

**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.)	

**RESPONSE TO JOINT MOTION TO MAKE ADDITIONAL MODIFICATIONS
TO APRIL 19, 2012 REPORT AND ORDER**

COMES NOW the Missouri Joint Municipal Electric Utility Commission (“MJMEUC”), by and through counsel, and for its Response to the Joint Motion to Make Additional Modifications to April 19, 2012, Report and Order in this case, states as follows:

1. On April 19, 2012, the Commission issued its *Report and Order* in this case resolving Union Electric Company d/b/a Ameren Missouri’s (“Ameren Missouri” or the “Company”) third Commission proceeding through which the Company sought authority to participate, and continue its participation, as a transmission-owning member of the Midcontinent Independent System Operator, Inc. (“MISO”). In that Order, the Commission ordered Ameren Missouri to perform a comprehensive cost-benefit study to examine Ameren Missouri’s continued participation in an RTO after May 31, 2016, and imposed certain requirements on Ameren Missouri relating to that cost-benefit study:

- Contract and consult with interested persons or entities to review the additional analysis Ameren Missouri believes is appropriate and necessary regarding continued participation in an RTO after May 31, 2016, or its operation as an Independent Coordinator of Transmission (ICT). Such study, at a minimum, shall examine continued participation in the Midwest ISO versus participation in Southwest Power Pool and continued participation in Midwest ISO versus operation as an ICT;

- Advise stakeholders of the specific parameters of the analysis Ameren Missouri intends to conduct;
- File a pleading that includes the results of its actual analysis regarding its continued RTO participation or its possible operation as an ICT;
- Work with interested stakeholders and give them substantive input regarding the developments of the specific methodology, inputs, outputs, and other features to be included in the actual analysis;
- Advise and update MISO and SPP regarding that actual analysis;
- Act as project manager for the actual analysis;
- Provide regular reports regarding the progress of the actual analysis and provide details to any party in this case that requests such information;
- Maintain a level of independence and control of the actual analysis, while other parties retain their right to oppose Ameren Missouri's positions or to provide alternate positions.¹

2. On December 22, 2014, The Commission issued its Order Modifying 2012 Report and Order in which the Commission granted a Motion filed by the Joint Movants to delay the filing of a new case to November 15, 2017.² In other words, the Commission's First Modification Order continued all the terms of Ameren Missouri's MISO participation for an additional two years.

3. The Joint Movants have now filed a second request for modification to delay the filing of a case for three more years to November 15, 2020, which includes a delay for conducting the required cost-benefit analysis.

¹ Report and Order, April 19, 2012, pages 22-24, paragraph 2.B.-I.

² MJMEUC was not a signatory to the Motion.

4. As support for the delay, Ameren Missouri focused solely and exclusively on the costs to perform such a study as well as costs Ameren Missouri believes it will have to pay if it exits MISO.

5. The purpose of a cost-benefit analysis is to quantify costs and benefits of a decision, program or project, and those of its alternatives, in order to have a single scale of comparison for unbiased evaluation. All positives and negatives are quantified in monetary terms and then adjusted for their time-value to obtain correct estimates for conducting the cost-benefit analysis.

6. What Ameren has done is a cost analysis (the negatives) and has provided no analysis on possible benefits (the positives). Without exploring both cost and benefits, the analysis set out by Ameren Missouri is not a comprehensive, unbiased evaluation.

7. Furthermore, the cost analysis is not comprehensive at all—it is more akin to a “back of the envelope” calculation of costs, and Ameren provides no detailed data to back up its assertions.

8. The Commission ordered that Ameren Missouri complete a comprehensive cost-benefit analysis to determine whether Missouri ratepayers would be better off with Ameren Missouri being a member of MISO, of SPP or as an ICT. Without a comprehensive study, it is not possible to say with any degree of certainty that Missouri ratepayers are better off with Ameren Missouri’s continued participation in MISO.

9. While MJMEUC agrees that it appears unlikely that having Ameren Missouri become its own ICT is a viable option, having Ameren Missouri join SPP is a viable option. Given that this alternative exists for Ameren Missouri, this alternative should be explored along with continued participation in MISO. The comprehensive cost-benefit analysis ordered by the

Commission would properly explore the alternatives between MISO and SPP, as well as give interested stakeholders a say in determining the parameters of such a study.

10. Below are the reasons given by Ameren Missouri for not performing a comprehensive cost-benefit analysis, followed by MJMEUC's response:

- a. Ameren Missouri indicated that the Southwest Power Pool ("SPP") 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. Ameren Missouri further indicated that the bilateral capacity market in SPP lacks both depth and transparency.

MJMEUC Response: Despite what Ameren Missouri alleges about bilateral contracting for capacity, bilateral markets provide for fair and efficient competition in wholesale markets and such markets are a better way to make wholesale competition work for the electric consumer. Today, about 40% of electric consumers in the United States are served by vertically-integrated utilities operating in bilateral markets. Bilateral market participants and their regulators, as well as some observers of restructured markets, have also expressed continuing concerns about centralized markets. These concerns primarily revolve around the lack of new capacity construction in centralized markets, even with new capacity payment programs and capacity markets that have developed to encourage the construction of new capacity. These concerns in turn lead to further concerns about the future reliability of power supplies in the centralized markets. A recent report by the Electric Markets Research Foundation suggests that these concerns are real, and that bilateral markets have done a better job to date in ensuring that new generating plants are added to ensure long-

term reliability of the electric system.³ As such, it is possible that this would be a net benefit of MISO joining SPP instead of remaining in MISO, since MISO seems to be pursuing a path toward a mandatory capacity market.

- b. Ameren Missouri reported that MISO has indicated to it that if Ameren Missouri were to exit, Ameren Missouri would owe MISO a lump-sum exit fee of approximately \$22 million, as required by MISO's FERC-approved tariff. Ameren Missouri indicated the exit fee would be required to cover Ameren Missouri's share of MISO's existing infrastructure used to operate the Regional Transmission Organization ("RTO").

MJMEUC Response: Certainly, this is a cost that should be considered. However, standing alone, it is impossible to determine whether this cost would be determinative for remaining in MISO. Ameren Missouri has not even identified, much less performed any analysis, of benefits that might offset this cost. Additionally, when prior participants, such as First Energy, have left MISO, the actual exit fee was negotiated through litigation at FERC; Ameren was a party to that case, and is aware that the exit fee demanded by MISO is not likely to be the actual amount paid.

- c. Ameren Missouri indicated that 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 \$63-\$66 million per year. Ameren Missouri further estimated that its total MVP obligations would be approximately \$2.2 billion

³ Christensen Associates Energy Consulting. "Ensuring Adequate Power Supplies for Tomorrow's Electricity Needs," Prepared for the Electric Markets Research Foundation, June 2014.

over the next 40 years, which Ameren Missouri indicated is a period that approximates the depreciable life of the MVP projects.

MJMEUC Response: Ameren Missouri is responsible for these charges even if it remains in MISO. Standing alone, it is impossible to determine whether this cost would be determinative for remaining in MISO. Ameren Missouri has not even identified, much less performed any analysis, of benefits that might offset this cost, such as avoiding cost responsibility for future MVP projects.

- d. Ameren Missouri also indicated that the current exit study results, from MISO's 2014 Transmission Expansion Plan that indicates 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 2.3 and 3.3. Ameren Missouri stated that if it were to exit MISO, it would have to incur substantial additional costs in the form of transmission service charges to access those benefits, in addition to the aforementioned sums Ameren Missouri indicated it would owe.

MJMEUC Response: Ameren Missouri does not quantify this cost, so it is impossible for MJMEUC to verify the accuracy of Ameren Missouri's statement. Even so, without examining potential benefits in a comprehensive cost-benefit analysis, it is impossible to make any assumptions on whether these alleged costs would be offset by benefits.

- e. Ameren Missouri indicated that it understands that if it were to leave MISO and join SPP, it would 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 owing its pro-rata share of the MISO MVP transmission charges.

MJMEUC Response: Ameren is responsible for this cost even if it remains in MISO.

Further, Ameren Missouri does not quantify this cost, so it is impossible for

MJMEUC to independently verify the accuracy of Ameren Missouri's statement.

Even so, without examining potential benefits in a comprehensive cost-analysis, it is impossible to make any assumptions on whether these alleged costs would be offset by potential benefits.

- f. Ameren Missouri indicated that if it were to exit 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 either “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 indicated that it would be short capacity in SPP and consequently face an uncertain cost exposure. Ameren Missouri explained that 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 asserted that it would also face additional administrative cost and market risk if it were to operate those assets in a market separate from the market where the rest of its generating fleet and its load resides. Ameren Missouri has estimated the cost of “pseudo tying” all of its Illinois based assets into SPP at \$83 million per year.

MJMEUC Response: Ameren does not provide any data to support this alleged cost, so it is unable to independently verify it. Furthermore, standing alone, it is impossible to determine whether this cost would be determinative for remaining in MISO. Ameren Missouri has not even identified, much less performed any analysis, of benefits that might offset this cost, such as off-system sales of energy and capacity that may be more economically obtained within SPP.

11. By focusing only on cost, Ameren ignores possible potential benefits of joining SPP instead of remaining in MISO. Only a comprehensive cost-benefit study can determine definitively that Ameren Missouri remaining in MISO is the best option.

12. Accordingly, this Commission should re-affirm its original directive to Ameren Missouri that a comprehensive cost-benefit analysis be performed, and that such analysis be performed sooner rather than later.

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

Respectfully submitted,



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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 1st day of February, 2017.

A handwritten signature in black ink that reads "Terry M. Jarrett". The signature is written in a cursive style with a long horizontal stroke at the beginning.

Terry M. Jarrett