

Exhibit No. 147
Issues: Project Overview
Witness: Kris Zadlo
Type: Supplemental Surrebuttal Testimony
Sponsoring Party: Grain Belt Express Clean Line LLC
Case No. EA-2016-0358
Date Testimony Prepared: December 10, 2018

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO. EA-2016-0358

SUPPLEMENTAL SURREBUTTAL TESTIMONY OF KRIS ZADLO

SENIOR VICE PRESIDENT, INVENERGY LLC

ON BEHALF OF GRAIN BELT EXPRESS CLEAN LINE LLC

December 10, 2018

Grain Belt Exhibit No. 147
Date 12-19-18 Reporter TU
File No. EA-2016-0358

1 **I. INTRODUCTION AND PURPOSE OF TESTIMONY**

2 **Q. Please state your name and business address.**

3 **A.** My name is Kris Zadlo and I am the Senior Vice President, Commercial Analytics,
4 Regulatory Affairs & Transmission of Invenergy LLC. My business address is 1 South
5 Wacker, Suite 1900, Chicago, IL 60606.

6 **Q. Have you previously filed testimony in this proceeding?**

7 **A.** Yes. I filed Supplemental Direct Testimony in this matter on November 12, 2018.

8 **Q. Have you previously testified before the regulatory commission of any state or the**
9 **Federal Energy Regulatory Commission?**

10 **A.** Yes. I have previously testified before the Wisconsin Public Service Commission
11 (“PSC”) and the FERC, most recently at the April 3-4, 2018 technical conference
12 concerning the coordination of Affected Systems in the Generator Interconnection
13 Process.

14 **Q. What is the purpose of your supplemental surrebuttal testimony?**

15 **A.** I will respond to the Supplemental Surrebuttal Report filed by the Commission Staff on
16 December 3, 2018 (“December 3rd Report”), in particular the following items: (1) Staff’s
17 supplemental review of the “financial ability” component of the Tartan Criteria, given
18 that on November 9, 2018 Invenergy Transmission LLC (“Invenergy Transmission”)
19 executed a Membership Interest Purchase Agreement (“MIPA”) with Grain Belt Express
20 Holding LLC (“GBE Holding”) to acquire Grain Belt Express Clean Line LLC (“Grain
21 Belt”); (2) Staff’s recommended conditions on any Commission Order approving a
22 certificate of convenience and necessity (“CCN”), both the original conditions contained

1 in Staff Exhibits 205 and 206 and several additional conditions; and (3) interconnection
2 studies by regional transmission organizations (“RTOs”).

3 **II. DISCUSSION**

4 **Q. Please clarify the corporate structure of Invenenergy Transmission LLC, Invenenergy**
5 **LLC, and Invenenergy Investment Company LLC.**

6 A. Invenenergy Transmission is a direct, wholly-owned subsidiary of Invenenergy Investment
7 Company LLC (“Invenenergy Investment”). Invenenergy LLC is also a direct wholly-owned
8 subsidiary of Invenenergy Investment, and therefore an affiliate of Invenenergy Transmission.
9 Invenenergy LLC houses the employees that will be involved in the development of the
10 Grain Belt Express Project. A simplified organizational chart is attached hereto as
11 Schedule KZ-6. Invenenergy Transmission, Invenenergy LLC, and Invenenergy Investment are
12 collectively referred to herein as “Invenenergy.”

13 **Q. Please provide your initial comments to Staff’s December 3rd Report.**

14 A. Staff states that it has no reason to dispute that Grain Belt, and subsequently Invenenergy,
15 are qualified to own, operate, control and manage the Project subject to the agreed upon
16 conditions contained in Staff Exhibits 205 and 206.¹ Staff did note concerns, however,
17 regarding details pertaining to Invenenergy’s financial qualifications. Staff makes
18 statements throughout the earlier portion of its December 3rd Report that details regarding
19 Invenenergy’s financial statements remain unknown, and that receipt and review of this
20 information is essential to Staff’s ability to make complete recommendations to the
21 Commission.² Staff indicated that it requested actual and pro forma financial statements
22 for Invenenergy and Invenenergy Transmission to assess the current and anticipated

¹ MPSC Staff Supplemental Rebuttal Report at p. 6.

² See, e.g., MPSC Staff Supplemental Rebuttal Report at p. 3, lines 13-15; p. 4, lines 1-2; p 6, line 21 through p. 7, lines 1-3; p. 7, lines 14-17; p. 7, lines 17-19.

1 capitalization of the companies that are likely to provide capital for Grain Belt, although
2 Grain Belt objected to providing this information.³ Similarly, Staff noted that it
3 requested specific information regarding how Grain Belt will be funded during the
4 construction phase of the Project, and discussed Grain Belt's response to Staff DR No.
5 79, wherein Grain Belt stated that "prior to commencement of construction, Invenergy
6 plans to execute credit agreements with lenders for debt financing obligations and equity
7 contribution agreements with investors for equity commitments that will be drawn upon
8 as needed to fund construction costs."⁴ Staff asserts its belief that although it is
9 reasonable to receive and review the financial statements of Invenergy and its direct or
10 indirect affiliates that will supply capital to Grain Belt, if this information is not provided
11 to Staff to show balance sheet capacity for the Grain Belt Project, the upfront
12 commitment of investors for all construction costs with built-in contingencies will be
13 imperative.⁵

14 **Q. Please discuss the Invenergy financial information that was provided to Staff.**

15 **A.** On December 5, 2018, following discussions with Staff, Invenergy provided to Staff, on
16 a confidential basis and in response to Staff DR 75, Invenergy's 2017 audited
17 consolidated balance sheet, income statement, and cash flow statement, as well as the
18 September 30, 2018 quarterly income statement and balance sheet. In addition,
19 Invenergy provided the full Independent Auditors' Report with notes for the years ended
20 December 31, 2017 and 2016 for in-camera review by Staff.

21 **Q. What other information can Invenergy provide to demonstrate that it has the**
22 **resources necessary to finance the Grain Belt Express Project?**

³ *Id.* at pp. 6-7.

⁴ *Id.* at p. 7.

⁵ *Id.*

1 A. As demonstrated by the financials provided to Staff, Invenergy Investment has more than
2 sufficient cash and cash equivalents available to fund the Company's project
3 development efforts which will be allocated as project needs arise. Construction funding
4 was discussed in the Supplemental Direct Testimony of Andrea Hoffman at page 4, line
5 11 through page 5, line 16. In summary, Invenergy expects to engage a lender or group
6 of lenders to provide a construction loan for the Project. The construction loan and equity
7 capital provided by Invenergy Investment, and potentially other investors, is expected to
8 be sufficient for the entire construction cost of the Project.

9 **Q. What is your response to Staff's discussion of Grain Belt witness Mr. Berry's**
10 **statement that Grain Belt is still willing to abide by the condition that requires**
11 **Grain Belt to provide evidence of sufficient financing commitments to cover the**
12 **entire cost of the Project before commencement of construction?**⁶

13 A. Invenergy concurs with the statements made in Mr. Berry's Supplemental Direct
14 testimony. Invenergy commits to Staff's condition regarding a showing of committed
15 financing capacity before starting construction, as noted on page 10 of Staff's report.
16 This should alleviate any remaining concerns regarding Grain Belt's financial ability.

17 **Q. What is Invenergy's response to Staff's concerns pertaining to RTO interconnection**
18 **studies?**

19 A. Staff states that since the filing of its initial Rebuttal Report on April 4, 2017, Grain Belt
20 has withdrawn its Interconnection Application from the Midcontinent Independent
21 System Operator, Inc. ("MISO") and has not sought interconnection under the new

⁶ MPSC Staff Supplemental Rebuttal Report at p. 7; Staff Exhibit 206, Condition 1. Financing Conditions.

1 process, Attachment GGG: Merchant HVDC Transmission Connection Procedures.⁷
2 Staff further states that significant to Grain Belt's withdrawal is its loss of queue position,
3 but notes that overall, Staff's position has not changed in that the costs to integrate Grain
4 Belt's converter station are unknown at this time. Invenergy has extensive experience
5 with the MISO queue, having developed 23 projects totaling approximately 5,160 MWs
6 in the RTO's footprint. Invenergy is also an active participant in MISO's Interconnection
7 Process Working Group ("IPWG") and currently has over 60 active requests in the queue.
8 Invenergy does not anticipate any challenge to seeking interconnection under the new
9 MISO Merchant HVDC process and at this time expects to request injection rights in an
10 amount equal to the 500MW originally contemplated. Based on internal studies using
11 MISO's latest available base case, Invenergy expects the cost to integrate Grain Belt's
12 converter station to be in the range of \$20 - \$40 million. Even on the high end, Invenergy
13 does not expect this cost to significantly impact the economic feasibility of the project.
14 Invenergy and Grain Belt commit to completing the RTO studies for the Project and
15 providing Staff with completed RTO Interconnection Agreements and associated studies
16 when they are available.

17 **Q. Please discuss Invenergy's position with respect to the recommended conditions**
18 **Staff discusses in its Supplemental Rebuttal Report.**

19 **A.** Staff recommends the following conditions:

- 20 • Any Order approving a CCN be conditioned upon the various agreements in Staff
21 Exhibits 205 and 206, and that Grain Belt must comply with the conditions prior to
22 acquiring involuntary easements or starting construction of the transmission line;

⁷ MPSC Staff Supplemental Rebuttal Report at p. 11.

1 • Grain Belt must demonstrate that the outstanding studies do not raise any new
2 issues, and, if they do, that the Commission is satisfied with Grain Belt’s solution to
3 address those issues;

4 • If the design and engineering changes from that originally presented in the
5 application, Grain Belt is required to file an updated Application subject to further review
6 and determination by the Commission.

7 **Q. Does Invenergy agree to these conditions?**

8 A. Yes.

9 **III. CONCLUSION**

10 **Q. Based on the financial information that was provided to Staff and the agreed upon
11 conditions, do you believe Grain Belt has satisfied the requirements for a CCN?**

12 A. Yes.

13 **Q. Does this conclude your supplemental surrebuttal testimony?**

14 A. Yes. Thank you.



