

## **Attachment H**

Direct Testimony of Jim Useldinger  
on Behalf of South Central MCN LLC

Dated: April 30, 2018

Issues: Compliance with the Commission's July 20, 2016 Order

Witness: Jim Useldinger

Sponsoring Party: South Central MCN LLC

Type of Exhibit: Direct Testimony

Case No.: EA-2016-0036

Date Testimony Prepared: April 30, 2018

**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

**DIRECT TESTIMONY OF  
JIM USELDINGER  
ON BEHALF OF  
SOUTH CENTRAL MCN LLC  
April 30, 2018**

BEFORE THE PUBLIC SERVICE COMMISSION  
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1 I. **INTRODUCTION AND PURPOSE OF TESTIMONY**

2 Q1. **Please state your name.**

3 A. My name is James (Jim) E. Useldinger.

4 Q2. **For whom do you work, what is your position, and what is your business address?**

5 A. I am the Vice President of Operations for GridLiance Management, LLC, which employs the  
6 executives and staff who provide services to South Central MCN LLC (SCMCN), pursuant to a  
7 management services agreement with GridLiance Holdco, LP (GridLiance), the indirect parent  
8 company of SCMCN. GridLiance is a Delaware limited partnership that is largely owned by The  
9 Blackstone Group L.P. investment entities and is the sole member of GridLiance Heartland LLC,  
10 SCMCN's direct parent company. My business address is 201 E. John Carpenter Freeway, Suite  
11 900, Irving, TX 75062.

12 Q3. **On whose behalf are you testifying?**

13 A. I am testifying on behalf of SCMCN, the applicant in this proceeding.

14 Q4. **Have you submitted testimony previously before the Missouri Public Service Commission  
15 (Commission)?**

16 A. No. I have not previously submitted testimony before this Commission.

17 Q5. **What is the purpose of your testimony?**

18 A. I will discuss SCMCN's compliance with the Commission's Order in this docket, issued on July 20,  
19 2016 and effective on August 2, 2016 (July 20 Order), which granted SCMCN a Certificate of  
20 Convenience and Necessity (CCN) with respect to certain transmission facilities SCMCN has  
21 acquired from the City of Nixa, Missouri (Nixa Assets). The Commission's July 20 Order directed  
22 SCMCN to submit certain agreements that were identified as exhibits to the Asset Purchase  
23 Agreement (APA) for the Nixa Assets, but had not been executed at the time SCMCN submit its  
24 CCN Application. The July 20 Order also directed SCMCN to affirm that it would comply with

1 certain construction practices and reporting requirements. I will identify the agreements SCMCN is  
2 submitting in compliance with the directives contained in the July 20 Order and will affirm that  
3 SCMCN will comply with the referenced construction practices and reporting requirements.

4 Additionally, I will supplement the record with additional information regarding SCMCN's and Nixa's  
5 updated plan for SCMCN's control, operation, and maintenance of the Nixa Assets.

6 **II. SCMCN'S ACQUISITION OF THE NIXA ASSETS**

7 **Q6. Please describe the Nixa Assets.**

8 A. The Nixa Assets consist of approximately 10 miles of 69 kilovolt (kV) electric transmission lines and  
9 related facilities that serve the City of Nixa (Nixa) in Christian and Greene Counties, Missouri.

10 **Q7. Has SCMCN obtained authorization from the Federal Energy Regulatory Commission  
11 (FERC) to obtain the Nixa Assets?**

12 A. Yes. On March 15, 2018 FERC approved SCMCN's Application for Authorization to Acquire the  
13 Nixa Assets, pursuant to Section 203 of the Federal Power Act, in Docket No. EC17-126-000 and  
14 also accepted, subject to refund and the outcome of the ongoing proceedings in Docket Nos.  
15 ER15-2594, ER17-953, and EL18-16, Southwest Power Pool, Inc.'s (SPP) proposed revisions to  
16 the SPP Open Access Transmission Tariff (SPP Tariff) to incorporate SCMCN's Annual  
17 Transmission Revenue Requirement (ATTR), transmission formula rate template, and transmission  
18 rate implementation protocols into the SPP Tariff in Docket No. ER18-99-000. FERC also  
19 established hearing and settlement judge procedures for certain limited items related to SPP's  
20 proposed revisions to the SPP Tariff.

1 Q8. What actions did SCMCN take upon receiving approval from FERC to acquire the Nixa  
2 Assets?

3 A. As a result of FERC's March 15 Orders, SCMCN and Nixa began to prepare for the closing of  
4 SCMCN's acquisition of the Nixa Assets. Those pre-closing preparations included reviewing  
5 closing deliverables and executing certain additional agreements.

6 Q9. Has SCMCN acquired the Nixa Assets?

7 A. Yes. On March 31, 2018 SCMCN and Nixa consummated the transaction by which SCMCN  
8 acquired the Nixa Assets. SCMCN subsequently transferred operational control of the Nixa Assets  
9 to SPP on April 1, 2018. SCMCN provided notice of the acquisition to the Commission by letter  
10 dated April 4, 2018.

11 III. DIRECTIVES OF THE COMMISSION'S JULY 20 ORDER

12 Q10. Does the July 20 Order require SCMCN to supplement its CCN Application?

13 A. Yes. The July 20 Order requires SCMCN to file documents verifying that, in accordance with the  
14 terms of the Settlement Agreement reached among SCMCN, Nixa, and the Board of Public Utilities  
15 of the City of Springfield, Missouri (CU), the Nixa Assets will be located in SPP pricing zone 10, in  
16 which Southwestern Power Administration (Southwestern) is the incumbent utility.

17 Additionally, the July 20 Order requires SCMCN to submit five exhibits to the APA that  
18 SCMCN had not executed at the time it filed its CCN Application with the Commission. The APA  
19 included placeholders for these exhibits, which were designated as (1) Exhibit A: IA Assignment  
20 Agreement; (2) Exhibit F: Transition Services Agreement; (3) Exhibit G: Pole Attachment  
21 Agreement; (4) Exhibit H: Transmission Services Agreement; and (5) Exhibit I: Lease and Access  
22 Agreement.

23 The July 20 Order also requires SCMCN to submit two additional agreements that SCMCN  
24 identified in its CCN Application: (1) "the agreement regarding system control services with [City

1 Utilities of] Springfield, [Missouri] when finalized, or the agreement with the alternative provider of  
2 system control services if the current plan to use Springfield does not occur"; and (2) "the  
3 agreement regarding operation and maintenance services with BBC Electrical Services, Inc.  
4 ("BBC"), or the agreement with the alternative provider of operation and maintenance services if  
5 the current agreement to use BBC is not fulfilled."

6 Finally, the July 20 Order requires SCMCN to (1) affirm that it will follow certain  
7 construction, clearing, maintenance, repair, and right-of-way practices regarding landowners and  
8 land managements that are identified in the Staff Memorandum Recommendation filed in this  
9 docket, (2) file an annual report every year on January 1 concerning SCMCN's membership in  
10 SPP, including SCMCN's perspective on the economic viability of remaining in SPP; and (3) file  
11 with the Commission a copy of any annual report SCMCN files with FERC.

12 **IV. SUBMISSION OF DOCUMENTS IN COMPLIANCE WITH THE JULY 20 ORDER**

13 **Q11. Please describe the documents SCMCN is submitting in compliance with the Commission's**  
14 **July 20 Order.**

15 A. In compliance with the directive of the July 20 Order that SCMCN shall file documents verifying that  
16 the Nixa Assets will be placed SPP pricing zone 10, in which Southwestern is the incumbent utility,  
17 SCMCN is submitting a copy of the March 15 FERC Order approving SCMCN's Application for  
18 Authorization to Acquire the Nixa Assets, pursuant to Section 203 of the FPA, in Docket No. EC17-  
19 126-000. SCMCN is also submitting a copy of FERC's March 15 Order accepting, subject to  
20 refund, SPP's proposed revisions to the SPP Tariff to incorporate SCMCN's ATTR, transmission  
21 formula rate template, and transmission rate implementation protocols into the SPP Tariff in Docket  
22 No. ER18-99-000. Certain issues in SPP's filing were set for hearing and settlement judge  
23 procedures. Settlement discussions are ongoing. If anything determined in the SPP docket affects

1 the statements herein or the bases for Commission's July 20 Order, SCMCN commits to update  
2 the Commission in an additional compliance filing.

3 In compliance with the directive of the July 20 Order that SCMCN submit the previously  
4 unfiled exhibits to the APA for the Nixa Assets, SCMCN is submitting the following documents: (1)  
5 Assignment, Assumption and Amendment of Agreement between SCMCN, the City of Nixa,  
6 Missouri, and City Utilities of Springfield, Missouri; (2) Interconnection and Operating Agreement  
7 between the United States of America, acting by and through the Administrator, Southwestern  
8 Power Administration, South Central MCN LLC, and Southwest Power Pool, Inc.; (3) Transmission  
9 Pole Attachment Agreement between South Central MCN LLC and the City of Nixa, Missouri; (4)  
10 Master Services Agreement between South Central MCN LLC and the City of Nixa, Missouri; and  
11 (5) Substation Easement Agreement between the City of Nixa, Missouri and South Central MCN  
12 LLC.

13 In compliance with the directive of the July 20 Order that SCMCN submit the agreement  
14 regarding operation and maintenance with BBC Electrical Services, Inc. (BBC), SCMCN is  
15 submitting the Maintenance Agreement between South Central MCN LLC and the City of Nixa,  
16 Missouri.

17 **V. COMPLIANCE WITH CONSTRUCTION PRACTICES AND REPORTING REQUIREMENTS**

18 **Q12. Will SCMCN adhere to the construction, clearing, maintenance, repair, and right-of-way**  
19 **practices regarding landowners and land managements that are identified in the Staff**  
20 **Memorandum Recommendation, as directed in ordering paragraph 1.c. of the July 20**  
21 **Order?**

22 **A. Yes. SCMCN affirms that it will adhere to these practices.**



1 Q13. Has SCMCN complied with the Commission's directives to file annual reports concerning  
2 SCMCN's membership in SPP and copies of any annual reports SCMCN files with FERC?

3 A. Yes. In January 2017 and January 2018 SCMCN filed reports with the Commission concerning  
4 SCMCN's membership in SPP. Additionally, in April 2017 and April 2018, SCMCN filed copies of  
5 its FERC Forms 1 with the Commission, in compliance with the directive contained in the July 20  
6 Order that SCMCN must file with the Commission a copy of any annual report it files with FERC.  
7 SCMCN commits that, until otherwise instructed, it will continue to comply with the reporting  
8 requirements set forth in the July 20 Order.

9 VI. SUPPLEMENTAL INFORMATION REGARDING SCMCN'S ACQUISITION AND OPERATION  
10 OF THE NIXA ASSETS

11 Q14. In general, please explain why SCMCN and Nixa updated the proposed plan for SCMCN's  
12 acquisition and operation of the Nixa Assets.

13 A. Subsequent to the Commission's July 20 Order, SCMCN and Nixa determined that it was  
14 necessary to update certain elements of the transaction whereby SCMCN would acquire and  
15 operate the Nixa Assets to more accurately reflect the intentions of the parties. These  
16 modifications do not alter the public convenience and necessity that will be served by SCMCN's  
17 ownership of the Nixa Assets. However, SCMCN would like to supplement the record with  
18 additional information regarding the structure of its acquisition and operation of the Nixa Assets to  
19 ensure that the record continues to support the Commission's findings in the July 20 Order.

20 Q15. Please describe the manner in which SCMCN and Nixa updated the proposed plan for  
21 SCMCN's acquisition and operation of the Nixa Assets.

22 A. SCMCN and Nixa's updates to SCMCN's acquisition and operation of the Nixa Assets generally fall  
23 into two categories: (1) modifications to certain agreements SCMCN identified in its CCN

1 Application and (2) modifications to SCMCN's plan for obtaining system control services related to  
2 the Nixa Assets.

3 **Q16. Please describe the agreements SCMCN and Nixa modified.**

4 A. As noted, SCMCN and Nixa determined that certain agreements should be retitled to more  
5 accurately reflect their intended purposes. These modifications reflect the negotiations between  
6 SCMCN and Nixa and were mutually agreed upon as being the most effective means of  
7 implementing the parties' intentions. For example, after SCMCN submitted its CCN Application,  
8 SCMCN and Nixa determined that certain agreements, such as the previously identified  
9 "Transmission Services Agreement," should be retitled to more accurately describe their intended  
10 purposes. SCMCN and Nixa changed the name of the Transmission Services Agreement to  
11 "Master Services Agreement" (MSA) to more accurately reflect the broad scope of work that will be  
12 performed under the MSA.

13 **Q17. Please describe the MSA.**

14 A. The MSA is an agreement between SCMCN and Nixa that is intentionally broad in scope to allow  
15 the parties to execute agreements for specific services called Task Orders. SCMCN and Nixa will  
16 execute Task Orders based on the *pro forma* Task Order that is attached to the MSA as  
17 Attachment 1. Nixa will work as an independent contractor and SCMCN will compensate Nixa  
18 based upon the compensation structure agreed to and stated in each Task Order. Given the broad  
19 scope of the MSA, SCMCN and Nixa can execute Task Orders for a variety of services related to  
20 the Nixa Assets, including operations and maintenance services and system control services.  
21 Given Nixa's years of experience maintaining its transmission system, Nixa is fully capable of  
22 sufficiently providing these services to SCMCN.

1 **Q18. Did SCMCN and Nixa determine that any other agreements should be retitled?**

2 A. Yes. SCMCN and Nixa determined that the previously identified "Lease and Access Agreement"  
3 should be retitled "Substation Easement Agreement" to more accurately reflect that, following  
4 SCMCN's acquisition of the Nixa Assets, Nixa will continue to use a portion of the substations  
5 acquired by SCMCN for certain operations related to Nixa's electric distribution system.

6 **Q19. Did SCMCN take assignment of Nixa's existing Interconnection Agreements from CU and  
7 Southwestern, as contemplated in Exhibit A to the APA?**

8 A. SCMCN executed an Assignment, Assumption and Amendment of Agreement with CU, under  
9 which Nixa and CU assigned Nixa's existing Interconnection Agreement with CU to SCMCN, with  
10 minor amendments. However, SCMCN, Southwestern, and SPP executed a new Interconnection  
11 Agreement providing for the continued interconnection of the Nixa Assets, once acquired by  
12 SCMCN, with Southwestern's transmission system.

13 **Q20. Are there any other differences between SCMCN's submission and the agreements  
14 identified in the July 20 Order?**

15 A. Yes. As noted, SCMCN is submitting the Maintenance Agreement between SCMCN and BBC in  
16 compliance with the July 20 Order. I also previously discussed the purpose and structure of the  
17 MSA between SCMCN and Nixa. Given the existence of the Maintenance Agreement and MSA,  
18 SCMCN and Nixa determined that the previously identified "Transition Services Agreement" was  
19 no longer necessary. The MSA ensures that the Nixa Assets will be properly maintained by  
20 establishing a broad scope of ongoing operation and maintenance services that Nixa will perform  
21 through the agreed upon Task Orders. The Maintenance Agreement establishes BBC's obligation  
22 to perform additional services related to the Nixa Assets that are beyond the scope of the MSA.  
23 Accordingly, SCMCN did not enter into a Transition Services Agreement.

1 Q21. In its CCN Application, SCMCN stated that it would contract with third parties for system  
2 control services while SCMCN was building its own system control center. Has SCMCN  
3 constructed a system control center?

4 A. No. SCMCN has not yet constructed a system control center. However, SCMCN acknowledges  
5 the long-term value in owning a control center and may pursue this option in the future.

6 Q22. Please explain why SCMCN has decided to postpone constructing or acquiring a system  
7 control center.

8 A. After estimating the cost to construct a system control center, which was envisioned for operation  
9 of all assets of the GridLiance companies, SCMCN and its affiliates determined that it would be  
10 more prudent and cost-effective to contract with third parties for operations and maintenance and  
11 system control services while SCMCN and the other affiliates continue to seek out opportunities to  
12 acquire, develop, and expand transmission facilities in the SPP and other regions. As noted in its  
13 CCN Application, SCMCN is a transmission-only company formed to operate within the SPP  
14 region. SCMCN is not affiliated with any market participant operating in SPP. Prior to SCMCN's  
15 acquisition of the Nixa Assets, SCMCN's sole customer was Tri-County Electric Cooperative, Inc.  
16 (Tri-County), a not-for-profit electric distribution cooperative based in Hooker, Oklahoma. As such,  
17 SCMCN has been sensitive to incurring costs that will increase rate base prematurely and thereby  
18 increase rates when there are prudent alternatives. SCMCN's acquisition of the Nixa Assets  
19 represents a significant addition to SCMCN's geographical footprint; however, SCMCN has  
20 determined that it should ultimately postpone constructing or acquiring a system control center.

1 **Q23. What is the approximate cost to construct a system control center?**

2 A. SCMCN estimates it would cost a minimum of \$15 to \$20 million to construct a system control  
3 center.

4 **Q24. Please describe SCMCN's plans for performing or obtaining system control services over  
5 the Nixa Assets.**

6 A. SCMCN is continuing to explore potential arrangements with third parties for system control  
7 services in the short-term. Additionally, in mid-2017, Nixa constructed a Supervisory Control and  
8 Data Acquisition (SCADA) system, which SCMCN plans to synchronize with its operating  
9 procedures to monitor and provide system control support for the Nixa Assets; however, I should  
10 note that the Nixa Assets have never been subject to a system control requirement because the  
11 Nixa Assets are not subject to regulation by the North American Electric Reliability Corporation  
12 (NERC). Therefore, while SCMCN acknowledges the value in an arrangement for system control  
13 services, it notes that such services are not required.

14 **Q25. Please explain why the Nixa Assets are not subject to regulation by NERC.**

15 A. The Nixa Assets consist of 69 kV facilities that are not included NERC's definition of the Bulk  
16 Electric System (BES). NERC defines BES as transmission facilities that are 100 kV or higher.  
17 Thus, the Nixa Assets are not subject to NERC regulation.

18 **Q26. How has Nixa ensured the reliability of its transmission system in the past?**

19 A. Prior to SCMCN's acquisition of the Nixa Assets, Nixa ensured the reliability of its transmission  
20 system through coordination with CU and other contractors for limited and discrete operations and  
21 maintenance services. Nixa, CU, and certain other contractors established relationships whereby  
22 Nixa obtained operations, maintenance, and repair services from various contractors without  
23 entering into long term agreements.

1 Q27. How will SCMCN ensure the continued reliability of the Nixa Assets upon acquiring them?

2 A. SCMCN believes the existing MSA between SCMCN and Nixa will ensure that the Nixa Assets are  
3 properly maintained. Under the Maintenance Agreement, BBC will perform any services that are  
4 beyond the scope of the MSA. These agreements, along with SCMCN's plans to synchronize its  
5 operating procedures with Nixa's new SCADA system, will ensure that the customers served by the  
6 Nixa Assets will continue to receive reliable transmission service.

7 VII. CONCLUSION

8 Q28. Does this conclude your testimony?

9 A. Yes.

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MCN LLC for Approval of Transfer of Assets and )  
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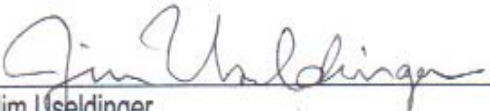
File No. EA-2016-0036

**AFFIDAVIT OF JIM USELDINGER**

STATE OF KANSAS )  
 ) ss  
COUNTY OF JOHNSON )


Jim Useldinger, being first duly sworn on oath states:

1. My name is Jim Useldinger. I am currently the Vice President of Operations for GridLiance Management, LLC. My business address is 201 E. John Carpenter Freeway, Suite 900, Irving, TX 75062.
2. Attached hereto and made a part hereof for all purposes is my Direct Testimony on behalf of SCMCN, consisting of 11 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.

  
\_\_\_\_\_  
Jim Useldinger

Subscribed and sworn to me before this 27 day of April, 2018.



  
\_\_\_\_\_  
Notary Public

My commission expires: \_\_\_\_\_