

Exhibit No.: ~~102~~ 3
Issue(s): Continued Participation
Witness: Ajay K. Arora
Sponsoring Party: Union Electric Company
Type of Exhibit: Direct Testimony
Case No.: EO-2011-0128
Date Testimony Prepared: February 6, 2012

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO. EO-2011-0128

SUPPLEMENTAL SURREBUTTAL TESTIMONY

OF

AJAY K. ARORA

ON

BEHALF OF

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

St. Louis, Missouri
February, 2012

Ameren Exhibit No. 3
Date 2-9-12 Reporter JK
File No. EO-2011-0128

1 of Transmission (“ICT”) or (b) withdraw from the Midwest ISO and transfer functional control
2 of its transmission system to another regional transmission organization (“RTO”). A review of
3 all of the other parties’ testimonies reveals that none of them dispute in any material way the
4 approximately \$105 of net benefits over the next three years (2012 – 2014) from continued
5 participation. A review of all of their testimonies further indicates that to the extent any of them
6 (essentially OPC)¹ have remaining concerns all of their concerns relate to conditions they
7 advocate that if imposed, from *their* perspective, might make Midwest ISO participation even
8 *more* beneficial than it already is.

9 **Q. Please relate your prior answer to the statement Mr. Kind refers to in the**
10 **Stipulation and Agreement.**

11 A. My answer – which I believe reflects the only objective and reasonable reading of
12 the other parties’ testimonies – demonstrates that the only remaining issue in this case is *not*
13 whether permission to continue Midwest ISO participation should be extended – all agree it
14 should be – but rather, they contend that issues remain regarding whether certain conditions
15 should be imposed on that continued permission, if they lawfully can be. Consequently, the
16 Stipulation and Agreement reflects a completely accurate description of the lack of material
17 disagreements regarding whether Midwest ISO participation should continue and even about the
18 term of the extended permission that I testified about in my Surrebuttal Testimony and that is
19 reflected in the Stipulation and Agreement.

¹ MJMEUC continues to make a peripheral argument about whether its municipalities *might* be harmed somehow if a *different* kind of capacity market than that which is proposed in the Midwest ISO is later adopted. It’s hard for me to imagine this Commission telling Ameren Missouri to forego \$100 million of benefits for customers based on what might or could happen regarding MJMEUC in the future, particularly given that the Stipulation and Agreement reflects Ameren Missouri’s agreement that MJMEUC can petition the Commission essentially anytime it wants between now and when Ameren Missouri must file another study and initiate another docket (November 15, 2015) if MJMEUC contends that something material has occurred that creates a substantial risk that Ameren Missouri’s participation has become detrimental to the public interest.

1 **Q. Is it possible that OPC actually contends that unless they get their way the**
2 **Commission should deny the Company’s request to continue its Midwest ISO**
3 **participation?**

4 A. I suppose anything could be possible, and Mr. Kind does state in his
5 Supplemental Surrebuttal Testimony that OPC has “material disagreements” regarding extending
6 Ameren Missouri’s permission. But when I read all of his testimonies, his deposition transcript,
7 and OPC’s Position Statements, it is clear to me that OPC is not seriously contending that
8 Ameren Missouri should get out of the Midwest ISO and forego the documented (and essentially
9 undisputed) net benefits associated with Ameren Missouri’s MISO participation (almost all of
10 which flow directly to customers).

11 **Q. Please explain what in Mr. Kind’s deposition testimony causes you to believe**
12 **that OPC does not want Ameren Missouri to stop participating in the Midwest ISO.**

13 A. In his deposition, Mr. Kind confirmed that the *“only major concern [he has] with*
14 *[my cost-benefit analysis results] . . . showing \$105 net present value benefit over the next three*
15 *years is the inclusion of a reduction of Ameren Missouri’s share of MISO administrative costs*
16 *associated with Entergy’s entering the MISO.”*² If we ignore that “concern” the net benefits are
17 still approximately \$104 million³. It’s obvious then that OPC agrees participation has very
18 substantial benefits for Ameren Missouri and its customers.

19 **Q. What else leads you to the conclusion that OPC surely doesn’t want the**
20 **Company to stop participating in the Midwest ISO?**

21 A. In his deposition Mr. Kind also testified:

22 *“Q. And while you request for on behalf of the Office of the*
23 *Public Counsel – these conditions that are summarized here, I*

² Kind Deposition, Nov. 8, 2011, p. 8, l. 14-22.

³ Ameren Missouri response to MPSC data request 0027.

1 *didn't see anything in your testimony to suggest that you did not*
2 *recommend that Ameren Missouri continue participation in MISO.*
3 *Is that fair?*

4
5 *A. Well, we recommend that the Commission authorize*
6 *continued participation so long as it imposes OPC's recommended*
7 *conditions in order to ensure that continued participation is not*
8 *detrimental to public interest.*

9
10 *Q. Any one of those conditions, if not imposed then, is your*
11 *testimony that OPC would recommend that MISO participation*
12 *end?*

13
14 *A. I wouldn't necessarily say that. I mean, there could be*
15 *another way to accomplish the same thing other than the*
16 *conditions I have in there.*

17
18 *Q. But it is fair to state, isn't it, Mr. Kind, that either in your*
19 *rebuttal testimony or your surrebuttal testimony, you do not testify*
20 *that Ameren's participation – Ameren Missouri's participation in*
21 *MISO should cease or end. You just say that there should be*
22 *conditions imposed on its continued participation. Fair enough?*

23
24 *A. That's right. Yeah.”⁴*

25 **Q. What about the specific participation terms that Ameren Missouri is**
26 **proposing as outlined at page 3, line 9 to page 4, line 13 of your Surrebuttal Testimony.**
27 **Does Mr. Kind object to any of those?**

28 **A. Not as far as I can tell, based upon his testimonies and his deposition. For**
29 **example, Mr. Kind agrees that the May 31, 2016 extended permission date reflected in the**
30 **Stipulation is appropriate: “Q. So do you have any opinion as to whether or not the May 31,**
31 **2016, date that's been proposed by Mr. Aurora [sic] is appropriate or inappropriate? A. It's**
32 **appropriate.”⁵ So that means he doesn't disagree with the first term of the participation terms I**
33 **have outlined. It's also absolutely clear that Mr. Kind does agree that Ameren Missouri should**
34 **make another filing in advance of that date – which is the second term of the participation terms I**

⁴ Id. p. 13, l. 15 to p. 14, l. 12.

⁵ Id. p. 21, l. 24 to p. 22, l. 2.

1 have outlined. It's not 100 percent clear if Mr. Kind has some issue with the third term I have
2 outlined; that is, that if Ameren Missouri's permission to participate in the Midwest ISO is not
3 extended after the next docket Ameren Missouri's participation would continue beyond May 31,
4 2016 for long enough to allow Ameren Missouri to, as a practical matter, reestablish functional
5 control or to transfer to another RTO, but I would think that Mr. Kind has to recognize that the
6 Company can't just "flip a switch" on a given day and suddenly reestablish that control or
7 transfer to another RTO. Moreover, given that Mr. Kind clearly agrees that one of the options
8 we ought to study for the next case is possible participation in SPP, and given that SPP is not
9 expected to have a Day 2 Market that we can study until April 2014, it appears clear to me that
10 Mr. Kind should agree that we need to have a year of SPP data on which to base such a study.
11 To have a year of SPP data on which to base such a study means we can't practically conduct the
12 study, and file another case, until late 2015, as we propose. This assumes that the SPP Day 2
13 market goes live by June 2014 as currently proposed.

14 **Q. What makes you believe Mr. Kind agrees that you should examine SPP as a**
15 **future option in the next study and account for its planned Day 2 Market?**

16 A. As noted, he agrees that the May 31, 2016 extended permission date is
17 appropriate, and he also recognized that we proposed that date so that we could account for a full
18 year of operation of SPP's Day 2 Market: "*Q. And in terms of the 2016 date, you understood*
19 *that the reason that Mr. Aurora [sic] proposed that . . . was that his belief this would allow the*
20 *analysis that he proposed to include actual date regarding the operation of the SPP date [sic] . .*
21 *..*" A. *Uh-huh. Q. Yes? A. Yes. I'm sorry about that.*"⁶ And he goes on to agree that as an
22 economist, analysis of the actual historical data is "*generally a good idea.*"⁷

⁶ Id. p. 20, l. 24 to p. 21, l. 9.

⁷ Id. p. 21, l. 10 to l. 15.

1 **Q. What about the last two participation terms you have proposed; where does**
2 **Mr. Kind stand on those?**

3 A. His rebuttal testimony indicates that he recommended “requiring UE to perform a
4 cost benefit analysis in consultation with stakeholders prior to the end of the limited period of
5 interim approval.”⁸ That’s precisely what we are proposing, and it is precisely what is called for
6 by the Stipulation and Agreement. Lastly, we have addressed the concerns Mr. Kind expressed
7 regarding the possibility that a development could occur between now and when our extended
8 permission would end by agreeing to a provision that provides the affirmative right of any
9 stakeholder, including OPC, to ask the Commission to open a docket early to re-examine the
10 extension of permission we are asking for in this case. Mr. Kind admits that this condition,
11 which is embodied in Section 10.a of the Stipulation and Agreement, “*could be helpful in*
12 *addressing some of the concerns of the parties to this case.*”⁹ Then he goes on to state that it
13 doesn’t address one concern, that is, OPC’s contention that Ameren Missouri should have a
14 separate representative(s) at the Midwest ISO, which Ameren Missouri witnesses Haro and
15 Borkowski have already addressed.

16 **Q. Please summarize the “material disagreement” in this case.**

17 A. Despite Mr. Kind’s apparent attempt to confuse the issue in his Supplemental
18 Rebuttal Testimony, the bottom line is that there is no credible material disagreement about
19 whether Ameren Missouri should continue to participate in the Midwest ISO through May 31,
20 2016 (or for awhile thereafter to the extent necessary to practically reestablish functional control
21 or transfer control to another RTO); there is no credible material disagreement about when the
22 next case should be filed; and there is no credible disagreement about how we should go about

⁸ Kind Rebuttal, p. 17, ll. 1-21.

⁹ Supplemental Kind Rebuttal, p. 23, l. 1-2.

1 developing the next cost-benefit study. The “disagreement” relates solely to (1) OPC’s desire to
2 dictate that Ameren Missouri build all transmission, (2) to Mr. Kind’s argument that Ameren
3 Missouri’s representation at the Midwest ISO should be different, and (3) that some day, years
4 from now, it is possible that the Midwest ISO could have a capacity market (also referred to as
5 the resource adequacy construct) that, according to Mr. Kind, might not be in the interests of
6 Ameren Missouri’s customers. I am not in a position to address the first two of those issues – I
7 leave to Ms. Borkowski issues (1) and (2) and to Mr. Haro issue (2), but I can address the third
8 one in the context of the specific terms for continued permission we are proposing in this case.

9 **Q. Please do.**

10 **A.** Mr. Kind himself admits that whatever concerns he has about the impact of the
11 Midwest ISO’s capacity market on Ameren Missouri’s retail customers are long-term concerns
12 only, and he admits that in his view long-term is 10 to 20 years: *“A. No. Long-term, to me, is*
13 *you know, the next 10 to 20 years. These – once you get this type of resource adequacy construct*
14 *in place, it’s – it’s not likely to go away. And so it’s going to be something that can create*
15 *significant risks long-term for Ameren ratepayers, you know.”*¹⁰ And Mr. Kind goes on to agree
16 that the Commission should not wait to see the terms of any capacity market in the Midwest ISO
17 might actually turn out to be before authorizing Ameren Missouri to continue its Midwest ISO
18 participation: *“Q. So are you saying, then, Mr. Kind, that we should just wait and see as to*
19 *what capacity actually – capacity market gets ordered by FERC before even Ameren Missouri is*
20 *authorized to continue participation in MISO at this point. A. No.”*¹¹ Consequently, Mr. Kind’s
21 “concerns” about the capacity market issues, even if one assumed they were valid, have nothing
22 to do with the question of whether Ameren Missouri should continue to participate in the

¹⁰ Kind. Deposition, p. 116, l. 23 to p. 117, l. 3.

¹¹ Id. p. 120, l. 6-11.

1 Midwest ISO through the 2016-2017 timeframe we are proposing. Moreover, whatever
2 developments may take place in the Midwest ISO capacity market arena over the short-term will
3 be taken into account in the cost-benefit study we will be filing by November 15, 2015. And
4 finally, if something material happens in this or another area impacting whether Ameren
5 Missouri's participation in the Midwest ISO is detrimental to the public interest before
6 November 15, 2015 others, including OPC, are free to ask the Commission to take action sooner
7 than then.

8 **Q. Do you have other comments on the capacity market construct the Midwest**
9 **ISO has proposed?**

10 A. Yes. As I have previously indicated, Ameren Missouri is long capacity and its
11 expected to remain so well beyond the period of time for which permission to continue
12 participation in the Midwest ISO is being requested in this case. At worst, the Midwest ISO's
13 capacity market would be neutral as far as Ameren Missouri and its customers are concerned,
14 and it may very well benefit them. The self-schedule and opt-out provisions proposed by the
15 Midwest ISO would provide protection even if Ameren Missouri were short capacity, but as
16 noted, this is not an issue during the period of extended permission at issue in this case.

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

18 A. Yes, it does.

