12 represent Midwest ISO in this matter.

13 A. Good afternoon.

14 Q. If you would, would you turn to page 5 of
15 your surrebuttal testimony? And with respect to your
16 qualifications, you discuss the cost/benefit analysis. Is
17 that a fair reading of your testimony there?

18 A. Yes, it is.

19 Q. And would you tell me, is there a
20 difference between a benefits/cost analysis and a
21 cost/benefits analysis?

22 A. Some people might think there is. A
23 benefit/cost analysis is more of a -- I guess a more
24 theoretical application of economic -- basic economic
25 fundamentals. Some folks, including my former

1 cost/benefit analysis professor, thought that cost/benefit
2 analysis as he referred to it was just adding and
3 subtracting numbers.

4 Q. Have you written about benefit/cost
5 analysis yourself?

6 A. On some aspects, yes, I have.

7 Q. Let's turn to page 9 of your surrebuttal.
8 On that page, I think you comment on Mr. Pfeifenberger's
9 position about proper allocation of the uplift costs or
10 the \$15 million. Is that a correct reading of your
11 testimony?

12 A. Yes, it is.

13 Q. To start my questioning, would you agree
14 that it's Mr. Pfeifenberger's position that those uplift
15 costs should not be allocated to Aquila because those
16 costs would be shared by all Midwest ISO participants? Is
17 that a fair reading of his position?

18 A. I believe it is, yes, sir.

19 Q. So isn't it true that the uplift cost
20 Mr. Pfeifenberger identified would not be paid just by
21 Aquila if it joined Midwest ISO?

22 A. That's correct. Uplift costs are shared.

23 Q. They would be shared by all the Midwest ISO
24 participants; is that correct?

25 A. That's correct. And additional uplift

1 costs that were incurred by, say, other existing MISO
2 participants could be paid by Aquila.

3 Q. Could be?

4 A. Yes.

5 Q. But in the setting that we're talking
6 about, as I understand your testimony, you would agree
7 with Mr. Pfeifenberger that those uplift costs would be
8 allocated among MISO -- or Midwest ISO participants?

9 A. That's correct.

10 Q. Now, your surrebuttal indicates, and I
11 think it's your position, that the uplift costs should be
12 assigned to Aquila in this cost/benefit analysis; is that
13 correct?

14 A. No, sir, it's not.

15 Q. It's not. And you would agree with me that
16 this cost study would only be used to determine Aquila's
17 costs and not the costs of the MISO -- Midwest ISO
18 participants?

19 A. I'm not sure I understand your question.

20 Q. Would it be fair to say that the CRA study
21 was designed to compute Aquila's costs and not the costs
22 of other MISO or other SPP participants?

23 A. Well, I'm not sure if that's really true.
24 The CRA study was a cost/benefit analysis looking at
25 whether Aquila -- the costs of Aquila's joining MISO,

1 Aquila's joining SPP or remaining in what CRA called a
2 standalone mode.

3 It would be proper in my view to if Aquila
4 joined MISO, which it is not a member of now, if it in
5 fact joined MISO and incurred the uplift costs, whether or
6 not those uplift costs are a model artifact or not as
7 Mr. Pfeifenberger argued, then those costs would, in fact,
8 be properly included as a cost in the cost/benefit
9 analysis.

10 Q. A cost to Aquila?

11 A. It would be essentially a -- an overall
12 cost. If one is looking at sort of an overall -- call it
13 a public goods standpoint, then those costs would not be
14 incurred but for Aquila's joining MISO.

15 Q. At the same time, the study does impute
16 those costs to Aquila itself; isn't that correct?

17 A. The study imputed all those costs to
18 Aquila, that's correct.

19 Q. On pages -- on page 10, lines 9 through 11,
20 you state that the conclusions Mr. Pfeifenberger reached
21 in his supplemental rebuttal testimony ultimately vacate
22 the conclusions he reached in his originally filed
23 rebuttal testimony. Is that a correct reading of your
24 testimony there?

25 A. Yes. That's what it says.

1 Q. Do you have a copy of Mr. Pfeifenberger's
2 rebuttal testimony?

3 A. No, I do not.

4 Q. Is there a way we can get one handy?

5 Turn to page 4 of Mr. Pfeifenberger's
6 supplemental rebuttal testimony.

7 A. All right.

8 Q. At line 7 through 14, I think he enumerates
9 the conclusions of his rebuttal testimony on those lines.
10 Are you following me there?

11 A. If you'll give me a minute to read that,
12 please.

13 Q. Would it be fair to say that nothing in his
14 testimony, whether you consider his supplemental rebuttal
15 or surrebuttal, would negate any of the conclusions on
16 that page?

17 A. I don't believe I would agree with that,
18 sir, no.

19 Q. Would you agree with me that there are many
20 uncertainties surrounding the cost and benefit estimates
21 described by the CRA study to either Midwest ISO or SPP?

22 A. I would agree that there are uncertainties,
23 yes, sir.

24 Q. On page 11, I think -- I just read your
25 testimony, and line's 15 through 17, I think that's

1 exactly what you agree to.

2 A. Yes, sir. Okay. I see that. Thank you.

3 Q. On page 12, lines 10 through 11, you credit
4 Mr. Pfeifengerger with the conclusion that Aquila should
5 be required to join the Midwest ISO. Are you positive
6 that you made that kind of conclusion?

7 A. I'm sorry, sir. Where are you reading
8 from?

9 Q. On page 12, lines 10 through 11 of your
10 testimony.

11 A. Okay. I see that. Thank you.

12 Q. There you say that he makes a conclusion
13 that Aquila should be required to join Midwest ISO. I'm
14 just going to ask you, are you certain that he made that
15 conclusion in his testimony?

16 A. Without reviewing his -- all three of his
17 testimonies, I can't state that with certainty. I'd have
18 to review his testimony.

19 Q. Thank you. We've talked a lot about the
20 differences in the markets between SPP and Midwest ISO,
21 and on page 14 of your testimony, near the bottom of the
22 page, you've offered observations about the SPP imbalance
23 market or the real-time market, but one more time, isn't
24 it true that this time, the Midwest ISO and SPP markets
25 are different?

1 A. I think that's a fair statement, yes, sir.

2 Q. SPP's taking the steps to examine a -- what
3 I call a day two market, but it does not have it now?

4 A. That's my understanding, yes, sir.

5 Q. On page 18, line 5, you state that if
6 Aquila joins Midwest ISO, there is a potential for more
7 transmission congestion between Aquila and Midwest ISO.
8 Is that a fair reading of your testimony?

9 A. Yes, it is.

10 Q. Would you agree with me that there's
11 nothing in the CRA study that identifies any kind of
12 congestion concern?

13 A. Well, in fact, there is, sir. The -- it's
14 an indirect concern. It has to do with all the uplift
15 costs. The uplift costs could indeed be caused by
16 transmission congestion.

17 Q. But the CRA study does not identify that as
18 the costs, does it?

19 A. No, sir, it does not.

20 Q. If there were -- let's assume that there
21 were congestion to contend with. Wouldn't it be fair to
22 say that the RTO, Midwest ISO, for instance, would have
23 the means of managing that correction -- excuse me --
24 would have the means of managing and correcting that
25 congestion?

1 A. If you mean -- well, let me ask you what
2 you mean by managing the congestion.

3 Q. Would there be a way for Midwest ISO to
4 handle congestion over the lines?

5 A. In terms of physically handling congestion
6 or financially handling congestion?

7 Q. There are means to do that with Midwest
8 ISO; is that correct?

9 A. That there is means to do that with any
10 RTO.

11 Q. And how is that done? How is that done?
12 How is that done with Midwest ISO?

13 A. Midwest ISO uses -- from an economic
14 standpoint, they use what are called financial
15 transmission rights.

16 Q. And that would be part and parcel of its
17 day two market?

18 A. I believe so, yes.

19 Q. Compared to SPP, would it be fair to say
20 that the Midwest ISO, I'll call it congestion management
21 system is much more efficient?

22 A. No, sir, I would not agree with that.

23 Q. So you would say -- your testimony is that
24 the Midwest ISO system of congestion management is not as
25 efficient as the SPP system of congestion management?

1 A. No, sir.

2 Q. Did you take a look at -- is it inherent in
3 SPP's market that it has congestion inefficiencies?

4 A. You'll have to define congestion
5 inefficiencies.

6 Q. Do you have a copy of the CRA study?

7 A. Not with me, sir, no.

8 Q. Thank you for your patience, Dr. Lesser.

9 With respect to the CRA study that was attached to
10 Mr. Odell's testimony, and I'm going to direct you to page
11 10 that talks about effective flowgate capacities, and
12 would you want to take a moment to read through that
13 paragraph?

14 A. Thank you. All right. I've had a chance
15 to review that.

16 Q. The way I read that is that there are
17 inefficiencies in the ability of SPP to manage congestion
18 on its network, and it appears to me that -- would it be
19 fair to say that in SPP, because of congestion, it
20 probably can only use 90 percent of its generation
21 facilities? Is that a correct statement based upon what
22 the CRA study has assumed?

23 A. It's a correct study (sic) that the CRA
24 study -- excuse me -- the CRA study made that assumption
25 based on what they purport to be an examination in 2005 of

1 historical SPP timeline flows. Does that mean in 2008
2 that, in fact, SPP has -- there's a 10 percent
3 inefficiency, if you like, within it because of
4 transmission loading relief? No, I don't think you can
5 reach that conclusion.

6 Q. But you would agree with me there has been
7 no change in the manner in which it handles its congestion
8 relief?

9 A. SPP still uses TLRs.

10 Q. Just as it did in 2005?

11 A. Yes, that's true. However, that does not
12 necessarily mean that if there are any inefficiencies,
13 they're equal to 10 percent. Could be less.

14 Q. It could be less, but for the purpose of
15 the CRA study and the way that was allocated, it did show
16 congestion inefficiencies on the SPP network?

17 A. That's true.

18 Q. On page 23 of your surrebuttal, you talk
19 about, for the purposes of your analysis in this case, the
20 concept of standing is limited to the members of SPP,
21 Midwest ISO and Aquila. Is that a fair reading of your
22 testimony?

23 A. Yes, it is.

24 Q. Did the CRA study quantify the costs and
25 benefits to all parties whom you have identified as having

1 standing?

2 A. Not to my knowledge, no.

3 Q. Would the lack of that information
4 according to you make the analysis weak?

5 A. Only if I would characterize the analysis
6 as weak per se. I'd characterize it as inconsistent from
7 the standpoint of maximizing public benefits.

8 Q. On page 34 of your testimony, you start
9 addressing Mr. Pfeifenberger's criticisms of the CRA
10 study. On line 67 you discuss Mr. Janssen's testimony on
11 the shutdown of the plant for a time. With respect to
12 your statements in your testimony, did you happen to
13 review for purposes of your analysis the output of the
14 Dogwood plant under the CRA study for the year 2008,
15 something that was just discussed with Mr. Janssen?

16 A. I may have reviewed that. At this point I
17 can't really say what the output would have been or how
18 the CRA study modeled output of the Dogwood plant for
19 2008.

20 Q. Let me show you what has been marked as
21 Mr. Pfeifenberger's JPP -- Schedule JPP-3. I think we
22 talked about this with Mr. Janssen as a work paper, but
23 I'm going to show you that. I'm going to want this book
24 back pretty quick because that's got your surrebuttal
25 testimony in it. I'm going to represent to you,

1 Dr. Lesser, that Mr. Pfeifenberger's testimony has been
2 previously admitted into the case without objection and
3 that schedule has not been contested.

4 With respect to the year 2008, isn't it
5 correct that, according to Mr. Pfeifenberger and the work
6 papers that we have discussed already, the Dogwood plant
7 would be dispatched in the Aquila and SPP scenario 231
8 gigawatt hours?

9 A. That's what the schedule says, yes.

10 Q. Do you believe that, with respect to the
11 study, that it accurately shows what would be the total
12 annual output for the Dogwood plant in the Aquila in SPP
13 scenario for 2008?

14 A. Since it's a simulation model that can't
15 take into account the vagaries of weather, forced outages
16 of other generators, changes in load, et cetera, then I
17 would say no, it's not accurate.

18 Q. And in fact, as I understand it from
19 Mr. Janssen, he expects the Dogwood plant in 2008, even if
20 it's in -- even if it were in SPP, it would be an output
21 of more than a million gigawatt hours?

22 A. I think that's what Mr. Janssen said, yes.

23 Q. Very well. On page 43 of your
24 surrebuttal --

25 A. Would you like this back (indicating)?

1 Q. Thank you. At page 43, you state that
2 Mr. Pfeifenberger concluded that the net benefits of
3 Aquila joining Midwest ISO will be greater than the
4 benefits of joining SPP. And I was going to ask you, can
5 you point to any part of Mr. Pfeifenberger's testimony
6 where he said that?

7 A. If you'll give me a little time to review
8 all Mr. Pfeifenberger's testimony.

9 Q. Can you remember that right now?

10 A. I cannot remember specifically, give you a
11 citation, no, I cannot.

12 Q. Okay. Thank you. Page 49, you point to a
13 Midwest ISO Data Request response, and reading your
14 testimony there, you say that, as indicated in the
15 response to Dogwood 1-34, attached as Schedule JAL-4, not
16 only might adding Aquila not provide Aquila with reduced
17 production costs in proportion to its load share, it might
18 actually increase production costs. And you quote from
19 the Data Request at that point. Now, I read it correctly
20 so far?

21 A. Yes.

22 Q. Wouldn't it be a fair statement that the
23 Data Request response that was submitted also stands for
24 the proposition that Aquila's production costs may be
25 lower as it becomes a member or as others become members

1 in Midwest ISO?

2 A. The Data Request does say production costs
3 could be higher or lower, so there is uncertainty as to
4 that.

5 Q. On page 44, I'm going back a little bit,
6 you state that Mr. Pfeifenberger's supplemental rebuttal
7 negates all of his testimony surrounding the flaws of the
8 GE MAPS analysis; is that your statement there?

9 A. Yes, it is.

10 Q. Couldn't we agree, Dr. Lesser, that
11 Mr. Pfeifenberger pointed out for the Commission a list of
12 matters which he believes are flaws in the study, all of
13 which lead him to conclude that the model is too imprecise
14 to be the sole and exclusive basis for a decision in this
15 case?

16 A. The way I read Mr. Pfeifenberger's
17 testimony is that he was stating that there were
18 significant uncertainties associated with the study that
19 made it -- at least from -- given those uncertainties, he
20 could not conclude based on the study alone or, in fact,
21 he reduced the importance of the study's findings that, in
22 fact, the benefits to joining SPP were greater than the
23 benefits of joining MISO.

24 Q. Isn't it also your belief, Dr. Lesser, that
25 he is correct, that the uncertainties inherent in the GE

1 MAPS modeling performed by CRA preclude making a
2 definitive decision about Aquila's membership in either
3 SPP or Midwest ISO based solely on the results of the CRA
4 analysis?

5 A. Based solely on the results of the CRA
6 analysis, I would agree with him that the level of
7 benefits, the difference in benefits, one might want to
8 look at other factors such as the potential for Aquila
9 being islanded in the case that Ameren, in fact, withdraws
10 from MISO and joins SPP. That's a significant uncertainty
11 that could lead to much higher costs if Aquila were, in
12 fact, required to join MISO.

13 Q. In going back to the study, it appears that
14 you and Mr. Pfeifenberger both agreed that there are
15 significant uncertainties involved in that study which
16 would make it unreliable with respect to as the only
17 reason why Aquila would join one or the other.

18 A. I'm not saying that the study is unreliable
19 at all. Those are your words, sir. What I'm saying is
20 that there are uncertainties. I agree with
21 Mr. Pfeifenberger that, given the closeness of the
22 relative costs and benefits that the study indicated, that
23 I would probably look at and, in fact, in my testimony
24 recommended that the Commission look at other factors not
25 included in the study that might affect its decision of

1 whether to require Aquila to join MISO or not.

2 Q. And your reason for doing so was because of
3 the uncertainties that you found in the study?

4 A. That's correct, sir.

5 MR. COMLEY: I have no other questions.

6 JUDGE WOODRUFF: Cross by Aquila?

7 MR. BOUDREAU: Yes, just briefly.

8 CROSS-EXAMINATION BY MR. BOUDREAU:

9 Q. Good afternoon Dr. Lesser. My name is Paul
10 Boudreau. I'm the attorney for Aquila, Inc., the
11 applicant in this case. I just have a couple questions
12 for you. Were you here earlier when Mr. Janssen
13 testified?

14 A. I came into the hearing room while he was
15 testifying.

16 Q. I don't want to put you in a tight spot,
17 but I'm going to ask you a question. I take it that you
18 would not disagree with his statement that the CRA study
19 that's been sponsored by Aquila in this case is a good
20 tool and that the Commission can rely on it for purposes
21 of this case?

22 A. I wouldn't disagree with that. Again, as
23 the other attorney for MISO pointed out, I do think
24 there's some uncertainties that warrant looking at other
25 issues, such as the possibility of islanding of Aquila if

1 Ameren withdraws, the merger that is pending between Great
2 Plains and KCPL. Those are factors outside the model that
3 I think should be taken into account as well.

4 MR. BOUDREAU: Understood. That's all the
5 questions I have for this witness. Thank you, Dr. Lesser.

6 JUDGE WOODRUFF: Thank you. Any questions
7 from the Bench? Commissioner Jarrett?

8 COMMISSIONER JARRETT: No questions.

9 JUDGE WOODRUFF: I have no questions. So
10 no need for recross, any redirect?

11 REDIRECT EXAMINATION BY MR. LUMLEY:

12 Q. Following up on Mr. Boudreau's questions,
13 and directing you to your surrebuttal starting at page 63,
14 just to kind of close the thought process, at this point
15 in your testimony you're addressing the uncertainties of
16 the study and the other factors to consider. You just
17 mentioned in response to Mr. Boudreau the proposed merger
18 and Ameren's uncertain status with Midwest ISO. Could you
19 just reiterate the other factors you identify in the rest
20 of that answer, in summary fashion?

21 A. Well, the first -- the first issue that I
22 referred to is whether the merger between Great Plains
23 Energy and Aquila will be approved. Since KCPL is already
24 a member of SPP in my view, it would make no sense, no
25 economic sense for KCPL to be a member of SPP while Aquila

1 is a member of MISO.

2 I then discussed the islanding issue as
3 referred to. I then discussed the greater physical
4 connectivity that Aquila now currently has with SPP than
5 it does with MISO, which I believe was discussed in great
6 detail in the testimony of Staff witness Dr. Proctor.

7 Fourth, I discussed that Aquila is already
8 relying on numerous transmission services, such as tariff
9 administration, OASIS administration, long-term
10 transmission planning. Those services are all being taken
11 from SPP already presumably because it is more cost
12 effective for Aquila to do so than take those services
13 from MISO.

14 Those were the main uncertainties and other
15 issues outside of the study I thought warranted
16 consideration by the Commission.

17 Q. And you looked at all those conclusions and
18 state at page 66 you believe that it would be reasonable
19 and prudent for the Commission to require Aquila to join
20 SPP; is that correct?

21 A. Yes, it is.

22 Q. Does that remain your conclusion in this
23 case?

24 A. Yes, it does.

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

1 JUDGE WOODRUFF: Thank you. And

2 Dr. Lesser, you can step down.

3 THE WITNESS: Thank you very much.

4 JUDGE WOODRUFF: And I believe that
5 completes all the testimony in this case. The only other
6 thing to be decided is questions of post hearing Briefs.
7 We'll ask for a single round of post hearing Briefs.

8 Looking at my calendar, I was looking at approximately
9 May 27th. Does anybody have any objections to that date?

10 MR. ROBBINS: Would you repeat the date,
11 please.

12 JUDGE WOODRUFF: May 27th. That's a
13 Tuesday. All right. Well, then we'll order Briefs to be
14 filed on May 27th. And anything else anyone wants to
15 bring up while we're still on the record?

16 (No response.)

17 JUDGE WOODRUFF: With that, then, we're
18 adjourned.

19 WHEREUPON, the hearing of this case was
20 concluded.

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1 C E R T I F I C A T E

2 STATE OF MISSOURI)
3) ss.
4 COUNTY OF COLE)

5 I, Kellene K. Feddersen, Certified
6 Shorthand Reporter with the firm of Midwest Litigation
7 Services, and Notary Public within and for the State of
8 Missouri, do hereby certify that I was personally present
9 at the proceedings had in the above-entitled cause at the
10 time and place set forth in the caption sheet thereof;
11 that I then and there took down in Stenotype the
12 proceedings had; and that the foregoing is a full, true
13 and correct transcript of such Stenotype notes so made at
14 such time and place.

15 Given at my office in the City of
16 Jefferson, County of Cole, State of Missouri.

17 _____
18 Kellene K. Feddersen, RPR, CSR, CCR
19 Notary Public (County of Cole)
20 My commission expires March 28, 2009.
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