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Witness: Geoffrey J. D. Hewings, Ph.D.
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Sponsoring Party: Ameren Transmission Company
of Illinois
File No.: EA-2015-0146
Date Testimony Prepared: November 16, 2015

MISSOURI PUBLIC SERVICE COMMISSION

File No. EA-2015-0146

SURREBUTTAL TESTIMONY

OF

GEOFFREY J. D. HEWINGS, Ph.D.

ON

BEHALF OF

AMEREN TRANSMISSION COMPANY OF ILLINOIS

Urbana, Illinois
November, 2015

ATY Exhibit No. 24
Date 1/25/16 Reporter JL
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GEOFFREY J. D. HEWINGS, Ph.D.

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1 **Q. Please state your name and business address.**

2 A. My name is Geoffrey J. D. Hewings, Ph.D. My business address is 607 S.
3 Mathews #318, Urbana, Illinois 61801-3671.

4 **Q. By whom and in what capacity are you employed?**

5 A. I am employed by the University of Illinois as the Director of the Regional
6 Economics Applications Laboratory.

7 **Q. Are you the same Geoffrey J. D. Hewings, Ph.D. who filed direct testimony in**
8 **this case?**

9 A. Yes, I am.

10 **Q. What is the purpose of your surrebuttal testimony?**

11 A. The purpose of my surrebuttal testimony is to respond to that portion of Mr.
12 Michael L. Stahlman's testimony where he claims my study has limitations. He focuses on jobs
13 as an example, claiming the jobs are more the result of the cost of the Project rather than the
14 benefits. He views my studies as an input-output analysis, and concludes an input-output model
15 assumes a project is economically feasible.

16 **Q. What other comments did Mr. Stahlman make regarding the study?**

17 A. He agrees the estimate of construction jobs is reasonable. He also agrees the
18 estimate of jobs is reasonable. In short, Mr. Stahlman does not take issue with any facet of the

1 study or its results. The Project, as I testified and described in my direct testimony, will result in
2 job creation and the attendant increase in salaries and wages.

3 **Q. Mr. Stahlman offers that input-output models assume that a project is**
4 **economically feasible. Do you agree?**

5 A. Input-output models, as in the case here, take credible information that is then
6 utilized to estimate or evaluate the economic impact on a reference economy. This information
7 can be used as part of the overall project appraisal. The study I prepared supports the Project for
8 reasons other than those given for the building of the Project. That is, the Project's ability to
9 deliver renewable energy and deliver other benefits, as described in other ATXI witnesses'
10 testimony, exists irrespective of the other benefits I note in my study.

11 **Q. Mr. Stahlman makes the remark that the Project benefits could be increased**
12 **by increasing expenditures. How do you respond?**

13 A. As I just stated, the point of my study was to estimate the benefits that will be
14 realized from the Project and not to consider the other benefits--those reasons why the Project is
15 being built. However, to the extent his remark suggests or implies that companies do not work to
16 minimize expenditures when constructing infrastructure, this has not been the case in my
17 experience. It is my understanding, for example, that ATXI is competitively bidding the Project,
18 which is an indicator of a desire to minimize its costs. While in theory ATXI could hire workers
19 to dig holes and fill them, Mr. Stahlman points to no incentive for the company to do so, and I
20 cannot see any such incentive either.

21 **Q. Continuing, do you have other remarks as to the propriety of an input -**
22 **output model?**

1 A. Mr. Stahlman raises this sometimes-made criticism of input-output analysis but
2 fails to identify any “limitations” in terms of the model’s assumptions and the context by which
3 they were derived. As I stated in my direct testimony, the analysis utilized a set of input-output
4 models created using IMPLAN for Missouri, the Transmission Region, and five individual
5 counties. In this case, while constant returns to scale are assumed in the construction sector, I
6 deem this to be a reasonable assumption that is not being challenged. Further, over the life of the
7 Project, it is unlikely that the technology in this sector would change significantly – especially in
8 terms of labor inputs. This means, in effect, the estimate of job creations and additional salaries
9 and wages are reliable values, and that the estimates resulting from input-output models are more
10 than just rough estimates and are, indeed, reasonable estimates of the positive impacts of the
11 Project.

12 **Q. Mr. Stahlman makes the point that the study assumes “...no additional jobs**
13 **created by the project in Missouri after the proposed project is completed.” What is your**
14 **reply?**

15 A. The study only intended to focus on job creation *during* the construction phase;
16 there was no request to consider post-construction economic impact analysis, and I made no
17 attempt to do so. This observation of Mr. Stahlman’s is not material to the study being presented
18 to the Commission; the credibility of the results from my study is not affected by the lack of any
19 post-construction economic impact analysis.

20 **Q. In summary, what are the benefits your study indicates will arise from the**
21 **Project?**

22 A. Other witnesses’ testimony has established that there are economic benefits from
23 the main objectives of the Project, including improving the deliverability of renewable energy

1 and reliability in the service territory. The creation of jobs during the construction period is not
2 the primary goal of the Project, but it is a benefit. Mr. Stahlman is correct that the jobs created
3 come from the Project expenditures but this is neither unusual nor cause for them being
4 discounted. All firms have to create facilities to produce goods and services; the jobs created in
5 the process can legitimately be regarded as contributing to the value added in the economy.

6 By way of example only, the USCIS (US Citizenship and Immigration Services) allows
7 petitioners under the EB-5 Visa program to claim the direct, indirect and induced jobs resulted
8 from construction activities as part of a petitioner's request for a visa, provided the construction
9 activity lasts more than two years. USCIS recognizes that construction is part of the total project
10 and that jobs created in this phase are valued in much the same way as jobs created by the
11 opening of a new business once construction is complete. Further, jobs created in more rural
12 parts of the United States should be valued highly as opportunities here for employment are
13 much more limited. Similarly, the Mark Twain Project does result in jobs being created, and they
14 add real value to the Project.

15 **Q. Does this conclude your surrebuttal testimony?**

16 **A. Yes, it does.**

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of the Application of Ameren Transmission)
Company of Illinois for Other Relief or, in the Alternative,)
a Certificate of Public Convenience and Necessity)
Authorizing it to Construct, Install, Own, Operate,) File No. EA-2015-0146
Maintain and Otherwise Control and Manage a)
345,000-volt Electric Transmission Line from Palmyra,)
Missouri, to the Iowa Border and an Associated Substation)
Near Kirksville, Missouri.)

AFFIDAVIT OF GEOFFREY J. D. HEWINGS, Ph.D.

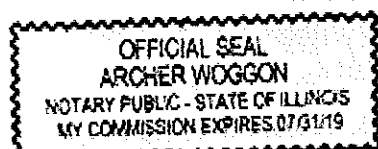
STATE OF ILLINOIS)
) ss
COUNTY OF CHAMPAIGN)

Geoffrey J. D. Hewings, Ph.D., being first duly sworn on his oath, states:

1. My name is Geoffrey J.D. Hewings. I work in Urbana, Illinois, and I am employed by the University of Illinois.
2. Attached hereto and made a part hereof for all purposes is my Surrebuttal Testimony on behalf of Ameren Transmission Company of Illinois consisting of 4 pages, ~~and exhibits~~ all of which have been prepared in written form for introduction into evidence in the above-referenced docket.
3. I hereby swear and affirm that my answers contained in the attached testimony to the questions therein propounded are true and correct.

Geoffrey J. D. Hewings
Geoffrey J. D. Hewings

Subscribed and sworn to before me this 11th day of November, 2015.



Archer Woggon
Notary Public

My commission expires: 07/31/2019