

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of the Application of Grain Belt Express)
Clean Line LLC for a Certificate of Convenience and)
Necessity Authorizing It to Construct, Own, Operate,)
Control, Manage, and Maintain a High Voltage, Direct) **File No. EA-2014-0207**
Current Transmission Line and an Associated Converter)
Station Providing an Interconnection on the Maywood –)
Montgomery 345 kV Transmission Line)

SIERRA CLUB’S POST-HEARING BRIEF

Comes now Sierra Club and asks the Commission to grant Grain Belt Express Clean Line’s application for a certificate of convenience and necessity (CCN) to build a high-voltage direct current (HVDC) transmission line across Missouri for the purpose of delivering 3500 MW of wind energy to PJM and 500 MW to a converter station in Ralls County for potential use by Ameren Missouri or alternatively by the MISO grid. Grain Belt has made its case with substantial evidence that no other party has succeeded in rebutting.

Transmission line CCNs are usually uncontroversial, often unopposed and granted with little if any detailed consideration of the five “Tartan” criteria. This project is an unprecedented merchant transmission line and has attracted much well-funded opposition. The landowners’ objections are understandable, but these private interests must give way to the greater public interest in the cheapest and most reliable clean energy.

Under § 393.170.3, “necessary” does not mean essential or absolutely indispensable; it means that the additional service would be an improvement justifying its cost. The Commission has discretion to determine whether the evidence indicates that the public interest would be served. *State ex rel. Intercon Gas v. PSC*, 848 S.W.2d 593, 597–8 (Mo.App. W.D. 1993).

The Commission has granted a CCN for the transfer of transmission assets between two corporations neither of which had any Missouri customers. *In re Interstate Power & Light*, EO-2007-0485 (Order of Aug. 30, 2007). In this case, it is not only the interest of Iowa customers that would be served; there are substantial benefits, and no costs, to Missouri ratepayers as well.

On November 25, 2014, the Illinois Commerce Commission (ICC) issued a CCN (CPCN) to Rock Island Clean Line in a case of first impression for a merchant transmission line in that state. ICC case No. 12-0560; Order appended to this brief.

THE TARTAN CRITERIA

1. Need for the project

Kansas wind, with its high capacity factors, can serve the need for low-cost renewable energy better than Missouri or MISO wind. (David Berry surrebuttal, Exh. 120, pp. 30–33; T. 1352–5, 1355; American Wind Energy Assn witness Goggin, T. 945–8.) Additional transmission is needed to get this energy to load centers (Skelly Direct, Exh. 100, pp. 16–7).

Ameren Missouri will need 1000 MW of wind to meet the Renewable Energy Standard (T. 1352–3). MISO wind is constrained by congestion costs and risk of curtailment, and there is no guarantee it can even get to Missouri (T. 945–8, 1356). Grain Belt offers wind energy at a competitive cost of 2–3¢ per kWh on 20-year contracts (Infinity Wind witness Langley, T. 922). Staff pointed out that the RES can be satisfied by the mere purchase of unbundled Renewable Energy Credits (RECs), but Grain Belt witness Berry testified that Kansas wind would still be cheaper considering the avoided cost of new thermal generation (T. 1349–50).

Staff witness Kliethermes testified that while this wind energy would lower Ameren's costs, it would also lower its off-system sales margins, and by a greater amount (Kliethermes rebuttal, Exh. 206, pp. 8–9). Grain Belt reran the modelling and found that the Grain Belt

Express would still deliver a rate benefit to Missouri (Cleveland surrebuttal, Exh. 117, pp. 3–6). On the stand Ms. Kliethermes could not refute this except to say without quantification that Cleveland’s analysis was not robust enough and that thermal plants would run at suboptimal efficiency (T. 1545–6, 1561–2).

It is an open question at this time whether the Clean Power Plan (CPP) under the federal Clean Air Act § 111(d) will allow the use of RECs unbundled from any energy delivered to Missouri (T. 968–9, 1750–1). Missouri may need more than RECs from California if it is to meet CPP standards.

Kansas wind will improve power system reliability in Missouri (Zavadil direct, Exh. 109, pp. 2, 9). Geographic diversity of wind farms cancels out variations in output (T. 972; Zavadil surrebuttal, Exh. 110, pp. 9–12).

Wind energy benefits public health and the environment by reducing emissions of air pollutants and excessive use of water to cool thermal plants (Berry direct, Exh. 118, p. 34). Sierra Club adds that increased penetration of wind into Missouri will serve the public need and interest in curtailing Missouri’s excessive reliance on coal for 80% of its electricity, which is its greatest contribution to the climate crisis.

In granting a CCN to Rock Island Clean Line, the ICC found that the line was needful and useful to the public in enabling delivery of renewable energy equitably to customers and in the least-cost manner (Order, p. 119).

2. Grain Belt’s qualifications

Staff agrees that Grain Belt satisfies this requirement (Beck, T. 1728–9), and no party seriously disputes it. Grain Belt is capable of managing construction (Skelly direct, Exh. 100, p. 13) with additional expertise from National Grid (Blazewicz surrebuttal, Exh. 103, pp. 5, 9).

The ICC found in favor of Rock Island Clean Line despite the “unknowns associated with the ‘merchant’ nature of the proposed transmission project” (Order, pp. 130–1).

3. Financial ability

Staff agrees that Grain Belt meets this criterion (Murray rebuttal, Exh. 204, p. 3; Beck, T. 1726). Project financing is an established method (Berry direct, Exh. 118, pp. 42–4). Clean Line has equity investors and no debt (id. pp. 37–9, 41).

However, long-term contracts with customers cannot be obtained in advance of the CCN (Berry, id. at 42; Blazewicz Exh. 103, pp. 6–9). Staff agreed not to impose such a condition, subject to a process for verifying financial commitments (Murray, T. 1431, Beck, T. 1748–9).

4. Economic feasibility

Grain Belt introduced ample evidence of the feasibility of project financing recovered through long-term contracts with transmission customers (Moland direct, Exh. 116, pp.1–10; Blazewicz, Exh. 103, pp. 6–8; Berry surrebuttal, Exh. 120, pp. 19–47).

Staff initially took the position that this criterion was not met. At the hearing, Michael Stahlman testified that he generally agreed it was economically feasible but he was concerned about RTO cost allocations being charged to Missouri ratepayers, Grain Belt having only 70% of capacity subscribed, and lack of information about total cost (T. 1672–4). However, Grain Belt cannot get capacity contracts before the CCN is issued (Berry, Exh. 120, pp. 59–60). Financing will await regulatory approvals and the sale of a majority of capacity, while lenders would cover themselves from cost uncertainty with debt service coverage ratios of 1.25–1.5 times (Berry, Exh. 118, pp. 48–9). The full cost of the project cannot be known at this time (Blazewicz, Exh. 103, p. 6–7, 8–9; Berry surrebuttal, Exh. 120, pp. 59–60).

Grain Belt is pledged not to seek RTO cost allocation without Commission approval (T.

1735–6), to pay for congestion upgrades (T. 1571–2), and to bear the risk of interconnection with Ameren at no cost to ratepayers (Skelly, Exh. 100, p. 17). Preliminary MISO studies show that no Missouri transmission upgrades will be necessary on account of the converter station (T. 1737).

The same condition of no cost allocation without Commission approval satisfied the ICC in the Rock Island Clean Line case (Order, pp. 118–9).

5. Public interest

There will be no cost to Missouri ratepayers for the construction of this project (Skelly, Exh. 100, p. 6). If Missouri utilities buy energy from the line, Grain Belt projects that their cost of service will decline (Berry, Exh. 118, pp. 29–30).

There are multiple benefits to the public: jobs, including those with preferred suppliers located in Missouri (Berry, Exh. 118, pp. 36–7; Skelly, Exh. 100, p. 5) and a Missouri labor bill of \$135 million for construction (T. 1185); property taxes ((T. 1384–5); electric system reliability (Zavadil direct, Exh. 109, p. 9 and surrebuttal, Exh. 110, pp. 8–13); and, of course, environmental (Berry, Exh. 118, p. 34; Moland direct, Exh. 116, pp. 10–1).

Sierra Club has already discussed RES and Clean Power Plan benefits at pp. 2–3 above. Coops and munis that are not subject to the RES purchase wind, demonstrating its cost-effectiveness (Berry, Exh. 118, p. 26). The Columbia City Council passed a resolution in support of Grain Belt Express as a possible source for satisfying its municipal RES (T. 1159–60).

Even without a mandate, wind is cheap power. Technological improvements have raised capacity factors (T. 1353–4) to the point where Kansas wind can beat combined cycle natural gas on cost even without the wind production tax credit, according to Grain Belt (T. 1351). The company is confident it can beat the cost estimates in Ameren’s IRP (T. 1352), which rank wind

as the lowest-cost source of new generation (T. 1313–4).

A merchant transmission line is apparently unprecedented in Missouri. That is no reason to deny a CCN. The Grain Belt Express will not only transit Missouri en route to points east, but will provide service to Missouri customers. Ameren has not shown its hand on whether it will purchase Grain Belt energy for its customers, but even if it doesn't it will be available on the MISO grid for use as a low-cost supply.

Grain Belt has met all the objections raised by Staff's position statement, pp. 6–11, on the public interest criterion.

CONDITIONS

Grain Belt has satisfied most of the conditions sought by Staff and Rockies Express Pipeline LLC (Beck, T. 1726, 1729–37, 1745–6, 1748–9, 1751–2; Stahlman, T. 1672–3, 1678–9; Lange, T. 1652, 1654–5; Murray, T. 1430–1). The Commission should not impose conditions for which the CCN is a condition precedent or which are otherwise infeasible (Kliethermes, T. 1549–50; Berry T. 1351–2, 1357–8; Galli surrebuttal, Exh. 113, pp. 2–5; Zavadil surrebuttal, Exh. 110, pp. 14–5; Lawlor surrebuttal, Exh. 102, pp. 10–14; Berry surrebuttal, Exh. 120, pp. 51–7). The full cost of the project is unknown at this time (Blazewicz, Exh. 103, p. 6–7), so full financing can't be in place (*id.* at 8–9; Berry surrebuttal, Exh. 120, pp. 59–60). The circuit ratio sought by Staff witness Lange is not practical (Galli surrebuttal, Exh. 113, pp. 7–9).

VARIANCES

Grain Belt seeks variances from certain reporting requirements in the Commission's rules (Application, p. 16).

Sierra Club supports the waiver from the reporting requirements of 4 CSR 240-3.145 since Grain Belt Express will not be charging rates to Missouri customers.

Sierra Club takes no position on the applicability of 4 CSR 240-3.165 for filing an annual report or on the propriety of a waiver of 4 CSR 240-10.010(3) regarding the availability of the company's records.

Sierra Club supports a waiver from the requirements of 4 CSR 240-3.175 since a depreciation study is not necessary for purposes of the Commission.

Sierra Club supports a waiver from 4 CSR 240-3.190 because the information sought therein is not relevant to a transmission company.

CONCLUSION

WHEREFORE Sierra Club asks the Commission to approve the application of "Grain Belt for a certificate of convenience and necessity with such reasonable conditions as are necessary.

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CERTIFICATE OF SERVICE

I hereby certify that a true and correct PDF version of the foregoing was filed on EFIS and sent by email on this 8th day of December, 2014, to all counsel of record.

/s/ Henry B. Robertson
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