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## Missouri Public Service Commission

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March 1, 2002

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Mr. Dale Hardy Roberts  
Secretary/Chief Regulatory Law Judge  
Missouri Public Service Commission  
P. O. Box 360  
Jefferson City, MO 65102

**RE: Case No. EO-2001-684**

Dear Mr. Roberts:

Enclosed for filing in the above-captioned case are an original and eight (8) conformed copies of a **STAFF'S SYNOPSIS OF FERC ACTIVITY**.

This filing has been mailed or hand-delivered this date to all counsel of record.

Thank you for your attention to this matter.

Sincerely yours,

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DLF:ccl  
Enclosure  
cc: Counsel of Record

**FILED<sup>2</sup>**  
MAR 01 2002  
Missouri Public  
Service Commission

BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MISSOURI

FILED<sup>2</sup>  
MAR 01 2002  
Missouri Public  
Service Commission

In the Matter of the Application of Union )  
Electric Company d/b/a AmerenUE for an )  
Order Authorizing It to Withdraw from )  
the Midwest ISO to Participate in the )  
Alliance RTO )  
)

Case No. EO-2001-684

**STAFF'S SYNOPSIS OF FERC ACTIVITY**

COMES NOW the Staff ("Staff") of the Missouri Public Service Commission ("Commission"), and pursuant to the Commission's February 1, 2002 Order Granting Motion To Suspend And Directing Filing, respectfully submits the following Synopsis Of FERC Activity:

1. On December 20, 2001, the Federal Energy Regulatory Commission ("FERC") issued orders denying the request of the Alliance Companies for RTO status and authorizing the Midwest ISO ("MISO") to operate as the sole RTO in the Midwest.<sup>1</sup> The FERC also directed the Alliance Companies to expolore whether they might operate as a for-profit transmission business under the MISO umbrella and to file a statement of their plans to join a Regional Transmission Organization ("RTO"). The MISO was ordered "to explore ways to address the less than ideal situation that will exist prior to the integration of the Alliance Companies into the Midwest ISO." Both the Alliance Companies and the MISO were to respond within sixty days.

<sup>1</sup> In connection with the FERC's rulings, the Alliance Companies have two requests for rehearing pending before the FERC, and have also filed a petition for review with the District of Columbia Circuit Court of Appeals. Copies of all three of these pleadings are included in Union Electric's update filing in this case as Attachments 6, 7 and 8.

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2. On February 19, 2002, the Alliance Companies, along with National Grid, the Alliance Companies' proposed managing member of a prospective for-profit Independent Transmission Company ("ITC") to be known as "Alliance GridCo", filed a "report on the status of negotiations to accommodate the Alliance business plan underneath an RTO umbrella."<sup>2</sup> The report discusses the Alliance Companies' negotiations and other activities aimed at bringing Alliance GridCo under the umbrella of either MISO or PJM Interconnection, LLC ("PJM").<sup>3</sup> The overall goal is to establish Alliance GridCo as an ITC under the plenary authority of an RTO.

According to the report, since the December 20 FERC rulings, the Alliance Companies have participated in extensive and detailed negotiations with MISO and have also engaged in ongoing discussions with PJM. The negotiations have focused on the following four key issues:

- a) the operational relationship between Alliance GridCo and the umbrella RTO, including the determination of their respective functions;
- b) determination of the services to be purchased by Alliance GridCo, as well as the proper allocation of the RTO's capital and operating costs to those services;
- c) determination of the rate design methodology and revenue distribution for transmission service within the RTO; and
- d) in the case of the negotiations with the MISO, repayment of the \$60 million in exit fees paid by the Alliance Companies operating in Illinois, in connection with their earlier withdrawal from MISO.

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<sup>2</sup> Union Electric Company's update filing in this case includes a copy of this letter from the Alliance Companies as Attachment 1.

<sup>3</sup> Also on February 19, 2002, Alliance member company Virginia Electric and Power Company filed, and member companies Consumers Energy Company and Michigan Electric Transmission Company jointly filed, supplemental statements which, among other things, attested to their continuing commitment to join an RTO. Copies of these filings are included in Union Electric Company's update filing in this case as Attachments 3 and 4, respectively.

The Alliance Companies reported that what appeared to be an agreement in principle with the MISO had fallen through. Nevertheless, the Alliance Companies intend to continue to negotiate with both MISO and PJM, and promised to update the FERC on the status of those ongoing negotiations no later than March 5, 2002.

3. On February 19, 2002, the MISO filed its Second Report On Recommendation For Interim Operations And Request For Commission Action.<sup>4</sup> In its pleading, the MISO confirmed the absence of an agreement with the Alliance Companies. In addition, the MISO discussed the current interim phase of its operations, featuring point-to-point network service under its Open Access Transmission Tariff until such time as admission to the MISO of some or all of the Alliance Companies will provide electrical connectivity between MISO's currently separate segments.

Also discussed in MISO's pleading were three options for a possible second interim phase of operations. The options describe different methodologies to be used in handling particular transactions. Under one option, MISO would use its own flow-based analysis methodology. Under the second option, the Alliance Companies would perform analyses using the Information Technology (IT) systems already developed for the now-defunct Alliance RTO, perform Available Flowgate Capacity (AFC) calculations, and coordinate the results with the MISO. The third option calls for the Alliance Companies to perform AFC calculations using the MISO's AFC computational process. The MISO favors option #1 as potentially the most effective interim option. According to MISO, the Alliance Companies have yet to disclose their preference.

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<sup>4</sup> Union Electric Company's update filing in this case includes a copy of this MISO filing as Attachment 2.

4. On February 25, 2002, the MISO submitted a letter to the Secretary of the FERC, responding to the aforementioned February 19, 2002 status report of the Alliance Companies.<sup>5</sup> The MISO took issue with some of the assertions in the report of the Alliance Companies. In particular, the MISO offered its view that the two entities have a fundamental difference regarding the extent to which Alliance GridCo should be able to exert operating control of the system and the extent of Alliance GridCo's contribution to MISO's operating costs.<sup>6</sup> Further the MISO appears to regard the two entities as somewhat farther apart on the issues of the transitional Super Regional Rate Adjustment and the aforementioned \$60 million repayment.

In its letter, the MISO states that it has reached an agreement with TRANSLink Transmission Company LLC (TRANSLink), which allows TRANSLink to take on certain functions as an ITC under Appendix I of the Midwest ISO Agreement. To provide guidance in its discussions with the Alliance Companies, the MISO seeks from the FERC "an early order related to the split of functions in the TRANSLink ITC filing." In addition, MISO urges increased involvement in the negotiating process on the part of interested state commissions and/or the FERC. The MISO is anxious to conclude this matter in an expeditious fashion, in order that it might turn its attention to the matter of developing a common market for the Eastern Interchange.

5. On February 26, 2002, the MISO stakeholders submitted a letter to the FERC disputing the Alliance Companies' February 19 status report, a copy of which is attached hereto

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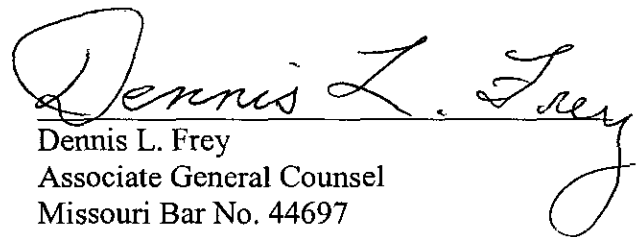
<sup>5</sup> Union Electric Company's update filing in this case includes a copy of this MISO letter as Attachment 5.

<sup>6</sup> In its explanation of the cause for these differences, the MISO states: "These two approaches are quite different: 1) the Alliance Gridco has an Appendix I relationship with the Midwest ISO and is a part of one RTO with a uniform footprint for its functions, rates and cost responsibility; or 2) a minimal Midwest ISO umbrella partially covers a parallel organization with limited common rate matters, certain transactions and relationships reserved to the Alliance Gridco and limited cost contribution to the Midwest ISO. The difference in approach is at the base of many of the disagreements between the two entities."

as Appendix A. The stakeholder letter identifies specific sections from the Alliance Companies' status report (Attachment A thereto) that were rejected by the stakeholders. When taken together, the conditions set out in these sections caused the stakeholders to conclude, "we see the Midwest effectively split between two organizations." The stakeholders urged the Commission to order the Alliance Companies "to transfer control over their transmission facilities to the Midwest ISO under the standard transmission owner's agreement as soon as possible."

Respectfully submitted,

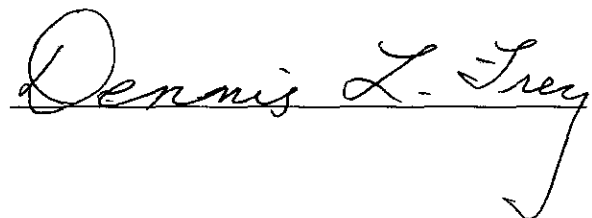
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#### **Certificate of Service**

I hereby certify that copies of the foregoing have been mailed or hand-delivered to all counsel of record as shown on the attached service list this 1<sup>st</sup> day of March 2002.





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February 26, 2002

**VIA HAND-DELIVERY**

Honorable Magalie Roman Salas  
Secretary  
Federal Energy Regulatory Commission  
888 First Street, NE  
Washington, DC 20426

**Re: The Alliance Companies; Docket, No. RT01-88- \_\_\_, et al.**

Dear Secretary Salas:

**Summary of Statement**

On February 19, 2002, Vinson & Elkins L.L.P. submitted a transmittal letter and attachments to the Federal Energy Regulatory Commission ("FERC" or "Commission") to report on the status of negotiations to accommodate the Alliance business plan underneath a Regional Transmission Organization ("RTO") umbrella. The transmittal letter contains a baseless and unwarranted attack on members of the Midwest ISO management team and the fundamental role of RTO stakeholders. This attack seems to be calculated to distract attention from the fatal substantive defects in the position advanced by the Alliance Companies and National Grid.

When the views of the Alliance Companies and National Grid are examined in detail, it becomes apparent that they would effectively split the Midwest between two organizations. One is the Midwest ISO, an operating organization that the Commission has designated as the RTO for the Midwest and the other is Alliance GridCo, an organization that does not

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exist, that is unlikely to exist in an operational form for three years or more, and that has not begun to institutionalize the type of independence required to appropriately obtain responsibility for RTO functions. The overarching purpose of the structure and division of responsibilities proposed by the Alliance is – first and foremost – to implement its business plan and not to unify the physical and commercial performance of the Midwest electric grid in a way that will enable a competitive and dynamically efficient wholesale power marketplace.

The statement below provides an overview of the Midwest's enduring efforts to assure an efficient regional electric market, and it provides examples of the substantive defects in the RTO design proposed by the Alliance Companies and National Grid. There's a slight change in the plan's name, but the defects remain the same.

We urge the Commission, therefore, to direct the Alliance Companies to transfer control over their transmission facilities to the Midwest ISO under the standard transmission owner's agreement as soon as possible. This direction should be without prejudice to further FERC consideration of the formation of a for-profit transmission company and future requests for such company to assume responsibility for RTO functions as FERC may judge appropriate. Any other course offers too much opportunity for the Alliance Companies and National Grid to hold Midwest progress hostage to their business plan objectives. There are presently two transmission-only companies under the Midwest ISO umbrella (American Transmission Company and International Transmission Company) that clearly demonstrate that this business form can thrive under the Midwest RTO umbrella.

### **Statement**

On December 20, 2001, FERC issued five interrelated orders to establish an optimally sized RTO in the Midwest. This action was taken in response to the repeated urging of many Midwest parties and with broad support of Midwest stakeholders including many Midwest state regulatory authorities. The FERC orders also expressed support for the establishment



of for-profit transmission companies operating appropriately under an RTO umbrella. In addition, the orders indicated that for-profit transmission companies may be able to assume responsibility for certain RTO functions depending on their level of independence from market participants. One of the five interrelated orders directed the Alliance Companies to file a statement of their plans to join an RTO, including a timeframe, within sixty (60) days of December 20, 2001.

The five interrelated orders issued by FERC on December 20, 2001 provide an important and positive step forward in the Midwest's efforts to create an efficient wholesale electric market and reduce the risk of market dysfunctions that can injure Midwest customers and suppliers, as in 1998 and 1999. FERC concluded that (with strong support from Midwest stakeholders) "... the interests of customers in the Midwest would best be served if Alliance Companies were to join the Midwest Independent System Operator (Midwest ISO)..." and it directed the "... Alliance Companies to explore membership in the Midwest ISO through Appendix I."<sup>1</sup> FERC's findings and directions were based on its desire to serve the public interest through the formation of a single RTO in the Midwest with appropriate scope.<sup>2</sup>

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<sup>1</sup> See FERC's Order issued December 20, 2001 in Docket Nos. EL01-80-001, RT01-88-005, RT01-88-012, ER99-3144-013, ER99-3144-015, EC99-80-013, and EC99-80-015, page 1. The order also directed the Alliance Companies to explore how their business plan (including the proposal for National Grid to become the managing member of Alliance) could be accommodated within the Midwest ISO. At page 10 of the order, the Commission stated:

We note that in a concurrently issued order in Docket No. RT01-88-000 et al. the Commission finds that the interests of customers in the Midwest would best be served if Alliance were to join the Midwest ISO and directs Alliance Companies to explore how their business plan (including National Grid) can be accommodated within the Midwest ISO, e.g., via Appendix I, which creates a framework for membership and operation of independent transmission companies within the Midwest ISO.

<sup>2</sup> This result is also consistent with the requirements of Ohio law. Section 4928.12, Ohio Revised Code.

Appendix I of the Midwest ISO Agreement was developed as a vehicle for implementing a so-called "binary" RTO structure, in which certain RTO functions would be performed by an independent transmission company ("ITC") under the supervision of the Midwest ISO, while other functions would be performed exclusively by the Midwest ISO itself. See *Commonwealth Edison Co. and Midwest Independent Transmission System Operator, Inc.*, 90 FERC ¶ 61,192 (2000). In approving the general framework of Appendix I, the Commission stated that the binary RTO falls within the options for RTO structure discussed in Order 2000, but that the "overarching objective" remains the formation of a "single, coordinated and transparent bulk power market in each region, irrespective of the number of transmission entities that support that market." *Id.* at 61,617. The Commission also noted that the extent to which any multiple-institution RTO structure meets this overarching objective depends on the specific decision-making process within the RTO:

While not all multiple institutions may be able to satisfy the RTO requirements, we believe many have the potential to do so. Among other things, any such proposal must provide clarity about the decisional process within the RTO, accountability among the entities that constitute such an RTO, and how the binary-RTO will provide customers with "one-stop shopping."

*Id.* at 61,617-18. Thus, the determination of whether a binary RTO structure under Appendix I satisfies Order 2000's requirements is a case-by-case determination, based upon the specifics of each proposed Appendix I arrangement (including the allocation of wholesale market functions reflected in the arrangement), as well as the nature of the involved Appendix I entity.

On February 19, 2002, Vinson & Elkins L.L.P. submitted a transmittal letter and attachments to FERC. The filing is self-described as the Alliance Companies' and National Grid's report on the ***status of negotiations to accommodate the Alliance business plan<sup>3</sup> underneath an RTO umbrella***. The report assumes that accommodation of the Alliance business plan

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<sup>3</sup> A business plan that FERC has in substantial part rejected in favor of a single RTO for the Midwest.

is the singular objective embraced by FERC, and it claims that the Alliance Companies and National Grid are being treated unfairly. The report presumes that the Alliance Companies and National Grid may insist, as a condition for their participation in any RTO, that certain RTO functions be under the control of National Grid without regard for National Grid's need to further address questions related to its independence from market participants.

When stripped of its cosmetic veneer, the status report reveals just another slightly augmented attempt by the Alliance Companies and National Grid to get customers to underwrite their plans to start a new monopoly electric transmission business. The effort is complicated by the many "devils" in the details<sup>4</sup> but its implications are clear.<sup>5</sup>

National Grid wants to give one or more of the Alliance Companies a lot of money (up to \$1 billion) to become the owner of electric transmission assets. The Alliance Companies, of course, want the money. However, before National Grid will agree to pay the \$1 billion, it wants the right to manage the traffic on the Midwest interstate electric transmission highways – a proposal that has been widely rejected by state and federal authorities as a barrier to efficient commerce. Equipped with these rights and some incentive pricing, National Grid says that it will agree to make a special purpose subsidiary ("SPS") into a viable business and the Alliance Companies can pocket the \$1 billion. The formation of "GridCo", the for-profit transmission company that is the proposed owner of all the Alliance Companies' transmission assets, may take three (3) years or more. Until GridCo is in place, the Alliance Companies (in their status as non-divesting transmission owners) say

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<sup>4</sup> As discussed below, the attachment to the Alliance Companies' and National Grid's February 19, 2002 filing reveals the substantive problems with their reincarnated RTO vision for the Midwest. Instead of a single RTO, the Alliance Companies' and National Grid's vision effectively includes two (2) RTOs for the Midwest and a "manage the seams" strategy for the border problems (physical and commercial) that will flow from this approach.

<sup>5</sup> This effort also includes an attempt by the Alliance Companies and National Grid to leverage a proposed application of a modified version of Appendix I submitted by MISO and TRANSLink without stakeholder input or consultation. Many Midwest stakeholders have protested the TRANSLink proposal and their protests are incorporated herein by reference to help explain why the TRANSLink filing must not be used as an excuse to ignore the fundamental design problems presented by those seeking outcomes that will poorly serve the public interest.

that they will delegate control of these transmission assets to National Grid. The status report does not discuss why control over such transmission assets could not be transferred to the Midwest ISO (through use of the standard transmission owner's participation agreement) during the time that it takes to get GridCo created and operational.

For more than four years, Midwest stakeholders representing the views of state regulators, state consumer advocates, municipal and cooperative utilities, environmental groups, new entrants and industrial customers have battled against the efforts of the Alliance Companies and (more recently) National Grid to obtain approval of plans that do not serve the public interest. FERC initially found that these plans produced a strategic toll both in the path of Midwest electric commerce and then it appeared (in subsequent orders) to eliminate or trivialize the significance of RTO scope and configuration. Thankfully, the Commission now has greater appreciation of the scope and configuration implications for RTO design work in the Midwest, with its sixty-some control area configuration.

The February 19, 2002 Alliance report goes on the offensive – apparently to manage the risk that Midwest stakeholders might again rise up to seek outcomes contrary to the Alliance Companies' unchanging and narrowly self-interested business plan. The status report unabashedly attacks the fundamental role of stakeholders in an RTO. The report states (at page 14) "the dominant voices within the ... stakeholder community ... are an intractable obstacle to achieving the reasonable and equitable arrangements necessary to accommodate Alliance Gridco". Certainly, the Alliance Companies have never let *stakeholders* get in the way of their plans.

Had the report explained that these stakeholder voices represent many diverse interests that have uniformly worked against proposals that provide a comfortable foundation for Midwest market dysfunction (excessive price volatility and reliability problems) and the establishment of a deregulated transmission monopoly, it may have helped readers to understand the real nature of stakeholders' work. Had the Alliance Companies reported that their long-standing success in preventing implementation of a stakeholder process for

their proposed RTO forced stakeholders to seek other avenues to protect their interests, they would have added a context that indicates why MISO's consultation with its stakeholders is especially important in this situation. But, neither promoting understanding nor increasing confidence and trust, nor narrowing issues was among the purposes of the report. Instead, the status report attacks stakeholders, the stakeholder process<sup>6</sup> and members of Midwest ISO's management team. The report constitutes a new low in the effort to constructively build an efficient electric market in the Midwest and to reduce the risk of problems like those experienced in 1998 and 1999.

The status report attempts to make stakeholders, the MISO stakeholder process and MISO's management team the problem, while reminding the Commission of its shortcomings in the Alliance Companies'/National Grid's view. ***The Alliance Companies continue to search for a channel that will allow their business plan ambitions to trump the public interest, insulate them from the input of stakeholders and seek the lowest level of performance tolerated by law.*** The real problems with this installment by the Alliance Companies and National Grid, however, are buried in the attachment to the February 19, 2002 transmittal letter, not the attack on MISO management and stakeholders. The attachment contains many details of the division of RTO functions demanded by National Grid and the Alliance Companies as part of a package, along with the pricing of RTO services and rate proposals that have raised their own significant and unresolved issues.

While the transmittal letter states that the proposal advanced by the Alliance Companies and National Grid will result in "... plenary oversight responsibility of the RTO for the entire RTO Region (including the Alliance area)" (letter at page 2), that claim is not congruent with the design contemplated by the attachment. The principles section of the attachment states:

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<sup>6</sup> The attitude revealed in the status report may help to explain, perhaps, why the Alliance Companies ignored FERC's prior directives to establish a stakeholder process as part of their RTO implementation efforts.

The Alliance GridCo, under the oversight of the Midwest RTO, has responsibility for the security and functional control of all transmission facilities within the Alliance Area<sup>7</sup>.

This principle then gives rise to a division of the area under the MISO's umbrella in which functional control of transmission facilities is delegated to an entity other than MISO, without regard to the independence of the entity receiving such control.

Section 3.1 of the attachment assumes "...that by the beginning of October 2002 Alliance GridCo will take functional control of the Alliance Transmission System from the Alliance Transmission Owners and become the Alliance Area within the Midwest RTO." MISO may intercede only if it determines that conditions inside the Alliance Area are "... impacting security outside of the Alliance Area."

Section 4.1 gives GridCo responsibility for managing security within the Alliance Area and permits GridCo to dispatch generation and impose curtailments in this capacity in accordance with Operating Protocols that may arise from future agreements.

Section 4.2.b gives Alliance GridCo responsibility "... for managing congestion within the Alliance Area, with the objective of ensuring the most efficient allocation between new investment and operational costs." Section 4.8.d also positions Alliance GridCo to control congestion management. Section 4.2.c gives Alliance GridCo the right to seek incentives for congestion management within the Alliance Area. Alliance GridCo congestion control may be subject to limitation by MISO only if it causes a material adverse effect upon the MISO's transmission system (or users of that system) outside the Alliance Area.

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<sup>7</sup> "Alliance Area" is a defined term meaning "...the transmission systems and the NERC-certified electrically metered control areas owned by, or under the direct or functional control of, Alliance." Section 2.1 of Attachment A. The "Alliance Transmission System" is also a defined term meaning "...the transmission facilities under the control of Alliance GridCo pursuant to an Operation Agreement with an NDTO or by virtue of the acquisition of such facilities from a DTO." Section 2.4 of Attachment A.

Section 4.3 delegates to Alliance GridCo the unilateral right to establish a mechanism for assignment of losses within the Alliance Area provided that the mechanism does not affect the responsibility for losses assigned for areas outside the Alliance Area.

Section 4.4.a states that MISO shall administer its OATT and Alliance GridCo shall administer its OATT (making all decisions on discounts). Section 4.13 contemplates that Alliance GridCo will have direct responsibility for customer relations (including query resolution, dispute resolution, communications and training). Section 4.4.b gives Alliance GridCo the right to assume responsibility for certain system impact or other studies.

Section 4.5.b indicates that one-stop-shopping objectives are subject to an agreement to agree, which will be achieved, if at all, through an "enduring process". The experience with past agreements to agree indicates that stakeholders should not be comforted by prospects of yet another "enduring" process.

Section 4.7 gives Alliance GridCo tagging and scheduling approval rights within the Alliance Area.

Section 4.8.a requires Alliance GridCo to establish ratings and operating procedures for facilities under its ownership or control. If there is a dispute with MISO, the views of Alliance GridCo prevail pending dispute resolution. Section 4.8.c gives Alliance GridCo responsibility for coordination of maintenance for generators within the Alliance Area.

Section 4.9 contemplates that planning for the Alliance Area will be done by Alliance GridCo. No approval is required by MISO. Alliance GridCo need only coordinate the implementation of its plan with MISO unless MISO or another party is able to demonstrate a material impact on facilities outside the Alliance Area.

Section 4.10 states that Alliance GridCo shall settle all transactions under the separate Alliance OATT, perform all invoicing and distribute revenue.

Section 4.11 gives Alliance GridCo the right to impose and collect penalties so long as the exercise of this right does not result in penalty pancakes. It is not clear whose penalty controls in the event of a pancake.

When the dots provided by the attachment are "connected", we see the Midwest effectively split between two organizations. One is the Midwest ISO, an operating organization that the Commission has designated as the RTO for the Midwest. The other is Alliance GridCo, an organization that does not exist, that is unlikely to exist in any significant way for three years or more, and that has not begun to display the type of independence required to perform RTO functions. The overarching purpose of the structure and division of responsibilities proposed in the attachment is to implement a business plan – not to unify the physical and commercial performance of the Midwest electric grid in a way that assures a dynamically efficient market.

For the above substantive reasons – the same reasons that stakeholders have previously presented to FERC – Midwest stakeholders stand in unified opposition to the proposal favored by the Alliance Companies and National Grid. The Alliance/National Grid attack on the role of stakeholders, participating stakeholders themselves, and members of the Midwest ISO management team is rooted in a long standing, at times in-your-face and at times subtle, campaign against the goals of Order 2000.

It would be profoundly unfortunate if the Alliance Companies and National Grid were permitted to gain some advantage from MISO, Inc.'s efforts to seek guidance from its stakeholders on these important issues or MISO's favorable reaction to the views unanimously expressed by its stakeholders. Since neither the Alliance Companies nor National Grid has a stakeholder process, it was even more important (in this situation) for MISO, Inc. to seek and value the input it continues to obtain from its stakeholders. Many of these stakeholders have also been participants in the Alliance RTO dockets and have considerable knowledge about the physical and commercial implications of proposals that



would split the natural physical market in the Midwest. At the end of the day, the details on a split of RTO functions ultimately presented by the Alliance Companies and National Grid were (and are) regarded by MISO's stakeholders as objectionable, and MISO, Inc. found itself in agreement with the input obtained through consultation with these stakeholders.

The result of stakeholder input in this case should stand as an indication of the merit of MISO's stakeholder process rather than be used to suggest (implicitly or explicitly) that the parties (MISO, Inc. on the one hand, and the Alliance Companies in combination with National Grid on the other) would have reached agreement but for the input sought and received from a Commission-approved stakeholder process.

After all we have been through in the Midwest, we urge the Commission to permit no further delay but to direct the Alliance Companies to transfer control over their transmission facilities to the Midwest ISO under the standard transmission owner's agreement as soon as possible. The authority for this action is derived from, among other things, the RTO-related requirements in state statutes such as Section 4928.12, Ohio Revised Code, enforcement of merger-related conditions imposed by the Commission or agreed to by jurisdictional utilities, RTO-related provisions in settlement agreements related to retail restructuring, decisions by state regulatory authorities in response to applications to transfer control to the Midwest RTO or Alliance RTO and the Commission's affirmative duty to remedy the anticompetitive condition of the present structure of the electric industry. This direction should be without prejudice to further FERC consideration of the formation of a for-profit transmission company and future requests for such company to assume responsibility for RTO functions as FERC may judge appropriate. Any other course offers too much opportunity for the Alliance Companies and National Grid to hold Midwest progress hostage to their business plan objectives. There are presently two transmission-only companies under the Midwest ISO umbrella (American Transmission Company and International Transmission Company) and they clearly demonstrate that a transmission business form can thrive under the Midwest RTO umbrella.

I am authorized to advise you that the views expressed in this letter are supported by the Industrial Energy Users-Ohio, the Coalition of Midwest Transmission Customers, the Illinois Industrial Energy Consumers, the Izaak Walton League of America, the Association of Businesses Advocating Tariff Equity, the Environmental Law Policy Center, the Calpine Corporation, the International Transmission Co., and the Missouri Office of the Public Counsel. Other Midwest stakeholders may be providing their views as well.

We hope this information is useful.

Respectfully submitted,  
McNEES WALLACE & NURICK LLC

By

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Enclosures

c: The Honorable Pat Wood, III  
The Honorable William L. Massey  
The Honorable Linda K. Breathitt  
The Honorable Nora Mead Brownell  
All parties on official service list

**Service List for**  
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**Verified: March 1, 2002 (ccl)**

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