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.	)	

MJMEUC'S RESPONSE TO AMEREN MISSOURI'S REPLY

COMES NOW the Missouri Joint Municipal Electric Utility Commission ("MJMEUC"), by and through counsel, and for its Response to the Union Electric Company d/b/a Ameren Missouri's ("Ameren Missouri") Reply to MJMEUC's Response to Joint Motion to Make Additional Modifications to April 19, 2012 Report and Order, states as follows:

1. In its Reply, Ameren Missouri raised an issue that was not addressed in MJMEUC's Response to the Joint Motion, namely MISO's Resource Adequacy Construct. Quite frankly, numerous developments in Resource Adequacy have created a vastly different landscape since the last detailed cost benefit analysis modeling that was performed by Charles River Associates (the "Charles River Study") in Case No. EO-2008-0134. That study was dated October 11, 2007, almost 10 years ago. Significant changes have occurred in the world of RTOs since 2007.

a. On November 1, 2016, the Midcontinent Independent System Operator, Inc. ("MISO") filed with the Federal Energy Regulatory Commission ("FERC") to modify its Open Access Transmission, Energy and Operating Reserve Markets Tariff ("Tariff") to incorporate its Competitive Retail Solution ("CRS"). The proposal would have established a mandatory Forward Resource Auction ("FRA") and otherwise modify MISO's existing capacity market to address resource adequacy concerns in areas of its footprint with retail choice (Illinois and parts of Michigan).[1] On February 2, 2017, FERC rejected MISO's filing. In that case, Ameren Services, Inc. (Ameren Missouri's parent) advocated for a mandatory capacity auction not just for the retail choice areas, but for the entire MISO footprint, 90% of which is traditionally regulated. In stakeholder forums, MISO has indicated that it is considering its next steps, and remains deeply concerned about Resource Adequacy in the years to come. Any change to MISO's capacity market, especially the type of change in the Resource Adequacy Construct that Ameren Services, Inc. is advocating, could have far reaching effects for Missouri ratepayers, and could affect the costs and benefits of Ameren Missouri remaining in MISO. Importantly, Ameren Missouri agreed to address Capacity Market concerns in the new comprehensive study it promised to perform. Ameren Missouri Witness Maureen Borkowski testified: "As for the second and third topics, both of which essentially deal with the Midwest ISO's capacity markets, it is my understanding that that issue will be accounted for in the next cost-benefit study to be filed by May 15, 2015, a study the Company will conduct, with substantial input from the stakeholders."[2] It is also worth noting that the Commission Order specifically left the door open for parties to come back before the Commission if changes, such as the one advocated by Ameren most recently, were to occur.[3]

b. In 2014, MISO and the Organization of MISO States ("OMS") teamed to create an annual Resource Adequacy Survey. This is a voluntary annual survey to forecast the region's long-term resource adequacy. The survey acts as a tool – providing visibility and transparency as to whether the MISO region will have adequate resources to meet consumer demands for electricity and reliability standards in the following year and years to come. Ultimately, the survey gives state regulators and utilities – which have the authority to determine

[1] FERC Docket Number ER17-284-000.
[2] Borkowski Supplemental Surrebuttal, pg. 7, lines 5-8.
[3] Report and Order, pg. 8.

whether and what kinds of resources to invest in, permit and construct – a regional perspective and timeframe in which new resources are needed. MISO's interpretation of the 2016 survey is that resource adequacy could be a problem in 2018 and beyond. MISO says that timely actions are needed by members to ensure resource adequacy in 2018 and beyond. This could include new generation resources and new transmission to bring the new generation to MISO load. When the Charles River Study was performed, no such Resource Adequacy problem existed, so it was not factored into the study.

c. Since the 2007 Charles River Study was performed, another important change that occurred was the formation of Ameren Transmission Company ("ATX") to build most of the major new transmission projects in Missouri and Illinois, as well as potentially bid on and build Order 1000 competitively bid transmission projects throughout all of MISO.[4] ATX is not regulated by the Missouri PSC. As the Office of Public Counsel has noted, before ATX and before FERC Order 1000, paragraph 5.3 of the service agreement and FERC's approval of the service agreement explicitly gave the Missouri PSC jurisdiction over the transmission component of bundled retail rates. In particular, the old arrangement through the service agreement that preserved the PSC's ability to set the transmission component of bundled retail rates is no longer effective since Ameren created ATX and charged ATX with constructing major new transmission projects. But the formation of ATX allows Ameren to essentially do an end-run around the service agreement. The parties to the non-unanimous stipulation and agreement settled on a short-term Band-Aid-type fix for this issue, but Public Counsel did not believe that the fix was anywhere near an adequate substitute for the protections that were

[4] According to Ameren Corporation's web site, "ATX invests in transmission that will improve reliability, improve access to renewable energy resources, enhance the efficiency of regional energy markets, help pave the way to a smarter grid, and bring significant jobs and other economic benefits to the region." https://www.ameren.com/transmission/ameren-transmission-company

afforded in the past by the service agreement.[5] This situation should be a component of a new comprehensive study to see if Missouri ratepayers are benefitting or being harmed from this arrangement.

d. Still another important change since the 2007 Charles River study was completed is that the resource mix for generating electricity has drastically changed in the intervening decade. In 2007, coal was still king, generating 49% of electricity in the U.S. Natural gas produced about 22 %, and renewables (primarily wind and solar) produced about 3%.[6] Since 2007, the U.S. has seen a vast expansion of environmental regulations affecting fossil fuels, and development of state renewable portfolio standards, among other changes. Fast forwarding to 2015, coal and natural gas generated about 33% each of the electricity in the U.S., with renewables producing about 7%.[7] MISO has recognized this evolving resource mix from less coal to more gas and renewables and has begun working on a MISO Regional Transmission Overlay Study to identify a long term transmission solutions. This could result in billions of dollars of new transmission projects that are regionally cost allocated. This new paradigm, absent in 2007 when the Charles River Study was performed, needs to be studied now in a new comprehensive cost benefit analysis to see if Ameren's participation in MISO is still a net benefit for ratepayers.

2. Ameren Missouri promised to do the new comprehensive study "in consultation with stakeholders prior to the end of the limited period of s interim approva1."[8] Furthermore, as

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[5] Tr., Vol. 3, p. 55, l. 22-24; p. 56, l. 7-17 and 25; p. 57, l. 1-11.
[6] U.S. EIA Historical Statistics, https://www.eia.gov/electricity/monthly/epm_table_grapher.cfm?t=epmt_1_1.
[7] *Id.*
[8] Arora Supplemental Surrebuttal, pg. 6, lines 3-6 ("That is exactly what we are proposing, and it is precisely what is called for by the Stipulation and Agreement.").

noted above, Ameren Missouri agreed to address Resource Adequacy/Capacity Market concerns in the new comprehensive study.[9]

3. MJMEUC's position, simply, is this: Much has changed in the RTO landscape since 2007. Many of the assumptions used in the 2007 Charles River comprehensive study no longer are valid. Wisely, the Commission ordered Ameren Missouri to perform a new comprehensive study, as Ameren Missouri agreed to do in filed testimony and in the Stipulation and Agreement it signed. Given the high stakes, the Commission should hold Ameren Missouri to its promise, and reject Ameren Missouri's request to postpone the study yet again, or cancel the study altogether.

4. James Dauphinais, in his rebuttal testimony in this case, stated quite accurately that "We have not yet come to the point where it can be assumed that participation in MISO, or any RTO, is more likely to provide a net benefit than a net cost."[10] That still holds true today.

WHEREFORE, based on the foregoing reasons, MJMEUC requests that the Commission deny the Joint Movants Motion.

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[9] Borkowski Supplemental Surrebuttal, pg. 7, lines 5-8.
[10] Dauphinais Rebuttal, pg. 10, lines 19-21.

Respectfully submitted,

Terry M. Jarrett, Missouri Bar #45663
Healy Law Offices, LLC
514 East High Street, Suite 22
Jefferson City, MO 65101
Phone: (573) 415-8379
Fax: (573) 415-8379
Email: terry@healylawoffices.com

CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been mailed, hand-delivered, transmitted by facsimile or electronically mailed to all counsel of record this 28th day of February, 2017.

Terry M. Jarrett