
BRICKFIELD BURCHETTE
RITTS & STONE, PC

WASHINGTON, D.C.
AUSTIN, TEXAS

March 14, 2014

The Honorable Kimberly D. Bose
Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, DC 20426

Re: Midcontinent Independent System Operator, Inc.,
Docket Nos. EL13-83-000 and EL13-83-001 Offer of Settlement

Dear Secretary Bose:

In accordance with the provisions of Rule 602 of the Rules of Practice and Procedure of the Federal Energy Regulatory Commission (“Commission”), 18 C.F.R. § 385.602, Ameren Services Company (“AMS”) and Ameren Illinois Company (“Ameren Illinois” and together with AMS, “Ameren”), the Midcontinent Independent System Operator (“MISO”), and Prairie Power, Inc. (“Prairie Power”) (each a “Settling Party” and all collectively, the “Settling Parties”) submit an Offer of Settlement in the above referenced proceeding. The Offer of Settlement represents a resolution of all issues between and among the Settling Parties in the proceeding.

This submission includes:

1. The Settlement Agreement (Attachment A);
2. An Explanatory Statement describing the terms of the Settlement Agreement as required by Rule 602(c)(1)(ii) (Attachment B);
3. A draft letter order accepting the Offer of Settlement (Attachment C); and
4. A certificate of service.

The Settling Parties respectfully request Settlement Judge Steven A. Glazer to certify this Settlement Agreement to the Commission as an uncontested settlement. The Settling Parties respectfully request that the Commission promptly approve the Offer of Settlement, without modification or condition, because it is in the public interest, represents the result of negotiations among the Settling Parties, and resolves all issues in the referenced proceeding, as among the Settling Parties.

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Prairie Power is serving a copy of this filing on all participants in the referenced proceeding. In accordance with Rule 602(f), 18 C.F.R. §385.602(f), the Settling Parties advise recipients of this letter that initial comments on the Offer of Settlement are due 20 days from the date of filing, making comments on the settlement package due April 3, 2014. Pursuant to Rule 602(f)(3), any failure to file a comment constitutes a waiver of all objections to the Offer of Settlement.

Respectfully submitted,

/s/ Christopher G. Mackaronis
John H. Conway
Christopher G. Mackaronis

cc: Honorable Curtis L. Wagner, Jr.
Honorable Steven A. Glazer
All participants in Docket Nos. EL13-83-000 and -001.

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

)	
Midcontinent Independent System)	Docket Nos. EL13-83-000
Operator, Inc.)	EL13-83-001

SETTLEMENT AGREEMENT

This Settlement Agreement is made pursuant to Rule 602 of the Rules of Practice and Procedure of the Federal Energy Regulatory Commission (the “Commission”), 18 C.F.R. § 385.602, by and among Ameren Services Company (“AMS”) and Ameren Illinois Company (“Ameren Illinois” and, together with AMS, “Ameren”), the Midcontinent Independent System Operator, Inc. (“MISO”), and Prairie Power, Inc. (“Prairie Power”), (each a “Settling Party” and all collectively, the “Settling Parties”). The Settling Parties enter into this Settlement Agreement to resolve all issues in the above-captioned docket.

**ARTICLE I.
BACKGROUND**

1.1 On February 21, 2013, the MISO Board of Directors voted to accept Prairie Power as a MISO Transmission Owner, under the terms of the Transmission Owners Agreement¹, effective June 1, 2013. In March and April, 2013, Prairie Power supplied to MISO data, diagrams and models regarding its 138-kV and 69-kV facilities for review and inclusion under the Transmission Owners Agreement. After MISO’s review and determination of which Prairie

¹ The Transmission Owners Agreement is currently filed as the MISO's Second Revised Rate Schedule FERC No. 1 as the “Agreement of Transmission Facilities Owners to Organize the Midwest Independent Transmission System Operator, Inc., a Delaware Non-Stock Corporation.” See *Midwest Independent Transmission System Operator Inc.*, 131 FERC ¶ 61,126 (2010).

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Power facilities qualified as networked transmission facilities, Prairie Power submitted to MISO a completed Attachment O template which calculates an annual transmission revenue requirement (“ATRR”) for the MISO-approved facilities. On April 30, 2013, MISO notified Prairie Power that its revenue requirement for the approved 138-kV and 69-kV transmission facilities would be included in the MISO Open Access Transmission, Energy and Operating Reserve Markets Tariff (“Tariff”) for service beginning June 1, 2013. Prairie Power transferred functional control of the MISO-approved transmission facilities to MISO effective June 1, 2013.

1.2 On May 31, 2013, Prairie Power filed a Formal Complaint against Ameren pursuant to Section 206 of the Federal Power Act (“FPA”), 16 U.S.C. § 824e, to require, among other things, that Ameren execute and file a Joint Pricing Zone Revenue Allocation Agreement (“Joint Agreement”). The Joint Agreement was to govern the payment of revenues collected by MISO, or on behalf of MISO by Ameren, to Prairie Power for Prairie Power’s transmission facilities in the Ameren Illinois joint pricing zone and the associated rate recovery provided under the Tariff. Prairie Power’s Complaint was docketed as Docket No. EL13-69-000.

1.3 On June 20, 2013, Ameren timely filed an Answer to Prairie Power’s Complaint. In its Answer, Ameren raised questions as to whether the 69-kV facilities approved by MISO as transmission facilities should be considered transmission facilities, as well as concerns with the associated revenue requirement for those facilities. On June 27, 2013, Prairie Power filed an Answer to Ameren’s Answer. On July 15, 2013, the Illinois Commerce Commission (“ICC”) filed a motion to intervene out of time, and comments regarding the process for establishing the initial revenue requirement for a new MISO transmission-owning company such as Prairie Power. On July 17, 2013, Prairie Power filed an Answer to the ICC’s filing.

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- 1.4 On September 9, 2013, the Commission issued an “Order Granting Complaint, Instituting Section 206 Proceeding, and Establishing Hearing and Settlement Judge Proceedings.”² In the September 9 Order the Commission granted Prairie Power’s Complaint and directed Ameren to negotiate with Prairie Power and file a Joint Agreement within 30 days. In the September 9 Order the Commission also instituted, under Docket No. EL13-83-000, an investigation under Section 206 of the FPA to require MISO to submit, within 30 days, revisions to Schedules 7, 8, and 9 of its Tariff to include Prairie Power as a Transmission Owner in the Ameren Illinois joint pricing zone and, with that, to include Prairie Power’s transmission facilities in the zonal rate. The September 9 Order also instituted, under Docket No. EL13-83-000, an investigation under Section 206 of the FPA to address issues raised by the intervening parties concerning the justness and reasonableness of the transmission facilities to be included in Prairie Power’s Attachment O revenue requirement that would be recovered through the Ameren Illinois joint pricing zone rates. The Commission provided that the effective date for the MISO filing would be determined at the conclusion of the hearing and settlement judge procedures it established in the September 9 Order to address which of Prairie Power’s facilities should be included in Prairie Power’s Attachment O revenue requirement and also noted that Prairie Power, as a non-jurisdictional entity, could avail itself of an earlier effective date if it filed a notice of refund commitment.
- 1.5 On September 16, 2013, the Chief Administrative Law Judge issued an order appointing the Honorable Steven A. Glazer as Settlement Judge for these proceedings.³

² Prairie Power, Inc. v. Ameren Services Co., et al., 144 FERC ¶ 61,193 at P. 5 (2013)(“September 9 Order”).

³ Order of Chief Judge Appointing Settlement Judge and Scheduling Settlement Conference, Docket No. EL13-83-000 (September 16, 2013) (unpublished order).

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1.6 On September 17, 2013, Prairie Power filed a Notice of Refund Commitment and Motion for June 1, 2013 Effective Date in Docket No. EL13-83-000. The ICC (on September 12), Ameren (on September 17) and MISO (on September 19) filed unopposed motions to intervene in Docket No. EL13-83-000; each of these motions was granted making them parties to the proceeding.⁴

1.7 In accordance with the September 9 Order, a settlement conference was convened before Judge Glazer on October 1, 2013. Additional settlement conferences were convened on December 3, 2013 and February 6, 2014.

1.8 On October 9, 2013, Ameren filed a Request for Clarification or, Alternatively, Request for Rehearing of the September 9 Order in Docket Nos. EL13-69-001 and EL13-83-001. On October 24, 2013, Prairie Power filed an Answer to Ameren's Request for Clarification or Rehearing. This was followed on November 8, 2013, by Ameren's Motion for Leave to Answer and Answer in response to Prairie Power's filing and, on November 15, 2013, by Prairie Power's Answer in response. In the meantime, on November 6, 2013, the Commission issued a Notice tolling rehearing of the September 9 Order.

1.9 On October 7, 2013, in a separate docket, Docket No. ER14-44-000, MISO made the Compliance Filing directed by the Commission's September 9 Order.⁵ In that filing, MISO made the required changes to Schedules 7, 8 and 9 of its Tariff to include Prairie Power within the Ameren Illinois joint pricing zone and requested that the effective date of those changes be

⁴ See, respectively, Order of Chief Judge Granting Motion to Intervene, Docket No. EL13-83-000 (October 4, 2013)(unpublished order) and Order of Chief Judge Granting Motion to Intervene, Docket No. EL13-83-000 (October 7, 2013)(unpublished order).

⁵ Midcontinent Independent System Operator, Inc. Compliance Filing, Docket No. ER14-44-000 (October 7, 2013) ("MISO Compliance Filing").

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June 1, 2013 or such other date as the Commission would deem appropriate. MISO also requested clarification of paragraph 31 of the September 9 Order. On October 24, 2013, Ameren moved to intervene in that docket. On October 28, 2013, Prairie Power also moved to intervene in that docket supporting the MISO Compliance Filing. On October 28, 2013, Ameren filed a Protest to the MISO Compliance Filing, which Prairie Power answered on November 15, 2013. In the meantime, on November 8, 2013, the Commission notified MISO that its October 7 Compliance Filing would be treated as a non-statutory compliance filing.

1.10 On October 9, 2013, Ameren filed an executed Joint Agreement as required by the Commission's September 9 Order. That filing was docketed under Docket No. ER14-65-000. On October 28, 2013, Prairie Power filed a motion to intervene and comments supporting the Ameren filing. On November 11, 2013, the Commission accepted the Joint Agreement to be effective June 1, 2013.⁶

**ARTICLE II.
SCOPE OF THE SETTLEMENT AGREEMENT**

2.1 The Settling Parties hereby settle and resolve all issues between and among them involving the matters raised in Docket Nos. EL13-83-000 and EL13-83-001, on the terms set forth in the following Article III of this Settlement Agreement.

**ARTICLE III.
TERMS OF SETTLEMENT AGREEMENT**

3.1 Classification of 138-kV facilities as Transmission. The 138-kV facilities owned by Prairie Power and determined by MISO to be transmission facilities under the Transmission Owners Agreement ("138-kV Facilities") were correctly determined to be transmission facilities and will be recovered under the terms of the Transmission Owners Agreement and Tariff.

⁶ Letter Order of November 8, 2013, Docket No. ER14-65-000 (unpublished).

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3.2 Determination of Transmission Plant Included in ISO Rates for Existing and New 69-kV Facilities.

(A) Existing 69-kV Facilities. The “Existing 69-kV Facilities” are those Prairie Power 69-kV facilities determined by MISO as of June 1, 2013, to be transmission facilities and listed as of that date under Appendix G of the Transmission Owners Agreement. Beginning January 1, 2014, and continuing for a period of six (6) years through December 31, 2019, seventy percent (70%) of the gross transmission plant in service for the Existing 69-kV Facilities calculated using their gross book value as adjusted during the 6-year period for any retirements, upgrades, or rebuilds shall be recovered under the terms of the Transmission Owners Agreement and Tariff subject to the limitations set forth in Section 3.2(B)(1)(a). This adjustment will be effectuated by increasing the “transmission plant excluded from ISO rates” on the annual Attachment O template, page 4, line 2, by thirty percent (30%) of the gross book value of Prairie Power’s Existing 69-kV Facilities which will reduce Prairie Power’s ATRR. Prairie Power will submit supporting workpapers to demonstrate this adjustment.

(B) New 69-kV Facilities. “New 69-kV Facilities” are those new, networked 69-kV facilities owned by Prairie Power and determined by MISO after June 1, 2013, to be transmission facilities and which are listed after that date under Appendix G or Appendix H of the Transmission Owners Agreement. Prairie Power, as a Transmission Owner, may exercise any and all rights it has under the Transmission Owners Agreement to request MISO’s approval to include New 69-kV Facilities under Appendix G or Appendix H of the Transmission Owners Agreement, as determined in accordance with the Transmission Owners Agreement and the MISO Tariff. Such New 69-kV Facilities shall be classified as

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transmission facilities for inclusion in the determination of Prairie Power's ATRR as described below.

(1) Cap on Increase of ATRR Related to 69-kV Facilities and Limitations on the Inclusion of Certain 69-kV Facilities in ATRR.

(a) For the period through December 31, 2019, seventy percent (70%) of the gross book value of (1) Prairie Power's New 69-kV Facilities and (2) any retirements, upgrades or rebuilds on the Existing 69-kV Facilities may be included in Prairie Power's transmission plant for the calculation of the ATRR for 69-kV facilities and may result in an increase of the ATRR not to exceed \$1.75 million, such that the ATRR for Prairie Power's 69-kV facilities shall not exceed \$3,666,124. The remaining thirty percent (30%) of the New 69-kV Facilities, any retirements, upgrades or rebuilds to Existing 69-kV Facilities, and any amounts excluded as a result of Prairie Power reaching the \$3,666,124 cap will be reported as "transmission plant excluded from ISO rates" on the annual Attachment O, page 4, line 2, as described in Article III, Section 3.2(A). By May 1 of each calendar year, Prairie Power will submit to MISO and Ameren the annual Attachment O and supporting workpapers to demonstrate the impact of New 69-kV Facilities and any retirements, upgrades or rebuilds to Existing 69-kV Facilities included in the ATRR calculation in accordance with the terms of this Settlement Agreement.

(b) If Prairie Power adds New 69-kV Facilities that cause existing radial 69-kV facilities (as of June 1, 2013) to become networked, the New 69-kV Facilities are eligible under the provisions of Article III, Section 3.2(B)(1)(a) for inclusion in the ATRR calculation for 69-kV facilities, but the existing radial 69-kV facilities are not eligible for inclusion.

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(2) Excluded Activity. To the extent New 69-kV Facilities are constructed to facilitate generation interconnection, Prairie Power will follow the Tariff with respect to the recovery of costs of generator interconnection facilities and upgrades necessitated by generator interconnections (i.e., either the resource developer will be responsible for such costs or Prairie Power may elect to self-fund them, but the gross book value of those New 69-kV Facilities will not be included in Prairie Power's ATRR calculation).

(C) Expiration of ATRR Cap and Limitations on 69-kV Facilities. Effective January 1, 2020, the provisions of Article III, Sections 3.2 (A) and (B) shall cease. On or before December 1, 2019, Prairie Power will provide MISO with an updated Attachment O template and supporting work papers reflecting the revised ATRR to become effective January 1, 2020.

3.3 Interim ATRR. At the submission of this Settlement Agreement, Prairie Power will file a motion requesting permission that, pending Commission review of the Settlement Agreement, the resulting ATRR agreed to under the terms of the Settlement Agreement be allowed to go into effect January 1, 2014. To effectuate this, Prairie Power will submit to MISO a revised Attachment O template reflecting seventy percent (70%) of the gross book value of the Existing 69-kV Facilities (equating to an ATRR of \$1,916,124) and one hundred percent (100%) of the gross book value of its 138-kV Facilities (equating to an ATRR of \$818,018) effective January 1, 2014. The transmission revenue received by Prairie Power as a result of the difference between (a) the ATRR used to calculate rates charged for transmission service from January 1, 2014 to the date the interim revenue requirement goes into effect, and (b) the reduced revenue requirement reflected in the revised Attachment O template, will be refunded to transmission customers as a revenue credit in the next annual Attachment O update following the Commission's order accepting the interim ATRR. Such revenue credit will be adjusted

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(increased) to reflect an allocated amount equal to the transmission revenue Prairie Power receives as a result of the difference described above.

3.4 Withdrawal of Filings. (A) Within five (5) business days of the date of approval by the Commission of this Settlement Agreement, Ameren will file a motion to withdraw with prejudice (1) the Ameren Protest filed on October 28, 2013 in Docket No. ER14-44-000; and (2) the Ameren Request for Clarification or Rehearing filed on October 9, 2013, in Docket Nos. EL13-69-001 and EL13-83-001. The Settling Parties recognize that the answering filings and comments made by Prairie Power and Ameren to the withdrawn filings are thereby rendered moot. Ameren will represent their mootness in its withdrawals.

(B) Within five (5) business days of the filing of this Settlement Agreement with the Commission, the Settling Parties will file with the Commission a joint notice in Docket Nos. ER14-44-000, EL13-69-001 and EL13-83-001, informing the Commission of this Settlement. In doing so, the Settling Parties will represent that, in the event that the Commission issues an order approving the Settlement Agreement as to all of its terms and conditions without modification or condition, or with modification(s) or condition(s) agreed to by the Settling Parties in accordance with the provisions of Article IV, Section 4.1, Ameren's pending Protest in ER14-44-000 and its Request for Clarification or Rehearing in EL13-69-001 and EL-13-83-001 will be withdrawn with prejudice.

3.5 Effective Date in Docket No. ER14-44-000. The Settling Parties agree that the effective date for recovery of Prairie Power's ATRR in Docket No. ER14-44-000 will be the effective date granted by the Commission in that docket. To the extent the effective date granted by the Commission is any date later than June 1, 2013, Prairie Power will refund one hundred percent (100%) of its transmission revenue generated as a result of its ATRR associated with the

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Existing 69-kV Facilities from June 1, 2013 to that effective date. Such refunds will be effectuated by a revenue credit in Prairie Power's next annual Attachment O update following the Commission's determination of the effective date in Docket No. ER14-44-000.

3.6 Agreement to Forbear. Prairie Power will not initiate any action concerning transmission revenues received by any affiliate of Ameren Illinois that provides only transmission services, for such services provided prior to January 1, 2013, under the Tariff.

3.7 Reservation on Non-Rate Matters. The Settling Parties agree that nothing in this Settlement Agreement restricts or impairs the ability of any party to discuss, negotiate or agree upon future processes or procedures relating to the initial inclusion of transmission facilities and their revenue requirements.

3.8 Coordination of Plans for New Facilities. Prairie Power, as a NERC transmission planner and as required by the rules and requirements of the SERC Reliability Corporation, will coordinate with Ameren as to the interconnection of any new facilities to the Ameren Illinois system.

**ARTICLE IV.
MODIFICATION OR CONDITION
OF SETTLEMENT AGREEMENT**

4.1 The terms and conditions of this Settlement Agreement are expressly contingent upon approval or acceptance by the Commission of this Settlement Agreement without material modification or condition. If the Commission by order conditions its approval or acceptance of this Settlement Agreement or requires its modification, this Settlement Agreement shall be deemed withdrawn, shall not be considered to be part of the record in this proceeding, shall not become effective and shall be null and void, unless the Settling Parties, within ten business days of issuance of the Commission order (subject to extension by mutual agreement of all the

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Settling Parties) either: (i) accept the Commission's modifications and conditions; or (ii) modify the Settlement Agreement to address or obviate the Commission's concerns.

**ARTICLE V.
STANDARD OF REVIEW**

5.1 It is the intent of the Settling Parties that, to the maximum extent permitted by law, the provisions of this Settlement Agreement shall not be subject to change under Sections 205 and 206 of the FPA absent the written agreement of the Settling Parties, and that the standard of review for changes unilaterally proposed by a Settling Party shall be the public interest standard of review set forth in *United Gas Pipe Line Co. v. Mobile Gas Service Corp.*, 350 U.S. 332 (1956); *Federal Power Commission v. Sierra Pacific Power Co.*, 350 U.S. 348 (1956); *Morgan Stanley Capital Group, Inc. v. Public Utility District No. 1 of Snohomish County*, 554 U.S. 527 (2008); and *NRG Power Marketing, LLC v. Maine Public Utilities Commission*, 558 U.S. 165 (2010). The standard of review for third parties proposing changes to the Settlement Agreement and for the Commission acting *sua sponte* to alter the Settlement Agreement will be the just and reasonable standard. After December 31, 2019, the standard of review for any Settling Party filing under either Section 205 or Section 206 of the FPA for a change in any rate, term, condition, charge, classification, rule or regulation relating to Prairie Power's cost recovery under the Tariff will be the just and reasonable standard.

**ARTICLE VI
MISCELLANEOUS PROVISIONS**

6.1 No Admissions or Precedent. This entire Settlement Agreement, and the Settling Parties' performance of their obligations hereunder, are the result of the settlement and compromise of all the claims and actions expressly addressed in this Settlement Agreement, and neither the Settlement Agreement nor the Settling Parties' performance hereunder shall be deemed to be an

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admission of any fact or of any liability. This Settlement Agreement shall be binding on the Settling Parties only with respect to the subject matter of this Settlement Agreement, and shall not bind the Settling Parties to apply the principles or provisions of this Settlement Agreement to any other agreement, arrangement, or proceeding. The Settlement Agreement establishes no principles and no precedent with respect to any issue in this proceeding or in future proceedings.

6.2 Entire Agreement. This Settlement Agreement, including any attachments, constitutes the entire agreement between and among the Settling Parties, and no other agreement with regard to the matters addressed in this Settlement Agreement shall be binding on the Settling Parties except by written amendment to this Settlement Agreement. Except for the terms and conditions enumerated in this Settlement Agreement the Settling Parties acknowledge and agree that the Settling Parties have not made any other promises, warranties, or representations to each other regarding any aspect of the settlement of the matters addressed in this Settlement Agreement. Each Settling Party acknowledges that it has read this Settlement Agreement and executed it without relying upon any other promise, warranty, or representation, written or otherwise, of the other Settling Parties or any other participant in the proceeding. Each Settling Party acknowledges that no other participant in this proceeding has made any promise, warranty, or representation, express or implied, to induce the Settling Parties to execute this Settlement Agreement.

6.3 Effective Date. This Settlement Agreement shall be effective on the date (i) on which a Commission Order approving this Settlement Agreement becomes final and non-appealable, or (ii) such alternative date that is agreed to by the Settling Parties pursuant to Article IV, in the event this Settlement Agreement is not approved by the Commission without material modification or condition (the "Settlement Effective Date"). Except as provided under Article

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VI, Sections 6.4 and 6.5, this Settlement Agreement shall bind the Settling Parties as of the Settlement Effective Date. Sections 6.4 and 6.5 shall bind the Settling Parties as of the date this Settlement Agreement is last executed.

6.4 Settlement Discussions. The discussions that have produced this Settlement Agreement have been conducted on the explicit understanding, pursuant to Rule 602 of the Commission's Rules of Practice and Procedure, 18 C.F.R. §385.602, that all settlement communications and discussions shall be privileged and confidential, shall be without prejudice to the position of any Settling Party or participant making such communications or participating in any such discussions, and are not to be used in any manner in connection with this proceeding, any other proceeding, or otherwise, except to the extent necessary to enforce its terms or to construe the meaning of the terms used therein.

6.5 Further Assurances. Following execution of this Settlement Agreement, each Settling Party shall cooperate with and support, and shall not take any action inconsistent with: (i) the filing of this Settlement Agreement with the Commission; and (ii) efforts to obtain Commission acceptance or approval of the Settlement Agreement.

6.6 Successors and Assigns. This Settlement Agreement is binding upon and for the benefit of the Settling Parties and their successors and assigns.

6.7 Ambiguities Neutrally Construed. This Settlement Agreement is the result of negotiations among, and has been reviewed by, each Settling Party and its respective counsel. Accordingly, this Settlement Agreement shall be deemed to be the product of each Settling Party, and no ambiguity shall be construed in favor of or against any Settling Party.

Settlement Agreement
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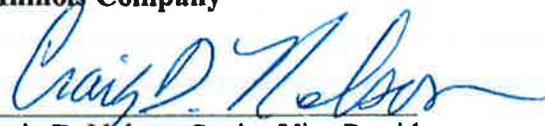
6.8 Authorizations. Each person executing this Settlement Agreement represents and warrants that he or she is duly authorized and empowered to act on behalf of, and to sign for, the Settling Party for whom he or she has signed.

6.9 Counterparts. This Settlement Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument.

WHEREFORE, the Settling Parties have caused their duly authorized representatives to execute and attest to this Settlement Agreement.

**Ameren Services Company and
Ameren Illinois Company**

Dated: March 14, 2014



By: Craig D. Nelson, Senior Vice President
Regulatory Affairs and Financial Services
Ameren Illinois Company

Midcontinent Independent System Operator, Inc.

Dated: March __, 2014

By: _____
Matthew R. Dorsett, Counsel

Prairie Power, Inc.

Dated: March __, 2014

By: _____
Jay Bartlett, President and Chief Executive
Officer, Prairie Power, Inc.

Settlement Agreement

EL13-83-000 and EL13-83-001

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Ameren Illinois Company**

Dated: March __, 2014

By: _____
Craig D. Nelson, Senior Vice President
Regulatory Affairs and Financial Services
Ameren Illinois Company

Midcontinent Independent System Operator, Inc.

Dated: March 12, 2014

By: 

Matthew R. Dorsett, Counsel

Prairie Power, Inc.

Dated: March __, 2014

By: _____
Jay Bartlett, President and Chief Executive
Officer, Prairie Power, Inc.

Settlement Agreement

EL13-83-000 and EL13-83-001

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**Ameren Services Company and
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Dated: March __, 2014

By: _____
Craig D. Nelson, Senior Vice President
Regulatory Affairs and Financial Services
Ameren Illinois Company

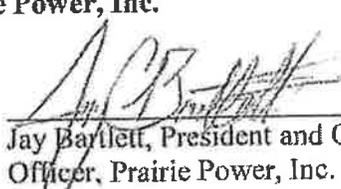
Midcontinent Independent System Operator, Inc.

Dated: March __, 2014

By: _____
Matthew R. Dorsett, Counsel

Prairie Power, Inc.

Dated: March 12, 2014

By: 
Jay Bartlett, President and Chief Executive
Officer, Prairie Power, Inc.

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

Midcontinent Independent System)	Docket Nos. EL13-83-000
Operator, Inc.)	EL13-83-001
)	
)	

**EXPLANATORY STATEMENT IN SUPPORT
OF SETTLEMENT AGREEMENT**

Pursuant to Rule 602 of the Federal Energy Regulatory Commission’s (the “Commission”) Rules of Practice and Procedure, 18 C.F.R. § 385.602, Ameren Services Company (“AMS”) and Ameren Illinois Company (“Ameren Illinois” and together with AMS, “Ameren”), the Midcontinent Independent System Operator (“MISO”), and Prairie Power, Inc. (“Prairie Power”) (each a “Settling Party” and all collectively, the “Settling Parties”), hereby submit this Explanatory Statement to accompany the Settlement Agreement. The Settlement Agreement resolves all issues as between the Settling Parties in Docket Nos. EL13-83-000 and -001.

This Explanatory Statement summarizes the Settlement Agreement. This Explanatory Statement is not intended to modify or alter any provision of the Settlement Agreement or provide any interpretation other than the provisions contained in the Settlement Agreement. The Settling Parties respectfully request that the Commission approve the Settlement Agreement, without modification or condition. The Settling Parties are unaware of any opposition to the Settlement

Agreement. The Illinois Commerce Commission (“ICC”) has represented to the Settling Parties that it will not contest the terms of the Settlement Agreement.

I. DESCRIPTION OF THE SETTLEMENT AGREEMENT

Article 1 of the Settlement Agreement contains the background of the proceeding.

Article 2 of the Settlement Agreement states the scope of the Settlement Agreement.

Article 3 of the Settlement Agreement contains the specific terms of the Settlement Agreement.

Article 3.1 provides that MISO correctly determined that certain Prairie Power 138kV facilities are transmission facilities under the Transmission Owners Agreement and their revenue requirement will be recovered.

Article 3.2(A) defines the “Existing 69 kV Facilities” as those Prairie Power 69-kV facilities determined by MISO as of June 1, 2013 to be transmission facilities and listed as of that date under Appendix G of the Transmission Owners Agreement. Article 3.2(A) further provides that beginning January 1, 2014, and continuing for a period of six (6) years through December 31, 2019, seventy percent (70%) of the gross transmission plant in service for the Existing 69-kV Facilities calculated using their gross book value as adjusted during the 6-year period for any retirements, upgrades, or rebuilds shall be recovered under the terms of the Transmission Owners Agreement and Tariff subject to the limitations set forth in Section 3.2(B)(1)(a). Article 3.2(A) provides that the required

adjustment will be effectuated by increasing the “transmission plant excluded from ISO rates” on the annual Attachment O template, page 4, line 2, by thirty percent (30%) of the gross book value of Prairie Power’s Existing 69-kV Facilities which will reduce Prairie Power’s ATRR. The article provides that Prairie Power will submit supporting workpapers to demonstrate this adjustment.

Article 3.2(B) defines “New 69-kV Facilities” as those new, networked 69-kV facilities owned by Prairie Power and determined by MISO after June 1, 2013, to be transmission facilities and which are listed after that date under Appendix G or Appendix H of the Transmission Owners Agreement. This article provides that Prairie Power, as a Transmission Owner, may exercise any and all rights it has under the Transmission Owners Agreement to request MISO’s approval to include New 69-kV Facilities under Appendix G or Appendix H of the Transmission Owners Agreement, as determined in accordance with the Transmission Owners Agreement and the MISO Tariff. Such New 69-kV Facilities shall be classified as transmission facilities for inclusion in the determination of Prairie Power’s ATRR as described below.

Article 3.2(B)(1)(a) provides that for the period through December 31, 2019, seventy percent (70%) of the gross book value of (1) Prairie Power’s New 69-kV Facilities and (2) any retirements, upgrades or rebuilds on the Existing 69-kV Facilities may be included in Prairie Power’s transmission plant for the calculation of the ATRR for 69-kV facilities and may result in an increase of the ATRR not to exceed \$1.75 million, such that the ATRR for Prairie Power’s 69-kV

facilities shall not exceed \$3,666,124. The article further provides that the remaining thirty percent (30%) of the New 69-kV Facilities, any retirements, upgrades or rebuilds to Existing 69-kV Facilities, and any amounts excluded as a result of Prairie Power reaching the \$3,666,124 cap will be reported as “transmission plant excluded from ISO rates” on the annual Attachment O, page 4, line 2, as described in Article III, Section 3.2(A). As required by this article, by May 1 of each calendar year, Prairie Power will submit to MISO and Ameren the annual Attachment O and supporting workpapers to demonstrate the impact of New 69-kV Facilities and any retirements, upgrades or rebuilds to Existing 69-kV Facilities included in the ATRR calculation in accordance with the terms of the Settlement Agreement.

Article 3.2(B)(1)(b) provides that if Prairie Power adds New 69-kV Facilities that cause existing radial 69-kV facilities (as of June 1, 2013) to become networked, the New 69-kV Facilities are eligible under the provisions of Article 3.2(B)(1)(a) for inclusion in the ATRR calculation for 69-kV facilities, but the existing radial 69-kV facilities are not eligible for inclusion.

Article 3.2(B)(2) provides that in the event New 69-kV Facilities are constructed to facilitate generation interconnection, Prairie Power will follow the Tariff with respect to the recovery of costs of generator interconnection facilities and upgrades necessitated by generator interconnections (i.e., either the resource developer will be responsible for such costs or Prairie Power may elect to self-

fund them, but the gross book value of those New 69-kV Facilities will not be included in Prairie Power's ATRR calculation).

Article 3.2(C) provides that effective January 1, 2020, the provisions of Articles 3.2 (A) and (B) shall cease. It further provides that on or before December 1, 2019, Prairie Power will provide MISO with an updated Attachment O template and supporting work papers reflecting the revised ATRR to become effective January 1, 2020.

Article 3.3 provides that at the submission of the Settlement Agreement, Prairie Power will file a motion requesting permission that, pending Commission review of the Settlement Agreement, the resulting ATRR agreed to under the terms of the Settlement Agreement be allowed to go into effect January 1, 2014. The article provides that to effectuate this, Prairie Power will submit to MISO a revised Attachment O template reflecting seventy percent (70%) of the gross book value of the Existing 69-kV Facilities (equating to an ATRR of \$1,916,124) and one hundred percent (100%) of the gross book value of its 138-kV Facilities (equating to an ATRR of \$818,018) effective January 1, 2014. The article further provides that the transmission revenue received by Prairie Power as a result of the difference between (a) the ATRR used to calculate rates charged for transmission service from January 1, 2014 to the date the interim revenue requirement goes into effect, and (b) the reduced revenue requirement reflected in the revised Attachment O template, will be refunded to transmission customers as a revenue credit in the next annual Attachment O update following the Commission's order

accepting the interim ATRR. As required by the article, such revenue credit will be adjusted (increased) to reflect an allocated amount equal to the transmission revenue Prairie Power receives as a result of the difference described above.

Article 3.4(A) provides that within five (5) business days of the date of approval by the Commission of this Settlement Agreement, Ameren will file a motion to withdraw with prejudice (1) the Ameren Protest filed on October 28, 2013 in Docket No. ER14-44-000; and (2) the Ameren Request for Clarification or Rehearing filed on October 9, 2013, in Docket Nos. EL13-69-001 and EL13-83-001. The article further provides that the Settling Parties recognize that the answering filings and comments made by Prairie Power and Ameren to the withdrawn filings are thereby rendered moot and that Ameren will represent their mootness in its withdrawals.

Article 3.4(B) provides that within five (5) business days of the filing of the Settlement Agreement with the Commission, the Settling Parties will file with the Commission a joint notice in Docket Nos. ER14-44-000, EL13-69-001 and EL13-83-001, informing the Commission of the Settlement. The article provides that the Settling Parties will represent that, in the event that the Commission issues an order approving the Settlement Agreement as to all of its terms and conditions without modification or condition, or with modification(s) or condition(s) agreed to by the Settling Parties in accordance with the provisions of Article IV, Section 4.1, Ameren's pending Protest in ER14-44-000 and its Request for Clarification or Rehearing in EL13-69-001 and EL-13-83-001 will be withdrawn with prejudice.

Article 3.5 provides that the effective date of Prairie Power's rates to recover its ATRR on the Existing 69kV Facilities in Docket No. ER14-44-000 will be the effective date granted by the Commission in that docket. The article further provides that to the extent the effective date granted by the Commission is any date later than June 1, 2013, Prairie Power will refund one hundred percent (100%) of its transmission revenue generated as a result of its ATRR associated with the Existing 69-kV Facilities from June 1, 2013 to that effective date. The article provides that such refunds will be effectuated by a revenue credit in Prairie Power's next annual Attachment O update following the Commission's determination of the effective date in Docket No. ER14-44-000.

Article 3.6 provides that Prairie Power will not initiate any action concerning transmission revenues received by any affiliate of Ameren Illinois that provides only transmission services, for such services provided prior to January 1, 2013, under the Tariff.

Article 3.7 provides that nothing in this Settlement Agreement restricts or impairs the ability of any party to discuss, negotiate or agree upon future processes or procedures relating to the initial inclusion of transmission facilities and their revenue requirements.

Article 3.8 provides that Prairie Power, as a NERC transmission planner and as required by the rules and requirements of the SERC Reliability Corporation, will coordinate with Ameren as to the interconnection of any new facilities to the Ameren Illinois system.

Article 4.1 provides that the Settlement Agreement is expressly contingent upon approval or acceptance by the Commission without material modification or condition. The article provides that if the Commission by order conditions its approval or acceptance of the Settlement Agreement or requires its modification, the Settlement Agreement shall be deemed withdrawn, shall not be considered to be part of the record in this proceeding, shall not become effective and shall be null and void, unless the Settling Parties, within ten business days of issuance of the Commission order (subject to extension by mutual agreement of all the Settling Parties) either: (i) accept the Commission's modifications and conditions; or (ii) modify the Settlement Agreement to address or obviate the Commission's concerns.

Article 5.1 provides that it is the intent of the Settling Parties that, to the maximum extent permitted by law, the provisions of the Settlement Agreement shall not be subject to change under Sections 205 and 206 of the FPA absent the written agreement of the Settling Parties, and that the standard of review for changes unilaterally proposed by a Settling Party shall be the public interest standard of review set forth in *United Gas Pipe Line Co. v. Mobile Gas Service Corp.*, 350 U.S. 332 (1956); *Federal Power Commission v. Sierra Pacific Power Co.*, 350 U.S. 348 (1956); *Morgan Stanley Capital Group, Inc. v. Public Utility District No. 1 of Snohomish County*, 554 U.S. 527 (2008); and *NRG Power Marketing, LLC v. Maine Public Utilities Commission*, 558 U.S. 165 (2010). The article further provides that the standard of review for third parties proposing

changes to the Settlement Agreement and for the Commission acting *sua sponte* to alter the Settlement Agreement will be the just and reasonable standard. The article provides that after December 31, 2019, the standard of review for any Settling Party filing under either Section 205 or Section 206 of the FPA for a change in any rate, term, condition, charge, classification, rule or regulation relating to Prairie Power's cost recovery under the Tariff will be the just and reasonable standard.

Article 6.1 provides that the entire Settlement Agreement is the result of the settlement and compromise, and neither the Settlement Agreement nor the Settling Parties' performance thereunder shall be deemed to be an admission of any fact or of any liability. The article provides that the Settlement Agreement shall be binding on the Settling Parties only with respect to the subject matter of the Settlement Agreement, and shall not bind the Settling Parties to apply the principles or provisions of this Settlement Agreement to any other agreement, arrangement, or proceeding. The article further provides that the Settlement Agreement establishes no principles and no precedent with respect to any issue in this proceeding or in future proceedings.

Article 6.2 provides that the Settlement Agreement constitutes the entire agreement between and among the Settling Parties, and no other agreement with regard to the matters addressed in the Settlement Agreement shall be binding on the Settling Parties except by written amendment to the Settlement Agreement. The article further provides that except for the terms and conditions enumerated in

the Settlement Agreement, the Settling Parties acknowledge and agree that the Settling Parties have not made any other promises, warranties, or representations to each other regarding any aspect of the settlement of the matters addressed in the Settlement Agreement. In addition, each Settling Party acknowledges that it has read the Settlement Agreement and executed it without relying upon any other promise, warranty, or representation, written or otherwise, of the other Settling Party or any other participant in the proceeding. And finally, the article provides that each Settling Party acknowledges that no other participant in this proceeding has made any promise, warranty, or representation, express or implied, to induce the Settling Party to execute the Settlement Agreement.

Article 6.3 provides that the Settlement Agreement shall be effective on the date (i) on which a Commission Order approving this Settlement Agreement becomes final and non-appealable, or (ii) such alternative date that is agreed to by the Settling Parties pursuant to Article IV, in the event the Settlement Agreement is not approved by the Commission without material modification or condition (the “Settlement Effective Date”). The article provides that except as provided under Articles 6.4 and 6.5, the Settlement Agreement shall bind the Settling Parties as of the Settlement Effective Date and that Articles 6.4 and 6.5 shall bind the Settling Parties as of the date this Settlement Agreement is last executed.

Article 6.4 provides that the discussions that produced the Settlement Agreement have been conducted on the explicit understanding, pursuant to Rule 602 of the Commission’s Rules of Practice and Procedure, 18 C.F.R. §385.602,

that all settlement communications and discussions shall be privileged and confidential, shall be without prejudice to the position of any party or participant making such communications or participating in any such discussions, and are not to be used in any manner in connection with this proceeding, any other proceeding, or otherwise, except to the extent necessary to enforce its terms or to construe the meaning of the terms used therein.

Article 6.5 provides that following execution of this Settlement Agreement, each Settling Party shall cooperate with and support, and shall not take any action inconsistent with: (i) the filing of this Settlement Agreement with the Commission; and (ii) efforts to obtain Commission acceptance or approval of the Settlement Agreement.

Article 6.6 provides that the Settlement Agreement is binding upon and for the benefit of the Settling Parties and their successors and assigns.

Article 6.7 provides that the Settlement Agreement shall be deemed to be the product of each Settling Party, and no ambiguity shall be construed in favor of or against any Settling Party.

Article 6.8 provides that each person executing the Settlement Agreement represents and warrants that he or she is duly authorized and empowered to act on behalf of, and to sign for, the Settling Party for whom he or she has signed.

Article 6.9 provides that the Settlement Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument.

**STATEMENTS REQUIRED BY CHIEF ADMINISTRATIVE LAW
JUDGE'S NOTICE TO THE PUBLIC**

In accordance with the Chief Administrative Law Judge's October 15, 2003 Notice to the Public: Information to be provided with Settlement Agreements (corrected October 23, 2003), the Settling Parties respond below to the questions identified by the Chief Administrative Law Judge:

a. What are the issues underlying the settlement and what are the major implications:

The issues underlying the Settlement Agreement are the Prairie Power facilities that qualify as transmission under the Transmission Owners Agreement, the cost of which may be included in Prairie Power's ATRR under Attachment O to the MISO tariff. There is no major implication from the Settlement Agreement. The Settling Parties agree that the Settlement Agreement resolves all issues with respect to the Settling Parties in Docket Nos. EL13-83-000 and -001.

b. Whether any of the issues raise policy implications:

The Settling Parties do not believe the Settlement Agreement raises any policy implications. The settled issues are fact specific between the Settling Parties, and the Settlement Agreement is not intended to establish any policy or precedent in ongoing or future proceedings.

c. Whether other pending cases may be affected:

The Settlement Agreement, if approved, obligates Ameren to withdraw its Protest in Docket No. ER14-44-000, and to withdraw its Request for Clarification or, Alternatively, For Rehearing, in Docket Nos. EL13-69-001 and EL13-83-001.

d. Whether the settlement involves issues of first impression, or if there are any previous reversals on the issues involved:

The Settlement Agreement does not involve issues of first impression, or previous reversals on the issues involved.

e. Whether the proceeding is subject to the ordinary just and reasonable standard or whether there is *Mobile-Sierra* language requiring public interest findings, i.e., the applicable standard of review:

The Settlement Agreement provides that the standard for a Settling Party's modification to the Settlement Agreement is the public interest standard. The standard for third parties proposing changes to the Settlement Agreement and for the Commission acting *sua sponte* to modify the Settlement Agreement is the just and reasonable standard. The Settlement Agreement provides that after December 31, 2019, the standard of review for any Settling Party filing under either Section 205 or Section 206 of the FPA for a change in any rate, term, condition, charge, classification, rule or regulation relating to Prairie Power's cost recovery under the Tariff will be the just and reasonable standard.

III. CONCLUSION

Wherefore, the Settling Parties respectfully request that the Commission issue an order approving the Settlement Agreement without material change or condition.

**FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426**

**In Reply Refer To:
Docket Nos. EL13-83-000
EL13-83-001**

Mr. Christopher G. Mackaronis
Brickfield Burchette Ritts & Stone, P.C.
1025 Thomas Jefferson St., N.W.
Suite 800 West Tower
Washington, D.C. 20005

Dear Mr. Mackaronis:

1. On March 14, 2014, Ameren Services Company (“AMS”) and Ameren Illinois Company (“Ameren Illinois” and together with AMS, “Ameren”), the Midcontinent Independent System Operator (“MISO”), and Prairie Power, Inc. (“Prairie Power”) (each a “Settling Party” and all collectively, the “Settling Parties”), filed in Docket Nos. EL13-83-000 and -001 an Offer of Settlement and Settlement Agreement (“Settlement”), between the Settling Parties. The Settlement resolves all issues in Docket Nos. EL13-83-000 and -001. Comments on the Settlement were filed by _____. Presiding Settlement Judge Glazer certified the uncontested Settlement to the Commission.
2. The Settlement is fair and reasonable and in the public interest and the Settlement is hereby approved and accepted for filing. The Commission’s approval of the Settlement does not constitute approval of, or precedent regarding, any principle or issue in this consolidated proceeding.
3. This letter terminates Docket Nos. EL13-83-000 and -001.

By direction of the Commission

Kimberley D. Bose
Secretary

CERTIFICATE OF SERVICE

I hereby certify that I have this day caused a copy of the foregoing Letter To the Honorable Kimberly D. Bose, the Settlement Agreement, the Explanatory Statement In Support of Settlement Agreement, and the Proposed Order to be served upon each person designated on the Service List for these dockets compiled by the Secretary in accordance with the Commission's Rules of Practice and Procedure.

Dated at Washington, D.C. this 14th day of March, 2014.

By: /s/ Owen J. Kopon

Owen J. Kopon
Brickfield Burchette Ritts & Stone, PC
1025 Thomas Jefferson Street, NW
Eighth Floor — West Tower
Washington, DC 20007-5201
Telephone: (202) 342-0800

Document Content(s)

Cover letter for Offer of Settlement.PDF.....1-2

Executed Settlement Agreement (Attachment A).PDF.....3-18

Explanatory Statement (Attachment B).PDF.....19-31

Proposed Order (Attachment C).PDF.....32-32

Certificate of Service (Attachment D).PDF.....33-33