



**Competitive Transmission Development Technical Conference
Federal Energy Regulatory Commission – June 27, 2016
Don Gulley, President/CEO – Southern Illinois Power Cooperative**

SIPC Overview

- Southern Illinois Power Cooperative is a not-for-profit, member owned generation and transmission electric cooperative that provides wholesale power services to rural southern Illinois.
- Locally owned and controlled by seven Member Owner distribution cooperatives, serves 100,000 meters and ultimately 250,000 people in some of the poorest communities in the state. SIPC serves the top 4 poorest counties and 9 out of the top 15 poorest in the state of Illinois. Many of members of the distribution cooperative owners live well below the poverty level.
- SIPC revenues exceed \$200 Million annually and owns close to \$1 Billion in generation and transmission assets. SIPC owns and operates coal and natural gas fired generation and has contracts for hydro and wind resources. Breakdown of the generation resources:
 - Coal (415 MWs)
 - 2 units located in southern Illinois (180 MW cyclone unit installed in 1978 and a 110 MW combustion fluidized bed unit repowered in 2003)
 - 125 MW ownership in Prairie State Generating Company (state of art supercritical unit installed in 2012)
 - Natural Gas (150 MWs)
 - 2 simple cycle 75 MW combustion turbines installed in 2003
 - Wind and Hydro contracts (40 MWs)
 - 30 MW contract with Southeast Power Agency
 - 10 MW contract with Pioneer Trail Wind Farm
- From a transmission perspective, SIPC serves its Member Owners through owned facilities and through transmission service from Ameren Corporation. SIPC essentially has a split in how it serves the Member Owners.
 - SIPC owns and operates about \$50 Million in transmission assets, acting as the Local Balancing Authority to serve the three southern most Member Owners. SIPC's primary responsibility is to reliable own, operate and maintain facilities to serve the three southern most Member Owners. All costs associated with these assets are paid for by the Member Owners of SIPC and is not recovered by other entities in the MISO.
 - SIPC is a transmission dependent utility taking service from Ameren Corporation to serve its 4 northern most Member Owners.
- Costs to serve Member Owners are pooled and shared equally. As a not-for-profit SIPC rates are set to recover only that amount needed to cover operations and adequately meet financial covenants in accordance with Ratings Agency expectations. In comparison to an Investor Owned Utility, SIPC's comparable ROE is considerably lower – currently at 5.8%. Should SIPC beat expectations, it will return excess to Member Owners through the form of lower rates.
- SIPC cost to serve Members has been stable in the last 3 years. All cost categories have been lower with the exception of one – transmission dependent utility service provided by Ameren through MISO. In particular, the MVP rates (Schedule 26) has been the fastest growing cost for SIPC.



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SIPC Cost Associated with MISO MVP (Schedule 26)

- SIPC has seen significant cost increases in MISO transmission cost. SIPC cost associated specifically from MISO MVP Schedule 26 charges has seen a 380% increase in the last two years.
- MISO has provided forecasts of the MVP rates for the next several years and the rate is projected to go from \$0.96/MWh in 2016 to \$2.00/MWh in 2021.
- MISO has reported these increases are due to build out of >345 kV lines and commensurate reduction in prior load forecasts.
- SIPC is concerned about the increase in seemingly unmanageable costs associated with transmission development across the MISO footprint.

SIPC Participation in the MISO Stakeholder Process

- SIPC as a Transmission Owner and Market Participant participates regularly in the MISO stakeholder process through various committees specific to SIPC interests.
- Recent questions have been raised to MISO regarding modeling and cost allocation through the Regional Expansion Criteria and Benefits Working Group by several stakeholders on sub-345 kV Economic Project Cost Allocation Issues. Questions were raised on “examples demonstrating effectiveness” to include restudying past projects.
 - MISO noted they are not inclined to study past projects but instead are likely to study hypothetical projects.
 - The response was that MISO wants to avoid re-evaluating previously-approved projects. MISO acknowledged that they can use prior projects to “inform” the modeling of hypothetical project modeling on costs, but not to specifically re-evaluate the costs or benefits of a particular developed project.
- SIPC has stated the need for transparency in understanding seemingly black box modeling and need for understanding benefits associated with regional transmission build out, particularly in light of the escalating costs (both actual and projected).

Questions posed to MISO and responses

- MISO has been responsive and provided very high level summary of regional transmission development.
 - MISO has analyzed those benefits for Southern Illinois Power Cooperative (SIPC) and has determined that SIPC will see production cost benefits of approximately 2.7 times the cost of investment. SIPC is expected to annually receive at least \$3.1 million of savings over the next 20 to 40 years from the MVPs for an annual cost of approximately \$1.2 million.
- While savings appear to be shown, it does not take into consideration the impact to SIPC generation assets that have considerable debt remaining on their useful life and have limited operational flexibility due to long term coal contracts.



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Questions and concerns for FERC to consider

- SIPC appreciates FERC addressing competitive transmission development issues.
 - Cost containment provisions such as cost caps and fixed revenue requirements would be welcome relief for not-for-profit transmission dependent utilities.
 - Common standards, with transparent modeling would provide more adequate assurance that projects are needed with appropriate benefits to all.
 - Customers ultimately care about the resulting revenue requirements. Transparency into the components (capital costs, ROE, O&M) is needed to ensure all aspects are being fairly evaluated in a competitive landscape.
- SIPC respectfully requests FERC consider additional issues for further consideration regarding regional transmission planning and development processes.
 - Request better transparency in modeling to enable transmission dependent utilities fully understand benefit/cost ratio analysis performed by the RTO.
 - Evaluate actual results from past projects to be used in future modeling.