

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

In the Matter of the Application of	)	
Union Electric Company for Authority	)	
To Continue the Transfer of	)	File No. EO-2011-0128
Functional Control of Its Transmission	)	
System to the Midwest Independent	)	
Transmission System Operator, Inc.	)	

**AMEREN MISSOURI’S REPLY TO MJMEUC’S RESPONSE**

COMES NOW Union Electric Company d/b/a Ameren Missouri (“Ameren Missouri” or the “Company”), and for its reply to the Missouri Joint Municipal Electric Commission’s (“MJMEUC”) Response to Joint Motion to Make Additional Modifications to April 19, 2012 Report and Order, states as follows:

**INTRODUCTION**

1. MJMEUC is a party to this case because of its late intervention request, which was premised on MJMEUC’s then-expressed concerns about what was then MISO’s<sup>1</sup> newly-proposed Resource Adequacy Construct (“RAC”).<sup>2</sup> Given the Commission’s (particularly at that time) quite liberal policies regarding allowing intervention in Commission cases, the Company chose not to oppose MISO’s intervention and the Commission granted MJMEUC’s late intervention request.

2. One of the issues that came up in the case at that time, however, was why MJMEUC was before this Commission in effect complaining about MISO’s RAC at all since the RAC was and remains *exclusively* within FERC’s jurisdiction. Even MJMEUC ended up conceding that its concerns at that time provided no basis to deny the Company’s application to

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<sup>1</sup> Midcontinent Independent System Operator, Inc.

<sup>2</sup> EFIS Item No. 59.

continue its participation in MISO, which would have required the Commission to conclude that continued participation was detrimental to the public interest:

Q. [by [then] Commissioner Jarrett]: But as it stands today, and FERC not having even approved the proposed capacity construct or research [sic] adequacy construct, is there any – would that be basis – would that be basis by itself to make a determination that it's [Ameren Missouri's participation in MISO] detrimental to the public interest?

A. [by Mr. Healy]: I don't believe so, no.<sup>3</sup>

3. Similarly, MJMEUC's opinion that a costly study (to ratepayers and other parties who represent ratepayers, but not MJMEUC) ought to be performed "sooner rather than later"<sup>4</sup> provides no basis for the Commission to ignore the recommendation of the Joint Movants to extend the timeline for an additional formal proceeding before the Commission respecting Ameren Missouri's continued RTO participation. It is those parties who actually have an interest in what's best for the Ameren Missouri's customers. Indeed, this Commission isn't charged in any way with advancing the interests of wholesale transmission customers of MISO – MJMEUC's member utilities; the FERC is. Instead, this Commission is charged with regulating *retail* electric service and the rates paid by state jurisdictional retail customers who receive that service, including those of Ameren Missouri. Neither MJMEUC nor its members are one of those customers. Consequently, MJMEUC's opinion should be given little if any weight, particularly when its opinion is contrary to the opinions of the Company's actual customers and others with a duty to consider those customers' interests.<sup>5</sup>

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<sup>3</sup> Tr., Vol. 3, p. 79, l. 11 – 17.

<sup>4</sup> MJMEUC's Response, p. 8.

<sup>5</sup> To be clear, the municipal utilities whose interests MJMEUC represent are not customers of Ameren Missouri *at all*. The municipal utilities take transmission service from MISO under MISO's FERC-approved tariff. This appears to be one of the reasons that then Commissioner Jarrett (now acting as counsel for MJMEUC) issued in a dissent in Ameren Missouri's 2010 rate case dissenting from the Commission's decision to allow MJMEUC to intervene in that case. As then Commissioner Jarrett stated: "Since there is no relationship between MJMEUC and

4. Aside from MJMEUC, there are seven parties in this case: Ameren Missouri, the Staff, MIEC, OPC, SPP, MISO and Empire. MISO and SPP, as one would expect, have not actively advocated for any position in these cases given their obvious interests. It is clear Empire is in the case to monitor it and, at an earlier time, became involved because of the seams issues that formerly existed between MISO and SPP arising from Entergy's membership in MISO. That leaves four parties who owe obligations to the retail customers with which this Commission is concerned: Ameren Missouri, the Staff, MIEC and OPC. It is no accident that all four of those parties are Joint Movants on the Joint Motion with which MJMEUC has now taken issue.

5. It is of course easy for MJMEUC to ask Ameren Missouri ratepayers to pay rates that would reflect what we expect to be up to \$1 million of study costs<sup>6</sup> given that MJMEUC will not have to pay, directly or indirectly, anything for such a study. If MJMEUC is so convinced that it makes sense to study Ameren Missouri participation in SPP now perhaps MJMEUC should expend its own funds to engage consultants to perform such a study for MJMEUC.

6. The bottom line is that on the two prior occasions when studies were performed, the study results showed huge benefits for Ameren Missouri and ultimately its customers from Ameren Missouri's participation in MISO as compared to other alternatives. That was true even before one considered the high cost of leaving MISO. MISO's most recent studies continue to show huge benefits from MISO participation arising from the MVPs, to which Ameren Missouri is already committed. No one has actually claimed that they would expect a different result if another costly study is done now.

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AmerenUE with respect to this case, it is difficult to understand how it would serve the public interest to grant them intervention." *Dissenting Opinion of Commissioner Terry M. Jarrett*, File No. ER-2010-0036, p. 22. It is similarly difficult to understand how letting MJMEUC's opinion about the timing of further cost-benefit studies in this case override the views of the Staff, OPC, *et al.* would serve the public interest.

<sup>6</sup> This amount does not include internal labor costs for Ameren Missouri, the other parties, or the other parties' consultant costs.

## DISCUSSION OF MJMEUC'S SPECIFIC POINTS<sup>7</sup>

7. Paragraph 10, Subparagraph a. As it did when it first became involved in this case, MJMEUC continues to complain about centralized capacity markets<sup>8</sup> and continues to posit a factual scenario that does not exist. While the “concerns” MJMEUC cites about centralized capacity markets might be evident in areas where retail choice predominates, it has no application to Ameren Missouri and is not a valid criticism of MISO, the vast majority of which consists of vertically integrated utility service territories. Ameren Missouri fully expects that this Commission is not going to stand by and allow it to operate short of utility-owned and operated capacity. There is no reason to believe that the state utility commissions of the other MISO members would do so either. Moreover, why would Ameren Missouri or these other utilities do so? Utilities earn when they invest capital and create or grow the rate base because their ability to earn a return depends entirely on them having a rate base upon which to earn.

Moreover, Ameren Missouri is long capacity for the foreseeable future; its latest Integrated Resource Plan indicates it does not need to add supply-side resources before 2034. To the extent any scarcity of capacity develops in MISO,<sup>9</sup> Ameren Missouri, and its customers, would likely *benefit* because of Ameren Missouri's length as these higher revenues will flow through to Ameren Missouri's customers.

Finally, the existence of MISO's centralized capacity market does not preclude any party from entering into bilateral contracts for capacity, just as they could before MISO operated its market and just as those in SPP do. If that option is more advantageous, parties will do so.

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<sup>7</sup> These points start at ¶ 10 of MJMEUC's Response.

<sup>8</sup> The RAC, noted earlier, was MISO's initial centralized capacity market.

<sup>9</sup> And there is no indication that such a shortage is likely to develop.

8. Paragraph 10, Subparagraph b. MJMEUC speculates that Ameren Missouri might be able to negotiate a lower exit fee than the MISO Transmission Owners Agreement requires. To support its speculation, MJMEUC cites First Energy's exit from MISO several years ago when First Energy was able to negotiate an exit fee that was lower than the MISO Transmission Owners Agreement would have otherwise required. All that can be stated with reasonable certainty at this time is that (a) Ameren Missouri owes approximately \$22 million under the terms of the Transmission Owners Agreement if it leaves MISO; (b) at the time First Energy was leaving MISO the significant transmission build-out in MISO had only barely begun, making the factual situation then much different than the factual situation now; and (c) it would appear that MISO and the other Transmission Owners would have a strong disincentive to negotiate a lower exit fee given that Ameren Missouri's system is the only conduit between MISO North and MISO South (i.e., Entergy).

9. Paragraph 10, Subparagraphs c and d. MJMEUC correctly points out that Ameren Missouri will owe its estimated \$2.2 billion share of the transmission charges for MISO's Multi-Value Projects ("MVPs") whether Ameren Missouri remains in MISO or not. But that wasn't and isn't the point. The point is that MISO's MVP cost-benefit analyses (with which MJMEUC takes no issue) have already demonstrated that the MVP benefits from Ameren Missouri's participation in MISO are beneficial to the tune of 2.3 to 3.3 times the cost of the MVPs. However, those large benefits over costs will *not be available* to Ameren Missouri if it is not in MISO unless Ameren Missouri pays *new* transmission service charges (i.e., through and out transmission charges) to access those benefits. It is well-understood that through and out transmission charges impose significant additional costs on transactions that cross RTO

boundaries. Ameren Missouri would incur \$4.8 million annually per each 100 MW’s of firm transmission which would be reserved to access the MISO market.

10. Paragraph 10, subparagraph e. MJMEUC’s claim that “Ameren is responsible for this cost [an allocation of costs for SPP transmission projects] is false. Ameren Missouri will owe nothing for *SPP* transmission unless it were to participate in SPP. In that case, Ameren Missouri will both have to continue to pay for its estimated \$2.2 billion share of MISO MVP charges *and* whatever its share of SPP base plan funding charges will be.

11. Paragraph 10, subparagraph f. MJMEUC’s claim that Ameren Missouri did not provide any data is, at best, incomplete. MJMEUC participated in a telephone call (as did the other stakeholders) before the Joint Motion was filed during which the costs to pseudo-tie its generation located in Illinois to SPP were specifically discussed, including the \$83 million figure contained in the Joint Motion. During that call, the Company noted that it owns 1,741 MWs of Illinois-based CTGs and that it would incur a significant cost to pseudo-tie that generation into SPP. To psuedo-tie that generation into SPP would require a very significant cost (\$47,581.45/MW-year, or \$4.8 million per year for each 100 MW). As noted, Ameren Missouri stated that to tie all 1,741 MWs to SPP would cost \$83 million per year. MJMEUC never asked for “data to support” anything. The table below shows such data in any event:

Sched 1 (current rate)	\$893.28	mw-year	
Sched 2 (current rate)	\$1,898.42	mw-year	
Sched 7 (current rate)	\$39,731.34	mw-year	
Sched 10	\$521.22	mw-year	(\$0.0595*8760)
Sched 26 (current rate)	\$4,537.20	mw-year	
<b>Total Annual Firm</b>	<b>\$47,581.45</b>	<b>/mw-year</b>	
per 100 MW	\$4,758,145		
Total IL CTG	<b>\$82,839,308</b>	1,741	IL CTG Capability MW

MJMEUC has also ignored that Ameren Missouri's load located in the Missouri bootheel would be stranded in MISO as well. Pseudo-tying this load into SPP would also require through and out transmission charges to bring it into SPP.

12. MJMEUC is the tail wagging the dog. If the representatives of Ameren Missouri's retail customers in this case believed that the right answer for those customers was for Ameren Missouri to spend up to an estimated \$1 million dollars on a cost benefit study (plus internal labor costs) *now*, they would not be Joint Movants on the motion with which MJMEUC takes issue. The Joint Motion should be granted.

WHEREFORE, Ameren Missouri renews the request of the Joint Movants to grant the Joint Motion filed in this docket on January 23, 2017.

Respectfully submitted,

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**CERTIFICATE OF SERVICE**

I hereby certify that a copy of the foregoing was served via e-mail on counsel for the parties of record to this case, on this 21st day of February, 2017.

**/s/James B. Lowery**  
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