

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of an Investigation into the Possible Methods)	
of Mitigating Identified Harmful Effects of Entergy)	
Joining MISO on non-MISO Missouri Utilities and Their)	Case No EW-2014-0156
Ratepayers and Maximizing the Benefits for Missouri)	
Utilities and Ratepayers Along RTO and Cooperative)	
Seams)	

**COMMENTS OF THE MISSOURI JOINT MUNICIPAL ELECTRICITY
UTILITY COMMISSION**

The Missouri Joint Municipal Electricity Utility Commission (MJMEUC) appreciates the opportunity to provide comments to the Commission on this important topic.

OVERVIEW

The MJMEUC is a body corporate and politic of the State of Missouri, organized as a joint municipal utility commission pursuant to section 393.700 et seq. RSMo., with the authority to exercise public powers of a political subdivision of the state for the benefit of the inhabitants of municipalities jointly contracting to establish the MJMEUC. Sixty-nine Missouri municipalities are current parties to the joint contract establishing the MJMEUC. The MJMEUC may construct, operate and maintain jointly owned generation and transmission facilities for the benefit of members. It has the authority to enter into contracts for power supply, transmission service, and other services necessary for the operation of an electric utility. Full membership in the MJMEUC by Missouri municipal utilities requires approval of a Joint Contract and acceptance by the Board of Directors.

It is important to note the MJMEUC has member cities in both the SPP and the MISO footprints, as well as the Associated Electric Cooperative, Inc. (AECI) footprint. Accordingly, these individual member cities on one side of the MISO-SPP seam, may be

impacted differently than individual member cities on the other side of the MISO-SPP seam, while individual member cities within the AECI footprint may also be impacted by actions at the MISO-SPP seam. These comments are intended to be general in nature and not to express any specific consensus of all the cities that are members of MJMEUC.

HOW THE MISO-SPP SEAM AND OTHER SEAMS AFFECTS MJMEUC

1. Introduction

The MJMEUC is unique from the other electric utilities in Missouri in that it is likely the entity most affected by seams issues. The MJMEUC serves load in the MISO, SPP, AECI, and Southwestern Power Administration (SPA) footprints; MJMEUC operates across many seams, not just the MISO-SPP seam. The MJMEUC also has generation sources both inside and outside the state—Arkansas, Illinois, Missouri and Nebraska. Given that MJMEUC operates across many seams as a transmission dependent utility (TDU) with members that are served on opposite sides of seams, and generation projects both inside and outside the state, MJMEUC is a stakeholder with a very different and important perspective from other stakeholders.

The fact that MJMEUC is totally dependent on other transmission systems to move power, as well as procure ancillary, balancing and control area services, places MJMEUC at a huge disadvantage compared to transmission owning utilities (TOUs). Although MJMEUC needs to manage these services efficiently, reliably, and economically for its members, the current structure of the RTOs and the seams between them provide some unanticipated barriers to obtaining and delivering competitive power supply.

The complexity and expense of the different RTO markets structures and tariffs are burdensome by themselves, but trying to manage the generation projects to serve

MJMEUC's members across different transmission systems, with different rules, puts MJMEUC at a disadvantage because:

- (1) MJMEUC has difficulty in procuring transmission service from the RTOs;
- (2) MJMEUC pays pancaked rates across multiple seams;
- (3) MJMEUC has limited influence in transmission expansion plans in the RTO's;
- and
- (4) As a TDU, MJMEUC's ability to remedy these problems is limited.

2. Congestion Between the Seams

The MJMEUC is dramatically impacted by congestion on the MISO-SPP seam. As noted earlier, it has resources and load physically located on both sides of this seam. The MJMEUC has pseudo-tied all of its MISO load, and a few generators, into the SPP Integrated Marketplace (SPP market). The purpose of doing this is to allow for better optimization of resources in SPP's Day 2 market, as well as making it more practical to stay in NERC compliance since SPP is MJMEUC's NERC Regional Entity (RE). MJMEUC has traditionally been balanced in SPP by Westar. With the realities of SPP's Day 2 market, it made sense to move to more formal ties with SPP. Thus, in order to move MJMEUC's non-SPP registered MISO generation to its load, MJMEUC exports the power from MISO into SPP. This firm export shows up as a withdrawal (purchase) from the MISO market at the SPP interface and an injection (sale) in the SPP market at the MISO interface. The price differential between the two seams prices represents an extra layer of congestion incurred by MJMEUC. As there are no cross-market Financial Transmission Rights (FTR's) or Transmission Congestion Rights (TCR's) available to

hedge this congestion, it is a risk to move the power from one market to the other that cannot be mitigated with current SPP and MISO market functionality.

3. Associated Electric Cooperative, Inc. (AECI)

Another unusual situation is that MJMEUC also has a seam in Missouri with AECI, which is not affiliated with an RTO. The MJMEUC's AECI load is pseudo-tied into SPP just like MJMEUC's MISO load. MJMEUC uses some MISO registered resources to serve this AECI load; these tags incur the same cross border congestion as the MISO load.

For the AECI load, MJMEUC pays physical losses to AECI, and financial losses to SPP based on the marginal loss component of the SPP load node. MJMEUC also pays pancaked rates across the seam. While this does not affect any MISO-SPP seams issues, it is another seam in Missouri that can negatively impact MJMEUC.

4. Double Paying to Both SPP and MISO for Certain Ancillary Services

Ancillary Services are defined as services necessary to support capacity and the transmission of energy from resources to loads while maintaining reliable operation of the transmission system in accordance with Good Utility Practice.

Ancillary Services are commonly known in the industry as a collection of secondary services offered to help ensure the reliability and availability of energy to consumers. These services include, but are not limited to, voltage regulation, spinning reserve, supplemental reserve, and black-start.

For MJMEUC, being on the MISO-SPP seam necessitates payments for some ancillary services to both MISO and SPP. When MJMEUC tags its registered MISO resources to its pseudo tied load in SPP, MISO bills MJMEUC for Spinning and

Supplemental Reserves on every MW exported to SPP, which usually includes all of the Ameren and Entergy connected load and up to 130 MW of the AECI load. SPP charges for these same ancillary services based on load in SPP, so the same Ameren, Entergy and AECI load is billed again by SPP.

5. Through and Out Rates

As indicated above, MJMEUC moves a lot of power—about 130 MW—out of MISO and into SPP using firm Point to Point (PTP) transmission service. This means that MJMEUC pays over \$400,000 to MISO in through and out rates for transmission service each month. For instance, the through and out rate MJMEUC currently pays to MISO is more than 2.5 times greater than the Ameren Missouri zone PTP rate. Any reduction in the through and out rate would be very beneficial to MJMEUC.

6. The MISO-SPP Dispute

On December 19, 2013, Entergy formally integrated into MISO as the newly constituted “MISO South” Region. The former MISO market, as it was constituted prior to the Entergy integration, was renamed the “MISO North” Region and the “MISO Central” Region. The MISO North and Central Regions have approximately 130,000 MW of generation capacity, and approximately 100,000 MW of load. The MISO South Region has approximately 50,000 MW of generation capacity, and approximately 30,000 MW of load. Despite the vast size and generation capabilities of the separate MISO Regions, MISO has only a single interconnection contract path of 1000 MW to connect the South to the North and Central Regions. Immediately following the integration of Entergy, MISO began sending energy flows between the regions in excess of the 1000 MW direct contract path connection that it has rights to use. MISO rejected all requests

from SPP and its other neighbors (TVA, AECI and LGE/KU) to limit these flows and dispatched its system at levels far exceeding the 1000 MW of its direct contract path connection. As a result, significant intentional, unscheduled incremental power flows were crossing SPP's system without any corresponding reservation, service agreement, or compensation arrangements in place.

Subsequently, SPP filed a complaint at FERC, and MISO filed a counter-complaint. While FERC has not ultimately decided the cases, it did issue an interim order on March 28, 2014, which provided: (1) FERC accepted the SPP filed Service Agreement (SPP-MISO Service Agreement), subject to refund, requiring MISO to pay for use of the SPP transmission system when MISO dispatches exceed the 1000 MW tie between MISO-North/Central and MISO-South; and (2) Consolidated the FERC dockets related to the dispute, and established a procedural schedule to resolve dispute through settlement or at hearing before a FERC Administrative Law Judge. Operationally, MISO moved to limit the flow to 1000 MW or less across this tie to avoid any more costs, but ultimately has not been able to keep the flows to 1000 MW or less on a continual basis. Therefore, MISO is looking at other options for moving more than the 1000 MW limit, including how to allocate the costs incurred when the limit is exceeded. The "who pays" question is of great importance to MJMEUC.

If MISO exceeds the 1000 MW limit and flows are in the typical North to South direction, MJMEUC's load and generation in the sending region (North) would experience higher prices and the load and generation in the receiving region (South) would experience lower prices. If MISO exceeds the 1000 MW limit MISO is assessed excess transmission charges from SPP. MISO's current proposal to FERC has load and

exports paying these extra transmission costs. Many stakeholders favor a cost allocation method that would charge the beneficiaries of those using SPP's transmission system to pay the excess transmission costs (normally load in the South and generation in the North). This allocation makes more sense than the current proposal, but would be more complex and time consuming.

7. Comments on the Possibility of a Merger

The MJMEUC has members in both RTOs, so it is not taking any official position on whether the two RTOs should merge. The two RTO's have tried to merge in the past on two different occasions. These efforts failed both times, primarily over culture and business model differences, neither of which has changed for either RTO since that time.

Nevertheless, if MISO and SPP were to merge, MJMEUC foresees potential economies of scale and efficiencies from a single market and a single set of rules. Further, if MISO and SPP merged, MJMEUC would likely save money by avoiding the expensive through and out transmission rates and congestion charges it currently pays to move power out of MISO. However, the culture and history of these RTOs are very different and could make a merger a difficult, complex, and expensive process. SPP has typically been more responsive and sensitive to non-profits cost concerns, whereas MISO, as a larger entity dominated by IOU's, is more bureaucratic in nature. The downside of a merger could be the creation of a large bureaucratic organization that is unable or unwilling to respond to smaller members' concerns and needs.

CONCLUSION

Even though the municipal utilities in Missouri are not regulated by the Commission, and they only account for a small (10-12%) share of the load in Missouri, they are subject

to all of the same reliability requirements and other rules as the investor owned utilities, which make it difficult to operate across multiple seams as noted above. The MJMEUC appreciates the opportunity to share its unique problems and perspective on seams issues with the Commission.

Respectfully submitted,

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