

STATE OF MISSOURI
PUBLIC SERVICE COMMISSION

TRANSCRIPT OF PROCEEDINGS

On-the-Record Presentation

August 18, 2008
Jefferson City, Missouri
Volume 3

In the matter of the Application)
of Union Electric Company for)
Authority to Continue the)Case No.
Transfer of Functional Control)EO-2008-0134
of its Transmission System to)
the Midwest Independent)
Transmission System Operator, Inc.)

MORRIS L. WOODRUFF, Presiding
DEPUTY CHIEF REGULATORY LAW JUDGE

JEFF DAVIS, Chairman,
CONNIE MURRAY,
ROBERT M. CLAYTON, III,
TERRY JARRETT,
KEVIN GUNN,
COMMISSIONERS

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

2 JUDGE WOODRUFF: Let's go ahead and get started,
3 then. We're on the record. Good afternoon, everyone.
4 We're here for an on-the-record presentation in Case No.
5 EO-2008-0134, which concerns the application of Union
6 Electric Company for authority to continue the transfer of
7 functional control of its transmission system to the
8 Midwest Independent Transmmission System Operator,
9 Incorporated.

10 We'll begin today by taking entries of
11 appearance, beginning with AmerenUE.

12 MR. LOWERY: Good afternoon, your Honor. My
13 name is Jim Lowery. I'm with the law firm of Smith Lewis,
14 LLP, 111 South Ninth Street, Suite 200, Columbia,
15 Missouri, 65201. I represent AmerenUE.

16 JUDGE WOODRUFF: Thank you. And for Midwest
17 ISO?

18 MR. ZOBRIST: Karl Zobrist, Sonnenschein, Nath &
19 Rosenthal, 4520 Main Street, Suite 1100, Kansas City,
20 Missouri, 64111.

21 JUDGE WOODRUFF: And for MIEC?

22 MR. DOWNEY: Ed Downey, 221 Bolivar Street Suite
23 101, Jefferson City, Missouri, 65101.

24 JUDGE WOODRUFF: And for Southwest Power Pool?

25 MR. LINTON: David Linton, 424 Summer Top Lane,

1 Fenton, Missouri, 63026. I also have with me Heather
2 Starnes, in-house counsel for Southwest Power Pool. Her
3 address is 415 North McKinley, Suite 140, Little Rock,
4 Arkansas, 72205.

5 JUDGE WOODRUFF: Thank you. And for KCPL?
6 Anyone for KCPL? For Empire?

7 MR. COOPER: Dean L. Cooper from the law firm of
8 Bryson, Swearingen & England, P.O. Box 456, Jefferson
9 City, Missouri, 65102, appearing on behalf of the Empire
10 District Electric Company.

11 JUDGE WOODRUFF: Okay. For Aquila? Paul
12 Boudreau had phoned me this morning and left a message on
13 my machine indicating that he would not be able to be here
14 and requested indulgence in -- to be excused. And he will
15 be excused. For Public Counsel?

16 MR. MILLS: On behalf of the Office of the
17 Public Counsel and the public, my name is Lewis Mills. My
18 address is Post Office Box 2230, Jefferson City, Missouri,
19 65102.

20 JUDGE WOODRUFF: And for Staff?

21 MR. DOTTHEIM: Steven Dottheim, Post Office Box
22 360, Jefferson City, Missouri, 65102, appearing on behalf
23 of the Staff of the Missouri Public Service Commission.

24 JUDGE WOODRUFF: Okay. I believe that's all the
25 parties. If I've missed someone, please speak up.

1 All right, well, we're here today to -- give the
2 Commissioners an opportunity to ask questions about a
3 stipulation and agreement that has been filed by some of
4 the parties. And what I propose to do is simply to go to
5 questions from the Commissioners. So we'll begin with
6 Commissioner Murray. Do you have any questions?

7 COMMISSIONER MURRAY: Thank you, Judge. Just
8 very little. And I think I'll pose this question to
9 Staff. It appears that the stipulation and agreement has
10 been drafted in such a way that there is very little, if
11 any, chance that AmerenUE could suffer harm from us
12 approving their remaining in the MISO for this three-year
13 period of time subject to being able to come back to the
14 Commission and ask for withdrawal if things change.
15 Is that -- would that be Staff's interpretation?

16 MR. DOTTHEIM: I think that would be Staff's
17 interpretation. But AmerenUE might be in the best
18 position to -- to answer that. They may want to respond
19 to that.

20 I think there's also opportunity for other
21 parties to come back before the -- the Commission, but,
22 certainly, for AmerenUE to come back before the
23 Commission.

24 As the Commission directed, Dr. Proctor is
25 available this afternoon, and I -- I might turn the

1 microphone to Dr. Proctor. He might want to, also,
2 address that question, Commissioner.

3 JUDGE WOODRUFF: All right. That would be fine
4 if Dr. --

5 MR. DOTTHEIM: The Bench may want to -- to swear
6 in Dr. Proctor.

7 JUDGE WOODRUFF: Yes, we will. If you'd please
8 raise your right hand.

9 DR. PROCTOR: Yes.

10 DR. MICHAEL PROCTOR,
11 being first duly sworn to testify the truth, the whole
12 truth, and nothing but the truth, testified as follows:

13 JUDGE WOODRUFF: And you are Dr. Michael
14 Proctor?

15 DR. PROCTOR: That's correct.

16 JUDGE WOODRUFF: And you're an employee of the
17 Staff of the Commission?

18 DR. PROCTOR: That's correct.

19 JUDGE WOODRUFF: What is your position?

20 DR. PROCTOR: I'm Chief Economist in the Energy
21 Department.

22 JUDGE WOODRUFF: All right. Thank you.
23 Commissioner?

24 COMMISSIONER MURRAY: Dr. Proctor, would you
25 like to respond to that question?

1 DR. PROCTOR: Yeah. You know, there's always
2 risks out there, and we understand that. And there is
3 some risk be that there could be some harm in the future
4 from staying in three more years. But I think those risks
5 are -- are -- are offset by some other things that are
6 taking place.

7 And I would say that the majority of the risk
8 comes from cost allocation that could occur -- additional
9 cost allocation that could occur from the upgrades of new
10 transmission in the MISO system to AmerenUE.

11 And the thing that, in my mind, offsets that is
12 that the Midwest ISO will start in September with
13 workshops revisiting that cost allocation. And I know
14 AmerenUE is going to be heavily involved in that, and I
15 will as well.

16 And so I think there's -- I -- I think there's
17 some offsetting things that, in my mind, tell me that it's
18 worth it for them to -- to stay in for another three
19 years.

20 And by the way, if they would withdraw at this
21 point, there is an exit fee, and we are avoiding that exit
22 fee. And I think that exit fee is probably larger than --
23 than the risks that I'm talking about.

24 COMMISSIONER MURRAY: All right. And would it
25 be accurate to say that you think there is a likelihood

1 that these discussions will result in mitigation of some
2 of those risks?

3 DR. PROCTOR: There's a hope. Likeli --
4 likelihood, in a stakeholder process, likelihood is really
5 hard to assess.

6 We had meetings this summer. I saw positive
7 response from a lot of the transmission owners about some
8 of the proposals that AmerenUE has put forth. So it -- it
9 -- I would say it's more than a hope. But I'd sure hate
10 to put a probability on it. Stakeholder processes are
11 hard to evaluate in that context.

12 COMMISSIONER MURRAY: All right. Thank you.

13 MR. DOTTHEIM: And, Commissioner, AmerenUE may
14 have its own perspective on the -- the matter of an exit
15 fee if it were to leave the Midwest ISO.

16 COMMISSIONER MURRAY: Thank you. I was just
17 going to inquire about the exit fee. So I will direct
18 that to Mr. Zobrist, if you would like to address that or
19 have your witness address it.

20 MR. ZOBRIST: I don't --

21 COMMISSIONER MURRAY: I'm sorry. First -- I --
22 I was going to go to Ameren first. I apologize.

23 MR. ZOBRIST: All right.

24 COMMISSIONER MURRAY: Mr. Lowery?

25 MR. LOWERY: Commissioner, I also want to make

1 sure before I respond to your question and introduce a
2 couple of folks who are with me, Maureen Borkowski, who is
3 the Vice President of Transmission for Ameren who is with
4 me today, Shawn Schukar who is the Vice President for
5 Strategic Initiatives is with me today, and on the
6 telephone is Anjay Aurora (ph.), who is Director in the
7 Corporate Planning Department. And all of them have
8 regional transmission organization responsibilities. And
9 to the extent I can't answer your questions, hopefully
10 they'll be able to today.

11 I guess back to your question about -- that
12 Dr. Proctor responded to, I think -- I think I can safely
13 say we agree with the perspective that Dr. Proctor just
14 expressed. And -- and the key things that he hit on in
15 terms of one of the key risks is additional cost
16 allocation issue, and I think that's otherwise known as
17 RECB, Regional Expansion -- I forget what the acronym --
18 Criteria and Benefits that we talk about in our
19 application.

20 There's always things that can change going
21 forward. We believe and the signatories to the
22 stipulation believe that the prudent thing for us to do is
23 to continue our participation for another three years in
24 weighing all the factors and what we know and can know
25 now, we believe that's the right decision and -- and that

1 that will turn out to be the best decision for the company
2 or the ratepayers.

3 But we are actively involved in the stakeholder
4 process that Dr. Proctor indicated or talked about. We
5 are going to be, according to the terms of the
6 stipulation, reporting back to the stakeholders an the
7 Commission about the progress of those things as early as
8 December of this year.

9 And we monitor these things very closely. And
10 if things change in a material way, then it is, as you
11 point out, possible that we could be back seeking to
12 withdraw or change the terms of our participation in this
13 case.

14 We're hopeful that won't be necessary. But we
15 don't have a crystal ball to completely, you know -- you
16 know, completely predict the future. But we think the
17 right thing to do is continue for three more years at this
18 point.

19 COMMISSIONER MURRAY: And at this point, do you
20 estimate that the potential risks are less than the
21 present value of the net benefit of staying in?

22 MR. LOWERY: Yes. We -- we examined a wide
23 array of risk in terms of participating, and we called out
24 12 of those key risks, including the exit fee issue that
25 was mentioned and the RECB issue that we just talked

1 about.

2 And when you quantitatively and qualitatively do
3 the best that you can to quantify those things, the net
4 present value of participating for those three years came
5 out positive 17 million. And that actually -- some things
6 have moved in, you know, better direction to some extent
7 since we first filed in November through -- through
8 looking at some more recent data and some of the iterative
9 process we've had with other stakeholders as we came to
10 the stipulation.

11 So, yes, we think the benefits outweigh those
12 risks based on -- based on what we know today.

13 COMMISSIONER MURRAY: And should you come back
14 within that three-year period for a request to withdraw,
15 what would be the exit fee at that time?

16

17 MR. LOWERY: Well, we are -- we are not certain
18 whether or not we, in fact, would be legally obligated to
19 pay an exit fee or not at this point. I guess that's a
20 point -- potentially a point of open contention between us
21 and others and the MISO transmission owners or otherwise.

22 In terms of what it would be today, I don't
23 know, and I think it could change. Assuming -- assuming
24 that one was due, let's say, the legal result of all that
25 would be that an exit fee is due. I think there's

1 certainly the potential that as time goes on that could
2 change from what it is today and what it's estimated to be
3 today.

4 I don't even know that one can say with
5 certainty it would be X dollars today even if had complete
6 conceptual agreement. But I think it could change going
7 forward.

8 JUDGE WOODRUFF: Thank you. Now I'll -- I'll
9 address Mr. Zobrist with the same questions if you
10 wouldn't mind responding.

11 MR. ZOBRIST: Commissioner, with me is Graham
12 Edwards who is the Chief Executive Officer of Midwest ISO,
13 as well as Richard Doring, the Vice President of Market
14 Operations. And Keith Bell, who is the State Regulatory
15 Attorney in-house at Midwest ISO is here as well.

16 I think I would echo what both Mr. Dottheim and
17 Mr. Lowery said as attorney for Midwest ISO that we do
18 believe that the study does support the continuation of
19 Ameren in its present capacity with Midwest ISO.

20 But I would like to have Mr. Edwards perhaps
21 address some of the questions that Dr. Proctor and Ms.
22 Borkowski mentioned since he is here.

23 JUDGE WOODRUFF: All right. I'll swear you in
24 as a witness.

25 MR. EDWARDS: Sure.

1 GRAHAM EDWARDS,
2 being first duly sworn to testify the truth, the whole
3 truth, and nothing but the truth, testified as follows:

4 JUDGE WOODRUFF: And your name, sir?

5 MR. EDWARDS: Yes. My name is Graham Edwards.
6 I'm Chief Executive Officer with Midwest ISO.

7 JUDGE WOODRUFF: Okay. Thank you.

8 MR. EDWARDS: Thank you, sir. Commissioner,
9 just to -- I agree with my counsel relative to the issues
10 and the benefits.

11 The one issue that has been brought to surface
12 relative to RECB, the cost sharing mechanism. And I've
13 said this in many different forms, and I'll say it here.
14 That one issue is probably the most contentious issue that
15 we have among stakeholders within Midwest ISO. And we are
16 committed to try to -- to revisit it in order to try to
17 find a better common ground for the footprint.

18 I'm not sure what that common ground is at this
19 point in time. As Dr. Proctor said, We're going to start
20 a stakeholder process in early September. It's my
21 understanding that this week the advisory committee will
22 recommend that the RECB task force be re-initiated to
23 further the discussions. So I think this issue certainly
24 is front and center.

25 We understand the issues. We understand the

1 business of it. And we are committed to try to find a
2 better answer to the cost sharing issue.

3 Relative to the exit fees, that is a -- a
4 contractual matter. And I won't get into the pros and
5 cons of the exit fee or the -- the legitimacy of it or
6 not.

7 As far as the projected amount, counsel is
8 right. That will change from year to year because the
9 exit fee, assuming one were to be paid, is based on -- on
10 current indebtedness as well as future liabilities that
11 have already been committed to at this point in time.

12 I believe back in the February time frame, an
13 estimate was done in the 35 million range. But that, of
14 course, has already changed because, as you pay off debt,
15 then that changes from year to year. So it will continue
16 to go down every year that goes by. But at this point in
17 time, I don't want to project what that number would be in
18 two or three years from now.

19 COMMISSIONER MURRAY: All right. Thank you.
20 Would the Office of Public Counsel like to weigh in on
21 this?

22 MR. MILLS: With -- with respect to the exit
23 fee, I don't really have a position on that. In terms of
24 the overall cost benefit, I think it -- it's -- I agree
25 with Mr. Lowery that -- that the best calculation we have

1 at this time or the most recent calculation is \$17 million
2 over the three-year period. So I think there are some
3 risks that, you know, particularly, RECB that some costs
4 could come on that it could outweigh that. But those are
5 hard to -- to quantify. And I think, at this point, the
6 best course of action is to allow AmerenUE to continue to
7 participate for the next three years.

8 COMMISSIONER MURRAY: Okay. Thank you. Would
9 either SVP -- would SPP like to weigh in?

10 MR. LINTON: We have no --

11 COMMISSIONER MURRAY: No? How about Empire?

12 MR. COOPER: No, Commissioner.

13 COMMISSIONER MURRAY: And I think that's all we
14 have represented here, if I remember. No, MIEC.

15 MR. DOWNEY: Judge, we'll decline as well.

16 COMMISSIONER MURRAY: Thank you. That's all my
17 questions, Judge. Thank you.

18 JUDGE WOODRUFF: Okay. Thank you. Commissioner
19 Clayton?

20 COMMISSIONER CLAYTON: Thanks, Judge. I just
21 have a few questions. I want to first go to Mr. Mills and
22 ask him from the perspective of the ratepayer, of the
23 perspective of the rate paying public, what is the - what
24 is the greatest concern of your office in moving forward
25 with an argument such as this?

1 MR. MILLS: Well, you know, I don't really have
2 any rate concerns. Ameren has been in the MISO for -- for
3 several years now. It has seemed to work relatively well.
4 And in today's world, there aren't really a lot of good
5 stand-alone alternatives for -- for companies such as
6 AmerenUE.

7 And if you look at some of the other
8 alternatives such as participation in the SPP, the cost
9 benefit analysis shows that participating in the MISO is
10 clearly better.

11 So, you know, any kind of arrangement has got
12 some risk. But I think this is so clearly the -- the
13 least risky, most beneficial path that I'm not sure there
14 was a lot of good alternatives to compare it to.

15 COMMISSIONER CLAYTON: I understand -- I
16 understand that perspective, that the study suggests this
17 is the best among the alternatives that have been
18 presented to you.

19 I guess what I'm asking is from the perspective
20 of a rate payer who really has no idea what an RTO is and
21 -- and isn't aware of transmission issues, are there any
22 things we need to be thinking about either in terms of
23 protections for ratepayer in the event deals go bad, or is
24 this just there's so much uncertainty we just have to take
25 it as it is and -- I'm trying to get the perspective of

1 someone other than one of the parties that are very
2 knowledgeable in the area.

3 MR. MILLS: Yeah. Certainly, you know, I think
4 you should encourage AmerenUE as well as your Staff to
5 participate in the stakeholder process, particularly as --
6 as RECB moves forward and we start to figure out how these
7 costs are going to be assigned and allocated.

8 And I think, you know, the -- the Commission,
9 either directly or through its Staff, can participate in
10 that process. And I think perhaps Dr. Proctor is -- can
11 be a very meaningful voice in that stakeholder process.
12 And I would encourage you to -- encourage him to get
13 involved.

14 COMMISSIONER CLAYTON: Does your office -- does
15 your office participate in that process?

16 MR. MILLS: We have -- we have not to date. And
17 it's unlikely that we will be able to in -- in this fall's
18 discussion simply because of other stuff going on in the
19 office.

20 COMMISSIONER CLAYTON: Are there any differences
21 of position -- and I don't want to know about settlement
22 talks or anything that's inappropriate. But I guess what
23 I'm asking, is -- is Staff's position closely aligned with
24 the perspective of Public Counsel in a case such as this,
25 or -- or is there anything different from -- from your two

1 perspectives? Or you would look at it in a different way?

2 MR. MILLS: I don't think so. I think -- well,
3 let me sort of -- you asked that two different ways. I
4 think our perspectives are very closely aligned. I don't
5 know that we have any concerns that are separate or
6 different from the Staff concerns.

7 COMMISSIONER CLAYTON: Okay. Has -- does Public
8 Counsel have a position with regard to the last five years
9 of Ameren's participation in MISO? Has it been a good
10 experience, bad experience? Any additional concerns that
11 the Commission needs to be aware of?

12 MR. MILLS: You know, sort of subjectively, I
13 think it's -- you know, I don't -- I don't know that
14 anybody has really gone back and tried to sort of
15 recalculate whether costs and benefits would have been
16 different with some other arrangement. But, subjectively,
17 I would say it's been successful.

18 COMMISSIONER CLAYTON: Does Public Counsel have
19 -- has it been able to receive the information it needs to
20 assess the success or failure of this relationship over
21 the last five years? Do you get information from MISO and
22 from Ameren and -- in this evaluation?

23 MR. MILLS: We do. And, in fact, in the
24 stipulation and agreement that's before you today that
25 AmerenUE has committed to providing additional information

1 as the -- as the RECB stakeholder process moves forward.

2 COMMISSIONER CLAYTON: Okay. So there is a
3 track record of five years that has been a positive
4 experience and -- and that is laying the ground work for
5 moving forward with the additional three years? Is that a
6 fair characterization of what you're saying?

7 MR. MILLS: I think that's fair. I don't -- I
8 don't know that there have been any major flare-ups over
9 the last five years. I'm not saying it's been a smooth
10 road the whole time, but I don't know that there has been
11 -- anything that has -- well, that has really said, to me
12 at least, that this relationship can't work and AmerenUE
13 should look for a different way to participate in
14 transmissions.

15 COMMISSIONER CLAYTON: Dr. Proctor, you came all
16 the way to Jefferson City, and I just don't think I have
17 any questions. I think Commissioner Murray asked all the
18 questions that I had. And I apologize for being partly
19 responsible for dragging you down here, but it's good to
20 see you.

21 DR. PROCTOR: Yeah.

22 COMMISSIONER CLAYTON: I don't think I have any
23 other questions. And I mean all the other parties as
24 well.

25 JUDGE WOODRUFF: Commissioner Jarrett?

1 ancillary service market, which is primarily the market
2 for reserves, operating reserves. Also, it -- included in
3 that market is -- is the -- is the regulation. Right now,
4 that's being done on an individual control area. They're
5 having to balance moment by moment. We're going to
6 eliminate that and have a market for that. Those markets
7 are just -- are just going to start up.

8 So adding the three years I think will give us
9 enough experience with that new market to be able to
10 determine something. You know, is -- is that market going
11 to provide the kind of benefits that we're estimating in
12 these models?

13 So those are kind of -- and, of course, we have
14 these RECB concerns and, as Ameren has pointed out,
15 they're going to give us a report at the end of December.
16 That's going to be on the faster track than the three
17 years. But for three years, it looked good. So that's
18 kind of -- that's kind of the way we made the split. And
19 I'll let other people answer.

20 MR. LOWERY: Well, Commissioner, I guess my
21 answer would be just to just reiterate what Dr. Proctor
22 indicated. You could see a fairly noticeable break. If
23 you start getting four, five, six years out, the study is
24 probably not as accurate. You don't know for sure.
25 And I would point out the additional three years runs from

1 next April, so we're talking about almost four more years
2 from now.

3 But, you know, we -- we, I think, have the same
4 interests as the Office of the Public Counsel as the Staff
5 in terms of we want the net benefit of this to be
6 positive. That's good for us. It's also good for
7 ratepayers. Those interests, I think, are completely
8 aligned. And it appears, based upon the study, that that
9 period -- we have good reason to believe it will be, but
10 because some things may be changing, we think we ought to
11 take another look at it so it lined up well, to take
12 another look at it in about that time frame.

13 COMMISSIONER JARRETT: Anyone else want to --

14 MR. ZOBRIST: Midwest ISO doesn't really have
15 anything else to add. We agreed with what the statements
16 submitted to the Commission are.

17 MR. JARRETT: All right. Well, thank you.
18 That's all my questions.

19 JUDGE WOODRUFF: All right. Commissioner Gunn?

20 COMMISSIONER GUNN: Just some short questions.
21 Just two, really. This is -- the first one is primarily
22 directed towards Office of Public Counsel, Staff and SPP.
23 The CRA cost benefit analysis, you guys are comfortable
24 with the methodology and believe the numbers accurately
25 reflect -- accurately reflect the true state of -- of

1 being as where we are?

2 MR. MILLS: From our perspective, yes. I mean,
3 obviously, there are some assumptions that have to be made
4 and some estimates that go in there. But as far as we can
5 tell, it was done adequately and responsibly.

6 JUDGE WOODRUFF: Okay.

7 MR. LINTON: SPP has no reason to disbelieve any
8 of the assumptions or any of the information in the stake,
9 no.

10 COMMISSIONER GUNN: Okay. Great.

11 DR. PROCTOR: I think there were lots of checks
12 and balances that were built into the study, and -- and
13 Ameren actually was the -- is the party that -- that
14 looked at those in the greatest level of detail.

15 This is probably the most detailed cost benefit
16 study I have seen. And it's not just the CRA analysis.
17 There are -- there's a lot of other analysis that went
18 into it besides the -- we call it the production cost runs
19 that show the -- the savings that AmerenUE gets from the
20 trading.

21 That was the part that they did -- Ameren --
22 AmerenUE did a lot of additional type of analysis that
23 gets included in that -- the total picture.

24 COMMISSIONER GUNN: Okay. Anyone else can feel
25 free to weigh in on that if anybody has an opinion on

1 that. Okay.

2 MR. LOWERY: I guess I would just say,
3 Commissioner, that in -- in coming up with the parameters
4 of analysis and what some of the key assumptions would be
5 and those kind of things, other stakeholders were pretty
6 deeply involved in that process, including the Office of
7 Public Counsel, Staff, MIEC and others and their
8 consultant, Mr. Dolphnie at MIEC, was -- was deeply
9 involved.

10 I think there's been a lot of vetting as to what
11 we assumed and why we assumed it and those types of
12 things. And I -- I think the consensus is that we're all
13 pretty comfortable, understand the limits of modeling.

14 I mean, modeling is not perfect, and things can
15 change. But -- but if you understand that aspect, I think
16 we're all pretty comfortable with the modeling that was
17 done.

18 MR. DOTTHEIM: I -- I thank Mr. Lowery for
19 mentioning about the involvement of the other parties.
20 That's what I was just visiting with Dr. Proctor
21 respecting.

22 I think the level confidence or satisfaction
23 that you're hearing from the other parties other than
24 AmerenUE is based probably in large part on the fact that
25 the other parties had the opportunity to participate in a

1 major way.

2 COMMISSIONER GUNN: I just really have one more
3 question. This is to Ameren. If the FERC were to grant
4 re-hearing, would it change anything, in your opinion,
5 with the stipulation? And, obviously, some of the other
6 parties can feel free to put their opinion in on that as
7 well.

8 MR. LOWERY: And when you say grant re-hearing,
9 I assume you're talking about the docket where they're
10 considering the \$60 million production?

11 COMMISSIONER GUNN: Reduction. Right.

12 MR. LOWERY: Right. If the FERC were to grant
13 re-hearing, that might tend to suggest Ameren has a better
14 chance of capturing those dollars. So I think it would
15 just -- it would make the case even -- even stronger for
16 participation in MISO.

17 COMMISSIONER GUNN: Sure.

18 MR. LOWERY: Ultimately, we all came to the
19 conclusion that even without that post transition revenue,
20 as we would hope we would get, you know, it was a positive
21 -- positive outcome to go ahead and participate. But,
22 certainly, that would reinforce that.

23 Whether -- whether we would all feel compelled
24 to suggest that we do something different or extend the
25 term, I can't really predict about that at this point.

1 But it -- it would be a move in the right direction,
2 certainly.

3 COMMISSIONER GUNN: All right. Karl?
4 Mr. Zobrist, do you want to weigh in on that at all?

5 MR. ZOBRIST: We don't really have any comment
6 on that. We are in that as the term administrator. It's
7 really a matter of the views of the transmission owners.

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

10 JUDGE WOODRUFF: Mr. Dottheim, you wanted to --

11 MR. DOTTHEIM: Yes, just very briefly. I
12 thought I might mention what hopefully is clear by now,
13 that that \$60 million figure is an incremental figure.
14 That \$60 million is not \$60 million that AmerenUE was
15 previously collecting. That's \$60 million that AmerenUE
16 had not previously been collecting.

17 JUDGE WOODRUFF: Chairman Davis?

18 CHAIRMAN DAVIS: Okay. Thank you, Judge.
19 Mr. Proctor, is it all right if I start with you?

20 DR. PROCTOR: Sure.

21 CHAIRMAN DAVIS: Okay. Page 7 of the
22 stipulation and agreement, last line says that, The
23 updated study indicates that continued participation in
24 the MISO has a positive net present value over the next
25 best alternative (operation as an ITC) of approximately

1 \$17 million for the approximately three-year period.

2 DR. PROCTOR: That's correct.

3 CHAIRMAN DAVIS: Okay. Now, do we have a copy
4 -- was this Commission ever provided a copy of that,
5 quote, updated study?

6 DR. PROCTOR: I don't believe so. I -- I think
7 you have the original filed study.

8 CHAIRMAN DAVIS: Right. I have the original --
9 we have the original filed study. And we have a -- I've
10 got a three or 4-inch file from -- from MISO. Actually,
11 no. That's the transmission owners agreement. I'm sorry.

12 DR. PROCTOR: Transmission. Right.

13 CHAIRMAN DAVIS: So all I have is the CRA -- the
14 original CRA study dated October 11th, 2007.

15 DR. PROCTOR: Yeah. The -- the updating of that
16 -- let me just real -- give you an overview of it very
17 quickly. The updating -- the original study showed for
18 the first three years a net benefit of \$153 million.
19 Three-year present value. And if you remove the
20 \$60 million per year in -- in revenues from that, okay,
21 over those three years, that would get you to a lower
22 number. It would get you to a number of 7 million, net
23 present value at 7 million.

24 CHAIRMAN DAVIS: Okay.

25 DR. PROCTOR: Okay. In -- in our prehearing

1 discussions, I guess we'll -- I'll call them. We made
2 adjustments, other adjustments, that bring that number up
3 from the 7 million to the 17 million. And those are
4 discussed -- those numbers are discussed in -- I believe
5 they're discussed in the -- in the stipulation. Yeah.
6 Right above that paragraph, it talks about -- and you can
7 -- Item No. C, it's about one, two, three, four, five,
8 six, seven lines up.

9 CHAIRMAN DAVIS: Okay. Where are you at,
10 Mr. Proctor?

11 DR. PROCTOR: On page 7.

12 CHAIRMAN DAVIS: Page 7. Got it. Item No. C.
13 Took out -- okay. That's the 10.7 million for the three
14 year net present value.

15 DR. PROCTOR: Right. And -- and right above
16 that, Item B, that's a -- a .4 million detriment. So if
17 you net those out, that's about, what, 10.3 million?

18 CHAIRMAN DAVIS: 10.3.

19 DR. PROCTOR: Okay. And if you add that to the
20 7 million, that gives you the 17. So there were three
21 very basic adjustments that were made to get us to the 17
22 million. Has that been filed with the Commission? No.
23 Only -- only as it appears in this document has it been
24 filed.

25 It's the decrease of the 60 million per year

1 plus the addition of the 10.7 million --

2 CHAIRMAN DAVIS: Okay.

3 DR. PROCTOR: -- minus the 0.4 million.

4 CHAIRMAN DAVIS: And is that articulated on a --

5 on a chart or graph anywhere?

6 DR. PROCTOR: No, it's not.

7 CHAIRMAN DAVIS: It's not?

8 DR. PROCTOR: No.

9 CHAIRMAN DAVIS: Okay. So --

10 DR. PROCTOR: It's just in words.

11 CHAIRMAN DAVIS: It's just in words?

12 DR. PROCTOR: Yeah.

13 CHAIRMAN DAVIS: And is there -- is there an

14 actual physically updated document that -- provided by

15 CRA?

16 DR. PROCTOR: Well, the CRA document doesn't

17 really change. All of these --

18 CHAIRMAN DAVIS: Okay. So it's --

19 DR. PROCTOR: These are outside --

20 CHAIRMAN DAVIS: It's just manual adjustments?

21 DR. PROCTOR: That's right.

22 CHAIRMAN DAVIS: Being made by the group

23 collectively?

24 DR. PROCTOR: Collectively. Yeah. The CRA --

25 CRA study stays the same. It's -- the CRA study

1 calculates what are called grade benefits.

2 CHAIRMAN DAVIS: Right.

3 DR. PROCTOR: But then you also have to
4 calculate the cost of being in MISO. We had to -- they
5 had to calculate the -- the RECB costs. We had to
6 calculate revenues that -- that UE would get as a -- -- as
7 an ICT transmission revenue and what they would have to
8 pay.

9 All of that is not done as a part of CRA's
10 analysis but was done as a part of UE's analysis. And it
11 is included in the original study. But we just have these
12 three adjustments. And I -- that I mentioned to you that
13 get us to this new number. And -- and -- and yeah,
14 documents do exist that -- that show the detail of that.

15 CHAIRMAN DAVIS: Okay. But are those all just
16 like part of your -- your black box settlement
17 negotiations?

18 DR. PROCTOR: Well, I -- I don't know. I'm not
19 an attorney, so I don't know. The numbers appear here in
20 words.

21 CHAIRMAN DAVIS: Well, I see them in the
22 stip.

23 DR. PROCTOR: Yeah.

24 MR. DOTTHEIM: Well, they're set out in the --
25 in the stipulation --

1 CHAIRMAN DAVIS: Yes.

2 MR. DOTTHEIM: -- and agreement. Chairman, if
3 you're asking for the support, I think the support could
4 be provided to you if you're looking --

5 CHAIRMAN DAVIS: That would be -- that would be
6 outstanding if -- if parties were willing to --

7 MR. DOTTHEIM: Yes. And in particular, since
8 they're set out in the stipulation and agreement, I don't
9 believe they could, as a consequence, be asserted to be a
10 confidential or part of --

11 CHAIRMAN DAVIS: Okay.

12 MR. DOTTHEIM: -- confidential negotiations
13 because they are here as part of a public document. So --
14 and I'm getting an indication, and Mr. Lowery would
15 probably want to speak on his own behalf, but I -- I don't
16 think that there would be any objection in providing those
17 materials.

18 MR. LOWERY: Commissioner, I mean, that's
19 correct. I think what we're talking about -- and
20 Dr. Proctor is more familiar with them than I am in terms
21 of exactly what paper does or doesn't exist.

22 I think we're talking about a few Excel
23 spreadsheets, probably, that took the results of the CRA
24 analysis.

25 CHAIRMAN DAVIS: Right. Right. That's --

1 MR. LOWERY: Change these assumptions and there
2 -- and there it is. And all the parties had those in
3 terms of making their decision in terms of how to move
4 forward on the stipulation. So I don't see why that would
5 be a problem.

6 CHAIRMAN DAVIS: Okay.

7 JUDGE WOODRUFF: Do you want to go ahead and
8 I'll reserve a number, and we'll call it Exhibit No. 1?

9 MR. DOTTHEIM: Late filed exhibit.

10 JUDGE WOODRUFF: Late Filed Exhibit No. 1.

11 CHAIRMAN DAVIS: We'll just -- we'll just --
12 whether it's two sheets or five sheets, we'll just file it
13 all as Late Filed Exhibit No. 1. Is that what I'm hearing
14 you say?

15 JUDGE WOODRUFF: Yes. That's fine.

16 CHAIRMAN DAVIS: Dr. Proctor, you know, I --
17 having read the CRA study, I think there was a lot of
18 thought put into the assumptions and the inputs from what
19 I can see. Referring back -- and you may not have the CRA
20 study in front of you.

21 But, you know, page 43, there are a couple of
22 graphs. There were some assumptions made about the -- the
23 regional natural gas prices out from '09 through '16 and
24 then I guess spot prices at the Henry Hub through 2030.
25 You know, how do you feel -- how do you feel about those

1 assumptions? Do you -- do you stand by those assumptions
2 that those are -- those are the best estimates we can get
3 at this time?

4 DR. PROCTOR: Probably. Probably. Yeah. In
5 terms of targets, yes. In terms of -- AmerenUE did ask
6 CRA to run a sensitivity on the gas price assumptions.
7 And they ran some sensitivities, and the results of those
8 sensitivities were included in the study.

9 The sensitivities were there, and I will tell
10 you, primarily to -- we had asked for them. I think other
11 parties wanted them for all kinds of various reasons. But
12 -- but gas prices could make a difference when you're
13 comparing Southwest Power Pool to the Midwest ISO.

14 And -- and that was a major concern the Staff
15 had going into the study. So we asked for a gas price
16 sensitivity. And it was run. And I don't remember right
17 now.

18 CHAIRMAN DAVIS: Okay. I'm looking at it. It's
19 on page 49.

20 DR. PROCTOR: Yeah. I don't have the study with
21 me right now. I'm sorry. But my recollection was --
22 well, I know that the gas price sensitivity did not make
23 SPP a better choice than MISO. That was the major concern
24 that I had and the reason for the gas price sensitivity
25 study.

1 CHAIRMAN DAVIS: Okay. Because it looks like --
2 if I -- if I am reading this correctly, Ameren one-year
3 sensitivity analysis benefits in comparison to the MISO
4 case, Table 26, you know, I see numbers in -- I see --
5 here. Mr. Dottheim, could you just -- is that the graph
6 you were referring to, Mr. Proctor?

7 DR. PROCTOR: Yes.

8 CHAIRMAN DAVIS: Okay.

9 DR. PROCTOR: This is the sensitivity.

10 CHAIRMAN DAVIS: Okay. And so is that a -- is
11 that a positive 14 million or a negative 14 million?

12 DR. PROCTOR: I'm trying to find the 14 million,
13 so hang on just a second. Give me just a -- this is the
14 difference between the Midwest ISO --

15 CHAIRMAN DAVIS: And SPP?

16 DR. PROCTOR: And SPP. Actually, the other way
17 around. SPP minus Midwest ISO, so --

18 CHAIRMAN DAVIS: Okay. So --

19 DR. PROCTOR: In the base case, a negative 52
20 means that MISO is 52.7 million better benefits than SPP.

21 CHAIRMAN DAVIS: Okay.

22 DR. PROCTOR: And --

23 CHAIRMAN DAVIS: And SPP was 68 or negative 68.
24 So it would be a \$14 million benefit to the --

25 DR. PROCTOR: In MISO.

1 CHAIRMAN DAVIS: -- in MISO?

2 DR. PROCTOR: That's the way I would read that.
3 Yes.

4 CHAIRMAN DAVIS: Okay. All right. Dr. Proctor,
5 forgive my ignorance. In the -- in some of testimony,
6 there were -- there was reference to the -- what I would
7 call the -- the open access transmission tariff, which was
8 designated as OATT, and then there's the open access
9 transmission and energy markets tariffs -- tariff?

10 DR. PROCTOR: Correct.

11 CHAIRMAN DAVIS: Okay. Could you -- could you
12 explain to me the difference there?

13 DR. PROCTOR: Yes. The -- the transmission --
14 open access transmission tariff has to do with
15 transmission service. It has to do with the pricing of
16 the transmission service. It has to do with -- with the
17 reservation of transmission service.

18 The -- what it's talking about, the energy
19 tariff, it had to do with the -- with the -- the day ahead
20 in real time energy market that the Midwest ISO is
21 operating.

22 CHAIRMAN DAVIS: Okay.

23 DR. PROCTOR: They're -- they're all -- the
24 tariffs are all part of it -- a large tariff. It's just
25 the sections of the tariff and how they relate to -- to

1 various services.

2 CHAIRMAN DAVIS: Okay. Do you recall Ms.
3 Borowski's (Sic) testimony on February 6, roughly? Were
4 you present for that?

5 DR. PROCTOR: Yes.

6 CHAIRMAN DAVIS: Okay. Do you know what the --
7 the present value of all the transmission projects
8 currently planned under MISO's RECB mechanism is?

9 DR. PROCTOR: No. Not off the top of my head.

10 CHAIRMAN DAVIS: But she -- she estimated it at
11 -- in excess of 200 billion.

12 DR. PROCTOR: That's --

13 CHAIRMAN DAVIS: So you -- you concur with that
14 number?

15 DR. PROCTOR: It depends on what time period
16 that's over. But yes. It's in the ballpark. It's --

17 CHAIRMAN DAVIS: Okay.

18 DR. PROCTOR: These are --

19 MR. LOWERY: Commissioner, Ms. Barkowski tells
20 me that her recollection is that she said 2 billion, not
21 200.

22 CHAIRMAN DAVIS: 2 billion?

23 MR. LOWERY: Close.

24 DR. PROCTOR: I thought you said million. I
25 apologize.

1 MR. LOWERY: No, no, no.

2 DR. PROCTOR: Let --

3 JUDGE WOODRUFF: I'll need to swear you in as a
4 witness. Do you want to raise your right hand? I'll
5 swear you in.

6 MAUREEN BORKOWSKI,
7 being first duly sworn to testify the truth, the whole
8 truth, and nothing but the truth, testified as follows:

9 JUDGE WOODRUFF: And you are?

10 MS. BORKOWSKI: I'm Maureen Borkowski, the Vice
11 President of Transmission for Ameren.

12 JUDGE WOODRUFF: Okay.

13 MS. BORKOWSKI: I believe -- and I don't have
14 perfect recall, but I believe what I testified to at that
15 point was that there was about \$2 billion of capital
16 investment that was potentially subject to RECB charges.
17 And not all of that would necessarily flow through.

18 Since that time, there have been more projects
19 proposed so that that number is not accurate as of this
20 date. But I believe that at the time I was referring to,
21 there were about three and a half billion dollars worth of
22 projects proposed in MISO. Some of those were not
23 eligible for RECB treatment. And I think about 2 billion
24 of that was potentially subject to RECB treatment.

25 CHAIRMAN DAVIS: Okay. Ms. Barowski (sic),

1 while I'm looking through the transcript here to go back
2 and find it because I didn't -- I didn't mark the page.
3 Seven -- you know, if -- if the annual estimated cost is
4 -- or the annual estimated benefit you've got, what, 17
5 million over three years, so that's roughly 5.66 million a
6 year for a three-year period?

7 MS. BORKOWSKI: It's a little bit more than that
8 because of the time value of money.

9 CHAIRMAN DAVIS: Time value?

10 MS. BORKOWSKI: Round number.

11 CHAIRMAN DAVIS: Time value of money. So
12 \$6 million or whatever, it's still -- it's still not a lot
13 of money, I mean, in the grand scheme of Ameren things, is
14 it?

15 MS. BORKOWSKI: That's correct.

16 CHAIRMAN DAVIS: Can Ameren do it cheaper as a
17 stand alone ITC?

18 MS. BORKOWSKI: No. The -- basically, this
19 would have been the next most positive option so that that
20 is what the 17 million is comparing to as the next most
21 positive option, which would be the ICT.

22 I believe that the parties agreed that there was
23 a lot of risk -- more risk even with the assumptions with
24 regard to the ICT than with regard to the transactions
25 you'd be able to make in terms of off-system sales and

1 other issues with regard to whether or not -- what kind of
2 transmission revenues we would be able to generate as a
3 stand-alone transmission company.

4 So the -- so the 17 million is, again, the --
5 the best estimate after everyone looking at all the
6 assumptions.

7 CHAIRMAN DAVIS: Ms. Barowski, in your
8 professional opinion, why is it that companies like Duke,
9 Southern Companies and, I guess until lately, Mid America
10 have -- have chosen to go it alone as a stand-alone when
11 -- when they could be benefitting from the virtues of
12 being a member of an RTO?

13 MS. BORKOWSKI: Well, I think as we did in this
14 particular instance, when we examined the options that
15 were available to us, we didn't have a preconceived notion
16 as to which one would be the best for AmerenUE's
17 customers. When we did the analysis, this continued down
18 the path of being a MISO participant seems to be the best
19 option.

20 I assume those other companies did similar types
21 of internal analyses. And one of the Duke companies,
22 obviously, the Indiana/Ohio company that used to be
23 Synergy is a participant in the Midwest ISO.

24 CHAIRMAN DAVIS: Okay. Okay. Thank you, Ms.
25 Barowski. Dr. Proctor -- the, the CRA study made note

1 that -- and I believe it made note in a couple of places
2 that the SPP RTO projects administrative costs over the
3 next few years that are approximately 20 percent lower per
4 megawatt hour of market member net energy for load than
5 that of the Midwest ISO; is -- is that correct?

6 DR. PROCTOR: That's correct.

7 CHAIRMAN DAVIS: But MISO is so much larger. If
8 we can spread those costs out over all these members, how
9 is it -- is it -- it's still more expensive?

10 DR. PROCTOR: The answer is -- is yes in terms
11 of projecting costs. There -- but there's a lot that goes
12 into that. And it's not just the operational costs. It's
13 the investment costs that they have in facilities.

14 And when you're -- when you're putting new
15 facilities -- or you're offering different services, which
16 the Midwest ISO is -- does offer different services than
17 the SPP, you have to buy additional -- you have to put
18 additional investment into -- into equipment.

19 And the other thing is SPP has had -- has been
20 in existence. MISO had to start from the ground floor.
21 And when you've been in existence for a while, you've got
22 some benefit of historical lower costs that have gone into
23 building that company up.

24 CHAIRMAN DAVIS: Right.

25 DR. PROCTOR: So, I mean, there's lots of

1 reasons that I couldn't -- that just kind of come to mind
2 as to why one's more expensive than the other. But, you
3 know, the bottom line is we -- unless we would vastly
4 improve the transmissions -- east to west transmissions
5 system in Missouri, my -- AmerenUE as a participant in the
6 Southwest Power Pool just cannot -- it just does not prove
7 to be cost beneficial for them even though SPP has lower
8 operating costs.

9 And that was the bottom line here. A lot of
10 that has to do with the amount of sales that AmerenUE
11 would be able to make into the Southwest Power Pool. And
12 we know there's a lot of congestion -- east/west
13 congestion in Missouri.

14 CHAIRMAN DAVIS: Uh-huh. Okay. Is it the true
15 strength of -- of being a participant in MISO -- is it the
16 fact that they are -- it's not the fact that they're able
17 to -- to lower costs and do it any more cheaply than, say,
18 Ameren could do it on their own. It's the fact that they
19 can realize these off-system sales margins that they would
20 not otherwise be able to -- to reap?

21 DR. PROCTOR: Yeah. I think the -- you know,
22 basically, when you -- when you're looking at a -- RTO
23 participation versus non-RTO participation, you're --
24 you're talking about being able to sell into a structured
25 market that has pricing set every five minutes, that's --

1 that's going to operate transparently and efficiently for
2 those that want to sell power as well as those that want
3 to buy power.

4 AmerenUE is predominantly a seller of power into
5 the market at this time. And it was over this ten-year
6 period. If you're not -- if you're in this ICT case or
7 stand-alone case, now all of your -- all of your sales
8 into the market on a stand-alone case have to be done on a
9 bilateral basis. Okay?

10 There's a lot of restrictions in the bilateral
11 market. One of those is -- is you have to enter into --
12 you have to get transmission service, which you really
13 don't have to get if you're selling into the MISO market.

14 You just make an offer, and their dispatch
15 determines what transmission is available. But if you're
16 selling bilaterally, you have to get transmission service
17 for each hour that you want to make a sell -- sale. You
18 have to sell the same amount throughout that hour. That's
19 what you bought transmission service for.

20 And in those kinds of things, if -- if you're a
21 transmission provider, you're going to tend to be a little
22 bit more conservative in terms of granting permission for
23 people to use that transmission system than if I've got a
24 computer model there that can determine, and almost
25 instantly, how much transmission is really available.

1 I'm not having to sell it on a forward basis. I
2 know what the loop flows are from other systems. I know
3 what all the things are at that point in time. And -- and
4 I can adjust it every five minutes. It just works more
5 efficiently, and that results in higher trade volumes for
6 AmerenUE and -- and -- than you would have in the
7 stand-alone case.

8 I don't -- I'm probably going on more than I
9 need to. But that's kind of the difference between a -- a
10 formalized market and a -- a stand-alone, which has to be
11 done on a bilateral basis.

12 CHAIRMAN DAVIS: Okay. And is that -- does that
13 get us into the whole -- I guess this is the whole -- the
14 whole Bill Hogan Harvard University economic theory of how
15 -- how these competitive retail markets ought to work?

16 DR. PROCTOR: Well, Professor Hogan was one of
17 the first people that published on these markets even
18 before they actually existed here in the United States.
19 And I think he had -- he had a great influence in terms of
20 -- of directing the types of markets that would be put
21 together.

22 The industry was moving towards competition in
23 the wholesale markets. And the question -- question back
24 in the -- the -- the 1990 was what will these markets look
25 like? What -- what kinds of market structures will we

1 have?

2 When MISO was envisioned and put together, it
3 was envisioned to be totally a transmission provider with
4 bilateral markets. And -- and it was really -- I think
5 the demand of the stakeholders that moved MISO to offering
6 energy markets, facilitating those energy markets, the
7 stakeholders wanted those markets in place.

8 If they hadn't wanted them in place -- I mean,
9 MISO was set up not to offer those. So I think it was
10 really kind of a stakeholder driven process. Now, that
11 doesn't mean all stakeholders wanted those. It just means
12 the vast majority of them did.

13 CHAIRMAN DAVIS: And is -- is it fair to say
14 that locational marginal pricing was the -- sort of the
15 crux that holds this control thing together?

16 DR. PROCTOR: That -- to me, that would be a
17 fair statement, yes, that -- that the market is set up to
18 determine what the prices are at numerous locations
19 throughout the -- the MISO footprint on an every five
20 minute basis. And that's really the crux of -- of the way
21 the market operates. Or at least as the crux of the
22 computer program that somebody put -- put together to make
23 it operate.

24 CHAIRMAN DAVIS: Right. Is it -- is it fair to
25 say that the wholesale price of natural gas drives the

1 locational marginal price?

2 DR. PROCTOR: I think that's a fairly reasonable
3 statement for -- for the Midwest ISO. I think some people
4 would -- would tend to believe that off-peak prices may be
5 driven more by coal prices than natural gas prices.

6 There's -- we're probably going to argue about
7 that for -- you could argue about that one way or the
8 other. The statistics aren't going to give you the total
9 answer.

10 I mean, in the Southwest Power pool, your
11 statement is, I think, right on target. I think both on
12 peak and off peak prices are driven by prices of natural
13 gas.

14 CHAIRMAN DAVIS: Okay.

15 DR. PROCTOR: MISO, you may get some argument in
16 the off peak.

17 CHAIRMAN DAVIS: Okay. All right. Are you
18 familiar with the term NIMBY?

19 DR. PROCTOR: Yes. Yes.

20 CHAIRMAN DAVIS: What does that commonly refer
21 to?

22 DR. PROCTOR: Not in my back yard.

23 CHAIRMAN DAVIS: Is it -- is it fair to say that
24 NIMBYism is more or less the concept that people,
25 depending on their own location, have their own parochial

1 interests that, you know, include the enjoyment of their
2 property and the surrounding area and that they will
3 oppose certain forms of economic development even if that
4 development is in their economic best interests because
5 they have other non-economic interests?

6 DR. PROCTOR: That's correct. Even if it --
7 even if it provides some benefit to them, they don't see
8 the benefit as overcoming what they view as the cost of
9 putting a transmission line through their field or
10 whatever it may be.

11 They see the -- they see the -- the individual
12 cost as being higher than any benefit that they -- that
13 they individually get from -- from what's being done.

14 CHAIRMAN DAVIS: In all of the economic theory
15 that these competitive markets are based on, is there any
16 way to numerically account for NIMBYism?

17 DR. PROCTOR: I have not seen any way to account
18 for it. In --

19 CHAIRMAN DAVIS: Now, hypothet -- do you want to
20 go ahead Mr. Proctor?

21 DR. PROCTOR: I was just going to say where --
22 where -- where it most likely would come into play is with
23 the expansion of the transmission system. It may prove --
24 prove to be cost beneficial for the entire footprint or
25 for some subset of that footprint to upgrade the

1 transmission system.

2 But you may get some objections from -- from
3 individuals that are going to have to give up property to
4 have that transmission system built.

5 CHAIRMAN DAVIS: So hypothetically speaking,
6 let's say we're going to build a 765 KB line from here to
7 -- to New York City.

8 DR. PROCTOR: Uh-huh.

9 CHAIRMAN DAVIS: Okay. Well, let's say we're
10 going to build it from Oklahoma or Texas because some
11 people think they've got a lot of wind out there.

12 DR. PROCTOR: Okay.

13 CHAIRMAN DAVIS: It really may not matter what
14 rate of return. You pay the utility to try to build those
15 transmission lines because you still may not get them
16 built; is that -- is this a fair assessment?

17 DR. PROCTOR: There -- there are a lot of issues
18 that go into building a line of that length and of that
19 size. And part of it has to do with cost sharing. Part
20 of it has to do with who is going to benefit from it.
21 Part of it's the NIMBY -- you know, who is going to object
22 to it and who has signing authority for it.

23 And if -- if you've got citing authorities in
24 each state that it crosses, you're going to have to go
25 through all of -- there's a lot of, let me say, hurdles to

1 -- or hoops to jump through in order to get a project of
2 that magnitude built.

3 CHAIRMAN DAVIS: Now, it can apply to smaller
4 projects, too?

5 DR. PROCTOR: It can.

6 CHAIRMAN DAVIS: Okay. And your February 6th
7 testimony, I think you stated that it's difficult to put a
8 dollar sign on MISO benefits and detriments. Is that a --
9 is that a fair statement?

10 DR. PROCTOR: On -- maybe in the context of all
11 of the benefits and all of the detriments, yes.

12 CHAIRMAN DAVIS: Okay.

13 DR. PROCTOR: I didn't mean to imply by that
14 that you couldn't try to estimate it.

15 CHAIRMAN DAVIS: Okay. Obviously, one of the
16 benefits that you've discussed here today is -- is market
17 transparency.

18 DR. PROCTOR: Yes.

19 CHAIRMAN DAVIS: Is -- does the way the market
20 -- is the way the market is set up, does that just
21 naturally benefit legacy generators that have older plants
22 that are -- that are depreciated out, base load plants?

23 DR. PROCTOR: Probably not any more than -- than
24 they would benefit from a bilateral market. And, I mean,
25 the benefits to a large base load plant are going to be

1 there no matter -- no matter whether you have a bilateral
2 market or you have a facilitated RTO type market. What we
3 try to measure in the study is what's the difference in
4 the benefits from those two.

5 CHAIRMAN DAVIS: Okay. Now, going back to the
6 -- to the \$60 million issue -- or I've seen it referred to
7 as 60 million. I've seen it referred to 58.5 million.
8 I've seen it referred to as 67.8. No one's -- no one's
9 questioning. Ameren, you know, never -- never received
10 any of that money?

11 DR. PROCTOR: That's correct.

12 CHAIRMAN DAVIS: And I'll let Mr. Lowery correct
13 me if I'm wrong. They just felt like they had a contract
14 where at a certain point in the future, they would be
15 receiving those revenues. Is -- is that a fair statement?

16 DR. PROCTOR: That's my understanding.

17 CHAIRMAN DAVIS: And that it -- those benefits
18 were supposed to kick in, what, February 1st of this year?
19 Is that correct?

20 DR. PROCTOR: That's my recollection. Yes.

21 CHAIRMAN DAVIS: Okay. And we handed down the
22 decision allowing Ameren to participate in MISO roughly
23 February 2004?

24 DR. PROCTOR: (Dr. Proctor nods head.)

25 CHAIRMAN DAVIS: And then, subsequently, I think

1 FERC approved it. And then because of the stipulations
2 that we placed -- the Commission placed on Ameren's
3 participation, they needed to execute a service agreement
4 with MISO?

5 DR. PROCTOR: That's correct.

6 CHAIRMAN DAVIS: And the service agreement was
7 drafted -- was it approved by the Commission? Do you
8 recall?

9 DR. PROCTOR: Yes, it was.

10 COMMISSIONER DAVIS: Okay. Was that late '04?

11 DR. PROCTOR: I don't -- it was -- -- I actually
12 don't recall the -- the specific timing of it.

13 COMMISSIONER DAVIS: Okay.

14 DR. PROCTOR: It -- maybe -- maybe some of the
15 attorneys can -- can --

16 MR. LOWERY: Commissioner, if -- if it
17 pleases --

18 CHAIRMAN DAVIS: Mr. Lowery, jump on in here.

19 MR. LOWERY: The service agreement was approved
20 by the Commission in February '04, this Commission, at the
21 same time the stipulation was approved.

22 CHAIRMAN DAVIS: Okay. That's right. Because
23 it was part -- it was part of the negotiated settlement.

24 MR. LOWERY: Right. And it was -- it was a very
25 important part because it preserved the Commission's

1 jurisdiction over the retail component of the transmission
2 component of the retail rate. Then that service agreement
3 was filed with the FERC shortly thereafter, approved, I
4 think, about May 1st, which clear --

5 CHAIRMAN DAVIS: Right.

6 MR. LOWERY: -- which satisfied a condition this
7 Commission had placed on the participation, that condition
8 being FERC approval of the service agreement without
9 change.

10 And once that Commission -- condition was
11 satisfied, your permission was complete. And we proceeded
12 physically to -- to turn over functional control, which we
13 did in a matter of a few weeks, I believe. I don't
14 remember the exact date. But that's when the five-year
15 period actually started was the date we transferred
16 functional control, which was fairly shortly after the
17 condition that you had imposed was satisfied. May 1st.

18 so Mr. Mills pointed out it was May 1st. So I
19 -- the FERC approved that service agreement rather
20 quickly. And then we needed a few weeks to get the
21 computer systems talking to each other and so on. And
22 then we actually transferred control on May 1st, 2004.

23 CHAIRMAN DAVIS: Okay. So, Mr. Lowery, is it --
24 is it fair to say that from the Ameren perspective that
25 when you entered into that stipulation and agreement that

1 even though you weren't putting money into the pot and
2 everybody knew that we -- you wouldn't -- AmerenUE
3 wouldn't be putting money, quote, into the pot because you
4 would be subject to cost of service regulation and paying
5 it here, that you still had an expectation that -- that
6 you were going to get paid that \$60 million?

7 MR. LOWERY: I'm going to have to let Ms.
8 Borkowski address that because I don't know what was on
9 our mind about the \$60 million in '04.

10 CHAIRMAN DAVIS: All right.

11 MS. BORKOWSKI: And I didn't work for Ameren in
12 '04. But to the best of my understanding of this, in --
13 on February the 1st, 2008, there were other things that
14 were supposed to have happened according to the
15 transmission owners agreement. That was the date where
16 the post transition pricing period was supposed to begin.

17 During the entire duration of the transmission
18 owners agreement up till that point in time, as we've
19 already established, AmerenUE became a part of on May the
20 1st, 2004.

21 There was a transition period wherein all the
22 pricing was left basically where each pricing zone in MISO
23 continued to charge its own rate. And the expectation was
24 that by February 1st, 2008, some new pricing philosophy
25 which was undefined prior to that time would be placed in

1 effect and would apply to all of the -- the load of all of
2 the transmission owners in MISO, both wholesale and
3 retail, except for the Missouri bundled retail load
4 because of our service agreement.

5 So I think what we're saying is the expectation
6 was that whatever pricing philosophy was put in place at
7 that time would not apply to the Missouri bundled retail
8 customers. And whatever revenue allocation went along
9 with that pricing, we would expect the appropriate
10 formulas to be applied and the chips fall where they will.

11 So I -- I think what I would have to say is that
12 did anyone know exactly how that would all shake out and
13 what the total incremental revenues might be? No.
14 Because no one knew at that point in time what the
15 ultimate pricing philosophy was going to be that would be
16 filed for the post transition period.

17 However, what I can say is that during all of
18 the discussions that took place among the MISO
19 transmission owners leading up to the end of this
20 transition period and having to put into place the new
21 pricing methodology, Ameren was very clear the entire time
22 what our status was.

23 And the particular pricing that the MISO
24 transmission owners chose to go with, they were aware that
25 it was going to result in incremental transmission

1 revenues to AmerenUE. And it wasn't until later that they
2 tried to make a filing to effectively undo that
3 arrangement.

4 CHAIRMAN DAVIS: And they effectively went to
5 Daddy Callaher at FERC and got it undone?

6 MS. BORKOWSKI: At this point in time, they --
7 the order from FERC basically accepted what the
8 transmission owners and MISO had filed. And we have a
9 re-hearing pending of that order. But at this point in
10 time, that is what's in effect.

11 CHAIRMAN DAVIS: Now, Ms. Barkowski, I mean, in
12 February, you -- you agreed with me that -- well, I don't
13 want to put words in your mouth. But, essentially, what
14 MISO did constituted an end-run around this Commission.

15 MS. BARKOWSKI: Yes.

16 MR. ZOBRIST: Mr. Chairman, I really apologize
17 for interrupting your train of thought, but this was the
18 Midwest ISO's transmission owners. Midwest ISO did not
19 make an end-run around anybody. We didn't have a dog in
20 that fight.

21 CHAIRMAN DAVIS: Okay. So this was an actual
22 filing by the Midwest ISO transmission owners and not
23 MISO?

24 MR. ZOBRIST: That's correct. Well, let me
25 clarify. We joined in that filing, but only in the

1 capacity as transmission -- only as the tariff
2 administrator. We did not advance an argument on behalf
3 of any transmission owner.

4 CHAIRMAN DAVIS: Okay. Thus -- thus Mr. --
5 Mr. Cozy's statements about -- I forget what it was that
6 you were there to -- just there as a, quote, bystander or
7 something of that --

8 MR. ZOBRIST: That's -- that's correct.

9 CHAIRMAN DAVIS: Okay.

10 MS. BORKOWSKI: Mr. Chairman, may I address that
11 issue?

12 CHAIRMAN DAVIS: Absolutely, Ms. Borkowski.

13 MS. BORKOWSKI: The filing was made by MISO and
14 the MISO transmission owners, obviously, not including
15 AmerenUE or any of the Ameren companies.

16 But in AmerenUE's opinion, there had been
17 filings made in the past by the transmission owners
18 themselves that were not participated with by MISO. So
19 our opinion was it was not a requirement that MISO as a
20 tariff administrator participate in that filing.

21 In fact, we were somewhat surprised that they
22 did, particularly, in that normally as a part of the MISO
23 process, any time they're going to make a filing, it's
24 supposed to be shared with the stakeholders, and, in
25 particular, the transmission owners 30 days in advance.

1 So we did not agree that either MISO was just a
2 bystander or that they, of necessity, had to participate
3 in the filing. They certainly took no position in the
4 docket. But we would have preferred and think it would
5 have been appropriate for the transmission owners to have
6 filed that on their own.

7 CHAIRMAN DAVIS: Right. And the -- the fact
8 that they put their name on the document carries some
9 weight with FERC, does it not, in your opinion?

10 MS. BORKOWSKI: That's hard for me to judge. It
11 -- it certainly carried some weight with me in terms of my
12 feeling that it was not appropriate.

13 MR. ZOBRIST: And, Mr. Chairman, I think that
14 she's right that Ameren perhaps was surprised by that.
15 And that's why Midwest ISO clarified its position in the
16 subsequent filing to indicate exactly what its role was in
17 that docket.

18 CHAIRMAN DAVIS: Okay. Ms. -- Ms. -- I'm sorry.
19 Ms. Barowski, correct?

20 MS. BORKOWSKI: Borkowski.

21 CHAIRMAN DAVIS: Borkowski. I'm sorry if I --
22 if I keep mispronouncing your name. What consideration is
23 Ameren receiving for agreeing to this stipulation, if any?

24 MS. BORKOWSKI: I'm not sure I understand the
25 question. I think I would have to say none.

1 CHAIRMAN DAVIS: None. Okay. All right.

2 Mr. Edwards?

3 MR. EDWARDS: Yes, sir, Mr. Chairman.

4 CHAIRMAN DAVIS: How many states does MISO
5 operate in now?

6 MR. EDWARDS: We are operating in parts of 15
7 states in the approximate --

8 CHAIRMAN DAVIS: Okay. And it's contemplated
9 that you're going to operate in a few more states,
10 correct?

11 MR. EDWARDS: At this point in time, we're not
12 sure exactly what the status of any increase or decrease
13 of our current footprint is, Mr. Chairman.

14 CHAIRMAN DAVIS: Okay. But there is -- there is
15 the possibility that the size of the footprint could
16 increase further, correct?

17 MR. EDWARDS: There was a filing we made at
18 FERC, which was referred to as Module F, that would allow
19 the expansion of the footprint to allow people that are
20 currently not in the market that would become a part of
21 the market if they so chose. But all that is -- is
22 premature until FERC rules on the -- on the filing.

23 CHAIRMAN DAVIS: Okay. You're operating in --
24 in 15 states and Manitoa (ph.). Would you agree that the
25 processes and procedures used by MISO have to be above

1 reproach?

2 MR. EDWARDS: Yes, sir.

3 CHAIRMAN DAVIS: Do you understand how someone
4 like myself could read the pleadings filed by Ameren at
5 the -- at the FERC and here with regard to the -- the
6 transmission owners agreement and -- and the sum total of
7 -- of all of the documents and -- and get the impression
8 that, you know, MISO changed some of those process rules
9 last year?

10 MR. EDWARDS: I think it's -- in the eyes of the
11 beholder, Mr. Chairman. I believe that the Midwest ISO
12 does its best to have a transparent open process, open
13 stakeholder process.

14 Once Ameren indicated to us, me particular, that
15 they were dissatisfied that we were, quote, on the filing,
16 we tried to make it very clear to the their Chairman, CEO,
17 to their senior staff that -- that the way I put it to
18 them was we didn't have a dog in that fight and we were
19 simply there as filing on -- as a party to the filing
20 because we are tariff administrator. And, in our opinion,
21 we needed to be on the docket from that perspective, not
22 that we were promoting one issue over another or one
23 position over another. That was certainly not our
24 intention, and we did not, and subsequently filed to
25 clarify that.

1 CHAIRMAN DAVIS: Right. Do you recall a -- I
2 believe it's the transmission owners agreement, which is a
3 fairly lengthy, thick document, but that a -- a portion of
4 that says that, you know, there are -- are certain -- I
5 believe it's -- I believe it's the distributions can't be
6 changed without the -- the unanimous consent of -- of all
7 of the transmission owners that are party to that
8 agreement?

9 MR. EDWARDS: I'm not familiar with the specific
10 language with respect to that. I do know there's language
11 within the transmission owners agreement relative to the
12 distribution.

13 CHAIRMAN DAVIS: Okay. And this is -- Ms.
14 Barkowski, do you recall what I'm talking about?

15 MS. BORKOWSKI: Yes, sir.

16 CHAIRMAN DAVIS: And is that -- is that a fair
17 characterization?

18 MS. BORKOWSKI: Yes.

19 CHAIRMAN DAVIS: So should I have confidence in
20 the -- the transmission owners agreement and should I have
21 that people are going to -- that that con -- that that
22 owner agreement can actually be enforced or that it can be
23 just changed arbitrarily if -- if a majority of the
24 members go to FERC and say, Well, we really didn't mean
25 this, can we change it?

1 MS. BORKOWSKI: I believe the position of the
2 transmission owners was that they were not fully changing
3 the revenue distribution formula. They were chairing --
4 changing the application of the tariff language in terms
5 of the way other bundled load was treated to make it
6 similar to the way the Missouri bundled load was treated.

7 We -- as we've already established, our position
8 is that that was an attempt to end around the revenue
9 distribution method in the transmission owners agreement
10 which was supposed to only be changed all by unanimous
11 consent.

12 CHAIRMAN DAVIS: Right. Certainly, when you go
13 to imputing -- imputing numbers, it changed the
14 distribution, correct?

15 MS. BORKOWSKI: It changed the dollars that were
16 distributed to each entity. Yes.

17 CHAIRMAN DAVIS: Okay. Mr. Edwards, do you have
18 any other -- any other thoughts on that process?

19 MR. EDWARDS: Mr. Chairman, I believe that the
20 -- the transmission owners -- all of the transmission
21 owners, including Ameren, I believe, were in discussions
22 on this particular issue for a number of months. The
23 transmission owners came together and decided that they
24 would like to make a filing.

25 We were simply tariff administrator. Our name

1 was on it. And that's how we were there. Again, we do
2 not receive any money out of the distribution. It's not a
3 matter of that. It's not a matter of we had a dog in that
4 hunt. It's a matter that the transmission owners were
5 asked on -- to file. And as part of that and being tariff
6 administrator, we felt we had an obligation to do that,
7 but had no obligation to take a position, and we did not.

8 CHAIRMAN DAVIS: Mr. Edwards, can you understand
9 why those of us who need to have confidence in this system
10 may not be totally confident in it?

11 MR. EDWARDS: I'm -- I'm not sure I -- I think
12 I can understand what you're saying. But I think that
13 there is always two sides to every story. And I believe
14 that the Midwest ISO is at it prudently and in a fiduciary
15 manner and in accordance with our tariff and -- and the
16 way we have to do business. So I believe we have acted in
17 an appropriate manner.

18 CHAIRMAN DAVIS: Okay. Real quick, Ms. Barowski
19 -- Barkowski. I'm sorry. Okay. I apologize.

20 MR. MILLS: Third different way.

21 CHAIRMAN DAVIS: I believe it's in the
22 recommendation respecting procedural schedule filed by
23 Mr. Lowery, which I believe was filed on or about December
24 28th, 2007. There was -- I believe it was Attachment B.

25 (Announcement made over PA system.)

1 COMMISSIONER JARRETT: Maybe.

2 CHAIRMAN DAVIS: I guess that's my cue. Page 22
3 talking about RECB costs. At the time of the initial RECB
4 filing, MISO transmission expansion plan reflected
5 approximately three and a half billion of planned
6 transmission projects.

7 After just one year of RECB, the planned
8 proposed investment in the MTEP, MISO Transmission
9 Expansion Plan, had sky-rocketed to as much as 20 billion.
10 So I was off by ten.

11 And I recall reading that Ameren's percentage
12 was estimated to be roughly \$3 million per billion dollars
13 worth of construction project under RECB. Three -- 3
14 million for every 1 billion of -- of new investment in
15 RECB. Is that -- is that a good guesstimate?

16 MS. BORKOWSKI: I'd have to do the math. But
17 about the way it works out is on an annualized basis, if
18 you take the construction costs, so that would be your
19 billion dollars --

20 CHAIRMAN DAVIS: Uh-huh.

21 MS. BORKOWSKI: -- times 20 percent of that is
22 eligible for a postage stamp --

23 CHAIRMAN DAVIS: Uh-huh.

24 MS. BORKOWSKI: -- approach, so that would have
25 us at 200 million.

1 CHAIRMAN DAVIS: Right.

2 MS. BORKWOSKI: And then roughly 20 percent
3 times that would be the kind of all in fixed charge rate
4 to annualize the overall construction costs.

5 CHAIRMAN DAVIS: Uh-huh.

6 MS. BORKOWSKI: So where would that have us
7 then? At 40 --

8 CHAIRMAN DAVIS: 40 million.

9 MS. BORKOWSKI: 40 million. And then AmerenUE's
10 share of that is roughly 7 to 7 and a half percent. So
11 that would put it at about \$3 million.

12 CHAIRMAN DAVIS: Okay. So that would -- that
13 would put it at \$3 million. That's -- that's very
14 helpful. I appreciate you walking me through that. And
15 so if it's 20 billion, then you could just multiply it by
16 -- by 20, and that would give us -- and that would be 60
17 million annualized?

18 MS. BORKOWSKI: Annually. Correct.

19 CHAIRMAN DAVIS: Okay. Now, does -- would
20 Ameren have any vested ownership interest in any of these
21 transmission upgrades that we would be paying for, or is
22 that just a --

23 MS. BORKOWSKI: Well, of the --

24 CHAIRMAN DAVIS: -- societal contribution?

25 MS. BORKWOSKI: -- of the 3 and a half billion

1 dollars that was in the -- at the time of the MTEP filing
2 that was in effect, there are some Ameren projects in
3 that. None of the Ameren projects were eligible for cost
4 allocation because they had -- they were in the exclusion
5 group, if you will.

6 If you recall, I -- I had earlier stated that of
7 that 3 and a half billion, only about 2 billion of it was
8 eligible for regional cost allocation. So of the 20
9 billion, there are certainly some Ameren projects in
10 there, but not nearly to the magnitude that would
11 represent our 7 and a half percent of the total load in
12 MISO.

13 CHAIRMAN DAVIS: Right.

14 MS. BORKOWSKI: Now, one thing I do want to
15 qualify is the billion is -- well, in MTEP terms, all
16 Appendix A, Appendix B and Appendix C projects. Many of
17 the Appendix C projects are kind of the -- you know, kind
18 of the contemplated, potential, proposed, but not
19 actually moving to even firm plans yet. So the 20 billion
20 does include things that may not be built.

21 CHAIRMAN DAVIS: Right. Some of it's -- some of
22 it's pie in the sky?

23 MS. BORKOWSKI: Correct.

24 CHAIRMAN DAVIS: Okay.

25 MR. EDWARDS: Commissioner, I believe Borkowski

1 is right. Appendix C really is projects that are way out
2 there, way out in time as well as people's thought process
3 of what should be done.

4 Appendix A is the one that is -- the one that
5 the board approves and says that, yes, we would like to
6 see this project move forward. But it's not up to us
7 construct them. It is up to the utilities to have a good
8 faith effort to construct.

9 Project B are the ones that are, say, planned
10 several years out. It is a -- a mix when you're looking
11 at that number. And the best way to look at it, I think,
12 is on a year by year basis. And that first year as Ms.
13 Barkowski said is, you know, i.e., included in there is --
14 I forget the exact numbers, but it is nowhere close to the
15 20 billion that was referred to previously.

16 CHAIRMAN DAVIS: Okay. Ms. Barkowski, has the
17 issue over the revenue sufficiency guarantee charges, has
18 that been worked out to your satisfaction?

19 MS. BARKOWSKI: Actually, that's more of a
20 generation issue. And I'm the transmission person. So I
21 think either Ajay Aurora or Shawn Schukar would be the
22 more appropriate person to answer that question.

23 CHAIRMAN DAVIS: Okay. Well, who wants to be
24 sworn in?

25 MR. LOWERY: Shawn?

1 JUDGE WOODRUFF: Why don't you come on up to the
2 podium here, Mr. Schukar.

3 MR. LOWERY: You can sit here.

4 JUDGE WOODRUFF: That would be fine, too.
5 Please raise your right hand.

6 SHAWN SCHUKAR,
7 being first duly sworn to testify the truth, the whole
8 truth, and nothing but the truth, testified as follows:

9 JUDGE WOODRUFF: And you are?

10 MR. SCHUKAR: Shawn Schukar, Vice President of
11 Strategic Initiatives.

12 JUDGE WOODRUFF: For Ameren?

13 MR. SCHUKAR: For Ameren.

14 JUDGE WOODRUFF: Thank you.

15 CHAIRMAN DAVIS: Mr. Schukar, has the RSG
16 charges, the issue of the RSG charges been worked out?

17 MR. SCHUKAR: Well, not exactly in that there's
18 been filings made by Midwest ISO that are in front of
19 FERC, but FERC has not acted on these -- on those filings
20 yet.

21 CHAIRMAN DAVIS: Okay.

22 MR. SCHUKAR: So -- so that still remains
23 outstanding. But I would add that the Midwest ISO has
24 made steps to lower the total dollars that get allocated.
25 The filing at FERC is an allocation issue. But they've

1 worked, also, on lowering the total dollars which they
2 have lowered them to some extent.

3 CHAIRMAN DAVIS: Okay. Mr. Lowery, in your
4 pleading, per the app -- or the application, actually,
5 pages 6 and 7, it would be No. 12, there were items A
6 through J listed.

7 A was the potential loss of incremental
8 revenues, approximately \$60 million annually. B was the
9 changes in RECB. C was the costs or benefit associated
10 with ancillary services market. And -- are you satisfied
11 -- are -- have all of these issues been addressed? Or are
12 they ongoing? Can you give us -- can you give us a status
13 report of the Items A through J?

14 MR. LOWERY: Well, Ms. Borkowski and Mr. Schukar
15 can probably give a more detailed status report. But I
16 will say that all of those 12 items were the subject of
17 the discussions that took place between the stakeholders
18 when the stakeholders were discussing how to resolve this
19 case and which ones we needed to consider some
20 sensitivities and/or updates.

21 The late filed Exhibit No. 1 that we talked
22 about earlier that we're going to file reflects an update
23 as to two or three of those items. Mr. Proctor talked
24 about that earlier. The other ones, as I understand it --
25 and I'll let Mr. Schukar or Ms. Borkowski supplement what

1 I have to say about it.

2 What we knew in November and what we know today
3 about the other ones, I think, is essentially the same,
4 that they remain risks or uncertainties that could go one
5 way or the other over a period of time, but nothing of
6 particular note as far as I know on the other ones is
7 really happening or is necessarily happening.

8 I -- do either of you have anything you can add
9 to that that would be more specific?

10 MS. BORKOWSKI: Mr. Chairman, if you'd like to
11 -- would you want to run down them, A through J, or --

12 CHAIRMAN DAVIS: Quickly. Let's go.

13 MS. BORKOWSKI: Okay. A was the \$60 million
14 issue, which we've been talking about.

15 CHAIRMAN DAVIS: Right.

16 MS. BORKOWSKI: That we lost that at FERC
17 initially. We've got something pending on re-hearing.
18 But at this point in time, we're -- the new analysis
19 basically has taken that incremental revenue out of the
20 benefits.

21 The changes in costs or benefits by the
22 allocation of transmission expansion projects, that's the
23 one that even if the stipulation that we had before you
24 today, we said we believe presents the most significant
25 potential risk for AmerenUE.

1 And just to emphasize that, we just had the
2 discussion of the three and a half billion dollars or the
3 20 billion dollars or whatever.

4 CHAIRMAN DAVIS: Right.

5 MS. BORKOWSKI: Just in the last several weeks,
6 an additional 750 million dollars was added to the three
7 and a half billion --

8 CHAIRMAN DAVIS: Uh-huh.

9 MS. BORKOWSKI: -- by some projects in Minnesota
10 and in the Dakota.

11 CHAIRMAN DAVIS: Right.

12 MS. BORKOWSKI: Which, again, potentially, if
13 you work through the math could burden AmerenUE with
14 additional costs. That's why -- and those kind of -- kind
15 of jumped right from being kind of undefined into Appendix
16 A.

17 CHAIRMAN DAVIS: Right.

18 MS. BORKOWSKI: So that's problematic as far as
19 we're concerned. Those are the issues that we're
20 continuing to work with the transmission owners in MISO.

21 CHAIRMAN DAVIS: And they're going to reopen
22 that issue on September 1 supposedly?

23 MS. BORKOWSKI: Well, our expectation is that
24 all of that will be discussed within the stakeholder
25 group.

1 CHAIRMAN DAVIS: Right.

2 MS. BORKOWSKI: As Dr. Proctor mentioned before,
3 AmerenUE has actually made a proposal with regard to
4 changes to RECB --

5 CHAIRMAN DAVIS: Right.

6 MS. BORKOWSKI: -- that would dramatically
7 reduce --

8 CHAIRMAN DAVIS: Right.

9 MS. BORKOWSKI: -- the exposure of Ameren UE --

10 CHAIRMAN DAVIS: Right.

11 MS. BORKOWSKI: -- if our proposal were adopted.

12 CHAIRMAN DAVIS: I'm sure as -- do you know,
13 does Minnesota have a proposal to, like, socialize all the
14 costs?

15 MS. BORKOWSKI: I don't know specifically what
16 their proposal is within their group of the Cap X
17 projects. But, certainly, their members have advocated
18 postage stamping all transmission expense over 345 KB.

19 CHAIRMAN DAVIS: Okay. I'm sorry. Go ahead.

20 MS. BORKOWSKI: With regard to letter C, the
21 cost and benefits of the ancillary advices market, the
22 market is due to start in September, so that one is still
23 outstanding.

24 D, the efforts to redesign the RSG and RNU
25 payments. I think Mr. Schukar just addressed that. E,

1 the possibility of the exit fee, as that was discussed
2 earlier here today. AmerenUE does not concede that we
3 would definitively have to pay an exit fee. But even in
4 the event that it was required, that number should be
5 declining as each year goes on and the investment, you
6 know, ages.

7 Letter F, issues regarding the availability of
8 transmission in the ICT case, at this point in time, we
9 are not doing any further analysis on that one. To the
10 extent that one of these other issues would trigger a new
11 look at the options available to AmerenUE, that would
12 certainly come into consideration.

13 And then finally uncertainty about the amount of
14 through and out-wheeling revenues to be received by
15 AmerenUE, same issue there. We'll have to look at that
16 again in the event that there was something that seemed to
17 be going south on us on in MISO.

18 And, finally, the cost and benefits associated.
19 There's still a couple more. With the SVP Day 2 market,
20 that's one we have to continue to monitor to see what
21 progress we make.

22 CHAIRMAN DAVIS: Right. That that's not an
23 issue.

24 MS. BORKOWSKI: Right. And then any additional
25 changes in cost or revenue allocations in MISO, that could

1 either be RECB or things related to the ancillary services
2 market. I mean, there's a lot of things that could relate
3 to, which, again, we carefully monitor and stay activity
4 involved.

5 And then the impact on any fuel prices,
6 particularly natural gas prices. Major changes there
7 would be something that would create a new review
8 potentially.

9 CHAIRMAN DAVIS: Okay.

10 MS. BORKOWSKI: So --

11 CHAIRMAN DAVIS: We haven't talked about the
12 ancillary services market yet, so I've got to ask a couple
13 questions about that. Ms. Barowski -- Barkowski, do you
14 think -- I'm sorry. Do you have any impressions about the
15 tests that were run on the ancillary services market
16 earlier this year?

17 I mean, it seems like they were run on some --
18 some fairly mild weather days and produced some rather
19 exorbitant prices. Is that a fair characterization?

20 MS. BARKOWSKI: Well, I won't attribute the
21 weather issues to MISO because I -- as much as I like to
22 pick on them, it's probably not appropriate to blame them
23 for the mild weather.

24 But I -- I would say that there have certainly
25 been some issues around the price volatility and the

1 amount of time we get into scarcity pricing. Mr. Schukar
2 should probably address that more than I. I'm more
3 involved in the ancillary services market from the
4 balancing authority perspective.

5 I think what I can say in regard to the market
6 operations overall is that it's Ameren's position that we
7 would like to reach a time where we've got a moratorium on
8 software changes and just allow the testing to be done in
9 a steady state sort of operation so we can get a good feel
10 as to whether or not this is going to operate in a stable
11 manner once the market is actually ready to start.

12 CHAIRMAN DAVIS: Do you ever get the feeling
13 that there's just so much going on at MISO that it's very
14 difficult to keep up with everything?

15 MS. BARKOWSKI: If I say yes, does that mean I
16 get to add more staff? I would say that it -- that it is
17 very difficult to keep up with everything that's going on.
18 Yes.

19 CHAIRMAN DAVIS: Mr. Edwards, do you have
20 thoughts on the ancillary services market?

21 MR. EDWARDS: Mr. Chairman, of course I do. A
22 couple things. One is that I think that even Ms.
23 Barkowski would agree that the operations tests have gone
24 extremely well from transition from 24, 26 balance
25 authorities into one and transitioning them back.

1 Operationally, everything has gone extremely
2 well. The area where she mentioned as far as price
3 volatility, that is an area that started getting a lot of
4 attention about, I guess, six, seven weeks ago when we
5 started seeing some abnormally high prices related to
6 regulation and spending reserves.

7 We started looking at it and working with
8 stakeholders in trying to get through the process and
9 looking at different cases that are approved every day in
10 order to -- to -- to determine how much regulation and
11 spending reserves you need as well as what the prices are.

12 And we started dissecting a little bit. We
13 thought there were several issues there. One was
14 participant behavior. One was the software, the way it
15 was allocating what we call ramp over the different
16 products because when you start to ramp into the day,
17 you've got to cover the energy market, the regulation
18 market as well as the spending reserves.

19 And we saw that the -- the -- the ramp was not
20 being allocated or really shared between those different
21 products and services. We made a software change. We
22 scheduled more tests. And we have seen that situation
23 improve.

24 However, it's not where we want it. And I've
25 made a commitment to everybody that we're not going to

1 start the market until we are ready to start. And this
2 issue continues to be reviewed. We continue to -- we have
3 two more test scheduled next week.

4 The one that's passed Friday was scheduled just
5 to see the impact of that one item of being able to share
6 ramp across the products. So we've still got some work to
7 do.

8 I do agree with Ms. Barkowski that we would also
9 like to see a -- what I'll say is a steady stay period
10 for, say, take two weeks or whatever and say -- make sure
11 that the systems are working and, also, to ensure that the
12 prices are being sent in the right way and that our -- the
13 market monitors is also satisfied with that.

14 So there is still some work to do. We think
15 that -- we will continue to find ways to fine-tune the
16 system. But it does bother us that we see some price
17 volatility and continue to work at it. And we'll get our
18 arms around it.

19 If we're not ready and we don't have the answers
20 by the ninth of September, then we will not launch the
21 market.

22 CHAIRMAN DAVIS: Okay. Do you think that market
23 has been a good deal for consumers?

24 MR. EDWARDS: In -- in my opinion, the wholesale
25 marketplace that we administer has a lot of values at the

1 wholesale level. We operate on wholesale platform in a
2 wholesale market. We have no control what is flowed
3 through or not flowed through to the ultimate end
4 consumer.

5 But we feel like that we've identified the
6 values of the wholesale market. And one thing that I do
7 not believe the -- I have not reviewed the Top River
8 social study, but I'm not sure it accounted for liability
9 benefits that Ameren and others have seen relative to the
10 market because, with the market, you would drastically
11 enhance reliability.

12 Broader footprint, broader reserves, broader
13 reserves hearing. The reserve sharing group already has
14 estimated that benefits thus far on a 12-month period is
15 between a 140 and \$150 million a year. So these values
16 are there.

17 And how you quantify it, people can argue with
18 the assumption or debate the assumptions that go into it.
19 However, I think that, in my opinion, yes, sir, I think
20 the values are there. But, again, we've got to recognize
21 that we operate on a wholesale market and not a retail
22 market.

23 MS. BORKOWSKI: Mr. Chairman, may I respond to
24 one thing?

25 CHAIRMAN DAVIS: Sure. Absolutely.

1 MS. BORKOWSKI: This is an issue that I feel
2 near and dear to my heart. It's -- with regard to the
3 operating reserves and the contingency reserve sharing
4 group which MISO is now the group administrator for.

5 And several times I've heard MISO personnel say
6 that it saved the market or the market participants,
7 basically, you know, over a hundred million dollars.

8 CHAIRMAN DAVIS: You never had any transmission
9 reliability problems, did you, at Ameren?

10 MS. BARKOWSKI: Well, there are always
11 transmission reliability.

12 CHAIRMAN DAVIS: Distribution problems?

13 MS. BARKOWSKI: There are always transmission
14 reliability problems. But the system is built to be
15 robust so that you manage around that with the intention
16 of being that the system reliability is maintained.

17 But particularly with regard to this contingency
18 reserve sharing group, that arrangement was moving forward
19 among all of the participants, the balancing authorities
20 in MISO, plus a few entities that aren't in MISO. And, in
21 fact, those savings were on target to be achieved by those
22 companies. To the extent there are any savings at all,
23 and I don't concede that there were 100 million.

24 But by the entities themselves, the contract.
25 MISO was only the contract administrator. And I -- I

1 guess I feel that it's not appropriate for them to claim
2 that they saved the participants over \$100 million because
3 I don't think either the number is correct or that MISO
4 was responsible for it.

5 MR. EDWARDS: Mr. Chairman, with all due respect
6 to Mrs. Borkowski, and we'll have this debate off line --

7 CHAIRMAN DAVIS: Well, I prefer to -- I prefer
8 to have it online so that --

9 MR. EDWARDS: Sure. And I'm okay with that.

10 CHAIRMAN DAVIS: -- I can actually -- so I can
11 actually hear and listen and participate, Mr. Edwards.
12 And I appreciate everyone's indulgence with me asking
13 questions here today.

14 MR. EDWARDS: Mr. Chairman, just to be
15 responsive, I think that I understand what Ms. Borkowski is
16 saying. I would differ from the standpoint that the
17 stakeholders are the ones that -- the participants are the
18 ones that have quantified the savings based on the amount
19 of the reserves or required applying the dollar value to
20 those reserves. The stakeholder group, in fact, actually
21 determined how that calculation should be made.

22 So I -- I think that we -- we can have the
23 debate about whether it's real or not. I think the
24 savings are real. Administrative -- would they have come
25 together without us? Maybe so. But, again, matter of

1 opinion and the -- the what for the "but if" question
2 continues to linger there.

3 CHAIRMAN: Okay. Mr. Edwards, there -- there's
4 no other -- I mean, other than those issues that have
5 already been identified here, there's -- there's nothing
6 else lurking out there, to the best of your knowledge,
7 that's -- that's going to have Ameren back at FERC or back
8 here saying they've had the rug pulled out from under
9 their feet again, is there?

10 MR. EDWARDS: No, sir. Not as I'm aware of.
11 No, sir.

12 CHAIRMAN DAVIS: Okay. Judge, that's all the
13 questions that I have.

14 JUDGE WOODRUFF: All right. Thank you. With
15 that, then, we are adjourned.

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1 REPORTER'S CERTIFICATE

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)ss.
4 COUNTY OF OSAGE)

5

6 I, Monnie S. VanZant, Certified Shorthand Reporter,
7 Certified Court Reporter #0538, and Registered
8 Professional Reporter, and Notary Public, within and for
9 the State of Missouri, do hereby certify that I was
10 personally present at the proceedings as set forth in the
11 caption sheet hereof; that I then and there took down in
12 stenotype the proceedings had at said time and was
13 thereafter transcribed by me, and is fully and accurately
14 set forth in the preceding pages.

15

16 IN WITNESS WHEREOF, I have hereunto set my hand and
17 seal on September 2, 2008.

18

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21 _____
Monnie S. VanZant, CSR, CCR #0539

22 Registered Professional Reporter

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