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STATE OF MISSOURI

PUBLIC SERVICE COMMISSION

TRANSCRIPT OF PROCEEDINGS

Pre-hearing to Address Commissioner Questions

February 6, 2008

Jefferson City, Missouri

Volume 2

In the Matter of the Application)
of Union Electric Company For)
Authority to Continue The)
Transfer of Functional Control)Case No.
of Its Transmission System to)EO-2008-0134
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,
LINWARD "LIN" APPLING,
TERRY JARRETT,
COMMISSIONERS

REPORTED BY:
MINDY VISLAY, CCR
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1 P R O C E E D I N G S

2 JUDGE WOODRUFF: Good morning everyone. We
3 are here for a pre-hearing conference in Case No.
4 EO-2008-0134 which is the application of the Union
5 Electric Company for authority to continue the
6 transfer of functional control of its transmission
7 system to the Midwest Independent Transmission System
8 Operator, Incorporated.

9 We'll begin by taking entries of appearance. I
10 will note that I have a couple parties here on the
11 telephone so we will try to proceed as best we can
12 here. We'll begin with AmerenUE.

13 MR. LOWERY: Thank you, Your Honor. James
14 Lowery with the law firm of Smith Lewis L.L.P., 111
15 South Ninth Street, Suite 200, Columbia, Missouri
16 65201, here on behalf of AmerenUE.

17 JUDGE WOODRUFF: And for Staff.

18 MR. DOTTHEIM: Steven Dottheim, P.O. Box
19 360, Jefferson City, Missouri 65102, appearing on
20 behalf of the Staff of the Missouri Public Service
21 Commission.

22 JUDGE WOODRUFF: And for the Office of
23 Public Counsel.

24 MR. MILLS: On behalf of the Office of
25 Public Counsel and the public, my name is Lewis Mills,

1 P.O. Box 2230, Jefferson City, Missouri 65102.

2 JUDGE WOODRUFF: And for Aquila.

3 MR. BOUDREAU: Thank you. On behalf of
4 Aquila, Paul Boudreau, 312 East Capitol Avenue, Post
5 Office Box 456.

6 Also appearing on behalf of Aquila via telephone
7 is Renee Parsons, Senior Attorney, 20 West Ninth
8 Street, Kansas, Missouri.

9 JUDGE WOODRUFF: Ms. Parsons, are you still
10 on the line?

11 MS. PARSON: I am.

12 JUDGE WOODRUFF: For Empire.

13 MR. COOPER: Dean L. Cooper, P.O. Box 456,
14 Jefferson City, Missouri 65102 on behalf of the Empire
15 District Electric Company.

16 JUDGE WOODRUFF: For KCP&L.

17 MR. BLANC: Curtis Blanc appearing on
18 behalf of Kansas City Power and Light Company. My
19 address is 1201 Walnut, Kansas City, Missouri 64106.

20 JUDGE WOODRUFF: And for the Midwest ISO.

21 MR. ZOBRIST: Karl Zobrist, Sonnenschein,
22 Nath and Rosenthal, L.L.P., 4520 Main Street, Suite
23 1100, Kansas City, Missouri 64111.

24 JUDGE WOODRUFF: For MIEC.

25 MS. VUYLSTEKE: Diana Vuylsteke, Bryan

1 Cave, 211 North Broadway, Suite 3600, St. Louis,
2 Missouri 63102.

3 JUDGE WOODRUFF: For Southwest Power Pool.

4 MR. LINTON: For Southwest Power Pool,
5 David C. Linton, 424 Summer Top Lane, Fenton, Missouri
6 63026 and Heather H. Starnes, 415 North McKinley,
7 Suite 140, Little Rock, Arkansas 72205.

8 JUDGE WOODRUFF: And I believe that's all
9 the parties. If I missed somebody, please speak up.

10 Well, basically the Commission wanted to have this
11 meeting today to get some idea of where we go from
12 here and what the current situation is involving
13 AmerenUE and the Midwest ISO.

14 So, I'm going to turn this over to the
15 Commissioners for questions, and we'll go from there.

16 Commissioner Murray?

17 COMMISSIONER MURRAY: I'm going to pass,
18 thank you.

19 JUDGE WOODRUFF: Then for --

20 MR. DOTTHEIM: Judge Woodruff, I might ask
21 the bench, yourself, and the Commissioners, they are
22 probably aware, but I thought I would just directly
23 ask. The FERC issued an order on Friday --

24 JUDGE WOODRUFF: I wasn't aware of that.

25 MR. DOTTHEIM: An order conditionally

1 accepting the filing that had previously been made in
2 December. We have copies of that order. There also
3 was an errata yesterday which we forgot to make copies
4 of. It's just a one page errata. But I can
5 distribute that.

6 And if the Commissioners -- I expect the answers
7 to the Commissioners' questions will be made also in
8 reference to the order that was issued on Friday, but
9 I have copies I can distribute at this time.

10 JUDGE WOODRUFF: Very good. Why don't you
11 go ahead and do that.

12 Does somebody want to give us a summary?

13 MR. LOWERY: Your Honor, yes. Let me
14 introduce who I have with me here today. And we had
15 assumed -- and of course we were going to address
16 this, this morning, but we had assumed the Commission
17 was quite aware of that order because, as I think you
18 know, the Commission is actually an intervener in that
19 case and so they would have been served with that
20 order at the time it was issued.

21 With me this morning I have three folks that could
22 answer, hopefully, the questions Commissioners have.
23 Maureen Borkowski, who is the Vice President of
24 Transmission Services for Ameren Services Company
25 which acts as the agent for AmerenUE with respect to

1 its transmission system and also in particular with
2 respect to RTO issues and FERC regulation of
3 transmission system.

4 Also, Shawn Schukar is with me this morning. Mr.
5 Schukar is Vice President for Ameren Services as well
6 and has responsibility for RTO markets and has
7 extensive experience in particular with the MISO "day
8 two" markets which AmerenUE has been participating in
9 the last few years.

10 And Ajay Arora, who is the Director of Corporate
11 Planning at AmerenUE, who was extensively involved in
12 the cost-benefit analysis that was initially filed and
13 required by the '04 stipulation when we initiated this
14 case.

15 And I think Ms. Borkowski could probably give the
16 Commission at least a little bit of background and
17 summary about the order that Mr. Dottheim just handed
18 out that was issued by the FERC on Friday. So, if it
19 pleases the Commission, I'd ask her to do that at this
20 time.

21 JUDGE WOODRUFF: Please do.

22 MS. BORKOWSKI: Good morning. Just a
23 little bit of background with regard to this FERC
24 filing. When we made our filing that initiated this
25 proceeding, the 1st of November, in Item 12 of that

1 filing we had noted a number of uncertainties that
2 could potentially impact the progress of this, and
3 actually, the recommendations in this proceeding.

4 And the very first one of those was the potential
5 for the loss of incremental revenue, which also
6 offsets the requirement for bundled retail load of
7 approximately \$60 million annually under the
8 AmerenUE/Midwest ISO Service Agreement and the
9 Transmission Owners Agreement in the event that the
10 Midwest ISO or the other transmission owners within
11 the Midwest ISO seek and obtain changes to the
12 relevant agreements.

13 The Midwest ISO and the other Midwest ISO
14 transmission owners did make such a filing in early
15 December. And the order that was just received on
16 Friday is the FERC order in that docket. Basically,
17 what the result of the order is, that that very
18 uncertainty, which we have identified, has come to
19 pass, in that, if the order is implemented as it
20 currently stands, AmerenUE would be precluded from
21 receiving those incremental revenues which would have
22 otherwise come to AmerenUE and its customers without
23 those changes to the MISO tariff that were made by
24 Midwest ISO and the transmission owners.

25 At this point in time, having just received the

1 order on late Friday, we are still in the process of
2 reviewing that order. There are certainly some issues
3 in it that, factually, probably need some correction.
4 That is with regard to grandfathered agreements as
5 those are addressed in that order.

6 We are also still reviewing whether or not, from a
7 legal perspective, we feel that the FERC appropriately
8 addressed legal arguments that AmerenUE had made in
9 its protest of that original filing, and again it
10 reiterated in its answer to some of the answers that
11 other parties had filed.

12 So, at this point in time we are still in the
13 process of reviewing what the next steps are that we
14 would take in regard to that order. Obviously, one of
15 those could include a request for rehearing, but we
16 don't have that determination made as of this date as
17 to exactly how we will go forward.

18 The errata that Mr. Dottheim mentioned, with
19 regard to that order, basically just clarifies the
20 effective date. And the effective date of the order
21 is February 1st of 2008, which means that the revenue
22 distribution which was at issue in this particular
23 case -- the revenue distribution is the issue which
24 would preclude us from receiving those incremental
25 revenues of \$60 million is now in effect as of the 1st

1 of February.

2 So, MISO will begin distributing any revenues that
3 were received as of February 1st in line with the
4 order that was just received from FERC which again
5 would preclude AmerenUE from receiving those
6 incremental revenues.

7 Is that a sufficient explanation, or are there any
8 further questions about that issue?

9 JUDGE WOODRUFF: I'll let the Commissioners
10 resolve that. Anything anyone else wants to add about
11 this order at this point?

12 MR. ZOBRIST: Judge, I would just say, from
13 the Midwest ISO's standpoint, that Stephen Kozey, who
14 is the General Counsel and Vice President of the
15 company, is here. And he -- as I'm sure perhaps
16 Dr. Proctor could -- could, you know, respond to any
17 particular questions that the Commission might have
18 about these orders as well as other FERC proceedings
19 that might affect Ameren's application here as well.

20 MR. DOTTHEIM: From the Staff's
21 perspective, we have also had a rather short time to
22 spend with the order. We want to spend more time. We
23 have had, of course, an opportunity to take a look at
24 it.

25 Here today is Dr. Proctor and Greg Meyer, from the

1 Staff, who will endeavor to answer questions of the
2 Commissioners and the Regulatory Law Judge.

3 Also, in light of the order issued on Friday, the
4 Staff believes that it is probably an opportune time
5 for the parties in the pending case to get back
6 together again to discuss the affect of the order upon
7 the pending case.

8 JUDGE WOODRUFF: As I recall, when we had
9 filings made in this case months ago, there was a
10 concern that FERC wouldn't act any time soon. So, is
11 the action that everybody was anticipating --

12 MR. DOTTHEIM: Well, I think there was some
13 anticipation that the FERC would set the matter for
14 hearing. I'll certainly let AmerenUE speak to that.
15 I don't know that the thought was that there was
16 nothing on the immediate horizon. It was my
17 impression that the thought was that the matter
18 actually would be likely set for hearing, which of
19 course has not occurred.

20 JUDGE WOODRUFF: So, FERC made a decision
21 without setting it for hearing?

22 MR. DOTTHEIM: Yes.

23 JUDGE WOODRUFF: Mr. Clayton, do you have
24 any questions at this point?

25 COMMISSIONER CLAYTON: Jeff?

1 ordered by the FERC in roughly the same time frame
2 issued decisions consistent with positions Ameren and
3 the other Midwest ISO transmission owners took that
4 have prevented costs coming to the Midwest ISO or
5 Ameren.

6 The Commission rejected a complaint by AEP, as
7 American Electric Power Company wanted Midwest ISO
8 transmission owners to pay for existing AEP high
9 voltage facilities, and future ones.

10 The Commission, in a separate proceeding,
11 reaffirmed the recommendation of all the Midwest ISO
12 transmission owners that the rate design for
13 transmission be continued and rejected a suggestion by
14 the stand-alone transmission owners that all new costs
15 of high voltage in the Midwest ISO be shared.

16 So, while this decision that has just been
17 referred to is adverse to Ameren's interests, not all
18 decisions by FERC about the Midwest ISO are adverse to
19 Ameren.

20 CHAIRMAN DAVIS: Mr. Kozey, would you care
21 to explain on the record this whole concept of health
22 club memberships that I've heard about?

23 MR. KOZEY: Yes, sir, I will try. The
24 reference, I believe, relates to a filing that the
25 Midwest ISO is planning to make in March that would

1 amend its tariff to allow for transmission owners who
2 are not in the Midwest ISO today to participate in our
3 market and our congestion management scheme without
4 signing a transmission owner agreement. That is
5 planned, we do expect it to be made, and then FERC
6 would rule on that.

7 Mr. Chairman, and for the other Commissioners,
8 sometimes in stakeholder meetings a colleague of mine
9 has made reference to the kind of analogy that the
10 Chairman has referenced. In that analogy, now that
11 that the "health club," or facility, has been built,
12 that it's time to consider how to additionally expand
13 membership to decrease costs even if it's not on the
14 same terms as the original members joined.

15 CHAIRMAN DAVIS: And is the philosophy that
16 MISO advocates for that if you are lowering everyone's
17 costs then that's a good deal for everybody in the
18 footprint; is that a fair way to characterize it?

19 MR. KOZEY: Yes, sir.

20 CHAIRMAN DAVIS: But obviously the
21 transmission owners, like AmerenUE, who were paying
22 for some of the original start-up costs -- of which I
23 seem to remember being hit up for a rather large sum
24 of money within the first few months I was on the
25 Commission. Why do you need the money? More

1 reliability.

2 They are not going to be able to recoup any of
3 their investment from these new members, are they?

4 MR. KOZEY: I don't have a yes or no
5 answer, but if I give you a little context we can get
6 to a yes or no conclusion.

7 In terms of if this filing is accepted by FERC on
8 the terms that it's made, the new participants would
9 pay the same monthly charges -- no discounted
10 charges -- as AmerenUE. The place where conceivably
11 there could be a different financial burden would be
12 upon withdrawal -- termination -- of that
13 relationship. That's where there would be a
14 difference.

15 Because we are suggesting in this filing -- going
16 to suggest in this filing -- that people who come
17 under the new arrangement would pay their pro rata
18 share, when they left, of incremental Midwest ISO
19 obligations, not the base ones. So, that's where
20 there would be a difference, sir. Not on the --

21 CHAIRMAN DAVIS: So, they would be able to
22 pull out for less?

23 MR. KOZEY: Yes, sir. Until ISO gets about
24 five years in, when those two concepts cross and they
25 are equal. Yes, sir, there would be a two-year gap

1 where somebody could leave and pay less than a
2 comparably situated transmission owner.

3 CHAIRMAN DAVIS: Okay. So, because Ameren
4 was one of the first lucky utilities in the door they
5 are going to be paying more?

6 MR. KOZEY: Only were they to leave in a
7 period between now and five years from now. That
8 would be the circumstances where they would pay more,
9 Your Honor. They would not pay more every month than
10 the new people.

11 CHAIRMAN DAVIS: Right. Everybody would be
12 paying the same on a monthly basis, it would just cost
13 Ameren more to terminate the relationship than it
14 would, say, someone from Iowa that would come later?

15 MR. KOZEY: Yes, sir. So, that would be,
16 I'm sure, one of the points of contention in the
17 filing for FERC as to whether this is unduly
18 discriminatory or preferential.

19 MR. LOWERY: I think Ms. Borkowski is also
20 familiar with this particular filing that Mr. Kozey is
21 talking about. Perhaps she could at least share
22 Ameren's perspective on what that filing is going to
23 mean in terms of the exit cost and so on.

24 CHAIRMAN DAVIS: Yes, I'd like to hear
25 that.

1 MS. BORKOWSKI: Well, first of all, I'm not
2 sure I entirely agree with the way Mr. Kozey
3 characterized all of this.

4 The filing, which MISO is calling their expansion
5 filing, first of all, just for clarity, has not been
6 made. The expectation is it will be made near the
7 beginning of March, which would mean you would expect
8 some sort of a FERC order about 60 days later than
9 that, or in May.

10 But there are actually three levels of service
11 that are being made available -- at least in the draft
12 filing -- that we have seen. And depending on which
13 level of service these new entrants to MISO, or
14 various pieces of MISO, decide to take, they may
15 indeed be paying less than what we are currently
16 paying based on the level of service that they select.

17 And it's my understanding that even at the highest
18 level of service in this new framework that they are
19 still not paying the full administrative charges
20 because they are not taking advantage of the full
21 transmission aspects. They are still maintaining a
22 stand-alone transmission system from a transmission
23 service perspective and therefore are not paying all
24 of the same administrative costs that AmerenUE pays
25 because it is both a market participant and a

1 transmission tariff participant. So, I guess from
2 that perspective, I want to make sure that it was
3 clear.

4 Actually, as it relates to this proceeding, I had
5 identified a couple of items in the uncertainties we
6 had listed that would cause us to review our
7 recommendations that we made on November 1st that are
8 related to this filing.

9 One of those was -- I guess it was letter "I" of
10 the uncertainties we had listed -- is that we had said
11 that it would be important to review whether or not
12 there were any changes in either cost or revenue
13 allocations of AmerenUE's continued participation in
14 the Midwest ISO if there were more or fewer Midwest
15 ISO participants.

16 But in addition to that we had also talked about
17 costs that might be associated with transmission
18 expansion in other people's systems. They are
19 traditionally called RECB costs. And that was letter
20 B of the uncertainties that we had listed. These new
21 market participants will not in any way shape or form
22 be exposed to those transmission expansion costs that
23 AmerenUE would be exposed to.

24 So, because of the potential availability of this
25 new option, and again, there are actually three

1 different options for service, we think it's important
2 for us to be able to see what MISO actually files and
3 then to be able to evaluate that as a part of our
4 ongoing participation. Because it's entirely possible
5 that it would be worthwhile for AmerenUE to withdraw
6 from MISO in its current type of participation and
7 choose one of these other health club options.

8 So, it's basically a matter of do the new options
9 that present themselves, even in light of the fact
10 that we may be required to pay some sort of exit fee,
11 which I'm certainly not conceding, and in fact would
12 make every attempt to mitigate before FERC, but might
13 these new options afford a more attractive option for
14 AmerenUE relative to the full-blown MISO participation
15 that we have today.

16 So, I guess what I'm saying is, the very existence
17 of this as something that is new, that wasn't
18 contemplated at the time of the November 1st filing,
19 we would like the opportunity to review this option
20 once it's filed to see if it's got any promise for
21 AmerenUE's customers.

22 CHAIRMAN DAVIS: Ms. Borkowski, do you feel
23 like Ameren had an agreement with MISO and that these
24 filings at FERC are an attempt to make an end run
25 around that written agreement?

1 MS. BORKOWSKI: Yes, sir, we do. And
2 that's basically what we state in our protest and our
3 answers at FERC.

4 CHAIRMAN DAVIS: Then correct me if I'm
5 wrong, but under the terms of that written contract,
6 if MISO wanted to alter the terms of that contract,
7 they were supposed to come here to this Commission and
8 ask, were they not? Or isn't there something that
9 required that? That seems to be my recollection.

10 MS. BORKOWSKI: My understanding of the
11 service agreement that was a part of the original
12 filing, giving AmerenUE permission to join MISO, was
13 that the agreement was in effect for an initial period
14 of five years and six months and could only be
15 terminated with I believe it was six months notice,
16 but even then only with permission of this Commission.

17 And I certainly would agree that the agreement
18 couldn't have been altered during that time frame by
19 either party without the agreement of both the parties
20 as well as this Commission.

21 CHAIRMAN DAVIS: And how long has that
22 agreement been in effect?

23 MS. BORKOWSKI: It commenced on May of
24 2004. It would be November of 2009 before the initial
25 term of that agreement would be up. But, again, by

1 its very terms it would continue in the absence of
2 either six months notice or -- well, in conjunction
3 with approval by this Commission.

4 CHAIRMAN DAVIS: And Ms. Borkowski, can you
5 refresh for my recollection what amount would it cost
6 for AmerenUE to terminate its membership in MISO?

7 MS. BORKOWSKI: At the present time, based
8 on the methodology that's been employed in the past by
9 MISO, I believe MISO estimated that cost to be
10 \$35 million, and we included that as a possibility in
11 our filing. We would certainly argue that there were
12 circumstances that should mitigate that.

13 But one other thing I would point out is that that
14 \$35 million exit fee does not contain any significant
15 dollars that would be related to dollars that AmerenUE
16 would be assigned with regard to transmission
17 expansion by other transmission owners in MISO.

18 Right now those dollars are very small, but as
19 other entities continue to invest in their system and
20 expand their system there is the possibility that MISO
21 would attempt to recover those dollars from us in the
22 future as well, whatever our proportionate share was
23 of those RECB costs. We would also argue that that
24 would not be appropriate in any part of FERC
25 proceeding to govern actual results in an exit by

1 AmerenUE.

2 CHAIRMAN DAVIS: For some reason I was
3 thinking the exit costs were somewhere much more
4 exponential, in the neighborhood of 350 or 360
5 million. So, that's not correct?

6 MS. BORKOWSKI: Thirty-five million is what
7 we calculated.

8 CHAIRMAN DAVIS: Okay.

9 MR. ZOBRIST: Mr. Chairman, I think Midwest
10 ISO might have a different view of the contract issue
11 that you raised. Should we talk about that now or
12 later, if you have other questions?

13 CHAIRMAN DAVIS: Thank you, Mr. Zobrist.
14 I'll get back to you here shortly.

15 Ms. Borkowski, Ameren hasn't -- I've heard MISO,
16 I've heard Graham Edwards, and other people, make
17 statements that we are performing all these valuable
18 services for all our member companies now so you don't
19 really need all these people performing these
20 functions that they performed in the past. But in
21 fact, Ameren hasn't laid any of these people off that
22 are working on reliability, have they?

23 MS. BORKOWSKI: We have not laid people
24 off. There were certain positions that we no longer
25 have at Ameren. I don't have an exact count for you.

1 I believe the number is less than 12.

2 But they were the people that actually processed
3 transmission service requests and managed the AmerenUE
4 OASIS, and once MISO became our transmission provider
5 MISO handles all requests for transmission service so
6 we didn't need people to process those requests and
7 manage our OASIS.

8 But those people have been absorbed into other
9 positions in the company as other positions were
10 vacated due to attrition or what have you.

11 CHAIRMAN DAVIS: Mr. Kozey, what's your
12 definition of the original service agreement?

13 MR. KOZEY: Mr. Chairman, the service
14 agreement in our view has not been altered, it's not
15 been tried to be amended. And on our own, were we to
16 do that, we would have to file -- again, to not be in
17 violation of the original stipulation settlement
18 agreement that we are a party to in this Commission,
19 we would have to come to you.

20 We did try to make clear, in our pleadings at
21 FERC. FERC noted it in Paragraph 15 of its order on
22 Friday, it says: Midwest ISO filed an answer to
23 clarify its position on the filing. First, the
24 Midwest ISO states that it joined the filing in its
25 capacity as the administrator of the Transmission

1 Energy Markets Tariff and takes no position with
2 respect to the merits of the proposed tariff positions
3 or Union Electric's objections.

4 We do not -- we are not a party with money at
5 stake in that filing. Ameren and the other
6 transmission owners are. So, sir, we don't believe we
7 violated --

8 CHAIRMAN DAVIS: I know, Mr. Kozey, you are
9 just a simple non-profit organization out there trying
10 to manage the best you can with what FERC has given
11 you. Is that what I'm hearing?

12 MR. KOZEY: Yes. Without apology, sir.

13 CHAIRMAN DAVIS: I'll pass for right now,
14 Judge.

15 JUDGE WOODRUFF: Do any other Commissioners
16 have questions?

17 COMMISSIONER APPLING: I think I have one
18 question for Mr. Proctor, Your Honor. The reason I'm
19 asking this question -- and if I'm asking the wrong
20 person just tell me and don't pass me off, at least if
21 you know.

22 Concerning this filing, very quickly if you can,
23 describe to me what this means to the rate payers and
24 the citizens of the State of Missouri. How does this
25 affect us?

1 DR. PROCTOR: The impact of the FERC filing
2 on rate payers -- actually, not the filing, the order?

3 COMMISSIONER APPLING: Right.

4 DR. PROCTOR: The order, I think
5 Ms. Borkowski characterizes it as a loss of about \$60
6 million a year in revenues to AmerenUE. And
7 currently, none of those revenues have ever been
8 collected by UE. They would not have gone -- this
9 whole thing would not have gone into effect until I
10 believe it's February of this year.

11 There was a transition period at MISO from the
12 start-up in which none of the utilities work. MISO
13 was not collecting revenues for retail transmission
14 from the utilities. The agreement that AmerenUE has,
15 and we have at FERC, allows AmerenUE to continue under
16 that scenario indefinitely or until that agreement
17 is -- somebody does away with it.

18 So, in past rate cases we have looked at the
19 transmission costs of AmerenUE and, you know,
20 allocated those between wholesale and retail
21 customers. And done it the way we have done it in the
22 past. And none of those costs go through MISO and
23 then come back in terms of revenues to UE. That will
24 change this year for all of the utilities. And so
25 Ameren has not collected any of these revenues, this

1 60 million they are talking about, in the past.

2 What would have occurred is -- because Missouri, I
3 think in our wisdom -- when we did an interim approval
4 of UE said, in agreement with MISO, we will not go
5 forward and collect revenues by MISO from AmerenUE for
6 transmission service to retail load. So, even on a
7 going forward basis now, that would not occur.
8 AmerenUE would collect those directly in cost of
9 service in a rate case. That's not true of other
10 states.

11 So, what happens at this point, now that this
12 transition is over, the pot of dollars that MISO
13 collects from all of these utilities -- and most of
14 them that serve retail customers would be putting
15 dollars into that pot -- are distributed back to the
16 utilities based upon their revenue requirements.

17 Well, UE would not be contributing to the pot for
18 its retail customers. But yet, by the formula that
19 was there, they would receive this additional
20 \$60 million back from the contributions by other
21 utilities into the pot. FERC has decided that's not
22 just unreasonable and has written an order to not
23 allow that to happen. And that's really what that
24 FERC case was about.

25 Now, there are other details in that FERC case.

1 Somebody mentioned grandfathered agreements and proper
2 treatment. Grandfathered transmission agreements are
3 transmission agreements that were agreed to before
4 MISO started. They had long-term contracts on them.
5 Those contracts were not aggregated. Those people are
6 paying for transmission service through those
7 contracts and do not pay MISO transmission for that,
8 so in a way they are treated just like Missouri
9 customers. The FERC order gets into the details of
10 that. And that is an issue that AmerenUE did win
11 before the FERC on that one.

12 So, in brief, the \$60 million has never been
13 collected and if this order stays will not be
14 collected. So, from that perspective there's no
15 impact on rate payers. Now, from the perspective that
16 this was \$60 million that AmerenUE believes it should
17 have been receiving starting this year, then that
18 revenue offset would not be there for Missouri retail
19 customers.

20 COMMISSIONER APPLING: Thank you. I may
21 have a second question, but thank you.

22 JUDGE WOODRUFF: Commissioner Murray?

23 COMMISSIONER MURRAY: I'm trying to figure
24 out who I will direct this to. Ms. Borkowski, I'll
25 direct this to you.

1 In the RTO cost-benefit analysis that was filed in
2 this case, Paragraph 434 references the Midwest
3 post-transition revenue distribution. I assume that
4 is what Mr. Proctor was just referencing to,
5 post-transition?

6 MS. BORKOWSKI: That is correct.

7 COMMISSIONER MURRAY: And in your analysis
8 there, the last sentence says -- after speaking of the
9 \$57.8 million per year revenue expected -- the revenue
10 would not be received in the SPP and ICT cases and
11 thus results in an additional cost, that is, negative
12 benefit to these cases.

13 And my question is, if the revenue does not come
14 through the MISO as predicted in this analysis,
15 wouldn't you still be at about the same position as
16 you would be with SPP or ICT, or are there other
17 benefits from those two that offset the lack of
18 post-transition revenue here?

19 MS. BORKOWSKI: In the cost-benefit study,
20 basically the reference there, to the present value
21 over the ten-year period of this post-transition
22 revenue, if you include that in the analysis as
23 revenues that AmerenUE would actually receive, it
24 basically says the decision then overwhelmingly swings
25 to staying with MISO because it gives you the

1 advantage of that additional revenue.

2 If you remove that revenue it makes the decision
3 much more difficult. And in fact, over a ten-year
4 period, would tend to favor the ICT case over the MISO
5 case. Over a short term period, three years, it was
6 very close, and in fact nearly a break even.
7 Particularly with regard to the level of precision
8 with which much of this analysis can be done.

9 So, we had identified that at the time of the
10 original filing. Again, you know, unless something
11 else should happen with the FERC case at this point in
12 time that benefit has been wiped away, which greatly
13 narrows the analysis now relative to the other
14 options, and as I said, over the ten-year long term
15 would seem to favor the ICT case.

16 One of the reasons we've asked for additional
17 time, until June, before we continue with a procedural
18 schedule for this proceeding is to give us the
19 opportunity to review some of the other things that
20 are changing that we had identified as risks when we
21 originally made that filing November the 1st.

22 We have already spoken about one of those, and
23 that would be the MISO expansion filing, to see
24 whether or not that would afford any additional
25 opportunity to AmerenUE to effectively exit MISO and

1 return as a new type of member rather than its
2 existing member. And that's expected to be filed in
3 March, which hopefully would then lead to a decision
4 in May.

5 There's another filing that's going to be made, I
6 believe at the end of this month, with regard to how
7 MISO does the allocation of the revenue sufficiency
8 guarantee -- and I know that's probably a lot of
9 words, but it's the RSG -- which is one of the charges
10 that is uplifted if it's a market charge. Where, to
11 the extent that not all the costs of running the
12 market are recovered under the market itself through
13 L&P, there are additional payments that have to be
14 made to generators that have to be recovered from
15 somewhere.

16 They are filing to change that allocation process
17 at the end of this month, and that will give us some
18 new information that could affect our cost-benefit
19 decision.

20 And in addition to that, we are expecting an order
21 out of FERC later this month with regard to the
22 ancillary services market filing. We would certainly
23 like the opportunity to review that order -- which
24 that was actually listed as letter C of the
25 uncertainties that we had originally listed -- to see

1 whether or not the FERC order would order any changes
2 to the way MISO has initially conceived of the market
3 and designed it and have the opportunity to look at
4 whether or not that has any impact on our cost-benefit
5 analysis.

6 So, there are actually a number of things besides
7 this post-transition revenue distribution.

8 COMMISSIONER MURRAY: It's an order
9 regarding -- state that again.

10 MS. BORKOWSKI: The ancillary services
11 market.

12 COMMISSIONER MURRAY: So, basically, you
13 are wanting time to evaluate the ICT and SPP options
14 in relation to the lack of post-transition revenue
15 that we were initially predicting, and you want to
16 evaluate the MISO expansion filing as to whether that
17 would make it more advantageous to exit from MISO, pay
18 the exit fee, and then return as a new participant?

19 MS. BORKOWSKI: As a health club member.

20 COMMISSIONER MURRAY: And then, also, you
21 want to be able to evaluate the MISO filing that's
22 expected the end of this month regarding revenue
23 sufficiency guarantee to see if that would have an
24 impact on Ameren and to evaluate the FERC order that
25 is expected later in February regarding ancillary

1 services?

2 MS. BORKOWSKI: Yes. And just to clarify,
3 the RSG filing is expected near the end of February,
4 the beginning of March. But again, based on kind of
5 the FERC calendar, 60 days later you would expect to
6 know something about that in terms of additional
7 information on whether or not that had been accepted,
8 or accepted with conditions, or what have you.

9 COMMISSIONER MURRAY: And remind me, what
10 time frame are we looking at here? Are we under any
11 obligation to make a decision on this at any point in
12 time?

13 MS. BORKOWSKI: At this point in time our
14 permission from this Commission to continue with our
15 MISO membership goes through May of 2009.
16 Realistically, I don't think there's anything from
17 either a MISO perspective -- there's nothing that
18 isn't within your control on choosing to either extend
19 that on an interim basis, you know, to allow yourself
20 more time or to hold fast to that date of May of 2009.
21 But in either event, there's adequate time from now.

22 COMMISSIONER MURRAY: And that May 2009 was
23 this Commission's deadline; is that correct?

24 MS. BORKOWSKI: Our original permission
25 extended for five years. I guess it's actually

1 April 30th. Is that when it actually expires?

2 MR. LOWERY: Yes. It's actually
3 April 30th.

4 And you might be asking about a July 31 date that
5 I think might have been mentioned in the last pleading
6 that we filed. It was essentially a joint pleading in
7 late December.

8 As you might recall, Commissioner Murray, we
9 initially entered the MISO as a participant via
10 participation in Grid America and Independent
11 Transmission Company. There were literally a stack of
12 contracts this thick in terms of -- that govern that
13 participation. And there were contractual provisions,
14 in terms of timing of withdrawing from that Grid
15 America relationship, if that's what we thought we
16 needed to do, that would have necessitated the
17 Commission to act by July 31 of this year if it was
18 all going to line up with this May date.

19 We withdrew from Grid America a couple years ago,
20 maybe a little longer, because we didn't think it was
21 in the best interest of the company or the rate payers
22 at that time to continue that. So, that July 31 date
23 is gone, and there really isn't any constraint other
24 than you do have this April 30th date.

25 But as Ms. Borkowski said, we think the Commission

1 would have latitude to deal with that if they need to.
2 And we have a lot of time, we are about 14 or 15
3 months away from that time at this point.

4 And as Ms. Borkowski indicated, and I just want to
5 clarify, we have been talking about these
6 uncertainties in risks that we identified. That's in
7 Paragraph 12 of our application if anybody is just
8 trying to find those.

9 But what's happening is, in addition to the
10 \$60 million issue, as I'll call it, we have other
11 things that are happening, and we are getting better
12 and more information on, and we think we are going to
13 have a lot better and more information on those in the
14 very near term.

15 And when we made our filing in late December all
16 the parties either supported or did not oppose, with
17 the exception of the Midwest ISO, essentially
18 suspending proceeding with the case until June so that
19 we could sort out at least the \$60 million issue. But
20 now we know we have some other things as well, and
21 really nothing has changed in terms of timing or
22 urgency.

23 What we would like to do is have the ability to
24 have the best possible information we can have so that
25 when we do proceed, and the Commission has to look at

1 a decision, we can give the Commission the best
2 possible information for it to make its ultimate
3 decision on where we go from here.

4 COMMISSIONER MURRAY: Is there any time
5 requirement between AmerenUE and MISO in terms of
6 either making -- I don't know what you would call
7 it -- extending your membership in MISO or
8 withdrawing, is there a deadline for that to occur?

9 MR. LOWERY: As we also indicated in that
10 December filing we have given MISO -- under the TO
11 Agreement -- we have given them the requisite notice
12 of our intention to withdraw, which then enables us --
13 if that's ultimately what the Commission were to
14 determine, post-'08, that we should do -- enables us
15 to withdraw if we preserved that option.

16 And we did that, in particular, to maintain that
17 flexibility because we don't know where this is going
18 to go. So, we would contractually be able to leave
19 the MISO if that's what we need to do.

20 COMMISSIONER MURRAY: If your decision is
21 not to leave the MISO, is there any point in time in
22 which you can't change your mind?

23 MR. LOWERY: No, there isn't. And the
24 service agreement that's in place -- I can't remember
25 who was explaining it, maybe Ms. Borkowski. But the

1 service agreement essentially evergreens from that
2 initial term. It keeps going on a year-to-year basis.
3 But in any event, it can't end unless this Commission
4 says that it ends so it would remain in place unless
5 changed, and that would have to be within this
6 Commission's approval.

7 COMMISSIONER MURRAY: Mr. Dottheim, you
8 look like you want to say something.

9 MR. DOTTHEIM: Yes. I was hoping possibly
10 AmerenUE might clarify a matter I possibly have, and
11 maybe I'm the only one who is not clear on it.

12 And that is, AmerenUE having given MISO notice on
13 December 21, 2007, of possibly withdrawing from MISO,
14 having given notice that it might withdraw by
15 December 31, 2008, what additional notice, if any,
16 AmerenUE must provide to MISO on a going forward
17 basis?

18 MR. LOWERY: We don't believe there's any
19 additional notice that would have to be given.
20 Because FERC has jurisdiction over certain aspects of
21 this entire arrangement as well, a FERC filing would
22 be necessary, as well as this Commission's action, in
23 terms of the company withdrawing. But in terms of
24 additional notice, there isn't any further notice that
25 would be required.

1 MR. DOTTHEIM: So, that would be no
2 additional notice after December 31, 2008, up to
3 May 2009?

4 MS. BORKOWSKI: Well, we would expect that,
5 if we did not yet have a decision or a FERC filing,
6 that we would issue another notice letter near the end
7 of 2008 that also extended that through 2009 just to
8 basically cover our bases.

9 MR. DOTTHEIM: Thank you.

10 COMMISSIONER MURRAY: I'd like to ask
11 whoever wants to speak for MISO what benefit would be
12 accomplished by going forward with this proceeding?

13 Now, I understand why MISO would like to go
14 forward with an application to remain in MISO, but at
15 this point, with these uncertainties, why would we not
16 delay?

17 MR. ZOBRIST: I'll make a few comments and
18 then I'll turn it over to Steve Kozey because he may
19 have more additional knowledge.

20 Given the issues that Ameren has raised, we don't
21 oppose the parties getting together to discuss a
22 procedural schedule. And if it needs to be more
23 relaxed, than at least I contemplated on behalf of
24 Midwest ISO in December, when I thought it was just
25 this particular proceeding at FERC dealing with

1 transmission revenues distribution, we would not be
2 opposed to that.

3 At the same time, we think there are certain
4 issues that are sort of overarching that go beyond
5 these particular FERC issues that we think, that if we
6 have people, that we could address in a more timely
7 fashion. But we don't want to get into a dispute with
8 AmerenUE just about a procedural schedule. We thought
9 it would be best to keep this moving. But if that's
10 not where we are really going, and if the Commission
11 is of a like mind, that's fine with us.

12 COMMISSIONER MURRAY: At this stage, isn't
13 it more appropriate for the parties to be discussing
14 these various options and I mean, determine -- so that
15 AmerenUE can actually determine which direction it
16 wants to go?

17 MR. ZOBRIST: On behalf of Midwest ISO, I
18 believe we think that's correct. And frankly, the
19 Commission having ordered this pre-hearing conference
20 serves the purpose of getting together to discuss
21 those issues and find out what we need to consider so
22 that a decision can be made in this proceeding.

23 COMMISSIONER MURRAY: Mr. Proctor, did you
24 have anything to add?

25 DR. PROCTOR: I don't think I can add

1 anything. I think I can support the position that
2 AmerenUE has stated here regarding these three issues
3 that they have brought up, and adding that additional
4 time will provide us some additional knowledge.

5 How each of those -- I mean, clearly the first one
6 is a set of options that needs to be looked at. And
7 we have -- I mean, we can start talking about those
8 now. We have a pretty good idea of what those options
9 are. I mean, FERC could change all that when it
10 issues an order, and that's the problem. We need that
11 60 days after that filing, that would be a FERC order
12 that comes out in May, to see exactly did FERC approve
13 these options that we have been talking about or not.
14 So, that's kind of a critical date.

15 On the RSG charges, working through how changes
16 there could impact, and that would impact, the dollars
17 that are showing up in this cost-benefit study. Yes,
18 their service market, I'm not sure how that would
19 impact the cost-benefit study, but I think in more of
20 a qualitative fashion -- and it could
21 quantitatively -- but in the qualitative fashion it
22 could have some impact on where people are at.

23 I think there are other uncertainties in that list
24 that the Staff would like to see addressed as well,
25 and beyond just this list of three. But those three I

1 think were mentioned because the dates fit into the
2 June date that we have sitting out there right now for
3 Ameren actually -- for starting the procedural
4 schedule at that point.

5 Now, I think from the Staff's perspective, we
6 don't want to sit around until June 30th. We want to
7 be sitting down with the parties and scheduling
8 meetings where we are talking about these things
9 between now and then. So, I would add that as well.

10 COMMISSIONER MURRAY: Do you see any
11 problem in that occurring, any reason to believe that
12 wouldn't occur, that you would be able to sit down
13 with the parties and discuss this?

14 DR. PROCTOR: There's no reason that it
15 shouldn't occur, but as far as I know we do have -- I
16 think AmerenUE is planning a rate case filing in
17 April, and that may put some time pressure on Staff
18 because, you know, the rate case would have precedent.
19 But that's the only thing that comes to my mind.

20 COMMISSIONER MURRAY: So, the sooner the
21 discussions take place the better, I'm assuming; is
22 that correct?

23 DR. PROCTOR: I agree with that, yes.

24 COMMISSIONER MURRAY: And Mr. Mills, did
25 you have anything to add from OPC's perspective?

1 MR. MILLS: No. I agree with what Dr.
2 Proctor said. Given that the most recent variations
3 of the cost-benefit studies show that we're really
4 right on the cusp, the more -- if we can get a lot
5 more definitive information in just a few months, I
6 think it behooves everybody to look at that and see
7 how those things change the cost-benefit analysis and
8 if we can get a better answer on which way they lead.

9 COMMISSIONER MURRAY: Is OPC involved in
10 these discussions?

11 MR. MILLS: Yes. Ryan Kind has been
12 involved in almost all the discussions, that I am
13 aware of, about the cost-benefit analysis and what's
14 going on in FERC.

15 COMMISSIONER MURRAY: I don't think I have
16 anymore questions, Judge.

17 JUDGE WOODRUFF: Any Commissioners have
18 questions?

19 COMMISSIONER MURRAY: Mr. Dottheim had
20 something else he wanted to add.

21 JUDGE WOODRUFF: Mr. Dottheim?

22 MR. DOTTHEIM: Thank you. To follow-up on
23 Commissioner Murray's questions, I was wondering
24 whether MISO might indicate whether their
25 understanding of what notice, at this point or on a

1 going forward basis, AmerenUE must provide to MISO to
2 withdraw, having submitted to MISO the letter of
3 December 21, 2007, whether they concur with what
4 AmerenUE has indicated this morning?

5 MR. ZOBRIST: I'd have Mr. Kozey respond to
6 that.

7 MR. KOZEY: To the Staff and to the
8 Commission panel; yes, the only legally required
9 notice needing to be given has been given to open the
10 door for the option of Ameren to -- in the words of
11 the transmission owners -- begin a process of
12 withdrawal.

13 Should Ameren eventually decide to change its
14 status there would be a lot of technical working
15 together to make such a thing be smooth, but the only
16 notice required has been given. And there's nothing
17 in the Transmission Owner's Agreement about notice
18 that specifies one way or the other if you have to
19 renew them or they are good for all time. But there's
20 certainly nothing in the agreement that says you have
21 to give more than one.

22 MR. DOTTHEIM: And one other thing. The
23 recommendation respecting procedural schedule, which
24 was filed on December 28, 2007, by AmerenUE, which the
25 Staff did not object to or concurred in, where it

1 makes reference to suspension of further proceedings
2 in this case to June 30, 2008, I think clearly the
3 Staff has indicated this morning that the Staff would
4 hope that AmerenUE would not interpret a suspension of
5 further proceedings to June 30, 2008, to include a
6 prohibition of any discussion of these matters until
7 June 30, 2008.

8 MS. BORKOWSKI: No. Obviously, even prior
9 to there being an active proceeding, we were having
10 meetings and discussions. So, no, we would certainly
11 not prohibit any discussions prior to that. We would
12 encourage them.

13 JUDGE WOODRUFF: Commissioner Clayton?

14 COMMISSIONER CLAYTON: Thank you, Judge.

15 I don't have many questions. Many questions I did
16 have, have already been answered, and I think this has
17 been a very helpful exercise. This is not something
18 that I'm involved with on a day-to-day basis, like
19 others up here, so this has been very helpful.

20 I want to ask some very basic questions. I
21 suppose I'll direct them to Staff, either Mr. Dottheim
22 or Dr. Proctor.

23 In terms of reviewing this case and the options of
24 whether Ameren stays affiliated or within the MISO or
25 not, is the analysis as simple as coming down to what

1 that net dollar amount is? Is it a net benefit or
2 not?

3 I mean, if it's plus one dollar, can it be reduced
4 to something as simple as that for this type of case?

5 DR. PROCTOR: I don't think so. I think
6 Ameren's pleading reflected this and reflected
7 discussions that we had as we were putting the
8 cost-benefit study together. There are risks
9 abstained in MISO, there are risks from leaving MISO.
10 And a lot of times those risks are very difficult to
11 quantify. And I think the intention of most of the
12 elements that have been discussed this morning deal
13 with those risk elements and, you know, where to go.

14 I know we had discussions prior to the filing
15 about alternative membership in MISO. I forget the
16 words that were being used to describe it -- health
17 club membership -- I'm not sure, I've been out of
18 commission for a month or so, so this is the first
19 time I've heard that.

20 COMMISSIONER CLAYTON: I've never been a
21 member of a health club so I'm not sure what it means
22 anyway.

23 DR. PROCTOR: Those types of options are
24 things that were going through our mind at that time,
25 but we didn't have enough detail as to exactly what

1 those options were. And I think if that's going to be
2 filed here in the next month or so that's really
3 helpful. I mean, that information is together now. I
4 know MISO is having meetings on that before they do
5 their filing, stakeholder meetings on it, and I know
6 the organization of MISO has set up a worker to follow
7 what those are and get the details of that. So, those
8 are kind of -- that was one uncertainty that was
9 there.

10 But the filing was due November 1st, so the dollar
11 filing came in and I think AmerenUE appropriately said
12 in the letter they attached to the filing that there's
13 a list of uncertainties there. And we knew at that
14 time that it was a very close call in terms of
15 dollars.

16 For example, the first three years indicate a
17 positive net benefit from staying in MISO, and then
18 the last seven years show that's when it starts
19 turning around and becoming negative. And so, it's
20 very, very, very close. And, you know, is one or two
21 or ten million dollars one way or the other over a
22 ten-year period going to make that much difference?
23 When you get that close, and you don't have a
24 significant amount of benefits one way or the other,
25 that's when all of these uncertainties become --

1 COMMISSIONER CLAYTON: So, you start with
2 the dollar amount, you get a general idea of what type
3 of net benefit you are looking at, and then you have
4 to evaluate the risks that go with being in, being
5 out, and what type of uncertainties you are dealing
6 with, what type of exposure does the company have?

7 DR. PROCTOR: That's correct.

8 COMMISSIONER CLAYTON: And those things
9 perhaps can't be quantified but perhaps have to be
10 reviewed in association with that benefit.

11 DR. PROCTOR: And you come up with -- in
12 our resource planning process, in the resource
13 planning that the utilities do, you do the dollar
14 calculations. What's the minimum cost to supply the
15 load growth that you are projecting? But then it's
16 very critical, if you have got several options that
17 are fairly close, it's very critical then to start
18 evaluating the risk.

19 You know, what happens if we have a CO2 tax, and
20 where does that CO2 tax -- we don't know what this
21 country is going to do in that respect. But you need
22 to start evaluating those kind of options, and I think
23 that's a lot of what we are talking about doing here.

24 COMMISSIONER CLAYTON: With regard to the
25 FERC case, the FERC filing, and the change in revenue

1 distribution filing that was made, is it fair to say
2 that that was not anticipated by the Staff, by Ameren?

3 DR. PROCTOR: Well, I can't speak for
4 Ameren. I can speak for myself and Mr. Meyer, who
5 have discussed this. We actually anticipated that
6 FERC would find the filing that was made by the other
7 TOs to be just and reasonable. We would have been
8 surprised had they found in favor of UE.

9 COMMISSIONER CLAYTON: You would have been
10 surprised if FERC had -- but I think my question is
11 were you surprised at the original filing, at the
12 tariff being filed?

13 I guess I'm not as familiar with the FERC case
14 that progressed up to this point. And we had a motion
15 to suspend the procedure in this case, and I guess
16 what I'm trying to get at is was it not anticipated
17 that these actions were going to occur while this case
18 was pending?

19 DR. PROCTOR: No, I think we were aware
20 that this was a big issue that was coming up and would
21 be filed, yes.

22 COMMISSIONER CLAYTON: I was going to ask
23 some questions about work that could be done while we
24 wait for some of these things to be worked out, and I
25 think I have the answers to those questions.

1 Dr. Proctor, if you could answer this; as we
2 review Ameren's participation in the MISO, is there
3 much room for differing views among parties?

4 We have a number of parties that are in the room,
5 can the case be simplified to the point where what
6 Ameren's position -- what is good for Ameren will be
7 good for rate payers, or Ameren's position would be --
8 is it safe to assume that Staff and AmerenUE or OPC,
9 that those positions are going to be relatively
10 aligned or closely aligned or not?

11 Are we going to add various positions that are --
12 I'm trying to figure out how this case is going to be
13 teed up when it eventually does comes back to us, or
14 is this type of case basically going to be yes or no
15 and there won't be many other questions to answer?

16 DR. PROCTOR: In the original application
17 AmerenUE had asked for a continuation of interim
18 approval for a three-year period in order to clarify
19 the operations of certain things. And to my
20 knowledge, I think most of the parties at that time
21 were in agreement with that position.

22 Now, as we go forward and we start evaluating
23 other options, people can differ. When you introduce
24 more options, besides just that option, which is a
25 continuation for three years and let's reevaluate it

1 in three years, if you start adding options, then
2 people might start to vary on those options.

3 But I think it would come to the Commission in
4 terms of what risks are you trying to manage as you
5 move from one option to the other. So, you know,
6 that's a possibility. It's also a possibility that in
7 our discussions, by January 30th, we come up with a
8 settlement proposal that we produce to the Commission.
9 I don't think that's out of the question.

10 MR. DOTTHEIM: Commissioner Clayton?

11 COMMISSIONER CLAYTON: Yes?

12 MR DOTTHEIM: Some of the issues, too, I
13 think, are clear this morning may be decided by the
14 law as opposed to economics. So, that's another
15 factor. The end result may not be what certain
16 parties desire from an economic perspective or a
17 rate-making perspective for rate payers, what have
18 you, but it might be what certain parties might
19 believe is required from the perspective of the
20 governing law.

21 I'm not indicating that now, but I've been trying
22 to respond to your question, and I think that's
23 another perspective also.

24 COMMISSIONER CLAYTON: There were some
25 questions earlier that I'm not -- because I'm not

1 involved in the day-to-day OMS issues or SPP issues.

2 I wanted to ask Dr. Proctor, these problems that
3 have been suggested, are there things unique to the
4 Midwest ISO compared to other RTOs?

5 I mean, we suggested earlier, why does MISO have
6 all these problems? And I guess I don't know what all
7 these problems are. Could you give me some feedback
8 on that?

9 DR. PROCTOR: Oh, boy. I think what
10 happens is there are issues that every RTO has to
11 address, and those are addressed ultimately in terms
12 of a FERC filing, a filing with the FERC, that
13 institutes something like a cost sharing -- or we call
14 it cost allocation -- for transmission upgrades.
15 That's a big one that the states have been involved
16 in.

17 I'll give you a very brief comparison between
18 Southwest Power Pool and MISO on that particular one.
19 When the Southwest Power Pool was set up as an RTO we
20 had a very aggressive set of states, and there were
21 fewer of them that were really -- there are seven
22 states involved there. There are five that were very
23 active; Missouri, Kansas, Arkansas, Oklahoma and
24 Texas. Were very aggressive in the formation of the
25 RTO and set up in the bylaws specific responsibilities

1 of what was called the Regional State Committee.

2 In the Southwest Power Pool, the states are
3 responsible for developing cost allocation proposals
4 for the entire RTO. That was not the case for the
5 Midwest ISO. They held stakeholder meetings.

6 And by the way, we do stakeholder meetings in the
7 Southwest Power Pool as well, but it's just the staff
8 of the states that are basically running those
9 meetings and putting together the proposals, so I
10 think they are more sensitive to the political
11 concerns of the states as we develop those. In MISO
12 it's a stakeholder process but ultimately MISO staff
13 makes the filing.

14 The SPP, their bylaws actually say that the board
15 of SPP will file the proposal of the state. They can
16 file an alternative proposal as well if they think
17 that's deemed necessary. They have not done that.

18 Those kinds of small differences kind of show up
19 in comparing those two RTOs. Does it help to mitigate
20 some of the problems? I think it has when comparing
21 the two; otherwise, all the RTOs are going to have to
22 resolve some issues, and sometimes the resolution of
23 those issues have negative impacts on certain
24 stakeholders and positive impacts on others. And I
25 guess you try to balance those.

1 I can't speak for MISO and what they attempt to
2 do, but sometimes those things come back -- and I use
3 the colloquial term "come back and bite you" -- and
4 intend to cause issues raised and states to get upset
5 about certain things that are done.

6 You are not going to get everything to go your way
7 on every issue. The attempt, at least in my
8 participation in both the Southwest Power Pool and
9 Midwest ISO, is to attempt to reach a compromise among
10 the states in determining the state position. So,
11 yeah, some hard issues. And those aren't going to go
12 away, they are going to continue. I think they exist
13 in both.

14 One thing I want to add at this point is that the
15 Midwest ISO, the Southwest Power Pool, TVA and PJM are
16 now involved in a joint planning process that is
17 futuristic in its view. It's taking a 20-year view
18 out into the future and will be looking at various
19 risks related to C02 taxes, those types of things,
20 looking at renewable portfolios, looking at some hard
21 issues, to determine how should we be looking ahead in
22 terms of designing the transmission system.

23 SPP has already been involved in that process.
24 It's kind of ahead of the joint planning process, and
25 they have performed their own -- they call it an EHV

1 overlay study -- and the reason they did that was
2 because in the panhandles of Texas and Oklahoma and up
3 into Kansas are some of the -- for at least that
4 region of the country -- strong wind location areas.
5 And the question is do we put in large transmission
6 lines to be able to export that?

7 One of the big issues, that when you think about
8 putting all this together for a large, large region,
9 is how are we going to allocate the costs? Who is
10 going to pay for this? And that is really where the
11 rubber tends to hit the road.

12 In this particular cost-benefit filing, one of
13 Ameren's issues is what they call RECB, or it's the
14 regional expansion cost-benefit type of analysis that
15 says who is going to pay for transmission expansion,
16 how does that get allocated. Again, those are the
17 hard issues, and those are hard in every RTO.

18 COMMISSIONER CLAYTON: Thank you. Does
19 anyone -- of the questions I've asked, does anyone
20 want in on that action?

21 MR. ZOBRIST: I have two things. There are
22 certain issues that affect Midwest ISO in it's
23 relationship to the PJM, because they are sort of
24 interlaced. And the ADP filing protest that Mr. Kozey
25 referred to had to do with that because ADP is a PJM

1 matter.

2 The other aspect is that Midwest ISO deals with 15
3 states and the province of Manitoba, it just deals
4 with a greater region.

5 COMMISSIONER CLAYTON: Does Ameren want in?
6 No?

7 Mr. Mills, just asking you, aside from parties
8 perhaps having a different perspective, are the
9 interests of your clients the same as the interests of
10 Ameren in a case such as this?

11 MR. MILLS: Not always, but generally they
12 are aligned. For example, on the question of
13 additional revenues, those should, in most instances,
14 barring some regulatory lag, be floated back to
15 customers.

16 COMMISSIONER CLAYTON: So, what's good for
17 Ameren is going to be good for your clients?

18 MR. MILLS: In general, yes.

19 COMMISSIONER CLAYTON: Ms. Vuylsteke, how
20 about your clients?

21 MS. VUYLSTEKE: Correct.

22 COMMISSIONER CLAYTON: Enough of my
23 rambling. Thank you all very much. This has been
24 very helpful.

25 JUDGE WOODRUFF: Any other questions of the

1 Commissioners?

2 CHAIRMAN DAVIS: Back to Mr. Kozey. In
3 MISO'S filing to go forward there was some reference
4 to some of these intangible benefits that you can't
5 really put a dollar amount on. Can you enlighten me
6 on what those intangible benefits are that you can't
7 put a dollar amount on?

8 MR. KOZEY: Yes, Mr. Chairman, I'll try.
9 We have a list of seven of them in some materials that
10 we have made public.

11 They are things like price transparency at the
12 wholesale level down to location. There's other data
13 and informational transparency about the operation of
14 the transmission system where congestion is. There's
15 the attempt -- like Mr. Proctor talked about -- we
16 believe there's a value in planning coordination
17 that's regional that helps keep individual folks from
18 maybe doing something that's sub-optimal. There's
19 value in the management of seams between big
20 organizations. There's a value in helping our
21 members, like Ameren and others, with regulatory
22 compliance matters at FERC, that kind of regulation.

23 We believe there's a value of providing, at
24 wholesale, a platform for two things that states, up
25 to now, since Congress hasn't done anything national,

1 states decide individually both demand response and
2 renewable portfolio standards. Those are the seven
3 that we have articulated. And eventually in this
4 case, after meetings, if there still is a procedural
5 schedule and all that, we try to present testimony by
6 experts about why they are generally true and why they
7 are still true for Missouri.

8 CHAIRMAN DAVIS: Are those advantages to
9 MISO specifically or just to any RTO in general?

10 MR. KOZEY: We believe that we would --
11 that many of them would apply to any RTO, but the
12 how/why scope, you know, how do you talk about them,
13 would vary, so we will present them ourselves.

14 But for instance, if you've heard about planning
15 coordination, and you've heard that we will plan
16 jointly with SPP and TVA and PJM on a going forward
17 basis, so that would remain true regardless of the
18 membership boundary.

19 CHAIRMAN DAVIS: So, you are not saying you
20 could do it any better than the other guys?

21 MR. KOZEY: No, sir. I'm saying that by a
22 company being in one, that it gets an advantage to a
23 company that's a stand-alone.

24 CHAIRMAN DAVIS: So, there's no advantage
25 to being -- in terms of those seven criteria that you

1 listed, there's no advantage for Ameren to be in MISO
2 over SPP?

3 MR. KOZEY: That's what we would explore in
4 the testimony with experts. For instance, in seams
5 management you have differing abilities depending on
6 the status of the market.

7 CHAIRMAN DAVIS: So, you are saying you can
8 do a better job in terms of seam management than other
9 RTOs?

10 MR. KOZEY: Today, because of the evolution
11 and status of our market, yes.

12 CHAIRMAN DAVIS: All right. Anything else
13 that you do better than other RTOs?

14 MR. KOZEY: Mr. Chairman, I honestly didn't
15 come prepared to answer that today. We respect the
16 folks at SPP personally, and their professionalism,
17 and I wouldn't want to try to say much more about us
18 versus them.

19 CHAIRMAN DAVIS: But you'll come prepared
20 to do that on the stand in June or July?

21 MR. KOZEY: Through Mr. Richard Doying or
22 others, yes, sir.

23 CHAIRMAN DAVIS: Thank you, Mr. Kozey.

24 JUDGE WOODRUFF: Anything else from any of
25 the other Commissioners? All right.

1 What I'll do at this point is ask the parties to
2 have some discussions amongst themselves without the
3 Commissioners being present. As indicated by Staff,
4 that might be helpful to resolve things and give us a
5 better idea of where we are going.

6 And I'll ask you to give me a status report
7 one week from today just explaining where you are at
8 and where you want to go from here. That could be a
9 procedural schedule if that's what you want to do, but
10 it doesn't have to be.

11 Anything else anyone wants to bring up while we
12 are on the record?

13 With that then, the on-the-record portion of this
14 pre-hearing conference is adjourned, and I'll leave
15 you to your discussions.

16 (WHEREIN, the recorded portion of the pre-hearing
17 conference was concluded.)

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1 CERTIFICATE OF REPORTER

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3

4 I, Mindy Vislay, Certified Court Reporter with the
5 firm of Midwest Litigation Services, and Notary Public
6 within and for the State of Missouri, do hereby
7 certify that I was personally present at the
8 proceedings had in the above-entitled cause at the
9 time and place previously described; that I then and
10 there took down in Stenotype the proceedings had; and
11 that the foregoing is a full, true and correct
12 transcript of such Stenotype notes so made at such
13 time and place.

14

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16

17

18 Mindy Vislay, CCR

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Notary Public (County of Cole)

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My commission expires March 19, 2011

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