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**MISSOURI PUBLIC SERVICE COMMISSION**

**FILE NO. ER-2014-0258**

**REBUTTAL TESTIMONY**

**OF**

**JOHN J. REED**

**ON**

**BEHALF OF**

**UNION ELECTRIC COMPANY  
d/b/a Ameren Missouri**

**Marlborough, Massachusetts  
January 16, 2015**

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1 **REBUTTAL TESTIMONY OF**

2 **JOHN J. REED**

3 **FILE NO. ER-2014-0258**

4 **I. INTRODUCTION**

5 **Q. PLEASE STATE YOUR NAME AND EMPLOYMENT POSITION.**

6 A. My name is John J. Reed, and I am Chairman and Chief Executive Officer of  
7 Concentric Energy Advisors, Inc. and CE Capital Advisors, Inc. (together  
8 “Concentric”).

9 **Q. ON WHOSE BEHALF ARE YOU TESTIFYING?**

10 A. I am submitting this rebuttal testimony on behalf of Union Electric Company d/b/a  
11 Ameren Missouri (“Ameren Missouri” or the “Company”) in this proceeding before  
12 the Missouri Public Service Commission (“MoPSC” or the “Commission”).

13 **Q. PLEASE DESCRIBE YOUR EXPERIENCE IN THE ENERGY AND UTILITY**  
14 **INDUSTRIES.**

15 A. I have more than 38 years of experience in the energy industry, and have worked as  
16 an executive in, and consultant and economist to, the energy industry for the past  
17 30 years. Over the past 26 years, I have directed the energy consulting services of  
18 Concentric, Navigant Consulting and Reed Consulting Group. I have served as Vice  
19 Chairman and Co-CEO of the nation’s largest publicly-traded consulting firm and as  
20 Chief Economist for the nation’s largest gas utility. I have provided regulatory policy  
21 and regulatory economics support to more than 100 energy and utility clients and  
22 have provided expert testimony on regulatory, economic and financial matters on

1 more than 150 occasions before the FERC, Canadian regulatory agencies, state utility  
2 regulatory agencies, various state and federal courts, and before arbitration panels in  
3 the United States and Canada. My background is presented in more detail in  
4 Schedules JJR-R1 and JJR-R2.

5 **Q. PLEASE DESCRIBE CONCENTRIC'S ACTIVITIES IN ENERGY AND**  
6 **UTILITY ENGAGEMENTS.**

7 A. Concentric provides regulatory, economic, market analysis, and financial advisory  
8 services to a large number of energy and utility clients across North America. Our  
9 regulatory and economic services include regulatory policy, utility ratemaking (*e.g.*,  
10 cost of service, cost of capital, rate design, alternative forms of ratemaking) and the  
11 implications of regulatory and ratemaking policies. Our market analysis services  
12 include energy market assessments, market entry and exit analyses, and energy  
13 contract negotiations. Our financial advisory activities include merger, acquisition  
14 and divestiture assignments, due diligence and valuation assignments, project and  
15 corporate finance services, and transaction support services.

16 **Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY IN THIS**  
17 **PROCEEDING?**

18 A. My rebuttal testimony is divided into two separate sections. In the first section, I  
19 respond to the recommendations made by Greg Meyer on behalf of the Missouri  
20 Industrial Energy Consumers to adjust the Company's revenue requirement by  
21 disallowing the amortization on certain regulatory assets, which would reduce  
22 Ameren Missouri's proposed revenue requirement by \$51.8 million.

1           In the second section, I respond to the recommendations made by Dale W.  
2           Boyles on behalf of Noranda Aluminum, Inc. (“Noranda”) to modify Noranda’s  
3           current rate structure for electricity service at its aluminum smelter in New Madrid,  
4           Missouri. I also respond to certain aspects of the testimony filed by Maurice  
5           Brubaker on behalf of Noranda as it relates to his comparison of the impact on  
6           Ameren Missouri’s ratepayers (other than Noranda) as a result of the proposed new  
7           rate structure, as compared to the impact on other customers were the Noranda  
8           smelter to shut down and cease taking electric service.

9           **II. RESPONSE TO MISSOURI INDUSTRIAL ENERGY CONSUMERS’**  
10           **PROPOSAL TO DISALLOW AMORTIZATION ON CERTAIN**  
11           **REGULATORY ASSETS**

12   **Q.   WHAT IS THE PURPOSE OF THIS PORTION OF YOUR REBUTTAL**  
13   **TESTIMONY?**

14   A.   The purpose of this section of my rebuttal testimony is to respond to the  
15   recommendations made by Greg Meyer on behalf of the Missouri Industrial Energy  
16   Consumers to adjust the Company’s revenue requirement by disallowing the  
17   amortization on certain regulatory assets, which would reduce Ameren Missouri’s  
18   proposed revenue requirement by \$51.8 million. The specific recommendations that  
19   Mr. Meyer has made that I address are:

- 20   •   Disallowance of \$33.7 million of deferred expenses associated with solar rebates;
- 21   •   Disallowance of \$7.1 million of accumulated costs under the lost fixed cost  
22   accounting authority order (“AAO”);

- 1           • Disallowance of vegetation management deferred expenses from August 2012  
2           through October 2014, resulting in a decrease in revenue requirements of  
3           \$0.7 million; and
- 4           • Disallowance and elimination of amortizations of energy efficiency and  
5           Fukushima Study costs, resulting in \$0.6 million and \$0.1 million reductions in  
6           the revenue requirement.

7   **Q.   HOW IS THIS PORTION OF YOUR REBUTTAL TESTIMONY**  
8   **ORGANIZED?**

9   A.   This portion of my rebuttal testimony is organized as follows:

- 10           • In Section A, I provide a summary of my primary conclusions as it pertains to  
11           Mr. Meyer's testimony and recommendations;
- 12           • In Section B, I provide an overview of Mr. Meyer's testimony and summarize  
13           what I understand to be the rationale for his position. I highlight the primary  
14           areas where Mr. Meyer's recommendations are at odds with fundamental  
15           regulatory principles, prior Commission decisions, and good regulatory policy.
- 16           • In Section C, I provide an assessment of Mr. Meyer's testimony and proposed  
17           recommendations. I consider his recommendations in the context of regulatory  
18           policy and regulatory decisions in Missouri and in North America. I review  
19           Ameren Missouri's earnings history, and provide my assessment of whether  
20           Ameren Missouri's history can be characterized as excessive and outside of  
21           ratemaking norms. Lastly, I review the accounting requirements for booking a  
22           regulatory asset, discuss the policy-related concerns that arise from Mr. Meyer's

1           proposal and explain why such a proposal should be rejected on the basis of sound  
2           ratemaking and accounting principles.

3           • Finally, in Section D, I provide my conclusions.

4   **A. KEY CONCLUSIONS**

5           **Q.   WHAT ARE YOUR KEY CONCLUSIONS?**

6           A.   My key conclusions are:

7           • Mr. Meyer’s views with respect to “good” and “bad” regulatory policy are  
8           completely unfounded and unprecedented, violate numerous ratemaking  
9           principles and violate (recently reiterated) MoPSC decisions and should be  
10          rejected by the Commission;

11          • Mr. Meyer’s views regarding Ameren Missouri’s past “overearnings” are  
12          identical to those that he presented to the MoPSC in the Noranda overearnings  
13          complaint case (File No. EC-2014-0223), which were fully rejected by the  
14          Commission in that case.

15          • Mr. Meyer’s proposal to reduce Ameren Missouri’s rates by \$51.8 million is not  
16          supported by consistent or reliable analyses. His analysis of recent earnings  
17          levels relies upon unadjusted earnings surveillance reports, which the  
18          Commission has already stated are unsuitable for the purpose of establishing  
19          rates, and do not necessarily indicate that a utility is “overearning”;

20          • Mr. Meyer vastly understates the effects of his recommendations. The  
21          disallowances he proposes would result in far larger and sustained losses to the  
22          utility by disallowing the full regulatory asset principal balances and not simply a  
23          single year’s regulatory asset amortization;

- 1           • There are stringent accounting requirements for the creation of regulatory assets.  
2           To arbitrarily write off such amounts would call the utility's accounting practices  
3           and reported financial statements into question;
- 4           • Regulators across North America have recognized that the ratemaking process  
5           will lead to a certain degree of variation in a utility's earned returns, both above  
6           and below the allowed cost of capital used to set rates; there is nothing surprising  
7           or troubling by the fact that this occurs, and it has never been the basis for a  
8           disallowance of regulatory assets;
- 9           • Ameren Missouri's earnings performance over the past 20 years is not unusual or  
10          requiring of a new ratemaking construct;
- 11          • Mr. Meyer's objections to Ameren Missouri's recent earnings are short-sighted,  
12          biased, inequitable and opportunistic because he has failed to consider periods of  
13          earnings above and below the cost of capital; and
- 14          • Mr. Meyer could have proposed a reasonable earnings sharing mechanism or  
15          ROE "collar" for forward-looking rates, but he has chosen not to do so; if the  
16          Commission shares any of Mr. Meyer's concerns regarding the range of Ameren  
17          Missouri's earnings on a prospective basis, the issue should be addressed  
18          prospectively, not through an attempt to use past earnings levels to determine  
19          future rates.



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**B. OVERVIEW OF MR. MEYER’S TESTIMONY**

**Q. PLEASE SUMMARIZE THE TESTIMONY AND RECOMMENDATIONS PUT FORTH BY MR. MEYER.**

A. Mr. Meyer recommends that approximately \$51.8 million of the Company’s revenue requirement be disallowed on the basis of claimed “overearning,” by either eliminating or disallowing regulatory asset amortization from recovery in the Company’s revenue requirement. Mr. Meyer provides a table of reported monthly earnings alleging that Ameren Missouri has reported significant revenues above its authorized return from August 2012 through September 2014, and that in only three periods did it earn less than its authorized return. Mr. Meyer explains that the basis of his adjustment is that he believes it is “bad regulatory policy and unfair to consumers to allow a utility to defer certain costs and collect those costs in a future ratemaking proceeding if the evidence shows that the utility has earned above its authorized rate of return on equity during the period of the expense deferral.”<sup>1</sup> Mr. Meyer argues that past “reported over-earnings can absorb these deferred costs and still result in over-earnings.”<sup>2</sup> He states that “it is not fair to allow a utility to earn excessive profits while deferring expenses when those expenses could be recorded when paid and still allow a utility to earn at or above its authorized rate of return.”<sup>3</sup>

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<sup>1</sup> Direct Testimony and Schedules of Greg R. Meyer on behalf of Missouri Industrial Energy Consumers, Case No. ER-2014-0258 (December 5, 2014) at 14.  
<sup>2</sup> *Ibid* at 27.  
<sup>3</sup> *Ibid* at 14.

1 **Q. PLEASE DESCRIBE YOUR PRIMARY AREAS OF DISAGREEMENT WITH**  
2 **MR. MEYER.**

3 A. First, I take issue with Mr. Meyer's view of "good" and "bad" regulatory policy.  
4 Those views are identical to those he presented in the Noranda earnings complaint  
5 case (File No. EC-2014-0223) and have already been ruled upon and rejected by this  
6 Commission on the basis of sound ratemaking principles. Mr. Meyer fails to  
7 acknowledge that the regulatory assets that he proposes to disallow represent  
8 deferrals that were authorized by the Commission, and are prudently incurred costs  
9 carried out in the provision of utility service for which the utility is entitled to a  
10 reasonable opportunity for recovery. Further, he fails to acknowledge that the  
11 accounting criteria for booking regulatory assets is based on regulatory authority to  
12 capitalize the asset in the first place. To disregard this regulatory authority and  
13 propose to arbitrarily write-off these regulatory assets, despite management's  
14 expectation of cost recovery, would call into question the entirety of Ameren  
15 Missouri's asset value.

16 The analysis Mr. Meyer presents is clearly flawed. It suffers from the same  
17 shortcomings as the Commission found in the Noranda Aluminum earnings complaint  
18 case, *i.e.* that book earnings could not be compared directly to an authorized return,  
19 due to factors such as weather, etc. which may have a material impact on those  
20 numbers. Further, the impact of his proposals would not be limited to the  
21 amortization amounts that Ameren Missouri has proposed for inclusion in the test  
22 year revenue requirement, but in some cases he proposes to eliminate the regulatory  
23 asset balance - a much larger adjustment than one period's amortization expense.

1           Lastly, it is widely recognized that utilities can and will achieve periods of earnings  
2           that are above and below the cost of equity target that was used to set its rates, and  
3           that this target is neither a ceiling nor a floor on utility earnings. Mr. Meyer’s  
4           analysis is completely one-sided and does not acknowledge the 5-year period of  
5           consistent and material “underearning” that occurred at Ameren Missouri from 2007-  
6           2012. It also fails to acknowledge the disconnect between raw surveillance reports  
7           and a utility’s normalized earnings as reflected in its revenue requirement at a given  
8           point in time. The Commission recognized at the time of the Company’s last rate  
9           case that even though its raw surveillance reports showed “overearnings,” in fact  
10          during the same period, the Company’s revenue requirement was too low by  
11          \$266 million. In the current case, while surveillance results show earnings above the  
12          target return used to last set rates, the other parties’ revenue requirement analyses also  
13          suggest that rates are currently too low.

14   **C. ASSESSMENT OF MEYER’S RECOMMENDATIONS**

15 **Q.   WHAT EXACTLY IS A REGULATORY ASSET AND HOW DOES IT**  
16 **ARISE?**

17 **A.**   Regulatory assets, and deferral and variance accounts, are widely used in utility  
18          regulation to capture prudently incurred costs or lost revenues for future rate  
19          recovery. Oftentimes, regulatory asset accounts are established to capture variances  
20          in operating expenses from amounts established in rates, where cost levels may be  
21          less predictable, subject to change by regulatory policy or legislation, where costs are  
22          mandated by statute or rule (*e.g.*, solar rebates), or where potential non-recovery of  
23          costs would create incentives contrary to public policy. The Commission must

1 approve the regulatory asset treatment, which provides the utility recovery in rates  
2 through amortization expense, much like the utility recovers the costs associated with  
3 net plant through its depreciation expense.

4 **Q. WHAT ARE THE REGULATORY ASSETS THAT MR. MEYER PROPOSES**  
5 **TO DISALLOW?**

6 A. Mr. Meyer proposes to disallow all costs paid by the utility to customers  
7 (\$33.7 million of test year amortization) for solar rebates, arguing that customers have  
8 already provided recovery of those costs through existing rates, *i.e.*, through the  
9 “excess earnings” he alleges occurred in the August 2012 to September 2014 period.  
10 Ameren Missouri witness Lynn M. Barnes discusses this amortization further in her  
11 rebuttal testimony. In addition, Mr. Meyer wants to write off the regulatory asset  
12 balance for the Lost Fixed Cost Accounting Authority Order of \$35.6 million, for  
13 which the current period amortization amounts to \$7.1 million. He claims this  
14 accounting order does not recover lost fixed costs but unnecessarily adds  
15 “ungenerated revenues” to utility rates and he proposes to disallow the entire balance.  
16 These costs represent the fixed costs that Ameren Missouri failed to recover from its  
17 largest customer, Noranda, due to the effects of an extraordinary ice storm which  
18 damaged Noranda’s smelter and resulted in curtailed service to the smelter for a  
19 period of 14 months. Ms. Barnes also discusses this amortization further in her  
20 rebuttal testimony. Mr. Meyer also proposes to disallow the deferred expenses  
21 incurred from August 2012 through October 2014 for vegetation management  
22 (\$3.1 million) for which the current period amortization is \$0.7 million, since these  
23 expenses were deferred during the period of alleged excess earnings. He also

1 proposes to reduce the annual spending level for vegetation management and to do  
2 away with the associated tracker. Last among the proposals that I will address,  
3 Mr. Meyer proposes to disallow expenditures accumulated in 2014 for energy  
4 efficiency costs (\$3.5 million) and Fukushima Study costs (\$0.9 million) that were to  
5 be amortized over a 6 and 10 year period, respectively, resulting in an annual  
6 disallowance of \$0.6 million and \$0.1 million, respectively. Ameren Missouri  
7 witness Laura Moore also addresses these amortizations in her rebuttal testimony. In  
8 all of these cases, Mr. Meyer has raised no challenge to Ameren Missouri's position  
9 that these costs were prudently incurred or expended for the provision of utility  
10 service. In each case, these costs have been permitted deferral accounting treatment  
11 and have either been allowed recovery of the regulatory asset through amortization,  
12 or have been reserved for ratemaking consideration in the present rate case.<sup>4</sup>  
13 Mr. Meyer recommends that the Commission deny recovery of these costs on the  
14 grounds that the Commission should offset these unrecovered assets with a recapture  
15 of Ameren Missouri's past "excessive" earnings.

16 **Q. WHAT ARE THE CRITERIA FOR CAPITALIZING A REGULATORY**  
17 **ASSET?**

18 A. The Financial Accounting Standards ("FASB 71") provides that "an enterprise shall  
19 capitalize all or part of an incurred cost that would otherwise be charged to expense if  
20 both of the following criteria are met: a) it is probable that future revenue in an

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<sup>4</sup> I note that the Lost Fixed Cost deferral account has been capitalized as a regulatory asset prior to the Commission's determination on the ultimate ratemaking treatment of that asset. However, the Commission has ruled that these lost revenues are eligible for treatment under an Accounting Authority Order, and the Appellate Court has recently upheld this ruling. I also note that the company has represented that the booked regulatory asset amount has been fully reserved in its financial statements pending determinative ratemaking treatment by the Commission in the present rate proceeding.

1 amount at least equal to the capitalized cost will result from inclusion of that cost in  
2 allowable costs for rate-making purposes; b) based on available evidence, future  
3 revenue will be provided to permit recovery of the previously incurred cost rather  
4 than to provide for expected levels of similar future costs.”<sup>5</sup> Said another way, the  
5 accounting criteria require that recovery in rates is 1) probable, and 2) that past  
6 regulatory practice supports the probability of future recovery of the specific deferred  
7 costs.

8 **Q. DO YOU AGREE WITH THE STATED DOLLAR IMPACT OF**  
9 **MR. MEYER’S ANALYSIS?**

10 A. No, I do not. Mr. Meyer’s analysis comparing the amounts of his recommended  
11 disallowances to prior “overearnings” is clearly flawed. The impact that his  
12 proposals would have is not limited to the amounts that Ameren Missouri has  
13 proposed for inclusion in the test year revenue requirement. Mr. Meyer’s proposal  
14 would result in the write-off of entire principal amounts of these regulatory assets, by  
15 making their recovery highly questionable. By capitalizing these costs as regulatory  
16 assets on its balance sheet, the utility management represents to the financial  
17 community that the net capitalized regulatory asset meets the accounting criteria for  
18 capitalization. A decision by the MoPSC to adopt Mr. Meyer’s proposed standard,  
19 even for one rate case, would seriously undermine the “probability of recovery”  
20 requirement for creating a regulatory asset and would call into question the value of  
21 all of the utility’s regulatory assets and the reliability of the Commission’s  
22 authorizations for the creation of regulatory assets.

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<sup>5</sup> FASB 71, General Standards of Accounting for the Effects of Regulation, Par. 9

1 **Q. DOESN'T THE MOPSC HAVE DISCRETION AS TO WHETHER OR NOT**  
2 **TO ALLOW RECOVERY OF REGULATORY ASSETS?**

3 A. Yes, it does, and I recognize that the authorization to create a regulatory asset does  
4 not guarantee that this asset will be recovered in future rates. There are specific  
5 conditions that must be met in order to satisfy the regulatory standards for the  
6 inclusion of regulatory assets and their associated amortization in the utility's revenue  
7 requirement. This has been noted by the Commission when it has authorized  
8 accounting orders and deferrals that have led to the creation of regulatory assets.<sup>6</sup>

9 Those conditions are premised on adherence to the prudent investment  
10 standard, and whether the cost was reasonably incurred to provide utility service and  
11 eligible for deferral under the Commission's authorizations. Missouri adheres to the  
12 standard which provides that a utility is entitled to a reasonable opportunity to recover  
13 costs that satisfy these prudence standards.<sup>7</sup> The conditions for disallowance were  
14 recently reiterated in *Atmos Energy Corp. v. Office of Public Counsel*, where the  
15 court stated:

16 In order to disallow a utility's recovery of costs from its ratepayers, a  
17 regulatory agency must find both that (1) the utility acted imprudently  
18 [and] (2) such imprudence resulted in harm to the utility's ratepayers.<sup>8</sup>

19 I recognize that the passage excerpted above relates to recovery of expenses in  
20 a test year cost of service; however, it is equally applicable to the recovery of any

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<sup>6</sup> A relevant Commission decision regarding AAO's is *In Re Missouri Public Service*, 129 P.U.R.4th 381 (Mo. P.S.C. 1991). That order, like other Commission orders respecting AAOs, indicated that the AAO decision was not a decision on the recovery of the deferred sums.

<sup>7</sup> *Assoc. Nat. Gas v PSC Mo 954 S.W.2d 520 (1997)*, III. [5-7] "The PSC has employed a "prudence" standard to determine whether a utility's costs meet this statutory requirement. If a utility's costs satisfy the prudence standard, the utility is entitled to recover those costs from its customers."

<sup>8</sup> *Atmos Energy Corp. v. Office of Public Counsel*, 398 S.W.3d 224 (2012), referencing *Assoc. Nat. Gas v PSC Mo 954 S.W.2d 520 (1997)*

1 class of assets, including regulatory assets. Like the recent Noranda complaint case,  
2 there has been no claim of imprudence by any party, and these deferrals were clearly  
3 incurred to provide utility service.

4 Mr. Meyer presents essentially the same case for relief that he presented in the  
5 Noranda Aluminum complaint case. In that decision, the Commission made the  
6 following observation with respect to prudence:

7 In evaluating the complaint, the first thing that must be understood is  
8 that no one has shown, and indeed, no one has alleged, that Ameren  
9 Missouri has done anything wrong. Ameren Missouri has simply  
10 charged its customers the electric rates the Commission authorized it  
11 to charge in its last rate case. Although the parties, and this order,  
12 speak of overearnings, doing so is just a shorthand way of describing a  
13 situation where the utility is earning more from its rates than was  
14 anticipated when those rates were established. If a company is  
15 overearning, or underearning, the Commission may need to adjust  
16 future rates to correct the imbalance. But the Commission cannot order  
17 Ameren Missouri to “pay the money back” by refunding past  
18 overearnings, nor can it allow the utility to collect past underearnings  
19 from its customers.<sup>9</sup>

20 As the MoPSC stated, the Commission cannot require the company to pay the  
21 money back or to disallow cost recovery to offset past “excess earnings.” The only  
22 way to appropriately address Mr. Meyer’s concerns in regards to “excess earnings” is  
23 through a prospective cost of service study which establishes new rates at just and  
24 reasonable levels, based on a fair rate of return, or through a prospective ratemaking  
25 mechanism designed to share future “excess” earnings with customers and to provide  
26 for the recovery of earnings shortfalls.

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<sup>9</sup> Public Service Commission of Missouri, Report and Order, File No. EC-2014-0223, Issued October 1, 2014 at 18.



1 **Q. YOU SAID REGULATORY ASSETS ARISE FROM DEFERRED**  
2 **OPERATING EXPENSES; CAN THESE BE CONSIDERED**  
3 **“INVESTMENTS” FOR RATEMAKING PURPOSES?**

4 A. Absolutely. Regulatory assets are investments, are intended to be recovered over a  
5 defined amortization period, and are frequently granted the same return as  
6 investments in plant or equipment. From an investor’s perspective, an “investment”  
7 is made when cash is expended and recovery of the expenditure is made over time.  
8 Whether the expenditure is classified on the books as a plant asset, or as a regulatory  
9 asset, it represents a real cost (either as an expenditure or foregone revenues).

10           Once regulatory asset treatment is granted by the Commission, regulatory  
11 assets are subject to the same standards of recovery as other invested capital that is  
12 recoverable for ratemaking purposes. In considering Mr. Meyer’s position, the  
13 Commission should ask how receptive it would be to a proposal to disallow cost  
14 recovery of an investment in poles, transformers and switchgear based on a claim that  
15 the investment in these physical assets had been made by ratepayers, through past  
16 “excess earnings,” rather than by investors through capital contributions or retained  
17 earnings. In terms of both its logic and its effect, this proposal is identical to that  
18 being made in this case by Mr. Meyer, *i.e.*, he claims that cost recovery for regulatory  
19 assets should be denied because of the utility achieving a level of past earnings, for  
20 one period of time, that was arguably above its cost of capital. If the utility had no  
21 regulatory assets, what would become of Mr. Meyer’s recommendation? Would it  
22 then apply to physical assets? Why should regulatory assets be any more susceptible  
23 to a prospective disallowance than physical assets? The short answer to this question

1 is that they shouldn't be, and by evaluating Mr. Meyer's proposal in this light, we can  
2 see that he is quite clearly trying to recoup past earnings to be used as an offset to  
3 future rates.

4 **Q. DO OTHER NORTH AMERICAN REGULATORY COMMISSIONS**  
5 **ADHERE TO THESE SAME RATEMAKING PRINCIPLES FOR**  
6 **REGULATORY ASSETS?**

7 A. Yes. They do. Concentric's regulatory research could find no prior case in which a  
8 regulatory asset treatment was approved by a Commission and then subsequently  
9 disallowed for recovery for any reason other than prudence, reasonableness of the  
10 cost, or eligibility for inclusion in the approved deferral mechanism. As is the case in  
11 Missouri, imprudence is the primary basis that has been used for disallowance of a  
12 regulatory asset, which is the same standard that is routinely applied to investments in  
13 physical assets or to operating expenses.

14 **Q. IN NORTH AMERICAN REGULATORY PRACTICE, HAVE THERE BEEN**  
15 **CASES WHERE THE RECOVERY OF REGULATORY ASSET BALANCES**  
16 **HAS BEEN BASED ON PAST EARNINGS LEVELS?**

17 A. No, I am not aware of any instance where regulatory asset recovery was considered or  
18 rejected based on past earnings levels. The entire concept of setting future rates  
19 based on past levels of earnings has been rejected by many regulators and courts, and  
20 notably by the MoPSC and Missouri courts. In the MoPSC's recent Order deciding  
21 the Noranda earnings complaint, the Commission correctly identified that the  
22 consideration of past earnings levels when establishing future rates violates the  
23 prohibition against retroactive ratemaking. In that decision, the MoPSC reiterated its

1 adherence to this fundamental ratemaking standard and its commitment to setting  
2 rates prospectively. The Commission stated:

3 Rate making is designed to be forward looking. The goal is to choose a  
4 representative test year to estimate what costs will be when rates are in  
5 effect, not to make adjustments for past earning levels. The practice of  
6 setting future rates to adjust for past earning levels [*State ex rel.*  
7 *Southwestern Bell Tele. Co. v. Pub. Serv. Comm'n*, 645 S.W.2d 44, 48  
8 (*Mo. App. W.D. 1982*)] is condemned as retroactive ratemaking that  
9 would deprive either the utility or its customers of their property  
10 without due process [*State ex rel. Util. Consumers Council of Mo, Inc.*  
11 *v. Pub. Serv. Comm'n*, 585 S.W.2d 41, 58 (*Mo. banc 1979*)].<sup>10</sup>

12 The Commission's stance against retroactive ratemaking is not new. In 2007,  
13 the MoPSC found that to allow the amortization of past tax refunds into future rates  
14 would constitute retroactive ratemaking and should be rejected.<sup>11</sup> North American  
15 regulatory practice strictly adheres to the prohibition against retroactive ratemaking.  
16 Otherwise, rate schedules would become unreliable, and neither customers nor utility  
17 companies would be able to rely on their stated rates as the basis for consumption  
18 decisions, investment decisions and financial reporting.

19 **Q. PLEASE DESCRIBE MR. MEYER'S VIEWS ON "GOOD" AND "BAD"**  
20 **REGULATORY POLICY AND HOW THEY ALIGN WITH ESTABLISHED**  
21 **NORTH AMERICAN REGULATORY PRACTICE.**

22 A. Mr. Meyer's views on what constitutes "good" or "bad" regulatory policy are  
23 squarely at odds with established regulatory practice across North America.  
24 Regulatory policy supports the creation of regulatory assets for deferred costs where  
25 cost levels may be unpredictable, subject to change by regulatory policy or

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<sup>10</sup> *Atmos Energy Corp. v. Office of Public Counsel*, 398 S.W.3d 224 (2012), referencing *Assoc. Nat. Gas v. PSC Mo* 954 S.W.2d 520 (1997).

<sup>11</sup> *Missouri Gas Energy, a Division of Southern Union Company*, Case No. GR-2006-0422, Tariff File No. YG-2006-0845, Missouri Public Service Commission (March 22, 2007).

1           legislation, are mandated by statute or regulation and where potential non-recovery of  
2           costs would create incentives that are contrary to public policy. In the case of the  
3           Lost Fixed Cost AAO deferral, the Commission has recounted the criteria necessary  
4           for deferral account treatment, stating that items eligible for deferral are “material,”  
5           “extraordinary” and not recurring. In addition the Commission indicated that  
6           revenues not collected by a utility to recover its fixed costs also qualify for deferral  
7           under specific circumstances.<sup>12</sup> Regulatory policy supports recovery of prudently-  
8           incurred deferred costs. Mr. Meyer’s proposals would undermine sound regulatory  
9           policy and create a distinct and inequitable asymmetry in the handling of regulatory  
10          assets (no one is suggesting enhanced recovery for periods when earnings were below  
11          authorized levels). Mr. Meyer’s position creates an opportunistic means to recapture  
12          past earnings and would effectively ensure that on a sustained basis, a utility would  
13          not have a reasonable opportunity to be able to recover its cost of capital.

14   **Q.   HOW DID THE COMMISSION ADDRESS THE “OVEREARNING”**  
15   **ARGUMENTS PUT FORTH BY MR. MEYER IN THE NORANDA**  
16   **COMPLAINT CASE?**

17   A.   It rejected them. Mr. Meyer’s views regarding Ameren Missouri’s past  
18          “overearnings” and “double recovery” of costs are virtually identical to the positions  
19          he took in the Noranda complaint case that were rejected by the MoPSC. His entire

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<sup>12</sup> MoPSC Report and Order, File No. EU-2012-0027 (November 26, 2013) Conclusions of Law. I note that this Order provided for deferred recording for accounting purposes to preserve amounts for consideration when setting rates. The ratemaking treatment will be subsequently decided in the present case. I note that in past AAO cases, *e.g.*, EU-2008-0141 (May 10, 2008), the Commission allowed recovery of the deferred amounts over a 5 year period. That Order expressly stated that the Commission made no inference as to prudence or reasonableness of amounts, and preserved the Commission’s right to “consider the recovery of [those] costs in a future rate case, the ratemaking treatment of the deferred costs and any assertion regarding the deferred expenses made by parties in AmerenUE’s next rate case.”

1 premise is that the MoPSC uses rate cases to establish an authorized level of earnings  
2 and no more;<sup>13</sup> this is simply wrong. The Commission specifically explained the flaw  
3 in Mr. Meyer’s position in its recent Order in the Noranda complaint case. The  
4 Commission stated:

5 The Commission only sets the rates that Ameren Missouri, or any  
6 other utility, may charge its customers. It does not determine a  
7 maximum or minimum return the utility may earn from those rates.  
8 Sometimes, the established rate will allow the utility to earn more than  
9 was anticipated when the rate was established. Sometimes, the utility  
10 will earn less than anticipated. But the rate remains in effect until it is  
11 changed by the Commission and so long as the utility has charged the  
12 authorized rate, it cannot be made to refund any “overearnings”, nor  
13 can it be allowed to collect any “underearnings” from its customers.  
14 [*Straube v. Bowling Green Gas Co., 227 S.W.2d 666 (Mo. 1950)*]<sup>14</sup>

15 Clearly the Commission anticipates that there will be periods of underearnings  
16 as well as periods of overearnings. As the Commission has clearly stated, so long as  
17 rates are in effect and the utility is charging the authorized rate, it cannot be made to  
18 refund any overearnings, which is essentially the regulatory outcome Mr. Meyer is  
19 seeking.

20 **Q. HAS MR. MEYER CONTINUED TO USE UNADJUSTED BOOK EARNINGS**  
21 **IN HIS CALCULATION OF PAST “OVEREARNINGS” DESPITE THE**  
22 **COMMISSION’S FINDING IN THE NORANDA COMPLAINT CASE THAT**  
23 **BOOK EARNINGS CANNOT BE USED FOR THIS PURPOSE?**

24 A. Yes. Mr. Meyer’s calculations of past “overearnings” suffer from the same  
25 shortcomings as the Commission found in the Noranda complaint case. The

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<sup>13</sup> Mr. Meyer ignores that utilities also earn less than they were “authorized” to earn.

<sup>14</sup> Public Service Commission of Missouri, Report and Order, File No. EC-2014-0223, Issued October 1, 2014, at 18.

1 Commission found that book earnings reported in surveillance reports were not  
2 suitable to make a determination regarding whether a utility is “overearning.” Once  
3 again, factors such as weather have a material impact on these numbers. The  
4 Commission stated:

5 However, it is important to understand that the earnings levels reported  
6 in the surveillance reports are actual per book earnings of the utility  
7 and cannot be compared directly to an authorized return on equity to  
8 determine whether a utility is overearning. Actual per book earnings  
9 are often computed differently than earnings used for the purpose of  
10 establishing rates. When setting rates, the Commission looks at  
11 “normal” levels of ongoing revenues and expenses, while book  
12 earnings can be affected by abnormal, non-recurring and extraordinary  
13 events. A good example of this is the weather.

14 ...The Commission sets a utility’s rates on the assumption that weather  
15 will be normal. But, of course, we all know that Missouri weather is  
16 seldom normal....

17 ...As a result, a single year of data needs to be normalized to remove  
18 the effect of abnormal weather before it can be used to set rates.  
19 Weather is only one of many items that must be adjusted or  
20 normalized when setting rates.<sup>15</sup>

21 Without the full suite of normalization adjustments, such as weather  
22 normalization, adjustments for known and measureable changes, etc., it is impossible  
23 to know whether a utility’s rates are above or below a reasonable level, or whether its  
24 earnings are outside a normal range of variation.

25 **Q. HAVE MR. MEYER’S ANALYSES IDENTIFIED EARNINGS FOR AMEREN**  
26 **MISSOURI THAT ARE OUTSIDE OF RATEMAKING NORMS?**

27 A. No. Mr. Meyer acknowledges that Ameren Missouri’s earnings have been up and  
28 down for the entire period from August 2012 to September 2014. His analysis shows

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<sup>15</sup> Public Service Commission of Missouri, Report and Order, File No. EC-2014-0223, Issued October 1, 2014 at 8-9.

1           that the calculation of the earned return has been 10.91 percent versus the authorized  
2           return of 9.80 percent, roughly a little over a one percentage point difference.<sup>16</sup> This  
3           difference is well within ratemaking norms. When the evaluation period is extended  
4           to include the period back to June 2007, we find that earnings below the cost of  
5           equity have been by far the more common occurrence and to a greater degree below  
6           than they have been above.

7           **Q.   HAVE YOU CONDUCTED AN ANALYSIS OF EARNINGS WHICH**  
8           **INCLUDE THE PERIOD BACK TO JUNE 2007?**

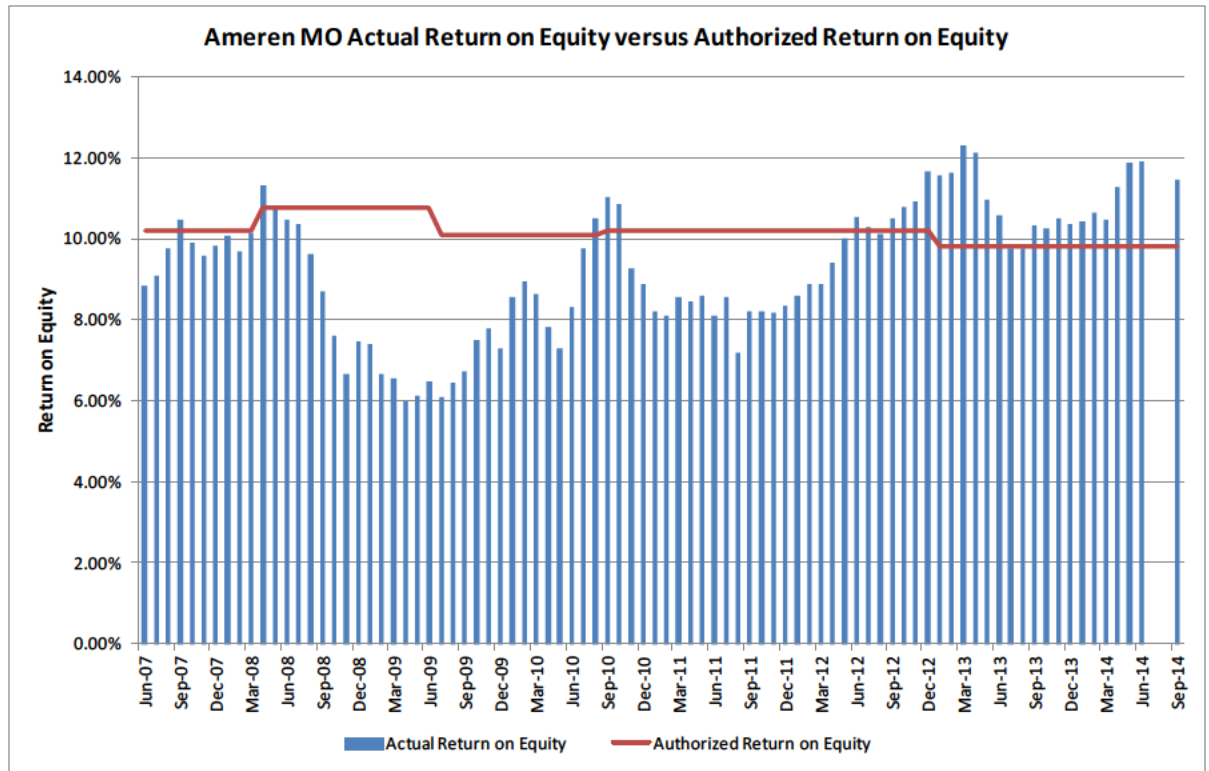
9           A.   Yes, I have. Piecing together data from the Commission Order in the Noranda  
10          Complaint case, and data in Mr. Meyer's testimony, I have performed a review of  
11          earnings during this approximate 7-year period from June 2007 through September  
12          2014. Though data are unavailable for July and August 2014, due to the fact that  
13          Ameren has reverted to its normal practice of quarterly surveillance reporting, my  
14          analysis reveals that for the 86 months for which I have data, Ameren Missouri's  
15          earnings have been below the targeted level in 58 months (67% of the time), and have  
16          been above the targeted level in only 28 months (or 33% of the time) since June 2007.

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<sup>16</sup> Meyer Graph Index to Testimony, Schedule GRM-4 Graph Index, Case No. ER-2014-0258 (December 5, 2014).

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**Figure 1: Unadjusted Earned Returns vs. Authorized Returns**



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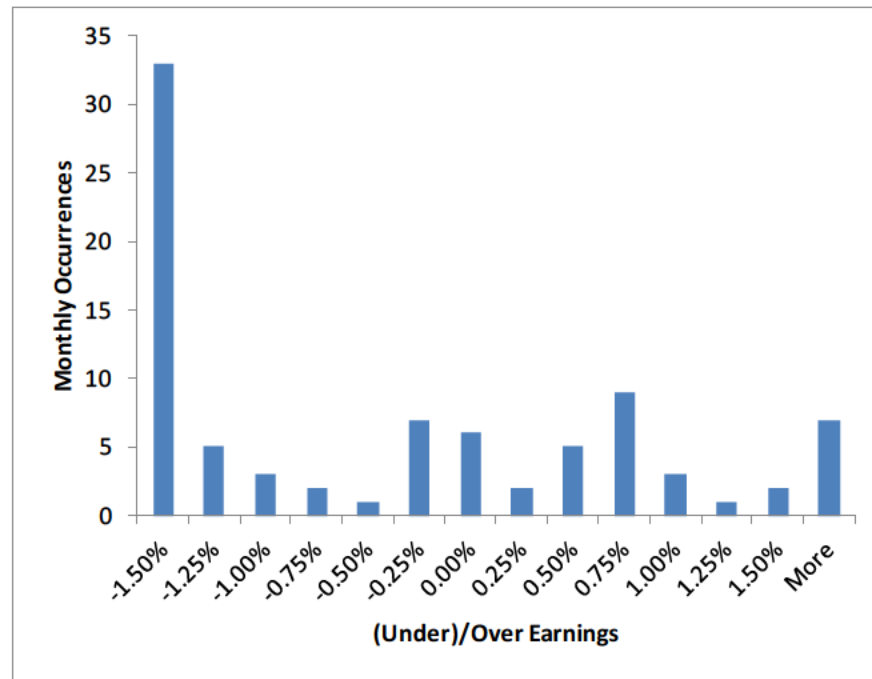
9

As the analysis above shows, since June 2007 there have been many more occasions of underearning than there have been overearning, but the data also reveal that periods of overearning have been relatively modest while periods of underearning have been substantial. Figure 2 shows that there have been 33 months in my sample where actual earnings have been greater than 1.5 percentage points below the authorized return. Historically, this has occurred approximately 38% of the time.



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**Figure 2: Frequency Distribution of (Under)/Over Earnings: 6/2007 - 9/2014**



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On average, my data sample reveals that Ameren Missouri has historically “underearned” based on unadjusted book returns by roughly 1 percent (*i.e.* 0.91%), for the period from June 2007 to September 2014, even considering the period of recent “overearnings.”

7

**Q. IS THERE A PROSPECTIVE RATEMAKING APPROACH THAT ALLOWS EARNINGS THAT ARE ABOVE OR BELOW THE COST OF EQUITY TO BE FACTORED INTO THE DEVELOPMENT OF FUTURE RATES?**

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A. Yes. As is the case in Missouri, regulators generally recognize that utilities will achieve periods of book earnings that are either above or below the cost of equity target. A review of earned vs. authorized returns for Ameren Missouri shows that Ameren Missouri’s results are clearly within industry norms of acceptable levels of deviation. However, if the regulator is concerned that traditional ratemaking may

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1 produce earnings swings that are larger than what is reasonable, it could establish a  
2 prospective earnings sharing arrangement or “ROE collar” between the utility and the  
3 ratepayers. Earnings sharing mechanisms often incorporate “dead bands” or “collars”  
4 that use symmetrical ranges above and below the target level (*i.e.* +200 basis points  
5 above and below the allowed ROE), and typically reflect the regulator’s desire, and  
6 the utility’s acceptance, that earned returns should remain within a prescribed range,  
7 or that a rate case should be initiated to correct earnings variances that are outside of  
8 these bounds. Other regulators use deferral or variance accounts to capture the effects  
9 of significant cost differences, or sales differences, for future rate treatment, so as to  
10 keep actual earnings close to the approved cost of capital. All of these mechanisms  
11 have merit if the regulator is concerned that traditional ratemaking may produce  
12 earnings swings that are larger than what is reasonable. What distinguishes all of  
13 these mechanisms from traditional cost of service regulation is that the sharing of  
14 earnings shortfalls or surpluses is established *in advance* of those events occurring,  
15 and that the utility and its customers and investors understand that these variances  
16 will be shared through prospective rate adjustments that reflect past performance. In  
17 addition, these mechanisms provide symmetrical treatment of “underearnings” and  
18 “overearnings.” While I am not recommending that the Commission adopt an  
19 earnings collar or sharing mechanism, I wanted to point out that these mechanisms  
20 are an equitable means of addressing earnings variances, if the Commission is  
21 concerned about such variances, but Mr. Meyer’s proposal lacks any foundation in  
22 regulatory policy or precedent, and is not equitable.

1                   **D. CONCLUSIONS AND RECOMMENDATIONS ON RECOVERY OF**  
2                   **REGULATORY ASSETS**

3   **Q.   PLEASE       SUMMARIZE       YOUR       CONCLUSIONS       AND**  
4   **RECOMMENDATIONS REGARDING MR. MEYER’S PROPOSALS.**

5   A.   Mr. Meyer has concluded that it would be bad regulatory policy for a utility to be able  
6   to prospectively recover one class of assets (regulatory assets) if that utility has  
7   earned above its cost of equity in the past. This is a view that Mr. Meyer has  
8   invented; there is no precedent for this proposal anywhere that I could find. His view  
9   means that regulators across North America have been engaging in bad regulatory  
10   policy for decades. His view also directly contradicts rulings that this Commission  
11   has established, and recently reiterated, regarding the concept of “excess earnings,”  
12   the use of past financial performance to set prospective rates, and the use of  
13   unadjusted earnings surveillance reports to infer whether a utility’s rates were too  
14   high. Those statements by the Commission were made when Mr. Meyer made his  
15   last attempt to engage in inappropriate ratemaking, and the current testimony is  
16   clearly an attempt to circumvent the Commission’s prior rejection of his position.  
17   This new position should be rejected even more emphatically. If adopted, it would  
18   undermine the entire foundation for the use of regulatory assets, deferrals and  
19   accounting orders in Missouri, and would result in more than \$100 million of  
20   unrecovered deferrals for Ameren Missouri.

1           **III. NORANDA’S RATE REDUCTION REQUEST**

2           **Q. WHAT IS THE PURPOSE OF THIS PORTION OF YOUR REBUTTAL**  
3           **TESTIMONY?**

4           A. This portion of my rebuttal testimony responds to the recommendations made by Dale  
5           W. Boyles on behalf of Noranda to modify Noranda’s current rate structure for  
6           electricity service at its aluminum smelter in New Madrid, Missouri. This portion of  
7           my testimony also responds to certain aspects of the testimony filed by Maurice  
8           Brubaker on behalf of Noranda as it relates to his comparison of the impact on  
9           Ameren Missouri’s ratepayers (other than Noranda) as a result of the proposed new  
10          rate structure, as compared to the impact on other customers were the Noranda  
11          smelter to shut down and cease taking electric service. In particular, I respond to  
12          Noranda’s proposal to reduce its rate for electric service from the current rate of  
13          approximately \$42.35/MWh (including the fuel adjustment clause) to \$32.50/ MWh,  
14          with no seasonal adjustments, for a seven year term, with annual increases of 1%, and  
15          with no fuel adjustment clause.

16          **Q. HOW IS THIS PORTION OF YOUR REBUTTAL TESTIMONY**  
17          **ORGANIZED?**

18          A. This portion of my rebuttal testimony is organized as follows:

- 19           • In Section A, I provide a summary of my key conclusions as it pertains to  
20           Noranda’s rate request;
- 21           • In Section B, I summarize and respond to Noranda’s rate request, as put forth in  
22           the testimony of Mr. Boyles. I also summarize and respond to the analysis  
23           provided by Mr. Brubaker in support of Mr. Boyles’ recommendations.

- 1 • Finally, in Section C, I provide my conclusions and recommendations.

2 **A. SUMMARY OF KEY CONCLUSIONS**

3 **Q. WHAT ARE YOUR KEY CONCLUSIONS?**

4 A. My key conclusions are:

- 5 • As a matter of sound regulatory policy, departures from cost-based rates for retail,  
6 in-franchise customers should be very rare, and limited to defined alternatives  
7 which reflect alternative measures of “just and reasonable” rates.
- 8 • Noranda chose to be a retail customer, and to be served at cost-based rates, even  
9 though it had the ability to elect wholesale service and market-based rates.  
10 Allowing Noranda to now move off cost-based rates raises several issues of  
11 fairness and undue discrimination, and could lead to Ameren Missouri’s other  
12 customers being worse off than if Noranda left the system.
- 13 • If the MoPSC wishes to move Noranda out from under traditional retail, cost-  
14 based rates, the alternative which represents sounder economics and regulatory  
15 policy is to permit Noranda to become a wholesale customer, with contract rates  
16 that reflect the wholesale market value of power. This option would also remove  
17 the Noranda smelter from the utility’s obligation to serve under the regulatory  
18 compact.
- 19 • Noranda’s proposal has the effect of forcing Ameren Missouri’s other ratepayers  
20 to become quasi-investors in Noranda, without the benefits that should accrue to  
21 an at-risk, equity-like position.
- 22 • There is little support in the past 100+ years of public utility regulation for a  
23 utility regulator assuming the role of determining social or corporate welfare or

1 ability to pay as a means of setting rates. In the few cases where “ability to pay”  
2 comes into the ratemaking process, the regulator typically piggybacks on a  
3 political determination (*e.g.*, statutorily authorized low income rates).

- 4 • If the MoPSC believes that this situation requires its intervention, and that neither  
5 cost-based nor market-based rates will suffice, then it should look to the  
6 legislative branch for guidance, and it should:

- 7     ▪ Adopt an ongoing “means testing” process for Noranda,
- 8     ▪ Secure commitments of benefits for the subsidy (*e.g.*, employment, local  
9 tax benefits, etc.),
- 10    ▪ Impose reasonable restrictions on the use of the profit margin generated  
11    by the subsidy (*e.g.*, no dividends paid to Noranda’s shareholders),
- 12    ▪ Create some upside opportunity for the other ratepayers that are  
13    essentially funding the bailout, and
- 14    ▪ Limit the term of the subsidy (*e.g.*, five years) and specify the  
15    presumption of what happens at the end of that term.<sup>17</sup>

- 16 • Ameren Missouri’s Economic Development and Retention Rider (“EDRR”) tariff  
17 is not applicable to or supportive of this situation. The EDRR tariff is designed to  
18 allow Ameren Missouri to match a competing offer/opportunity, and reflects a  
19 form of market-based rates. “Ability to pay” is not a valid basis for EDRR  
20 eligibility, nor does the tariff carry necessary provisions for a quasi-equity  
21 investment by other ratepayers.

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<sup>17</sup> As discussed below, there are significant practical and regulatory problems associated with the Commission putting itself in the position of “Supervising” a customer.

- 1           • The magnitude and subjectivity of Noranda’s request is virtually unprecedented,  
2                   even among competing aluminum smelters. Noranda is asking that the PSC tilt  
3                   the playing field in favor of this one competitor in a global market. This would  
4                   represent a radical departure from the MoPSC’s core values of cost-based  
5                   ratemaking, non-discriminatory rates and the regulatory compact.

6   **B. RESPONSE TO NORANDA’S RATE REQUEST**

7   **Q. PLEASE SUMMARIZE THE TESTIMONY AND RECOMMENDATIONS OF**  
8   **MR. BOYLES.**

- 9   A. In his testimony, Mr. Boyles recommends that the MoPSC approve a reduction in  
10           Noranda’s electricity rate from \$42.35/MWh (including the fuel adjustment clause) to  
11           \$32.50/MWh, with no seasonal adjustments, for a seven-year term, with annual  
12           increases of 1% and with no fuel adjustment clause. Initially, this represents a 23.3%  
13           reduction in the applicable rate, although, if fuel costs increase, this discount would  
14           be even larger. Mr. Boyles contends that Noranda’s proposed rate structure is in the  
15           best interest of Ameren Missouri’s other consumers, and that Ameren Missouri’s  
16           ratepayers face a substantial likelihood that their rates will increase even more  
17           without the Noranda smelter on the Ameren Missouri system, as discussed by  
18           Ameren Missouri witness Matt Michels in his rebuttal testimony.

1 **Q. WHAT RATIONALE DOES MR. BOYLES PROVIDE TO SUPPORT THIS**  
2 **RECOMMENDATION?**

3 A. Mr. Boyles testifies that electricity accounts for approximately one-third of Noranda's  
4 production costs.<sup>18</sup> According to Mr. Boyles, without the proposed rate structure, the  
5 Noranda smelter is not viable and is at substantial risk of imminent closure.<sup>19</sup>  
6 Mr. Boyles states that without a sustainable power rate: (1) Noranda will not be able  
7 to generate positive cash flow given the volatility of aluminum prices; (2) there is  
8 substantial risk that Noranda will be unable to refinance its debt; and (3) Noranda will  
9 exhaust its existing sources of cash and available borrowings.<sup>20</sup> Mr. Boyles indicates  
10 that five of the remaining eight U.S. aluminum smelters that purchase their power  
11 have contracts of ten years or longer.<sup>21</sup> In addition, Mr. Boyles states that Noranda's  
12 power rate will be the second highest among the eight remaining U.S. smelters in  
13 2015 if the rate is not reduced.<sup>22</sup> Further, Mr. Boyles explains that Noranda has  
14 undertaken cost-cutting efforts, but that since 2008, Noranda's annual cost of  
15 electricity has gone up approximately \$42 million, wiping out all of Noranda's net  
16 savings from cost reductions.<sup>23</sup> I am not in a position to address Mr. Boyles' claims,  
17 although it is my understanding that other Ameren Missouri witnesses will do so.

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<sup>18</sup> Direct Testimony of Dale W. Boyles, at 8.

<sup>19</sup> Ibid, at 2.

<sup>20</sup> Ibid, at 2-3.

<sup>21</sup> Ibid, at 18.

<sup>22</sup> Ibid, at 19.

<sup>23</sup> Ibid, at 24.



1 **Q. FROM A REGULATORY POLICY PERSPECTIVE, DO YOU BELIEVE**  
2 **THAT NORANDA’S PROPOSED RATE REDUCTION IS APPROPRIATE?**

3 A. No, I do not. As a matter of sound regulatory policy, I believe that departures from  
4 cost-based rates for retail, in-franchise customers should be very rare. Moreover, any  
5 departure from cost-based rates should be limited to defined alternatives which reflect  
6 alternative and objective measures of “just and reasonable” rates. Examples include:  
7 (1) non-firm rates that reflect the cost of alternative fuels or energy sources; (2) rates  
8 that reflect politically-determined objectives, such as “lifeline” rates, conservation  
9 inducement rates, etc.; and (3) greenfield utility development rates (which may reflect  
10 that start-up costs are being deferred). None of these situations exist in this case.

11 **Q. DID NORANDA HAVE AN OPPORTUNITY TO BE SERVED UNDER**  
12 **MARKET-BASED RATES?**

13 A. Yes. My understanding is that when Noranda began taking electricity service from  
14 Ameren Missouri, Noranda chose to be a retail customer of Ameren Missouri within  
15 the extended franchise area and to be served at cost-based rates, even though Noranda  
16 had the ability to elect wholesale service under market-based rates. As such, Noranda  
17 elected to be served through the traditional regulatory compact and pursuant to  
18 Ameren Missouri’s obligation to serve customers within its service area.

19 **Q. WOULD IT BE APPROPRIATE FOR NORANDA TO MOVE AWAY FROM**  
20 **COST-BASED RATES AT THIS TIME?**

21 A. I believe that allowing Noranda to now move off cost-based rates raises serious  
22 concerns of fairness and undue discrimination. Noranda essentially requests that it be  
23 able to alternate between cost-based rates and subsidized rates, as it deems necessary

1 based on its own claimed financial circumstances. When Noranda was more  
2 profitable it did not offer to pay a higher rate. Furthermore, Noranda's proposed rate  
3 reduction could lead to Ameren Missouri's other ratepayers being worse off than if  
4 Noranda left the system since Noranda proposes a long-term, fixed rate retail service  
5 contract. If the market value of power increases, or if fuel prices increase, Noranda's  
6 continued retail service could be below Ameren Missouri's costs and harmful to its  
7 other customers. The kind of fixed rate contract that Noranda is requesting is more  
8 typical of wholesale contracts, in which the contract's terms, not cost of service  
9 regulation under the regulatory compact, define the prices and obligations of the two  
10 parties.

11 **Q. IF THE COMMISSION WISHES TO MOVE NORANDA OUT FROM**  
12 **UNDER TRADITIONAL RETAIL, COST-BASED RATES, WHAT**  
13 **ALTERNATIVES DOES IT HAVE?**

14 A. In my view, the alternative which represents sounder economic and regulatory policy  
15 is to permit Noranda to become a wholesale customer of Ameren Missouri. Ameren  
16 Missouri witness Matt Michels discusses this approach for service to Noranda in his  
17 rebuttal testimony. Under this "retail-turned-wholesale" alternative, Noranda would  
18 be served under negotiated contract rates that reflect the wholesale market value of  
19 power as of the time of contracting. At the end of the contract term, Noranda would  
20 be a wholesale electric customer subject to negotiating a new agreement with Ameren  
21 Missouri or an alternative electric provider, and Ameren Missouri would not have a  
22 continuing obligation to serve Noranda under cost-based retail service rates.

1 **Q. PLEASE EXPLAIN THE DIFFERENCE BETWEEN NORANDA BEING A**  
2 **RETAIL CUSTOMER AND A WHOLESALE CUSTOMER.**

3 A. The most important difference is that under the regulatory compact, as a retail  
4 customer, Ameren Missouri currently has an obligation to provide electricity service  
5 to Noranda under terms and conditions established in the retail tariff and at rates set  
6 forth in the retail tariff. Those rates are based on cost of service and are approved by  
7 the Commission. Retail service is provided pursuant to what is known as the  
8 regulatory compact, under which a utility accepts an obligation to serve, and  
9 limitations on the rates it can charge, in exchange for assurance of having a  
10 reasonable opportunity to recover its costs and a return of and on its investment. The  
11 fundamental tenet of service at retail is the utility's obligation to serve, but also the  
12 customer's obligation to pay the rate which provides the utility with a reasonable  
13 opportunity to recover its costs and earn a fair return. By contrast, as a wholesale  
14 customer, the starting point for establishing the rate for electricity service is the  
15 market price of power, not the utility's cost of service. The price terms of wholesale  
16 service, and all other obligations of the parties, such as minimum and maximum  
17 demands, the rate design, resale rights, *force majeure* and excused performance terms  
18 and rights and remedies for breaches, are all established by the mutually agreed upon  
19 terms of the contract, not through a regulatory application/hearing/decision process.  
20 Further, the utility does not have an obligation to serve wholesale customers under the  
21 traditional regulatory compact. In short, the regulatory compact typically does not  
22 apply to market-based wholesale service, and customers served under it do not have  
23 the right to service (aside from contractual rights) as retail customers.

1 **Q. IS NORANDA’S PROPOSED RATE REDUCTION BASED ON EITHER THE**  
2 **UTILITY’S COST OF SERVICE OR THE MARKET PRICE OF POWER?**

3 A. No, it is not. Noranda’s proposal is neither cost-based nor market-based. Rather,  
4 Noranda’s proposal is simply premised on the company’s asserted “ability to pay”  
5 what Mr. Boyles calls a “sustainable power rate.” If approved, Noranda’s proposed  
6 electricity rate would have no economic foundation and would be highly subjective.  
7 Noranda’s proposal allows it to essentially “cherry pick” the regulatory compact, and  
8 abide by only these elements that it finds to be attractive – an unconditional  
9 obligation on Ameren Missouri’s part to serve them and a rate for that service that is  
10 far below what it actually costs to serve them.

11 **Q. WHAT IS THE EFFECT OF NORANDA’S PROPOSAL ON OTHER**  
12 **AMEREN MISSOURI RATEPAYERS?**

13 A. In addition to the certainty of causing an increase in the electricity rates for Ameren  
14 Missouri’s other ratepayers, Noranda’s proposal also has the effect of forcing Ameren  
15 Missouri’s other customers to become quasi-investors in Noranda, without the  
16 benefits that normally accrue to an at-risk, equity-like position. Noranda’s proposal is  
17 essentially a bailout for Noranda’s private equity and other owners, but doesn’t carry  
18 any of the upside that has accompanied other recent corporate bailouts that were  
19 judged (by elected officials) to be in the public interest. Ameren Missouri’s other  
20 customers are not assured of receiving any benefit from the subsidy that Noranda is  
21 requesting, yet, the terms of the deal could be quite detrimental to these customers.  
22 These customers pay the price, make the investment and bear all of the risk, with no

1 upside. Quite simply, that is an investment that most customers would not choose to  
2 make.

3 **Q. ARE UTILITY RATES TYPICALLY BASED ON THE CUSTOMER'S**  
4 **ABILITY TO PAY?**

5 A. No. There is little support in the past 100+ years of public utility regulation for a  
6 utility regulator assuming the role of determining social (here, corporate) welfare or  
7 ability to pay as a means of setting rates. In the few cases where “ability to pay”  
8 comes into the ratemaking process, the utility regulator typically piggybacks on a  
9 political decision. For example, as the Commission’s Staff advised in the Staff’s  
10 *Report* filed in docket numbers EW-2013-0045, GW-2013-0046 and WW-2013-0047,  
11 the Commission lacks authority to implement low income rates, and in cases where  
12 states have implemented such rates the state commission at issue relied on “specific  
13 legislative mandates or authority.”<sup>24</sup> Under these rates, the decision to provide state-  
14 supported assistance to these customers has already been made by the state’s elected  
15 officials. No such determination has been made in this case, and it shouldn’t be made  
16 by the rate regulator, because this is really a political or statewide policy issue that the  
17 legislature should decide.

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<sup>24</sup> *Staff Report*, File Nos. EW-2013-0045, GW-2013-0046 and WW-2013-0047, September 7, 2012, at p. 1.

1 **Q. ARE YOU SAYING THAT IT IS NOT THE PROPER ROLE OF THE**  
2 **COMMISSION TO INTERVENE AND PROVIDE A BAILOUT FOR**  
3 **NORANDA?**

4 A. That is what I am saying. From a public policy perspective, Noranda's request is not  
5 appropriate because it involves shifting costs from one customer (*i.e.*, Noranda) to the  
6 remaining Ameren Missouri ratepayers, simply on the basis that the one customer  
7 wants to pay less. Further, the proposed rate reduction is not based on the cost of  
8 serving Noranda. In my opinion, it is not sound regulatory policy to set electricity  
9 rates simply so that Noranda is able to stay in business or remain competitive in the  
10 aluminum industry, any more than it would be simply to increase profits for  
11 Noranda's owners. This is especially true because the financial troubles that Noranda  
12 faces are primarily a function of the volatility of prices in the aluminum market and  
13 the way in which Noranda has been capitalized and managed by its private equity  
14 investor, Apollo Management. As a point of comparison, I observe that the Federal  
15 government's bailout of the auto industry during the financial crisis of 2008-2009  
16 resulted in the government receiving equity stakes in GM and Chrysler in exchange  
17 for financial support. Nothing similar is contemplated under Noranda's proposal;  
18 rather, the risk and the cost of Noranda's requested bailout would be borne by other  
19 Ameren Missouri customers, who would receive no compensation for assuming that  
20 risk or providing that subsidy, but are simply asked to make an economic contribution  
21 to a privately-owned corporation.

1 **Q. DO YOU HAVE ANY RECOMMENDATIONS IF THE COMMISSION**  
2 **DECIDES THAT THIS SITUATION DOES REQUIRE ITS INTERVENTION?**

3 A. Yes, I do. If the Commission believes that this situation requires its intervention, and  
4 that neither cost-based nor market-based rates will suffice for Noranda, then it should  
5 look to the legislative branch for guidance on the limits and eligibility for subsidized  
6 rates. A more than 23% cost shift to other customers, for a load that is this large, is a  
7 major economic policy decision. Furthermore, the Commission should consider  
8 placing certain conditions on the approval of Noranda's proposed rate reduction,  
9 including:

- 10 • Adopting a well-defined and ongoing “means testing” process in order to assess  
11 the eligibility of Noranda for the continuation of this subsidy on at least an annual  
12 basis – I would note, however, that this is a difficult undertaking for which state  
13 public utility commissions are not particularly well-suited since such  
14 commissions have authority and expertise in regulating utilities, but generally  
15 lack those attributes when it comes to in effect “supervising” a single customer’s  
16 financial situation;
- 17 • Securing commitments of benefits in return for the subsidy (*e.g.*, specified  
18 employment and investment levels);
- 19 • Imposing reasonable restrictions on the use of the profit margin generated by the  
20 subsidy (*e.g.*, no dividend payments to equity owners, full reinvestment of net  
21 income, etc.);
- 22 • Creating some upside opportunity for other ratepayers that are essentially funding  
23 a corporate bailout (*e.g.*, through profit participation);

- 1           • Limiting the term of the subsidy (*e.g.*, five years) and specifying the presumption  
2           of what happens at the end of that term.

3           I want to reiterate, however, that in the absence of legislation, the means for  
4           the Commission to implement or enforce such conditions is very problematic. The  
5           Commission regulates utilities, but not utility customers.

6   **Q.   HOW DOES MR. BRUBAKER ATTEMPT TO SUPPORT NORANDA'S**  
7   **PROPOSED RATE REDUCTION?**

8   A.   Mr. Brubaker provides a quantification of the total impact to Ameren Missouri's  
9       ratepayers (other than Noranda) as a result of Noranda's proposed new rate structure,  
10      as compared to the impact on other customers were the Noranda smelter to shut down  
11      and cease taking electric service. According to Mr. Brubaker's analysis, the net  
12      revenue loss if the Noranda smelter were not served would be \$54 million to  
13      \$60 million per year, and the average percentage increase to other customers would  
14      range from 2.01% to 2.22%.<sup>25</sup> Mr. Brubaker testifies that if the smelter were to  
15      remain a retail customer of Ameren Missouri but at a lower rate, the calculated  
16      revenue reduction would be \$22.9 million in base revenues and \$18.5 million in FAC,  
17      for a total reduction of \$41.4 million, which would result in a 1.53% increase to other  
18      customers.<sup>26</sup> On that basis, Mr. Brubaker concludes that serving the Noranda smelter  
19      at the requested rate is beneficial to other customers, as compared to a shutdown of

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<sup>25</sup> Direct Testimony and Schedules of Maurice Brubaker, at 43.

<sup>26</sup> Ibid.



1 the smelter because the revenue impact on Ameren Missouri and other customers  
2 would be smaller.<sup>27</sup>

3 **Q. DOES MR. BRUBAKER’S ANALYSIS PROVIDE THE APPROPRIATE**  
4 **POINT OF COMPARISON FOR EVALUATING NORANDA’S RATE**  
5 **PROPOSAL?**

6 A. No, it does not. Mr. Brubaker’s analysis assumes that the appropriate point of  
7 comparison is whether other Ameren Missouri customers would be more harmed by  
8 shutting down the Noranda smelter than they would be if the Commission were to  
9 approve the proposed rate reduction for Noranda. However, those are not the only  
10 options, and the issue is quite a bit more complicated. First, the question should be  
11 asked as to whether the “ability to pay” is even a relevant consideration for  
12 ratemaking for industrial customers. Second, if it is, the use of modified cost-based  
13 rates, or wholesale-level market-based rates, should be viewed as preferable to a long-  
14 term fixed rate subsidized retail service contract. Third, the potential for the Noranda  
15 proposal to be harmful to Ameren Missouri’s other customers should be examined  
16 under a wide range of future cost and market value scenarios. Noranda has only  
17 looked at what “would have happened” in the past. Finally, Ameren Missouri’s other  
18 customers should not be asked to foot the bill for this subsidy without any  
19 participation in the upside potential for the plant. In fact, as I alluded to earlier,  
20 Ameren Missouri’s customers should not be the only ones providing a subsidy. As  
21 Ameren Missouri witness William Davis discusses in his rebuttal testimony, if  
22 Noranda is so very important to the economy of southeast Missouri and the state as a

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<sup>27</sup> Ibid, at 44.

1 whole, then the legislature should first acknowledge that importance through  
2 legislation that would then provide the subsidy from all who benefit, not just from  
3 Ameren Missouri's customers.

4 **Q. PLEASE SUMMARIZE MR. BRUBAKER'S TESTIMONY WITH REGARD**  
5 **TO LOAD RETENTION RATES.**

6 A. Mr. Brubaker states that the concept behind a load retention rate is to keep on the  
7 system a load that might otherwise not be served if the rate to be charged were the  
8 fully allocated embedded cost. According to Mr. Brubaker, the basis for such a rate is  
9 typically a price at or above incremental cost so that other customers benefit  
10 compared to the customer not being served.<sup>28</sup>

11 **Q. WHAT IS YOUR RESPONSE TO MR. BRUBAKER'S TESTIMONY WITH**  
12 **RESPECT TO LOAD RETENTION RATES?**

13 A. Although Mr. Brubaker does not specifically mention Ameren Missouri's tariff, I  
14 assume that he is aware that Ameren Missouri has an Economic Development and  
15 Retention Rider ("EDRR") in its tariff. Under the EDRR, the Company has the  
16 option to provide electric service under this rider to customers currently served by or  
17 considering service from the Company, where other viable electric supply options  
18 *outside* the Company's service area have been offered. Electric service under the  
19 EDRR is only available in conjunction with local, regional, or state governmental  
20 economic development activities where incentives have been offered and accepted by  
21 the customer who is requesting service to locate new or expanding facilities in the

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<sup>28</sup> Direct Testimony and Schedules of Maurice Brubaker, at 43.

1 Company's service area, or whose exit from the Company's service area is imminent,  
2 if the customer has a concrete offer for service from another supplier outside the  
3 Company's service territory and can provide appropriate documentation that it would  
4 relocate without use of the EDRR. Importantly, the EDRR is available at the  
5 discretion of Ameren Missouri. Ameren Missouri's EDRR is a typical load  
6 attraction/retention rate schedule, and has been used by Ameren to avoid the loss of  
7 customers to more attractive options in other states.

8 **Q. IS AMEREN MISSOURI'S EDRR APPLICABLE TO THIS SITUATION?**

9 A. No, it is not. The EDRR allows Ameren Missouri to match offers that a customer has  
10 received from other competitive electricity suppliers for a customer who may move  
11 its operations outside Ameren Missouri's service territory. The EDRR also requires  
12 bilateral agreement between Ameren Missouri and the customer, and has certain  
13 reasonable limitations and conditions on the provision of electric service such as a  
14 15% maximum rate reduction. An existing customer's purported inability to pay the  
15 existing rate is not a valid basis for EDRR eligibility, nor does the EDRR contain the  
16 necessary conditions for a quasi-equity investment by other Ameren Missouri  
17 ratepayers.

18 **Q. ARE THERE OTHER REASONS WHY THE EDRR IS NOT APPLICABLE**  
19 **TO THESE CIRCUMSTANCES?**

20 A. Yes, there are. First, Noranda has provided little evidence to demonstrate that the  
21 smelter has an immediate problem or faces an imminent threat of closure. As  
22 Mr. Boyles notes in his testimony, the aluminum industry is cyclical, and profitability  
23 depends to a large degree on the price of aluminum, which is highly volatile.

1 Noranda's own testimony, even under the scenarios it posits without electric rate  
2 relief, show that Noranda would still be above (albeit slightly) its claimed minimum  
3 level of needed liquidity until 2017. That may be a near- or mid-term problem, but it  
4 is not an imminent problem. Second, Noranda is much larger than other customers  
5 that have taken service under the EDRR. As such, the rate impact on other customers  
6 and the Ameren Missouri system would be significant even if Noranda were to  
7 receive a discount of up to 15%, as allowed in the EDRR tariff. Third, given the size  
8 of Noranda's load, it has the ability to procure wholesale power from alternative  
9 suppliers, and it has been granted that right in the past.

10 **Q. PLEASE ELABORATE ON YOUR VIEW THAT NORANDA'S FINANCIAL**  
11 **TROUBLE HAS BEEN CAUSED IN PART BY THE ACTIONS OF ITS**  
12 **PRIVATE EQUITY OWNER, APOLLO MANAGEMENT.**

13 A. As of December 31, 2013, Apollo owned approximately 48% of the common stock of  
14 Noranda.<sup>29</sup> Since Apollo acquired Noranda in May 2007, Apollo has increased the  
15 financial leverage of Noranda significantly. As shown in Noranda's 2013 Form 10-K  
16 filing, long-term debt accounted for approximately 82% of the total capitalization of  
17 the company. In addition, after the Apollo acquisition, Apollo has taken special  
18 dividends out of Noranda. These collective actions have served to weaken the  
19 financial condition and liquidity of Noranda, and have nothing to do with the prices  
20 of electricity (or aluminum). If Noranda had a more balanced capital structure, it may  
21 not be in a position of needing this subsidy. Granting the subsidy in some ways

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<sup>29</sup> Apollo has since reduced its stake to 34%, but according to its public filings, still controls or effectively controls Noranda.

1 rewards the company for creating the problem in the first place. Ameren Missouri  
2 witness Robert Mudge discussed these considerations in detail in File No. EC-2014-  
3 0224, where Noranda sought a very similar subsidy that was rejected by the  
4 Commission.

5 **Q. HOW DOES NORANDA CHARACTERIZE THE COST OF ELECTRICITY**  
6 **IN DISCLOSURES TO INVESTORS?**

7 A. In Noranda's recent 10-K and 10-Q filings, Noranda has characterized the long-term  
8 contract it has with Ameren Missouri in a positive manner. For example, the 2013  
9 10-K, which was filed after Noranda filed its rate complaint in February, 2014, states:

10 In addition, we have a long-term contract with Ameren Missouri,  
11 Missouri's largest electric utility for our electricity supply at New  
12 Madrid. This contract provides a secure supply at a rate established by  
13 the Missouri Public Service Commission ("MoPSC"). Pursuant to this  
14 contract, the rate for power is subject to change as determined by the  
15 MoPSC. **We believe this contract gives Noranda an advantage**  
16 **over aluminum smelters facing frequent power shortages or**  
17 **disruptions.**<sup>30</sup> (emphasis added)

18 **Q. DO YOU HAVE ANY FURTHER COMMENTS CONCERNING NORANDA'S**  
19 **REQUESTED RATE REDUCTION?**

20 A. Yes. The magnitude and subjectivity of Noranda's request is virtually unprecedented,  
21 even among competing aluminum smelters. As a matter of sound economic and  
22 regulatory policy, the Commission should tread very carefully in this minefield of  
23 economic favoritism and corporate welfare. Noranda is asking that the Commission  
24 tilt the playing field in favor of one competitor in a global market for aluminum.  
25 Furthermore, Noranda is asking that this be done not through an action of elected

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<sup>30</sup> Noranda Aluminum Holding Corporation, 2013 SEC Form 10-K, at 6.

1 officials, but through economic regulation of public utility rates. If the Commission  
2 were to adopt Noranda's request, this would represent a radical departure from the  
3 core values of cost-based ratemaking, non-discriminatory rates and the regulatory  
4 compact.

5 **C. CONCLUSIONS AND RECOMMENDATIONS REGARDING THE**  
6 **REQUESTED RATE REDUCTION**

7 **Q. PLEASE SUMMARIZE YOUR CONCLUSIONS AND**  
8 **RECOMMENDATIONS.**

9 **A.** My conclusions and recommendations:

- 10 • The Commission should reject Noranda's proposed reduction in its retail  
11 electricity rate because the proposed rate is not consistent with established  
12 standards for a just and reasonable rate, and could result in a substantial increase  
13 in electricity rates for other Ameren Missouri ratepayers.
- 14 • As a matter of sound regulatory policy, departures from cost-based rates for retail,  
15 in-franchise customers should be very rare, and limited to defined alternatives  
16 which reflect alternative measures of "just and reasonable" rates.
- 17 • If the Commission wishes to move Noranda out from under traditional retail, cost-  
18 based rates, the alternative which represents sounder economics and regulatory  
19 policy is to permit Noranda to become a wholesale customer, with contract rates  
20 that reflect the wholesale market value of power, as Ameren Missouri is  
21 proposing. This option also removes the Noranda smelter from the utility's  
22 obligation to serve under the regulatory compact.
- 23 • Noranda's proposal has the effect of forcing Ameren Missouri's other ratepayers  
24 to become quasi-investors in Noranda, without the benefits that should accrue to

1           an at-risk, equity-like position. It is tantamount to a bailout for Noranda’s private  
2           equity and other owners, but doesn’t carry the upside that has accompanied other  
3           bailouts that were judged (by elected officials) to be in the public interest.

4           • If the Commission believes that this situation requires its intervention, and that  
5           neither cost-based nor market-based rates will suffice, then it should look to the  
6           legislative branch for guidance on the limits and eligibility for subsidized rates,  
7           and it should impose several conditions on the subsidized rate. However, the  
8           Commission is ill-equipped to implement and supervise conditions on an utility  
9           customer.

10          • Ameren’s EDRR tariff is not applicable to this situation. The EDRR tariff is  
11          designed to allow Ameren to match a competing offer/opportunity if the customer  
12          is about to imminently leave the service territory to start operations somewhere  
13          else, and reflects a form of market-based rates. It also requires bilateral  
14          agreements and has certain reasonable limitations. “Ability to pay” is not a valid  
15          basis for EDRR eligibility.

16   **Q.    DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?**

17   A.    Yes, it does.

**John J. Reed**  
**Chairman and Chief Executive Officer**

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John J. Reed is a financial and economic consultant with more than 35 years of experience in the energy industry. Mr. Reed has also been the CEO of an NASD member securities firm, and Co-CEO of the nation's largest publicly traded management consulting firm (NYSE: NCI). He has provided advisory services in the areas of mergers and acquisitions, asset divestitures and purchases, strategic planning, project finance, corporate valuation, energy market analysis, rate and regulatory matters and energy contract negotiations to clients across North and Central America. Mr. Reed's comprehensive experience includes the development and implementation of nuclear, fossil, and hydroelectric generation divestiture programs with an aggregate valuation in excess of \$20 billion. Mr. Reed has also provided expert testimony on financial and economic matters on more than 150 occasions before the FERC, Canadian regulatory agencies, state utility regulatory agencies, various state and federal courts, and before arbitration panels in the United States and Canada. After graduation from the Wharton School of the University of Pennsylvania, Mr. Reed joined Southern California Gas Company, where he worked in the regulatory and financial groups, leaving the firm as Chief Economist in 1981. He served as executive and consultant with Stone & Webster Management Consulting and R.J. Rudden Associates prior to forming REED Consulting Group (RCG) in 1988. RCG was acquired by Navigant Consulting in 1997, where Mr. Reed served as an executive until leaving Navigant to join Concentric as Chairman and Chief Executive Officer.

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**REPRESENTATIVE PROJECT EXPERIENCE**

**Executive Management**

As an executive-level consultant, worked with CEOs, CFOs, other senior officers, and Boards of Directors of many of North America's top electric and gas utilities, as well as with senior political leaders of the U.S. and Canada on numerous engagements over the past 25 years. Directed merger, acquisition, divestiture, and project development engagements for utilities, pipelines and electric generation companies, repositioned several electric and gas utilities as pure distributors through a series of regulatory, financial, and legislative initiatives, and helped to develop and execute several "roll-up" or market aggregation strategies for companies seeking to achieve substantial scale in energy distribution, generation, transmission, and marketing.

**Financial and Economic Advisory Services**

Retained by many of the nation's leading energy companies and financial institutions for services relating to the purchase, sale or development of new enterprises. These projects included major new gas pipeline projects, gas storage projects, several non-utility generation projects, the purchase and sale of project development and gas marketing firms, and utility acquisitions. Specific services provided include the development of corporate expansion plans, review of acquisition candidates, establishment of divestiture standards, due diligence on acquisitions or financing, market entry or expansion studies, competitive assessments, project financing studies, and negotiations relating to these transactions.

**Litigation Support and Expert Testimony**

Provided expert testimony on more than 200 occasions in administrative and civil proceedings on a wide range of energy and economic issues. Clients in these matters have included gas distribution utilities, gas pipelines, gas producers, oil producers, electric utilities, large energy consumers, governmental and regulatory agencies, trade associations, independent energy project developers, engineering firms, and gas



and power marketers. Testimony has focused on issues ranging from broad regulatory and economic policy to virtually all elements of the utility ratemaking process. Also frequently testified regarding energy contract interpretation, accepted energy industry practices, horizontal and vertical market power, quantification of damages, and management prudence. Has been active in regulatory contract and litigation matters on virtually all interstate pipeline systems serving the U.S. Northeast, Mid-Atlantic, Midwest, and Pacific regions.

Also served on FERC Commissioner Terzic's Task Force on Competition, which conducted an industry-wide investigation into the levels of and means of encouraging competition in U.S. natural gas markets and served on a "Blue Ribbon" panel established by the Province of New Brunswick regarding the future of natural gas distribution service in that province.

### **Resource Procurement, Contracting and Analysis**

On behalf of gas distributors, gas pipelines, gas producers, electric utilities, and independent energy project developers, personally managed or participated in the negotiation, drafting, and regulatory support of hundreds of energy contracts, including the largest gas contracts in North America, electric contracts representing billions of dollars, pipeline and storage contracts, and facility leases.

These efforts have resulted in bringing large new energy projects to market across North America, the creation of hundreds of millions of dollars in savings through contract renegotiation, and the regulatory approval of a number of highly contested energy contracts.

### **Strategic Planning and Utility Restructuring**

Acted as a leading participant in the restructuring of the natural gas and electric utility industries over the past fifteen years, as an adviser to local distribution companies, pipelines, electric utilities, and independent energy project developers. In the recent past, provided services to most of the top 50 utilities and energy marketers across North America. Managed projects that frequently included the redevelopment of strategic plans, corporate reorganizations, the development of multi-year regulatory and legislative agendas, merger, acquisition and divestiture strategies, and the development of market entry strategies. Developed and supported merchant function exit strategies, marketing affiliate strategies, and detailed plans for the functional business units of many of North America's leading utilities.

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## **PROFESSIONAL HISTORY**

### **Concentric Energy Advisors, Inc. (2002 – Present)**

Chairman and Chief Executive Officer

### **CE Capital Advisors (2004 – Present)**

Chairman, President, and Chief Executive Officer

### **Navigant Consulting, Inc. (1997 – 2002)**

President, Navigant Energy Capital (2000 – 2002)

Executive Director (2000 – 2002)

Co-Chief Executive Officer, Vice Chairman (1999 – 2000)

Executive Managing Director (1998 – 1999)

President, REED Consulting Group, Inc. (1997 – 1998)

### **REED Consulting Group (1988 – 1997)**

Chairman, President and Chief Executive Officer

**R.J. Rudden Associates, Inc. (1983 – 1988)**

Vice President

**Stone & Webster Management Consultants, Inc. (1981 – 1983)**

Senior Consultant

Consultant

**Southern California Gas Company (1976 – 1981)**

Corporate Economist

Financial Analyst

Treasury Analyst

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**EDUCATION AND CERTIFICATION**

B.S., Economics and Finance, Wharton School, University of Pennsylvania, 1976

Licensed Securities Professional: NASD Series 7, 63, 24, 79 and 99 Licenses

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**BOARDS OF DIRECTORS (PAST AND PRESENT)**

Concentric Energy Advisors, Inc.

Navigant Consulting, Inc.

Navigant Energy Capital

Nukem, Inc.

New England Gas Association

R. J. Rudden Associates

REED Consulting Group

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**AFFILIATIONS**

American Gas Association

Energy Bar Association

Guild of Gas Managers

International Association of Energy Economists

National Association of Business Economists

New England Gas Association

Society of Gas Lighters

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**ARTICLES AND PUBLICATIONS**

“Maximizing U.S. federal loan guarantees for new nuclear energy,” *Bulletin of the Atomic Scientists* (with John C. Slocum), July 29, 2009

“Smart Decoupling – Dealing with unfunded mandates in performance-based ratemaking,” *Public Utilities Fortnightly*, May 2012

**EXPERT TESTIMONY OF JOHN J. REED  
REGULATORY AGENCIES**

<b>SPONSOR</b>	<b>DATE</b>	<b>CASE/APPLICANT</b>	<b>DOCKET No.</b>	<b>SUBJECT</b>
<b>Alaska Public Utilities Commission</b>				
Chugach Electric	12/86	Chugach Electric	Docket No. U-86-11	Cost Allocation
Chugach Electric	6/87	Enstar Natural Gas Company	Docket No. U-87-2	Tariff Design
Chugach Electric	12/87	Enstar Natural Gas Company	Docket No. U-87-42	Gas Transportation
Chugach Electric	11/87, 2/88	Chugach Electric	Docket No. U-87-35	Cost of Capital
<b>Alberta Utilities Commission</b>				
Alberta Utilities (AltaLink, EPCOR, ATCO, ENMAX, FortisAlberta, Alta Gas)	1/13	Alberta Utilities	Application 1566373, Proceeding ID 20	Stranded Costs
<b>Arizona Corporation Commission</b>				
Tucson Electric Power	7/12	Tucson Electric Power	Docket No. E-01933A- 12-0291	Cost of Capital
UNS Energy and Fortis Inc.	1/14	UNS Energy, Fortis Inc	Docket No. E-04230A- 00011 and Docket No. E- 01933A-14-0011	Merger
<b>California Energy Commission</b>				
Southern California Gas Co.	8/80	Southern California Gas Co.	Docket No. 80-BR-3	Gas Price Forecasting
<b>California Public Utility Commission</b>				
Southern California Gas Co.	3/80	Southern California Gas Co.	TY 1981 G.R.C.	Cost of Service, Inflation
Pacific Gas Transmission Co.	10/91, 11/91	Pacific Gas & Electric Co.	App. 89-04-033	Rate Design
Pacific Gas Transmission Co.	7/92	Southern California Gas Co.	A. 92-04-031	Rate Design
<b>Colorado Public Utilities Commission</b>				
AMAX Molybdenum	2/90	Commission Rulemaking	Docket No. 89R-702G	Gas Transportation
AMAX Molybdenum	11/90	Commission Rulemaking	Docket No. 90R-508G	Gas Transportation
Xcel Energy	8/04	Xcel Energy	Docket No. 031-134E	Cost of Debt
<b>CT Dept. of Public Utilities Control</b>				
Connecticut Natural Gas	12/88	Connecticut Natural Gas	Docket No. 88-08-15	Gas Purchasing Practices
United Illuminating	3/99	United Illuminating	Docket No. 99-03-04	Nuclear Plant Valuation
Southern Connecticut Gas	2/04	Southern Connecticut Gas	Docket No. 00-12-08	Gas Purchasing Practices

**Rebuttal Testimony of John J. Reed  
Union Electric d/b/a Ameren Missouri**

**EXPERT TESTIMONY OF JOHN J. REED  
REGULATORY AGENCIES**

<b>SPONSOR</b>	<b>DATE</b>	<b>CASE/APPLICANT</b>	<b>DOCKET No.</b>	<b>SUBJECT</b>
Southern Connecticut Gas	4/05	Southern Connecticut Gas	Docket No. 05-03-17	LNG/Trunkline
Southern Connecticut Gas	5/06	Southern Connecticut Gas	Docket No. 05-03-17PH01	LNG/Trunkline
Southern Connecticut Gas	8/08	Southern Connecticut Gas	Docket No. 06-05-04	Peaking Service Agreement
<b>District Of Columbia PSC</b>				
Potomac Electric Power Company	3/99, 5/99, 7/99	Potomac Electric Power Company	Docket No. 945	Divestiture of Gen. Assets & Purchase Power Contracts
<b>Fed'l Energy Regulatory Commission</b>				
Safe Harbor Water Power Corp.	8/82	Safe Harbor Water Power Corp.		Wholesale Electric Rate Increase
Western Gas Interstate Company	5/84	Western Gas Interstate Company	Docket No. RP84-77	Load Fcst. Working Capital
Southern Union Gas	4/87, 5/87	El Paso Natural Gas Company	Docket No. RP87-16-000	Take-or-Pay Costs
Connecticut Natural Gas	11/87	Penn-York Energy Corporation	Docket No. RP87-78-000	Cost Alloc./Rate Design
AMAX Magnesium	12/88, 1/89	Questar Pipeline Company	Docket No. RP88-93-000	Cost Alloc./Rate Design
Western Gas Interstate Company	6/89	Western Gas Interstate Company	Docket No. RP89-179-000	Cost Alloc./Rate Design, Open-Access Transportation
Associated CD Customers	12/89	CNG Transmission	Docket No. RP88-211-000	Cost Alloc./Rate Design
Utah Industrial Group	9/90	Questar Pipeline Company	Docket No. RP88-93-000, Phase II	Cost Alloc./Rate Design
Iroquois Gas Trans. System	8/90	Iroquois Gas Transmission System	Docket No. CP89-634-000/001; CP89-815-000	Gas Markets, Rate Design, Cost of Capital, Capital Structure
Boston Edison Company	1/91	Boston Edison Company	Docket No. ER91-243-000	Electric Generation Markets
Cincinnati Gas and Electric Co., Union Light, Heat and Power Company, Lawrenceburg Gas Company	7/91	Texas Gas Transmission Corp.	Docket No. RP90-104-000, RP88-115-000, RP90-192-000	Cost Alloc./Rate Design Comparability of Svc.
Ocean State Power II	7/91	Ocean State Power II	ER89-563-000	Competitive Market Analysis, Self-dealing
Brooklyn Union/PSE&G	7/91	Texas Eastern	RP88-67, et al	Market Power, Comparability of Service
Northern Distributor Group	9/92, 11/92	Northern Natural Gas Company	RP92-1-000, et al	Cost of Service

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<b>SPONSOR</b>	<b>DATE</b>	<b>CASE/APPLICANT</b>	<b>DOCKET No.</b>	<b>SUBJECT</b>
Canadian Association of Petroleum Producers and Alberta Pet. Marketing Comm.	10/92, 7/97	Lakehead Pipe Line Co. L.P.	IS92-27-000	Cost Allocation, Rate Design
Colonial Gas, Providence Gas	7/93, 8/93	Algonquin Gas Transmission	RP93-14	Cost Allocation, Rate Design
Iroquois Gas Transmission	94	Iroquois Gas Transmission	RP94-72-000	Cost of Service and Rate Design
Transco Customer Group	1/94	Transcontinental Gas Pipeline Corporation	Docket No. RP92-137-000	Rate Design, Firm to Wellhead
Pacific Gas Transmission	2/94, 3/95	Pacific Gas Transmission	Docket No. RP94-149-000	Rolled-In vs. Incremental Rates; rate design
Tennessee GSR Group	1/95, 3/95, 1/96	Tennessee Gas Pipeline Company	Docket Nos. RP93-151-000, RP94-39-000, RP94-197-000, RP94-309-000	GSR Costs
PG&E and SoCal Gas	8/96, 9/96	El Paso Natural Gas Company	RP92-18-000	Stranded Costs
Iroquois Gas Transmission System, L.P.	97	Iroquois Gas Transmission System, L.P.	RP97-126-000	Cost of Service, Rate Design
BEC Energy - Commonwealth Energy System	2/99	Boston Edison Company/ Commonwealth Energy System	EC99-33-000	Market Power Analysis – Merger
Central Hudson Gas & Electric, Consolidated Co. of New York, Niagara Mohawk Power Corporation, Dynegy Power Inc.	10/00	Central Hudson Gas & Electric, Consolidated Co. of New York, Niagara Mohawk Power Corporation, Dynegy Power Inc.	Docket No. EC01-7-000	Market Power 203/205 Filing
Wyckoff Gas Storage	12/02	Wyckoff Gas Storage	CP03-33-000	Need for Storage Project
Indicated Shippers/Producers	10/03	Northern Natural Gas	Docket No. RP98-39-029	Ad Valorem Tax Treatment
Maritimes & Northeast Pipeline	6/04	Maritimes & Northeast Pipeline	Docket No. RP04-360-000	Rolled-In Rates
ISO New England	8/04 2/05	ISO New England	Docket No. ER03-563-030	Cost of New Entry
Transwestern Pipeline Company, LLC	9/06	Transwestern Pipeline Company, LLC	Docket No. RP06-614-000	
Portland Natural Gas Transmission System	6/08	Portland Natural Gas Transmission System	Docket No. RP08-306-000	Market Assessment, natural gas transportation; rate setting
Portland Natural Gas Transmission System	5/10, 3/11, 4/11	Portland Natural Gas Transmission System	Docket No. RP10-729-000	Business risks; extraordinary and non-recurring events pertaining to discretionary revenues

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Morris Energy	7/10	Morris Energy	Docket No. RP10-79-000	Affidavit re: Impact of Preferential Rate
Gulf South Pipeline	10/14	Gulf South Pipeline	Docket No. RP15-65-000	Business risk, rate design
<b>Florida Public Service Commission</b>				
Florida Power and Light Co.	10/07	Florida Power & Light Co.	Docket No. 070650-EI	Need for new nuclear plant
Florida Power and Light Co.	5/08	Florida Power & Light Co.	Docket No. 080009-EI	New Nuclear cost recovery, prudence
Florida Power and Light Co.	3/09	Florida Power & Light Co.	Docket No. 080677-EI	Benchmarking in support of ROE
Florida Power and Light Co.	3/09, 5/09, 8/09	Florida Power & Light Co.	Docket No. 090009-EI	New Nuclear cost recovery, prudence
Florida Power and Light Co.	3/10; 5/10, 8/10	Florida Power & Light Co.	Docket No. 100009-EI	New Nuclear cost recovery, prudence
Florida Power and Light Co.	3/11, 7/11	Florida Power & Light Co.	Docket No. 110009-EI	New Nuclear cost recovery, prudence
Florida Power and Light Co.	3/12 7/12	Florida Power & Light Co.	Docket No. 120009-EI	New Nuclear cost recovery , prudence
Florida Power and Light Co.	3/12 8/12	Florida Power & Light Co.	Docket No. 120015-EI	Benchmarking in support of ROE
Florida Power and Light Co.	3/13, 7/13	Florida Power & Light Co.	Docket No. 130009	New Nuclear cost recovery, prudence
Florida Power and Light Co.	3/14	Florida Power & Light Co.	Docket No. 140009	New Nuclear cost recovery, prudence
<b>Florida Senate Committee on Communication, Energy and Utilities</b>				
Florida Power and Light Co.	2/09	Florida Power & Light Co.		Securitization
<b>Hawaii Public Utility Commission</b>				
Hawaiian Electric Light Company, Inc. (HELCO)	6/00	Hawaiian Electric Light Company, Inc.	Docket No. 99-0207	Standby Charge
<b>Illinois Commerce Commission</b>				
Renewables Suppliers (Algonquin Power Co., EDP Renewables North America, Invenergy, NextEra Energy Resources)	3/14	Renewables Suppliers	Docket No. 13-0546	Application for Rehearing and Reconsideration; long-term purchase power agreements

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WE Energies Corporation	8/14	WE Energies/Integrays	Docket No. 14-0496	Merger Application
<b>Indiana Utility Regulatory Commission</b>				
Northern Indiana Public Service Company	10/01	Northern Indiana Public Service Company	Cause No. 41746	Valuation of Electric Generating Facilities
Northern Indiana Public Service Company	01/08, 03/08	Northern Indiana Public Service Company	Cause No. 43396	Asset Valuation
Northern Indiana Public Service Company	08/08	Northern Indiana Public Service Company	Cause No. 43526	Fair Market Value Assessment
<b>Iowa Utilities Board</b>				
Interstate Power and Light	7/05	Interstate Power and Light and FPL Energy Duane Arnold, LLC	Docket No. SPU-05-15	Sale of Nuclear Plant
Interstate Power and Light	5/07	City of Everly, Iowa	Docket No. SPU-06-5	Municipalization
Interstate Power and Light	5/07	City of Kalona, Iowa	Docket No. SPU-06-6	Municipalization
Interstate Power and Light	5/07	City of Wellman, Iowa	Docket No. SPU-06-10	Municipalization
Interstate Power and Light	5/07	City of Terril, Iowa	Docket No. SPU-06-8	Municipalization
Interstate Power and Light	5/07	City of Rolfe, Iowa	Docket No. SPU-06-7	Municipalization
<b>Maine Public Utility Commission</b>				
Northern Utilities	5/96	Granite State and PNGTS	Docket No. 95-480, 95-481	Transportation Service and PBR
<b>Maryland Public Service Commission</b>				
Eastalco Aluminum	3/82	Potomac Edison	Docket No. 7604	Cost Allocation
Potomac Electric Power Company	8/99	Potomac Electric Power Company	Docket No. 8796	Stranded Cost & Price Protection
<b>Mass. Department of Public Utilities</b>				
Haverhill Gas	5/82	Haverhill Gas	Docket No. DPU #1115	Cost of Capital
New England Energy Group	1/87	Commission Investigation		Gas Transportation Rates
Energy Consortium of Mass.	9/87	Commonwealth Gas Company	Docket No. DPU-87-122	Cost Alloc./Rate Design
Mass. Institute of Technology	12/88	Middleton Municipal Light	DPU #88-91	Cost Alloc./Rate Design
Energy Consortium of Mass.	3/89	Boston Gas	DPU #88-67	Rate Design
PG&E Bechtel Generating Co./ Constellation Holdings	10/91	Commission Investigation	DPU #91-131	Valuation of Environmental Externalities

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Coalition of Non-Utility Generators		Cambridge Electric Light Co. & Commonwealth Electric Co.	DPU 91-234 EFSC 91-4	Integrated Resource Management
The Berkshire Gas Company Essex County Gas Company Fitchburg Gas and Elec. Light Co.	5/92	The Berkshire Gas Company Essex County Gas Company Fitchburg Gas & Elec. Light Co.	DPU #92-154	Gas Purchase Contract Approval
Boston Edison Company	7/92	Boston Edison	DPU #92-130	Least Cost Planning
Boston Edison Company	7/92	The Williams/Newcorp Generating Co.	DPU #92-146	RFP Evaluation
Boston Edison Company	7/92	West Lynn Cogeneration	DPU #92-142	RFP Evaluation
Boston Edison Company	7/92	L'Energia Corp.	DPU #92-167	RFP Evaluation
Boston Edison Company	7/92	DLS Energy, Inc.	DPU #92-153	RFP Evaluation
Boston Edison Company	7/92	CMS Generation Co.	DPU #92-166	RFP Evaluation
Boston Edison Company	7/92	Concord Energy	DPU #92-144	RFP Evaluation
The Berkshire Gas Company Colonial Gas Company Essex County Gas Company Fitchburg Gas and Electric Company	11/93	The Berkshire Gas Company Colonial Gas Company Essex County Gas Company Fitchburg Gas and Electric Co.	DPU #93-187	Gas Purchase Contract Approval
Bay State Gas Company	10/93	Bay State Gas Company	Docket No. 93-129	Integrated Resource Planning
Boston Edison Company	94	Boston Edison	DPU #94-49	Surplus Capacity
Hudson Light & Power Department	4/95	Hudson Light & Power Dept.	DPU #94-176	Stranded Costs
Essex County Gas Company	5/96	Essex County Gas Company	Docket No. 96-70	Unbundled Rates
Boston Edison Company	8/97	Boston Edison Company	D.P.U. No. 97-63	Holding Company Corporate Structure
Berkshire Gas Company	6/98	Berkshire Gas Mergeco Gas Co.	D.T.E. 98-87	Merge approval
Eastern Edison Company	8/98	Montaup Electric Company	D.T.E. 98-83	Marketing for divestiture of its generation business.
Boston Edison Company	98	Boston Edison Company	D.T.E. 97-113	Fossil Generation Divestiture
Boston Edison Company	2/99	Boston Edison Company	D.T.E. 98-119	Nuclear Generation Divestiture
Eastern Edison Company	12/98	Montaup Electric Company	D.T.E. 99-9	Sale of Nuclear Plant
NStar	9/07, 12/07	NStar, Bay State Gas, Fitchburg G&E, NE Gas, W. MA Electric	DPU 07-50	Decoupling, risk
NStar	6/11	NStar, Northeast Utilities	DPU 10-170	Merger approval
<b>Mass. Energy Facilities Siting Council</b>				
Mass. Institute of Technology	1/89	M.M.W.E.C.	EFSC-88-1	Least-Cost Planning
Boston Edison Company	9/90	Boston Edison	EFSC-90-12	Electric Generation Mkts

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Silver City Energy Ltd. Partnership	11/91	Silver City Energy	D.P.U. 91-100	State Policies; Need for Facility
<b>Michigan Public Service Commission</b>				
Detroit Edison Company	9/98	Detroit Edison Company	Case No. U-11726	Market Value of Generation Assets
Consumers Energy Company	8/06, 1/07	Consumers Energy Company	Case No. U-14992	Sale of Nuclear Plant
WE Energies	12/11	Wisconsin Electric Power Co	Case No. U-16830	Economic Benefits/Prudence
Consumer Energy Company	6/2013	Consumers Energy Company	Case No. U-17429	Certificate of Need, Integrated Resource Plan
WE Energies	08/14	WE Energies/Integrays	Case No. U-17682	Merger Application
<b>Minnesota Public Utilities Commission</b>				
Xcel Energy/No. States Power	9/04	Xcel Energy/No. States Power	Docket No. G002/GR-04-1511	NRG Impacts
Interstate Power and Light	8/05	Interstate Power and Light and FPL Energy Duane Arnold, LLC	Docket No. E001/PA-05-1272	Sale of Nuclear Plant
Northern States Power Company d/b/a Xcel Energy	11/05	Northern States Power Company	Docket No. E002/GR-05-1428	NRG Impacts on Debt Costs
Northern States Power Company d/b/a Xcel Energy	09/06, 10/06, 11/06	NSP v. Excelsior	Docket No. E6472/M-05-1993	PPA, Financial Impacts
Northern States Power Company d/b/a Xcel Energy	11/06	Northern States Power Company	Docket No. G002/GR-06-1429	Return on Equity
Northern States Power	11/08, 05/09	Northern States Power Company	Docket No. E002/GR-08-1065	Return on Equity
Northern States Power	11/09 6/10	Northern States Power Company	Docket No. G002/GR-09-1153	Return on Equity
Northern States Power	11/10, 5/11	Northern States Power Company	Docket No. E002/GR-10-971	Return on Equity
<b>Missouri Public Service Commission</b>				
Missouri Gas Energy	1/03 04/03	Missouri Gas Energy	Case No. GR-2001-382	Gas Purchasing Practices; Prudence
Aquila Networks	2/04	Aquila-MPS, Aquila_L&P	Case Nos. ER-2004-0034 HR-2004-0024	Cost of Capital, Capital Structure
Aquila Networks	2/04	Aquila-MPS, Aquila_L&P	Case No. GR-2004-0072	Cost of Capital, Capital Structure

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Missouri Gas Energy	11/05 2/06 7/06	Missouri Gas Energy	Case Nos. GR-2002-348 GR-2003-0330	Capacity Planning
Missouri Gas Energy	11/10, 1/11	KCP&L	Case No. ER-2010-0355	Natural Gas DSM
Missouri Gas Energy	11/10, 1/11	KCP&L GMO	Case No. ER-2010-0356	Natural Gas DSM
Laclede Gas Company	5/11	Laclede Gas Company	Case No. CG-2011-0098	Affiliate Pricing Standards
Union Electric Company d/b/a Ameren Missouri	2/12, 8/12	Union Electric Company	Case. No. ER-2012-0166	ROE/earnings attrition/regulatory lag
Union Electric Company d/b/a Ameren Missouri	08/14	Noranda Aluminum Inc.	Case No. EC-2014-0223	Ratemaking; regulatory and economic policy
<b>Montana Public Service Commission</b>				
Great Falls Gas Company	10/82	Great Falls Gas Company	Docket No. 82-4-25	Gas Rate Adjust. Clause
<b>Nat. Energy Board of Canada</b>				
Alberta-Northeast	2/87	Alberta Northeast Gas Export Project	Docket No. GH-1-87	Gas Export Markets
Alberta-Northeast	11/87	TransCanada Pipeline	Docket No. GH-2-87	Gas Export Markets
Alberta-Northeast	1/90	TransCanada Pipeline	Docket No. GH-5-89	Gas Export Markets
Indep. Petroleum Association of Canada	1/92	Interprovincial Pipe Line, Inc.	RH-2-91	Pipeline Valuation, Toll
The Canadian Association of Petroleum Producers	11/93	Transmountain Pipe Line	RH-1-93	Cost of Capital
Alliance Pipeline L.P.	6/97	Alliance Pipeline L.P.	GH-3-97	Market Study
Maritimes & Northeast Pipeline	97	Sable Offshore Energy Project	GH-6-96	Market Study
Maritimes & Northeast Pipeline	2/02	Maritimes & Northeast Pipeline	GH-3-2002	Natural Gas Demand Analysis
TransCanada Pipelines	8/04	TransCanada Pipelines	RH-3-2004	Toll Design
Brunswick Pipeline	5/06	Brunswick Pipeline	GH-1-2006	Market Study
TransCanada Pipelines Ltd.	12/06, 04/07	TransCanada Pipelines Ltd.: Gros Cacouna Receipt Point Application	RH-1-2007	Toll Design
Repsol Energy Canada Ltd	3/08	Repsol Energy Canada Ltd	GH-1-2008	Market Study
Maritimes & Northeast Pipeline	7/10	Maritimes & Northeast Pipeline	RH-4-2010	Regulatory policy, toll development
TransCanada Pipelines Ltd	9/11, 5/12	TransCanada Pipelines Ltd.	RH-3-2011	Business Services and Tolls Application
Trans Mountain Pipeline LLC	6/12, 1/13	Trans Mountain Pipeline LLC	RH-1-2012	Toll Design

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TransCanada Pipelines Ltd	8/13	TransCanada Pipelines Ltd	RE-001-2013	Toll Design
NOVA Gas Transmission Ltd	11/13	NOVA Gas Transmission Ltd	OF-Fac-Gas-N081-2013-10 01	Toll Design
Trans Mountain Pipeline LLC	12/13	Trans Mountain Pipeline LLC	OF-Fac-Oil-T260-2013-03 01	Economic and Financial Feasibility and Project Benefits
Energy East Pipeline Ltd.	10/14	Energy East Pipeline		Economic and Financial Feasibility and Project Benefits
<b>New Brunswick Energy and Utilities Board</b>				
Atlantic Wallboard/JD Irving Co	1/08	Enbridge Gas New Brunswick	MCTN #298600	Rate Setting for EGNB
Atlantic Wallboard/Flakeboard	09/09, 6/10, 7/10	Enbridge Gas New Brunswick	NBEUB 2009-017	Rate Setting for EGNB
Atlantic Wallboard/Flakeboard	1/14	Enbridge Gas New Brunswick	NBEUB Matter 225	Rate Setting for EGNB
<b>NH Public Utilities Commission</b>				
Bus & Industry Association	6/89	P.S. Co. of New Hampshire	Docket No. DR89-091	Fuel Costs
Bus & Industry Association	5/90	Northeast Utilities	Docket No. DR89-244	Merger & Acq. Issues
Eastern Utilities Associates	6/90	Eastern Utilities Associates	Docket No. DF89-085	Merger & Acq. Issues
EnergyNorth Natural Gas	12/90	EnergyNorth Natural Gas	Docket No. DE90-166	Gas Purchasing Practices
EnergyNorth Natural Gas	7/90	EnergyNorth Natural Gas	Docket No. DR90-187	Special Contracts, Discounted Rates
Northern Utilities, Inc.	12/91	Commission Investigation	Docket No. DR91-172	Generic Discounted Rates
Public Service Co. of New Hampshire	7/14	Public Service Co. of NH	Docket No. DE 11-250	Prudence
<b>New Jersey Board of Public Utilities</b>				
Hilton/Golden Nugget	12/83	Atlantic Electric	B.P.U. 832-154	Line Extension Policies
Golden Nugget	3/87	Atlantic Electric	B.P.U. No. 837-658	Line Extension Policies
New Jersey Natural Gas	2/89	New Jersey Natural Gas	B.P.U. GR89030335J	Cost Alloc./Rate Design
New Jersey Natural Gas	1/91	New Jersey Natural Gas	B.P.U. GR90080786J	Cost Alloc./Rate Design
New Jersey Natural Gas	8/91	New Jersey Natural Gas	B.P.U. GR91081393J	Rate Design; Weather Norm. Clause
New Jersey Natural Gas	4/93	New Jersey Natural Gas	B.P.U. GR93040114J	Cost Alloc./Rate Design
South Jersey Gas	4/94	South Jersey Gas	BRC Dock No. GR080334	Revised levelized gas adjustment

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New Jersey Utilities Association	9/96	Commission Investigation	BPU AX96070530	PBOP Cost Recovery
Morris Energy Group	11/09	Public Service Electric & Gas	BPU GR 09050422	Discriminatory Rates
New Jersey American Water Co.	4/10	New Jersey American Water Co.	BPU WR 1040260	Tariff Rates and Revisions
Electric Customer Group	01/11	Generic Stakeholder Proceeding	BPU GR10100761 and ER10100762	Natural gas ratemaking standards and pricing
<b>New Mexico Public Service Commission</b>				
Gas Company of New Mexico	11/83	Public Service Co. of New Mexico	Docket No. 1835	Cost Alloc./Rate Design
Southwestern Public Service Co., New Mexico	12/12	SPS New Mexico	Case No. 12-00350-UT	Rate Case, Return on Equity
<b>New York Public Service Commission</b>				
Iroquois Gas. Transmission	12/86	Iroquois Gas Transmission System	Case No. 70363	Gas Markets
Brooklyn Union Gas Company	8/95	Brooklyn Union Gas Company	Case No. 95-6-0761	Panel on Industry Directions
Central Hudson, ConEdison and Niagara Mohawk	9/00	Central Hudson, ConEdison and Niagara Mohawk	Case No. 96-E-0909 Case No. 96-E-0897 Case No. 94-E-0098 Case No. 94-E-0099	Section 70, Approval of New Facilities
Central Hudson, New York State Electric & Gas, Rochester Gas & Electric	5/01	Joint Petition of NiMo, NYSEG, RG&E, Central Hudson, Constellation and Nine Mile Point	Case No. 01-E-0011	Section 70, Rebuttal Testimony
Rochester Gas & Electric	12/03	Rochester Gas & Electric	Case No. 03-E-1231	Sale of Nuclear Plant
Rochester Gas & Electric	01/04	Rochester Gas & Electric	Case No. 03-E-0765 Case No. 02-E-0198 Case No. 03-E-0766	Sale of Nuclear Plant; Ratemaking Treatment of Sale
Rochester Gas and Electric and NY State Electric & Gas Corp	2/10	Rochester Gas & Electric NY State Electric & Gas Corp	Case No. 09-E-0715 Case No. 09-E-0716 Case No. 09-E-0717 Case No. 09-E-0718	Depreciation policy
<b>Nova Scotia Utility and Review Board</b>				
Nova Scotia Power	9/12	Nova Scotia Power	Docket No. P-893	Audit Reply
Nova Scotia Power	8/14	Nova Scotia Power	Docket No. P-887	Audit Reply

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<b>Oklahoma Corporation Commission</b>				
Oklahoma Natural Gas Company	6/98	Oklahoma Natural Gas Company	Case PUD No. 980000177	Storage issues
Oklahoma Gas & Electric Company	9/05	Oklahoma Gas & Electric Company	Cause No. PUD 200500151	Prudence of McLain Acquisition
Oklahoma Gas & Electric Company	03/08	Oklahoma Gas & Electric Company	Cause No. PUD 200800086	Acquisition of Redbud generating facility
Oklahoma Gas & Electric Company	08/14	Oklahoma Gas & Electric Company	Cause No. PUD 201400229	Integrated Resource Plan
<b>Ontario Energy Board</b>				
Market Hub Partners Canada, L.P.	5/06	Natural Gas Electric Interface Roundtable	File No. EB-2005-0551	Market-based Rates For Storage
<b>Pennsylvania Public Utility Commission</b>				
ATOC	4/95	Equitrans	Docket No. R-00943272	Rate Design, unbundling
ATOC	3/96	Equitrans	Docket No. P-00940886	Rate Design, unbundling
	4/96			
<b>Rhode Island Public Utilities Commission</b>				
Newport Electric	7/81	Newport Electric	Docket No. 1599	Rate Attrition
South County Gas	9/82	South County Gas	Docket No. 1671	Cost of Capital
New England Energy Group	7/86	Providence Gas Company	Docket No. 1844	Cost Alloc./Rate Design
Providence Gas	8/88	Providence Gas Company	Docket No. 1914	Load Forecast., Least-Cost Planning
Providence Gas Company and The Valley Gas Company	1/01 3/02	Providence Gas Company and The Valley Gas Company	Docket No. 1673 and 1736	Gas Cost Mitigation Strategy
The New England Gas Company	3/03	New England Gas Company	Docket No. 3459	Cost of Capital
<b>Texas Public Utility Commission</b>				
Southwestern Electric	5/83	Southwestern Electric		Cost of Capital, CWIP
P.U.C. General Counsel	11/90	Texas Utilities Electric Company	Docket No. 9300	Gas Purchasing Practices, Prudence
Oncor Electric Delivery Company	8/07	Oncor Electric Delivery Company	Docket No. 34040	Regulatory Policy, Rate of Return, Return of Capital and Consolidated Tax Adjustment
Oncor Electric Delivery Company	6/08	Oncor Electric Delivery Company	Docket No.35717	Regulatory policy

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Oncor Electric Delivery Company	10/08, 11/08	Oncor, TCC, TNC, ETT, LCRA TSC, Sharyland, STEC, TNMP	Docket No. 35665	Competitive Renewable Energy Zone
CenterPoint Energy	6/10 10/10	CenterPoint Energy/Houston Electric	Docket No. 38339	Regulatory policy, risk, consolidated taxes
Oncor Electric Delivery Company	1/11	Oncor Electric Delivery Company	Docket No. 38929	Regulatory policy, risk
Cross Texas Transmission	08/12 11/12	Cross Texas Transmission	Docket No. 40604	Return on Equity
Southwestern Public Service	11/12	Southwestern Public Service	Docket No. 40824	Return on Equity
Lone Star Transmission	5/14	Lone Star Transmission	Docket No. 42469	Return on Equity, Debt, Cost of Capital
<b>Texas Railroad Commission</b>				
Western Gas Interstate Company	1/85	Southern Union Gas Company	Docket 5238	Cost of Service
Atmos Pipeline Texas	9/10; 1/11	Atmos Pipeline Texas	GUD 10000	Ratemaking Policy, risk
<b>Texas State Legislature</b>				
CenterPoint Energy	4/13	Association of Electric Companies of Texas	SB 1364	Consolidated Tax Adjustment Clause Legislation
<b>Utah Public Service Commission</b>				
AMAX Magnesium	1/88	Mountain Fuel Supply Company	Case No. 86-057-07	Cost Alloc./Rate Design
AMAX Magnesium	4/88	Utah P&L/Pacific P&L	Case No. 87-035-27	Merger & Acquisition
Utah Industrial Group	7/90 8/90	Mountain Fuel Supply	Case No. 89-057-15	Gas Transportation Rates
AMAX Magnesium	9/90	Utah Power & Light	Case No. 89-035-06	Energy Balancing Account
AMAX Magnesium	8/90	Utah Power & Light	Case No. 90-035-06	Electric Service Priorities
Questar Gas Company	12/07	Questar Gas Company	Docket No. 07-057-13	Benchmarking in support of ROE
<b>Vermont Public Service Board</b>				
Green Mountain Power	8/82	Green Mountain Power	Docket No. 4570	Rate Attrition
Green Mountain Power	12/97	Green Mountain Power	Docket No. 5983	Cost of Service
Green Mountain Power	7/98, 9/00	Green Mountain Power	Docket No. 6107	Rate development

**EXPERT TESTIMONY OF JOHN J. REED  
REGULATORY AGENCIES**

<b>SPONSOR</b>	<b>DATE</b>	<b>CASE/APPLICANT</b>	<b>DOCKET No.</b>	<b>SUBJECT</b>
<b>Wisconsin Public Service Commission</b>				
WEC & WICOR	11/99	WEC	Docket No. 9401-YO-100 Docket No. 9402-YO-101	Approval to Acquire the Stock of WICOR
Wisconsin Electric Power Company	1/07	Wisconsin Electric Power Co.	Docket No. 6630-EI-113	Sale of Nuclear Plant
Wisconsin Electric Power Company	10/09	Wisconsin Electric Power Co.	Docket No. 6630-CE-302	CPCN Application for wind project
Northern States Power Wisconsin	10/13	Xcel Energy (dba Northern States Power Wisconsin)	Docket No. 4220-UR-119	Fuel Cost Adjustments
Wisconsin Electric Power Company	11/1/13	Wisconsin Electric Power Co.	Docket No. 6630-FR-104	Fuel Cost Adjustment
WE Energy	08/14	WE Energy/Integrus	Docket No. 9400-YO-100	Merger approval

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SPONSOR	DATE	CASE/APPLICANT	DOCKET NO.	SUBJECT
<b>American Arbitration Association</b>				
Michael Polsky	3/91	M. Polsky vs. Indeck Energy		Corporate Valuation, Damages
ProGas Limited	7/92	ProGas Limited v. Texas Eastern		Gas Contract Arbitration
Attala Generating Company	12/03	Attala Generating Co v. Attala Energy Co.	Case No. 16-Y-198-00228-03	Power Project Valuation; Breach of Contract; Damages
Nevada Power Company	4/08	Nevada Power v. Nevada Cogeneration Assoc. #2		Power Purchase Agreement
Sensata Technologies, Inc./EMS Engineered Materials Solutions, LLC	1/11	Sensata Technologies, Inc./EMS Engineered Materials Solutions, LLC v. Pepco Energy Services	Case No. 11-198-Y-00848-10	Change in usage dispute/damages
<b>Commonwealth of Massachusetts, Appellate Tax Board</b>				
NStar Electric Company	8/14	NStar Electric Company		Valuation Methodology
<b>Commonwealth of Massachusetts, Suffolk Superior Court</b>				
John Hancock	1/84	Trinity Church v. John Hancock	C.A. No. 4452	Damages Quantification
<b>State of Colorado District Court, County of Garfield</b>				
Questar Corporation, et al	11/00	Questar Corporation, et al.	Case No. 00CV129-A	Partnership Fiduciary Duties
<b>State of Delaware, Court of Chancery, New Castle County</b>				
Wilmington Trust Company	11/05	Calpine Corporation vs. Bank Of New York and Wilmington Trust Company	C.A. No. 1669-N	Bond Indenture Covenants
<b>Illinois Appellate Court, Fifth Division</b>				
Norweb, plc	8/02	Indeck No. America v. Norweb	Docket No. 97 CH 07291	Breach of Contract; Power Plant Valuation

**Rebuttal Testimony of John J. Reed**  
 Union Electric d/b/a Ameren Missouri



SPONSOR	DATE	CASE/APPLICANT	DOCKET NO.	SUBJECT
<b>Independent Arbitration Panel</b>				
Alberta Northeast Gas Limited	2/98	ProGas Ltd., Canadian Forest Oil Ltd., AEC Oil & Gas		
Ocean State Power	9/02	Ocean State Power vs. ProGas Ltd.	2001/2002 Arbitration	Gas Price Arbitration
Ocean State Power	2/03	Ocean State Power vs. ProGas Ltd.	2002/2003 Arbitration	Gas Price Arbitration
Ocean State Power	6/04	Ocean State Power vs. ProGas Ltd.	2003/2004 Arbitration	Gas Price Arbitration
Shell Canada Limited	7/05	Shell Canada Limited and Nova Scotia Power Inc.		Gas Contract Price Arbitration
<b>International Court of Arbitration</b>				
Wisconsin Gas Company, Inc.	2/97	Wisconsin Gas Co. vs. Pan-Alberta	Case No. 9322/CK	Contract Arbitration
Minnegasco, A Division of NorAm Energy Corp.	3/97	Minnegasco vs. Pan-Alberta	Case No. 9357/CK	Contract Arbitration
Utilicorp United Inc.	4/97	Utilicorp vs. Pan-Alberta	Case No. 9373/CK	Contract Arbitration
IES Utilities	97	IES vs. Pan-Alberta	Case No. 9374/CK	Contract Arbitration
<b>State of New Jersey, Mercer County Superior Court</b>				
Transamerica Corp., et. al.	7/07, 10/07	IMO Industries Inc. vs. Transamerica Corp., et. al.	Docket No. L-2140-03	Breach-Related Damages, Enterprise Value
<b>State of New York, Nassau County Supreme Court</b>				
Steel Los III, LP	6/08	Steel Los II, LP & Associated Brook, Corp v. Power Authority of State of NY	Index No. 5662/05	Property seizure
<b>Province of Alberta, Court of Queen's Bench</b>				
Alberta Northeast Gas Limited	5/07	Cargill Gas Marketing Ltd. vs. Alberta Northeast Gas Limited	Action No. 0501-03291	Gas Contracting Practices

SPONSOR	DATE	CASE/APPLICANT	DOCKET NO.	SUBJECT
<b>State of Rhode Island, Providence City Court</b>				
Aquidneck Energy	5/87	Laroche vs. Newport		Least-Cost Planning
<b>State of Texas Hutchinson County Court</b>				
Western Gas Interstate	5/85	State of Texas vs. Western Gas Interstate Co.	Case No. 14,843	Cost of Service
<b>State of Texas District Court of Nueces County</b>				
Northwestern National Insurance Company	11/11	ASARCO LLC	No. 01-2680-D	Damages
<b>State of Utah Third District Court</b>				
PacifiCorp & Holme, Roberts & Owen, LLP	1/07	USA Power & Spring Canyon Energy vs. PacifiCorp. et. al.	Civil No. 050903412	Breach-Related Damages
<b>U.S. Bankruptcy Court, District of New Hampshire</b>				
EUA Power Corporation	7/92	EUA Power Corporation	Case No. BK-91-10525-JEY	Pre-Petition Solvency
<b>U.S. Bankruptcy Court, District Of New Jersey</b>				
Ponderosa Pine Energy Partners, Ltd.	7/05	Ponderosa Pine Energy Partners, Ltd.	Case No. 05-21444	Forward Contract Bankruptcy Treatment
<b>U.S. Bankruptcy Court, No. District of New York</b>				
Cayuga Energy, NYSEG Solutions, The Energy Network	09/09	Cayuga Energy, NYSEG Solutions, The Energy Network	Case No. 06-60073-6-sdg	Going concern
<b>U.S. Bankruptcy Court, So. District Of New York</b>				
Johns Manville	5/04	Enron Energy Mktg. v. Johns Manville; Enron No. America v. Johns Manville	Case No. 01-16034 (AJG)	Breach of Contract; Damages

SPONSOR	DATE	CASE/APPLICANT	DOCKET NO.	SUBJECT
<b>U.S. Bankruptcy Court, Northern District Of Texas</b>				
Southern Maryland Electric Cooperative, Inc. and Potomac Electric Power Company	11/04	Mirant Corporation, et al. v. SMECO	Case No. 03-4659; Adversary No. 04-4073	PPA Interpretation; Leasing
<b>U. S. Court of Federal Claims</b>				
Boston Edison Company	7/06, 11/06	Boston Edison v. Department of Energy	No. 99-447C No. 03-2626C	Spent Nuclear Fuel Litigation
Consolidated Edison of New York	08/07	Consolidated Edison of New York, Inc. and subsidiaries v. United States	No. 06-305T	Leasing, tax dispute
Consolidated Edison Company	2/08, 6/08	Consolidated Edison Company v. United States	No. 04-0033C	SNF Expert Report
Vermont Yankee Nuclear Power Corporation	6/08	Vermont Yankee Nuclear Power Corporation	No. 03-2663C	SNF Expert Report
<b>U. S. District Court, Boulder County, Colorado</b>				
KN Energy, Inc.	3/93	KN Energy vs. Colorado GasMark, Inc.	Case No. 92 CV 1474	Gas Contract Interpretation
<b>U. S. District Court, Northern California</b>				
Pacific Gas & Electric Co./PGT PG&E/PGT Pipeline Exp. Project	4/97	Norcen Energy Resources Limited	Case No. C94-0911 VRW	Fraud Claim
<b>U. S. District Court, District of Connecticut</b>				
Constellation Power Source, Inc.	12/04	Constellation Power Source, Inc. v. Select Energy, Inc.	Civil Action 304 CV 983 (RNC)	ISO Structure, Breach of Contract

SPONSOR	DATE	CASE/APPLICANT	DOCKET NO.	SUBJECT
<b>U.S. District Court, Northern District of Illinois, Eastern Division</b>				
U.S. Securities and Exchange Commission	4/12	U.S. Securities and Exchange Commission v. Thomas Fisher, Kathleen Halloran, and George Behrens	Case No. 07 C 4483	Prudence, PBR
<b>U. S. District Court, Massachusetts</b>				
Eastern Utilities Associates & Donald F. Pardus	3/94	NECO Enterprises Inc. vs. Eastern Utilities Associates	Civil Action No. 92-10355-RCL	Seabrook Power Sales
<b>U. S. District Court, Montana</b>				
KN Energy, Inc.	9/92	KN Energy v. Freeport MacMoRan	Docket No. CV 91-40-BLG-RWA	Gas Contract Settlement
<b>U.S. District Court, New Hampshire</b>				
Portland Natural Gas Transmission and Maritimes & Northeast Pipeline	9/03	Public Service Company of New Hampshire vs. PNGTS and M&NE Pipeline	Docket No. C-02-105-B	Impairment of Electric Transmission Right-of-Way
<b>U. S. District Court, Southern District of New York</b>				
Central Hudson Gas & Electric	11/99, 8/00	Central Hudson v. Riverkeeper, Inc., Robert H. Boyle, John J. Cronin	Civil Action 99 Civ 2536 (BDP)	Electric restructuring, environmental impacts
Consolidated Edison	3/02	Consolidated Edison v. Northeast Utilities	Case No. 01 Civ. 1893 (JGK) (HP)	Industry Standards for Due Diligence
Merrill Lynch & Company	1/05	Merrill Lynch v. Allegheny Energy, Inc.	Civil Action 02 CV 7689 (HB)	Due Diligence, Breach of Contract, Damages
<b>U. S. District Court, Eastern District of Virginia</b>				
Aquila, Inc.	1/05, 2/05	VPEM v. Aquila, Inc.	Civil Action 304 CV 411	Breach of Contract, Damages

**Rebuttal Testimony of John J. Reed**  
 Union Electric d/b/a Ameren Missouri

SPONSOR	DATE	CASE/APPLICANT	DOCKET NO.	SUBJECT
<b>U. S. District Court, Portland Maine</b>				
ACEC Maine, Inc. et al.	10/91	CIT Financial vs. ACEC Maine	Docket No. 90-0304-B	Project Valuation
Combustion Engineering	1/92	Combustion Eng. vs. Miller Hydro	Docket No. 89-0168P	Output Modeling; Project Valuation
<b>U.S. Securities and Exchange Commission</b>				
Eastern Utilities Association	10/92	EUA Power Corporation	File No. 70-8034	Value of EUA Power
<b>Council of the District of Columbia Committee on Consumer and Regulatory Affairs</b>				
Potomac Electric Power Co.	7/99	Potomac Electric Power Co.	Bill 13-284	Utility restructuring

**BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MISSOURI**

In the Matter of Union Electric Company     )  
d/b/a Ameren Missouri's Tariffs to            )  
Increase Its Revenues for Electric Service.    )

Case No. ER-2014-0258

**AFFIDAVIT OF JOHN REED**

**COMMONWEALTH OF MASSACHUSETTS    )**  
  )**ss**  
**COUNTY OF MIDDLESEX                    )**

John Reed, being first duly sworn on his oath, states:

1. My name is John Reed. I work in the City of Marlborough, Massachusetts, and I am employed by Concentric Energy Advisors, Inc.

2. Attached hereto and made a part hereof for all purposes is my Rebuttal Testimony on behalf of Union Electric Company d/b/a Ameren Missouri consisting of 45 pages, and Attachments JJR-1 and JJR-2, 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.

  
\_\_\_\_\_  
John Reed

Subscribed and sworn to before me this 14<sup>th</sup> day of January, 2015.

  
\_\_\_\_\_  
Notary Public

My commission expires: 10/15/15

 **JOANNE P. BICKFORD**  
NOTARY PUBLIC  
COMMONWEALTH OF MASSACHUSETTS  
MY COMMISSION EXPIRES  
OCTOBER 15, 2015

