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Transmission Alternatives  
Witness: Adam C. McKinnie  
Sponsoring Party: MO PSC Staff  
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**MISSOURI PUBLIC SERVICE COMMISSION**  
**REGULATORY REVIEW DIVISION**  
**TARIFF, SAFETY, ECONOMIC AND ENGINEERING ANALYSIS**

**REBUTTAL TESTIMONY**

**OF**

**ADAM C. McKINNIE**

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

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

**Jefferson City, Missouri  
September 2011**

**\*\* Denotes Highly Confidential Information \*\***

*Staff*  
Exhibit No. 7-NP  
Date 2-7-12 Reporter JL  
File No. EO-2011-0128

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**REBUTTAL TESTIMONY**

**OF**

**ADAM C. McKINNIE**

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

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**I. Introduction**

Q. Please state your name and business address.

A. My name is Adam C. McKinnie. My business address is 200 Madison Street, Jefferson City, MO 65102-0360.

Q. By whom are you employed?

A. I am employed by the Missouri Public Service Commission (MoPSC or Commission) as the Chief Utility Economist, specializing in transmission issues.

Q. What is your work history at the Commission?

A. I joined the Missouri Public Service Commission in April 2002, as a Regulatory Economist in the Economic Analysis Section of the Telecommunications Department. I began working on demand-side energy issues in October 2007, as a half-time member of the Economic Analysis Section of the Energy Department. In June 2008, I began working full-time on energy issues in the new Resource Analysis Section of the Energy Department, specializing in demand-side issues. In 2008, I also began working on transmission issues, including those involving regional transmission organizations and independent system transmission operators (RTOs and ISOs<sup>1</sup>). In January 2010, I took my current position of Chief Utility Economist, specializing in transmission issues, especially

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<sup>1</sup> A Glossary of terms can be found in Schedule ACM-14.

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1 those involving the Southwest Power Pool (SPP) and the Midwest Independent Transmission  
2 System Operator (MISO).

3 Q. What is your educational background?

4 A. I hold a Bachelor of Arts degree in English and Economics that I received from  
5 Northeast Missouri State University (now called Truman State University) in May 1997. I  
6 also hold a Master of Science degree in Economics (with electives in Labor, Tax, and  
7 Industrial Organization) that I received from the University of Illinois in May 2000.

8 Q. Have you testified in any previous cases before this Commission?

9 A. Yes, I have. A list of the cases I have filed testimony in is attached as  
10 Schedule ACM-1.

11 **II. Executive Summary**

12 Q. What is the purpose of your testimony?

13 A. The purpose of my testimony is to respond to: (1) the Direct Testimony of  
14 Ameren Missouri Witness Ajay K. Arora (“Arora Direct”) filed on July 29, 2011; (2) the  
15 “Verified Application to Extend Permission and Authority For Participation in Regional  
16 Transmission Organization” filed by Union Electric Company d/b/a Ameren Missouri  
17 (“Ameren Missouri”) on November 1, 2010 (“November 2010 Application”); (3) the “Motion  
18 for Leave to Amend Verified Application to Extend Permission and Authority for  
19 Participation in Regional Transmission Organization” and the “Amended Verified  
20 Application to Extend Permission and Authority for Participation in Regional Transmission  
21 Organization” (“Amended Application”), both filed on August 10, 2011; and (4) the “Order  
22 Directing the Commission’s Staff to Respond to Questions from the Commission in its  
23 Prefiled Testimony” issued by the Commission on August 23, 2011.

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1 My testimony will explain why I do not support the Amended Application of Ameren  
2 Missouri for the following reasons: 1) The Amended Application, while adequately  
3 representing the interests of Ameren Missouri and its stockholders, does not contain sufficient  
4 protections for the interests of Ameren Missouri ratepayers; 2) The Amended Application  
5 attempts to unreasonably shift the responsibility of persuasion from Ameren Missouri to the  
6 Commission and entities other than Ameren Missouri regarding whether Ameren Missouri  
7 should continue to remain a member of the Midwest Independent Transmission System  
8 Operator (MISO) for an indefinite period of time, especially when using updated inputs to a  
9 study originally conducted in Case No. EO-2008-0134, filed on November 1, 2007 (Study is  
10 dated October 11, 2007); 3) The Amended Application does not outline the terms and  
11 conditions by which the continued Ameren Missouri membership in MISO is not detrimental  
12 to the public interest; and, 4) The Amended Application does not sufficiently address issues  
13 related to Ameren Missouri affiliates constructing and owning transmission as currently  
14 addressed in the Stipulations and Agreements in Case Nos. EO-2003-0271 and EO-2008-  
15 0134.

16 Additionally, my testimony will explain what terms would be necessary for Staff to  
17 consider a longer duration of time for Ameren Missouri to remain a member of MISO before  
18 it is required to apply for a further continuation of Commission authorization. Finally, my  
19 testimony will also explain why an indefinite extension is not appropriate at this time.

20 **III. Ameren Missouri's Applications for Continued MISO Membership**

21 Q. Do you generally agree with Mr. Arora's description of the updating of the  
22 cost benefit analysis performed by CRA International, dated October 11, 2007, in the EO-

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1 2008-0134 case, (2007 CRA study), as described on page 3 of his Direct Testimony, lines 7-  
2 15?

3 A. I agree with the facts he has presented, yes. The stakeholders did provide input  
4 as to the analysis performed in this instant case, including the assumptions utilized. However,  
5 I believe Mr. Arora omits other important portions of the stakeholder discussions that  
6 occurred before the filing of the November 2010 Application.

7 Q. What other important portions of the discussions before the November 2010  
8 Application, not included in Mr. Arora's Direct Testimony, do you believe provide context to  
9 the assumptions and analysis discussed with stakeholders?

10 A. At the time of the discussions regarding the inputs and assumptions for the  
11 2010 Ameren Missouri study, Ameren Missouri representatives, including Mr. Arora, were  
12 discussing an 18-month extension for Ameren Missouri's membership in MISO.

13 Q. Is that the length of the extension sought in the November 2010 Application?

14 A. Approximately so – the November 2010 Application seeks, at a minimum, a  
15 20-month extension, to at least December 31, 2013, as stated on page 8, paragraph 14 of the  
16 November 2010 Application:

17 Because the net present value of continued participation is, at this time,  
18 significant, but also because there remain several key uncertainties, Ameren  
19 Missouri believes that it is prudent to continue its Midwest ISO participation  
20 until at least December 30, 2013 (a 20-month extension of the current  
21 permission) on the basis of the analysis that it is filing with this Application.

22 Q. Is that the same length of extension sought in the Amended Application filed  
23 by Ameren Missouri on August 10, 2011, after Mr. Arora's Direct Testimony, which was  
24 filed on July 29, 2011?

25 A. No, it is not. The Amended Application seeks a period of extension of Ameren  
26 Missouri's membership in MISO that would continue indefinitely absent action by the

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1 Commission or another party, as described in the following paragraph from page 8 of the  
2 Amended Application:

3 Term. Ameren Missouri will be given permission and authority to continue its  
4 participation in the Midwest ISO through May 31, 2015 (the "Initial Term").  
5 Ameren Missouri shall also be given permission and authority to continue its  
6 Midwest ISO participation for successive periods of one-year each (each such  
7 one year period to end May 31 of each successive year, and to be referred to  
8 hereinafter as an "Extended Term") unless such permission and authority is  
9 terminated by the Commission as described below. With respect to the Initial  
10 Term, commencing January 1, 2013, but in no event later than June 1, 2013,  
11 the Commission on its own motion, or on motion of any party to this case, can  
12 open a case regarding whether Ameren Missouri's permission and authority to  
13 participate in the Midwest ISO should extend beyond May 31, 2015. With  
14 respect to whether Ameren Missouri's participation and authority to  
15 participate in the Midwest ISO should be terminated as of the end of any  
16 Extended Term, the Commission on its own motion, or on motion of any party  
17 to this case, in either case made at least two years prior to the end of any  
18 Extended Term, can open a case regarding whether Ameren Missouri's  
19 permission and authority to participate in the Midwest ISO should extend  
20 beyond the end of such Extended Term.

21 Q. Is there any significance to Ameren Missouri having not brought up this  
22 proposal, seeking an "indefinite" extension of permission to remain in MISO, until the filing  
23 of its Amended Application?

24 A. Yes. Staff primarily agreed to the use of the 2007 CRA Study from Case No.  
25 EO-2008-0134 with updated inputs based on the limited 20-month extension of participation  
26 period being sought by Ameren Missouri. Staff would not have provided the same input  
27 during the stakeholder discussions regarding the appropriateness of utilizing the 2007 CRA  
28 Study if the length of time for the extension, including the terms and conditions, discussed in  
29 the Amended Application had been proposed by Ameren Missouri during the "Tentative  
30 Analysis" discussion described in paragraph 9 of the Amended Application:

31 Paragraph 16 of the 2008 Stipulation outlined a process whereby Ameren  
32 Missouri would consult with the Stakeholders regarding an additional cost-  
33 benefit analysis to be associated with its November 1, 2010 filing. In  
34 summary, the process that was outlined called for Ameren Missouri to advise



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1 the Stakeholders of the “Tentative Analysis” it proposed to use for its  
2 November 1, 2010 filing, to consult with the Stakeholders about it, to advise  
3 the Stakeholders about the “Actual Analysis” Ameren Missouri proposed to  
4 use for its November 1, 2010 filing and to receive input on the same from the  
5 Stakeholders, and to ultimately make this filing together with its Actual  
6 Analysis, having taken into account the input of the Stakeholders. Ameren  
7 Missouri followed the process outlined in ¶ 16 of the 2008 Stipulation by  
8 timely providing the Stakeholders its “Tentative Analysis.” Ameren Missouri  
9 followed-up on providing its Tentative Analysis by consulting with the  
10 Stakeholders in meetings/conference calls and by providing workpapers that  
11 underlie the Tentative Analysis, as requested. On April 26, 2010, Ameren  
12 Missouri notified the Stakeholders in accordance with the 2008 Stipulation  
13 that Ameren Missouri intended for its Tentative Analysis to be used as its  
14 Actual Analysis for purposes of this filing. That notification was followed by  
15 an additional meeting/conference call in August 2010, which has been  
16 followed by additional communications with the Stakeholders.

17 Staff would also note that since the times of the preliminary discussions, as described  
18 in the Amended Application excerpt above, several issues have risen that were not discussed  
19 during the temporary analysis, such as the structure of the recent MISO Resource Adequacy  
20 construct tariff filing, filed on July 20, 2011 in Federal Energy Regulatory Commission  
21 (“FERC”) Docket ER11-4081<sup>2</sup> and Entergy’s announced plan to join MISO (announced April  
22 25, 2011), among other new issues. When Ameren Missouri was proposing an 18-month  
23 extension, the partial updating of the prior study seemed reasonable for such a limited  
24 extension of time. However, with the possibility of an indefinite extension of permission, the  
25 limited updating of the prior study is not appropriate. Recent changes to MISO, including the  
26 possible integration of Entergy and the July 2011 MISO Resource Adequacy tariff filing at  
27 FERC, make the 2007 CRA Study lacking in sufficient detail to analyze the full spectrum of  
28 issues facing MISO members in the near future, much less an indefinite future. For an  
29 indefinite extension of permission for Ameren Missouri to remain a member of MISO, Staff

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<sup>2</sup> Nothing in this testimony, including assumptions regarding the tariff filing being in place, should be construed to show support for the MISO Resource Adequacy tariff filing in ER11-4081

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1 would recommend a new cost benefit study, not one based on updated inputs to the 2007 CRA  
2 Study, with that new study analyzing a time period of no more than ten years.

3  
4 Q. Footnote 1 on page 6 of the November 2010 Application states:

5 The Tentative Analysis and the Actual Analysis presented to stakeholders did  
6 not examine the Midwest ISO versus SPP case given that it is clear that one of  
7 the most significant benefits from RTO participation for AmerenUE is the  
8 ability to trade power in Day 2 energy markets and, as noted, SPP has no such  
9 market and does not plan to implement one until 2014, at the earliest.

10 Do you generally agree with the above statement?

11 A. Generally, yes. The cost benefit analysis provided in Mr. Arora's Direct  
12 Testimony, Schedule AA-1, with the 2007 CRA Study using updated inputs, does show the  
13 greatest amount of benefit coming from the MISO Day 2 market. Further, SPP currently has  
14 no such market, although it has recently received SPP Board approval to create a Day 2  
15 Market, and it has begun finalizing tariff changes in order to implement one. An SPP press  
16 release from April 27, 2011 states that the "Integrated Marketplace is scheduled to go live in  
17 March 2014."<sup>3</sup> However, the relative certainty of SPP implementing a Day 2 Market is an  
18 excellent reason to have Ameren Missouri perform a full analysis to determine the most  
19 prudent course of action in terms of RTO membership, including the proper terms and  
20 conditions. SPP currently plans to have its Day 2 market operational in 2014, as noted on  
21 page 4 of the report titled "An Evaluation of the Alternative Transmission Arrangements  
22 Available to the Entergy Operating Companies and Support for Proposal to Join MISO" filed  
23 by Entergy Arkansas, Inc. before the Arkansas Public Service Commission on May 12, 2011

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<sup>3</sup> [http://www.spp.org/publications/Marketplace\\_Funding\\_Approved.pdf](http://www.spp.org/publications/Marketplace_Funding_Approved.pdf)

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1 in Docket No. 10-011-U prepared by CRA evaluating Entergy's options to determine  
2 Entergy's future RTO membership (CRA 2011 Entergy Study).<sup>4</sup>

3 Q. Does the cost benefit analysis in Mr Arora's Direct Testimony, with the  
4 updated inputs, address the Entergy or Resource Adequacy issues you previously raised?

5 A. Only on a very limited basis. As described below, Staff issued Data Requests  
6 in order to gather further information regarding the possible impact of Entergy and the July  
7 2011 Resource Adequacy filing.

8 Q. What Data Requests did Staff issue regarding the potential effect of the  
9 Resource Adequacy tariff filing and the Entergy situation on the updated inputs to the cost  
10 benefit analysis?

11 A. Staff issued Staff Data Requests 13, 19, 24, 27, and 29. Those Staff Data  
12 Requests and Ameren Missouri responses are attached as Schedules ACM-2 (Staff Data  
13 Request 13), ACM-3 (Staff Data Request 29), ACM-4 (Staff Data Request 24), ACM-5 (Staff  
14 Data Request 27), and ACM-6 (Staff Data Request 29).

15 Q. Based on the responses to those Staff Data Requests, did Ameren Missouri  
16 make any adjustments in the 2011 updated inputs as presented in Arora Direct Testimony  
17 Schedule AA-1 to account for the MISO Resource Adequacy tariff filing at FERC?

18 A. No, it did not. When asked in Staff Data Request 13 if it had performed a cost  
19 benefit analysis regarding the impact of the Resource Adequacy tariff filing, Mr. Arora  
20 responded in part that Ameren Missouri did not believe the Resource Adequacy tariff filing  
21 would not materially affect the net benefit reflected in the cost-benefit analysis:

22 However, Ameren Missouri does not believe that the MISO Resource  
23 Adequacy Construct (RAC) as filed with the FERC would materially affect

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<sup>4</sup> The CRA 2011 Entergy Study can be found online at  
[http://entergy.com/futurepower/pdf/Evaluation\\_Report.pdf](http://entergy.com/futurepower/pdf/Evaluation_Report.pdf)

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1 the net benefit reflected in the cost-benefit analysis included with my direct  
2 testimony as it is expected to not impact energy prices, and there is no  
3 indication that the price for capacity will be materially changed by the RAC.  
4 Moreover, because the cost-benefit analysis has assumed MISO participation  
5 causes a loss of incremental capacity sales, any increase in capacity prices  
6 arising from the new construct would only serve to further increase the net  
7 benefit of staying within the MISO as Ameren Missouri is long capacity.

8 Q. Do you agree with Ameren Missouri's assessments as relayed in the excerpt  
9 from DR 13 above?

10 A. For the threeyear term of the cost benefit analysis, the assessments are most  
11 probably accurate. However, for periods beyond the three years, information is not available  
12 to analyze the accuracy of the assessments.

13 Q. Based on the responses to the aforementioned Staff Data Requests, has  
14 Ameren Missouri made any adjustments to the 2011 updated inputs presented in Arora Direct  
15 Testimony Schedule AA-1 to account for Entergy's potential membership in MISO?

16 A. Yes, but not very many. Mr. Arora describes an adjustment to the  
17 administrative fee due to Entergy joining MISO beginning on page 5, line 1 of his Direct  
18 Testimony:

19 iv) Administrative Charge Savings: This value represents Ameren Missouri's  
20 current budgeted amount for its share of the administrative costs of operating  
21 the MISO. This amount is calculated assuming the scheduled exit from the  
22 MISO of the First Energy entities, Duke Ohio and Duke Kentucky, and also  
23 assuming the planned entry into the MISO of Entergy in 2014.

24 Q. What is the amount of adjustment to the inputs that would need to be made if  
25 Entergy does not join MISO?

26 A. This question was asked and responded to through Staff Data Request 27 as  
27 follows:

28 If Entergy does not become a member of MISO during the study period, what  
29 adjustments will need to be made to the updated cost-benefit study in Arora  
30 Direct Schedule AA-1 to reflect this event?

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**RESPONSE**

**Prepared By: Ajay**

**K. Arora**

**Title: Director –  
Corporate Planning**

**Date: August 29,  
2011**

1

2

The Administrative Fee savings in 2014 would be increased by approximately \$1 million - thus decreasing the NPV benefit of remaining in MISO by approximately \$700,000.

3

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6

Q. Does Ameren Missouri comment in its responses to Staff Data Requests as to whether the projected savings in administrative fee indicate certainty that Entergy will join MISO?

7

8

A. Yes. Mr. Arora's response to Staff Data Request 29 indicates, in part:

9

10

Ameren Missouri's reduction of the projected savings in administrative fees is not an indication of the certainty that Entergy will join MISO.

11

12

Q. Did Staff issue any Data Requests regarding any additional adjustments to the inputs to the cost benefit study due to Entergy possibly joining MISO?

13

14

A. Yes, Staff did. Staff's Data Request 24 question and Ameren Missouri's response follow:

15

16

17

Were any off-system sales, or capacity sales, to Entergy modeled in the updated 2012-2014 cost-benefit study? If yes, please describe the assumptions used for the addition of Entergy.

**RESPONSE**

**Prepared By: Ajay**

**K. Arora**

**Title: Director –  
Corporate Planning**

**Date: August 29,  
2011**

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No.

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1 Q. Did Staff issue any Data Requests regarding any other possible adjustments to  
2 the updated inputs regarding Entergy?

3 A. Yes, Staff issued Data Request 19:

4 On Page 5, Line 1, Mr. Arora discusses Administrative Charge Savings, and at  
5 Line 4 he says, "also assuming the planned entry into the MISO of Entergy in  
6 2014." What other areas, if any, of the cost-benefit study in Arora Direct  
7 Testimony Schedule AA-1 were adjusted to take into account the "planned  
8 entry into the MISO of Entergy in 2014?"

**RESPONSE**

**Prepared By: Ajay**

**K. Arora**

**Title: Director –**

**Corporate Planning**

**Date: August 19,  
2011**

9  
10 None.

11 Q. Based on the above Staff Data Requests and Ameren Missouri's responses,  
12 what impact does Ameren Missouri expect there to be in the three-year study period from  
13 either the MISO Resource Adequacy tariff filing or the possibility of Entergy joining MISO?

14 A. According to its responses, Ameren Missouri expects very little impact – only  
15 the administrative fee change, and a statement that the inclusion in the study of Entergy is not  
16 an "indication of the certainty that Entergy will join MISO".

17 Q. Does Staff think this limited expected impact regarding potential Entergy  
18 membership in MISO and the Resource Adequacy issue is reasonable?

19 A. For the three-year study period originally intended to support an eighteen-  
20 month or twenty-month extension, yes, the limited impact is reasonable. However, for an  
21 indefinite extension of Ameren Missouri membership in MISO, the limited impact would not  
22 be reasonable. As explained elsewhere in this testimony, Staff recommends Ameren Missouri

1 use a larger study period of up to ten years, especially if it wishes a longer period of  
2 permission of Commission authorization to remain in MISO.

3 **IV. Proper Study Period Length**

4 Q. Does the three-year study period appear to be sufficient in analyzing issues  
5 such as Resource Adequacy and the possible integration of Entergy?

6 A. It may not be. The Entergy and Resource Adequacy issues are examples of  
7 those issues where decisions are being made now but whose impacts may not be felt until  
8 more than three years from now. Further, in terms of looking at what costs can possibly be  
9 avoided by Ameren Missouri potentially ending its membership with MISO, three years does  
10 not appear to be the right period of time. It appears to take approximately one to two years to  
11 terminate MISO membership<sup>5</sup>, thus making it impossible to avoid any costs in approximately  
12 the first two years of a three-year study period.

13 Note that Ameren Missouri's "Motion for Leave to Amend Verified Application to  
14 Extend Permission and Authority for Participation in Regional Transmission Organization",  
15 filed August 10, 2011, implicitly acknowledges this approximate two-year period, as on page  
16 3, paragraph 4 it asks for any motion to end an "Extended Term come two years before the  
17 end of the Extended Term:

18 With respect to whether Ameren Missouri's permission and authority to  
19 participate in the Midwest ISO should be terminated as of the end of any  
20 Extended Term, the Commission on its own motion, or on motion of any party  
21 to this case, in either case made at least two years prior to the end of any  
22 Extended Term (that is, assuming permission continues beyond the Initial  
23 Term), can open a case regarding whether Ameren Missouri's permission and  
24 authority to participate in the Midwest ISO should extend beyond the end of  
25 such Extended Term.

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<sup>5</sup> For example, FirstEnergy announced it would leave MISO on August 24, 2009, and planned to transfer all of its assets to PJM on June 1, 2011, paying an exit fee of approximately \$35M.

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1 If it takes approximately two years to “change course” regarding RTO membership, and the  
2 costs and benefits during that approximate two-year period are going to be incurred no matter  
3 what, so only looking one year beyond that “sunk period” on all issues may not be the most  
4 prudent choice.

5 Q. Can you point to an example of a recent study regarding a utility joining an  
6 RTO that lasts longer than three years?

7 A. Yes, I can. The CRA 2011 Entergy Study regarding Entergy potentially  
8 joining MISO, joining SPP, or remaining an independent company covered a ten year period.<sup>6</sup>

9 Q. What is Staff’s recommendation regarding the proper study period for  
10 determining the prudence of Ameren Missouri’s membership in MISO on a going forward  
11 basis from this case?

12 A. Staff’s recommendation at this time is that there should be a list of long-term  
13 issues identified within the analysis process of determining the best path for Ameren Missouri  
14 going forward. These long-term issues should be quantified as best as possible and should be  
15 useful on a going forward basis when there are more viable choices available to Ameren  
16 Missouri regarding RTO membership; that is, choices with a greater benefit to Ameren  
17 Missouri ratepayers and shareholders. An example of a more viable choice / quality  
18 alternative to Ameren Missouri’s current MISO membership may be when SPP is expected to  
19 have its Day 2 Market established in 2014.

20 For example, if SPP currently had a Day 2 market established and in operation,  
21 analysis may show it is a viable and better alternative to Ameren Missouri’s current

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<sup>6</sup> See slide 2 at <http://www.spp.org/publications/SPP%20Entergy%20CBA%20Summary%20of%20Findings.pdf>. The full CRA study can be found at [http://entergy.com/futurepower/pdf/Evaluation\\_Report.pdf](http://entergy.com/futurepower/pdf/Evaluation_Report.pdf)



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1 membership in MISO. Since it takes approximately two years to “change course” in RTO  
2 membership, the analysis would only provide a one-year comparison between SPP and MISO  
3 since the change would be decided now, but not effectuated until year 3. A longer study  
4 period will provide much more detail about the long-term effects of a prudent decision  
5 regarding RTO membership.

6 Q. Is it proper to only update the information for the 2007 CRA study done  
7 originally in the EO-2008-0134 case over a three-year study period, versus an Independent  
8 Coordinator of Transmission (ICT) alternative<sup>7</sup>, considering the indefinite extension of  
9 permission for Ameren Missouri to remain a member of MISO requested in the Ameren  
10 Missouri’s Amended Application?

11 A. No, it is not. The current analysis is for the MISO alternative in years 2012-  
12 2014 versus an ICT alternative. It is highly unlikely that any future analysis comparing MISO  
13 to the next best alternative for Ameren Missouri, its stockholders, and its ratepayers would be  
14 an analysis comparing MISO to an ICT alternative; thus, Staff cannot support an indefinite  
15 period of Commission permission sought by Ameren Missouri in the Amended Application.  
16 The alternative studied in the present analysis most likely will not be the best case scenario in  
17 the near future, especially assuming the indications that SPP’s Day 2 market will come on line  
18 in 2014.

19 Staff can support an extension of permission for Ameren Missouri to remain a member  
20 of MISO to May 15, 2015 (a three-year extension similar to that in the EO-2008-0134 case).  
21 Staff would support this extension of authority accompanied with a requirement that Ameren  
22 Missouri, before the end of the three-year permission period, perform a full cost-benefit study

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<sup>7</sup> Ameren Missouri would belong to no RTO in an ICT arrangement

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1 such as the 2007 CRA Study in Case No. EO-2008-0134. The full study should include an  
2 analysis regarding MISO and the next best option. Assuming the MISO Resource Adequacy  
3 construct is to some extent in place, the study should begin with the inputs from the planned  
4 2013 Planning Reserve Auction. The study should also include some analysis of the SPP Day  
5 2 market expected to be online in 2014.

6 Q. Even if SPP's Day 2 Market does not come on line by 2014, should there be  
7 analysis completed to determine Ameren Missouri's RTO membership path?

8 A. Yes, there should be more analysis. Cases such as the instant one are about  
9 more than just whether Ameren Missouri is a member of MISO or some other RTO or an  
10 independent transmission entity. They are also about what terms and conditions, if any,  
11 should be placed on Ameren Missouri's participation in such organizations. The question for  
12 this case is not just, "Is MISO a good opportunity for Ameren Missouri and its ratepayers?"  
13 The Commission should also ask, "What is the best opportunity available for Ameren  
14 Missouri and its ratepayers?", and "How can the Commission ensure the proper protections  
15 for both Ameren Missouri stockholders and ratepayers." Although the current MISO  
16 membership option with the Day 2 market is a good option, it is prudent to consider other  
17 options, including whether MISO membership under a different set of terms and conditions  
18 would better protect the interests of ratepayers and stockholders.

19 Staff recommends for the next Commission case regarding Ameren Missouri's RTO  
20 membership options there be a cost benefit analysis with at least a five-year study period, but  
21 no more than the ten years performed in the CRA Entergy study. A five-year study period  
22 would provide at least three years of costs that could be avoided, assuming a withdrawal  
23 process would take two years. It may be entirely possible that approximately three years from

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1 now a better alternative exists for Ameren Missouri because of circumstances that cannot be  
2 foreseen in this case.

3 **V. Changes in the Amended Application**

4 Q. Can you describe the change in the request posed by the Amended Application  
5 and described in brief in Mr. Arora's Direct Testimony?

6 A: Yes, I can. First, Mr. Arora describes, on page 13 of his Direct Testimony,  
7 beginning on line 6, his reasoning for wanting to end a permission extension at the end of a  
8 planning year, not a calendar year:

9 First, I would note that this analysis has been done on a calendar year basis –  
10 consistent with the prior studies. However, the MISO operates on a planning  
11 year basis which runs from June 1 of a given year, through May 31 of the  
12 following year. Auction Revenue Rights ("ARRs") are allocated to market  
13 participants on this planning year basis, as are the associated Financial  
14 Transmission Rights ("FTRs"). Should Ameren Missouri seek to exit the  
15 MISO in the middle of the planning year, the underlying value of these ARR  
16 and FTRs would be impacted, and would represent a disruption to market  
17 participants – including municipal utilities and cooperatives which hold such  
18 rights in the Ameren Missouri region – with currently unknown consequences.  
19 Accordingly, it would be appropriate to extend the Company's participation in  
20 the MISO to coincide with a MISO planning year, in this case to at least May  
21 31, 2015.

22 Similar language is included in the Amended Application, on page 7, paragraph 16,  
23 regarding the propriety of May 31 as the end of a permission period.

24 Q. Does the request to have the permission end at the end of a planning year make  
25 sense?

26 A. Yes, it does. Staff would be supportive of such a change to the end of a  
27 "permission period." However, it is Staff's opinion that analysis can and should begin sooner  
28 than the end of the permission period, taking into account the results of a Planning Resource  
29 Auction intended to set Resource Adequacy requirements.

1 Q. What other changes from the November 2010 Application are described in  
2 brief in Mr. Arora's Direct Testimony and described further in the Amended Application?

3 A. There are significant changes regarding the length of time of the permission  
4 period and who has the responsibility of establishing whether Ameren Missouri's continued  
5 MISO membership would be detrimental to the public interest. Mr. Arora describes these  
6 additional changes in his Direct Testimony beginning on page 13, line 16:

7 Additionally, I believe it would be appropriate for the Commission to consider  
8 transitioning from a process of frequent re-application relating to continued  
9 MISO participation to a process one where the permission to participate  
10 continues until such time as substantial evidence exists that continued  
11 participation would be detrimental to the utility and its customers. It is  
12 Ameren Missouri's opinion that the seven-plus years of participation in the  
13 MISO and the experience gained with the MISO's market have provided  
14 sufficient evidence to provide the Commission, the Staff and other  
15 stakeholders with a level of confidence in the continuation of benefits, absent  
16 a material change in market rules, at which time it may be appropriate for the  
17 Commission to open a proceeding to investigate if our continued participation  
18 in the MISO continues to pose no detriment to the public interest. [footnote  
19 omitted]

20 Paragraph 4, on page 3, of the Amended Application describes who has the  
21 responsibility of establishing, in future cases, whether Ameren Missouri's participation in  
22 MISO would be detrimental to the public interest:

23 4. Under the Amended Application, the default would become continued  
24 Midwest ISO participation instead of the default being a short, fixed term of  
25 participation that requires repeated cases even where no event has occurred  
26 that materially impacts the question of whether participation in the Midwest  
27 ISO would be detrimental to the public interest. However, so that material  
28 changes that might impact that question can be addressed, the Amended  
29 Application reflects a process whereby commencing January 1, 2013, but in  
30 no event later than June 1, 2013, the Commission on its own motion, or on  
31 motion of any party to this case, can open a case regarding whether Ameren  
32 Missouri's permission and authority to participate in the Midwest ISO should  
33 extend beyond May 31, 2015. Thus, the relief requested in the Amended  
34 Application provides a mechanism to terminate the permission and authority  
35 by a date certain, if it is determined that continued participation beyond that  
36 date would be detrimental to the public interest. With respect to whether  
37 Ameren Missouri's permission and authority to participate in the Midwest

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1 ISO should be terminated as of the end of any Extended Term, the  
2 Commission on its own motion, or on motion of any party to this case, in  
3 either case made at least two years prior to the end of any Extended Term  
4 (that is, assuming permission continues beyond the Initial Term), can open a  
5 case regarding whether Ameren Missouri's permission and authority to  
6 participate in the Midwest ISO should extend beyond the end of such  
7 Extended Term.

8 Q. What is the approval standard of the current case, under the terms of the EO-  
9 2008-0134 Stipulation and Agreement?

10 A. From page 8 of the EO-2008-0134 Stipulation and Agreement:

11 14. Approval/Term. The Signatories agree that the MoPSC should  
12 conditionally approve, on an interim basis, AmerenUE's continued RTO  
13 participation in the Midwest ISO substantially as described in AmerenUE's  
14 filing dated November 1, 2007 on the basis of finding that, subject to the  
15 conditions and modifications set forth below, *said participation is not*  
16 *detrimental to the public interest.* [italics added]

17 Q. Can you explain the differences between the language in the EO-2008-0134  
18 Stipulation and Agreement and in Mr. Arora's Direct Testimony?

19 A. Yes, I can. My Counsel will discuss the legal issues, but it is my  
20 understanding that in the EO-2008-0134 Stipulation and Agreement language, Ameren  
21 Missouri has the responsibility of establishing that Ameren Missouri continuing in MISO  
22 would not be detrimental to the public interest. In the Amended Application, parties other  
23 than Ameren Missouri have the responsibility of establishing that Ameren Missouri  
24 continuing in MISO would be detrimental to the public interest.

25 Q. Why does this change matter?

26 A. It matters for several reasons. First, Ameren Missouri is the party that  
27 possesses the information about Ameren Missouri. In order for an entity other than Ameren  
28 Missouri to put forth a case regarding Ameren Missouri's continued MISO membership, it  
29 will have to go through the long, arduous, and potentially expensive task of extracting data

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1 and information from Ameren Missouri and MISO. This may require the entity to hire  
2 outside consultants in order to view highly confidential data. Additionally, that entity will  
3 have to go through the effort of developing a full model of Ameren Missouri's activities in the  
4 MISO system.

5 Most importantly, however, the case would not be about the best choice in terms of  
6 RTO membership, or the proper terms and conditions to allow the Commission information to  
7 balance the interests of Ameren Missouri shareholders and ratepayers. Instead, the case  
8 would be about whether a continued action would be harmful. That is, neither the process for  
9 considering the terms and conditions of Ameren Missouri's continued participation in MISO,  
10 nor the process for selecting the optimal RTO / ISO membership option for Ameren Missouri,  
11 are discussed in the Amended Application.

12 Instead of relying on a 2007 model that has been combined with 2010 and later 2011  
13 inputs to determine whether a longer extension is appropriate, Staff recommends Ameren  
14 Missouri utilize an outside expert to construct a full study similar to what was done in the EO-  
15 2008-0134 case. This will allow Ameren Missouri, and the Commission, to analyze the best  
16 RTO option and what should be the terms and conditions of Ameren Missouri's RTO / ISO  
17 membership.

18 Q. Other than the change to the duration of permission to remain a MISO member  
19 and the change to responsibility for establishing whether Ameren Missouri's continuing in  
20 MISO would be detrimental to the public interest, are there other changes from the EO-2008-  
21 0134 Stipulation and Agreement to the Amended Application?

22 A. Yes, there are. In the Amended Application there is no "Withdrawal"  
23 paragraph (paragraph 20 in the 2008 Stipulation) defining how far in advance the Commission

1 must issue an order for Ameren Missouri to get out of MISO. There is also no language in the  
2 Amended Application related to Article Five of the Service Agreement which outlines the  
3 procedure for giving notice to MISO regarding intent to withdraw from MISO.

4 The Amended Application contains no language requiring the term of MISO  
5 membership for Ameren Missouri to be “interim and conditional”, as is discussed in  
6 paragraph 14 of the 2008 Stipulation and Agreement. Further, the 2008 Stipulation and  
7 Agreement notes that Ameren Missouri is engaged in discussions to mitigate risks, and will  
8 report back to stakeholders (paragraph 15, 2008 Stipulation and Agreement). The terms in the  
9 Amended Application make no such proposal.

10 Additionally, Paragraph 16 of the 2008 Stipulation and Agreement, entitled  
11 “Continued Participation”, sets out that Ameren Missouri (then “AmerenUE”) would work  
12 with parties regarding “methodology, inputs, outputs, and other features” regarding the Actual  
13 Analysis. Further in Paragraph 16, Ameren Missouri (then “AmerenUE”) agrees that parties  
14 “will be given meaningful and substantial access to data.” No such commitments are made in  
15 the Amended Application.

16 While Staff does not support the granting of the seemingly indefinite extension of  
17 Ameren Missouri participation in MISO on the terms set out in the Amended Application, if  
18 such an extension is granted, Staff would recommend all parties have the access to data  
19 necessary to judge whether such continued membership is detrimental to the ratepayers and  
20 shareholders.

21 **VI. Ameren Transmission Company (“ATX”)**

22 Q. Do you know whether, in the legal opinion of Staff Counsel’s Office, Ameren  
23 Missouri affiliates, including Ameren Transmission Company (“ATX”), need a Commission

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1 Certificate of Convenience and Necessity (CCN) in order to construct, own, and operate  
2 certain transmission facilities in the state of Missouri?

3 A. It is my understanding that it is Staff Counsel's Office's legal opinion that  
4 Ameren Missouri affiliates, including ATX, would need a CCN (as described in RSMo  
5 393.170 and 390.190.1) to construct, own, and operate certain transmission facilities in  
6 Missouri.

7 Q. Has there been any significant federal activity regarding Ameren Missouri  
8 transmission affiliates, including ATX, since the Stipulation and Agreement in Case No. EO-  
9 2008-0134?

10 A. Yes. In FERC Docket No. EL10-80, "Filing for Petition for Declaratory Order  
11 for Incentive Rate Treatment" (regarding the four "Grand Rivers" transmission projects in  
12 Southern Illinois), Ameren Services states:

13 [T]hat ATX and its transmission-owning subsidiaries will join Midwest ISO  
14 as transmission owner members and thereby recover their transmission  
15 revenue requirements under the tariff, similar to their affiliates, the Ameren  
16 Operating Companies.

17 In its "Order on Transmission Rate Incentives" issued May 19, 2011, in FERC Docket  
18 No. EL10-80, FERC included ATX in the list of Ameren affiliates meeting the criteria for  
19 receiving transmission incentives<sup>8</sup>.

20 Q. Does Staff consider the inclusion of ATX in FERC Docket No. EL10-80,  
21 which occurred since the Stipulation and Agreement was filed in Case No. EO-2008-0134, to  
22 be an event significant to the Commission's consideration of: 1) Ameren Missouri's  
23 continued participation in MISO; 2) transmission that may be intended to be constructed in

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<sup>8</sup> See paragraph 77 of the FERC's Docket No. EL10-80 "Order on Transmission Rate Incentives."



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1 the future by Ameren affiliates; and 3) transmission currently owned and operated by Ameren  
2 Missouri.

3 A. Yes. As a consequence, Staff recommends that the Commission, in essence,  
4 condition continued approval for Ameren Missouri to remain in MISO to Ameren Missouri  
5 agreeing in this case to the Commission application of any existing terms and conditions in  
6 this case regarding Ameren Missouri as a transmission constructor, owner, or operator to any  
7 existing or future Ameren Missouri affiliates, including ATX, to which are transferred any  
8 right to construct, own, and/or operate transmission. Existing terms and conditions would  
9 include those contained in Section 5.3 of the Service Agreement, originally attached as  
10 "Attachment A" to the EO-2003-0271 Stipulation and Agreement:

11 Section 5.3 GridAmerica LLC and the Midwest ISO will review the Resource  
12 Plans of AmerenUE in accordance with the applicable agreements, planning  
13 protocols and guidelines and will inform AmerenUE regarding new  
14 transmission facilities or enhancements to existing transmission facilities  
15 (collectively, "Transmission Upgrades"), if any, that are needed to support the  
16 AmerenUE Resource Plans and other requirements for new transmission and  
17 the timetable for any such Transmission Upgrades. AmerenUE shall be  
18 required to obtain the approval of the MoPSC prior to AmerenUE undertaking  
19 the construction of Transmission Upgrades in Missouri if the Transmission  
20 Upgrades are not required to support AmerenUE's specific Resource Plans but  
21 rather result from other Transmission Upgrade requirements.

22 Further, many of the transmission assets currently owned and operated by Ameren  
23 Missouri have been paid for, in whole or in part, by Ameren Missouri ratepayers under the  
24 terms and conditions set out in the Stipulations and Agreements in Case Nos. EO-2003-0271  
25 and EO-2008-0134. If Ameren Missouri attempts to transfer its current transmission assets to  
26 an Ameren affiliate, Staff would recommend the existing terms and conditions attached to  
27 those assets continue as if they were owned by Ameren Missouri.

28 Q. Is it a possibility that ATX would construct lines in the Ameren Missouri  
29 region?

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1           A.     Yes, it is, as described by Ameren Missouri in response to Staff Data Request

2     7:

3           Please explain the analysis process that would be gone through for projects to  
4           be categorized or distinguished as: A) “for purposes of maintaining reliable  
5           service to Ameren Missouri’s customers,” rather than or from, B) Multi-Value  
6           Projects, Regionally Beneficial Projects, or projects designed to interconnect  
7           and integrate new generation resources. Question 2 What considerations  
8           would be taken into account? Question 3 Describe the analysis process that  
9           would be gone through in terms of deciding whether Ameren Missouri or  
10          ATX would build: A) a RECB I Project; B) a RECB II project; C) an MVP  
11          project. Question 4 What entity would go through the particular analysis  
12          process: A) Ameren Missouri, B) Ameren Corp., C) ATX, or D) would it be a  
13          collaboration of these or other entities? Question 5 Would any of the Ameren  
14          Corp. affiliates file or make the Commission/Staff aware of the analysis  
15          process or decision result?

16          Response:

17          With respect to the first and second questions, MISO conducts the analysis  
18          process. See the MISO tariff and the MISO Transmission Expansion Plan  
19          process documents issued by MISO;

20          With respect to the third and fourth questions, Ameren Missouri has already  
21          made the decision that it will only build transmission projects needed to  
22          maintain reliable service to its load as well as building transmission facilities  
23          needed to connect Ameren Missouri generation to the transmission grid. This  
24          decision was made in recognition of the fact that Ameren Missouri has limited  
25          capital to invest in its generation and energy delivery operations, and that it  
26          must focus those investments on those needed to maintain reliable service  
27          rather than on regional transmission projects.

28          With respect to the fifth question, Ameren Missouri has already informed the  
29          Commissioners and Staff of the process. (See the response to the third and  
30          fourth questions above.) Ameren Missouri is willing to inform the  
31          Commission as to which transmission projects will be constructed by an entity  
32          other than Ameren Missouri.

33          The full question and answer to Staff Data Request 7 is included as Schedule ACM-7.

34          Q.     Are there any additional reasons for wanting these terms and conditions  
35          transferred to Ameren Missouri affiliates, including ATX, in this instant case?

1           A.     The Ameren Missouri responses to Staff Data Requests 2, 4, 6, 8 and 12  
2 demonstrate the difficulty that the Commission, Staff, and other parties will most likely  
3 encounter in obtaining information from Ameren Missouri affiliates rather than from Ameren  
4 Missouri if Ameren affiliates such as ATX construct, own, and/or operate transmission rather  
5 than Ameren Missouri. These Staff Data Requests and Ameren Missouri Responses are  
6 attached as Schedule ACM-8.

7           Staff and other parties have made it clear to Ameren Missouri throughout this case that  
8 they consider the Ameren Missouri plans for ATX a matter of considerable interest and  
9 concern. Ameren Missouri has not addressed its plans for ATX in its filings in this case and  
10 has indicated in its responses to Staff Data Requests regarding ATX and, for example MISO,  
11 and the Commission's affiliate transaction rules, matters not relevant to any issue in this case,  
12 not reasonably calculated to lead to the discovery of admissible evidence, beyond the proper  
13 scope of discovery, and seeking information that is protected from disclosure.

#### 14 **VII. Commission Questions and Responses**

15           Q.     Has Staff prepared a response to the "Order Directing the Commission's Staff  
16 to Respond to the Questions from the Commission in its Prefiled Testimony", filed by the  
17 Commission on August 23, 2011?

18           A.     Yes, Staff has. The seventeen Commission questions and Staff's responses are  
19 as follows:

20 **1. Do you interpret the July 2011 MISO FERC filing on "resource adequacy" as having**  
21 **any prerequisites or qualifications that must be met before a utility can opt-out or self-**  
22 **schedule, or is it too early to tell?**  
23

24 It appears there are some prerequisites or qualifications assuming the July 2011 MISO FERC  
25 tariff filing<sup>9</sup> goes into effect as proposed. It is always possible that FERC will order changes

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<sup>9</sup> Found at the MISO website, <https://www.midwestiso.org/Library/Repository/Tariff/FERC%20Filings/2011-07-20%20Docket%20No.%20ER11-4081-000.pdf>, FERC Docket No. ER11-4081

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1 to the MISO Resource Adequacy tariff filing via an order requiring a compliance filing, so it  
2 is too early to know for sure.

3  
4 (a) As it is currently with MISO's Module E Resource Adequacy process, resources will have  
5 to qualify through Module E of MISO's tariff in order to contribute capacity credits towards  
6 meeting a utility's "resource adequacy" requirement.

7  
8 (b) In the Resource Adequacy tariff filing as filed at FERC in July 2011, as long as a utility  
9 has enough capacity credits over the planning year from resources that qualify via Module E  
10 either through ownership or existing contract, that utility should be able to opt out of the  
11 existing auction without any concern. Opting out allows a utility to partially or completely to  
12 remove itself from the Planning Resource Auction ("PRA"), with some qualifications, as  
13 discussed below.

14  
15 Note that in order to fully or partially opt out of the auction, the Load Serving Entity ("LSE")  
16 must submit a "Fixed Resource Adequacy Plan" ("FRAP") by the 7<sup>th</sup> business day of March  
17 (Tariff filing, 69A.9). Proposed Section 69A.9.a. requires that a FRAP:

18  
19 The FRAP must include the LSE's forecasted Coincident Peak Demand for an  
20 LRZ [Local Resource Zone] for a Planning Year and also identify the ZRCs  
21 [Zonal Resource Credits] that the LSE owns, or has contractual rights to, in  
22 order to provide Planning Resources to meet its total PRMR [Planning Reserve  
23 Margin Requirement] and also its load ratio share of the LCR [Local Clearing  
24 Requirement] for each LRZ.

25  
26 A full description of opting out, plus the possibility of having to pay even if you opt out of the  
27 auction, is quoted below from the MISO tariff filing cover letter, beginning on page 13:

28  
29 **Opt Out Procedures:**

30  
31 Load Serving Entities will be able to submit a Fixed Resource Adequacy Plan  
32 to MISO to demonstrate that the LSE has sufficient Zonal Resource Credits to  
33 meet all or a portion of its Planning Reserve Margin Requirement for the Local  
34 Resource Zone. An LSE with a Fixed Resource Adequacy Plan that fully  
35 covers the LSE's Planning Reserve Margin Requirement for a Local Resource  
36 Zone will be able to opt out of the Planning Resource Auction for such  
37 Planning Year for such Local Resource Zone. The effect of this is that: (1) the  
38 LSE will not have an obligation to make Zonal Resource Credit Offers into the  
39 Planning Resource Auction for such Planning Year for the identified Planning  
40 Resources; and (2) the LSE will not have an obligation to pay the Auction  
41 Clearing Price for a Local Resource Zone for the LSE's Load within such  
42 Local Resource Zone. Such LSE will, however, be able to make Zonal  
43 Resource Credit Offers into the Planning Resource Auction for any Zonal  
44 Resource Credits that are in excess of the LSE's Planning Reserve Margin  
45 Requirement for a Local Resource Zone.

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1 If an LSE designates Zonal Resource Credits in its Fixed Resource Adequacy  
2 Plan that are not physically located in a Local Resource Zone to meet its  
3 Planning Reserve Margin Requirement for a Local Resource Zone, then the  
4 LSE may be subject to a Zonal Deliverability Charge. A Zonal Deliverability  
5 Charge will be based upon the difference in Auction Clearing Prices between  
6 the Local Resource Zone where an LSE has Demand that is not met by Zonal  
7 Resource Credits physically located in the Local Resource Zone, and the  
8 Auction Clearing Price of the Local Resource Zone where the LSE's Zonal  
9 Resource Credits are located, times the number of MWs of Zonal Resource  
10 Credits that are not subject to a Grandmother Agreement pursuant to proposed  
11 Section 69A.7.7(a). [footnotes omitted]

12  
13 "Opting out" gives an LSE the ability to remove itself from a PRA, but does not necessarily  
14 mean that the LSE will owe no charges related to the auction or meeting the LSE's Resource  
15 Adequacy requirement. As described in the last paragraph above, if the LSE "has Demand  
16 that is not met by Zonal Resource Credits physically located in the Local Resource Zone,"  
17 they could be subject to "Zonal Deliverability Charges" (ZDC).

18  
19 (c) Self scheduling<sup>10</sup>, in the proposed tariff filing, means the utility is still participating in the  
20 auction process, but essentially buying capacity credits from its own resources back from  
21 itself at the same price the capacity credits were offered in at, thus having no net payment to  
22 the auction for those credits. The tariff filing reads as an LSE being able to either partially or  
23 fully self schedule. In this process, the utility is able to offer capacity credits from its  
24 resources (either owned or via contract) at essentially a zero price, ensuring they will be  
25 chosen.

26  
27 Going forward, it is possible that new generation will be subject to the Minimum Offer Price  
28 Rule ("MOPR"), where it is possible that the MISO Independent Market Monitor ("IMM")  
29 will be able to mitigate an essentially zero price bid entered by an LSE for its own resources.  
30 This could lead to the problematic situation where customers will pay twice for capacity  
31 within the auction: first, for a (probably generation) resource prudently (as determined by a  
32 state utility commission) constructed by an LSE and paid for by its ratepayers; and second, for  
33 capacity from a different resource in order to meet the MISO Module E Resource Adequacy  
34 requirement.

35  
36 **2. If participation in the MISO "resource adequacy" market is "voluntary" in the sense**  
37 **that Ameren Missouri can self-schedule or "opt out," does staff recommend that**  
38 **Ameren's continued participation in MISO be made contingent on the Commission**  
39 **approving Ameren Missouri's voluntary participation in the MISO "resource**  
40 **adequacy" market or should Ameren Missouri be required to self-schedule or "opt**  
41 **out"?**

42  

---

<sup>10</sup> "Self schedule" is defined in the proposed tariff filing as "The designation by a Market Participant of a specific amount of Energy and/or Operating Reserve and/or capacity to be supplied from a specific Resource or Planning Resource as a Price Taker." Definition number 1.600.

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1 Staff is supportive of the recommendation in this question – that Ameren Missouri’s  
2 continued participation in MISO be made contingent on the Commission’s approving Ameren  
3 Missouri’s voluntary participation in the MISO “resource adequacy” market.

4  
5 Ameren Missouri has stated in a response to Staff Data Request 14 that it will be able to self  
6 schedule or opt out of the PRA during the three-year planning period. It would seem that the  
7 reasonable thing to do, as the auction is currently designed in the July 2011 MISO Tariff  
8 Filing, is for Ameren Missouri to opt out of the auction if it is capable, as participating in the  
9 auction could expose Ameren Missouri ratepayers and stockholders to unnecessary risks.  
10 Staff recommends that if Ameren Missouri is able to opt out of the Planning Resource  
11 Auction process and does not, that Ameren Missouri be required to file with the Commission  
12 explaining why Ameren Missouri did not opt-out.

13  
14 Staff Data Request 14 and Ameren Missouri’s response is included as Schedule ACM-9.

15  
16 **3. If the Commission cannot make Ameren Missouri’s continued participation in MISO**  
17 **contingent on this Commission approving Ameren Missouri’s voluntary participation in**  
18 **the MISO “resource adequacy” market or Ameren Missouri being required to self-**  
19 **schedule or “opt out” of said “resource adequacy” market, how does this affect Ameren**  
20 **Missouri’s integrated resource planning (“IRP”) process? How can this Commission be**  
21 **assured that Ameren Missouri will continue to use a 20-year planning horizon as**  
22 **prescribed in 4 CSR 240-22.030 as opposed to the one-year, the originally proposed**  
23 **three-year market or whatever else FERC might order MISO to construct?**

24  
25 If the Commission cannot make Ameren Missouri’s continued participation contingent as  
26 described above, it would introduce some uncertainty regarding the resource planning  
27 process. Staff expects the Commission to retain full jurisdiction and control over the resource  
28 planning process described in Chapter 22, included requiring Ameren Missouri to use a 20-  
29 year planning horizon.

30  
31 Depending on the final Resource Adequacy construct design, it may be more difficult to  
32 determine the preferred plan going forward in the resource planning process. The possibility  
33 of future ZDCs being applied to resources located outside Ameren Missouri’s LRZ in the  
34 process of meeting the annual resource adequacy requirement introduces a new uncertainty to  
35 the siting of future generation resources, and may even make demand-side resources more  
36 preferable.

37  
38 Introducing even more volatility is the fact that the LRZs are not set out in the July 2011  
39 MISO Resource Adequacy tariff filing, so predicting the outcomes of future auctions, and  
40 possible ZDCs, is nigh impossible at this point.

41  
42 **4. If MISO is unable to quantify the amount of construction or cost it will take to**  
43 **integrate Entergy in to the MISO system, how can this Commission make a**  
44 **determination that Ameren Missouri remaining a member of MISO is not detrimental**  
45 **to the public interest?**

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1 Regarding the time in the three-year planning horizon of the Ameren Missouri cost benefit  
2 study, it does become more difficult to make the determination of whether Ameren Missouri  
3 “remaining a member of MISO is not detrimental to the public interest” regarding cost related  
4 to integrating Entergy into MISO, especially if those costs are incurred outside of the three-  
5 year planning horizon. It is for this reason that Staff recommends in its testimony expanding  
6 the planning horizon to a 5-10-year period.

7  
8 Key to analysis of this sort is what charges regarding Entergy integration are possibly  
9 avoidable through Ameren Missouri potentially ending its MISO membership. If Ameren  
10 Missouri will have to pay Entergy integration charges even if it leaves MISO at a certain date,  
11 those charges would be “sunk”, in terms of being unavoidable.

12  
13 However, if the charges can be avoided by Ameren Missouri by leaving MISO, they should  
14 be deemed as additional costs to remaining in MISO, or a benefit to the best alternative to  
15 continued MISO membership.

16  
17 In a “back of the envelope” analysis regarding the impact of the costs of integrating Entergy  
18 into MISO on continued Ameren Missouri membership in MISO, one would have to assume  
19 Ameren Missouri’s portion of the costs of integrating Entergy into MISO would be greater  
20 than the current net benefit of Ameren Missouri remaining in MISO in order to determine that  
21 Ameren Missouri remaining in MISO is detrimental to the public interest.

22  
23 The Commission itself has advocated regarding the costs of integrating Entergy in MISO in  
24 FERC Docket No. ER11-3728, the cost allocation waiver MISO has filed regarding the  
25 integration of MISO. This case is still pending at FERC.

26  
27 Staff recommends the Commission consider the potential costs of integrating Entergy into  
28 MISO, but at this point in time Staff does not recommend terminating permission regarding  
29 Ameren Missouri’s membership in MISO due to those potential costs. Staff does recommend  
30 a longer study period in the next evaluation regarding Ameren Missouri’s continued  
31 membership in MISO in order to capture more of the costs of integrating Entergy to see if  
32 those costs substantially impact the cost benefit analysis.

33  
34 **5. If MISO and Ameren Missouri state that there are no construction costs associated**  
35 **with integrating Entergy into MISO, what is the likelihood that they will be able to**  
36 **operate a single “consolidated system” as appears to be contemplated in the economic**  
37 **modeling? What is the Commission Staff’s opinion as to whether operating a**  
38 **“hypothetical” integrated system or two “stand alone” systems will produce the same**  
39 **benefits as the consolidated system that has been used in the economic models? If**  
40 **possible, please identify and quantify any differences.**

41  
42 Staff notes the report titled “An Evaluation of the Alternative Transmission Arrangements  
43 Available to the Entergy Operating Companies and Support for Proposal to Join MISO” filed  
44 by Entergy Arkansas, Inc. before the Arkansas Public Service Commission on May 12, 2011

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1 in Docket No. 10-011-U<sup>11</sup> (“CRA 2011 Entergy Study”), regarding Entergy’s possible  
2 integration into MISO does assume a “consolidated balancing authority”, as described below:  
3

4 Having a single MISO-footprint-wide Balancing Area with a single ACE will  
5 decrease the total amount of regulating reserves required versus separate MISO  
6 and Entergy Balancing Areas. [from page TA-23]  
7

8 Staff is currently unaware of the specific transmission lines or other projects involving a  
9 “construction cost”, or the quantity of such costs, necessary to “integrate” Entergy Arkansas,  
10 or the entire Entergy footprint, successfully into the existing MISO footprint.  
11

12 Staff is evaluating the results of the CRA 2011 Entergy Study, and at this point, has found no  
13 portion of that cost study to state what portion of the benefits, if any, of Entergy joining MISO  
14 or SPP is specifically predicated on portions or all of the Entergy footprint being included in a  
15 single consolidated balancing authority with the existing MISO footprint. It appears the study  
16 just assumes the existence of the consolidated balancing authority, and that allows certain  
17 costs to be lessened, such as regulation services (an instantaneous balancing of supply and  
18 demand within the control area by the balancing authority, often caused by having generation  
19 plants producing slightly more or slightly less energy).  
20

21 Staff’s opinion is that there is benefit to operating a consolidated balancing authority versus  
22 separate balancing authorities. Some of the benefits of SPP’s Day 2 Marketplace are  
23 predicated upon moving toward a consolidated balancing authority. Therefore, Staff would  
24 assume that if the Entergy system and the existing MISO footprint are not properly integrated  
25 to the extent where they can operate as a consolidated balancing authority, the benefit of  
26 Entergy joining MISO would be decreased.  
27

28 A more thorough study would be necessary in order to answer this question regarding the  
29 quantification of how much less benefit there would be of Entergy joining MISO without a  
30 consolidated balancing authority.  
31

32 **6. It has been estimated that it may cost as much as \$100 million to integrate Entergy**  
33 **into the MISO system, whose ratepayers will pay those costs? Will those costs be paid by**  
34 **Entergy’s customers, all of MISO’s customers or some combination?**  
35

36 The \$100 million estimate came from page 25 of the CRA 2011 Entergy Study:  
37

38 The expected transition and implementation costs are roughly estimated to be  
39 approximately \$100 million, most of which will be spent in late 2012 and  
40 2013. It is expected that costs will be incurred to obtain the necessary  
41 regulatory approvals, to revise or implement commercial and legal agreements,  
42 to integrate transmission and generation facilities, to acquire hardware and  
43 software (including metering) systems, to effectuate back-office accounting  
44 and settlements, and to build out needed communications infrastructure.  
45

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<sup>11</sup> Found online at [http://www.apscservices.info/pdf/10/10-011-u\\_367\\_1.pdf](http://www.apscservices.info/pdf/10/10-011-u_367_1.pdf)



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1 In terms of “transition and implementation costs” related to integrating Entergy into the MISO  
2 footprint, Staff would assume those costs will be borne by all members of the MISO footprint  
3 through a potential increase in the MISO “administrative fee”.  
4

5 It is possible that existing members of the MISO footprint may see no net increase in the  
6 administrative fee due to the integration of Entergy into MISO, as the total administrative  
7 costs will be spread out over more members. Ameren Missouri estimates an increase in its  
8 administrative fee in 2014, as detailed in the response to Staff Data Request 27:  
9

10 If Entergy does not become a member of MISO during the study period, what  
11 adjustments will need to be made to the updated cost-benefit study in Arora  
12 Direct Schedule AA-1 to reflect this event?  
13

**RESPONSE**

**Prepared By: Ajay**

**K. Arora**

**Title: Director –**

**Corporate Planning**

**Date: August 29,  
2011**

14 The Administrative Fee savings in 2014 would be increased by approximately  
15 \$1 million - thus decreasing the NPV benefit of remaining in MISO by  
16 approximately \$700,000.  
17  
18

19 Staff Data Request 27 and Ameren Missouri’s response are Schedule ACM-5.  
20

21 Staff would expect the monies spent to integrate MISO, as described above, to be incurred by  
22 both existing MISO members and Entergy.  
23

24 **7. Ameren Missouri is currently performing a generation interconnection study for**  
25 **MISO in regard to Clean Line Energy’s proposed “Grain Belt Express” transmission**  
26 **line. Can the PSC staff analyze Ameren Missouri’s study and determine whether**  
27 **Missouri customers will receive a net benefit due to cheaper electricity being made**  
28 **available or a net detriment to Ameren Missouri due to decreased off-system sales**  
29 **margins as well as sales from this transmission project as it was proposed by Clean Line**  
30 **Energy Partners as of July 1, 2011? If the answer is unknown, how can this Commission**  
31 **determine that Ameren Missouri’s continued membership in MISO is not detrimental to**  
32 **the public interest?**  
33

34 As of September 12, 2011, Staff has not obtained a copy of the generation interconnection  
35 study referenced in the question, despite inquiries to Ameren Missouri. Staff has a pending  
36 data request to Ameren Missouri and is awaiting a response.  
37

38 Generator interconnection studies traditionally look at the transmission upgrades projects  
39 necessary to properly integrate the amount of energy delivered by a generator (or generators

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1 at the other end of a DC line, as in the Clean Line example). Typically such studies do not  
2 evaluate Locational Marginal Prices (LMPs) to be able to accurately tell whether Ameren  
3 Missouri customers “will receive a net benefit due to cheaper electricity being available or a  
4 net detriment due to decreased off-system sales margins”.

5  
6 It appears that Clean Line’s current plan, as described in the August 30, 2011 Commission  
7 Agenda session, is to deliver a majority of the energy to the PJM footprint. This is also  
8 described in the letter sent from Clean Line to SPP, as excerpted below:

9  
10 You’ve probably gotten word by now after our announcement to the Missouri  
11 PSC, but we wanted to let you know of a change in the Grain Belt Express  
12 project. Preliminary interconnection studies underway by the Midwest ISO  
13 suggest the St. Francois substation and surrounding system in Missouri are not  
14 capable of absorbing the full capacity of the Grain Belt Express Clean Line.  
15 As a result, Clean Line is exploring the possibility of delivering a portion of  
16 the energy to a point in Missouri and the rest to a point farther east (i.e., a  
17 multi-terminal configuration).

18  
19 For the second point of interconnection, Clean Line is considering 765kV  
20 substations within PJM. We have submitted an interconnection request for  
21 3500MW at the AEP Sullivan substation. We are encouraged by advances in  
22 HVDC technology, which would make this possible, and we believe this  
23 configuration will increase the benefits of the Grain Belt Express Clean Line to  
24 the entire project footprint.

25  
26 A copy of the complete document is attached as Schedule ACM-10. It appears this change of  
27 plans was due to the cost of integrating the energy from the Clean Line DC Transmission line  
28 into the MISO footprint in or around southeastern Missouri.

29  
30 Staff suggests that this may be less of an issue than before, and does not expect it to cause the  
31 net benefit of Ameren Missouri being in MISO over the three-year study period to become  
32 negative.

33  
34 **8. How would the PSC Staff characterize MISO’s response to question 10(a) in the**  
35 **Commission’s June 1, 2011 Order Directing the Parties to Answer Certain Questions?**  
36 **Please provide an answer to this question that includes one of the following terms:**

- 37  
38 a. Yes  
39 b. No  
40 c. Maybe  
41 d. I don’t know  
42

43 Staff’s interpretation of the MISO answer to that question is “no”. MISO’s answer appears to  
44 be that Joint Operating Agreements (JOA) would not be the way to determine if compensation  
45 is due to use of other company’s facilities through “transmission service by a JOA party that  
46 affects neighboring transmission systems”, and then the question remains to parallel flows.

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1 **9. Assuming the estimated cost of the “Michigan Thumb Loop Expansion” is \$510**  
2 **million and the annual revenue requirement is \$138,619,918 pursuant to MISO’s answer**  
3 **to question 12(b) on page 8 of their response dated June 16, 2011, what will be the**  
4 **present value of total cost of the project to Missouri ratepayers?**  
5

6 Staff has asked MISO for assistance and information regarding how these numbers were  
7 calculated, and that request is still pending. It is difficult at best to answer the question  
8 without knowing additional information regarding how MISO calculated the annual revenue  
9 requirement.

10  
11 Staff would need the following information in order to properly calculate the number: (1)  
12 annual revenue requirement to Missouri ratepayers associated with the project, which will at  
13 the very least include cash flow collected for allowed Rate of Return and depreciation, but  
14 may include other operational expenditures associated with maintaining the system (2) cost of  
15 capital if allowed Rate of Return is set higher than the cost of capital; (3) the number of years  
16 Missouri ratepayers will be charged the revenue requirement associated with the project; and  
17 (4) final period cash flow if different from annual cash flows.

18  
19 Once Staff receives this information, Staff will file a response to this question.  
20

21 **10. In MISO’s answer to question 12(b) filed on page 8 of their response dated June 16,**  
22 **2011, how is the “rate of approximately 0.25 cents/kWh” calculated?**  
23

24 Staff has asked MISO for assistance and information regarding how these numbers were  
25 calculated, and that request is still pending. Once Staff receives this information, Staff will  
26 file a response to this question  
27

28 **11. In MISO’s answer to question 12(b) in their response dated June 16, 2011, is 7**  
29 **percent of the actual revenue requirement the correct annual estimated charge for**  
30 **Ameren Missouri? Does this estimate assume First Energy as a member of PJM?**  
31

32 Staff believes the answer is yes – similar 7% estimates have been prepared by MISO in other  
33 venues such as assuming First Energy is no longer a member of MISO, but that Duke Energy  
34 still is a member. Staff is awaiting confirmation of this fact from MISO. Once Staff receives  
35 this information, Staff will file a response to this question  
36

37 **12. In a previous case on this issue, File No. EO-2008-0134, Ameren provided a CRA**  
38 **International Study. In this case, Ameren Missouri provided a one-page table identified**  
39 **as “Attachment A” to their verified application. Can the PSC Staff investigate to see if a**  
40 **similar study was prepared in this case and provided the Commission with a detailed**  
41 **analysis of “Attachment A” to Ameren Missouri’s verified application along with any**  
42 **associated work papers of Ameren Missouri or MISO and provide a written analysis of**  
43 **the claims contained therein?**  
44

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1 Staff is unaware of any “similar” study to that prepared in EO-2008-0134 prepared for this  
2 case, in terms of a full study. In the instant case, Ameren Missouri described its process as  
3 using updated inputs for the CRA Study performed in EO-2008-0134.  
4

5 Ameren Missouri did provide work papers to Staff regarding the updated inputs, and they are  
6 attached to the testimony as Schedule ACM-11. These work papers are excel files, and are  
7 highly confidential in their entirety.  
8

9 At this time, Staff does not have any additional analysis regarding the claims in the updated  
10 inputs to the CRA Study provided by Mr. Arora in his Direct Testimony filed on July 29,  
11 2011, with the work papers provided just after that date. Staff would submit that the  
12 timeframe set up in the 2008 Stipulation and Agreement gives more time to evaluate inputs  
13 and study materials than the time between Direct Testimony and Rebuttal Testimony in this  
14 case. Staff was not advised that Ameren Missouri intended to update its cost benefit analysis,  
15 as shown in Mr. Arora’s Direct Testimony Schedule AA-1.  
16

17 Staff has submitted Data Request 46 on this issue as follows, but has not yet received a  
18 response.  
19

20 Was there a study performed for this case, EO-2011-0128, similar to the CRA  
21 International Study performed for AmerenUE for Case No. EO-2008-0134? If  
22 so, please provide a copy and related work papers.  
23

24 Once Staff receives this information, Staff will file a response to this question  
25

26 **13. Contact the Wisconsin Public Service Commission and WPPI, Inc. and provide an**  
27 **opinion as to the veracity, truthfulness, and completeness of MISO’s answer to question**  
28 **12(b) on page 8 of their response dated June 16, 2011.**  
29

30 Staff has contacted both WPPI and Wisconsin Public Service representatives regarding the  
31 MISO response. The following is an excerpt from the response from a WPPI Engineer, Steve  
32 Leovy:  
33

34 I presume that your Commission’s questions pertain to the two new Elm Road  
35 Generating Station (ERGS) 600-MW coal units south of Milwaukee, in which  
36 WPPI has an ownership share along with We Energies and Madison Gas &  
37 Electric. MISO’s response is accurate, but I can provide additional detail that  
38 may enhance your understanding of all the issues:  
39

- 40 1. The two ERGS units required relatively minor transmission upgrades, relative  
41 to the size of the added generation.
- 42 2. MISO does have a process in its tariff, in Section 46, to allow those who fund  
43 network upgrades to receive Financial Transmission Rights (FTRs) or Auction  
44 Revenue Rights (ARRs) in exchange.

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- 1       3. The transmission upgrades in question, however, were all in the American  
2       Transmission Company (ATC) transmission zone, in which ATC has a policy  
3       to roll the cost of such upgrades into the zonal transmission rate.
- 4       4. Accordingly, WPPI was never eligible to seek FTRs under the provision  
5       described by MISO, since we did not directly fund these upgrades, and thus we  
6       never submitted a request for such FTRs.
- 7       5. MISO's current ARR policy dates to June 1, 2008, at which time a number of  
8       significant FTR Market changes became effective in MISO, including  
9       introduction of firm Long-term Transmission Rights (LTTRs) pursuant to  
10      FERC directive, changing from allocation of FTRs to ARRs, and defining  
11      Network Customers' ARR Nomination Rights on the basis of historical  
12      resources transmission arrangements during 2004-5 rather than then-current  
13      Network Resource designations.
- 14     6. This final change – using 2004-5 vintage resources as the basis for ARR  
15     nomination rights – meant that WPPI would not initially receive transmission  
16     rights associated with our share of ERGS (since these did not achieve  
17     commercial operation until 2010), but would have to go through MISO's new  
18     process for adding ARR Entitlements for new resources (described in 43.6.1 &  
19     43.6.2 of MISO's tariff).
- 20     7. In spite of this, WPPI generally supported this change as we saw the previous  
21     process as susceptible to gaming that could eventually consume FTR capacity  
22     and make it difficult for Network Customers to receive relatively full  
23     allocations.
- 24     8. Since 2008, we have identified a number of ways that the process for adding  
25     new ARR Entitlements for new Network Resources could be improved and we  
26     have worked with MISO through its stakeholder process to propose and  
27     implement a number of changes, including increasing the distribution-factor  
28     significance threshold used in the addition test, allowing new resources to be  
29     added the first full season after commercial operation rather than the first full  
30     FTR year, and allowing requesters to specify the minimum replacement ratio  
31     for Replacement requests. Perhaps most significantly, we successfully  
32     changed the rules to allow any requested baseload resource MW to be added  
33     automatically to the Peak Reserved Source Set (PRSS – eligible for nomination  
34     in the second but not the first stage of the ARR allocation) in the event that  
35     these MW are rejected in the test for addition to the Baseload Reserved Source  
36     Set (BRSS), which has higher nomination priority.
- 37     9. We have had moderate success in adding ERGS Reserved Source Points  
38     (RSPs) to our BRSS set, varying by season and period, and were able to add  
39     large amounts to the PRSS set last year.
- 40     10. We are still seeking addition of RSPs for baseload resources to our BRSS,  
41     though we are beginning to run out of room to add more ARR Entitlements, as  
42     the size of this set is capped at 57.5% of forecast peak demand.
- 43     11. We continue to see some room for improvement in MISO's process for RSP  
44     addition and replacement; however we generally believe that coordination with  
45     MISO and working through MISO's existing stakeholder process provide an  
46     adequate means to address these issues.



1 **14. Please investigate the truthfulness of the MISO response to question 15 found on**  
2 **page of their response dated June 16, 2011, by requesting data and reviewing any and all**  
3 **records pertaining to the employment, hiring and compensation of key MISO employees**  
4 **for this purpose.**

5  
6 Staff has reviewed the publicly available data provided by MISO regarding its “2011 Annual  
7 Incentive Goals.” Page 9 of 12 of the “MISO 2011 Annual Incentive Goals” includes the  
8 following:

9  
10 **Resource Adequacy Enhancements** *[links to Strategic Element #1 & #3]*

11  
12 4. Within 90 days of FERC Order accepting comprehensive Resource  
13 Adequacy filing, MISO will develop and deliver an implementation plan  
14 including revised business practice manuals and comprehensive rules

15  
16 This appears to be the only place that “resource adequacy”, or other similar term, is in the  
17 document. Staff has issued a follow up data request for MISO to define the term  
18 “comprehensive Resource Adequacy filing”.

19  
20 Staff has also issued Data Requests regarding “any and all records pertaining to the  
21 employment, hiring, and compensation of key MISO employees” regarding Resource  
22 Adequacy issues to attempt to determine if there is anything beyond the publicly available  
23 data regarding an incentive for MISO employees, including MISO leadership personnel,  
24 regarding a capacity market.

25  
26 Responses to these Data Requests have not yet been received. Once Staff receives this  
27 information, Staff will file a further response to this question.

28  
29 **15. Please investigate and report to this Commission the total amount spent by MISO on**  
30 **consultants, contractors, outside legal counsel, media consultants, public relations firms,**  
31 **agents and anyone else hired for the purpose of gaining regulatory approval of Entergy**  
32 **joining MISO. Please provide a list of all external employees, agents or affiliates**  
33 **compensated by MISO for these purposes. Please investigate and report whether any**  
34 **MISO employees, consultants, contractors, outside legal counsel, agents or anyone else**  
35 **affiliated with MISO, including but not limited to Aldie Warnock, would receive a bonus**  
36 **or have a portion of their compensation tied to successful regulatory approval of**  
37 **Entergy joining the MISO system.**

38  
39 The MISO “2011 Annual Incentive Goals” referenced in the response to question 14 provide  
40 an incentive regarding increasing MISO membership, though it does not refer to Entergy  
41 specifically:

42  
43 **Grow the Membership and Increase Net Load Balance** *[links to Strategic*  
44 *Element #3]*

45  
46 5. Add a new transmission owner and increase net load to the market

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1  
2 In evaluating the Company's growth performance the Board of Directors may  
3 use [its] discretion to base performance on the net impact of load served if one  
4 or more Transmission Owners takes substantive action to add or withdraw  
5 transmission assets from the functional control of the Company  
6

7 Similar to question 14, Staff has issued additional Data Requests to see if there is information  
8 beyond the publicly available information regarding compensation related to the Entergy  
9 issue.  
10

11 Staff has also issued Data Requests regarding outside contractors related to the Entergy issue.  
12 The responses to those Data Requests are currently pending. Once Staff receives this  
13 information, Staff will file a further response to this question.  
14

15 **16. At the NARUC meeting, MISO CEO John Bear estimated the cost of the MISO**  
16 **Multi-Value Projects (MVPs) to be approximately \$9.00 per residential customer per**  
17 **year. Please provide a detailed analysis as to whether those numbers are a correct**  
18 **estimate of the costs to Missouri ratepayers and please explain whether these projects**  
19 **will actually provide more benefits to Missouri ratepayers than they cost.**  
20

21 MISO is providing this information. Once Staff receives this information, Staff will file a  
22 further response to this question. Staff understands that number to be based on an early  
23 estimate of total MVP costs. The current estimate of \$11 per residential customer per year is  
24 based on the new MVP project cost estimate, which includes estimates of the cost of  
25 "underbuild" facilities (facilities at a voltage less than 345 kV necessary to support the 345  
26 kV and above lines). The "underbuild" facilities' costs are paid for by the entire footprint, as  
27 they are considered part of the MVPs.  
28

29 Regarding the last part of this question, MISO has provided a cost benefit analysis regarding  
30 the MVPs. Staff is continuing to investigate the current estimations of cost and benefits,  
31 which show the Missouri portion of MISO to have a cost benefit ratio of between 1.8 and 3.2,  
32 depending on assumptions such as discount rates and the number of years costs and benefits  
33 are calculated over.  
34

35 **17. Does Ameren Missouri's continued membership in MISO pose a detriment to any**  
36 **other group of Missouri customers – municipal utilities, cooperatives or investor-owned**  
37 **utilities?**  
38

39 It could – it depends on future MISO actions involving issues such as seams and Resource  
40 Adequacy. There is some benefit to other utilities in Missouri of Ameren Missouri being in  
41 MISO, in terms of municipal utilities and cooperatives having access to the Prairie State  
42 generation facility in Southern Illinois. That benefit does assume that Ameren Illinois also  
43 remains a MISO member.  
44

45 If a seams agreement is in place allowing Missouri utilities, including municipals and  
46 cooperatives, to easily and inexpensively access energy from generation facilities in the MISO



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1 footprint, including Prairie State, it might be less important to those utilities whether Ameren  
2 Missouri remains a member of MISO.

3  
4 Empire District Electric (Empire) has expressed concern regarding the effects of Entergy  
5 becoming a member of MISO, and how Ameren Missouri's continued MISO membership  
6 may be necessary for MISO to successfully integrate Entergy into the MISO footprint. To the  
7 extent that Entergy's membership in MISO has a detrimental effect on Missouri utilities and  
8 Ameren Missouri's continued MISO membership enables Entergy to join MISO, Ameren  
9 Missouri's continued membership in MISO could and probably will affect other utilities in  
10 Missouri.

11  
12 Staff expects that the other utilities in Missouri, including municipal utilities, cooperatives,  
13 and utilities in the SPP footprint, would be better able to explain the impact of Ameren  
14 Missouri's continued membership in MISO, or lack thereof on them.

15  
16 **VIII. Summary**

17 Q. Can you summarize your recommendation?

18 A. Yes, I can. In this testimony, I recommend the Commission:

- 19 • Extend the current interim and conditional Ameren Missouri permission to remain  
20 in MISO until May 15, 2015.
- 21 • Deny the extended and indefinite membership in MISO sought in the Amended  
22 Application, and continue the standard that Ameren Missouri has the responsibility  
23 of establishing that Ameren Missouri continuing in MISO would not be  
24 detrimental to the public interest. .
- 25 • Require Ameren Missouri to complete an outside analysis similar to that  
26 performed in EO-2008-0134 to analyze MISO membership versus membership in  
27 another RTO. This analysis should have a horizon of no less than 5 and no more  
28 than 10 years.
- 29 • As a condition of continued Commission authorization to participate in MISO,  
30 require Ameren Missouri to agree in this case to the Commission application of  
31 any existing terms and conditions regarding Ameren Missouri as a transmission  
32 constructor, owner, or operator to any existing or future Ameren Missouri  
33 affiliates, including ATX.

34 Q. Does this conclude your rebuttal testimony?

35 A. Yes, it does, but as I have indicated I am waiting on responses to various  
36 outstanding Staff Data Requests and intend to supplement my testimony when I receive those  
37 responses.

Adam McKinnie

**Cases in which I have filed testimony:**

- **TO-2003-0531**, *In the Matter of the Application of Missouri RSA No. 7 Limited Partnership, d/b/a Mid-Missouri Cellular, for Designation as a Telecommunications Company Carrier Eligible for Federal Universal Service Support Pursuant to Section 254 of the Telecommunications Act of 1996*
- **TO-2005-0384**, *Application of USCOC of Greater Missouri, LLC For Designation As An Eligible Telecommunications Carrier Pursuant To The Telecommunications Act Of 1996*
- **TO-2004-0527**, *In the Matter of the Application of WWC License, LLC, d/b/o CellularOne(R), for Designation as an Eligible Telecommunications Carrier, and Petition for Redefinition of Rural Telephone Company Service Areas*
- **TO-2005-0325**, *In the Matter of the Third Application of Missouri RSA No. 7 Limited Partnership d/b/a Mid-Missouri Cellular for Designation as a Telecommunications Company Carrier Eligible for Federal Universal Service Support pursuant to § 254 of the Telecommunications Act of 1996*
- **TO-2006-0172**, *In the Matter of the Application of Missouri RSA No. 5 Partnership for Designation as a Telecommunications Company Carrier Eligible for Federal Universal Service Support Pursuant to § 254 of the Telecommunications Act of 1996*
- **TO-2005-0466**, *In the Matter of the Application of Northwest Missouri Cellular Limited Partnership for Designation as a Telecommunications Company Carrier Eligible for Federal Universal Service Support Pursuant to § 254 of the Telecommunications Act of 1996*
- **IO-2003-0281** *In the Matter of the Investigation of the State of Competition in the Exchanges of Sprint Missouri, Inc.*
- **TO-2005-0035**, *In the Matter of the Second Investigation into the State of Competition in the Exchanges of Southwestern Bell Telephone, L.P., d/b/a SBC Missouri*
- **IO-2006-0316**, *In the Matter of CenturyTel of Missouri, LLC's Request for Competitive Classification Pursuant to Section 392.245.5, RSMo. (2005)*
- **IO-2006-0317**, *In the Matter of Spectra Communications Group, LLC d/b/a CenturyTel's Request for Competitive Classification Pursuant to Section 392.245.5, RSMo. (2005)*
- **TO-2005-0423**, *In the Matter of the Application of Chariton Valley Telecom Corporation for Designation as a Telecommunications Carrier Eligible for Federal Universal Service Support Pursuant to 254 of the Telecommunications Act of 1996*
- **TT-2006-0474**, *In the Matter of McLeodUSA Telecommunications Services, Inc.'s Tariff Filing to Increase its Missouri Intrastate Access Rates*
- **TO-2007-0301**, *In The Matter of Embarq Missouri, Inc. Application for Competitive Classification Under Section 392.245.5 RSMo. (2005)*
- **ER-2009-0089**, *In the Matter of the Application of Kansas City Power and Light Company for Approval to Make Certain Changes in its Charges for Electric Service To Continue the Implementation of Its Regulatory Plan.*

Staff Reports for Integrated Resource Plan Filings

- **EO-2007-0409**, *In the Matter of Union Electric Company d/b/a AmerenUE's 2008 Utility Resource Filing pursuant to 4 CSR 240 – Chapter 22*
- **EE-2008-0034**, *In the Matter of the 2008 Resource Plan of Kansas City Power & Light Company Pursuant to 4 CSR 240-22*
- **EE-2009-0237**, *In the Matter of the 2009 Resource Plan of KCP&L Greater Missouri Operations Company Pursuant to 4 CSR 240-22*

**Ameren Missouri**  
**Response to MPSC Data Request**  
**MPSC Case No. EO-2011-0128**  
**In the Matter of the Application of Union Electric Company for Authority To**  
**Continue the Transfer of Functional Control of Its Transmission System to the**  
**Midwest Independent Transmission System Operator, Inc.**

Data Request No.: MPSC 0013 – Steve Dottheim

(1) What is the estimated cost and/or benefit impact of the MISO Resource Adequacy Construct filed in FERC Docket ER11-4081 on the cost-benefit analysis presented in Arora Direct Testimony, Schedule AA-1? If Ameren Missouri has performed this analysis, please provide a copy and workpapers. If Ameren Missouri has not performed this analysis, does Ameren Missouri intend to perform this analysis? If yes, when?

**RESPONSE**

**Prepared By: Ajay K. Arora**  
**Title: Director – Corporate Planning**  
**Date: August 29, 2011**

Ameren Missouri has not performed the requested analysis. However, Ameren Missouri does not believe that the MISO Resource Adequacy Construct (RAC) as filed with the FERC would materially affect the net benefit reflected in the cost-benefit analysis included with my direct testimony as it is expected to not impact energy prices, and there is no indication that the price for capacity will be materially changed by the RAC. Moreover, because the cost-benefit analysis has assumed MISO participation causes a loss of incremental capacity sales, any increase in capacity prices arising from the new construct would only serve to further increase the net benefit of staying within the MISO as Ameren Missouri is long capacity.

**Ameren Missouri**  
**Response to MPSC Data Request**  
**MPSC Case No. EO-2011-0128**  
**In the Matter of the Application of Union Electric Company for Authority To**  
**Continue the Transfer of Functional Control of Its Transmission System to the**  
**Midwest Independent Transmission System Operator, Inc.**

Data Request No.: MPSC 0019 – Steve Dottheim

On Page 5, Line 1, Mr. Arora discusses Administrative Charge Savings, and at Line 4 he says, “also assuming the planned entry into the MISO of Entergy in 2014.” What other areas, if any, of the cost-benefit study in Arora Direct Testimony Schedule AA-1 were adjusted to take into account the “planned entry into the MISO of Entergy in 2014?”

**RESPONSE**

**Prepared By: Ajay K. Arora**  
**Title: Director – Corporate Planning**  
**Date: August 19, 2011**

None.

**Ameren Missouri**  
**Response to MPSC Data Request**  
**MPSC Case No. EO-2011-0128**  
**In the Matter of the Application of Union Electric Company for Authority To**  
**Continue the Transfer of Functional Control of Its Transmission System to the**  
**Midwest Independent Transmission System Operator, Inc.**

Data Request No.: MPSC 0024 – Steve Dottheim

Were any off-system sales, or capacity sales, to Entergy modeled in the updated 2012-2014 cost-benefit study? If yes, please describe the assumptions used for the addition of Entergy.

**RESPONSE**

**Prepared By: Ajay K. Arora**  
**Title: Director – Corporate Planning**  
**Date: August 29, 2011**

No.

**Ameren Missouri**  
**Response to MPSC Data Request**  
**MPSC Case No. EO-2011-0128**  
**In the Matter of the Application of Union Electric Company for Authority To**  
**Continue the Transfer of Functional Control of Its Transmission System to the**  
**Midwest Independent Transmission System Operator, Inc.**

Data Request No.: MPSC 0027 – Steve Dottheim

If Entergy does not become a member of MISO during the study period, what adjustments will need to be made to the updated cost-benefit study in Arora Direct Schedule AA-1 to reflect this event?

**RESPONSE**

**Prepared By: Ajay K. Arora**  
**Title: Director – Corporate Planning**  
**Date: August 29, 2011**

The Administrative Fee savings in 2014 would be increased by approximately \$1 million - thus decreasing the NPV benefit of remaining in MISO by approximately \$700,000.

**Ameren Missouri**  
**Response to MPSC Data Request**  
**MPSC Case No. EO-2011-0128**  
**In the Matter of the Application of Union Electric Company for Authority To**  
**Continue the Transfer of Functional Control of Its Transmission System to the**  
**Midwest Independent Transmission System Operator, Inc.**

Data Request No.: MPSC 0029 – Steve Dottheim

Please explain why SPP implementing a Day 2 market, as mentioned on Page 12, Line 13 of Mr. Arora's Direct Testimony, is considered a "material uncertainty," while Entergy's planned entry into MISO is considered a "certainty"? Please include a description of the methodology used to determine whether something is "material uncertain," "uncertain," or "certain" in this portion of Mr. Arora's Direct Testimony.

**RESPONSE**

**Prepared By: Ajay K. Arora**  
**Title: Director – Corporate Planning**  
**Date: August 29, 2011**

Ameren Missouri has not claimed that Entergy's planned entry into MISO is a "certainty" – a word which should be noted does not even appear in my direct testimony. In fact, this testimony includes the response "It does", when the question is asked if this uncertainty remains.

Ameren Missouri's reduction of the projected savings in administrative fees is not an indication of the certainty that Entergy will join MISO.



**Ameren Missouri**  
**Response to MPSC Data Request**  
**MPSC Case No. EO-2011-0128**  
**In the Matter of the Application of Union Electric Company for Authority To**  
**Continue the Transfer of Functional Control of Its Transmission System to the**  
**Midwest Independent Transmission System Operator, Inc.**

Data Request No.: MPSC 0007 – Steve Dottheim

Question 1 Please explain the analysis process that would be gone through for projects to be categorized or distinguished as: A) “for purposes of maintaining reliable service to Ameren Missouri’s customers,” rather than or from, B) Multi-Value Projects, Regionally Beneficial Projects, or projects designed to interconnect and integrate new generation resources. Question 2 What considerations would be taken into account? Question 3 Describe the analysis process that would be gone through in terms of deciding whether Ameren Missouri or ATX would build: A) a RECB I Project; B) a RECB II project; C) an MVP project. Question 4 What entity would go through the particular analysis process: A) Ameren Missouri, B) Ameren Corp., C) ATX, or D) would it be a collaboration of these or other entities? Question 5 Would any of the Ameren Corp. affiliates file or make the Commission/Staff aware of the analysis process or decision result?

**RESPONSE**

**Prepared By: Maureen Borkowski**  
**Title: Sr. VP Ameren Services Co.**  
**Date: August 1, 2011**

Subject to the Company’s objections:

With respect to the first and second questions, MISO conducts the analysis process. See the MISO tariff and the MISO Transmission Expansion Plan process documents issued by MISO;

With respect to the third and fourth questions, Ameren Missouri has already made the decision that it will only build transmission projects needed to maintain reliable service to its load as well as building transmission facilities needed to connect Ameren Missouri generation to the transmission grid. This decision was made in recognition of the fact that Ameren Missouri has limited capital to invest in its generation and energy delivery operations, and that it must focus those investments on those needed to maintain reliable service rather than on regional transmission projects.

With respect to the fifth question, Ameren Missouri has already informed the Commissioners and Staff of the process. (See the response to the third and fourth questions above.) Ameren Missouri is willing to inform the Commission as to which transmission projects will be constructed by an entity other than Ameren Missouri.

**Ameren Missouri  
Response to MPSC Data Request  
MPSC Case No. EO-2011-0128**

**In the Matter of the Application of Union Electric Company for Authority To  
Continue the Transfer of Functional Control of Its Transmission System to the  
Midwest Independent Transmission System Operator, Inc.**

Data Request No.: MPSC 0002 – Steve Dottheim

In Ameren Missouri's opinion, is ATX required, by the Missouri Commission's Affiliate Transaction Rules, Ameren Corp. policy, or otherwise, to pay Ameren Missouri for the right to build a transmission project in the Ameren Missouri zone of MISO? If ATX is not so required, how is it not so required, and why shouldn't it be? How would Ameren Missouri estimate the value of the right to build a transmission project in the Ameren Missouri service territory?

**RESPONSE**

**Prepared By: Maureen A. Borkowski  
Title: Sr. VP Ameren Services Co.  
Date: August 1, 2011**

With respect to the last question, and subject to the Company's objections, Ameren Missouri does not know if there is any such value and if there were such value, does not know how it would be estimated.

**Ameren Missouri**  
**Response to MPSC Data Request**  
**MPSC Case No. EO-2011-0128**  
**In the Matter of the Application of Union Electric Company for Authority To**  
**Continue the Transfer of Functional Control of Its Transmission System to the**  
**Midwest Independent Transmission System Operator, Inc.**

Data Request No.: MPSC 0004 – Steve Dottheim

Are there any plans for ATX to compensate Ameren Missouri for transmission projects constructed by ATX in the Ameren Missouri zone of MISO? If yes, please identify those plans.

**RESPONSE**

**Prepared By: Maureen A. Borkowski**  
**Title: Sr. VP Ameren Services Co.**  
**Date: August 1, 2011**

Subject to the Company's objection, no.

**Missouri Public Service Commission****Data Request**

**Data Request No.** 0006  
**Company Name** Ameren Missouri-Investor(Electric)  
**Case/Tracking No.** EO-2011-0128  
**Date Requested** 7/18/2011  
**Issue** Other - Other  
**Requested From** Mary L Hoyt  
**Requested By** Steve Dottheim  
**Brief Description** Does Affiliate Transaction Rules reach to ATX?

**Description** Does the Missouri Commission have access to the books and records of ATX pursuant to 4 CSR 240-20.015(6)(A) and (B)? If not, why would 4 CSR 240-20.015, in general, or 4 CSR 240-20.015(6)(A) and (B) in particular, not apply to ATX?  
**Due Date** 8/1/2011

The attached information provided to Missouri Public Service Commission Staff in response to the above data information request is accurate and complete, and contains no material misrepresentations or omissions, based upon present facts of which the undersigned has knowledge, information or belief. The undersigned agrees to immediately inform the Missouri Public Service Commission Staff if, during the pendency of Case No. EO-2011-0128 before the Commission, any matters are discovered which would materially affect the accuracy or completeness of the attached information.

If these data are voluminous, please (1) identify the relevant documents and their location (2) make arrangements with requestor to have documents available for inspection in the Ameren Missouri-Investor(Electric) office, or other location mutually agreeable. Where identification of a document is requested, briefly describe the document (e.g. book, letter, memorandum, report) and state the following information as applicable for the particular document: name, title number, author, date of publication and publisher, addresses, date written, and the name and address of the person(s) having possession of the document. As used in this data request the term "document(s)" includes publication of any format, workpapers, letters, memoranda, notes, reports, analyses, computer analyses, test results, studies or data, recordings, transcriptions and printed, typed or written materials of every kind in your possession, custody or control or within your knowledge. The pronoun "you" or "your" refers to Ameren Missouri-Investor(Electric) and its employees, contractors, agents or others employed by or acting in its behalf.

**Security** Public  
**Rationale** NA

**Ameren Missouri**  
**Response to MPSC Data Request**  
**MPSC Case No. EO-2011-0128**  
**In the Matter of the Application of Union Electric Company for Authority To**  
**Continue the Transfer of Functional Control of Its Transmission System to the**  
**Midwest Independent Transmission System Operator, Inc.**

Data Request No.: MPSC 0008 – Steve Dottheim

A. Does Ameren Missouri have a Cost Allocation Manual that explains how transactions between Ameren Missouri and ATX would be structured and booked? B. Is it Ameren Missouri's opinion that the Missouri Affiliate Transaction Rules apply to payments that Ameren Missouri would make pursuant to tariffs which apply to ATX? For example, if ATX constructs a transmission project in MISO and Ameren Missouri pays for part of that project through the MISO tariff, would the Missouri Affiliate Transaction Rules apply to those funds that eventually flow to ATX?

**RESPONSE**

**Prepared By: Maureen A. Borkowski**  
**Title: Sr. VP Ameren Services Co.**  
**Date: August 1, 2011**

Subject to the Company's objections:

Subpart A: Yes.

**Ameren Missouri**  
**Response to MPSC Data Request**  
**MPSC Case No. EO-2011-0128**  
**In the Matter of the Application of Union Electric Company for Authority To**  
**Continue the Transfer of Functional Control of Its Transmission System to the**  
**Midwest Independent Transmission System Operator, Inc.**

Data Request No.: MPSC 0012 – Steve Dottheim

Is the cost estimate for a transmission project different depending upon whether Ameren Missouri or ATX is constructing the project? Would cost overruns be treated differently by Ameren Missouri for ratemaking purposes depending upon whether Ameren Missouri or ATX is constructing the transmission project?

**RESPONSE**

**Prepared By: Maureen A. Borkowski**

**Title: Sr. VP Ameren Services Co.**

**Date: August 1, 2011**

Subject to the Company's objections, Ameren Missouri does not know the answer to this question.

**Ameren Missouri**  
**Response to MPSC Data Request**  
**MPSC Case No. EO-2011-0128**  
**In the Matter of the Application of Union Electric Company for Authority To**  
**Continue the Transfer of Functional Control of Its Transmission System to the**  
**Midwest Independent Transmission System Operator, Inc.**

Data Request No.: MPSC 0014 – Steve Dottheim

If the MISO Resource Adequacy Construct filed in FERC Docket ER11-4081 becomes effective, how many planning years of the 2012-2014 study period would Ameren Missouri be able to “self schedule” or “opt out” of?

**RESPONSE**

**Prepared By: Ajay K. Arora**  
**Title: Director – Corporate Planning**  
**Date: August 29, 2011**

Ameren Missouri would be able to either self-schedule or opt out of all of the years.



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**From:** Carl Monroe [cmonroe@spp.org]  
**Sent:** Wednesday, August 31, 2011 11:13 AM  
**To:** Mckinnie, Adam  
**Subject:** FW: Change in Grain Belt Express Project

FYI, I suspect you know this already.  
Carl

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**From:** Wayne Galli [mailto:wgalli@cleanlineenergy.com]  
**Sent:** Wednesday, August 31, 2011 10:56 AM  
**To:** Jody Holland; Katherine Prewitt; Nwilliams@sunflower.net; Lanny Nickell; Myers, Alan; Carl Monroe  
**Cc:** Diana Coggin; Mark Lawlor  
**Subject:** Change in Grain Belt Express Project

Folks –

You've probably gotten word by now after our announcement to the Missouri PSC, but we wanted to let you know of a change in the Grain Belt Express project. Preliminary interconnection studies underway by the Midwest ISO suggest the St. Francois substation and surrounding system in Missouri are not capable of absorbing the full capacity of the Grain Belt Express Clean Line. As a result, Clean Line is exploring the possibility of delivering a portion of the energy to a point in Missouri and the rest to a point farther east (i.e., a multi-terminal configuration).

For the second point of interconnection, Clean Line is considering 765kV substations within PJM. We have submitted an interconnection request for 3500MW at the AEP Sullivan substation. We are encouraged by advances in HVDC technology, which would make this possible, and we believe this configuration will increase the benefits of the Grain Belt Express Clean Line to the entire project footprint.

This, of course, will affect how we move forward with the Criteria 3.5 studies in terms of additional affected parties but the impact on SPP members should not change or will be minimal. We are working on determining new affected parties and bringing them to the table in the discussions.

If you have any questions, please don't hesitate to ask. We will follow-up with an official notification.

Wayne Galli

CLEAN LINE ENERGY PARTNERS, LLC  
1001 MCKINNEY, SUITE 700  
HOUSTON, TX 77002

TEL 832-319-6337  
CELL 713-569-4069  
FAX 832-319-6311  
wgalli@cleanlineenergy.com  
CLEANLINEENERGY.COM

Schedules ACM-11  
Part 1 and Part 2

Are Deemed

Highly Confidential

In Their Entirety

**From:** [Mckinnie, Adam](mailto:Mckinnie, Adam)  
**To:** [Sundermeyer, Susan](mailto:Sundermeyer, Susan)  
**Subject:** FW: MPSC query on WPPI ARRs for new generation  
**Date:** Tuesday, September 13, 2011 9:41:04 AM

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Schedule 11

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**From:** Steve Leovy [<mailto:sleovy@wppienergy.org>]  
**Sent:** Friday, September 02, 2011 12:47 PM  
**To:** Mckinnie, Adam  
**Subject:** MPSC query on WPPI ARRs for new generation

Adam-

This is in response for the voice message you left me on Wednesday. I am leaving early today, but would be happy to answer any further questions you may have next week.

I presume that your Commission's questions pertain to the two new Elm Road Generating Station (ERGS) 600-MW coal units south of Milwaukee, in which WPPI has an ownership share along with We Energies and Madison Gas & Electric. MISO's response is accurate, but I can provide additional detail that may enhance your understanding of all the issues:

1. The two ERGS units required relatively minor transmission upgrades, relative to the size of the added generation.
2. MISO does have a process in its tariff, in Section 46, to allow those who fund network upgrades to receive Financial Transmission Rights (FTRs) or Auction Revenue Rights (ARRs) in exchange.
3. The transmission upgrades in question, however, were all in the American Transmission Company (ATC) transmission zone, in which ATC has a policy to roll the cost of such upgrades into the zonal transmission rate.
4. Accordingly, WPPI was never eligible to seek FTRs under the provision described by MISO, since we did not directly fund these upgrades, and thus we never submitted a request for such FTRs.
5. MISO's current ARR policy dates to June 1, 2008, at which time a number of significant FTR Market changes became effective in MISO, including introduction of firm Long-term Transmission Rights (LTTRs) pursuant to FERC directive, changing from allocation of FTRs to ARRs, and defining Network Customers' ARR Nomination Rights on the basis of historical resources transmission arrangements during 2004-5 rather than then-current Network Resource designations.
6. This final change – using 2004-5 vintage resources as the basis for ARR nomination rights – meant that WPPI would not initially receive transmission rights associated with our share of ERGS (since these did not achieve commercial operation until 2010), but would have to go through MISO's new process for adding ARR Entitlements for new resources (described in 43.6.1 & 43.6.2 of MISO's tariff).
7. In spite of this, WPPI generally supported this change as we saw the previous process as susceptible to gaming that could eventually consume FTR capacity and make it difficult for

Network Customers to receive relatively full allocations.

8. Since 2008, we have identified a number of ways that the process for adding new ARR Entitlements for new Network Resources could be improved and we have worked with MISO through its stakeholder process to propose and implement a number of changes, including increasing the distribution-factor significance threshold used in the addition test, allowing new resources to be added the first full season after commercial operation rather than the first full FTR year, and allowing requesters to specify the minimum replacement ratio for Replacement requests. Perhaps most significantly, we successfully changed the rules to allow any requested baseload resource MW to be added automatically to the Peak Reserved Source Set (PRSS – eligible for nomination in the second but not the first stage of the ARR allocation) in the event that these MW are rejected in the test for addition to the Baseload Reserved Source Set (BRSS), which has higher nomination priority.
9. We have had moderate success in adding ERGS Reserved Source Points (RSPs) to our BRSS set, varying by season and period, and were able to add large amounts to the PRSS set last year.
10. We are still seeking addition of RSPs for baseload resources to our BRSS, though we are beginning to run out of room to add more ARR Entitlements, as the size of this set is capped at 57.5% of forecast peak demand.
11. We continue to see some room for improvement in MISO's process for RSP addition and replacement; however we generally believe that coordination with MISO and working through MISO's existing stakeholder process provide an adequate means to address these issues.

Please call me at the number below should you have questions or want to discuss further.

Best regards,

**Steve Leovy**

Transmission Engineer

(303) 442-2871

1425 Corporate Center Dr.

Sun Prairie, WI 53590

[www.wppienergy.org](http://www.wppienergy.org)



**From:** [Mckinnie, Adam](mailto:Mckinnie, Adam)  
**To:** [Sundermeyer, Susan](mailto:Sundermeyer, Susan)  
**Subject:** FW: MOPSC - WPPI FTR issue  
**Date:** Tuesday, September 13, 2011 9:41:18 AM

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Schedule 12, part 1

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**From:** Wottreng, James - PSC [<mailto:James.Wottreng@wisconsin.gov>]  
**Sent:** Wednesday, September 07, 2011 3:37 PM  
**To:** Mckinnie, Adam  
**Subject:** RE: MOPSC - WPPI FTR issue

Adam,

Not sure how much help I can provide. I know little about WPPI's circumstances as it is not subject to rate regulation by the Public Service Commission of Wisconsin. And I have not been following MISO topics for some time now.

Regarding the question, I'm not aware of what, if any, transmission upgrades WPPI paid for. That being said, I was aware that with MISO's adoption of ARRs, which allocation is based on a historical period, Wisconsin Public Service Corporation (WPSC) and others (I believe WPPI) were having difficulty in obtaining ARRs for new generation units (being new units, they were not part of the historical base period). However, that situation was not a situation where they were eligible for ARRs/FTRs by reason of having paid for the transmission upgrades. [Absent the allocation, at zero cost, WPSC would have to buy the desired FTR in the annual or monthly auctions or go without the congestion hedge.]

Regarding MISO's answer, my understanding is as MISO states – one is eligible for FTRs, subject to feasibility, by reason of having paid for the transmission upgrade. The latter part of the answer that is specific to WPPI is beyond my knowledge.

After I send this, I'll take a look at the other email you forwarded and give you feedback on Leovy's response.

Jim Wottreng  
608-267-3598

---

**From:** Mckinnie, Adam [<mailto:adam.mckinnie@psc.mo.gov>]  
**Sent:** Wednesday, September 07, 2011 2:23 PM  
**To:** Wottreng, James - PSC  
**Cc:** McClowry, Meghan; Dottheim, Steve  
**Subject:** MOPSC - WPPI FTR issue

Thanks very much for returning my call today, Jim, and sorry that this information was put in front of you before now.

Jim, here is the question my commission asked:

13. Contact the Wisconsin Public Service Commission and WPPI, Inc. and provide an opinion as to the veracity, truthfulness, and completeness of

Schedule ACM-13-1  
Part 1

MISO's answer to question 12(b) on page 8 of their response dated June 16, 2011.

MO PSC Staff believes they mean 13(b) – here's the entirety of MISO's response to question 13:

**13. (a) Wisconsin Public Power, Inc. (WPPI) paid for transmission upgrades from a new coal plant and thought they would be receiving a corresponding amount of financial transmission rights to transmit baseload generation to their customers. Please describe what happened, whether WPPI received any financial transmission rights and what MISO did to fairly compensate WPPI?**

Answer: MISO understands this question to ask whether WPPI qualified for and received incremental Financial Transmission Rights pursuant to Section 46 of the MISO Tariff.

Section 46 affords market participants that fund (i.e., pay for the construction of) network upgrades and elect not to receive credits under Attachment FF of the MISO Tariff to request Financial Transmission Rights (FTRs) and Long-Term Transmission Rights (LTTRs), which are

a subset of Auction Revenue Rights (ARRs). If a market participant funds a network upgrade and does not recover its costs under Attachment FF, it may submit a formal request to MISO to

initiate a study for FTRs and LTTRs pursuant to Section 46. In this case, WPPI did not submit a

formal request to initiate the study and, therefore, did not receive specific FTRs and LTTRs for

the upgrade.

**(b) How is MISO remedying these problems going forward in similar situations?**

Answer: MISO is not aware of any problems with Section 46 that require a remedy. MISO's FTR Business Practice Manual describes the eligibility rules and process for acquiring

FTRs and LTTRs associated with funding a network upgrade.

Thanks again for returning my call. If it would be possible to get back to us by the end of the week with a short opinion we'd really appreciate it.

Adam McKinnie  
Chief Utility Economist  
Missouri Public Service Commission  
Voice: (573)522-8706  
Fax: (573)751-1847  
<mailto:adam.mckinnie@psc.mo.gov>

**From:** [Mckinnie, Adam](mailto:Mckinnie.Adam)  
**To:** [Sundermeyer, Susan](mailto:Sundermeyer.Susan)  
**Subject:** FW: MPSC query on WPPI ARR for new generation  
**Date:** Tuesday, September 13, 2011 9:41:29 AM

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Schedule 12, part 2

**From:** Wottreng, James - PSC [<mailto:James.Wottreng@wisconsin.gov>]  
**Sent:** Wednesday, September 07, 2011 4:16 PM  
**To:** Mckinnie, Adam  
**Subject:** RE: MPSC query on WPPI ARR for new generation

Adam,

Regarding Leovy's responses:

- I generally agree with Leovy's responses on #2 through #6. I say generally, because I don't remember the specific dates and have not re-checked the dates included in his statements.
- On #7, I don't know/remember whether WPPI supported the change or not. At the time of the change, I thought about the shortcomings of MISO's proposal to use a historical period as the basis for the allocation. I was also aware of the shortcomings of the existing "network resource" designation for FTR allocations and "capacity swaps" that were being used by some to obtain desirable FTR paths and congestion rents.
- On #8 through #11, I know that Leovy has worked with MISO to improve the ARR process for new resources, but can't really speak to the success of that effort or WPPI's recent experience.  
[MISO treats participants' ARR allocations as confidential, but a quick look at the 2011-2012 ARR allocation for the WEC.WPPI\_1.AZ sink indicates some ARR from the WEC.ERG1 and WEC.ERG2 sources, which is supportive of Leovy's statements.]

Jim Wottreng  
608-267-3598

---

**From:** Mckinnie, Adam [<mailto:adam.mckinnie@psc.mo.gov>]  
**Sent:** Wednesday, September 07, 2011 2:24 PM  
**To:** Wottreng, James - PSC  
**Subject:** FW: MPSC query on WPPI ARR for new generation

Here's what Steve had to say - AMcK

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**From:** Steve Leovy [<mailto:sleovy@wppienergy.org>]  
**Sent:** Friday, September 02, 2011 12:47 PM  
**To:** Mckinnie, Adam  
**Subject:** MPSC query on WPPI ARR for new generation

Adam-

This is in response for the voice message you left me on Wednesday. I am leaving early today, but would be happy to answer any further questions you may have next week.

I presume that your Commission's questions pertain to the two new Elm Road Generating Station  
Schedule ACM-13-1  
Part 2

(ERGS) 600-MW coal units south of Milwaukee, in which WPPI has an ownership share along with We Energies and Madison Gas & Electric. MISO's response is accurate, but I can provide additional detail that may enhance your understanding of all the issues:

1. The two ERGS units required relatively minor transmission upgrades, relative to the size of the added generation.
2. MISO does have a process in its tariff, in Section 46, to allow those who fund network upgrades to receive Financial Transmission Rights (FTRs) or Auction Revenue Rights (ARRs) in exchange.
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4. Accordingly, WPPI was never eligible to seek FTRs under the provision described by MISO, since we did not directly fund these upgrades, and thus we never submitted a request for such FTRs.
5. MISO's current ARR policy dates to June 1, 2008, at which time a number of significant FTR Market changes became effective in MISO, including introduction of firm Long-term Transmission Rights (LTTRs) pursuant to FERC directive, changing from allocation of FTRs to ARRs, and defining Network Customers' ARR Nomination Rights on the basis of historical resources transmission arrangements during 2004-5 rather than then-current Network Resource designations.
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7. In spite of this, WPPI generally supported this change as we saw the previous process as susceptible to gaming that could eventually consume FTR capacity and make it difficult for Network Customers to receive relatively full allocations.
8. Since 2008, we have identified a number of ways that the process for adding new ARR Entitlements for new Network Resources could be improved and we have worked with MISO through its stakeholder process to propose and implement a number of changes, including increasing the distribution-factor significance threshold used in the addition test, allowing new resources to be added the first full season after commercial operation rather than the first full FTR year, and allowing requesters to specify the minimum replacement ratio for Replacement requests. Perhaps most significantly, we successfully changed the rules to allow any requested baseload resource MW to be added automatically to the Peak Reserved Source Set (PRSS – eligible for nomination in the second but not the first stage of the ARR allocation) in the event that these MW are rejected in the test for addition to the Baseload Reserved Source Set (BRSS), which has higher nomination priority.
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at 57.5% of forecast peak demand.

11. We continue to see some room for improvement in MISO's process for RSP addition and replacement; however we generally believe that coordination with MISO and working through MISO's existing stakeholder process provide an adequate means to address these issues.

Please call me at the number below should you have questions or want to discuss further.

Best regards,

**Steve Leovy**

Transmission Engineer

(303) 442-2871

1425 Corporate Center Dr.

Sun Prairie, WI 53590

[www.wppienergy.org](http://www.wppienergy.org)



## GLOSSARY

ARRs	Auction Revenue Rights
ATX	Ameren Transmission Company
CRA	Charles River Associates is a consulting firm that offers economic, financial, and business management expertise to major law firms, corporations, accounting firms, and governments around the world.
FERC	Federal Energy Regulatory Commission
FRAP	Fixed Resource Adequacy Plan
FTRs	Financial Transmission Rights
ICT	Independent Coordinator of Transmission
IMM	Independent Market Monitor
IRP	Integrated Resource Plan
ISO	Independent System Operator
JOA	Joint Operating Agreement
LRZ	Local Resource Zone
LSE	Load Serving Entity
MISO	Midwest Independent Transmission System Operator
MOPR	Minimum Offer Price Rule
MVP	Multi-Value Project
NPV	Net-Present Value
PJM	PJM Interconnection LLC is a RTO which is part of the Eastern Interconnection grid operating an electric transmission system serving all or parts of Delaware, Illinois, Indiana, Kentucky, Maryland, Michigan, New Jersey, North Carolina, Ohio, Pennsylvania, Tennessee, Virginia, West Virginia and the District of Columbia.
PRA	Planning Resource Auction
PRMR	Planning Reserve Margin Requirement
RAC	Resource Adequacy Construct
RECB I Project	Specific type of transmission project built for reliability purposes in the MISO region
RECB II Project	Specific type of transmission project built for economic purposes in the MISO region
RTO	Regional Transmission Organization
SPP	Southwest Power Pool
ZDC	Zonal Deliverability Charge
ZRC	Zonal Resource Credit