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September 24, 2003

Hand Delivered

Mr. Dale Hardy Roberts  
Secretary of the Commission  
Missouri Public Service Commission  
200 Madison Street, Suite 100  
Jefferson City, MO 65101

**FILED<sup>4</sup>**  
**SEP 24 2003**  
**Missouri Public  
Service Commission**

RE: Application of Union Electric Company  
Case No. E0-2003-0271

Dear Mr. Roberts:

Enclosed for filing are an original and eight copies of the Company's Notice of FERC Filing. As indicated on the Certificate of Service, a copy of this filing is being served on all parties of record via electronic mail.

Thank you for your assistance.

Sincerely,

*James B. Lowery*  
(sfl)  
James B. Lowery

dgh  
Enclosure

FILED<sup>4</sup>

SEP 24 2003

Missouri Public  
Service Commission

**BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MISSOURI**

In re: Application of Union Electric Company  
for Authority to participate in the Midwest  
ISO through a contractual relationship  
with GridAmerica

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)  
)  
)  
)

Case No. EO-2003-0271

**NOTICE OF FERC FILING**

COMES NOW Union Electric Company d/b/a AmerenUE (the "Company" or "AmerenUE"), and hereby advises the Commission of a filing made yesterday with the Federal Energy Regulatory Commission ("FERC"). In this regard, the Company states as follows:

1. On September 12, 2003, the FERC issued an Order Announcing Commission Inquiry into Midwest ISO-PJM Issues, and directed five utilities, including Ameren, to file written testimony on or before September 23, 2003. The FERC's inquiry will take place on September 29 and 30, 2003, at which time witnesses will be subject to examination by the FERC and its staff. It is the Company's understanding that the Commission will have representatives present at the FERC inquiry.

2. Yesterday the Company filed the written testimony of Mr. David A. Whiteley, in compliance with the FERC's September 12, 2003 Order.

3. After consulting with all of the other parties to the present case, the Company believed it appropriate to advise the Commission of the filing of Mr. Whiteley's testimony, and to provide the Commission with a copy thereof. Attached to this Notice is a copy of Mr. Whiteley's testimony as filed with the FERC.

4. As indicated in the Certificate of Service appearing at the end of this Notice, a copy of this Notice and Mr. Whiteley's testimony has been served upon counsel for all parties of record in this case.

Dated: September 24, 2003

Respectfully submitted,

SMITH LEWIS, LLP

/s/James B. Lowery

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### CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing document was served on the following parties of record, on this 24th day of September, 2003, via email at the email addresses set forth below:

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/s/James B. Lowery  
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WRITER'S DIRECT NUMBER:

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September 23, 2003

Magalie R. Salas  
Secretary  
Federal Energy Regulatory Commission  
888 First Street, NE  
Washington DC 20426

Re: **Ameren Services Company,**  
**Docket No. EL02-65-006**


Dear Ms. Salas:

Pursuant to the Commission's "Order Announcing Commission Inquiry into Midwest ISO-PJM Issues" issued September 12, 2003 in this docket and others, Ameren Services Company ("Ameren") submits the testimony of David A. Whiteley to comply with the Commission's directive to Ameren and the other utilities named in the Order. The testimony is being filed with a scanned copy of Mr. Whiteley's affidavit that was executed today in St. Louis, Missouri. The original of the affidavit will be forwarded to the Commission tomorrow.

Please note that footnote 2 in Mr. Whiteley's testimony provides information as to the means to access the testimony and many pleadings filed in Ameren's current proceeding before the Missouri Public Service Commission ("MoPSC"). In that case, Ameren is seeking MoPSC authorization for Ameren to participate in GridAmerica, LLC, an independent transmission company, that will shortly be integrated into the Midwest Independent System Operator, Inc. (the "Midwest ISO"). Ameren did not attach the Missouri pleadings and testimony to Mr. Whiteley's testimony because of their total bulk. However, Ameren will promptly provide hard copies of the pleadings and testimony upon request to David Hennen at 314-554-4676 or DHennen@Ameren.com.

Respectfully submitted,

**Ameren Services Company**

By   
Carolyn Y. Thompson  
One of its attorneys

attachment

WAI-2077374v1

**UNITED STATES OF AMERICA  
FEDERAL ENERGY REGULATORY COMMISSION**

The New PJM Companies	Docket Nos.	ER03-262-001
American Electric Power Service Corp.		ER03-262-004
On behalf of its operating companies		ER03-262-005
Appalachian Power Company		ER03-262-007
Columbus Southern Power Company		
Indiana Michigan Power Company		
Kentucky Power Company		
Kingsport Power Company		
Ohio Power Company, and		
Wheeling Power Company		
Commonwealth Edison Company, and		
Commonwealth Edison Company of Indiana, Inc.		
The Dayton Power and Light Company, and		
PJM Interconnection, LLC		
 American Electric Power Company, Inc., and	Docket Nos.	EC98-40-000
Central and South West Corporation		ER98-2770-000
		ER98-2786-000
 Ameren Services Company	Docket No.	EL02-65-006
 Illinois Power Company	Docket Nos.	EL02-65-000 et al.
		RT01-88-016

**Prepared Direct Testimony**

of

**DAVID A. WHITELEY**

on behalf of

**Ameren Services Company**

September 23, 2003

1 **Introduction**

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

3 A. My name is David A. Whiteley. My business address is Ameren Services Company,  
4 1901 Chouteau Avenue, St. Louis, Missouri 63103.

5 Q. **Please review your educational background and work experience.**

6 A. I have a Bachelor of Science Degree in Electrical Engineering from Rose-Hulman  
7 Institute of Technology, Terre Haute, Indiana and a Master of Science Degree in  
8 Electrical Engineering from the University of Missouri-Rolla. I am also a registered  
9 Professional Engineer in the states of Missouri, Illinois, and Iowa. I have worked for  
10 Ameren and its predecessor, Union Electric Company, since 1978. During that period, I  
11 have held various engineering and management positions in planning, design and  
12 operations.

13 Q. **What is your present position with Ameren Services and what are your  
14 responsibilities?**

15 A. My present position is Senior Vice-President, Ameren Services Company. In this  
16 position, I oversee the Corporate Planning and Supply Services Functions at Ameren  
17 Services Company. In addition to those responsibilities, I continue to be responsible for  
18 implementing Ameren's participation in a Regional Transmission Organization ("RTO").

19 **Purpose of Testimony**

20 Q. **Mr. Whiteley, what is the purpose of your testimony?**

21 A. The purpose of my testimony is to respond, on behalf of Ameren Services Company, to  
22 the September 12, 2003 order (the "September 12 Order") of the Federal Energy  
23 Regulatory Commission ("Commission") announcing an inquiry into Midwest ISO-PJM

1 RTO issues. Ameren Services Company is the agent for its electric utility affiliates,  
2 Union Electric Company d/b/a AmerenUE and Central Illinois Public Service Company  
3 d/b/a AmerenCIPS (collectively, "Ameren"). I will not include a third Ameren electric  
4 utility affiliate, Central Illinois Light Company d/b/a Ameren CILCO, in my testimony.  
5 Ameren CILCO is a transmission owner in the Midwest Independent Transmission  
6 System Operator, Inc. (the "Midwest ISO") and is not part of the Commission's inquiry.

7 In its September 12 Order, the Commission noted that Ameren, American Electric  
8 Power Company ("AEP"), Commonwealth Edison Company ("ComEd"), Dayton Power  
9 and Light Company ("DP&L") and Illinois Power Company ("IP") have indicated that  
10 they will join either the Midwest ISO or PJM Interconnection LLC ("PJM") but that the  
11 utilities "have not yet fulfilled their commitments." The Commission also noted the  
12 divergence among state commissions in actively promoting or actively opposing RTOs.

13 The Commission will hold the inquiry on September 29-30, 2003. To assist with  
14 the inquiry, the Commission directed the five utilities to submit prefiled testimony  
15 describing current impediments to their joining RTOs and suggesting solutions that will  
16 permit the utilities to address and remove the impediments, including, if appropriate,  
17 recommended Commission actions.

18 As ordered by the Commission, I will discuss the impediments to immediate  
19 Ameren participation in the Midwest ISO (its RTO of choice), the solutions that Ameren  
20 recommends to the Commission and the actions that Ameren anticipates asking the  
21 Commission to take. Ameren believes that its circumstances are unique among the five  
22 utilities ordered to participate in this inquiry and my testimony and recommendations  
23 address only Ameren's particular situation.

1 Q. **How have you organized your testimony?**

2 A. My testimony addresses four main topics as follows: (1) the formation of GridAmerica,  
3 LLC ("GridAmerica"), an independent transmission company ("ITC"), GridAmerica's  
4 filings with this Commission, and Ameren's role in GridAmerica; (2) Ameren's historical  
5 participation in the formation of ISOs and RTOs in the Midwest region, including a  
6 discussion of relevant Missouri Public Service Commission ("MoPSC") proceedings; (3)  
7 a discussion of the current MoPSC case filed by Ameren<sup>1</sup> to seek the MoPSC's approval  
8 of its participation in the Midwest ISO through GridAmerica; and (4) the discussion  
9 ordered by this Commission as to the current impediments to Ameren's participation in  
10 the Midwest ISO and suggested solutions to remove those impediments.

11 **GridAmerica: Formation and Receipt of Regulatory Approvals and Ameren's Specific**  
12 **Role**

13 Q. **How does Ameren propose to meet its obligation to join a RTO, specifically its**  
14 **declaration to this Commission that Ameren will join the Midwest ISO?**

15 A. After the Commission declined to approve the Alliance RTO in December 2001 and,  
16 subsequently, in an order issued April 25, 2002, directed each of the Alliance Companies  
17 to elect another RTO that it intended to join, Ameren advised the Commission, by letter  
18 of May 28, 2002, that Ameren intended to join the Midwest ISO and submitted an  
19 executed Memorandum of Understanding ("MOU") with the Midwest ISO. In its May  
20 28 letter, Ameren reserved its right, incorporated in the MOU, to join the Midwest ISO as  
21 an individual transmission owner or as part of an ITC. Ultimately, Ameren chose to join  
22 the Midwest ISO as a member of the GridAmerica ITC.

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<sup>1</sup> AmerenUE is the party to the Missouri cases discussed in this testimony but is, hereinafter, simply referred to as Ameren.

1 Q. **Please describe the formation of the GridAmerica ITC.**

2 A. Given the Commission's rejection of the Alliance RTO, the Commission's strong  
3 endorsement of the ITC business model and the Commission's pointed encouragement  
4 that the former Alliance transmission owners join the Midwest ISO, Ameren, First  
5 Energy Corp., on behalf of its transmission affiliate, American Transmission Systems,  
6 Incorporated ("First Energy"), and Northern Indiana Public Service Company  
7 ("NIPSCO") (collectively, the "GridAmerica Companies") formed GridAmerica and  
8 selected National Grid USA ("National Grid") as the independent managing member. By  
9 filings of June 20, 2002 and July 3, 2002, respectively, the GridAmerica Companies and  
10 National Grid advised the Commission of their preliminary ITC plans and, shortly  
11 thereafter, submitted an executed Participation Agreement among the GridAmerica  
12 Companies and National Grid and an unexecuted Appendix I ITC Agreement with the  
13 Midwest ISO.

14 Q. **Did the Commission approve Ameren's election to join the Midwest ISO through**  
15 **participation in GridAmerica?**

16 A. Yes. By order issued July 31, 2002, the Commission conditionally accepted the  
17 Participation Agreement and the Appendix I ITC Agreement filed by the GridAmerica  
18 Companies, subject to filing the implementing agreements and an executed Appendix I  
19 ITC Agreement. By a second order, also issued July 31, 2002, the Commission  
20 conditionally accepted the individual RTO elections of Ameren and the other seven  
21 remaining Alliance Companies. The Commission imposed the following conditions as to  
22 the elections: the establishment of a common market across the Midwest ISO and PJM by  
23 October 1, 2004; the revision of the PJM Tariff to permit ITCs to operate within PJM

1 with the allocation of functions between PJM and any ITC to follow earlier Commission  
2 orders; the filing, within 30 days, of an ITC agreement among National Grid, AEP,  
3 ComEd, DP&L and PJM; NERC approval of reliability plans reflecting the elections; the  
4 resolution of rates for through and out service ("RTORs") and rate pancaking in the  
5 Midwest ISO/PJM footprint; the resolution of connectivity issues in Michigan and  
6 Wisconsin created by the RTO choices of AEP, ComEd and IP; and the preparation and  
7 submittal of a number of individual and joint reports and studies by the Midwest ISO and  
8 PJM. Many of these conditions remain unmet. Of the conditions imposed by the two July  
9 31 Orders, only two were immediately relevant to Ameren: the filing of the  
10 implementing agreements to create GridAmerica and integrate the ITC into the Midwest  
11 ISO and the resolution of the RTORs in the Midwest ISO/PJM footprint. As I will  
12 discuss in more detail, the first task is accomplished. GridAmerica has secured all  
13 necessary regulatory approvals from this Commission. As to the second condition,  
14 Ameren fully participated in the EL02-111-000 docket to address the issue of RTORs and  
15 the associated issue of recovery of the revenues lost if the RTORs are eliminated. After a  
16 hearing and initial decision, the Commission issued an order on the initial decision on  
17 July 23, 2003. Numerous requests for rehearing are pending.

18 **Q. Please describe the steps taken by GridAmerica after the July 31, 2002 Orders to**  
19 **secure the regulatory approvals required from this Commission for the ITC itself**  
20 **and for the ITC's arrangements with the Midwest ISO.**

21 **A.** In the summer and early fall of 2002, the GridAmerica Companies and National Grid  
22 negotiated and executed a Master Agreement, an Operation Agreement and a Limited  
23 Liability Company Agreement (the "GridAmerica Agreements"). GridAmerica, in turn,

1 negotiated and executed a revised Appendix I ITC Agreement with the Midwest ISO that  
2 provided, *inter alia*, for the amounts that the Midwest ISO would pay to GridAmerica for  
3 services to be rendered (including consultant services) and to the GridAmerica  
4 Companies for their RTO start-up costs.

5 On November 1, 2002, GridAmerica and the Midwest ISO jointly filed the  
6 GridAmerica Agreements and the Appendix I ITC Agreement in Docket Nos. ER02-  
7 2233-000 and EC03-14-000 in order to secure the requisite regulatory approvals from the  
8 Commission. In response to a Commission Order of December 19, 2002 (the "December  
9 19 Order") in these dockets that conditionally accepted the GridAmerica Agreements and  
10 the Appendix I ITC Agreement, GridAmerica and the Midwest ISO developed detailed  
11 protocols (the "Protocols") describing the functions to be performed by GridAmerica, the  
12 Midwest ISO and the GridAmerica Companies and the contract and consulting services  
13 that GridAmerica will provide to the Midwest ISO. On February 19, 2003, as ordered by  
14 the Commission, GridAmerica and the Midwest ISO submitted the Protocols along with  
15 revised GridAmerica Agreements and a revised Appendix I ITC Agreement to comply  
16 with other conditions in the December 19 Order.

17 In further compliance with the December 19 Order, GridAmerica and the  
18 Midwest ISO filed, on February 28, 2003, in Docket No. ER03-580-000, rates for  
19 transmission service under the Midwest ISO Open Access Transmission Tariff (the  
20 "Midwest ISO OATT") within the Ameren, First Energy and NIPSCO zones. In the  
21 early summer of 2003, GridAmerica reached an uncontested settlement, in Docket Nos.  
22 ER02-2233-000 and EC03-14-000, with all intervening parties as to the amounts that the  
23 Midwest ISO will pay to GridAmerica for services to be rendered and to the GridAmerica

1 companies for their RTO start-up costs.

2 Ameren believes that GridAmerica and the Midwest ISO met every deadline  
3 established and every condition imposed by the Commission in its numerous orders in  
4 these dockets.

5 Q. **Is GridAmerica now authorized to "go live" within the Midwest ISO?**

6 A. Yes. To the best of my knowledge, the Commission has now accepted for filing, without  
7 condition, the revised GridAmerica Agreements and the revised Appendix I ITC  
8 Agreement, including the revised Protocols. These are the agreements necessary to allow  
9 GridAmerica to "go live." The Commission has also accepted the uncontested settlement  
10 establishing the amounts that the Midwest ISO will pay to GridAmerica and to the  
11 GridAmerica Companies. Only the ER03-580-000 transmission rates are not yet final but  
12 they will become effective, subject to refund, on October 1, 2003, the date that  
13 GridAmerica will "go live" and, therefore, are not an impediment to the initiation of  
14 service. The parties to the ER03-580-000 rate docket, including Ameren, are engaged in  
15 settlement negotiations.

16 Q. **What role did Ameren play in the GridAmerica negotiations and filings you have**  
17 **described?**

18 A. Ameren participated fully in the negotiation of the GridAmerica Agreements and the  
19 Appendix I ITC Agreement and in the further negotiations required to modify such  
20 agreements and develop the Protocols to comply with the successive Commission orders  
21 issued in the ER02-2233-000 and EC03-14-000 dockets. Ameren has been a signatory to  
22 all of the numerous filings and compliance filings and to the uncontested settlement in  
23 these dockets. Along with the other participants in GridAmerica, Ameren has, therefore,

1       secured all of the regulatory approvals required from the Commission to join the Midwest  
2       ISO. Ameren has also made a substantial financial contribution to develop and sustain  
3       GridAmerica and will not recover all of this investment.

4    **Q.    On August 28, 2003, GridAmerica filed Acknowledgements to make it possible for**  
5       **GridAmerica to commence operations on a phased basis. Subsequently, on**  
6       **September 11, 2003, Ameren advised the Commission that it will not transfer**  
7       **functional control of its transmission facilities to GridAmerica on October 1, 2003.**  
8       **Why will Ameren not participate in the October 1, 2003 start-up?**

9    **A.**Before Ameren can participate in the Midwest ISO through GridAmerica, AmerenUE  
10       must obtain approval from the MoPSC. AmerenUE has been diligently pursuing this  
11       approval since early 2003, but the Missouri proceeding will not conclude in time for  
12       Ameren to participate in GridAmerica by October 1, 2003.

13    **History of Ameren's ISO/RTO Participation and Related Prior MoPSC Proceedings**

14   **Q.    Please describe the current Missouri proceeding you referenced earlier.**

15   **A.**I will but I would first like to provide some background in order to discuss the current  
16       Missouri proceeding in context. In February 1997, the MoPSC issued an order (the  
17       "CIPSCO Order") approving the merger of Union Electric Company and Central Illinois  
18       Public Service Company to form Ameren. The MoPSC required the newly formed  
19       Ameren to file or join the filing of a regional ISO in order to eliminate pancaked rates  
20       and comply with this Commission's Order No. 888. Thereafter, Ameren's involvement  
21       with the formation of an ISO or RTO for the Midwest region has been continuous and  
22       intensive at the state and federal level. This testimony reviews some of the key events in

1 the intervening six and one half years since the CIPSCO Order. A detailed chronology,  
2 attached to my testimony as Appendix 1, provides more information.<sup>2</sup>

3 Q. **Please describe some of the key events for Ameren in the last six and one-half years.**

4 A. In compliance with the CIPSCO Order, Ameren applied for MoPSC permission, in  
5 MoPSC Case No. EO-98-413, to join the Midwest ISO and was granted limited approval  
6 to participate during the Midwest ISO's six-year transition period (the "Initial MoPSC  
7 Midwest ISO Approval Order"). Ameren joined the Midwest ISO but, prior to its initial  
8 operation, Ameren, Commonwealth Edison and Illinois Power withdrew from the  
9 Midwest ISO, pursuant to a settlement approved by this Commission in *Illinois Power*  
10 *Company*<sup>3</sup> (the "Illinois Power Settlement"). Upon withdrawing from the Midwest ISO,  
11 Ameren participated as a transmission owning member in the intensive and ultimately  
12 frustrated efforts to form the Alliance RTO.

13 Q. **Did Ameren's withdrawal from the Midwest ISO and its intention to participate in**  
14 **the Alliance RTO require MoPSC approval?**

15 A. Yes. The Initial MoPSC Midwest ISO Approval Order provided that Ameren was to  
16 notify the MoPSC if it withdrew from the Midwest ISO and that Ameren's withdrawal  
17 from the Midwest ISO would not become effective until the MoPSC approved or  
18 accepted Ameren's notice or otherwise allowed Ameren's withdrawal to become

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<sup>2</sup> Appendix 1 references numerous MoPSC pleadings and the written testimony of witnesses in the current Ameren case pending before the MoPSC, MoPSC Case No. EO-2003-0271. As noted above, MoPSC Case No. EO-2003-0271 pertains to Ameren's request for approval of its participation in the Midwest ISO via GridAmerica. Because the pleadings and testimony in that case are voluminous, I have not attached them as appendices to my testimony. The pleadings and testimony are available via the MoPSC's Electronic Filing and Information System ("EFIS"), which can be found at [www.psc.state.mo.us/efis.asp](http://www.psc.state.mo.us/efis.asp). Upon accessing EFIS, the user can access all of the filings as follows: click on the "I agree to terms above" link; click on the "resources" link (ignore the company/firm id, user id, and password boxes – these are only required to file a document); click on the "case information" link; click on the "case filing/submission" link; and finally, check the box next to "case no" and enter "EO-2003-0271" followed by a click on the "search" link.

<sup>3</sup> 95 FERC ¶ 61,183, *reh'g denied*, 96 FERC ¶ 61,026 (2001).

1 effective. Ameren therefore initiated a case, MoPSC Case No. EO-2001-684, before the  
2 MoPSC seeking the MoPSC's approval of Ameren's withdrawal from the Midwest ISO  
3 to participate in the Alliance RTO (the "MoPSC Midwest ISO Withdrawal Case").  
4 During the pendency of the MoPSC Midwest ISO Withdrawal Case, however, the  
5 Commission reversed course and denied the Alliance RTO application for RTO status.

6 Q. **Did Ameren's decision to join the Midwest ISO through GridAmerica in response to**  
7 **the Commission's rejection of the Alliance RTO affect the MoPSC Midwest ISO**  
8 **Withdrawal Case?**

9 A. Yes. Once the Commission denied the Alliance application for RTO status and Ameren  
10 decided to participate in the Midwest ISO via GridAmerica, the MoPSC Midwest ISO  
11 Withdrawal Case was mooted. At Ameren's request, the MoPSC dismissed the MoPSC  
12 Midwest ISO Withdrawal Case. The dismissal order contained the following:

13 The Commission agrees that the question that this case was opened  
14 to address is moot, and will grant the motion to dismiss. However,  
15 in its motion to dismiss, Ameren implies that the Commission has  
16 already authorized it to participate in the Midwest ISO through  
17 GridAmerica [footnote omitted]. The Commission disagrees. If  
18 Ameren wants to participate in the Midwest ISO *on any basis*  
19 *other than that approved in Case No. EO-98-413*, it must file an  
20 application with the Commission, supported by written testimony,  
21 requesting authority to do so (emphasis added).

22 Q. **What was Ameren's understanding of the MoPSC's order dismissing the MoPSC**  
23 **Midwest ISO Withdrawal Case?**

24 A. Based on the MoPSC's dismissal order, Ameren understood that the Initial MoPSC  
25 Midwest ISO Approval Order remained effective and constituted continuing approval of  
26 Ameren's participation in the Midwest ISO as a transmission owner. Accordingly,  
27 Ameren understood that the only additional MoPSC approval required was approval of

1 the change in Ameren's manner of participation, that is, as a GridAmerica participant  
2 rather than as a Midwest ISO transmission owner. On February 4, 2002, Ameren filed  
3 for MoPSC approval in the current MoPSC case, MoPSC Case No. EO-2003-0271 (the  
4 "Current MoPSC Case"), based on that understanding.

5 **The Current MoPSC Case**

6 Q. Do other parties to the current MoPSC case agree with Ameren's understanding of  
7 the proceeding's limited scope?

8 A. No. There is a vast difference of opinion among the parties in the Current MoPSC Case  
9 as to the scope of the proceeding and the permission needed by Ameren to participate in  
10 the Midwest ISO.

11 Q. Has that difference of opinion affected the scope and schedule of the Current  
12 MoPSC Case?

13 A. Absolutely. Ameren sought expedited treatment of its application and, shortly thereafter,  
14 filed a motion seeking the establishment of an expedited procedural schedule.  
15 Specifically, Ameren sought a MoPSC order approving its participation in the Midwest  
16 ISO through GridAmerica in time to allow Ameren to transfer functional control of  
17 Ameren's transmission facilities to GridAmerica/Midwest ISO in advance of the Summer  
18 2003 peak usage season. Ameren anticipated expedited treatment because Ameren felt  
19 that participation in the Midwest ISO within the GridAmerica ITC, as contrasted with  
20 participation in the Midwest ISO as a direct transmission owner, was not a substantial  
21 change, at least in terms of benefits or detriments to Missouri bundled retail customers.

22 Ameren met immediate opposition to its proposed expedited schedule and,  
23 ultimately, the MoPSC adopted a procedural schedule that would have resulted in a

1 MoPSC order no earlier than June, 2003 and perhaps later. Ameren felt that prudence  
2 required an orderly, safe, and reliable transfer of functional control in advance of the  
3 Summer 2003 peak usage season and was unwilling to attempt the transfer in mid-  
4 Summer. Accordingly, Ameren concluded that it could not transfer functional control  
5 until the Fall of 2003.

6 **Q. Beyond timing, did the disagreements among the parties otherwise affect the**  
7 **Current MoPSC Case?**

8 **A.** Yes, very much so. The parties' testimony and numerous pleadings revealed an intense  
9 disagreement as to the nature and extent of prior MoPSC approvals and requirements  
10 relating to Ameren's participation in the Midwest ISO and as to the extent of the  
11 permission Ameren would now be required to obtain from the MoPSC. Some of the  
12 parties to the Current MoPSC Case strenuously advocate that the MoPSC must consider  
13 the entirety of the costs, benefits, and other aspects of participation by Ameren in the  
14 Midwest ISO or in any RTO. Those parties reject Ameren's view that the Current  
15 MoPSC Case is limited to a consideration of the change of participation from that of a  
16 direct transmission owner in the Midwest ISO to participation through GridAmerica.  
17 Ameren strenuously argued to the contrary, that the scope of the case is limited to the  
18 GridAmerica participation issues. The extensive List of Issues, compiled by all parties to  
19 the Current MoPSC Case in anticipation of litigation and filed by the MoPSC Staff, is  
20 attached to my testimony as Appendix 2.

21 **Q. What is the present status of the Current MoPSC Case?**

22 **A.** Given the complexities of the Current MoPSC Case, the substantial genuine concerns of  
23 the parties to the Current MoPSC Case, and the obvious conclusion that the Current

1 MoPSC Case could not be resolved in time to allow transfer of functional control of  
2 Ameren's transmission system prior to the Summer 2003 peak season, Ameren decided  
3 that the most productive and expeditious way to ensure Ameren's participation in the  
4 Midwest ISO was to attempt to settle the case with all the parties. After consultation with  
5 the other parties, Ameren asked the MoPSC to continue the Current MoPSC Case to  
6 allow the parties to pursue settlement. In late June, 2003, the MoPSC agreed to continue  
7 the case and Ameren and the other parties have thereafter been engaged in intensive and  
8 quite productive settlement negotiations. Ameren believes there is a good possibility that  
9 these settlement discussions will soon result in a Stipulation and Agreement among the  
10 parties that can be presented to the MoPSC for approval.

11 Q. **What are the concerns of the parties in the Current MoPSC case?**

12 A. In Ameren's view, the overarching concern of the parties is the effect of Ameren's RTO  
13 participation on bundled retail customers. The general concern to protect Missouri  
14 ratepayers who have historically enjoyed low rates raises four specific concerns: (1)  
15 uncertainty about the effect of day-ahead and real-time energy markets, in particular, the  
16 impact that congestion charges may have on the cost of supplying bundled retail service;  
17 (2) concern as to the allocation of costs associated with expansion of Ameren's  
18 transmission system; (3) concern with federal-state jurisdictional issues, in particular, the  
19 need to ensure that the MoPSC continues to set the transmission component of bundled  
20 retail rates and that MoPSC ratemaking jurisdiction is in no way preempted by FERC  
21 actions relating to RTOs; and (4) concern that, without a thorough cost-benefit analysis of  
22 various RTO options, including the option of continuing to operate as a stand-alone

transmission provider, Ameren participation in a RTO cannot be shown to meet the “not detrimental to the public interest” standard in Missouri.

**Q. Will these concerns ultimately impede Ameren’s joining an RTO?**

**A.** As I noted above, Ameren believes that there is a good chance that the parties will resolve the Missouri case in the near future in a way that will allow Ameren to participate in the Midwest ISO through GridAmerica. A key factor is that there is presently a retail rate moratorium in effect in Missouri through June 2006. Also central to the discussions is the Commission’s April 2003 White Paper that indicated to the parties that the Commission is mindful of, and is willing to address, their concerns.

**Q. You discussed above, in general terms, the concerns in Missouri. Can you provide more specific details on the primary issues that need to be resolved in order for Ameren to obtain MoPSC approval?**

**A.** Consistent with the Commission’s own rules regarding settlement discussion, the Missouri settlement negotiations are confidential. However, parties to the Missouri proceeding recognize that this Commission needs meaningful information about the current proceeding in Missouri and these parties have granted Ameren permission to provide such information about the settlement discussions, the key issues and the possible settlement provisions presently under consideration in the Missouri proceeding. In many instances, more detail about the litigation position of the parties as to these issues is also available from a review of the many pleadings and the thirteen sets of testimony and exhibits filed in the case before the MoPSC continued the case for settlement discussions. I have previously mentioned how to access these documents (*see footnote 1 supra*).

1 Q. You mentioned key terms or issues. Please provide as much detail as you can about  
2 these issues.

3 A. One of the main issues is the duration of any MoPSC approval of Ameren's participation  
4 in the Midwest ISO through GridAmerica. The parties to the Missouri proceeding have  
5 expressed legitimate concerns about transmission upgrade policies and costs and about  
6 certain aspects of the day-ahead and real-time energy markets, particularly congestion  
7 management costs. The parties are concerned that bundled retail ratepayers may not  
8 realize sufficient benefits to justify and offset the increased costs associated with  
9 Midwest ISO and GridAmerica participation or, worse, that such participation may  
10 actually be detrimental, given the existing low electricity rates in Missouri and the unique  
11 positioning of Ameren's transmission system. An absolute obligation by Ameren to  
12 remain in the Midwest ISO for a five-year term through 2008 with no possibility for an  
13 earlier exit, as presently contemplated in the GridAmerica Agreements, heightens these  
14 concerns because Ameren's current Missouri retail rate moratorium, which offers a large  
15 measure of near-term protection, ends three years from now on June 30, 2006.

16 On the other hand, the very fact of the rate moratorium presents a possible "win-  
17 win" opportunity. Ameren would have the opportunity to gauge the costs and evaluate  
18 the benefits associated with RTO participation under "live" conditions. At the same time,  
19 the rate moratorium allays the Missouri parties' immediate concerns that benefits  
20 associated with RTO participation may not materialize. A key feature – perhaps the key  
21 feature – of any Missouri settlement is that MoPSC approval of Ameren's participation in  
22 the Midwest ISO through GridAmerica must be, in the first instance, interim and  
23 conditional with the possibility that the MoPSC's approval of Ameren's participation in

1 the Midwest ISO via GridAmerica could terminate in 2006, or perhaps sooner under  
2 certain circumstances. If, however, Ameren's RTO participation proves to be beneficial,  
3 as is to be hoped, Ameren may obtain MoPSC approval for participation beyond June 30,  
4 2006.

5 **Q. You mentioned that a key aspect of a settlement most likely will be that the MoPSC**  
6 **approval will be interim and conditional. What other conditions are under**  
7 **consideration?**

8 **A.** In addition to initial MoPSC approval for a limited duration (roughly three years), as  
9 discussed above, two other key conditions are at issue, both, Ameren believes,  
10 contemplated by the Commission's White Paper: (1) MoPSC and Commission approval  
11 of a "service agreement" that will ensure that the MoPSC continues to set the  
12 transmission component for service to Missouri's bundled retail load and that does not  
13 contain a specific stated rate; and (2) MoPSC approval of a reasonable hold harmless  
14 portfolio of Firm Transmission Rights ("FTRs") designed to ensure that Ameren's  
15 Missouri bundled retail load remains in a comparable position with regard to the risk of  
16 congestion costs as exists today in the non-day-ahead and real time market environment.  
17 Regarding the service agreement, Ameren currently expects that a service agreement,  
18 agreed upon by parties to the Missouri proceeding, would be presented to the MoPSC for  
19 approval along with a negotiated Stipulation and Agreement allowing for Ameren's  
20 participation in the Midwest ISO through GridAmerica on an interim basis. The MoPSC  
21 would approve the Stipulation and Agreement and the service agreement and the  
22 Midwest ISO, supported by Ameren, would then ask this Commission to approve the  
23 service agreement without change or modification. At that point, the MoPSC's approval

1 of Ameren's participation in GridAmerica would be effective.

2 With regard to Ameren's FTR portfolio, Ameren expects that a key feature of any  
3 settlement in Missouri will likely be a mechanism for the MoPSC to withdraw its  
4 approval of Ameren's participation in the Midwest ISO through GridAmerica if the  
5 MoPSC determines that Ameren cannot obtain a reasonable hold harmless portfolio of  
6 FTRs to protect Ameren's Missouri bundled retail load. In short, if the Commission  
7 approves the service agreement, if a reasonable hold harmless portfolio is available, and  
8 if the Commission does not assert jurisdiction over the transmission component of  
9 Ameren's Missouri bundled retail rate, the settlement under discussion in Missouri would  
10 contemplate that Ameren would have permission to remain in the Midwest ISO through  
11 GridAmerica at least until June 30, 2006, with the possibility for extended approval for  
12 Ameren's RTO participation so long as it can be shown that continued participation  
13 meets the "not detrimental to the public interest" standard in Missouri.

14 **Q. Will there be further Missouri proceedings prior to 2006?**

15 **A.** Yes. Ameren expects that a settlement, if achieved, will include a requirement that  
16 Ameren conduct a cost-benefit analysis for submission to the MoPSC after Ameren has  
17 gained experience with GridAmerica and the Midwest ISO but before the MoPSC must  
18 decide to permit Ameren to continue or to order Ameren to withdraw on the basis of the  
19 cost-benefit analysis and other relevant facts and circumstances that the MoPSC would  
20 determine relevant. After submission of the cost-benefit analysis, Ameren would expect  
21 that the MoPSC would then rule on Ameren's continued RTO participation beyond June  
22 30, 2006. Failure of the MoPSC to reach a decision would be the equivalent of an order

1 to withdraw. If RTO participation has the net benefits that are believed to exist, Ameren  
2 anticipates further approval from the MoPSC.

3 Q. **You mentioned that the MoPSC's approval would become effective upon the**  
4 **Commission's approval of the service agreement. Is securing MoPSC approval the**  
5 **only impediment to Ameren's participation in GridAmerica?**

6 A. No, there are two others. If, as anticipated, one element of MoPSC approval is authority  
7 to effect Ameren's withdrawal from GridAmerica and the Midwest ISO in a shorter time  
8 period than now provided, the other GridAmerica Companies must agree to modify the  
9 GridAmerica Agreements and GridAmerica and the Midwest ISO must agree to modify  
10 the Appendix I ITC Agreement accordingly. The parties would, of course, file these  
11 modified agreements with the Commission for approval.

12 Q. **Do you anticipate the cooperation of the other GridAmerica Companies and the**  
13 **Midwest ISO?**

14 A. The Midwest ISO and National Grid are participating in the settlement discussions in  
15 Missouri. Ameren will have to undertake further discussion with them and with the other  
16 two GridAmerica Companies. However, there has been an extraordinary degree of  
17 cooperation among these entities for an extended period of time, since early 2002, and  
18 Ameren would expect no less in the future especially where, as here, it will facilitate  
19 Ameren's joining GridAmerica.

20 Q. **You mentioned two other impediments. What is the second?**

21 A. In its December 4, 2002 order approving Ameren's acquisition of Central Illinois Light  
22 Company ("CILCO"), the Illinois Commerce Commission ("ICC") required Ameren to  
23 pursue membership in a RTO and remain a member through 2008, a term which parallels

1 the present condition imposed by this Commission. Ameren will need to ask for  
2 modification of the ICC order but any such action is premature until, at a minimum,  
3 Ameren knows if it has been able to settle with the parties to the Missouri proceeding.

4 **Recommended Solutions and Actions**

5 Q. Please discuss the steps that, in your opinion, this Commission can take to facilitate  
6 Ameren's participation in GridAmerica and, through GridAmerica, in the Midwest  
7 ISO.

8 A. I urge the Commission to take no precipitous action with respect to Ameren. In the  
9 period since its May 28, 2002 election to join the Midwest ISO, Ameren has  
10 conscientiously done everything asked of it by the Commission and diligently pursued  
11 participation in a RTO. Specifically, Ameren has honored the Commission's preference  
12 that Ameren elect the Midwest ISO. It has joined with First Energy, NIPSCO and  
13 National Grid to develop and bring to the market the "significant benefits of the ITC  
14 business model" identified by the Commission in the April 25, 2002 Order. It has  
15 worked closely with the other GridAmerica participants and the Midwest ISO to secure  
16 the numerous regulatory approvals required from the Commission. It has invested  
17 significant dollars that will not be fully reimbursed to develop and sustain GridAmerica.  
18 It has compromised to reach an uncontested settlement with the other Midwest ISO  
19 transmission owners and customers as to the payments due GridAmerica and the  
20 GridAmerica Companies for services that GridAmerica will render to the Midwest ISO  
21 and for start-up RTO costs, respectively.

22 I further urge the Commission to recognize that the MoPSC and the parties  
23 participating in the Missouri proceeding also have a legitimate interest in the terms and

1 conditions of Ameren's participation in a RTO and the effect such participation will have  
2 on the bundled retail load that Ameren serves in the state of Missouri. The parties to the  
3 Missouri proceeding are engaged with Ameren in good faith settlement negotiations and  
4 have been diligent in their efforts. Of course, I cannot flatly assure the Commission that  
5 the parties will reach a settlement that will allow Ameren to participate in GridAmerica  
6 but Ameren is optimistic and encouraged by the progress to date.

7 I acknowledge the frustration that the Commission presently has with the progress  
8 of RTO development in Midwest region and the fact that many of the conditions in the  
9 July 31, 2002 Order remain unmet. However, I ask the Commission to stay the course  
10 with respect to Ameren's election to join the Midwest ISO, to acknowledge the very  
11 substantial progress that Ameren has made to date, to permit ongoing transactions to  
12 continue under the status quo for the near future and to allow Ameren, the MoPSC and  
13 the intervening parties time to conclude the Missouri proceeding.

14 **Q. Are there any actions that Ameren will require from the Commission?**

15 **A.** Yes, as I discussed above, this Commission plays a critical role. If Ameren and the  
16 participants in the Missouri proceeding are able to reach settlement, one essential  
17 requirement of any such settlement will be approval by the Commission of a service  
18 agreement between Ameren and the Midwest ISO that will explicitly state that the  
19 establishment of the transmission rate component of bundled retail service to Missouri  
20 bundled retail customers is within the exclusive jurisdiction of the MoPSC. Ameren  
21 foresees no difficulty with the Commission's approval of such a service agreement  
22 because, in Appendix A to its April 28, 2003 White Paper, the Commission stated that it  
23 would "not assert jurisdiction over the transmission rate component of bundled retail

1 sales of electric energy” (footnote omitted). Specifically, the Commission indicated its  
2 willingness to accept a service agreement between the transmission owner and the RTO  
3 reflecting that “the rate set for transmission service in interstate commerce to be re-sold  
4 as part of bundled retail service would be the same rate set by the state for the  
5 transmission component of bundled retail sales.” Appendix A to the White Paper at page  
6 5. By acceptance of such service agreements, including the agreement anticipated to be  
7 filed between Ameren and the Midwest ISO, the Commission would thereby reaffirm its  
8 finding that service to bundled retail load is within the exclusive jurisdiction of the state  
9 commissions.

10 As noted above, it is also likely that any Missouri settlement will require that  
11 Ameren would withdraw from GridAmerica and the Midwest ISO prior to the expiration  
12 of the original five-year term *if* the MoPSC orders Ameren to withdraw or does not  
13 extend its approval for RTO participation beyond June 30, 2006. Ameren will ask the  
14 Commission to approve a petition to modify the GridAmerica Agreements and the  
15 Appendix I ITC Agreement in order to provide for withdrawal provisions consistent with  
16 the MoPSC approval.

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

18 A. Yes. Ameren appreciates the continued interest of the Commission in these matters and  
19 the opportunity for Ameren to state its views and offer its counsel and recommendations.

**Appendix 1**  
**Chronology of Key ISO/RTO Events for Ameren**

February 21, 1997	The MoPSC, in MoPSC Case No. EM-96-149, issues an order approving a Stipulation and Agreement in the Union Electric Company/Central Illinois Public Service Company merger case that resulted in the formation of Ameren Corporation, and requires Ameren to file or join in the filing of a regional ISO that would eliminate pancaked transmission rates and be consistent with the ISO guidelines set forth in Order No. 888.
October 15, 1997	The Commission issues an Order, in Docket Nos. EC96-7-000, 001 et al. approving the merger of Central Illinois Public Service Company and Union Electric Company to form Ameren Corporation, and conditions its approval on Ameren operating the transmission systems of Union Electric Company and Central Illinois Public Service Company as a single system pursuant to a single open access transmission tariff.
March 30, 1998	In accordance with the MoPSC's directive in MoPSC Case No. EM-96-149, Ameren files an application with the MoPSC (Case No. EO-98-413) requesting MoPSC authority to participate in the Midwest ISO.
May 24, 1999	The MoPSC approves, for a six-year transitional period, Ameren's application to join the Midwest ISO, and also imposes certain other conditions on its approval. One of the MoPSC's conditions is that Ameren must obtain MoPSC approval to withdraw from the Midwest ISO.
November 9, 2000	After Illinois Power Company and Commonwealth Edison Company had announced their withdrawal from the Midwest ISO, Ameren provides written notice to the Midwest ISO of its intent to withdraw from the Midwest ISO, and thereafter begins considering membership in the Alliance RTO.
January 16, 2001	Ameren initiates formal proceedings seeking Commission approval of its intended withdrawal from the Midwest ISO.
May 8, 2001	The Commission issues its Order on Settlement Agreement in the <i>Illinois Power</i> case, Docket No. ER01-123-000, which indicates that the Alliance RTO would likely be approved as a Commission-approved RTO in accordance with Order No. 2000.
May 15, 2001	Ameren tenders a withdrawal fee of \$18 million to the Midwest ISO.
June 11, 2001	Ameren files an application with the MoPSC (Case No. EO-2001-684) seeking the MoPSC's approval of its intended withdrawal from the Midwest ISO and its participation in the Alliance RTO instead. Ameren's

application in MoPSC Case No. EO-2001-684 is filed to comply with the MoPSC's Order in MoPSC Case No. EO-98-413.

October 10, 2001      Evidentiary hearings are held in MoPSC Case No. EO-2001-684.

December 20, 2001      After the parties had submitted their briefs, but before the MoPSC issued an order in Case No. EO-2001-684, the Commission denies stand-alone RTO status to the Alliance RTO

December 27, 2001      Ameren asks the MoPSC to suspend further action on its EO-2001-684 application as a result of the denial of RTO status to the Alliance RTO.

April 25, 2002      The Commission directs Ameren and the other Alliance Companies to elect another RTO as a result of denial of RTO status to the Alliance.

May 23, 2002      Ameren enters into a Memorandum of Understanding ("MOU") with the Midwest ISO, dated May 24, 2002, that contemplated that the Company would be a participant in the Midwest ISO, either as a direct transmission owner or through participation in an ITC.

May 28, 2002      Ameren submits its letter of election to the Commission, including the MOU with the Midwest ISO.

June 20/  
July 3, 2002      Ameren, along with FirstEnergy Corp, on behalf of its subsidiary American Transmission Systems, Incorporated, Northern Indiana Public Service Company, and National Grid USA file with the Commission indicating their intent to form the GridAmerica ITC to participate in and operate under the Midwest ISO.

July 11, 2002      Ameren files a Motion to Dismiss in MoPSC Case No. EO-2001-484 asking the MoPSC to dismiss its application as moot as a result of the developments relating to the Alliance RTO.

July 31, 2002      The Commission conditionally accepts Ameren's election to participate in the Midwest ISO via GridAmerica instead of the Alliance RTO.

November 1, 2002      GridAmerica and the Midwest ISO jointly file the GridAmerica Agreements and the Appendix I ITC Agreement in Docket Nos. ER02-2233-000 and EC03-14-000 in order to secure the requisite regulatory approvals from the Commission.

November 23, 2002      The MoPSC issues an Order Closing Case in Case No. EO-2001-684 granting Ameren's Motion to Dismiss. The Order provides as follows:

The Commission agrees that the question that this case was opened to address is moot, and will grant the motion to dismiss. However, in its motion to dismiss, Ameren implies that the Commission has already

authorized it to participate in the Midwest ISO through GridAmerica [footnote omitted]. The Commission disagrees. If Ameren wants to participate in the Midwest ISO on any basis other than that approved in Case No. EO-98-413, it must file an application with the Commission, supported by written testimony, requesting authority to do so.

- December 4, 2002 Illinois Commerce Commission approves Ameren's acquisition of CILCO, conditioned upon Ameren's participation in a RTO through 2008. The ICC also directed that further ICC approval would be required in the event of an Ameren withdrawal earlier than 2008 that created a new or different seam in the state of Illinois.
- December 19, 2002 The Commission conditionally accepts the GridAmerica Agreements and the Appendix I ITC Agreement.
- February 4, 2003 Ameren files its application, in the current MoPSC case (MoPSC Case No. EO-2003-0271), seeking MoPSC authority to participate in the Midwest ISO via GridAmerica.
- February 13, 2003 Ameren files its Motion for Expedited Procedural Schedule in MoPSC Case No. EO-2003-0271.
- February 19, 2003 GridAmerica and the Midwest ISO submit Protocols along with revised GridAmerica Agreements and a revised Appendix I ITC Agreement to comply with other conditions in the December 19, 2002 Commission Order.
- February 24, 2003 Public Counsel, Staff, and MIEC file pleadings containing objections to the procedural schedule originally proposed by Ameren in MoPSC Case No. EO-2003-0271.
- February 24, 2003 Ameren files direct testimony of three witnesses in MoPSC Case No. EO-2003-0271.
- February 26, 2003 An Initial Prehearing Conference is held in MoPSC Case No. EO-2003-0271. Ameren's proposed procedural schedule is opposed by several parties.
- February 28, 2003 GridAmerica and the MidWest ISO file, in Docket No. ER03-580-000, rates for transmission service under the Midwest ISO OATT within the Ameren, First Energy and NIPSCO zones.
- March 7, 2003 National Grid files direct testimony, and Ameren files direct testimony of one additional witness (in MoPSC Case No. EO-2003-0271).

March 20, 2003	The MoPSC, by Order Establishing Procedural Schedule effective March 20, 2003, adopts an alternative procedural schedule proposed by the MoPSC's Staff for MoPSC Case No. EO-2003-0271.
March 20, 2003	Ameren, without objection from any other party, seeks modification of the procedural schedule in MoPSC Case No. EO-2003-0271 to allow Ameren a modest extension of time to provide surrebuttal testimony.
April 3, 2003	The MoPSC modifies the original procedural schedule for MoPSC Case No. EO-2003-0271, as requested by Ameren.
May 2, 2003	Staff, Public Counsel, and Aquila file rebuttal testimony in MoPSC Case No. EO-2003-0271 from five witnesses.
May 14, 2003	Ameren, without objection from any other party, seeks an additional modification of the then-effective MoPSC Case No. EO-2003-0271 procedural schedule because, <i>inter alia</i> , Ameren believed that the scope of the rebuttal testimony that was filed would require additional evidence to be presented on surrebuttal that could not be provided in the time allowed.
May 15, 2003	The MoPSC, by order effective May 15, 2003, grants Ameren's motion, and sets the evidentiary hearings in MoPSC Case No. EO-2003-0271 for June 30 – July 3, 2003.
May 16, 2003	By Notice Establishing Deadlines for Objection to Testimony in MoPSC Case No. EO-2003-0271, the MoPSC sets certain deadlines by which the parties were required to object to direct and rebuttal testimony, including objections based upon the scope of the testimony.
May 30, 2003	Ameren files its Motion to Limit Scope of Proceedings in MoPSC Case No. EO-2003-0271, Suggestions in Support Thereof, an Alternative Motion to Clarify Prior Commission Orders, and Objections to Rebuttal Testimony seeking to limit the scope of the case so as to expedite its resolution.
June 3, 2003	Ameren, the Midwest ISO, and National Grid file surrebuttal testimony in MoPSC Case No. EO-2003-0271, and Staff and Public Counsel file cross-surrebuttal testimony.
June 9-10, 2003	The MoPSC Staff and Public Counsel file pleadings opposing Ameren's Motion to Limit Scope <i>et al.</i> , arguing that the scope of MoPSC Case No. EO-2003-0271 was not limited as alleged by Ameren, that the MoPSC has the authority to approve or disapprove Ameren's participation in the Midwest ISO or other RTO participation, and that the scope of the rebuttal testimony of Staff's and Public Counsel's witnesses was proper and within the proper scope of this case.

June 17, 2003	The MoPSC Staff files a List of Issues in MoPSC Case No. EO-2003-0271, such list containing approximately 40 issues and sub-issues. The number of issues reflected, in part, the disparate views of the parties regarding the proper scope and resolution of the case (See Appendix 2).
June 17, 2003	Ameren seeks a continuance in MoPSC Case No. EO-2003-0271, advising the MoPSC that recent discussions with Staff and Public Counsel indicated that a settlement of the case might be possible, and requests that the MoPSC enter an order continuing generally the hearings in this case.
June 19, 2003	The MoPSC granted Ameren's request for a continuance in MoPSC Case No. EO-2003-0271. The MoPSC's order also requires Staff, Public Counsel and Ameren to file pleadings, no later than June 26, 2003, addressing certain MoPSC inquiries with regard to the possible impact of the continuance.
June 26, 2003	The MoPSC Staff, Public Counsel and Ameren, together with the Midwest ISO, timely file pleadings as required by the MoPSC's June 19 Order.
Early Summer 2003	GridAmerica reaches an uncontested settlement, in Docket Nos. ER02-2233-000 and EC03-14-000, with all intervening parties as to the amounts that the Midwest ISO will pay to GridAmerica for services to be rendered and to the GridAmerica companies for their RTO start-up costs.
July 23, 2003	The Commission issues its order in Docket No. EL02-111-000.
August 22, 2003	The GridAmerica Companies and numerous other parties file requests for rehearing in Docket No. EL02-111-000.
August 22, 2003	The MoPSC directs the MoPSC Staff to file, by September 5, 2003, a report on the status of the parties' settlement discussions in MoPSC Case No. EO-2003-0271.
September 5, 2003	Staff files its Status Report, and indicates that the parties had been engaged in a very serious effort to settle the case, and that significant progress had been made.
September 18, 2003	Ameren, to comply with a MoPSC procedural rule, asks the MoPSC to extend the general continuance.
Current	Settlement discussions continue in Missouri proceeding.

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BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MISSOURI

Application of Union Electric Company     )  
for Authority to participate in the Midwest     )  
ISO through a contractual relationship     )  
with GridAmerica.     )     Case No. EO-2003-0271

**LIST OF ISSUES, ORDER OF WITNESSES  
AND ORDER OF CROSS-EXAMINATION**

COMES NOW the Staff of the Missouri Public Service Commission ("Staff") and respectfully states as follows:

1. On February 4, 2003, Union Electric Company d/b/a AmerenUE ("UE" or "Company") filed with the Missouri Public Service Commission ("Commission") its Application And Motion For Expedited Treatment seeking authority to participate in the Midwest Independent System Operator, Inc. ("Midwest ISO") through a contractual arrangement with GridAmerica LLC ("GridAmerica").
2. Subsequent applications to intervene were timely filed by the Missouri Energy Group ("MEG"), Kansas City Power and Light Company ("KCPL"), Aquila, Inc. ("Aquila"), The Empire District Electric Company ("EDE"), National Grid USA ("National Grid"), and the Missouri Industrial Energy Consumers ("MIEC"). The Commission granted intervention to these parties on the record at the February 26, 2003 prehearing conference. On March 7, 2003, the Midwest ISO filed an application to intervene out of time, and the Commission granted the request in an order dated April 9, 2003.
3. Pursuant to the Commission's Second Order Modifying Procedural Schedule, issued May 15, 2003, and its June 16, 2003 Order Granting Extension Of Time, the parties have assembled the following List Of Issues, Order Of Witnesses And Order Of Cross-Examination. Recent filings by UE, the Staff and the Office of the Public Counsel make clear that there exists

a dispute among various parties as to the proper scope of this proceeding and hence, as to the nature of the issues in the case. Thus, the list of issues below is not to be considered as an agreement by any party that any particular listed issue is, in fact, a valid or relevant issue. In the subsequent filing of position statements, some parties may state that they do not consider a particular listed issue to be a valid issue. Further, this "non-binding" listing of issues is not to be construed as impairing any party's ability to make arguments about any of these issues or related matters or to argue that any of the issues listed herein are beyond the proper scope of this case. Should the Commission sustain UE's Motion to Limit Scope in whole or in part, or should the Commission provide clarification of prior Commission orders as requested in the alternative by UE, the parties respectfully reserve the right thereafter to advise the Commission by pleading or otherwise of those issues that any party believes are no longer an issue, or that should be modified as a result of any such Commission order.

#### **LIST OF ISSUES**

Subject to the foregoing, the parties have agreed upon the following list of issues:

A. Is UE's application for permission to participate in the Midwest ISO through a contractual arrangement with GridAmerica not detrimental to the public interest? Issues to be considered in making this determination include, but may not be limited to, the following:

1. Are costs associated with participation in the Midwest ISO through GridAmerica offset by savings or additional third-party revenue retention opportunities available as a result of participation in the MISO via GridAmerica rendering such participation not detrimental to the public interest?
2. Will there be savings and third party revenue benefits as a result of the Company's participation in the Midwest ISO via GridAmerica which would not be available if UE were to participate directly in the Midwest ISO?
3. Will the reliability of UE's transmission system be hindered in any way through its participation in the Midwest ISO through GridAmerica rather than via direct participation in the Midwest ISO?

4. Will the Commission's jurisdiction over UE's bundled retail rates be impacted differently due to UE's participation in the Midwest ISO through GridAmerica rather than participating directly in the Midwest ISO?
5. Will UE's ability to operate and maintain its transmission system be hindered due to UE's participation in the Midwest ISO through GridAmerica rather than participating directly in the Midwest ISO?
6. Will bundled retail load access to UE's transmission system be impacted differently due to UE's participation in the Midwest ISO through GridAmerica rather than participating directly in the Midwest ISO?
7. In deciding whether UE may participate in the MISO via a contractual arrangement with GridAmerica, should the Commission's inquiry be restricted to the effects directly attributable to its association with GridAmerica, or may it also consider the underlying effects of its indirect affiliation with the Midwest ISO?
8. Would approval of UE's application prevent the Missouri Commission from fully exercising its ratemaking jurisdiction over the transmission portion of the total revenue requirement?
9. Would approval of UE's application result in a public detriment because UE's Missouri retail customers would lose native load priority for use of UE's transmission grid?
10. Would approval of UE's application result in a public detriment because it creates an Independent Transmission Company ("ITC") geographic configuration that would lend itself to an ineffective and inefficient ITC operation under a Regional Transmission Organization ("RTO") umbrella?
11. Would approval of UE's application result in a public detriment as a result of inefficiencies created by an extra layer of administration between transmission owners and the MISO?
12. Would approval of UE's application result in a public detriment because it would increase the risk that UE would seek to divest its transmission assets?
13. What would be the total estimated costs (less the total estimated benefits) of UE's proposed participation in the MISO through GridAmerica which would be eligible for inclusion in the calculation of the revenue requirement in UE's next rate case?
14. Would UE's application be detrimental to the public interest due to an upward pressure on rates because the resultant quantified incremental costs would exceed the quantified incremental benefits (e.g., cost reductions or revenue enhancements)?

15. If permission to participate in the MISO through GridAmerica is granted, is the Commission acknowledging that costs incurred by UE as a result of such participation are prudently incurred costs for bundled retail ratemaking purposes?

B. If the Commission decides to approve the Company's request to participate in the MISO through a contractual arrangement with GridAmerica, which, if any, (and to what extent, if any) of the following conditions are necessary so that such approval will not be detrimental to the public interest?

1. UE agrees to terminate its Joint Dispatch Agreement with Ameren Energy Generating and to seek Commission approval before entering into a new such agreement.
2. UE and the MISO agree to work with the Staff to develop a plan (e.g. a contract) that will ensure that UE's bundled retail customers in Missouri will continue to pay a transmission rate as determined by this Commission. Before Commission approval of the Company's Application in the instant proceeding, such plan shall be submitted to the Commission for its approval and then submitted and approved by the FERC.
3. UE and the Midwest ISO agree to work with the Staff to develop a plan involving the allocation of Financial Transmission Rights ("FTRs") to UE's Missouri bundled retail customers that will ensure not only that those customers retain their existing rights to substitute electricity from reserve generation for lower cost generation when that generation is forced out of service, but also that they have the ability to obtain FTRs for future load growth. In this regard:
  - (a) UE agrees to perform an analysis of the financial risks it faces from the initial allocations of FTRs from the Midwest ISO. Such analysis shall be completed at least 30 days before comments are due at the FERC and will be provided to the Commission for its review and approval before the Commission's approval of UE's application in the instant proceeding becomes final.
  - (b) Midwest ISO agrees to provide as part of its FERC filing on FTR allocations an analysis of the financial risks faced by the Company, and further agrees to provide UE with the information it will require in order to complete its independent analysis of the financial risks it faces from the Midwest ISO's allocation of FTRs, including the information the Midwest ISO used to calculate the congestion costs it expects to collect from its first year of operations of Locational Marginal Pricing ("LMP") day-ahead and real-time markets.

4. UE agrees to perform an ongoing analysis of the least-cost method for managing the financial risks from FTRs at least once each year as part of its resource planning briefings to the Staff. In this regard:
    - (a) UE agrees to present its analysis of the least-cost method for managing the financial risks from FTRs at least once each year as part of its resource planning briefings to the Staff.
    - (b) GridAmerica agrees to submit proposals in response to RFPs from UE and to make increased transmission capability available to UE under specified terms and conditions.
    - (c) Midwest ISO agrees that any Midwest ISO-approved expansion in transmission capability by UE or GridAmerica that is funded by UE will result in a corresponding increase in FTRs allocated to UE.
  5. UE agrees to secure the approval of this Commission before proceeding with any divestiture of its transmission assets to GridAmerica or any other entity.
  6. UE agrees to obtain the approval of this Commission before entering into any securitization transaction involving transmission revenues collected from Missouri retail electric customers.
  7. UE agrees to meet with the Staff when the accounting requirements of related to its MISO/GridAmerica participation are known and finalized, in order to discuss any changes from current procedures and to answer any questions concerning such changes.
  8. UE agrees that any incentive compensation arrangement negotiated between GridAmerica and UE will be approved by the Commission prior to implementation to ensure that it is properly structured and not detrimental to customers.
  9. UE agrees that if it decides to fundamentally change its participation in the Midwest ISO through a contractual arrangement with GridAmerica that it will seek prior approval from the Missouri Commission no later than the date of its filing with the FERC for FERC authorization of the change.
- C. If the Commission decides to approve the Company's request to participate in the Midwest ISO through a contractual arrangement with GridAmerica, is the Commission required to make an express finding as to the recoverability of RTO costs as a part of this proceeding? If so:

1. What should the Commission find? and,
  2. Will the Commission have sufficient information to do so?
- D. If the Commission decides not to approve the Company's request to participate in the Midwest ISO through a contractual arrangement with GridAmerica, may the Commission direct UE to seek alternatives relating to ISO or RTO participation rather than participating in the Midwest ISO through a contractual arrangement with GridAmerica? In this regard:
1. If the Commission determines that it may direct the Company to seek alternatives, should the Commission do so?
  2. If so, what alternatives should the Company be directed to seek?
- E. If approval is granted, what (if any) conditions or other terms and provisions of the Commission's Order in Case No. EO-98-413 remain in effect?
- F. Does the rebuttal testimony of Staff witness Dr. Michael S. Proctor and Public Counsel witness Ryan Kind amount to an unlawful collateral attack on, or attempt to seek rehearing of, the Commission's order in Case No. EO-98-413, which authorized UE to join the MISO?
- G. Does the rebuttal testimony of Staff witness Dr. Michael S. Proctor and Public Counsel witness Ryan Kind constitute an untimely and unlawful attempt to seek rehearing of the Commission's order in Case No. EO-98-413?
- H. Does requiring proof that participation in RTOs in general (or in the MISO as a transmission owner versus through GridAmerica) is not detrimental to the public interest, change or abrogate the Commission's prior orders in Case Nos. EM-96-149 or EO-98-413? If so,
1. Must there be proof by clear and satisfactory evidence that without such a change or abrogation such orders will now be detrimental to the public interest?; and
  2. If so, what parties bear the burden of production and the burden of persuasion with regard to the need for such a change or abrogation?
- I. Is participation in an RTO or an ISO voluntary under current FERC rules and regulations?

J. If UE becomes a participant in the Midwest ISO through GridAmerica, would UE be required to take transmission service under the Midwest ISO Open Access Transmission Tariff (OATT) for its bundled retail customers in Missouri? If "yes":

Would the Missouri Commission be required to include all costs UE incurs for taking service under the MISO tariff for UE's bundled retail load in Missouri when calculating UE's revenue requirement (no matter how prudent and reasonable those costs are deemed to be by the Missouri Commission)?

K. If UE's application is approved, would there be cost reductions in the generation area (including increased earnings from off-system sales) that would fully offset transmission cost increases that are expected to occur?

L. Is the Company currently obligated by any prior Commission order to transfer functional control of its transmission system to an independent organization that has the ISO characteristics prescribed by FERC Order 888 or the RTO characteristics prescribed by FERC Order 2000?

M. Does the Commission have the authority to prevent the Company from transferring functional control of its transmission assets to an independent organization if required to do so by applicable federal law or FERC rule, regulation, or order?

N. Must FERC's proposed SMD rule become final before it can be shown that participation in an RTO or ISO is not detrimental to the public interest?

O. Is a cost-benefit analysis similar to that advocated by Mr. Kind in his testimony required before it can be shown that participation in an RTO or ISO is not detrimental to the public interest?

### ORDER OF WITNESSES

David A. Whiteley  
Daniel Godar  
David C. Linton  
Mark C. Birk  
James C Blessing  
Richard A. Voytas  
Roger Harszy  
James P. Torgerson  
Paul J. Halas  
John W. McKinney  
Mark L. Oligschlaeger  
Greg Meyer  
Michael S. Proctor  
Ryan Kind

### ORDER OF CROSS-EXAMINATION

*For Messrs. Whiteley, Godar, Linton, Birk, Blessing (or Voytas), cross will be by National Grid, MISO, Aquila, EDE, KCPL, MEG, MIEC, Staff, then OPC.*

*For Mr. Harszy and Mr. Torgerson, cross will be by UE, National Grid, Aquila, EDE, KCPL, MEG, MIEC, Staff, then OPC.*

*For Mr. Halas, cross will be by UE, MISO, Aquila, EDE, KCPL, MEG, MIEC, Staff, then OPC.*

*For Dr. Proctor, Mr. Oligschlaeger and Mr. Meyer, cross will be by Aquila, EDE, KCPL, MEG, MIEC, OPC, MISO, National Grid, then UE.*

*For Mr. Kind, cross will be by Aquila, EDE, MEG, MIEC, KCPL, Staff, MISO, National Grid, then UE.*

*For Mr. McKinney, cross will be by UE, MISO, National Grid, EDE, KCPL, MEG, MIEC, Staff, then OPC.*

The parties believe that the witnesses should be scheduled for cross-examination as follows:

*Monday, June 30--- (following opening statements) Messrs. Whiteley, Godar, Linton and Birk*

*Tuesday, July 1--- Messrs. Blessing (or Voytas), Harszy, Torgerson, Halas and McKinney*

*Wednesday, July 2--- Mr. Oligschlaeger, Mr. Meyer, Dr. Proctor and Mr. Kind*

A fourth day has been allowed for the hearing, if necessary. On the other hand, if the hearing is proceeding faster than anticipated, the parties agree that the schedule should be advanced in order to complete the proceeding as expeditiously as possible.

Respectfully submitted,  
DANA K. JOYCE  
General Counsel

Steven Dottheim  
Chief Deputy General Counsel  
Missouri Bar No. 29149

/s/ Dennis L. Frey  
Dennis L. Frey  
Senior Counsel  
Missouri Bar No. 44697

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**Certificate of Service**

I hereby certify that copies of the foregoing have been mailed, hand-delivered, transmitted by facsimile or e-mailed to all counsel of record 17<sup>th</sup> day of June 2003.

/s/ Dennis L. Frey

Ameren Services Company ) Docket No. EL02-65-006

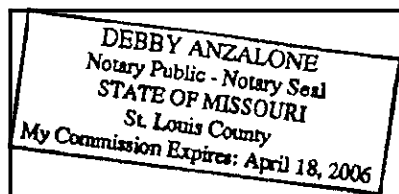
David A. Whiteley, being first duly sworn, deposes and says that he is the David A. Whiteley referred to in the document entitled "Prepared Direct Testimony of David A. Whiteley;" that the appendices accompanying that document were prepared by him or under his direction; that he has read such testimony and is familiar with the contents thereof; and that the contents of that document are true, correct, accurate and complete to the best of his knowledge, information, and belief in this proceeding.

*David A. Whiteley*  
David A. Whiteley

Subscribed and sworn to before me, the undersigned notary public, this 23rd day of  
September, 2003.

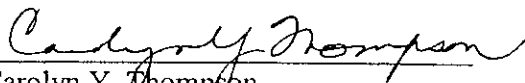
*Rebby Malone*  
Notary Public

My commission expires:



**CERTIFICATE OF SERVICE**

I hereby certify that the foregoing document has been this day served on each party designated on the official service list compiled by the Secretary in Docket No. EL02-65-000.

  
Carolyn Y. Thompson  
Jones Day  
51 Louisiana Avenue, NW  
Washington DC 20001-2113  
(202) 879-5426

Dated this 23rd day  
of September, 2003