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MISSOURI PUBLIC SERVICE COMMISSION

FILE NO. EO-2022-0190

REBUTTAL TESTIMONY

OF

STEVEN M. WILLS

ON

BEHALF OF

UNION ELECTRIC COMPANY

D/B/A AMEREN MISSOURI

**St. Louis, Missouri
April, 2022**

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I. INTRODUCTION

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Q. Please state your name and business address.

A. My name is Steven M. Wills. My business address is One Ameren Plaza,
1901 Chouteau Ave., St. Louis, Missouri.

Q. What is your position with Ameren Missouri?

A. I am the Director of Rates & Analysis.

**Q. Please describe your educational background and employment
experience.**

A. I received a Bachelor of Music degree from the University of Missouri-
Columbia in 1996. I subsequently earned a Master of Music degree from Rice University
in 1998, then a Master of Business Administration (“M.B.A.”) degree with an emphasis in
Economics from St. Louis University in 2002. While pursuing my M.B.A., I interned at
Ameren Energy in the Pricing and Analysis Group. Following completion of my M.B.A.
in May 2002, I was hired by Laclede Gas Company as a Senior Analyst in its Financial
Services Department. In this role, I assisted the Manager of Financial Services in
coordinating all financial aspects of rate cases, regulatory filings, rating agency studies and
numerous other projects.

1 In June 2004, I joined Ameren Services as a Forecasting Specialist. In this role, I
2 developed forecasting models and systems that supported the Ameren operating
3 companies' involvement in the Midwest Independent Transmission System Operator,
4 Inc.'s ("MISO")¹ Day 2 Energy Markets. In November 2005, I moved into the Corporate
5 Analysis Department of Ameren Services, where I was responsible for performing load
6 research activities, electric and gas sales forecasts, and assisting with weather
7 normalization for rate cases. In January 2007, I accepted a role I briefly held with Ameren
8 Energy Marketing Company as an Asset and Trading Optimization Specialist before
9 returning to Ameren Services as a Senior Commercial Transactions Analyst in July 2007.
10 I was subsequently promoted to the position of Manager, Quantitative Analytics, where I
11 was responsible for overseeing load research, forecasting and weather normalization
12 activities, as well as developing prices for structured wholesale transactions.

13 In April 2015, I accepted a position with Ameren Illinois as its Director, Rates &
14 Analysis. In this role, I was responsible for the group that performed Class Cost of Service,
15 revenue allocation, and rate design activities for Ameren Illinois, as well as maintained and
16 administered that company's tariffs and riders. In December 2016, I accepted a position
17 with the same title at Ameren Missouri.

18 **Q. To what testimony or issues are you responding?**

19 A. I am responding to direct testimony of Co-Mo Electric Cooperative ("CoMo")
20 witness Aaron Bradshaw regarding CoMo's application to serve the Fox Hollow Development
21 ("Fox Hollow" or "Development") that was recently annexed into the city of Boonville,
22 Missouri. In doing so, I will discuss the factors that must guide the Commission's decision

¹ Now known as the Midcontinent Independent System Operator, Inc.

1 regarding the selection of an electric service supplier in this circumstance, and will also provide
2 discussion of why those factors support the conclusion that Ameren Missouri ("Company") is
3 best situated to provide service to Fox Hollow. I will also introduce Ameren Missouri's other
4 witnesses who provide important information regarding those factors.

5 **Q. CoMo's application is predicated on a relatively new provision of Missouri**
6 **law that addresses electric service issues related to the new annexation of land into**
7 **municipalities. Does application of the provisions of the statute in question support the**
8 **conclusion that CoMo is best situated to serve Fox Hollow?**

9 A. No. First, I will note that there are pending legal questions that have been raised
10 by the Company about CoMo's interpretation of the law and whether it even applies to this
11 circumstance. That question has the potential to make any further consideration of the factors
12 described in the statute moot. However, given that what the Commission ultimately may do
13 with that issue is, as I understand it, uncertain, I will discuss the factors defined in the statute as
14 if they apply to this circumstance.

15 **Q. What factors does the statute dictate that the Commission consider when**
16 **evaluating the question of which electric supplier is best situated to provide service?**

17 A. The statute defines seven factors that are relevant to the Commission's
18 determination of the appropriate electric supplier. They are:

- 19 (1) The preference of landowners and prospective electric customers;
- 20 (2) The rates, terms, and conditions of service of the electric service suppliers;
- 21 (3) The economic impact on the electric service suppliers;
- 22 (4) Each electric service supplier's operational ability to serve all or portions of the annexed
23 area within three years of the date the annexation becomes effective;

- 1 (5) Avoiding the wasteful duplication of electric facilities;
- 2 (6) Minimizing unnecessary encumbrances on the property and landscape within the area
3 to be annexed; and
- 4 (7) Preventing the waste of materials and natural resources.

5 My testimony, along with the testimony of additional Company witnesses, will walk
6 through these factors to explain why they strongly support the conclusion that Ameren Missouri
7 should be the electric supplier to Fox Hollow.

8 **Q. Please introduce the other Company witnesses and the topics each witness**
9 **will be addressing.**

10 A. I will address the first three statutory factors listed above and will also provide
11 some policy and regulatory perspective on the fifth factor. Company witness Jon Schmidt,
12 Director, Distribution Planning, will address factors four through seven and discuss the
13 Company's plans for serving the Development. Finally, Company witness Ralph "Chip" Webb,
14 the Director of the Company's Central Missouri Division, where Fox Hollow is located, will
15 discuss issues raised by Mr. Bradshaw related to the interactions between Ameren Missouri and
16 CoMo, as well as issues Mr. Bradshaw discussed related to the ability of a CoMo affiliate to
17 provide broadband service to Fox Hollow.

18 **Q. Has the Company prepared a feasibility study respecting Ameren**
19 **Missouri's proposed service to the Fox Hollow subdivision?**

20 A. Yes, the Company's feasibility consists of two main components. First, we
21 have prepared an economic analysis of the impact of serving Fox Hollow on the Company
22 and its other customers, which I will address in detail in my testimony. Second, we have
23 provided information demonstrating our ability to deliver reliable electric service to the

1 Development via our distribution system in the direct testimony of Company witness Mr.
2 Schmidt.

3 **Q. What, in general, does the Company's study show?**

4 A. The study clearly demonstrates the Company's ability to serve Fox Hollow, both
5 reliably and economically. As Mr. Schmidt describes, the Company's existing distribution
6 infrastructure is in close proximity to the development – closer proximity than CoMo's system.
7 The Company, as the Commission is well aware, has the resources and capabilities needed to
8 easily take on this additional load and is well positioned to do so.² Further, an analysis of the
9 costs and revenues that the Company is expected to incur and realize demonstrates the economic
10 benefits that will accrue to all of Ameren Missouri's customers as a result of the Company
11 serving Fox Hollow. This is true even while the prospective future customers in Fox Hollow
12 will also realize benefits in the form of lower bills for electric service if served by the Company
13 than what they would experience with CoMo, which I will also discuss further below.

14 **II. DISCUSSION OF STATUTORY FACTORS**

15 A. **Factor 1 – The Preference of Landowners and Prospective Electric**
16 **Customers**

17 **Q. Please discuss the legislative requirement that the Commission consider**
18 **the preferences of landowners and prospective electric customers when deciding upon the**
19 **electric supplier to serve the Development.**

20 A. This factor is really two factors stated as one. The developer's preference is a
21 consideration, but so too is the preference of the 446 (in this instance) homeowners who will be
22 the ultimate electric service customers. With respect to those homeowners and as I discuss in
23 more detail below, Ameren Missouri offers an extremely attractive value proposition that should

² The Company will fund the modest investment needed to serve the subdivision from funds in its treasury.

1 weigh heavily in the Commission's determination. It should also be noted that the developer's
2 interests that apparently led to the developer's preference are not necessarily aligned with the
3 ultimate electric customers when it comes to selecting the electric supplier. Items of interest to
4 the developer are likely limited to issues that directly relate to things like the cost of construction.
5 But I would contend that what happens when families move into the homes and start taking
6 electric service and paying their utility bills is a factor of significantly greater importance for the
7 Commission to consider. These families will be impacted by the Commission's decision in this
8 case for decades to come.

9 **Q. What benefits will be available to prospective customers if the Commission**
10 **selects Ameren Missouri as the electric supplier for the Development, which inform the**
11 **Commission's determination of the preferences of prospective customers?**

12 A. There are many such benefits. As the Commission is well aware, Ameren
13 Missouri is a fully regulated entity with a large customer base and strong financial position that
14 gives it the resources and scale to provide an extremely high level of service to its customers.
15 This is true in terms of both reliability of service, cost, and the additional programmatic and
16 other offerings that can enhance the customer experience. I would note, in fact, that Ameren
17 Missouri has had steadily increasing customer satisfaction ratings for the last 8 years, as assessed
18 by J.D. Power. In 2021, J.D. Power ranked Ameren Missouri 3rd out of 15 large investor owned
19 electric utilities in the Midwest, suggesting that Ameren Missouri's customers are among the
20 happiest with their electric utilities in the region.

21 There is good reason for this. Ameren Missouri not only has strong reliability and much
22 lower rates than the average utility in the region (including CoMo – as I will discuss further
23 below), but we also have a number of programs and offerings that allow customers to engage

1 in a variety of opportunities to manage their electricity usage and bills, improve the energy
2 efficiency of their homes, and capitalize on opportunities to subscribe to and receive service
3 from cleaner renewable resources. Specifically, benefits to customers if the Commission selects
4 the Company to serve Fox Hollow include:

- 5 • **Lower rates, lower bills** – the Company's residential rates are significantly
6 lower than CoMo's, as I will discuss in detail below, and are also 25% lower
7 than Midwest average for investor owned electric utilities. This fact alone
8 is a compelling reason the Commission should consider Ameren Missouri
9 to be preferred by prospective customers of the Development.
- 10 • **Reliability** – Company witness Ralph ("Chip") Webb speaks further to the
11 reliability metrics of Ameren Missouri's distribution system.
- 12 • **EE programs** – While CoMo has some energy efficiency programs,
13 Ameren Missouri has an extremely robust suite of energy efficiency
14 programs that its customers can participate in to manage their electric usage
15 and reduce their bills. Residential programs include rebates or incentives on
16 HVAC, lighting, appliance recycling, smart thermostats, and heat pump
17 water heaters, among other products. Residential customers can also earn
18 bill credits for providing benefits to the system by reducing usage during
19 defined events through the Company's residential demand response
20 program offering.
- 21 • **Net Zero Carbon Emissions Goal** – As detailed in Ameren Missouri's
22 2020 Integrated Resource Plan ("IRP"), Ameren Missouri has a detailed
23 plan to transition its generation fleet to achieve net zero carbon emissions
24 by 2050. In 2020, 30% of Ameren Missouri's generation mix was already
25 carbon free, as compared to only 17% of Associated Electric Cooperative,
26 Inc.'s (AECI),³ the entity through which CoMo is supplied its power. And
27 that 2020 year only included a fraction of the impact of Ameren Missouri's
28 addition of 700 MW of wind generation that took place over the 2020-2021
29 timeframe. The expected closures of the Meramec Energy Center this year
30 and the Rush Island Energy Center in the next few years will further Ameren
31 Missouri's transition away from fossil fuel energy sources. The IRP details
32 Ameren Missouri's plan to add an additional 3,100 MW of renewable
33 generation by the end of 2030, and a total of 5,400 MW of renewable
34 generation by the end of 2040 to further advance its clean energy transition.

³ 2020 Generation mix statistics based on Ameren's 2021 Sustainability Report at page 9 and AECI's 2021 Environmental, Social, and Governance Report at page 6.

- 1 • **Renewable programs** – Customers who are interested in receiving even
2 higher levels of service from clean renewable resources today have the
3 opportunity to subscribe to the Company's Community Solar offering to
4 meet up to 100% of their electric usage with energy generated by solar
5 program resources. Those customers' subscriptions are backed by the
6 Company's Lambert and Montgomery solar generation facilities, with a
7 combined nameplate capacity of approximately 7 Megawatts. Many other
8 Company customers are expressing a desire to subscribe, and the Company
9 expects to seek approval for a third Community Solar facility later this year,
10 and more such facilities as demand for the program grows, as we expect
11 will be the case.
- 12 • **Optional TOU rates** – The Company has recently rolled out a suite of
13 innovative Time of Use ("TOU") rate offerings that give customers more
14 control than ever before over their electric bills. There are offerings
15 available for a variety of customer preferences and lifestyles, each of which
16 provide customers with meaningful savings opportunities on their electric
17 bill, which also provide benefits to the electric system by reducing demand
18 during time periods that tend to experience peak load conditions.
- 19 • **Customer experience** – The Company has robust resources for customer's
20 to get access to account information and make service requests, including a
21 24 hour call center, significant online resources, and an interactive customer
22 experience.
- 23 • **PSC oversight** – The Company is subject to the regulatory oversight of the
24 Commission, which gives customers additional consumer protections that
25 are not present when being served by a cooperative.

26 **Q. What conclusion do you draw from a review of the benefits Ameren**
27 **Missouri offers its customers as their electric service supplier?**

28 A. When the Commission evaluates the statutorily required question of which
29 electric supplier the ultimate electric customers prefer, there are compelling reasons to
30 conclude that prospective customers would strongly prefer Ameren Missouri as their
31 electric supplier.

1 **B. Factor 2 - The Rates, Terms, and Conditions of Service of the Electric**
2 **Service Suppliers**

3 **Q. Which potential electrical supplier has more favorable rates to prospective**
4 **customers?**

5 A. Ameren Missouri.

6 **Q. How did you determine that?**

7 A. I have developed an estimate of the expected usage of a household in the
8 Development, and calculated customer bills based on an application of the Company's
9 residential rates, as well as the residential rates CoMo reported in support of its application.
10 Because I understand that the homes are likely to be all-electric homes (i.e., no natural gas
11 service), I assumed usage levels and patterns consistent with Ameren Missouri's typical
12 residential customers,⁴ adjusted to reflect the higher usage levels associated with customers that
13 use electricity as their primary source of heating their home.⁵ This is significant, because
14 Ameren Missouri's seasonal rates, and declining block rate structure⁶ in the winter months, will
15 be much more favorable for prospective electric space heating customers than the CoMo rate
16 structure that includes a constant energy charge all year long and for all levels of usage. The
17 total annual estimated usage per household in the Development used for my rate comparison is

⁴ Based on the billing units for the residential service classification from the Stipulation and Agreement from the Company's recently concluded general rate proceeding, File No. ER-2021-0240.

⁵ The space heating adjustment was determined by using the Energy Information Administration's National Energy Modeline System estimates of the typical consumption of a heat pump in the West North Central census region, which includes Missouri, compared to the implicit space heating usage per customer of the existing Ameren Missouri residential customer in data used in its statistically adjusted end use forecasting models, which are explained in detail in the Company's Integrated Resource Plan filings.

⁶ The Company's residential rates for its Anytime User rate plan are \$0.0881/kWh for the first 750 kWh used in a non-summer month, but only \$0.0591/kWh for usage exceeding 750 kWh. A similar declining block rate differential exists across the 750 kWh threshold in the default TOU rate that is applicable to customers with an Automated Meter Infrastructure meter under certain circumstances.

1 17,384 kilowatt-hours (“kWh”), with higher seasonal levels of usage in the summer, and
2 especially winter months due to the electric space heating assumption.

3 Applying Ameren Missouri's tariffed rates, including all riders (FAC, EEIC, RESRAM)
4 at their levels as of June 1, 2022 to the estimated usage results in an annual bill of \$1,690. The
5 same usage priced at CoMo's rates results in an annual bill of \$1,954, or approximately \$264
6 per year, or 15.6%, more than the bill based on Ameren Missouri's rates. Based on the
7 expectation of 446 homes in the Development, residents collectively would save almost
8 \$118,000 per year with Ameren Missouri based on the relative rates today. I would also reiterate
9 that the TOU rate options available from Ameren Missouri give customers that are engaged in
10 managing their energy usage and costs even greater savings opportunities.

11 **Q. Is the usage level that you assumed consistent with what CoMo assumed**
12 **for customer usage in their application?**

13 A. No, CoMo assumed *** _____ *** kWh per month, or *** _____ *** kWh per
14 year for each home. While that generally appears to be reasonable if the homes are not heated
15 primarily with electricity, all-electric homes are likely to be closer to the usage level I identified
16 above. However, even using CoMo's assumed usage level, the savings to customers on Ameren
17 Missouri's rates are still significant. Under the assumption of a constant *** _____ *** kWh per
18 household per month, the annual bills on Ameren Missouri's rates and CoMo's rates are
19 *** _____ *** and *** _____ *** respectively. This represents a savings of *** _____ *** per
20 household per year. Customers will pay approximately *** _____ *** more when subject to
21 CoMo's rates instead of Ameren Missouri's.

1 C. **Factor 3 - The Economic Impact on the Electric Service Suppliers**

2 Q. **What is the expected economic impact of serving Fox Hollow on the Company**
3 **and its other customers?**

4 A. The incremental revenues the Company would earn by serving Fox Hollow are
5 expected to exceed the costs of serving the subdivision. This means that, by serving the
6 subdivision, Ameren Missouri's future rates for all customers would be expected to be lower
7 than if the Company does not serve Fox Hollow.

8 I developed a 20-year financial projection to evaluate the project using two usage cases,
9 the one I discussed earlier where the homes are all heated by electricity, and a case using the
10 same number of lots and usage per household that CoMo assumed in the analysis accompanying
11 their application in this case. I then applied Ameren Missouri's current tariffed residential rates
12 to develop the revenues for the projections. I received an estimate of the expected capital
13 investment needed to serve the subdivision from Company engineers. I calculated depreciation
14 and Accumulated Deferred Income Taxes associated with the capital investment in order to
15 project net rate base additions over 20 years for the Development. I applied the Company's pre-
16 tax weighted average cost of capital to the ratebase to determine the revenue requirement impact
17 of the rate base. I then added estimated property tax expense, depreciation expense, O&M
18 expense, and power supply expense to complete the determination of the revenue requirement
19 associated with serving the development. The net revenue requirement in both cases is negative
20 over the life of the 20 year analysis, suggesting that, by serving Fox Hollow, the Company's
21 revenue requirement, and as a result, rates, will be lower in any future rate proceeding than they
22 would be without Fox Hollow. The benefits to all customers in the most realistic case, that is,
23 where the homes are all heated with electricity, are estimated to be \$4.5 million over 20 years

1 on a nominal basis, with a net present value benefit of \$2.3 million. Using CoMo's usage
2 assumptions, the benefit is \$3.0 million over 20 years on a nominal basis, with a net present
3 value benefit of \$1.5 million.

4 **Q. Are there any additional investments that may be needed in the local**
5 **distribution infrastructure to consider?**

6 A. Additional investment is probable in the next few years. As Mr. Schmidt's
7 testimony indicates, there is a likelihood that the primary distribution circuit along the north of
8 the Development will eventually be upgraded to provide redundant service once the
9 Development is fully built out (projected according to the information CoMo provided as of
10 2030). With those upgrades, and very conservatively using the lower usage assumptions from
11 CoMo's projections, the total nominal and Net Present Value ("NPV") benefits of serving Fox
12 Hollow are still \$2.2 million and \$1.1 million, respectively – i.e., they still demonstrate net
13 benefits for all customers both nominally and on an NPV basis. As Mr. Schmidt's testimony
14 indicates, not all of the cost of those upgrades can fairly be attributed to service to the
15 Development, and as I discussed previously, usage assumptions based on electric space heating
16 are more realistic, so the benefits to Ameren Missouri's other customers from serving Fox
17 Hollow falls somewhere in between the \$2.2/\$4.5 million nominal and \$1.1/\$2.3 million NPV
18 benefit.

1 **D. Factor 5 - Avoiding the Wasteful Duplication of Electric Facilities**

2 **Q. Why is it particularly important for the Commission to consider the impact**
3 **of the decision in this case on the potential for avoiding wasteful duplication of electric**
4 **facilities – a factor that the statute identifies as relevant to the Commission’s decision?**

5 A. While the statute seems to focus on duplications within the annexed area only,
6 the statute also requires that CoMo’s application be processed as a Certificate of Convenience
7 and Necessity (“CCN”) case, and the statute focuses on the public interest as well. The
8 avoidance of wasteful duplication of electric facilities, sometimes referred to as destructive
9 competition, is foundational to the Commission’s responsibilities when deciding territorial
10 rights to serve geographic areas. Having multiple service providers build overlapping
11 infrastructure is clearly not in the public's interest, and utility regulation has recognized this fact
12 for over a century. The whole premise of utility regulation is to serve as a proxy for competition
13 where actual competition creates such duplication and waste. It is noteworthy that the
14 Commission granted the Company a CCN over two decades ago, finding that it was necessary
15 or convenient for the public service that Ameren Missouri serve the area in question. Prior to
16 the statutory change at issue this would have settled the matter once the subdivision property
17 ceased to be a rural area. Assuming the statute applies here, I agree that the legislature
18 essentially is putting these situations in the Commission’s hands to review on a case-by-case
19 basis and that the Company’s CCN is not dispositive of the question presented for determination
20 in this case. However, the fact that the Commission already determined that Ameren Missouri
21 should be obliged to serve this area, was capable of doing so, and that the public interest
22 supported it doing so is relevant to the question of whether the Commission today should
23 preclude Ameren Missouri’s service to this subdivision.

1 Rural electric cooperatives like CoMo arose due to the fact that there were parts of the
2 country that were underserved, electrically speaking, because the economics of serving them
3 were not favorable enough to attract investor owned utility (“IOU”) investment. But where IOUs
4 are present, the scale of the IOU can create substantial economic benefits for its customers and
5 communities. Co-ops have long had a role in meeting society’s goal of universal access to
6 electricity, and competition has invariably arisen between co-ops and IOUs around the rural
7 fringes of the defined service territories of such electric providers. That said, fostering
8 unnecessary competition, duplicating facilities, and adding more facilities and encumbrances to
9 the landscape in the area where one entity – Ameren Missouri in this case – is an established
10 incumbent provider with existing infrastructure that avoids the duplication and incremental
11 encumbrances, is not in the public interest. Mr. Schmidt discusses the local infrastructure that
12 Ameren Missouri already owns and operates in the vicinity of the planned Fox Hollow
13 Development, and also the obvious overlap of CoMo’s proposed infrastructure with the
14 Company’s existing infrastructure. Such duplication of facilities can only increase the total costs
15 to the combined population served by the two entities.

16 One other observation in this regard. CoMo may say that it plans to expand its
17 infrastructure around Boonville regardless of whether it serves this particular subdivision since
18 it has customers scattered in the general vicinity south of Boonville. It may therefore argue that
19 a Commission decision to award it this subdivision does not lead to wasteful duplication, etc.
20 In my opinion, that line of thinking is contrary to the public interest. Respecting the duplication
21 and competition issues in this case – and the policy implications of those issues – the question
22 is what does each supplier need to do, incrementally, to serve this subdivision, and how will
23 allowing CoMo to serve it potentially foster even more duplication and competition in the

1 future. Ameren Missouri needs to do very little, and what it does need to do will contribute no
2 meaningful addition to electric infrastructure across the area south of Boonville. It certainly
3 also appears that if CoMo is allowed to serve this subdivision that, directionally, this will tend
4 to intensify what is already CoMo's apparent desire to compete for more and more potential
5 new load in this area, despite the fact that Ameren Missouri has been serving, and in fact is
6 obliged to serve, any customer in the area that desires Ameren Missouri's service.

7 **III. SUMMARY AND CONCLUSION**

8 **Q. Please recap the factors that the Commission must consider in determining**
9 **the electric service provider for Fox Hollow.**

10 A. The statute that CoMo relies on for its request to serve Fox Hollow
11 clearly defines seven factors that should be contemplated by the Commission as the basis for its
12 determination of the electric supplier for a contested development. Those factors clearly and
13 unambiguously support the conclusion that Ameren Missouri is best situated to serve Fox
14 Hollow.

15 The interests of prospective customers are clearly best served by Ameren Missouri, for
16 a number of reasons I detailed above, but most notably the significantly lower rates and bills of
17 Ameren Missouri relative to CoMo.

18 Ameren Missouri serving the subdivision is not only good for prospective residents, but
19 it is also good for Ameren Missouri's existing customer base, as the impact of serving this load
20 is expected to provide up to \$4.5 million in lower net revenue requirements over 20 years.

21 Finally, in addition to the other factors discussed in the testimony of Mr. Schmidt, the
22 avoidance of the wasteful redundant facilities that CoMo would necessarily have to construct to
23 serve the Development is clearly in the public interest and an exercise of a foundational principle

1 of utility regulation. A careful inspection of all of these factors should lead the Commission to
2 the conclusion that Ameren Missouri should be the electric supplier of the Fox Hollow
3 Development.

4 **Q. Does this conclude your rebuttal testimony?**

5 A. Yes, it does.

