

Before the
Missouri Public Service Commission

Case No. ER-2014-0258

Prepared Surrebuttal Testimony of Joseph H. Haslag

1 Q: Please state your name and business address.

2 A: Joseph H. Haslag; Department of Economics, University of Missouri, Columbia,
3 MO 65211.

4

5 Q: Did you file Direct testimony in this case?

6 A: Yes.

7

8 Q: What was the purpose of your Direct testimony?

9 A: I explained my calculation of the economic impact that Noranda's New Madrid
10 Smelter has on the economy of the state of Missouri to assist the Commission in
11 understanding the consequences to Missouri's economy resulting from a closure
12 of Noranda's New Madrid Smelter.

13

14 Q: What is the purpose of this Surrebuttal testimony?

15 A: I respond to the rebuttal testimony of Mr. William R. Davis, filed on behalf of
16 Ameren Missouri. He addresses my testimony beginning on page 32 through
17 page 35. Specifically, I respond to Mr. Davis' criticism of my calculation of impact
18 to the Missouri economy resulting from a closure of Noranda's New Madrid
19 Smelter.

1 **Q: What specifically are his criticisms?**

2 A: While Mr. Davis does in fact agree that the economic impacts of smelter closure
3 are “not unimportant” (pages 34-35), and also notes that the Commission
4 acknowledged that fact in the 0224 case, he cites my exchange with
5 Commissioner Hall in the 0224 case (Tr. 601) as supposed support for his claim
6 that my testimony lacks context (pages 32-33).

7

8 **Q: What did you say in that exchange?**

9 A: I agreed with Commissioner Hall that increased cost of electricity would cause
10 consumers to buy less electricity and also buy less of other products. I also
11 acknowledged that I did not study that issue in the 0224 case.

12

13 **Q: Do you agree with the Davis criticism in this regard and explain why?**

14 A: I do not agree. The entire premise of the Noranda rate relief case was that, without
15 rate relief, Noranda was not viable and would close the Smelter. That is still the
16 premise in this case. If it closed the Smelter, rates that Ameren Missouri’s other
17 customers were paying would increase by more than they would increase under
18 the rate relief proposed by Noranda. So, in fact ratepayers would curtail their
19 purchases of other products less under Noranda’s proposal than they would if
20 Noranda received no rate relief and the Smelter closed. I still have not quantified
21 that impact, but understand that given the other testimony in this case (that without
22 rate relief Noranda will likely have to close the Smelter and that Ameren Missouri
23 will sell the power Noranda then does not use for more than the rate Noranda is

1 requesting) that additional impact would weigh in favor of, not against, Noranda's
2 request.

3
4 **Q: Does Mr. Davis have other criticisms of your testimony?**

5 A: I am not sure if this is a criticism, but he downplays my calculation of economic
6 impact in two ways. First, by stating "even if one were to accept Dr. Haslag's
7 testimony," he implies that my calculations are not correct. Second, he converts
8 the large dollar impacts of losing Noranda into percentages of overall state
9 economic activity to claim that "Noranda's potential impact on these statistics
10 [GDP, taxes and unemployment insurance] is not large from a statewide
11 perspective." (Davis Rebuttal 34).

12
13 **Q: How do you respond?**

14 A: Mr. Davis would not appear to be a good candidate to ever work for the Missouri
15 DED with that attitude. The fact that a \$600 million impact to GDP in one year
16 represents 0.2% of state GDP in that year, or that \$23 million in tax revenues
17 represents 0.3% of total state general revenue in that year, or that \$3.6 million to
18 \$9.4 million represents 1-2% of the annual unemployment insurance budget, does
19 not mean that those impacts are not extremely significant. Indeed, imagine the
20 media coverage or the number of Missouri DED press releases that would be
21 issued if Missouri attracted a new employer hiring 900 people.

1 Q: Does this conclude your testimony?

2 A: Yes.