

Issues: Economic Feasibility, Public Interest
Witness: Carl A. Huslig
Sponsoring Party: South Central MCN LLC
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Case No.: EA-2016-0036
Date Testimony Prepared: December 9, 2015

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

In the Matter of the Application of South)
Central MCN LLC for Approval of Transfer of)
Assets and a Certificate of Convenience and)
Necessity)

File No. EA-2016-0036

**DIRECT TESTIMONY OF
CARL A. HUSLIG
ON BEHALF OF
SOUTH CENTRAL MCN LLC
DECEMBER 9, 2015**

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1 I. INTRODUCTION AND PURPOSE OF TESTIMONY

2 Q 1: Please state your name.

3 A: My name is Carl A. Huslig.

4 Q 2: For whom do you work, what is your position, and what is your business address?

5 A: I am the Senior Vice President – Development of GridLiance Heartland LLC (GridLiance
6 Heartland), a Delaware limited partnership that holds all of the membership interests in South
7 Central MCN LLC (SCMCN), a transmission company (Transco) operating in the Southwest Power
8 Pool, Inc. (SPP), and in its sister Transcos, Midcontinent MCN LLC (MMCN) (operating in the
9 Midcontinent Independent System Operator, Inc. (MISO) and Mid-Atlantic MCN LLC (MAMCN)
10 (which will operate in PJM Interconnection LLC (PJM)). I am also the Senior Vice President –
11 Development of SCMCN, MMCN, and MAMCN. In addition, I am the Senior Vice President –
12 Development of GridLiance GP, LLC, the general partner that manages GridLiance Holdco, LP
13 (GridLiance Holdco). GridLiance Holdco is a Delaware limited partnership that is largely owned by
14 The Blackstone Group L.P. investment entities. GridLiance Holdco is the sole member of
15 GridLiance Heartland. My current business address is 2 N. LaSalle Street, Suite 420, Chicago, IL
16 60602; however, in early 2016 I will be located at a new facility in the Kansas City, MO, area.

17 Q 3: Please summarize your work experience.

18 A: I have over 20 years of experience as a utility executive. I served in a variety of leadership roles at
19 Aquila, Inc. from 1991 through 2006, and through that work was involved in numerous stakeholder
20 activities at the SPP and MISO. In addition, I was the President of ITC Great Plains from 2006 to
21 2012, and in that role I led ITC Great Plains from a start-up venture to a transmission only utility
22 with over \$500 million in constructed or approved assets in 6 years. I was responsible for all
23 startup functions and developed strategy for regulatory approvals and partnership negotiations. I
24 was also the Executive Director of ITC Holdings Corp from 2009 through 2012. Since September

1 2012, I have served as senior advisor at Huslig Consulting. In that position, I provide executive
2 level consulting to the electric utility industry with an emphasis on the transmission business.

3 **Q 4: On whose behalf are you testifying?**

4 **A:** I am testifying on behalf of SCMCN, the applicant in this proceeding.

5 **Q 5: Have you submitted testimony previously before the Missouri Public Service Commission**
6 **or any other regulatory commission?**

7 **A:** Yes. I provided testimony before the Missouri Public Service Commission in or around 2001 or
8 2002 with respect to Aquila, Inc.'s (Aquila's) application to join MISO. I also met with the Missouri
9 Public Service Commission staff on a bi-annual basis between 2004 and 2006 to discuss Aquila
10 and regional transmission issues, although I did not provide testimony at that time. I also testified
11 before the Kansas Corporation Commission in numerous ITC Great Plains dockets from 2006 to
12 2012, including Case No. 08-ITCE-936-COC, Case No. 08-ITCE-937-COC, Case No. 08-ITCE-
13 938-COC, Case No. 09-ITCE-729-MIS, Case No. 10-ITCE-557-MIS, and Case No. 11-ITCE-644-
14 MIS, and perhaps others as well. I also testified before that Commission for Aquila in Case No. 04-
15 AQLE-1065-RTS. Finally, I testified at the Federal Energy Regulatory Commission (FERC) in or
16 around 2002 or 2003 with respect to Aquila's MISO Schedule 10A tariff filing.

17 **Q 6: What is the purpose of your testimony?**

18 **A:** As Edward M. Rahill, President and Chief Executive Officer summarized in his testimony
19 introducing the testimony of all of the SCMCN witnesses, I will provide information concerning the
20 economic feasibility of the purchase from the City of Nixa, Missouri (City) of the specified assets
21 (Assets) and also clarify some of the facts that were set forth in the Application based on my
22 negotiations with the City, but which, based on new information, require updating. I will also
23 provide information regarding how granting a certificate to SCMCN to operate the Assets promotes
24 the public interest.

1 **II. ECONOMIC FEASIBILITY OF THE TRANSACTION**

2 **Q 7: What has been your role in the Transaction**

3 **A:** Prior to joining SCMCN as the Senior Vice President – Development in March 2015, I was a
4 consultant handling development in certain geographic regions, including the territory of the first
5 utility with which SCMCN entered into a long-term Co-Development Agreement (CDA) under which
6 SCMCN is named agent for the planning, construction, and operation of transmission assets
7 located in the SPP footprint. That CDA was with the Missouri Joint Municipal Electric Utilities
8 Commission (MJMEUC), a joint action agency operating in Missouri. As part of SCMCN's
9 business model, SCMCN has offered to purchase existing assets owned by CDA partners or their
10 members, when SCMCN can provide more cost effective operations and maintenance, reliability
11 compliance, and future upgrades. MJMEUC recommended that SCMCN contact the City about
12 acquiring the Assets. I was the principal negotiator of the Transaction. Under the MJMEUC CDA,
13 MJMEUC has earned an additional option to participate in SCMCN projects (an option to own an
14 additional 5% of SCMCN's share) because it helped arrange for the City to sell to SCMCN the first
15 \$5 million in assets SCMCN will put into rate base and collect through the SPP Tariff.

16 **Q 8: How will SCMCN operate and maintain the Assets?**

17 **A:** The Assets are currently maintained by City Utilities of Springfield, MO (CU) pursuant to an existing
18 contract between the City and CU. The initial discussions regarding the Transaction, which
19 included meetings at which CU employees were present, addressed whether CU would be willing
20 to continue operating the Assets, at least until such time as SCMCN had its longer-term O&M
21 contracts in place. I also noted that SCMCN would be willing to enter a long-term O&M agreement
22 with CU if CU preferred. I believed there was an agreement in principle for CU to continue
23 operations and maintenance of the Assets. As a result, in planning for closing on the Transaction, I
24 assumed the City would assign its existing contract to SCMCN pursuant to the Transaction. These

1 were my understandings as principal negotiator for SCMCN when the Application was filed and
2 formed the basis for the statements in the application. SCMCN was ultimately unable to reach
3 agreement with CU, so SCMCN entered into an agreement with BBC Electrical Services, Inc., a
4 well-experienced provider of operation and maintenance services, to continue providing the same
5 operation and maintenance services that CU currently provides. The operation and maintenance
6 of the Assets is discussed further in the testimony filed in this proceeding by Noman L. Williams,
7 SCMCN's Chief Operating Officer. Mr. Williams also discusses the current plan for CU to continue
8 to provide system control services, as well as our alternative plan if we are, like with O&M services,
9 unable to reach final agreement with CU.

10 **Q 9: How will the cost of the Assets be recovered?**

11 **A:** SCMCN is a member of SPP and executed the SPP Membership Agreement on October 17, 2014.
12 Upon purchase of the Assets, SCMCN will execute SPP's standard functional control agreement
13 by which SCMCN will transfer functional control of the Assets to SPP and integrate them into the
14 SPP transmission system. SPP will recover the costs under the SPP Tariff. As Mr. Rahill
15 discusses in more detail, the cost of service of the Assets will be recovered under a rate approved
16 by FERC and collected by SPP through its regional transmission tariff.

17 **Q 10: What is the basis for the planned inclusion of the Assets in the CU pricing zone under the**
18 **SPP Tariff?**

19 **A:** The Assets are interconnected to both CU and to the Southwestern Power Administration (SWPA).
20 SCMCN's initial assumption was that the Assets would be placed in the SWPA zone since the City
21 has purchased transmission service from SWPA to deliver all of its resources. I met with SWPA
22 personnel in Tulsa, Oklahoma, on November 17, 2014, to discuss integration of the Assets into the
23 SWPA zone. On or around that same date, SPP staff advised SCMCN that SPP staff would prefer
24 the annual transmission revenue requirement (ATRR) for the Assets to be included in Zone 3 of the

1 SPP Tariff (CU's transmission pricing zone) because of the small size of the Assets and their
2 integration with the CU transmission system. Customers paying rates under Zone 3 of the SPP
3 Tariff currently are solely retail customers of CU. CU's retail rates are not subject to the
4 Commission's jurisdiction.

5 **Q 11: Will inclusion of the SCMCN ATRR in Zone 3 have an effect on CU customers?**

6 **A:** Yes. Any time new assets are included in a zone the zonal ATRR will increase. The issue is
7 always how much. That is why, when negotiating with the City, SCMCN helped the City identify
8 how its savings might be used, in part, to help CU mitigate some of the effects of the Transaction,
9 should the City and CU so agree.

10 **Q 12: What negotiations took place with CU?**

11 **A:** On December 10, 2014, SCMCN's General Counsel Beth Emery and I met with Heather Starnes,
12 who at the time was one of CU's outside attorneys, to discuss transmission cost allocation options.
13 On December 22, 2014, I participated in a Webex meeting with representatives of SCMCN, CU,
14 and the City to discuss the Transaction and related issues. Representatives of SCMCN, CU, and
15 the City also participated in conference calls on January 15, 2015, and February 9, 2015. I also
16 met with representatives of CU at CU's offices on May 18, 2015, and August 28, 2015. Also, I
17 participated in several phone calls, meetings, or conversations with representatives of CU following
18 meetings with the City and other unrelated meetings, including Missouri Public Utility Alliance
19 (MPUA) board meetings, MPUA annual meetings, and Transmission Access Policy Study Group
20 meetings.

21 It was my understanding, based on my negotiations with the CU and the City, that an agreement
22 between CU and the City had been reached. That was the basis for the statement in footnote 9 of
23 the Application. In its comments filed November 25, 2015, the City more fully describes the current
24 facts.

1 III. PROMOTION OF THE PUBLIC INTEREST

2 Q 13: Please explain how the Transaction promotes the public interest.

3 A: My understanding is that FERC has a long-standing policy of encouraging the expansion of
4 Regional Transmission Organizations (RTOs), like SPP, including bringing assets owned by non-
5 jurisdictional Public Power utilities into RTOs. This policy recognizes that the public interest is best
6 served by having assets that form a part of the interstate power grid owned by companies who will
7 bring world class O&M, safety, and reliability practices to bear on the assets. This is SCMCN's
8 business model.

9 In addition, the proposed asset sale between SCMCN and the City will have a positive impact on
10 tax revenue to local governments, as SCMCN will be required to pay property tax on the value of
11 the Assets and/or to make a payment in lieu of taxes. Likewise, the State of Missouri (State) will
12 receive tax revenues on SCMCN's business income, whereas the City pays no State income taxes.
13 In addition, the State will likely also receive sales or use tax revenue resulting from purchase
14 activities by SCMCN, whereas the City is eligible to exercise an exemption from payment of such
15 taxes.

16 Q 14: CU has stated that there will be a rate impact to CU ratepayers as a result of the
17 Transaction. Do you agree?

18 A: Yes. There will be a "cost shift" to someone any time an asset is included in a "multi-owner" zone
19 under SPP rules, unless the load ratio share percentage of the transmission owner that is adding
20 the asset to the zone exactly equals the percentage that the new asset represent of total ATRR.
21 Because a transmission-only utility like SCMCN has no load ratio share percentage, including the
22 assets of a transmission-only utility in a multi-owner zone will *always* result in an increase in costs
23 to the zonal customers.

1 Q 15: Why do you believe the Transaction promotes the public interest notwithstanding this rate
2 impact?

3 A: The public interest is promoted by bringing the Assets under SPP's functional control and further
4 expanding the RTO footprint. Although there will be a rate impact as a result of SCMCN's
5 placement of the Assets under SPP's functional control, there would have also been a rate impact
6 if the City had decided to join SPP and place the Assets under SPPs' functional control (and the
7 Commission would have had no authority to review or approve the rate impacts from such an
8 action by the City). SPP's Attachment AI specifies that when assets connect two zones, by
9 definition, those assets are integrated into the grid and are appropriately eligible for cost recovery
10 under the SPP Tariff.¹ And the Assets have connected two zones since they were constructed, so
11 the Assets have been eligible for inclusion in CU customer's rates all along.
12 CU's customers have been enjoying the benefits of the Assets without paying any of their cost.
13 Going forward, under the SPP Tariff and FERC-approved ratemaking principles, CU customers will
14 merely begin paying their share of the costs of the Assets, while the benefits they have been
15 receiving from the Assets to date will not change. These benefits are discussed in greater detail in
16 the testimony filed in this proceeding by Mr. Williams.

17 IV. CONCLUSION

18 Q 16: Does this conclude your testimony?

19 A: Yes.

¹ "A Transmission Facility is a facility this is included as part of the Transmission System that meets any of the following criteria: *** Facility(ies) that are utilized for interconnecting the various internal Zones to each other...." Attachment AI, II.2.

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AFFIDAVIT OF CARL A. HUSLIG

STATE OF ILLINOIS)
) ss
COUNTY OF COOK)

Carl A. Huslig, being first duly sworn on his oath, states:

1. My name is Carl A. Huslig. I am currently the Senior Vice President of Development of South Central MCN LLC (SCMCN). My business address is 2 N. LaSalle, Suite 420, Chicago, Illinois 60602.

2. Attached hereto and made a part hereof for all purposes is my Direct Testimony on behalf of SCMCN, consisting of 7 pages, all of which have been prepared in written form for introduction into evidence in the above-referenced docket.

3. I hereby swear and affirm that my answers contained in the attached testimony to the questions therein propounded are true and accurate to the best of my knowledge, information and belief.

Carl A. Huslig
Carl A. Huslig

Subscribed and sworn to before me this 9 day of December, 2015.

Katherine Sfondeles
Notary Public

My commission expires: 10/20/18

