

Exhibit No.: ~~1~~ 2  
Issue(s): Participation Term;  
Cost-Benefit Study  
Witness: Ajay K. Arora  
Sponsoring Party: Union Electric Company  
Type of Exhibit: Surrebuttal Testimony  
Case No.: EO-2011-0128  
Date Testimony Prepared: November 1, 2011

**MISSOURI PUBLIC SERVICE COMMISSION**

**CASE NO. EO-2011-0128**

**SURREBUTTAL TESTIMONY**

**OF**

**AJAY K. ARORA**

**ON**

**BEHALF OF**

**UNION ELECTRIC COMPANY  
d/b/a AMEREN MISSOURI**

St. Louis, Missouri  
November, 2011

*Ameren* Exhibit No. 2  
Date 2-9-12 Reporter JK  
File No. EO-2011-0128

**SURREBUTTAL TESTIMONY**

**OF**

**AJAY K. ARORA**

**CASE NO. EO-2011-0128**

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

2           A.     Ajay K. Arora. My business address is Ameren Services Company  
3 (“Ameren Services”), One Ameren Plaza, 1901 Chouteau Avenue, St. Louis, Missouri  
4 63103.

5           **Q.     Are you the same Ajay K. Arora who filed direct testimony in this**  
6 **case?**

7           A.     Yes, I am.

8           **Q.     What is the purpose of your surrebuttal testimony?**

9           A.     The purpose of my surrebuttal testimony is to address concerns and  
10 questions raised by the other parties related to the updated cost-benefit study discussed in  
11 my direct testimony, and to the term of Ameren Missouri’s (sometimes referred to as the  
12 “Company”) continued MISO participation, as also discussed in my direct testimony.  
13 More specifically, I propose specific terms and conditions for conducting an additional  
14 cost-benefit study and a specific time frame for Commission permission for Ameren  
15 Missouri’s continued participation in the MISO coordinated with the completion of that  
16 additional study.

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1           **Q.     Are you indicating that Ameren Missouri is willing to modify the**  
2 **proposal contained in its Amended Application, which you discussed in your direct**  
3 **testimony?**

4           A.     Yes.

5           **Q.     Why?**

6           A.     It is evident that the other parties do not dispute in any material way the  
7 validity and results of the updated study, which indicated a net benefit of \$105 million for  
8 remaining in the MISO through 2014. These results are discussed in my direct testimony  
9 and they support an extension of authority for the Company to remain in MISO through  
10 May 2015. However, the other parties have expressed a variety of concerns which they  
11 contend should be addressed in light of the Company's proposal, as reflected in its  
12 Amended Application, to obtain the Commission's permission to continue its MISO  
13 participation without a definite "end-date" or a definite time frame to conduct a further  
14 study. A review of the other parties' rebuttal testimony makes it evident that there is  
15 support for extending Commission permission for Ameren Missouri's participation in the  
16 MISO until at least 2015, and for performing a new, more comprehensive study in the  
17 next few years to further account for expected developments in federal transmission  
18 policy and in the region, including the implementation of FERC Order 1000, the MISO  
19 resource adequacy construct ("RAC"), Entergy's efforts to join the MISO, and the  
20 expected start of the Southwest Power Pool's ("SPP") Day 2 markets in 2014.

21           While the Company believes the day will come when the benefits of participation  
22 in a specific Regional Transmission Organization ("RTO") (or operation as an  
23 Independent Coordinator of Transmission ("ICT")) are of such a nature that the need for

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1 a formal, prescribed re-study and a prescribed time frame for docketed proceedings (and  
2 their attendant cost) regarding continued MISO participation should not be required, it is  
3 apparent that the other parties are unified in a belief that this time has not yet come.  
4 Accordingly, the Company believes it is in its interests and in the public interest  
5 generally to engage in a further study in a few years to allow for consideration of a wide  
6 range of uncertainties which continue to exist and which may have an impact on whether  
7 continued Ameren Missouri participation in the MISO is not detrimental to the public  
8 interest.

9 **Q. Please summarize Ameren Missouri's alternative proposal in response**  
10 **to the issues and concerns raised by the other parties.**

11 A. Ameren Missouri proposes:

- 12 (1) an extension of the current permission and authority to participate in  
13 the MISO through May 31, 2016, (excepting only a withdrawal  
14 triggered by events specified in subparagraph e of paragraph 16 of  
15 the Company's original Application in this docket or a withdrawal  
16 triggered by the process outlined under item (5), below);
- 17 (2) to file another case respecting its further MISO participation no later  
18 than November 15, 2015;
- 19 (3) if the case to be filed by November 15, 2015, were to not result in an  
20 extension of Ameren Missouri's permission and authority to  
21 participate in the MISO, that the permission and authority granted in  
22 this docket would continue until such time as Ameren Missouri can  
23 practically re-establish control of its transmission facilities (if

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1 Ameren Missouri is to thereafter operate as an ICT) or transfer  
2 functional control of its transmission facilities to another RTO, as the  
3 case may be;

4 (4) that the case to be filed by November 15, 2015, would include the  
5 results of a more comprehensive cost-benefit study, as described  
6 below;

7 (5) that the order extending permission include a provision whereby any  
8 of the parties to this case could request that the Commission initiate a  
9 docket prior to November 15, 2015 (or the Commission could do so  
10 on its own motion), to investigate whether a material event occurring  
11 after this docket is of such a magnitude that it presents a substantial  
12 risk that continued participation in the MISO has become detrimental  
13 to the public interest; and

14 (6) that Ameren Missouri be allowed to defer on its books as a regulatory  
15 asset the costs associated with the additional comprehensive cost-  
16 benefit study (if the costs of the study fall outside a test year for a rate  
17 case (as updated or trued-up)), which regulatory asset (or the costs of  
18 the study if it falls within a test year for a rate case (as updated or  
19 trued-up)) could then be included in rates established in Ameren  
20 Missouri's next rate case following completion of the study using a  
21 two-year amortization, insofar as it is Ameren Missouri's retail  
22 customers who most benefit from the study.

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1           **Q.     Please elaborate on the expanded and comprehensive cost-benefit**  
2 **study that would be performed.**

3           A.     Ameren Missouri proposes to perform a study of a nature essentially  
4 similar to that of the original Charles River Associates (“CRA”) Study presented in Case  
5 No. EO-2008-0314 to analyze the costs and benefits of MISO membership, as compared  
6 to credible alternatives, using a study time horizon of no less than five, nor more than ten  
7 years. The process for such study is detailed later in my testimony, but it would include  
8 stakeholder consultation and input, and would in all material respects follow the process  
9 that was agreed-upon, used, and I believe worked to the satisfaction of all stakeholders in  
10 Case No. EO-2008-0134, albeit covering a longer time period as other parties in this case  
11 have suggested is appropriate. As noted, the results of such a study would be presented  
12 to the Commission as part of the Company's subsequent case to be filed no later than  
13 November 15, 2015.

14           **Q.     Can you please summarize the concerns and questions raised by the**  
15 **other parties related to the updated cost-benefit study presented with your direct**  
16 **testimony?**

17           A.     Yes. I would again note that none of the parties has expressed a material  
18 concern regarding the use of the study discussed in my direct testimony to support a  
19 short-term extension (until May 2015) in the authorization for Ameren Missouri to  
20 remain in the MISO. Their concerns appear to arise primarily from our suggestion that  
21 the Commission consider transitioning from a process of frequent re-application relating  
22 to continued MISO participation to a process where the permission to participate  
23 continues until such time as substantial evidence exists that continued participation would

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1 be detrimental to the utility and its retail customers. In addition to expressing the  
2 concern that such a change would, in their opinion, “shift the burden of proof” on  
3 whether Ameren Missouri’s continued participation in the MISO is prudent, reasonable,  
4 and not detrimental to the public interest, they raised questions and concerns related to  
5 the study itself, specifically the depth of its consideration of a variety of potential future  
6 uncertainties which would be relevant to the Commission’s consideration of an extended  
7 approval, as requested in the Company’s Amended Application.

8 **Q. Can you elaborate on what these questions and concerns**  
9 **encompassed?**

10 A. Yes. The other parties have indicated that if a longer approval period were  
11 to be granted, then longer study periods and/or more comprehensive studies should be  
12 required to address a variety of issues and uncertainties, including: a) MISO’s filed – and  
13 currently unknown future proposals – regarding resource adequacy and capacity markets  
14 (the RAC); b) the SPP Day 2 market and other alternatives; c) Entergy’s RTO  
15 membership; and d) other general market changes.

16 **Q. Does your proposal for an extended and more comprehensive study**  
17 **address these concerns?**

18 A. Yes. Such a study, the scope of which would be developed in concert with  
19 the other stakeholders in a process similar to that done in connection with Case No.  
20 EO-2008-0134, would consider and analyze these and other pertinent concerns which  
21 may be identified between now and then. I agree with Staff witness Adam McKinnie  
22 and Office of the Public Counsel witness Ryan Kind that a study term of at least five, but  
23 no more than ten years, would be appropriate.

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1           However, I recommend that in order to obtain a higher quality and more  
2 meaningful result, it would be appropriate to conduct such a study only after relevant data  
3 related to certain of these key uncertainties is available – i.e., the SPP Day 2 market, the  
4 MISO RAC, and Entergy's RTO membership. Otherwise, the foundation of many of the  
5 necessary assumptions is questionable at best. The most notable of these key  
6 uncertainties is the SPP Day 2 market, which Staff witness McKinnie discusses at pages  
7 13-14 of his rebuttal testimony, and which is not scheduled to be implemented prior to  
8 April 2014. In order to include a meaningful period of actual operating data from this  
9 market, the study could not be performed and completed in a time frame necessary to  
10 permit a Commission order prior to May 2015, which necessitates an extension of the  
11 Company's permission to participate in MISO as outlined herein; that is, if the key  
12 uncertainties are to meaningfully be accounted for in such a study.

13           **Q.     You mentioned that others have raised concerns regarding the MISO**  
14 **RAC proposal. How do those issues relate to your proposal to extend the approval**  
15 **for Ameren Missouri's participation in the MISO through May 2016 (or until**  
16 **functional control can be practically established thereafter if further permission**  
17 **were not granted) and to the study you propose above?**

18           A.     Again, these concerns were primarily presented in light of our proposal for  
19 an indefinite extension until such time that a material change in conditions warranted an  
20 investigation of continued participation. For example, Mr. McKinnie's testimony  
21 indicates that the study's assessment was mostly accurate regarding the RAC for the time  
22 period of the study, and supports an extension through May 2015. Accordingly, it is  
23 appropriate to consider how an extension of only one year beyond that supported by Mr.



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1 McKinnie could be impacted by this issue. I would also note that of the entire \$105  
2 million net benefit indicated by the study through 2014, the impact of capacity sales  
3 revenue accounts for only \$5 million. It is one of the least material components of the  
4 study. Consequently, the overall net benefit of MISO participation is extremely unlikely  
5 to be materially impacted by any RAC-related issues by an extension of just one more  
6 year, to May 2016.

7 We must also recognize that Ameren Missouri is long capacity and is expected to  
8 remain so well beyond 2016. Our retail customers directly benefit from capacity sales  
9 revenues. If we receive a lower price for our excess capacity, our retail customers see a  
10 reduced benefit. If we receive a higher price for our excess capacity, our retail customers  
11 see an increased benefit - plain and simple.

12 As noted above in our response to Staff Data Request 13 (as noted by Mr.  
13 McKinnie in his rebuttal testimony on pages 8-9) there is currently no indication that the  
14 MISO RAC will materially affect the price of capacity in the MISO market. I certainly  
15 have not seen anyone make the argument that the RAC (as-filed), if implemented, would  
16 materially reduce the price of capacity in the MISO. As a result, the only logical  
17 conclusion I can reach is that the RAC if implemented as filed will be no worse than  
18 neutral, if not increasingly beneficial for our 1.2 million retail customers for at least as  
19 long as Ameren Missouri is long capacity, which will almost certainly be well beyond the  
20 period of extended permission I am proposing herein. Even if the FERC were to  
21 eliminate the right to opt-out or self-schedule from MISO's tariff this would not be  
22 expected to negatively impact the benefit to our retail customers *during the subject*  
23 *period* as we will be long capacity during that entire period and have no expectations of

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1 adding new resources which may be subject to price mitigation. (We would expect that  
2 any future study would appropriately consider the impact of such a change.)

3 However, if Ameren Missouri were to withdraw from the MISO, our ability to  
4 sell our excess capacity would be affected by the need to acquire firm transmission from  
5 our generators to the party acquiring the capacity. As a consequence, the net price which  
6 we could realize would necessarily be reduced by the cost of this transmission.

7 Furthermore, if we wanted to sell our excess capacity into an organized market, such as  
8 MISO or PJM, the transaction would necessarily have to comply with their tariff  
9 requirements. It is simply not credible to suggest that Ameren Missouri could obtain a  
10 higher (or even substantially similar) price for its capacity in the period between May of  
11 2015 and May of 2016 by leaving the MISO and either being independent or a member of  
12 the another RTO than it could by remaining a member of the MISO.

13 **Q. Isn't there a risk that the FERC could order changes to the MISO**  
14 **RAC which would eliminate this benefit?**

15 A. Of course FERC has the authority to approve the MISO's RAC tariff and  
16 could require changes. However, any such changes – including those discussed at length  
17 in the rebuttal testimony of Missouri Joint Municipal Electric Utility Commission  
18 (“MJMEUC”) witnesses Marlin J. Vrbas and James F. Wilson – are, at this point, purely  
19 speculative. In particular, I would note that the MISO does not have, nor have they filed  
20 for a construct similar to the PJM RPM construct.

21 Second, I would also note that it is unreasonable to assume that all potential  
22 changes related to the MISO RAC provisions in their tariff would necessarily be  
23 detrimental. There are a number of changes that could be made to the RAC proposal,

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1 including even some which would make it more "PJM-like" in certain respects that  
2 would likely benefit Ameren Missouri and its retail customers. It is worth noting again  
3 that Ameren Missouri is long capacity and our retail customers directly benefit from  
4 capacity sales revenues.

5 Third, for the reasons I discussed earlier, it is difficult to conceive of changes that  
6 would be of sufficient magnitude to turn the substantial benefit the Company and its retail  
7 customers get from MISO participation into a detriment during the extension period  
8 requested.

9 Finally, the proposed participation terms I outline herein provide a mechanism  
10 such that if the FERC were to order changes to the RAC tariff which were of such a  
11 magnitude that they truly presented a substantial risk that continued participation in the  
12 MISO has become detrimental to the public interest during the subject period, the  
13 Company's continued MISO participation could be reviewed sooner than planned.

14 **Q. MJMEUC witness Vrbas discusses the potential harm to MJMEUC**  
15 **members from the MISO RAC and states that "neither MISO nor Ameren Missouri have**  
16 **agreed to hold MJMEUC harmless from the effects for MISO's proposed capacity**  
17 **markets." How do you respond?**

18 A. His statement regarding the lack of a hold harmless offer is true, and for  
19 good reasons. First, while Ameren Missouri fully supports the development of efficient  
20 markets for capacity, the Company certainly does not control the process at MISO which  
21 results in tariff filings which must be approved by the FERC, nor does Ameren Missouri  
22 have the ability to control what FERC includes in its orders. In fact, as highlighted in the  
23 testimony of Ameren Missouri witnesses Maureen Borkowski and Jaime Haro, the

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1 Ameren affiliates that participate in the MISO collectively have one single vote in the  
2 stakeholder process – exactly the same number of votes which MJMEUC member the  
3 City of Columbia or the Prairie State Generating Company, which MJMEUC references  
4 in their testimony – has for any given ballot.

5 To suggest that Ameren Missouri should hold MJMEUC harmless for the  
6 consequences of a duly vetted and FERC-approved tariff which Ameren Missouri has no  
7 ability to control is unreasonable and self-serving. Furthermore, MJMEUC is seeking to  
8 be held harmless – not to be held neutral. This is an important distinction, as they do not  
9 complain when Ameren Missouri's participation in MISO benefits them. Moreover, they  
10 seek these protections here when their real forum for expressing concerns about *the*  
11 *MISO's* RAC is not this Commission but rather the FERC, like all other wholesale  
12 entities.

13 **Q. You have also mentioned that others have raised concerns regarding**  
14 **the uncertainty of Entergy's RTO market. How do those issues relate to your**  
15 **proposal to extend the approval for Ameren Missouri's participation in the MISO**  
16 **through May 2016 and to the study you propose above?**

17 A. Again, given the support of the other parties for an extension of our  
18 authorization through May 2015, this question is properly answered with a focus on the  
19 period between May 2015 and May 2016. With this in mind, I do not see this as a  
20 material concern, as the issue should be resolved well before May 2015. If their  
21 membership decision was perceived to be materially impacting the net benefit of Ameren  
22 Missouri's continued participation in the MISO, the Commission or other parties could be

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1 expected to utilize the mechanism we are proposing herein to initiate a review of the  
2 Company's MISO participation sooner than May 2016.

3 I would also note that the study presented as part of my direct testimony included  
4 an assumption that our annual MISO administrative costs would be reduced by  
5 approximately \$1 million in 2014 by Entergy joining MISO. In other words, if Entergy  
6 does not join the MISO, the change in this assumption will only decrease the benefit of  
7 remaining in the MISO by this same \$1 million in 2014. Like the RAC issue, it is  
8 extremely difficult to conceive of a situation between now and 2016 when the question of  
9 Entergy membership would turn MISO participation from a benefit to a detriment for  
10 Ameren Missouri and its retail customers.

11 **Q. Finally, you have noted that others have raised concerns regarding**  
12 **the uncertainty related to the implementation of SPPs Day 2 market. How do those**  
13 **issues relate to your proposal to extend the approval for Ameren Missouri's**  
14 **participation in the MISO through May 2016 and to the study you propose above?**

15 A. A May 2016 extension date under our proposal will allow for an extended  
16 and more comprehensive study to be performed which includes actual operating data  
17 from the SPP Day 2 market, which cannot occur if the date is extended to only May 2015.  
18 This is particularly important if unlike our proposal, and as Mr. McKinnie seems to  
19 contemplate, the Company literally would have to be "out" of the MISO no later than the  
20 specified extension date (in his case May 2015) if permission was not to be extended  
21 beyond that date. To exit by that time would require that the Commission rule upon an  
22 application for approval to extend participation by a date sufficiently prior to May 31,  
23 2015, to permit Ameren Missouri to regain or transfer functional control of its

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1 transmission system. As noted by Mr. McKinnie on page 12 of his rebuttal testimony,  
2 this time period is uncertain and could be as long as two full years. I believe it would be  
3 optimistic to suggest that it would take no less than 18 months, which would mean the  
4 Commission would issue an order in the case no later than November 2013, while a two  
5 year period would mean the Commission would issue the order no later than May 2013.  
6 That in turn would mean that a new cost benefit study would have to be completed and  
7 filed approximately 12-18 months from now – perhaps as early as November 2012 if an  
8 order is needed by May 2013. This means only data and information through perhaps  
9 just the second quarter of 2012 (less than nine months from now) could be accounted for  
10 in such a study. This would be a full two years prior to the SPP Day 2 market being  
11 implemented, and prior to even the finalization of the rules under which such market will  
12 have to be approved.

13 **Q. Didn't Ameren Missouri itself propose the May 2015 date in its**  
14 **amended filing?**

15 A. Yes. However, the Company's proposal to extend the permission through  
16 May 2015 did not contemplate what the other parties' rebuttal testimony suggested—that  
17 is, commissioning and performing a comprehensive study of the nature that accounts for  
18 the impact of the SPP Day 2 market and other factors before an extension beyond 2015  
19 would occur. To the contrary, the Company contemplated there would be no further  
20 study and permission would "evergreen" for an extended period of time.

21 **Q. Please outline more specifically the timeline that would result from**  
22 **waiting for one full year of SPP Day 2 market operations and the other information**  
23 **you noted earlier prior to performing the study?**

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1           A.     Prior to August 31, 2014, Ameren Missouri would engage the services of a  
2 qualified third party to perform the study. The parties to this proceeding would meet  
3 together, with input from the third party service provider, to develop the scope and  
4 parameters of the study, with this to be completed by December 1, 2014. The study  
5 would be completed and filed with the Commission no later than November 15, 2015. If,  
6 as a result of Commission action, Ameren Missouri is required to withdraw from the  
7 MISO as part of that docket, such withdrawal would occur at the earliest practical date  
8 following such order. Given that there is uncertainty regarding the need for hearings and  
9 their potential duration, such a date of withdrawal would be uncertain, but would likely  
10 be after May 2016, if a fully litigated hearing was required. In that event, our proposal is  
11 that withdrawal would occur at the earliest practical date following an order to withdraw  
12 by the Commission.

13           **Q.     Doesn't this later extension date increase risks to the Company and its**  
14 **retail customers beyond those related to the MISO RAC, Entergy's RTO**  
15 **membership, and the SPP Day 2 Market implementation discussed above?**

16           A.     Not appreciably. First, as noted above, a May 2015 permission expiration  
17 date would require that the study be performed only about 12 to 18 months from now  
18 under conditions of much greater uncertainty than the conditions that will exist if we do  
19 what all parties appear to agree we should do: account for the SPP Day 2 market and  
20 obtain greater information about the RAC. The lack of data regarding the SPP Day 2  
21 market and the RAC will require that the model be based on a very wide range of more  
22 uncertain assumptions – which would itself inject a substantial amount of risk into the  
23 analysis. That risk could manifest itself as understating or overstating the benefits of

1 continued participation, in either case perhaps leading to a poor decision regarding  
2 participation post-May 2015.

3           Until such time that we have experience with the SPP Day 2 market and the  
4 MISO RAC, it is unlikely that the results of a study for 2015 and 2016 would materially  
5 change from those presented in our current study for 2013 and 2014, and in particular the  
6 tremendous magnitude of changes which would be required to eliminate the significant  
7 net benefit indicated by the current study, which is largely undisputed.

8           **Q. Please explain in more detail the foundation for your belief that it is**  
9 **unlikely that the results of a study for 2015 and 2016 would materially change from**  
10 **those presented in the current study for 2013 and 2014, and in particular the**  
11 **magnitude of changes which would be required to eliminate the net benefit.**

12           A. Certainly. When one looks at the current study results, it is obvious that  
13 the primary benefit shown is a result of energy and ancillary services market activities.  
14 Focusing just on 2014, these activities account for an annual (non-discounted) net benefit  
15 of \$55.91 million. This reflects the benefit that Ameren Missouri and its retail customers  
16 receive from MISO's centralized commitment and dispatch, elimination of pancaked  
17 transmission rates and other market efficiencies. These efficiencies would be expected to  
18 be largely lost if Ameren Missouri were to join SPP prior to the implementation of its  
19 Day 2 market or if Ameren Missouri were to operate as an ICT. I am unaware of any  
20 proposed changes to the MISO market which could reasonably be expected to materially  
21 change the benefit we receive from these activities in 2015 or 2016.

22           For this market-based benefit to be eliminated would therefore require a material  
23 change in the second part of the analysis, which are those costs which the Company could



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1 avoid by exiting the MISO. In past studies, a significant (if not the primary) uncertainty  
2 which could under certain scenarios eliminate the market benefits was transmission cost  
3 allocation. The other items that created uncertainties simply are not material enough to  
4 turn the substantial benefit of MISO participation into a detriment. (I have already  
5 addressed the issue of foregone capacity revenues which some may suggest could also be  
6 a material factor.)

7 But as we sit here today, it is my understanding (as Ms. Borkowski details in her  
8 surrebuttal testimony) that FERC Order 1000 substantially reduces transmission cost  
9 allocation issue as a factor in an analysis of the costs and benefits of MISO participation  
10 (or RTO participation in general) versus the alternatives (participation in another RTO or  
11 operation as an ICT).

12 **Q. Can you please clarify this last point?**

13 A. Yes. As noted, the second portion of the analysis in large part enumerates  
14 costs which could be *avoided* if Ameren Missouri were to exit the MISO. Put another  
15 way, a cost-benefit study looks at the avoidable costs of *participation* and, by definition,  
16 if the cost exists whether one participates or not, it is not an avoidable cost of  
17 participation. For example, if Ameren Missouri leaves the MISO, it would no longer pay  
18 MISO administrative charges, and so in the study we count the administrative charges as  
19 a savings if the Company does not participate. Up until this proceeding, it had been  
20 assumed that Ameren Missouri would be able to avoid the allocation of the cost of  
21 projects not approved while it was a member and that were not within its footprint by  
22 simply exiting the MISO because transmission cost allocation exposure was a function of  
23 participation. In the past, if Ameren Missouri exited the MISO, it would only be

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1 potentially liable for its share of those projects which had been approved prior to its exit  
2 and this liability would be included in any potential exit fee. As a consequence, there  
3 would be a risk associated with each additional year of participation – that being that  
4 Ameren Missouri's liability could increase to reflect additional transmission projects  
5 included in that additional year.

6 It is my understanding however, again as detailed by Ms. Borkowski, that FERC  
7 Order 1000 means that simply exiting an RTO will not allow a utility to avoid some or all  
8 of the cost of projects not within its footprint

9 The details of how this will work are not at this point clear, and thus, we currently  
10 have no basis upon which to perform a review. However, we would likely have such a  
11 basis by delaying the study until after the SPP Day 2 market has been in operation for a  
12 year–by that time FERC Order 1000 will have been effective for three years. One thing  
13 appears certain to me based upon this understanding, however: the assumption that  
14 Ameren Missouri could completely avoid paying its share of transmission project costs  
15 that benefit its footprint; however those costs are allocated, by walking away from MISO  
16 participation is no longer valid.

17 **Q. Prior to summarizing your testimony, are there any other**  
18 **observations which you would like to make?**

19 **A.** Yes, there are two.

20 First, I would note that studies such as that which we now propose, and which the  
21 other parties recommend, are by their very nature quite complex, detailed, and involved.  
22 Accordingly, the organizations which are qualified to perform them demand substantial  
23 payment for their services. It is not unreasonable to expect that outside costs for such a

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1 study would be substantial particularly where that study is for a period of up to ten years  
2 and includes an analysis of such a wide range of market uncertainties (including some  
3 which may be pure conjecture) as have been proposed. It is therefore appropriate that  
4 Ameren Missouri be allowed to recover those costs, as I outlined earlier.

5 Secondly, it is in the best interest of the retail customer for the Commission to  
6 extend the length of the approval period beyond the two to three years, which has been  
7 the case to date – not only in this proceeding but in future proceedings as well. This is  
8 true, particularly in light of the more detailed, comprehensive study which is proposed.  
9 Though we are no longer advocating for such a provision in this case, I continue to  
10 believe that at some point the Commission should consider transitioning this process to  
11 one where approval is granted for much longer period of time, absent a material change  
12 in the market that the Commission concludes would warrant a reconsideration of  
13 continued MISO membership.

14 **Q. Can you please expand upon this second point?**

15 **A.** Yes. Continuing the practice of extending approvals for only two to three  
16 years at a time, particularly in the absence of material market changes, not only increases  
17 the cost related to studies, hearings, etc., it also subjects us to near constant uncertainty  
18 regarding our future RTO membership; something which we must factor into our  
19 resource planning process, especially as we near the time that the next extension decision  
20 is made.

21 **Q. How so?**

22 **A.** Though he does not do so with the apparent purpose to support longer  
23 approval periods, MJMEUC witness Vrbas describes this scenario on page 16 of his

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1 rebuttal testimony, when he discusses a hypothetical exit of Ameren Illinois to PJM  
2 which would "raise issues with regard to MJMEUC members' ability to receive capacity  
3 and energy from its interest in the Prairie States plant, or associated costs related to  
4 pancaked rates or other."

5         While Mr. Vrbas' example has the load staying in MISO and the generation  
6 resource leaving, I would suggest that there is an equal if not greater concern related to  
7 what would happen if load leaves the MISO but the related generation resource remains –  
8 which would occur if you acquire a resource in any MISO LRZ outside of the one that  
9 your load resides in – and *then* your load *leaves* the MISO such as would occur if  
10 Ameren Missouri was to be ordered to withdraw from MISO. As such, you have  
11 compounded any concerns with the operation of the MISO construct with having to  
12 coordinate the rules of two RTOs.

13         If Ameren Missouri cannot have relative certainty regarding its RTO membership,  
14 it will necessarily have to give more weight to any risks of potential dual RTO  
15 governance associated with acquiring resources outside of its own service territory.

16         **Q.     Please summarize the participation terms you are proposing given the**  
17 **other parties' concerns and issues raised in their surrebuttal testimony.**

18         A.     The participation terms I am proposing are as follows:

- 19             1. Extension of permission to transfer functional control of the  
20                 Company's transmission to the MISO through May 31, 2016 (with  
21                 provision for additional time necessary to re-establishing functional  
22                 control or transfer to another RTO if permission is not extended

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- 1                   beyond then), and a determination that such participation is prudent,  
2                   reasonable, and not detrimental to the public interest;
- 3                   2. Preparation and filing of an additional cost-benefit study by November  
4                   15, 2015, according to a process that would be materially the same as  
5                   that followed in Case No. EO-2008-0318, with the study to be a  
6                   “CRA-like” study and to account for, at a minimum, the SPP Day 2  
7                   Market and the MISO’s RAC proposal;
- 8                   3. Otherwise, participation to be substantially on the same terms and  
9                   conditions contained in subparagraphs b through h of paragraph 16 of  
10                  the Company’s original Application;
- 11                  4. Provision for a party to this case or the Commission on its own motion  
12                  to initiate a docket prior to November 15, 2015, to investigate whether  
13                  a material event occurring after this docket is of such a magnitude that  
14                  it presents a substantial risk that continued participation in the MISO  
15                  has become detrimental to the public interest;  
16                  and
- 17                  5. That Ameren Missouri be allowed to defer on its books as a regulatory  
18                  asset the costs associated with such a study (if the costs of the study  
19                  fall outside a test year for a rate case (as updated or trued-up)), which  
20                  regulatory asset (or the costs of the study if it falls within a test year  
21                  for a rate case (as updated or trued-up)) could then be included in rates  
22                  established in Ameren Missouri's net rate case following completion of

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1                               the study using a two-year amortization, insofar as it is Ameren

2                               Missouri's ratepayers who most benefit from the study.

3           **Q.   Does this conclude your surrebuttal testimony?**

4           **A.   Yes, it does.**

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

In the Matter of the Application of Union Electric )  
 Company d/b/a Ameren Missouri for Authority to )  
 Continue the Transfer of Functional Control of Its ) Case No. EO-2011-0128  
 Transmission System to the Midwest Independent )  
 Transmission system Operator, Inc. )

**AFFIDAVIT OF AJAY K. ARORA**

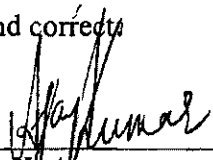
**STATE OF MISSOURI** )  
 ) ss  
**CITY OF ST. LOUIS** )

Ajay K. Arora, being first duly sworn on his oath, states:

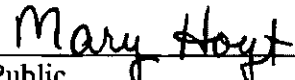
1. My name is Ajay K. Arora. I work in the City of St. Louis, Missouri, and I am employed by Ameren Services as Director of Corporate Planning.

2. Attached hereto and made a part hereof for all purposes is my Surrebuttal Testimony on behalf of Union Electric Company d/b/a Ameren Missouri consisting of 21 pages, all of which have been prepared in written form for introduction into evidence in the above-referenced docket.

3. I hereby swear and affirm that my answers contained in the attached testimony to the questions therein propounded are true and correct.

  
 \_\_\_\_\_  
 Ajay K. Arora

Subscribed and sworn to before me this 1st day of November, 2011.

  
 \_\_\_\_\_  
 Notary Public

My commission expires: 4-11-2014

