

Issues: Financial Ability, Economic Feasibility, Public Interest  
Witness: Edward M. Rahill  
Sponsoring Party: South Central MCN LLC  
Type of Exhibit: Additional Supplemental Direct Testimony  
File No.: EA-2016-0036  
Date Testimony Prepared: February 17, 2016

**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

**ADDITIONAL SUPPLEMENTAL DIRECT TESTIMONY OF  
EDWARD M. RAHILL  
ON BEHALF OF  
SOUTH CENTRAL MCN LLC  
FEBRUARY 17, 2016**

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

**ADDITIONAL SUPPLEMENTAL DIRECT TESTIMONY OF**

**EDWARD M. RAHILL**

**ON BEHALF OF**

**SOUTH CENTRAL MCN LLC**

**FEBRUARY 17, 2016**

**TABLE OF CONTENTS**

	<u>Page</u>
I. Introduction and Purpose of Testimony .....	1
II. Second Amended Asset Purchase Agreement .....	1
III. Conclusion .....	3

1 I. INTRODUCTION AND PURPOSE OF TESTIMONY

2 Q 1: Please state your name.

3 A: My name is Edward M. Rahill.

4 Q 2: Are you the same Edward M. Rahill who previously submitted direct testimony dated August  
5 17, 2015, and supplemental direct testimony dated December 9, 2015, in this proceeding?

6 A: Yes, I am.

7 Q 3: What is the purpose of your additional supplemental testimony?

8 A: My purpose is to introduce a Second Amendment to Asset Purchase Agreement By and Among  
9 South Central MCN, LLC (SCMCN) and City of Nixa, Missouri (Nixa) (the Transaction).

10 II. SECOND AMENDED ASSET PURCHASE AGREEMENT

11 Q 4: Mr. Rahill, a copy of the Amended Asset Purchase Agreement for the Transaction was  
12 attached to your Supplemental Direct testimony as *Exhibit No. EMR-8*. Has there been any  
13 change to the terms and conditions for the Transaction?

14 A: Yes. SCMCN and Nixa executed a second amendment to the Asset Purchase Agreement effective  
15 as of February 12, 2016. The second amendment to the Asset Purchase Agreement contains  
16 several changes from the prior amendment.

17 Q 5: Can you briefly describe why the amendment was made?

18 A: Yes. The initial plan was that the assets being purchased from Nixa (Assets) be placed in the City  
19 Utilities of Springfield (CU) transmission pricing zone under the Southwest Power Pool, Inc. (SPP)  
20 Open Access Transmission Tariff (OATT) only for a short period – ending as soon as next year and  
21 in any event in less than five years. As noted in our initial Application, SCMCN believed Nixa and  
22 CU had reached an agreement about the interim period and a method to compensate CU for the  
23 rate impact of the Transaction. That understanding was mistaken. SCMCN and Nixa always  
24 intended that the Assets be transferred to the Southwestern Power Administration (SWPA) pricing

1 zone as soon as SWPA developed a formula rate that SPP would use to provide network integration  
2 transmission service (NITS) for customers in the SWPA zone.

3 To narrow the issues in this contested proceeding and improve the opportunity for settlement,  
4 SCMCN and Nixa have agreed to condition closing on completion of the arrangements for the  
5 Assets to be placed in the SWPA zone. This delays the Transaction, but eliminates the rate impact  
6 on CU that would occur if the Assets were included in the CU zone.

7 **Q 6: Can you briefly describe the provisions of the amendment?**

8 A. First, SCMCN and Nixa have deleted the provisions by which SCMCN would reimburse Nixa for  
9 certain transmission charges assessed by SWPA for delivery of non-Federal power. This is no  
10 longer required because when the Transaction closes all transmission for delivery of Nixa's non-  
11 Federal Power would be pursuant to a NITS Agreement (NITSA) between SPP and Nixa. This  
12 reduced the purchase price and purchase price allocation, requiring amendments to those sections.  
13 Finally, SCMCN and Nixa agreed to modify the conditions to closing set forth in the Agreement and  
14 the rights of the Parties to terminate the Agreement under certain circumstances. A copy of the  
15 Second Amendment is provided in *Exhibit No. EMR-1* attached hereto.

16 **Q 7: What do the closing modifications entail?**

17 A: As I stated before, the Second Amendment conditions closing of the Transaction on Nixa entering  
18 into a NITSA with SPP and the Assets being placed in the SWPA transmission pricing zone under  
19 the SPP OATT.

20 **Q 8: Is there any way the CU customers would bear any of the costs of the Assets?**

21 A: Under SPP's Tariff as it exists today, no. Transmission facilities operating below 100 kV are  
22 allocated 100% to the local pricing zone (which would be SWPA, not CU).  
23 SCMCN is are not aware of any plans to change the Tariff to spread local facilities across multiple

1 zones or to merge zones, which is what would have to happen for the Assets' costs to be borne, in  
2 part, by CU's customers.

3 **III. CONCLUSION**

4 **Q 9: Does this conclude your testimony?**

5 A: Yes.

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

AFFIDAVIT OF EDWARD M. RAHILL

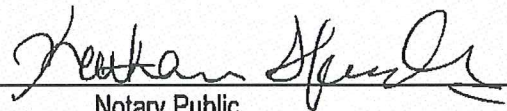
STATE OF IL )  
 ) ss  
COUNTY OF Cook )

Edward M. Rahill, being first duly sworn on his oath, states:

1. My name is Edward M. Rahill. I am currently the Chief Executive Officer (CEO) of South Central MCN LLC (SCMCN). My business address is 2 N. LaSalle Street, Suite 420, Chicago, IL 60602.
2. Attached hereto and made a part hereof for all purposes is my Additional Supplemental Direct Testimony on behalf of SCMCN, consisting of 3 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.

  
Edward M. Rahill

Subscribed and sworn to before me this 17 day of February, 2016.

  
Notary Public

My commission expires: 10/20/18



**SECOND AMENDMENT**  
**to**  
**ASSET PURCHASE AGREEMENT**  
**BY AND AMONG**  
**SOUTH CENTRAL MCN LLC**  
**AND**  
**CITY OF NIXA, MISSOURI**

**Dated as of February 12, 2016**

## SECOND AMENDMENT TO ASSET PURCHASE AGREEMENT

THIS SECOND AMENDMENT TO ASSET PURCHASE AGREEMENT (this Amendment) is executed as of February 12, 2016, by and among the City of Nixa, Missouri (as Seller) and South Central MCN LLC (as Buyer). Seller and Buyer are individually referred to herein as a Party and together as the Parties.

### RECITALS:

WHEREAS, on August 14, 2015, Seller and Buyer entered into that certain Asset Purchase Agreement, as amended by the First Amendment to Asset Purchase Agreement effective of even date therewith (as amended, the Agreement), whereby Seller agreed to sell to Buyer certain transmission assets owned by the Seller, as more fully described therein;

WHEREAS, Seller and Buyer have agreed that any provisions of the Agreement creating an obligation for Buyer to reimburse Seller for certain transmission charges are no longer necessary; and,

WHEREAS, Seller and Buyer have agreed to modify the conditions to Closing set forth in the Agreement and the rights of the Parties to terminate the Agreement under certain circumstances.

NOW, THEREFORE, in consideration of ten and no/100 dollars (\$10.00), the mutual promises and covenants contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties, intending to be legally bound, hereby agree to amend the Agreement as follows:

**Section 1. Defined Terms.** Capitalized terms used herein, but not defined, shall have the meaning set forth in the Agreement.

**Section 2. Purchase Price.** Section 1.1.53 of the Agreement is hereby deleted in its entirety and replaced with the following:

**1.1.53 *Purchase Price.*** Purchase Price means an amount not to exceed Ten Million Seven Hundred Fifteen Thousand One Hundred Sixty and No/100 Dollars (\$10,715,160).

**Section 3. Purchase Price Allocation.** Section 3 of the First Amendment "Purchase Price Allocation" is hereby deleted in its entirety. The Purchase Price comprises the following components and shall be allocated as follows:

- Ten Million One Hundred Fifteen Thousand One Hundred Sixty and No/100 Dollars (\$10,115,160) payable by Buyer to Seller at Closing for the Assets; and,
- Six Hundred Thousand and No/100 Dollars (\$600,000) payable by Buyer to Seller at Closing to reimburse Seller for a portion of its transaction costs.

**Section 4. Reimbursement of Transmission Charges.** Section 4 of the First Amendment "Reimbursement of Transmission Charges" is hereby deleted in its entirety.

**Section 5. Joinder.** Section 6 of the First Amendment "Joinder" is hereby deleted in its entirety.

**Section 6. Closing Conditions.** The Agreement is hereby amended by adding the following Section 5.2.3:

**5.2.3. *Network Integration-Transmission Service Agreement.*** Seller shall have



entered into a Network Integration Transmission Service Agreement between Seller and SPP pursuant to which, among other things, the Facilities are incorporated into the SWPA Pricing Zone under the OATT at rates acceptable to Seller in its sole discretion.

**Section 7. Termination.** Section 9.1.7 of the Agreement is hereby amended to read in its entirety as follows:

9.1.7 ***By Certain Date.*** By either Party if (a) the Closing shall not have occurred on or prior to March 31, 2017 or (b) such Party determines that it is unlikely that the Closing will occur by March 31, 2017; provided, however, the right to terminate this Agreement pursuant to this Section 9.1.7 shall not be available to a Party whose failure to perform any of its obligations under this Agreement required to be performed by it at or prior to the Closing has been the cause of, or resulted in, the failure of the Closing to occur by such date.

**Section 8. Miscellaneous.**

(a) **Continuing Effectiveness.** Except as amended herein, the Agreement shall remain unmodified and in full force and effect. Each reference in the Agreement to "this Agreement," "hereunder," "hereof," or words of like import, and each reference to the "Agreement" in any and all instruments or documents provided for in the Agreement or delivered or to be delivered thereunder or in connection therewith, shall, except where the context otherwise requires, be deemed a reference to such agreement as amended hereby.

(b) **Governing Law.** This Amendment and all matters arising hereunder or in connection herewith shall be governed by, interpreted under, construed and enforced in accordance with the laws of the State.

(c) **Effectiveness.** This Amendment shall be effective on, and shall be binding upon, the Parties hereto upon the full execution and delivery of this Amendment as of the Effective Date.

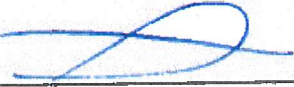
(d) **Counterparts.** This Amendment may be executed by the Parties in one or more counterparts, all of which taken together, shall constitute one and the same instrument. The facsimile or .pdf signatures of the Parties shall be deemed to constitute original signatures, and facsimile or .pdf copies hereof shall be deemed to constitute duplicate originals.

[THE REMAINDER OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the Parties have caused this Amendment to be executed by their duly authorized representatives as of the date first set forth above.

**SELLER**

**City of Nixa, Missouri**

By:   
\_\_\_\_\_  
Brian Steele  
Mayor

**BUYER**

**South Central MCN LLC**

By:   
\_\_\_\_\_  
Edward M. Rahill  
President and Chief Executive Officer