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.	)	

REPORT ON DISCUSSIONS
AND MOTION FOR LEAVE TO FILE
REPORT OUT-OF-TIME

COMES NOW Union Electric Company d/b/a Ameren Missouri ("Ameren Missouri" or the "Company"), and for its Report on Discussions as required by Ordering Paragraph 3 of the Commission's March 8, 2017 *Order Further Modifying Report and Order* (the "Modification Order"), and its Motion for Leave to file this Report out-of-time, states as follows:

1. The Modification Order adopted the provisions of a joint motion filed by Ameren Missouri, the Commission's Staff, the Office of the Public Counsel and the Missouri Industrial Energy Consumers ("Joint Movants"), by which the Joint Movants recommended, *inter alia*, that a new Ameren Missouri case respecting continued regional transmission organization ("RTO") participation or operation of its transmission system as an independent coordinator of transmission ("ICT") be delayed for a period of approximately two and one-half years, to March 15, 2020. As the Modification Order recognizes, the Joint Motion explained that the Joint Movants believed a delay was warranted both because of the high cost of conducting a cost-benefit study, and because the cost for Ameren Missouri to leave MISO would be so high that any such cost-benefit study could only show that Ameren Missouri's continued membership in MISO was in the public interest. Only the Missouri Joint Municipal Electric Utility Commission ("MJMEUC") opposed the Joint Motion. It should be noted that MJMEUC is not a retail

customer of Ameren Missouri, does not pay the retail rates which reflect MISO costs and benefits, and would not have to pay rates that reflect the cost of a cost-benefit study (a fact the Commission itself made note of in the Modification Order).

2. The Modification Order granted the Joint Motion and thereby extended the timeline for further consideration of the Company's continued membership in MISO. In addition, the Commission required the Company to convene a stakeholder meeting or meetings this year and next to "discuss whether extension of the time to file the next case to March 15, 2020 remains reasonable." Modification Order, ¶ 3. The 2018 meeting was to be held in January, 2018, to be followed by a report on the discussion to be submitted by March 30, 2018. *Id.*

3. The Company inadvertently failed to properly calendar the discussion/report deadlines. Consequently, the discussion for 2018 was not held until May 17, 2018.[1] During the meeting, a discussion was had about the considerations set forth in paragraphs 4 and 5 of the Joint Motion, as required by the Modification Order. More specifically, Ameren Missouri provided information pertinent to all those considerations, as it had done in late 2016 before the Joint Motion was filed, discussed that information, and asked the stakeholders to provide any questions or comments on the information. There were limited questions and comments offered, with MJMEUC offering/asking the most comments/questions.

4. From the Company's perspective, the information provided by the Company for the May 17th meeting confirmed that nothing material had changed with respect to all of considerations outlined in paragraphs 4 and 5 of the Joint Motion. This supports the conclusion

[1] The Company realized that it had missed the earlier deadlines in April, contacted the stakeholders on May 2, 2017 to advise them of the deadlines, and offered dates over the following approximately two weeks for the required stakeholder meeting. The Company also provided pertinent information to the stakeholders at that time. No stakeholder had inquired about the meeting before Ameren Missouri contacted them on May 2.

that the extension of time to file the next case to March 20, 2020 remains reasonable. No stakeholder disagreed with that conclusion, although MJMEUC inquired about whether some level of a cost and benefit analysis had been done by the Company.

5. More specifically, the information provided by Ameren Missouri that continues to demonstrate that the extension remains reasonable shows, among other things, that:

a. Performing a cost-benefit study with the scope and parameters contemplated by Ameren Missouri and the stakeholders would likely cost a minimum of $500,000 and more likely closer to $1 million. These amounts represent an estimate of the external costs Ameren Missouri would incur to have the study performed, and do not include Ameren Missouri's own internal labor or resource costs, nor any costs stakeholders would incur relating to such a study. This estimate is based upon the cost of the last comprehensive cost-benefit study that was completed several years ago, which at that time cost approximately $481,000. Among the items that would significantly add to the scope of a new study are that the new study would cover a range of years twice as long as the period covered by the earlier study (ten (10) years instead of five (5) years), the RTO markets to be studied are more complex than they were at the time of the earlier study (co-optimizing energy and ancillary service markets), and the study would have to examine multiple environmental compliance scenarios; and

b. The high cost of such a study is not currently justified, including for the following primary reasons:

i. The Southwest Power Pool ("SPP") still does not have a centrally administered capacity market, while MISO has such a capacity market from which Ameren Missouri has captured substantial margins in recent years and reflected those margins in its fuel adjustment clause. The bilateral capacity market in SPP continues to lack both depth and transparency.

ii. MISO has indicated to it that if Ameren Missouri were to exit, Ameren Missouri would owe MISO a lump-sum exit fee of approximately $24-28 million, as required by MISO's FERC-approved tariff. The exit fee would be required to cover Ameren Missouri's share of MISO's existing infrastructure used to operate the RTO.

iii. Under MISO's FERC-approved tariff, a member who exits MISO remains obligated to pay its pro-rata share of transmission charges to cover already-approved MISO Multi-Value Projects ("MVPs"), which Ameren Missouri has estimated would total approximately $60 million per year.[2] Ameren Missouri's total MVP obligations would be approximately $2 billion over the next 40 years.

iv. MISO estimates (from its 2017 triennial analysis) that the benefit-cost ratio of MISO participation for MISO Zone 5 (which is made up almost entirely of Ameren Missouri's service territory) is between 1.5 and 2.58. If Ameren Missouri were to exit MISO, it would have to

[2] During the extension period granted by the Modification Order. These years are identified because has the Modification Order not extended the timeline, Ameren Missouri's MISO participation would still have continued until at least the end of 2018.

incur substantial additional costs in the form of transmission service charges to access those benefits,[3] in addition to the above-mentioned sums Ameren Missouri indicated it would owe.

v. If Ameren Missouri were to leave MISO and join SPP, it would expect to be responsible for an allocation of the transmission charges arising from already built/approved SPP transmission projects, the costs of which (similar to MISO MVPs), are allocated regionally, while also continuing to be obligated to pay its pro-rata share of the MISO MVP transmission charges outlined above.

vi. If Ameren Missouri were to leave MISO and join SPP, its Illinois generating assets located in MISO Zone 4 (essentially, Southern Illinois) would remain in MISO, unless it incurred significant costs to "pseudo tie" one or more of these assets to SPP. Absent such an arrangement (or a similarly costly acquisition of firm transmission service out of MISO into SPP), Ameren Missouri would be short capacity in SPP and consequently face an uncertain cost exposure. This cost exposure would arise from Ameren Missouri being required to purchase capacity in SPP through the bilateral market (which lacks both depth and transparency) while selling capacity in MISO. Ameren Missouri would also face additional administrative cost and market risk if it were to operate those assets in a market separate from the

[3] Ameren Missouri could engage in transactions in MISO's markets even if it is not a member, but to do so, it would be required to incur substantial through and out transmission charges that MISO members do not have to pay.

market where the rest of its generating fleet and its load reside. Ameren Missouri estimates it would incur MISO "through and out" charges of $80 million per year in order to "pseudo tie" all of its Illinois-based assets into SPP.

6. As noted, Ameren Missouri inadvertently failed to timely hold the 2018 meeting and file the 2018 meeting report. Ameren Missouri apologizes for its oversight, requests that the Commission excuse its inadvertent failure to timely conduct the meeting and that the Commission accept this Report out-of-time. No prejudice to any party occurred due to the approximately 60-day delay in submitting this Report. To avoid the same problem next year, Ameren Missouri has calendared the 2019 meeting and report deadlines.

WHEREFORE, Ameren Missouri submits this Report on Discussions, requests that it be excused from not meeting the deadlines, and requests that the Report be accepted out-of-time.

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 25th day of May, 2018.

/s/James B. Lowery
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