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Issue(s)

Project Overview  
Cost & Benefits  
Ratepayer Impacts

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Sean Black  
ATXI  
Surrebuttal Testimony  
EA-2022-0099  
April 29, 2022

**MISSOURI PUBLIC SERVICE COMMISSION**

**FILE NO. EA-2022-0099**

**SURREBUTTAL TESTIMONY OF**

**SEAN BLACK**

Submitted on Behalf of  
Ameren Transmission Company of Illinois

April 29, 2022

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**Submitted on Behalf of**

**AMEREN TRANSMISSION COMPANY OF ILLINOIS**

**1 I. INTRODUCTION**

**2 Q. Please state your name, business address, and professional title.**

**3 A.** My name is Sean Black. My business address is 1901 Chouteau Avenue, St. Louis,  
**4** Missouri 63103. I am the Director of Transmission Business Development for Ameren Services  
**5** Company (Ameren Services), which is the services company subsidiary of Ameren Corporation  
**6** (Ameren). My testimony is offered on behalf of Ameren Transmission Company of Illinois  
**7** (ATXI).

**8 Q. Are you the same Sean Black who provided Direct and Supplemental Direct**  
**9** **testimony in this proceeding?**

**10 A.** Yes.

**11 II. PURPOSE OF TESTIMONY**

**12 Q. What is the purpose of your Surrebuttal testimony?**

**13 A.** The purpose of my Surrebuttal testimony is to respond to the rebuttal testimony of  
**14** Missouri PSC Staff (Staff) witnesses. In particular, I respond to the rebuttal testimonies offered  
**15** by Staff witnesses Claire Eubanks, Sarah Lange, Shawn Lange and Michael Stahlman.

**16 Q. Who are the other witnesses providing Surrebuttal testimony on ATXI's behalf?**

1 A. Greg Gudeman is also sponsoring testimony in response to Mr. Stahlman.

2 **Q. Are you sponsoring any schedules with your Surrebuttal testimony?**

3 A. Yes. I am sponsoring Schedule SB-S1, which is the updated net benefits / net present  
4 value (NPV) analysis provided to Staff in response to discovery. I am also sponsoring Schedule  
5 SB-S2, which contains the responses to Staff data requests MPSC 0008 and 0012.

6 **III. SUMMARY OF ATXI'S RESPONSE TO STAFF**

7 **Q. What is Staff's overall position regarding ATXI's application?**

8 A. Staff concludes that: ATXI is qualified to own, operate, control, and manage the  
9 facilities and provide the service related to the Project for which ATXI is seeking approval;  
10 ATXI has the financial ability to construct the Project; that with regard to need, the Project is  
11 an improvement for Sikeston to potentially facilitate direct service to its own load with its own  
12 generation, and an improvement for the City of New Madrid to facilitate the expansion of  
13 Circular SynTech, LLC (CST); and from the perspective of ATXI, the Project is economically  
14 feasible. In short, Staff appears to conclude that ATXI meets the first four prongs of the Tartan  
15 Criteria. Nevertheless, Staff recommends the Commission deny ATXI's requested CCN (and  
16 also deny ATXI's request for specific approval of certain contracts). In the alternative, Staff  
17 recommends certain conditions intended to balance the public interest.

18 **Q. What was the basis for Staff's recommendation?**

19 A. Staff contends that the Project does not meet the public interest prong of the Tartan  
20 Criteria. Staff also believes the contracts are not within the Commission's jurisdiction to

1 approve, which I address in Section VII below.

2 **Q. Why does Staff not believe the Project is in the public interest?**

3 A. Concerns from Staff appear to drive two conclusions about the public interest, as set  
4 forth in Ms. Eubank’s testimony: (1) “in balancing the public interest, there is potential harm to  
5 other Missouri ratepayers (specifically customers in SPP)”; and (2) “Staff is concerned that the  
6 Ameren Missouri MISO pricing zone will not see a net benefit until the year **\*\*[REDACTED]\*\***.”  
7 Related to (2), Staff goes on to say, “It is not clear that the Commission has the authority to  
8 order Ameren Missouri customers be held harmless, as Ameren Missouri is not the applicant  
9 nor a party to this case. Staff recommends that the Commission in future cases hold Ameren  
10 Missouri customers harmless from any negative impacts of the Project and potential future  
11 construction of additional components related to the project.”

12 **Q. Do these two conclusions justify a determination that the Project is not in the public**  
13 **interest?**

14 A. No.

15 **Q. Please explain.**

16 A. With regard to Staff’s first concern – harm to customers in SPP – I believe the context is  
17 important here. As I explained in my Direct testimony, the current system configuration does  
18 not provide the Sikeston Board of Municipal Utilities (SBMU) a direct connection between  
19 its own generation and its retail load, or a direct interconnection with the systems of the  
20 Midcontinent Independent System Operator (MISO) and Associated Electric Cooperative, Inc.  
21 (AECI); their power has to transfer across the Southwestern Power Administration (SWPA)

1 Sikeston bus bar that is under the control of the regional transmission organization Southwest  
2 Power Pool (SPP). SBMU does not pay transmission service charges for power transferring  
3 across the SPP bus under the current Transmission Service Agreement (which is grandfathered  
4 in the SPP Tariff) between SBMU and SWPA (so SPP does not receive any revenues under the  
5 current arrangement). That Transmission Service Agreement expires on May 31, 2023. After  
6 that time SBMU would have to start paying SPP transmission charges to deliver energy from  
7 its own generation to its retail load, and to its wholesale customers in MISO and AECI. The  
8 Project will prevent the institution of these pancaked transmission service charges by creating  
9 a direct, physical interconnection between SBMU and the systems of SPP, MISO and AECI.

10 But absent the Project, the Transmission Service Agreement will still expire, and SBMU  
11 will still want to avoid pancaked transmission service charges for its generation. Thus, I  
12 understand SBMU is going to build facilities that allow them to bypass SWPA/SPP, in order to  
13 avoid pancaked rates that would otherwise be incurred in serving their own load and in  
14 importing energy to or exporting energy from MISO and AECI. When their contract with  
15 SWPA expires in 2023, they are not going to remain captive to the current arrangement.

16 In sum, SBMU's generation doesn't currently result in transmission service revenue  
17 going to SPP, and it won't in the future. The only question is whether ATXI should be involved  
18 in an effort to unlock value for other customers and entities. Those entities include ATXI,  
19 Ameren Missouri, New Madrid and the Missouri Joint Municipal Electric Utility Commission  
20 (MJMEUC). As I described in my Direct testimony, this Project represents our effort to  
21 combine the needs of several different parties into one cohesive project that is cost-effective  
22 and makes sense for everyone involved.

23 With respect to Staff's second concern - the payback period – I agree that it will take

1 several years for the Project to produce net benefits to and for the Ameren Missouri Pricing  
2 Zone. But the assets we are proposing to construct will last for many years - perhaps 50 or  
3 more. Over the life of these assets, and this Project, the Project will create a substantial amount  
4 of "upside" for the pricing zone and for Ameren Missouri customers, as shown on the net  
5 benefit/NPV analysis in Schedule SB-S1 and discussed below. It also provides strategic value  
6 that would not exist but for ATXI's participation. Despite that value being described in detail in  
7 response to the data requests responses attached hereto as Schedule SB-S2, Staff appears to  
8 overlook or ignore these benefits, which I do not believe is appropriate.

9 **Q. Why is that not appropriate?**

10 A. The strategic value of the Project is an important consideration. Frankly, the ability to  
11 create that value was one of the key reasons ATXI chose to participate in the Project. As I  
12 described in my Direct testimony, the Project extends the current MISO border nearly 30 miles  
13 south, creating a pathway that not only picks up the identified new load, but that could be used  
14 for new loads (or generators) in or around New Madrid that wish to receive the benefits of the  
15 MISO market *and* – by virtue of the Option Agreement we are securing – for purposes of future  
16 system expansion (to existing Ameren Missouri load pockets and perhaps beyond). The ability  
17 to create this value and future optionality while only affecting a handful of private landowners  
18 is, in my experience, extremely rare.

19 **Q. You mentioned that Staff recommends certain conditions as an alternative to**  
20 **rejecting the application. What are those?**

21 A. Staff witness Eubanks lists certain conditions at the end of her testimony - primarily,  
22 conditions related to landowner engagement. She also recommends that ATXI be required to

1 file with the Commission approvals and permits of governmental bodies prior to construction,  
2 to continue to file its FERC annual report, and to file its finalized Operations and Maintenance  
3 Plan. Staff also recommends that “ATXI shall request and receive a separate MISO pricing zone  
4 for this Project.”

5 **Q. Would ATXI accept these conditions?**

6 A. Except for the last one, yes.

7 **Q. Why can ATXI not accept the final condition?**

8 A. As discussed in more detail bellow, I am not sure MISO would allow the Project parties  
9 to create a new pricing zone under these circumstances. And it would be administratively  
10 burdensome to do so. In addition, while perhaps working to mitigate, for Ameren Missouri  
11 customers, any economic downside associated with the Project, creating a new pricing zone  
12 would also cause these same customers to forfeit the economic upside. Given that the long-  
13 term economic analysis shows that in a few years Ameren Missouri customers, as well as other  
14 customers in the Pricing Zone, will begin to benefit, and the potential additional upside makes  
15 those benefits even more substantial, I do not believe a new pricing zone is in the best interest  
16 of customers in the Ameren Missouri Pricing Zone.

17 **Q. Do other Staff witnesses suggest conditions?**

18 A. Yes, Staff witness Sarah Lange recommends that the Commission in future cases hold  
19 Ameren Missouri customers harmless from any negative impacts of the Project as-applied for,  
20 and as possible with the construction of the additional components referenced in ATXI’s



1 Application and testimonies attached as exhibits there-to.

2 **Q. What is your response?**

3 A. My response to this point is largely the same as my response to the recommendation to  
4 establish a new pricing zone. ATXI's net benefits analysis shows Ameren Missouri customers  
5 will not be harmed by the Project. In fact, they will benefit from it, both economically and  
6 perhaps strategically. To ignore the long-term upside and focus only on the near-term downside  
7 is, in my opinion, not in the best interest of customers in the Pricing Zone. I would also point  
8 out that this recommendation lacks symmetry to the extent Staff is suggesting that the Ameren  
9 Missouri Pricing Zone should receive benefits but not incur any offsetting detriments. I  
10 discussed these concepts in more detail below.

11 **Q. Please summarize your conclusions.**

12 A. In sum, I believe approval of the Project to be in the public interest (and as stated, Staff  
13 appears to conclude that ATXI meets the other prongs of the Tartan Criteria). The Project  
14 provides value to ATXI, Sikeston, New Madrid, MJMEUC and Ameren Missouri, as well as  
15 other entities and customers in the Ameren Missouri Pricing Zone. The Project has, and will  
16 continue to promote economic development, which benefits the region generally. To the extent  
17 Staff is concerned the Project will harm customers in SPP, they should not be. Simply put, SPP  
18 doesn't see any revenues from Sikeston generation today, and Sikeston is proceeding with this  
19 Project to ensure that they don't have to in the future. This Project doesn't enable that outcome,  
20 it only works to create ancillary value that would not exist but for ATXI's participation.

21 **IV. VALUE TO MISSOURI RATEPAYERS AND OTHER ENTITIES**

1 **Q. Does Staff recognize that the Project has value to ATXI and other involved entities?**

2 A. Yes. Staff recognizes that the Project has value for ATXI, Sikeston and New Madrid.  
3 However, Staff's summary of costs and benefits, reflected in the testimony of Sarah Lange (pp.  
4 10-11) overlooks key strategic benefits to Ameren Missouri. I discuss each of these in turn  
5 below.

6 **A. Acknowledged Improvement for Sikeston**

7 **Q. Does Staff find value in the Project for Sikeston?**

8 A. Yes. Staff witness Shawn Lange agrees with ATXI's characterization of Sikeston's  
9 need, and notes MJMEUC's explanation that "Once the agreement terminates SBMU will be  
10 required to take transmission service through SPP to serve its retail load from its own generation  
11 even though it is only using a short piece of bus work in the SWPA Sikeston substation. This  
12 would force SBMU to increase the rates to its retail customers." Staff thus finds the Project is  
13 an improvement for SBMU to potentially facilitate direct service to its own load with its own  
14 generation. Staff agrees that SBMU requires additional infrastructure to facilitate direct service  
15 to its own load and avoid incurring costs associated with SWPA and SPP.

16 **Q. What is the implication of this finding?**

17 A. As I discussed above, SBMU will construct the additional infrastructure to facilitate  
18 direct service of its generation to its own load and avoid incurring the related transmission costs  
19 associated with SWPA and SPP, regardless of whether the Project is approved by the  
20 Commission. Staff's recognition that SBMU requires additional infrastructure to facilitate direct  
21 service to its own load and avoid incurring costs associated with SWPA and SPP is exactly why  
22 SMBU will pursue construction of additional infrastructure to facilitate direct service to its own

1 load, with or without the Project.

2 **B. Acknowledged Improvement for New Madrid**

3 **Q. Does Staff find value in Project for new Madrid?**

4 A. Yes. Staff witness Shawn Lange finds the Project is an improvement for the City of New  
5 Madrid to facilitate the expansion of Circular SynTech, LLC (CST). In light of the planned  
6 expansion of CST, Staff agrees with MJMEUC's assertion that the Project allows for diverse  
7 supply options and additional load growth for the City of New Madrid. I would note that, all  
8 else equal, the load growth over and above the CST development will only serve to create  
9 economic benefits over and above those we modeled.

10 **Q. Does Staff agree that the Project will increase reliability for New Madrid?**

11 A. No. Staff indicated in testimony (Shawn Lange, p. 9) that ATXI and MJMEUC had not  
12 demonstrated that the Project would increase reliability for the City of New Madrid.

13 **Q. Can you provide additional information about why the Project will increase  
14 reliability in New Madrid?**

15 A. Yes. The Project will improve reliability by providing a second transmission source to  
16 serve the New Madrid load. This will help to mitigate the potential of shedding load in the event  
17 the primary source is subject to an unforced outage. The Project will also facilitate the ability  
18 to take the primary source out of service to perform routine or forced maintenance. And since  
19 this Project results in New Madrid being a member of the MISO, it will now have access to a  
20 much larger pool of generation resources and inter-regional tie lines, to supply contingencies  
21 reserves, planning reserve margins, blackstart capability and the host of supply benefits that

1 large regional markets provide.

2 **C. Acknowledged Improvement for ATXI**

3 **Q. Does Staff find value in the Project for ATXI?**

4 A. Yes. Staff finds the portions of the Project to be retained by ATXI economically feasible,  
5 in that they are expected to be an improvement justifying its cost. Staff witness Sarah Lange  
6 states that “The MISO cost recovery process will make ATXI whole and provide a return to  
7 investors for the costs and expenses ATXI will outlay for the Project, as discussed by Staff  
8 Expert Witness Michael L. Stahlman. Because ATXI is the Applicant and the MISO processes  
9 more or less ensure that ATXI will recover the revenue requirement of the Project, the economic  
10 feasibility of the Project can more or less be assumed.”

11 **Q. Do you wish to offer any other comments on this topic?**

12 A. Yes. I want to be clear that just because ATXI will benefit from the Project doesn't mean  
13 that ATXI is looking to maximize its investment opportunity in it. Rather, we considered very  
14 seriously the impact the Project will have on the Pricing Zone and worked to minimize those  
15 impacts while delivering on the strategic objectives of the Project. Simply put, we didn't, and  
16 don't, use the MISO cost recovery process as a means to flow-through unnecessary costs.

17 **Q. Do you have any Project-related examples of this?**

18 A. Yes. As I described in my Direct testimony, ATXI was originally planning to build a  
19 second switching station where the New Line intersects the Existing Line. When the load  
20 associated with the steel mill did not materialize, the Project parties continued to work together  
21 to revise (and reduce) the scope of the Project by eliminating this second switching station and

1 the retrofit of the Existing Line with fiber, which reduced the capital cost of the Project by  
2 roughly \$10 million. We made these reductions in order to avoid undue costs being allocated  
3 to the zone in light of the revised Project objectives.

4 And as I described in my Supplemental Direct testimony, we also later eliminated  
5 roughly \$2.8 million in Project cost in order to help mitigate increased contractor bids resulting  
6 from ATXI's competitive bidding processes. Instead of flowing these increases through to the  
7 Project and Pricing Zone, we did our best to keep costs down and close to our original estimates.  
8 In sum, I would reiterate that we constantly strive to deliver our projects in the most cost-  
9 effective manner practicable.

10 **D. Strategic Benefits to Ameren Missouri**

11 **Q. Does Staff address the benefits to Ameren Missouri of the Project?**

12 A. Yes. Staff witnesses Shawn and Sarah Lange discuss ATXI's position that "the Project  
13 positions ATXI and/or Ameren Missouri well for potential future expansions of the existing  
14 system, which could improve system reliability and allow Ameren Missouri to directly serve  
15 retail customers located in the Hayti / Portageville area" and "create an additional contract path  
16 between the North and South regions of MISO, which could reduce payments under the Joint  
17 Operating Agreement in place between MISO and SPP, in turn benefitting the retail customers  
18 of Ameren Missouri, as well as any other retail or wholesale customers served by the MISO  
19 transmission system."

20 **Q. Does Staff reflect those strategic benefits in its conclusions regarding the public**  
21 **interest?**

22 A. No. Staff witness Shawn Lange states "Staff is not aware of direct benefit of this project

1 to Ameren Missouri’s system. All stated ATXI stated benefit is predicated on one or more  
2 additional projects that may or may not happen.” And Staff witness Sarah Lange, in her  
3 summary charts of costs and benefits of the Project, does not include these strategic benefits in  
4 her summary.

5 **Q. What is your response to this?**

6 A. I believe the omission of these potential benefits to be a fundamental flaw in Staff’s  
7 analysis. The strategic value of the Project is an important consideration. As I described in my  
8 Direct testimony, in data responses provided as Schedule SB-S2, and noted again above, the  
9 Project extends the current MISO border nearly 30 miles south, creating a pathway that not only  
10 picks up new load, but that could be used – by virtue of the Option Agreement we are securing  
11 – for purposes of future system expansion (to existing Ameren Missouri load pockets and  
12 perhaps beyond). These are key strategic considerations.

13 **Q. Describe the Option Agreement in more detail.**

14 A. \*\* [REDACTED]  
15 [REDACTED]  
16 [REDACTED]  
17 [REDACTED]  
18 [REDACTED]  
19 [REDACTED]  
20 [REDACTED]  
21 [REDACTED]  
22 [REDACTED] \*\* Under the Option

1 Agreement, ATXI has the opportunity to utilize the Existing Line for purposes of future system  
2 expansion, which would unlock the strategic benefits to Ameren Missouri and others that I  
3 discuss above.

4 **V. RESPONSE REGARDING IMPACT ON AMEREN MISSOURI RATEPAYERS**

5 **Q. How will the Project's cost affect AMMO Pricing Zone customers' rates?**

6 A. As I explained in Direct and Supplemental Direct, as a result of the Project, New Madrid  
7 will pay transmission service charges (referred to in MISO as Network Integrated Transmission  
8 Service, or "NITS" charges) that will offset the Annual Transmission Revenue Requirement  
9 (ATRR) associated with the cost of the Project that will be charged to the Ameren Missouri  
10 Pricing Zone. New load in or around New Madrid, however, would produce transmission  
11 service charges that will over time exceed the allocated costs of facilities needed to serve that  
12 load and generate net positive revenues. These net positive benefits are shown in Schedule SB-  
13 SR1 as occurring in 2029 assuming a load of 23MW and in 2036 assuming a load of 17MW.  
14 Although Staff witness Sarah Lange updated ATXI's net benefits (NPV) analysis to reflect  
15 certain additional revenue requirement components<sup>1</sup>, her updated version of ATXI's analysis  
16 still showed net positive revenues potentially as soon as year 8 (2031) (assuming 10MW of load  
17 added in New Madrid, as reflected in ATXI's 23MW analysis)). Further, she acknowledges the  
18 25 year NPV under ATXI's most optimistic estimate is **\*\* [REDACTED] \*\***, and a 25 year NPV of  
19 **\*\* [REDACTED] \*\*** results from what she refers to as "the less speculative of the scenarios."

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<sup>1</sup> Her analysis appears to include a \$45,000 estimate of annual O&M expenses related to line facilities that SMBU will maintain. Since SMBU is paying these O&M costs, however, they would not be allocated to the Ameren Missouri Pricing Zone (unlike ATXI's annual O&M expense for the Comstock substation), and so should not be included in the net benefits analysis.

1 In both cases, these are material positive NPVs.

2 **Q. How does Staff believe the Project could impact the AMMO Pricing Zone?**

3 A. Staff witness Sarah Lange states, "On the balance, Ameren Missouri's MISO Zone will  
4 have a higher revenue requirement, and Ameren Missouri's MISO Zone customers will pay it -  
5 there will simply be more of them, under the Project as currently configured."

6 **Q. Do you agree?**

7 A. I agree that the first few years of the Project, the Project will create more costs than  
8 revenues. But eventually that flips. As Staff acknowledges, over the life of the Project assets,  
9 the Project is expected to generate net positive revenues for the Zone. Staff and ATXI may  
10 disagree about the magnitude and materiality of the net benefit, but Staff does appear to  
11 acknowledge that ATXI's net benefits analysis eventually shows additional revenues from the  
12 new load exceeding the incremental revenue requirement, with the Project having a positive  
13 NPV for customer in the Ameren Missouri Pricing Zone, including Ameren Missouri retail  
14 customers.

15 **Q. Have you provided an exhibit showing how over the life of the Project assets, the  
16 Project is expected to generate net positive revenues for the Zone?**

17 A. Yes. Schedule SB-S1 is the updated net benefits/NPV analysis that was provided to  
18 Staff in discovery. It reflects two load growth scenarios created by the expansion of Circular  
19 SynTech, LLC into New Madrid, projected to be between 5-10 MW. The first tab titled "NP -  
20 AMMO PZ 23" and the third tab titled "NP -AMMO PZ 17" provide an annual comparison of  
21 the total incremental transmission revenue requirements to be added to the Ameren Missouri



1 Pricing Zone as a result of the Project, compared to the incremental transmission revenues New  
2 Madrid will pay to the Ameren Missouri Pricing Zone once the Project is in service, assuming  
3 an additional 10MW of load and an additional 5MW of load, respectively. The projected  
4 transmission revenue requirements for ATXI and MJMEUC are based on current rate inputs  
5 and an updated total Project cost of \$11.8 million (and the assumption that ATXI owns 51%  
6 and MJMEUC owns 49%). The discount rate is based on Ameren Missouri's Attachment O  
7 capital structure assuming a retail ROE of 9.53%, as shown on the second tab. The analysis  
8 shows that the addition of the New Madrid load will advance the "break even" point of the  
9 Project by several years relative to ATXI's original analysis, which did not include the CST load  
10 addition. Specifically, assuming 5MW of additional load (17MW total load after Project), the  
11 incremental 2024 transmission revenue is \$734,645, as opposed to \$518,573, and Year 6 (2029)  
12 will be the first positive year, as opposed to Year 9 (2032) under ATXI's original NPV analysis,  
13 with net positive revenues in Year 13 (2036), as opposed to Year 22 (2045) under the original  
14 analysis. Assuming 10MW of additional load (23MW total additional load after Project), the  
15 incremental transmission revenue is \$993,932, and Year 3 (2026) will be the first positive year,  
16 with net positive revenues in Year 6 (2029).

17 **Q. Have you determined the approximate impact this Project will have on an average**  
18 **Ameren Missouri residential customer's bill?**

19 A. Yes. Based on a projected load addition at New Madrid of 23 MW, I believe the monthly  
20 impact on an average Ameren Missouri residential customer (with a monthly bill of  
21 approximately \$107.54) - based on the Year 1 Project ATRR - would be approximately one  
22 cent. At a load of 17MW, the impact would be around two cents. I would emphasize that these

1 are the Year 1 impacts. They become less over time, eventually resulting in a positive revenues  
2 flowing back to customers in the Zone.

3 **Q. Which Staff witnesses' testimony forms the basis for Staff's conclusion on impacts to**  
4 **the Ameren Missouri Pricing Zone?**

5 A. Staff witness Sarah Lange discusses the net benefits analysis (i.e., the “payback period”).  
6 Staff witness Stahlman addresses the rate mechanisms by which the Project costs are recovered.  
7 Staff then makes certain recommendations – to establish a new MISO pricing zone and hold  
8 Ameren Missouri customers harmless – that I understand Staff to believe would address their  
9 concerns. I address Ms. Lange's testimony and the Staff recommendations below. Mr. Gudeman  
10 responds to Mr. Stahlman on rate mechanisms.

11 **A. Net Benefits Analysis**

12 **Q. Does Staff give any weight to the benefits of the Project you discuss above?**

13 A. I do not believe so. According to Ms. Lange, ATXI's testimony and information  
14 “purporting to address the costs and benefits of the Project and potential future additions to the  
15 Project from the perspectives of various entities” that are not ATXI is not “relevant in this  
16 regard.”

17 **Q. Do you agree that the benefits and costs of the Project to entities other than ATXI is**  
18 **not relevant?**

19 A. No, as I describe above and in my Direct testimony, I believe the benefits to others –  
20 including customers in the Ameren Missouri Pricing Zone - in fact they are key aspects of the

1 application.

2 **Q. Does Ms. Lange raise specific concerns about ATXI’s analysis of the net benefits of**  
3 **the Project?**

4 A. Yes. I have identified three primary concerns:

5 1. ATXI’s modeling of the Ameren Missouri MISO Pricing Zone Cost/Benefit is  
6 “too attenuated to suggest that approval of the Project is an economically feasible  
7 undertaking for Ameren Missouri’s MISO Zone”;

8 2. That “The models provided in response to the first Staff DR projects benefits so  
9 remote and minimal, and devoid of inputs and context, such that it does not reliably  
10 project economic feasibility. The responses to DR Nos. 0007 and 0009 failed to produce  
11 meaningful information or analysis supporting the economic feasibility of the Project as  
12 a whole or by component, for any particular entity”; and

13 3. Accommodation of significant additional load in the New Madrid area will  
14 require additional infrastructure which may be allocable in whole or in part to Ameren  
15 Missouri’s MISO Zone.

16 **Q. Why does Staff contend ATXI’s modeling of the Ameren Missouri Pricing Zone**  
17 **Cost/Benefit is “too attenuated”?**

18 A. Staff witness Sarah Lange states that her O&M "adjusted" version of ATXI's revised  
19 model projects **\*\* [REDACTED] \*\*** in additional revenue requirement to the Ameren Missouri  
20 MISO Zone through 2052, with a projected increase in revenues from existing and new New  
21 Madrid load of **\*\* [REDACTED] \*\*** during that time, and these “projections are too attenuated  
22 to suggest that approval of the Project is an economically feasible undertaking for Ameren

1 Missouri’s MISO Zone.” She adds that “Further, the 25 year NPV under ATXI’s most  
2 optimistic estimate is \*\* [REDACTED] \*\*, with only a 25 year NPV of \*\* [REDACTED] \*\*  
3 resulting from the less speculative of the scenarios, adjusted to include ATXI’s projected  
4 operating cost estimates.” Staff witness Eubanks concludes that Staff is concerned that the  
5 Ameren Missouri MISO pricing zone will not see a net benefit until the year \*\* [REDACTED] \*\*

6 **Q. Do you agree that the Ameren Missouri MISO pricing zone will not see a net benefit**  
7 **until the year \*\* [REDACTED] \*\*?**

8 A. No. And I do not understand Staff to either. As I explained in my Supplemental Direct,  
9 assuming 5MW of additional New Madrid load, Year 6 (2029) will be the first positive year, as  
10 opposed to Year 9 (2032) under ATXI's original NPV analysis, and generates net positive  
11 revenues in Year 13 (2036), as opposed to Year 22 (2045) under the original analysis. Assuming  
12 10MW of additional New Madrid load, Year 3 (2026) will be the first positive year and  
13 generates positive revenues in Year 6 (2029). Staff witness Sarah Lange adjusted that  
14 analysis, but still showed net positive revenues in 2041, for 5MW of additional load, and in  
15 2031, for 10MW of additional load.

16 **Q. Do you agree with Ms. Lange’s revised calculation of future net benefits to the**  
17 **Ameren Missouri Pricing Zone?**

18 A. No, particularly because, as indicated above, it appears she has included O&M costs that  
19 will not be allocated to the Ameren Missouri Pricing Zone. But in any event, even her revised  
20 calculation produces net positive revenues in 2041 or 2031

21 **Q. What is your response to the contention these benefits are “too attenuated”?**

1 A. I'm not sure what Staff means. The economic model produces positive net revenues that  
2 in my opinion are meaningful. I agree that all else being equal, it will take a few years for the  
3 Project to produce positive revenues, but ATXI expects those revenues will materialize. I  
4 understand (though respectfully disagree) with Staff's points about the potential uncertainties  
5 associated with a forecast of future system benefits, but as far as the economics being too  
6 attenuated, I disagree. This Project is an investment. Like most investments, it takes some time  
7 to earn your money back. But like good investments, this one will pay dividends over time.

8 **Q. Are the Project's benefits “so remote and minimal, and devoid of inputs and context,  
9 such that it does not reliably project economic feasibility”?**

10 A. I don't believe so. In its simplest form, the economic feasibility of the Project is a  
11 function of the cost of the Project versus the revenues the Project is likely to produce. Here, the  
12 revenues exceed the costs in what, in my opinion, is a reasonable period. To me, that suggests  
13 the Project, which Staff acknowledges brings a net present value to customers in the Zone of at  
14 least \$1.78 million, and possibly as much as \$8 million, is economically feasible and in fact  
15 desirable.

16 **Q. Would accommodation of significant additional load in the New Madrid area require  
17 additional infrastructure which may be allocable in whole or in part to Ameren Missouri's  
18 MISO Zone?**

19 A. I'm not sure, because the size of the additional load matters. As I have mentioned before,  
20 a load increase from 5MW to 10MW for the new customer requires no additional infrastructure.  
21 At some point, if the demand is great enough, it may necessitate the construction of the southern  
22 switching station that I referenced in my Direct testimony (the one we intended to install when

1 we were exploring the steel mill use case). But we are not requesting the authority to construct  
2 those facilities, or any others that might be warranted based on the size of the additional load,  
3 in this case. Should new facilities become necessary, we would intend to return to the  
4 Commission for supplemental authorization. The Commission would then have the opportunity  
5 to explore the costs and benefits of that additional construction in the context of that  
6 supplemental request.

7         Again, I would note that Staff's concern focuses on the potential for costs, and not the  
8 benefits those costs may unlock. For example, let's say that New Madrid intends to add 100MW  
9 of additional load. Might that trigger additional transmission investment? Sure. But that  
10 increase also represents a substantial increase in revenues. Like with the current Project, to the  
11 extent the revenues exceeds the costs over some reasonable term, that would likely represent a  
12 good investment for the Zone. The costs and the benefits would both have to be examined at  
13 that time. The fact of the matter is that the Project, as currently designed, produces a positive  
14 net benefit.

15         **B. Recommendation to Establish a New Transmission Pricing Zone**

16         **Q. Does Staff have a recommendation related to its concerns on impacts to Ameren**  
17 **Missouri ratepayers?**

18         A. Yes. Staff believes the revenue requirement for this Project can be isolated from the  
19 Ameren Missouri Pricing Zone. Staff witness Stahlman states "MISO's OATT allows for the  
20 addition of new zones. A separate pricing zone would isolate the revenue requirement from the  
21 AMMO Pricing Zone, and the rates would only impact Ameren Missouri customers to the extent

1 Ameren Missouri utilized transmission services on that line.”

2 **Q. Does he recommend conditions as a result?**

3 A. Yes. He would recommend that the Commission condition ATXI’s CCN approval on  
4 ATXI receiving a separate MISO pricing zone for this Project. This condition would provide  
5 protection to other entities in the Ameren Missouri Pricing Zone if the benefits of the Project  
6 do not develop.

7 **Q. Do you agree with Mr. Stahlman's recommendation (also carried forward into the  
8 conditions embedded in the rebuttal testimony of Staff witness Claire Eubanks)?**

9 A. No, for a number of reasons. First, I'm not certain that is permissible under the MISO  
10 Tariff. Second, I believe that recommendation is near-sighted and will work to deprive the  
11 Ameren Missouri Pricing Zone (and Ameren Missouri customers) of the longer-term economic  
12 upside associated with the Project. Third, I'd note that establishing a new pricing zone under  
13 these circumstances is not consistent with my experience and does not appear to be consistent  
14 with other practices in Missouri and Illinois or elsewhere in MISO. Finally, and though I won't  
15 belabor the point, I would note that establishing and administering a new transmission pricing  
16 zone carries certain administrative burdens (and costs).

17 **Q. Please expand on your concerns around the MISO Tariff.**

18 A. Creation of new, standalone pricing zones or modification of existing pricing zones  
19 appears to be restricted by the MISO Tariff. MISO Rate Schedule 01, Appendix C, Section  
20 II(B)(1)(b) only contemplates *combining* pricing zones, and even then only under limited  
21 circumstances: "MISO shall file to combine zones (i) if all of the Owners in the Zones to be

1 combined that are paying MISO for transmission service associated with Bundled Load agree  
2 to combine such zones; (ii) if all of the Owners in contiguous Zones that are paying MISO for  
3 transmission service associated with Bundled Load are allowed to recover amounts they pay  
4 MISO for such transmission service in the applicable rates; provided, however, any Owner may  
5 agree to have zones combined whether or not the Owner recovers or is assured recovery of  
6 payments to MISO; or (iii) if there are contiguous zones that are to be combined where there  
7 are no Owners paying MISO for transmission service associated with Bundled Load."

8           The only other independent pricing zones appear to be cities or municipalities owning  
9 their own facilities (and likely a previous balancing authority or controlled area), for example:  
10 Springfield (City Water, Light and Power/CWLP), Columbia (Columbia Water & Light), and  
11 Muscatine (Muscatine Power and Water). I am not aware of other exceptions, but it is unclear,  
12 and in my opinion doubtful, that MISO (and other Transmission Owners) would approve a new  
13 pricing zone because associated with this Project.

14 **Q. Please further expand on your comment about the recommendation depriving**  
15 **Ameren Missouri of the economic upside associated with the Project.**

16 A. I largely address this comment above in response to Staff witness Lange's testimony.  
17 Staff's recommendation to establish a new transmission pricing zone would insulate Ameren  
18 Missouri customers from the near-term downside associated with the Project. But it also  
19 insulates them from the long-term upside. Given that the Project is expected to produce  
20 meaningful net economic benefits over the term of the investment, I do not view isolating these  
21 benefits from the rest of the zone to be in the long-term best interest of Ameren Missouri Pricing



1 Zone customers.

2 **Q. Please provide some additional perspective around your experience with the creation**  
3 **of new pricing zones in and around the Ameren service territory.**

4 A. In Missouri, the only MISO transmission pricing zone other than the Ameren Missouri  
5 pricing zone is the pricing zone associated with the City of Columbia, which, prior to the  
6 creation of MISO, was its own balancing authority / control area. There are a few other cities in  
7 MISO that have their own pricing zones, resulting from the same historical circumstances. An  
8 example would be the City of Springfield (CWLP) in Illinois.

9 I would also point out that in Illinois, much more so than in Missouri, there are other  
10 Transmission Owners that own facilities that are allocated to and collected from the Ameren  
11 Illinois (AMIL) Pricing Zone. These include Prairie Power, Inc., Ameren Illinois, ATXI,  
12 Hoosier Energy Rural Electric Cooperative, Inc. and GridLiance Heartland, LLC. As a result,  
13 transmission projects constructed by these owners in the AMIL Pricing Zone get allocated to all  
14 customers in that Zone rather than to just the specific owner. As I discuss below, Ameren Illinois  
15 does not object to every project other Transmission Owners propose that would result in  
16 additional costs being allocated to the zone, and vice versa. It's all about working together,  
17 collaboratively, to create a system that is reliable, economically efficient and works, on balance,  
18 to create benefit for all of the parties involved.

19 **Q. So in your opinion, is the recommendation to create a new transmission pricing zone**  
20 **consistent with historical practices in Ameren's service territories?**

1 A. No. ATXI is an established Transmission Owner in the Ameren Missouri Pricing Zone,  
2 along with Wabash Valley Power Association. And MJMEUC will soon be. Unlike some of the  
3 municipal entities noted above, Sikeston and New Madrid will not be MISO Transmission  
4 Owners. I view ATXI and MJMEUC working with those entities and allocating these Project  
5 costs to be consistent with the current and historical practices in both Missouri and Illinois. In the  
6 alternative, I do not believe establishing a new pricing zone under these circumstances to be  
7 consistent with current and historical MISO practices.

8 **C. Recommendation to Hold Ameren Missouri Customers Harmless**

9 **Q. Does Staff have another recommendation regarding Ameren Missouri ratepayers?**

10 A. Yes. Staff witness Lange states: “While it is not clear that the Commission has the  
11 authority in this case to order that Ameren Missouri customers be held harmless from any  
12 negative consequences of the Project, in that ATXI has held out purported benefits to Ameren  
13 Missouri as justification for the Project and as its evidence of the economic feasibility of the  
14 Project, Staff recommends that the Commission in future cases hold Ameren Missouri  
15 customers harmless from any negative impacts of the Project as-applied for, and as possible  
16 with the construction of the additional components referenced in ATXI’s Application and  
17 testimonies attached as exhibits there-to. This is consistent with the position Ameren Missouri  
18 would be expected to take were they a party to this case and were this an arms-length transaction  
19 among all parties for whom ATXI has offered testimony indicating a benefit will accrue.”

20 **Q. Do you agree that this is “the position Ameren Missouri would be expected to take**  
21 **were they a party to this case and were this an arms-length transaction among all parties for**  
22 **whom ATXI has offered testimony indicating a benefit will accrue”?**

1 A. No. We kept Ameren Missouri informed throughout the formulation of the Project and  
2 worked to ensure they understood that the Project adds load to the system, generates long-term  
3 revenues in excess of costs, and creates strategic value that would not otherwise exist.

4 **Q. Are there examples of Transmission Owners not opposing projects that increase**  
5 **revenue requirement in their pricing zones?**

6 A. Yes. Especially in Illinois. As I mention above, there Ameren Illinois routinely works  
7 with other Transmission Owners and stakeholders to develop and execute projects that will  
8 ultimately be allocated to the AMIL Pricing Zone. As noted earlier, I'd also point out that ATXI  
9 isn't the only other Transmission Owner in the Ameren Missouri Pricing Zone. Wabash Valley  
10 became a Transmission Owner when they purchased the transmission assets of Citizens Electric.  
11 Ameren Missouri hasn't and should not be expected to oppose anything and everything that has  
12 or that may affect zonal rates. Likewise, Wabash and Citizens have not and should not be  
13 expected to oppose anything and everything that ATXI or Ameren Missouri does or that may  
14 affect zonal rates. It would be virtually impossible to move forward with any project if each  
15 individual project on its own was required to demonstrate it provided benefits exceeding costs  
16 *for each and every* load serving entity in the pricing zone. In examining whether to challenge a  
17 particular project or allocation, I believe it's appropriate to examine the materiality of the  
18 impact, the value the associated project or investment will create, and the extent to which the  
19 allocation is consistent with the established principles or ratemaking.

20 **Q. Have there been instances where Ameren entities have challenged the allocation of**  
21 **costs to one of their respective pricing zones?**

22 A. Yes. I have observed that Ameren companies routinely intervene to protect their

1 customers interests, including allocation of costs. And that is precisely why ATXI presented the  
2 Project to Ameren Missouri for such an evaluation. And it is my understanding that Ameren  
3 Missouri has not objected to our determination that the cumulative net present value was good  
4 for its customers and offered other benefits, such as the opportunity to extend service to its  
5 southern most customers in the future.

6 **Q. Should the Commission in future cases hold Ameren Missouri customers harmless**  
7 **from any negative impacts of the Project as-applied for?**

8 A. No. Just like it should not insulate Ameren Missouri customers from the benefits  
9 associated with the Project.

10 **VI. RESPONSE RE IMPACT ON MISSOURI RATEPAYERS IN SPP**

11 **Q. Why is the question of impact of the Project on Missouri customers in SPP an issue?**

12 A. Staff witness Eubanks contends there is potential harm from the Project to other  
13 Missouri ratepayers - specifically customers in SPP.

14 **Q. How does Staff explain that concern?**

15 A. Staff witness Sarah Lange contends the “the avoided benefit to customers in SPP of new  
16 revenues from SBMU for use of existing infrastructure is ignored from the perspective of  
17 Missouri ratepayers, and stated as a benefit to SBMU.” She expands on this (at p. 23) to say “as  
18 alluded to in ATXI witness Black’s footnote 3, and stated explicitly in MJMEUC’s response to  
19 Staff DR No. 0010, one of the goals of the Project is the opportunity to avoid payments to the  
20 SPP, which would reduce the net revenue requirement for Missouri utilities that participate in

1 the SPP, associated with infrastructure that already exists. Thus, absent the Project, customers  
2 served by SPP load-serving entities would experience a benefit, with no cost increases.”

3 **Q. Does Staff quantify these “avoided benefits”?**

4 A. No.

5 **Q. Is one of the goals of the Project to avoid payments to SPP?**

6 A. Yes, avoiding payments of transmission charges related to its generation is one of  
7 Sikeston's goals, and one that Sikeston will pursue with or without the Project. As discussed  
8 above, Sikeston is going to avoid these payments to SPP no matter what, so that is not a cost of  
9 the project to ratepayers in SPP.

10 **Q. Are the “avoided benefit to customers in SPP of new revenues from SBMU for use of  
11 existing infrastructure” ignored?**

12 A. Yes, and appropriately so, because those new transmission service revenues aren’t going  
13 to come to fruition – they will be zero.

14 **Q. Is it correct that absent the Project, customers served by SPP load-serving entities  
15 would experience a benefit, with no cost increases?**

16 A. With respect to transmission service charges related to Sikeston's generation, no,  
17 because SBMU intends to construct facilities itself and avoid payments to SPP related its  
18 generation anyway. As Staff witness Lange agrees, the “new revenues” in SPP would likely be  
19 zero if Sikeston pursued an independent project to interconnect with MISO (i.e., build

1 Comstock, or something similar to Comstock, on its own)<sup>2</sup>.

2 **Q. So is there potential harm to Missouri ratepayers in SPP?**

3 A. No. And even to the extent there could be harm as Staff alleges, that harm would happen  
4 regardless.

5 **VII. AGREEMENTS**

6 **Q. Did ATXI request approval of certain contracts in this proceeding?**

7 A. Yes. ATXI requested the Commission approve three contracts between the project  
8 entities: (a) a Joint Ownership Agreement (JOA) among ATXI, MJMEUC, and Sikeston  
9 (including SBMU); (b) a Construction Agreement between ATXI and SBMU; and (c) an  
10 Operation and Maintenance Services Agreement (O&M Agreement) among ATXI, MJMEUC,  
11 and SBMU.

12 **Q. What is Staff's position on the approval of these contracts?**

13 A. Staff witness Sarah Lange states that "Staff is unaware of the Commission's jurisdiction  
14 to review or approve such agreements within the context of this case." Similarly, Staff witness  
15 Eubanks states that "Although the contracts are informative, they do not appear to be subject to  
16 the Commission's jurisdiction."

17 **Q. What is your response?**

18 A. I defer to legal counsel and, ultimately, to the Commission. We provided the contracts

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<sup>2</sup> MoPSC Staff Response to ATXI Data Request 0031, "Description: With respect to pages 9-10 and 23 of the rebuttal testimony of Staff witness Sarah Lange: does Staff agree the "new revenues" in SPP would likely be zero if Sikeston pursued an independent project to interconnect with MISO (i.e., build Comstock, or something similar to Comstock, on its own) and that the Commission would not have jurisdiction over such a project?" Response: "Yes."

1 in an effort to be transparent and in an effort to obtain approval for any provisions thereof that  
2 may represent an encumbrances of or on ATXI's assets. These same contracts will also  
3 eventually be submitted to FERC. To the extent the Commission determines that it does not  
4 have jurisdiction over these contracts, ATXI would not anticipate contesting that conclusion.

5 **VIII. CONCLUSION**

6 **Q. Please summarize your conclusions.**

7 A. I conclude that this Project is, and remains, in the public interest. Staff agrees that it will  
8 benefit ATXI, Sikeston and New Madrid. To the extent Staff is concerned about the effect the  
9 Project will have on customers in SPP, it should not be. Given the grandfathered status of  
10 Sikeston's contract with SWPA, SPP sees no Sikeston-related generation revenues today. And  
11 it won't in the future, given Sikeston intent to build around to SWPA bus in a development that  
12 would otherwise be non-jurisdictional to this Commission. To the extent Staff is concerned  
13 about potential harm to Ameren Missouri customers, it also should not be. This Project adds  
14 load to the system, generates long-term revenues in excess of costs, and creates strategic value  
15 that would not otherwise exist.

16 **Q. Does this conclude your Surrebuttal testimony?**

17 A. Yes.