

**BEFORE THE PUBLIC SERVICE COMMISSION
STATE OF MISSOURI**

**In the Matter of the Application of South Central
MCN LLC for Approval of Transfer of Assets and a
Certificate of Convenience and Necessity**

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File No. EA-2016-0036

**COMMENTS OF THE CITY OF NIXA
IN PREPARATION FOR PREHEARING CONFERENCE**

COMES NOW, the City of Nixa, Missouri (the City), by and through its counsel, respectfully states as follows:

1. The City filed an Application to Intervene in this proceeding on August 26, 2015 which Application was granted by the Commission by Order Granting Intervention To The City of Nixa issued September 9, 2015. The City has entered into an Asset Purchase Agreement effective August 14, 2015 with South Central MCN LLC (SCMCN) pursuant to which, subject to the satisfaction of all required regulatory approvals and other conditions, the City will sell its right, title and interest in certain transmission assets to SCMCN. As stated in the City's Application for Intervention (Section 4), the City has completed an economic analysis of the sale of transmission assets and concluded that the sale is in the best interests of the City and its retail customers.

2. The transmission assets that are to be transferred and sold to SCMCN under the Asset Purchase Agreement consist of five transmission lines operating at 69 kV which total 10.82 miles and related facilities. The transmission assets were financed and constructed by the City through the issuance of City bonds and provide the sole means by which the City is able to transmit electricity purchased from the Southwest Power Administration and the City Utilities of Springfield (City Utilities) to its distribution system. The City operates the transmission assets and pays the City Utilities of Springfield to provide maintenance service pursuant to an October 6, 2006 Maintenance Agreement

which is appended to SCMCN's Application in this proceeding as Appendix D-1. To date, the capital costs of the transmission assets have been paid solely by the City and its retail customers.

3. One of the benefits of the transmission asset sale is that the City will be able to use the proceeds from the sale to pay off the bonds issued to finance construction of the assets, providing an immediate and direct benefit to the City and its retail customers. However, the City recognizes that because SCMCN intends to become a transmission owner within the Southwest Power Pool, Inc. (SPP) and recover its investment in the transmission assets through the SPP open access transmission tariff, one consequence of the sale is that this investment will be recovered from the relevant users of the transmission system under SPP's existing cost allocation procedures. As a result, the City has understood that City Utilities will likely be required to share in the costs of the transmission assets for the first time.

4. In recognition of the likely impact of the transmission asset sale and the City's desire to facilitate a prompt closing that an uncontested proceeding before this Commission would have allowed, the City engaged in discussions with City Utilities regarding whether, by the City paying to City Utilities a portion of the proceeds from the transmission asset sale, City Utilities would support the transaction. The City notes that it has no obligation to mitigate the rate impacts of the sale on City Utilities and that its offer was, in effect, an offer of settlement. However, the City and City Utilities were not able to reach an agreement on that issue.

5. On page 10, footnote 4 of the SCMCN Application, SCMCN states that "the City will, pursuant to a non-jurisdictional arrangement between the City and [City Utilities], absorb those additional costs through its wholesale rates from [City Utilities], thereby shielding other [City Utilities] customers from the increase in ATRR." So that there is no misunderstanding among the parties to this proceeding, the City wishes to clarify this statement. The City has been prepared to share some of the proceeds of the transmission asset sale with City Utilities to mitigate the transmission rate impacts but

the City is not willing and has never offered to pay any portion of those costs through the wholesale rates paid to City Utilities under its existing power purchase agreement. The City has no contractual obligation to pay those kinds of transmission rate impacts to City Utilities under its power purchase agreement and is not willing to amend that agreement to undertake such an obligation.

6. There may be other mechanisms to mitigate the transmission rate impacts of the asset sale for City Utilities that can be explored and the City is willing to investigate those in the course of this proceeding. However, the City has not, to date, investigated the benefits and burdens of any such alternative on its retail customers and would need the opportunity to do so before it was prepared to go forward with the transmission asset sale subject to the implementation of any such mechanism.

WHEREFORE the City will attend the prehearing conference and participate in this proceeding with the above clarification of its position on transmission rate impacts on City Utilities.

Dated: November 25, 2015

Respectfully submitted,

/s/ Robert L. Daileader, Jr.

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing Comments of the City of Nixa in Preparation for Prehearing Conference was served on this 25th day of November, 2015 by electronic transmission to:

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