

Exhibit No.:
Issue(s): High Prairie
Witness: John J. Reed
Type of Exhibit: Surrebuttal Testimony
Sponsoring Party: Union Electric Company
File No.: ER-2022-0337
Date Testimony Prepared: March 13, 2023

MISSOURI PUBLIC SERVICE COMMISSION

FILE NO. ER-2022-0337

SURREBUTTAL TESTIMONY

OF

JOHN J. REED

ON BEHALF OF

UNION ELECTRIC COMPANY

D/B/A AMEREN MISSOURI

March, 2023

SURREBUTTAL TESTIMONY

OF

JOHN J. REED

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

2 A. My name is John J. Reed. I am President and Chief Executive Officer of Concentric Energy
3 Advisors, Inc. ("Concentric") and CE Capital Advisors, Inc. ("CE Capital"), which has its
4 headquarters at 293 Boston Post Road West, Suite 500, Marlborough, Massachusetts
5 01752.

6 **Q. On whose behalf are you submitting this testimony?**

7 A. I am testifying on behalf of Union Electric Company d/b/a Ameren Missouri ("Ameren
8 Missouri" or the "Company").

9 **Q. Did you previously submit rebuttal testimony in this case?**

10 A. Yes, I did.

11 **Q. What is the purpose of your surrebuttal testimony in this case?**

12 A. My surrebuttal testimony addresses the rebuttal testimony of Mr. Greg R. Meyer on behalf
13 of Midwest Energy Consumers Group ("MECG"), regarding his proposed revenue
14 requirement reductions associated with the Company's High Prairie Energy Center ("High
15 Prairie") wind generation facility.

16 **Q. What does Mr. Meyer recommend in his rebuttal Testimony?**

17 A. Mr. Meyer proposes that Ameren Missouri should not receive a full return on High Prairie
18 because operations are being curtailed. He states that he is "proposing to follow the
19 parameters that Staff witness Claire Eubanks has proposed....and [he] would propose that
20 the shortfall in generation from High Prairie be valued from an energy revenue stream, a

1 Production Tax Credit (“PTC”) revenue stream and a Renewable Energy Credit (“REC”)
2 revenue stream similar to what witness Eubanks has proposed.”¹ He argues that Ameren
3 Missouri’s Fuel Adjustment Clause (“FAC”) and the renewable energy standard rate
4 adjustment mechanism (“RESRAM”) should be used to capture lost revenues from the
5 underperformance of High Prairie totaling approximately \$35.7 million.²

6 **Q. Do you agree with the recommendations of Witness Meyer?**

7 A. No, I do not. Similar to the recommendations of Staff witness Eubanks and OPC witness
8 Geoff Marke, which I addressed in rebuttal testimony, Mr. Meyer’s recommendation is
9 based on a flawed application of Missouri’s used and useful standard and attempts to
10 reintroduce the economic used and useful standard, which has no proper use in the
11 ratemaking process. Mr. Meyer’s proposal essentially concludes that the current operation
12 of the High Prairie facility is not as beneficial as expected when the facility was granted its
13 Certificate of Public Convenience and Necessity (“CCN”).

14 **Q. What are your conclusions regarding the rebuttal testimony of Mr. Meyer?**

15 A. Many of the arguments that I discussed in my rebuttal testimony addressing the testimony
16 of Staff witness Eubanks and OPC witness Marke also apply to MCEG witness Meyer’s
17 recommendations. My conclusions are the same as those stated in my rebuttal testimony.
18 In order to be thorough, I have repeated the views presented in my rebuttal testimony. My
19 key conclusions regarding the arguments of witness Meyer are as follows:

- 20 • Witness Meyer does not assert that the costs associated with the High Prairie facility
21 were not prudently incurred. As stated in my rebuttal testimony, under traditional

¹ See Rebuttal Testimony of Greg R. Meyer, page 6.

² See Surrebuttal testimony of Ajay Arora for detailed comments about these calculations by Mr. Meyer.

1 cost-based ratemaking, a utility is permitted to include prudently- incurred costs in
2 the revenue requirement used to set its rates. The standard for the evaluation of
3 whether costs are, or are not, prudently incurred is well understood in Missouri and
4 has been recently confirmed by the Commission.³

- 5 • Although production is currently curtailed during certain hours in part of the year,
6 High Prairie is still being used to meet customer demand and is useful in providing
7 that service each and every day of the year and using each and every turbine and
8 support system.⁴ High Prairie, therefore, meets the standard of being used and
9 useful.
- 10 • Mr. Meyer does not argue imprudence and does not prove that High Prairie is not
11 used and useful, therefore he does not have a valid argument for a disallowance. In
12 fact, Mr. Meyer agreed in November 2021 that although production is curtailed,
13 “for some hours of all 365 days [the turbines] will produce kilowatt hours if the
14 wind is blowing.”⁵
- 15 • Mr. Meyer is using hindsight in an after-the-fact economic review, also known as
16 the economic-used-and-useful approach, which is not a cost recovery standard in
17 Missouri or any other state. As I explain in my rebuttal testimony⁶ in this case,
18 regulators that have considered the appropriateness of the economic used and useful
19 standard have either rejected it or replaced it with a pre-approval process that
20 provides greater certainty with regard to the recoverability of the return on and of

³ See Rebuttal Testimony of John J. Reed, pages 3-4

⁴ Subject only to normal maintenance outages

⁵ See File No. ER-2021-0240, Deposition of Greg Meyer, Taken on Behalf of Union Electric Company November 18, 2021, page 32, lines 7-9.

⁶ See Rebuttal Testimony of John J. Reed, page 13.

1 capital investments. The Commission relies on a pre-approval approach today
2 because it requires prior approval, via obtaining a CCN before new generation can
3 be built, including for High Prairie. The Missouri statute also makes clear what is
4 required to pass the used and useful standard. To adopt any form of a hindsight-
5 based economic review in Missouri would represent a retreat from what the
6 Commission and other regulators have worked to build as a more effective
7 approach to utility ratemaking and would not be consistent with Missouri's used
8 and useful statute.

- 9 • Mr. Meyer's Argument is based on the fact that there is less production than
10 anticipated, which is clearly based on hindsight and uses the discredited economic
11 used and useful principle, similar to the argument of Staff witness Eubanks.
- 12 • In my view, High Prairie meets Missouri's used and useful standard and the
13 Commission should reject the recommended disallowances. The Company should
14 be allowed the opportunity to recover all of the costs associated with the operation
15 of High Prairie.

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

17 **A.** Yes, it does.

