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Exhibit No.: _____
Issue: MJMEUC Contract with Grain Belt Express Clean Line LLC
Witness: John Grotzinger
Type of Exhibit: Surrebuttal Testimony
Sponsoring Party: MJMEUC
File No.: EA-2016-0358

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

FILE NO. EA-2016-0358

SURREBUTTAL

TESTIMONY

OF

JOHN GROTZINGER ON

BEHALF OF

**THE MISSOURI JOINT MUNICIPAL ELECTRIC
UTILITY COMMISSION (MJMEUC)**

FEBRUARY 21, 2017

MJMEUC Exhibit No. 477 NP
Date 3.23.17 Reporter TS
File No. EA-2016-0358

NP

1 **I. INTRODUCTION AND BACKGROUND**

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

3 A. My name is John Grotzinger. I am the Chief Operating Officer (COO) and Vice
4 President for Engineering and Operations of the Missouri Joint Municipal Electric Utility
5 Commission (MJMEUC). MJMEUC's business address is 1808 I-70 Drive SW,
6 Columbia, MO 65203.

7 **Q. Are you the same John Grotzinger who filed Rebuttal Testimony in this case?**

8 A. Yes I am.

9 **Q. What is the purpose of your surrebuttal testimony in this proceeding?**

10 A. I am responding to the testimony of Show Me Concerned Landowner's Don Shaw and
11 Glen Justis regarding whether there is a need for the Grain Belt project and whether the
12 Grain Belt Transmission Service Agreement (TSA) has any value to MJMEUC. I am
13 also responding to Missouri Landowners Association's Joseph Jaskulski testimony of
14 whether there is a firm commitment for the project, MJMEUC and MoPEP savings from
15 the Grain Belt Express Clean Line, LLC (GBX) project, and the advantageous pricing of
16 the MJMEUC/GBX/Iron Star contracts versus Missouri wind. My final response is to
17 Staff regarding the financial risk profile of the project, and in particular the financial risk
18 of the project to MJMEUC.

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1 **II. VALUE OF GRAIN BELT TRANSMISSION SERVICE TO MJMEUC**

2 **Q. Do you agree with Don Shaw that there is no economic value to MJMEUC's**
3 **contract with Grain Belt Express Clean Line LLC (GBX)?**

4 A. No. MJMEUC receives significant value from this contract. Grain Belt is contractually
5 bound to provide transmission at the agreed to price for a 20 year period. The value
6 agreed to is very competitive when compared to transmission charges from the Southwest
7 Power Pool (SPP) into the Midcontinent Independent System Operator (MISO), and will
8 allow for the delivery of energy and capacity into Missouri at substantial savings to
9 Missouri residents, commercial users, and industrial customers. While there is a focus on
10 the value of the contract to GBX, the value to MJMEUC is that we have a transmission
11 option locked in at a highly competitive rate for up to 200 megawatts of transmission
12 capacity on this line, assuming it receives regulatory approval.

13 **Q. Do you agree with the assessment of Don Shaw that there is no need or public**
14 **benefit provided by this project?**

15 A. No. MJMEUC has clearly expressed a need for this project with the expiration of other
16 power purchase agreements currently in place, and the need of our members for low-cost
17 renewable energy and capacity. The public benefit was shown in my rebuttal testimony,
18 as the savings for just the Missouri Public Energy Pool (MoPEP) is shown to be
19 approximately \$10,000,000 annually. MoPEP's commitment is currently limited to 60
20 megawatts of MJMEUC's TSA with GBX; the savings of the currently requested 76
21 megawatts that Centralia, Columbia, Kirkwood, and Hannibal have requested is unknown
22 to MJMEUC (See Schedule JG-9), but from my experience those entities would not have
23 committed to purchasing power through the GBX TSA unless they concluded it was in

1 their best interest to do so. It is my expectation that the municipal entities named above
2 will have formal contracts in place with MJMEUC in the upcoming months that will
3 utilize the MJMEUC contracts for transmission capacity from GBX and energy and
4 capacity from Iron Star. Those contracts, if completed prior to completion of this case,
5 will be provided to the parties in this docket to supplement outstanding data requests.

6 **Q. In the past, as MJMEUC has participated in other projects, has interest grown over**
7 **time?**

8 A. Yes. As municipalities become aware of additional options for their resource planning,
9 they often include those resources in their planning to meet future needs. The agreements
10 between MJMEUC and GBX and Iron Star allow for other municipalities to join in the
11 benefits of these contracts before GBX becomes operational. Given that we know the
12 current need for GBX by Missouri municipalities is 136 MW, MJMEUC would not be
13 surprised if that need grows closer to the TSA cap of 200 MW before 2021 as the
14 GBX/Iron Star option is included in municipal resource planning and as a response to
15 changes in the market and resources available to municipalities.

1 III. VALUE OF IRON STAR PPA

2 ** [REDACTED]

3 [REDACTED]

4 [REDACTED]

5 [REDACTED]

6 [REDACTED]

7 [REDACTED]

8 [REDACTED]**

9 **Q. Did Don Shaw, Glen Justis, and Joseph Jaskulski have notice that MJMEUC**
10 **expected its final wind project price, using GBX transmission, to be \$23/MWh or**
11 **less?**

12 **A. Yes. In MJMEUC's reply to data request MJM.25, board minutes were provided that**
13 **showed internal memos indicating to MJMEUC members that the final all-in price for the**
14 **wind energy delivered over the GBX project to be approximately \$23/MWh. The failure**
15 **in their analysis to consider this pricing point was a decision they made. That data**
16 **request was responded to on November 7, 2016. As demonstrated in my rebuttal**
17 **testimony, MJMEUC managed to negotiate a better rate than even that for the benefit of**
18 **our customers.**

19 **Q. Do you agree with Glen Justis that the GBX project is not economical to MJMEUC?**

20 **A. No. While Mr. Justis selectively samples wind projects in an attempt to show that other**
21 **alternatives are comparable, his analysis fails in that he does not consider the difference**
22 **in congestion pricing attributable to those projects. I have attached Schedule JG-8 to**
23 **show the difference in expected clearing prices between delivery points within MISO in**

1 the year 2021. Energy prices are generally consistent across a RTO's footprint, except to
2 reflect congestion and losses pricing unique to each node, which adjusts the value of the
3 energy sold at that node.

4 ** [REDACTED]
5 [REDACTED]
6 [REDACTED]
7 [REDACTED]
8 [REDACTED]
9 [REDACTED]
10 [REDACTED]
11 [REDACTED]
12 [REDACTED]
13 [REDACTED]
14 [REDACTED]
15 [REDACTED]
16 [REDACTED]
17 [REDACTED]
18 [REDACTED]
19 [REDACTED]
20 [REDACTED]
21 [REDACTED]
22 [REDACTED]

23 [REDACTED] **

1 **Q. Is the comparison performed by Mr. Justis of dispatchable natural gas generation**
2 **versus wind energy a fair comparison?**

3 A. No. MJMEUC, aside from the low-cost arrangement presented in this proceeding,
4 receives other benefits from renewable energy. In Mr. Justis's analysis in Figures 3 and 4
5 of his rebuttal, he shows that GBX is the lowest cost wind energy resource available to
6 MJMEUC in his comparison; that was prior to reviewing the favorable pricing terms
7 achieved in the Iron Star contract by MJMEUC.

8 **Q. Mr. Justis attacks Mr. Berry for allegedly failing to calculate supplemental capacity**
9 **costs in his analysis; did your rebuttal testimony include supplemental capacity**
10 **cost?**

11 A. Yes. In Schedule JG-7, I included the capacity that would be required for MoPEP to
12 meet Southwest Power Pool resource adequacy requirements.

13 **Q. When you included supplemental capacity costs, did the analysis show a public**
14 **benefit?**

15 A. Yes. While Schedule JG-7 was limited to just MoPEP's benefit, even when including
16 additional capacity costs to meet reliability requirements, MoPEP showed annual savings
17 of about \$10,000,000 annually when compared to existing contractual arrangements to
18 deliver the same amount of energy and capacity. JG-7 does not however show any
19 savings that may come from future environmental regulations that may negatively impact
20 older coal generation.

21 **Q. Do you agree with the assertion of Joseph Jaskulski that MJMEUC performed no**
22 **meaningful analysis of the GBX TSA?**

23 A. No. While no in-depth analysis or reports were made at the time of entering into the

1 contract that was particular to the GBX TSA, MJMEUC was in the midst of an extensive
2 integrated resource plan (IRP). Those IRP reports were first provided to Joseph Jaskulski
3 on November 7, 2016, and are included in MJM.15. In addition, the MJMEUC board and
4 staff relied upon their knowledge of the markets, historical transmission congestion
5 patterns and the need to replace the Illinois Power Marketing (IPM) contract that is set to
6 expire in 2021.

7 **Q. Was an in depth analysis of the GBX TSA and Iron Star PPA performed in**
8 **preparation for this case?**

9 A. Yes. That analysis was included in my rebuttal testimony.

10 **Q. Did that analysis comport to what Joseph Jaskulski recommended on p. 10, ln. 198,**
11 **of his testimony?**

12 A. Yes, except for a 'do-nothing' approach, which as described in my rebuttal testimony is
13 not an option with the IPM contract retiring in 2021, ** [REDACTED]

14 [REDACTED]

15 [REDACTED]**

16 **Q. Do you agree with Mr. Jaskulski's testimony on p. 18, ln. 379 regarding Missouri**
17 **wind being cheaper than Kansas wind over the GBX TSA?**

18 A. No. Even assuming that his calculations are correct as to the pricing of alternatives, those
19 prices still significantly exceed the pricing in the MJMEUC/GBX/Iron Star contracts.

20 ** [REDACTED]

21 [REDACTED]**

22 **Q. Does Mr. Jaskulski's testimony include the expected congestion costs differences in**
23 **the projects in the year 2021 and going forward?**

1 A. No. ** [REDACTED]

2 [REDACTED] **

3

4 **IV. MJMEUC FINANCIAL RISK**

5 **Q. Does MJMEUC bear any financial risk if the GBX project is completed over**
6 **budget?**

7 A. No. Our contract rate is not dependent upon GBX's actual construction cost.

8 **Q. Does this conclude your pre-filed surrebuttal testimony in this case?**

9 A. Yes. However, I wish to preserve the right to provide additional testimony at the hearing
10 to rebut the pre-filed testimony filed by another party.

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

STATE OF MISSOURI)
) SS
COUNTY OF BOONE)

AFFIDAVIT OF JOHN GROTZINGER

John Grotzinger, being first duly sworn, deposes and says that he is the witness who sponsors the accompanying rebuttal testimony and schedules; that said testimony was prepared by him or under his direction and supervision; that if inquiries were made as to the facts in said testimony and schedules, he would respond as therein set forth; and that the aforesaid testimony and schedules are true and correct to the best of his knowledge, information, and belief.


John Grotzinger

Subscribed and sworn to before me this 21st day of February, 2017.


Notary Public

My commission expires: 7-24-20



SCHEDULE JG-9

Current Level of Interest by MJMEUC Members:

MoPEP: 60 MW

Centralia: 1 MW

Columbia: 35 MW

Hannibal: 15 MW

Kirkwood: 25 MW