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MISSOURI PUBLIC SERVICE COMMISSION

FILE NO. EF-2024-0021

REBUTTAL TESTIMONY

OF

JAMES OWEN

ON

BEHALF OF

RENEW MISSOURI ADVOCATES

February 23, 2024

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1 **Introduction**

2 **Q: Please state your name, title, and business address.**

3 **A:** James Owen, Executive Director, Renew Missouri Advocates d/b/a Renew Missouri (“Renew
4 Missouri”), 915 East Ash, Columbia, MO 65202.

5 **Q: Please describe your current position, your education, and background.**

6 **A:** Renew Missouri is an advocacy group based in Missouri appearing before regulatory agencies such
7 as the Missouri Public Service Commission (“PSC” or the “Commission”), the Kentucky Public
8 Service Commission, and the Kansas Corporation Commission (“KCC”) in the role as expert
9 witnesses on clean energy policy. Our work involves engaging as intervenors on utility rate cases,
10 applications for certificates of convenience and necessity (“CCNs”), merger and acquisition,
11 Accounting Authority Orders (“AAOs”), and energy efficiency investment portfolios. Renew
12 Missouri routinely engages in workshops by providing comments and serving on panels before
13 Commissioners, regulators, and other stakeholders. Most recently, we engaged in dockets involving
14 the Inflation Reduction Act as well as how Time-of-Use (TOU) rates apply to net-metered
15 customers. I have provided testimony before these agencies on general policy involving the
16 generation, transmission, and distribution of power. I have also assisted intervenors in Kansas on
17 providing comments to Evergy’s IRP filed with the KCC and providing specific testimony for rate
18 cases as well as the first Kansas Energy Efficiency Investment Act portfolio ever approved by that
19 state’s regulators. Attached as Schedule JO-1 is a list of my case participation. We have also lent
20 our expertise and knowledge on legislative matters in Missouri and Kansas as well as the federal
21 level on issues ranging from energy efficiency investments to securitization of debts incurred from
22 the closing of coal plants to helping rural electric cooperatives obtaining financing for clean energy
23 projects.

1 In regards to my background, I was an attorney in private practice by trade and was appointed as
2 an Associate Circuit Court Judge in Webster County, Missouri prior to my experience in utility
3 ratemaking. As far as my education goes, I obtained a law degree from the University of Kansas in
4 Lawrence, Kansas as well as a Bachelor of Arts in Business and Political Science from Drury
5 University in Springfield, Missouri.

6 **Q: What work does Renew Missouri conduct in the field of energy policy?**

7 **A:** In my role as Executive Director at Renew Missouri, I provide information and testimony on pieces
8 of proposed legislation that may impact how utility regulators approach energy efficiency and
9 renewable energy both before governmental bodies and the public at large. Renew Missouri staff
10 and myself have developed and offered educational programs on topics related to energy law and
11 policy in Missouri on topics including FERC Order 2222, the Inflation Reduction Act, and our
12 year-end update covering state and federal rulemakings, PSC appeals, and energy
13 efficiency/renewable energy updates. We have provided nearly one hundred hours of continuing
14 legal education credit over the past six years.

15 **Q: Please summarize your professional experience in the field of utility regulation.**

16 **A:** Before becoming Executive Director of Renew Missouri, I served as Missouri's Public Counsel, a
17 position charged with representing the public in all matters involving utility companies regulated
18 by the State of Missouri. While Public Counsel, I was involved in several rate cases, CCN
19 applications, mergers, and complaints as well as other filings. As Public Counsel, I also answered
20 legislators' inquiries regarding legislation impacting the regulation of public utilities.

21 **Q: Have you been a member of, or participant in, any workgroups, committees, or other**
22 **groups that have addressed electric utility regulation and policy issues?**

23 **A:** Yes. In May 2016, I attended the National Association of Regulatory Utility Commissioners
24 ("NARUC") Utility Rate School. For the past several years, I attended Financial Research

1 Institute’s Public Utility Symposium on safety, affordability, and reliability. While I was Public
2 Counsel, I was also a member of the National Association of State Utility Consumer Advocates
3 (“NASUCA”) and, in November of 2017, the Consumer Council of Missouri named me the 2017
4 Consumer Advocate of the Year.

5 More recently, I was appointed by then-Chairman Ryan Silvey to serve on the Net Metering and
6 Distributive Energy Resources Task Force formed by the Legislature in 2022. The work of the Task
7 Force spanned the course of 2023 and included hearing testimony, reviewing evidence, and drafting
8 a report regarding the need for the State to provide a value of solar study (“VOSS”) as a requisite
9 part of developing new rates for customers who incorporate net metering and/or DER into their
10 distributive system.

11 **Purpose and Summary of Testimony**

12 **Q: What is the purpose of your testimony?**

13 **A:** On behalf of Renew Missouri, I wish to provide rebuttal testimony generally to the Direct
14 Testimony provided by Ameren Missouri (“Ameren”) in their Application on this matter.
15 Specifically, I will be responding to Mitchell J. Lansford’s testimony on the customer benefits of
16 securitizing the costs associated with the closure of the Rush Island plant (“Rush Island”) as well
17 as Matt Michel’s evaluation of the costs of continuing to keep Rush Island open while complying
18 with the federal court order to comply with environmental rules and regulations.

19 **Q: How would you summarize your testimony?**

20 **A:** I support, on behalf of Renew Missouri, Ameren’s application. Renew Missouri believes the
21 securitization process serves a larger public interest merely beyond financial numbers and part of
22 the legislative intent of creating the tool of securitization for the PSC was to encourage investor-
23 owned utilities to retire antiquated, fossil-fuel burning generation plants. However, Renew
24 Missouri also appreciates the anticipated arguments against this application. For that reason, this

1 testimony will propose Ameren take advantage of funds newly available under the Federal Energy
2 Infrastructure Reinvestment Program (“EIR”). The EIR program explicitly allows appropriated
3 federal dollars to be facilitated with providing the bonding for the securitization of costs associated
4 with the closure of coal plant If Ameren were encouraged by the Commission to seek the federal
5 government’s assurances on these proposed securitized assets rather than Ameren’s ratepayers,
6 Renew Missouri believes this would assuage some, if not all, of the anticipated concerns of other
7 intervened parties in this case. Not only would this approach address those concerns, but more to
8 the point, it would also save Ameren ratepayers an estimated \$413 million to accomplish the same
9 goal behind the Company’s proposal as filed.

10 **Background on Missouri’s Securitization History**

11 **Q: What is your knowledge of the precedent of securitization when it comes to coal plant**
12 **closures in Missouri?**

13 **A:** Securitization did not become the law until August 28th of 2021 after it was authorized by
14 Governor Mike Parson after receiving overwhelming bi-partisan support in the Missouri
15 Legislature. The legislation permits investor-owned utilities to securitize certain costs associated
16 with natural disasters and the retirement of electric generating facilities. Generally, securitization
17 takes the remaining debt from a utility-owned asset and turns it into customer-backed bonds,
18 which are sold in the financial markets. Since becoming law, only one other case before the PSC
19 has addressed the concept of securitization in order to retire a power plant.

20 **Q: Can you provide details of that case?**

21 **A.** Yes. Liberty-Empire sought to use securitization to assist with costs incurred with the closure of
22 its Asbury coal plant, specifically the portion of the plant known as Unit One. The case number is
23 E0-2022-0193. Asbury Unit 1 came online to serve customers in 1970. Asbury was retired near
24 the beginning of 2020 and decommissioning and dismantling of the plant is ongoing. In that

1 securitization case, Liberty sought to recover approximately \$140.8 million in energy transition
2 costs.

3 **Q: What was the conclusion of that case?**

4 **A.** Despite opposition from a number of intervenors, the Commission determined energy transition
5 costs of approximately \$81.2 million may be financed using securitized utility tariff bonds.

6 Associated with that conclusion, the PSC determined that recovery of such costs was just and
7 reasonable and deemed Liberty’s decision to retire Asbury to be reasonable and prudent as well
8 as in the public’s interest. The Commission stated: “[t]he facts demonstrate Asbury was a fifty-
9 year old coal-fired generating plant that could no longer effectively compete in the electrical
10 generation marketplace. As a result, its continued operation had become uneconomic and a drain
11 on both the company and its ratepayers.” Renew Missouri – which intervened in the case in
12 support of Liberty-Empire’s application – agreed with the decision and was elated to see an
13 appellate court uphold the findings and order of the Commission.

14 **Q: Why does Renew Missouri support the concept of Securitization?**

15 **A:** It is our belief that coal plants are not only destructive to air quality and overall public health, but
16 are also fundamentally more expensive than cleaner forms of energy generation. Renew Missouri
17 takes the position that any effort to shut down coal plants in return for a stronger reliance on
18 renewable energy such as wind, solar, and/or demand-side programs is a positive benefit to
19 ratepayers, both in dollars spent as well as other indirect benefits. Tools like securitization that
20 encourage utilities in this transition are positive for the public interest.

21 **Q: Why is the matter of public interest important to the concept of securitization?**

22 **A:** The language of the law says the PSC must issue a finding that any utility petition to utilize
23 securitization and that such a finding must determine if the request is in the public interest.

24 **Q: What does the statute say specifically?**

1 **A:** Section 393.1700 RSMo authorizes Securitization in Missouri. The statute states the following:¹

2 (c) A financing order issued by the commission, after a hearing, to an electrical
3 corporation shall include all of the following elements: a. The amount of
4 securitized utility tariff costs to be financed using securitized utility tariff bonds
5 and a finding that recovery of such costs is just and reasonable and in the public
6 interest. The commission shall describe and estimate the amount of financing costs
7 that may be recovered through securitized utility tariff charges and specify the
8 period over which securitized utility tariff costs and financing costs may be
9 recovered; b. A finding that the proposed issuance of securitized utility tariff
10 bonds and the imposition and collection of a securitized utility tariff charge are just
11 and reasonable and in the public interest and are expected to provide quantifiable
12 net present value benefits to customers as compared to recovery of the components
13 of securitized utility tariff costs that would have been incurred absent the issuance
14 of securitized utility tariff bonds. Notwithstanding any provisions of this section
15 to the contrary, in considering whether to find the proposed issuance of securitized
16 utility tariff bonds and the imposition and collection of a securitized utility tariff
17 charge are just and reasonable and in the public interest, the commission may
18 consider previous instances where it has issued financing orders to the petitioning
19 electrical corporation and such electrical corporation has previously issued
20 securitized utility tariff bonds....

21 As the statutory language illustrates, a finding that securitization serves the public
22 interest is integral to this previous decision on the Asbury plant as well as to any decision
23 made by the Commission in the case at bar.

24 **Q:** **You believe the Commission must find Ameren’s application to use securitized utility tariff**
25 **bonds must also be in the public interest?**

26 **A:** I do. It is necessitated by statute as well as precedent in a previous Finding and Order.

27 **Discussion of the Decision to Retire Rush Island**

28 **Q:** **What is your understanding of Ameren Missouri’s decision to use securitization to recover**
29 **costs from the closure of Rush Island and how that specific decision benefits the public**
30 **interest?**

31 **A:** Ameren Missouri’s decision to close Rush Island is a labored one; required by a federal court. As
32 Ameren states multiple times in its testimony, this is not a re-litigation of that case. Nor does

¹ § 393.1700(c)(a)-(b) RSMo.

1 Renew Missouri plan to re-litigate it. What is relevant is that Rush Island is supposed to close by
2 October 15th of 2024 as a result of Ameren choosing not to make uneconomic upgrades to the
3 plant that would place it in environmental compliance with federal rules and regulations. In order
4 to do this, Ameren is proposing ratepayer recovery of \$512 million under this application.²

5 According to Direct Testimony of Company Witness Matt Michels, continued operation with the
6 required environmental requirements would cost \$811 million³ as a “central cost assumption” but
7 could be as high \$941 million.⁴ Compare that to Company witness Michael J. Lansford who notes
8 “the revenue requirement for the securitized bonds and the associated estimated costs is
9 \$4,334,773 per twelve month. Over the course of the 15-year term, customers would pay a total
10 of \$780,259,147.” Using witness Michels’ “high” number, the proposal sought under this
11 application could present a savings to customers of approximately \$161million.⁵

12 **Q: Does Ameren’s decision to shut down Rush Island reflect larger utility trends?**

13 **A:** Yes. While I am aware Ameren is being forced to close this plant, coal-burning generator
14 facilities are being placed out of commission around the country. According to the US Energy
15 Information Administration, operators were estimated to have retired 15.6 gigawatts (GW) of
16 electric-generating capacity, mostly natural gas-fired (6.2 GW) and coal-fired (8.9 GW) power
17 plants in 2023 in the United States alone.⁶ That report notes coal-burning generation plants were
18 built in the 1970’s and 1980’s and are either at the end of their lifespan or the costs of operations

² Christian Fong, David Posner, and Uday Varadarajan, “The Energy Infrastructure Reinvestment Program: Case Studies from Missouri and Iowa,” Rocky Mountain Institute, February 16th, 2024. Available at: <https://rmi.org/the-energy-infrastructure-reinvestment-program-federal-financing-for-an-equitable-clean-economy/>

³ File No. EF-2024-0021, “Direct testimony of Matt Michels,” on behalf of Ameren Missouri, submitted on November 21, 2023. Page 5, Line 12.

⁴ Id at Line 11.

⁵ File No. EF-2024-0021, “Direct Testimony of Mitchell J. Lansford,” on behalf of Ameren Missouri, submitted on November 21, 2023. Page 13, Lines 10-12.

⁶ Energy Information Administration, “Preliminary Monthly Electric Generator Inventory,” January 24th of 2024. Available at: <https://www.eia.gov/electricity/data/eia860m/>

1 and maintenance are too great to justify remaining open in light of cost-effective clean energy
2 options. While Rush Island is being ordered closed by a federal court, that reflects the sheer cost
3 of making upgrades to the plant could not be justified by the Company due to other options for
4 either generating clean energy on its own or from buying it directly in a wholesale market. No
5 matter the reason, the closure of Rush Island is consistent with trends found in other states.

6 **Q: How does securitization of unrecovered costs related to retirement of Rush Island serve the**
7 **public interest?**

8 **A:** While statistics show that coal is increasingly uncompetitive with new renewable energy sources,
9 transition issues arise in determining how to manage unrecovered plant balances when assets are
10 retired prior to the end of their previously approved accounting service lives.⁷ Accelerating
11 recovery of a retired asset can impose rate burdens on customers, however cost recovery that is not
12 accelerated and continues beyond when the plant closes will leave customers paying depreciation
13 expenses, interest on debt, and an equity return for a plant that did not serve them.⁸ Securitization
14 mitigates these risks for customers, as well as for the utility and its shareholders. Importantly,
15 securitization offers a solution for customers who are paying more for electricity from expensive
16 coal when they can least afford to.⁹ Studies show that with the tax benefits available for renewable
17 energy sources and storage, early retirement of fossil fuel intensive energy sources coupled with
18 securitization of the unrecovered costs and replacement with renewables saves customers money
19 in the short and long term.¹⁰ Cases of securitization being used around the country have

⁷ “Utilizing Ratepayer-Backed Bond Securitization for Cost Recovery in Accelerated Asset Retirement: Feasibility Study for Minnesota Power- Phase 1,” Rocky Mountain Institute, September 2020. Page 4. Available at: <https://utilitytransitionhub.rmi.org/static/feasibility-study-for-minnesota-power-%E2%80%93-phase-1.pdf>

⁸ Id.

⁹ Paul Bodnar, Matthew Gray, Tamara Grbusic, Steve Herz, Amanda Lonsdale, Sam Mardell, Caroline Ott, Sriya Sundaresan, and Uday Varadarajan, “How to Retire Early: Making Accelerated Coal Phaseout Feasible and Just,” Rocky Mountain Institute, 2020. Available at: <https://rmi.org/insight/how-to-retire-early>

¹⁰ Id.

1 demonstrated that this tool can reduce ratepayer costs, protect shareholders, and sometimes even
2 allow for transition assistance for dislocated workers and communities.¹¹

3 **Q: Do you understand there may be resistance to using the process of securitization to help**
4 **recover costs from the retirement of Rush Island?**

5 **A:** Such concerns are clearly anticipated by Ameren. Much of their filed testimony discusses the court
6 decision leading to this closure, the decision by Ameren not to close the plant earlier, the concerns
7 they have for continuing to operate the plant, and the prudence of the request at this point in time.
8 Renew Missouri has also had conversations with a number of parties engaged with the case who
9 have raised concerns about these issues as well.

10 **Q: Does Renew Missouri have a position on those concerns?**

11 **A:** Yes. Renew Missouri does not share these concerns. The stark reality is that coal plants, particularly
12 aging ones, are increasingly expensive and inefficient to operate. The fuel used to generate power
13 from Rush Island would only increase in expense and inefficiency over time, were the plant not
14 slated for closure this year. Therefore, we have been critical of the timetable Ameren and other
15 Missouri IOUs have presented for the retirement of their coal-burning plants. As we have already
16 stated, the tool of securitizing these costs provide many ways to further the public interest required
17 by the statute.

18 **Q: Do you believe the concerns of other intervenors should be addressed?**

19 **A:** Certainly. Simply because we do not share the concerns does not mean the Commission will not
20 give them weight. Or that there are better options Ameren could pursue. Thanks to a new program
21 created by the 2022 Inflation Reduction Act, Renew Missouri believes there is now a way to use

¹¹ "Utilizing Ratepayer-Backed Bond Securitization for Cost Recovery in Accelerated Asset Retirement: Feasibility Study for Minnesota Power- Phase 1," page 4.

1 securitization without relying so heavily upon ratepayer funds – an opportunity which could
2 alleviate issues involving prudence and the public interest from the perspective of other intervenors.

3 **Q: What is that?**

4 **A:** Renew Missouri believes the Company should utilize funds available through the Energy
5 Infrastructure Reinvestment (“EIR”) program, established by the Inflation Reduction Act (“IRA”)
6 in order to make the securitization of the Rush Island plant closure more economically-feasible for
7 its customers while achieving the same goals of converting the remaining value of the plant into
8 securities. Critically, securitizing Rush Island via the above-mentioned program could save
9 ratepayers \$413 million.

10 **Discussion of the Energy Infrastructure Reinvestment Program under the Inflation Reduction Act**

11 **Q: Can you succinctly summarize the Inflation Reduction Act (“IRA”) in general?**

12 **A:** Yes. In August of 2022, President Joe Biden signed the IRA into law. Among other provisions
13 contained in the IRA, there was over \$370 billion in clean energy investments designed to reach of
14 a goal of 100 percent carbon pollution-free electricity by 2035; a 50-52% reduction from 2005
15 levels in economy-wide net greenhouse gas pollution in 2030; and net zero emissions economy-
16 wide by no later than 2050.¹² This will be accomplished through a combination of tax credits, direct
17 payments to nontaxable entities, low-interest loans, grants, and funds provided directly to
18 customers for clean energy upgrades to their homes and businesses. According to an analysis done
19 by the Rocky Mountain Institute (“RMI”) prior to the implementation of the IRA, Missouri
20 residents alone could see savings of \$32,006,880 from tax credits alone by 2024.¹³

¹² “Building a Clean Energy Economy Guidebook,” Version 2 (January 2023). Accessed at:
<https://www.whitehouse.gov/wp-content/uploads/2022/12/Inflation-Reduction-Act-Guidebook.pdf>

¹³ Christian Fong, Uday Varadarajan, Maria Castillo, and Alex Engel, “Running the Numbers: How Clean
Electricity Tax Credits Could Save Americans \$5 Billion by 2024,” Rocky Mountain Institute, May 24, 2022.
Available at: <https://rmi.org/clean-electricity-tax-credits-could-save-americans-billions/>

1 **Q: Of course, there's been a lot of talk about the IRA. But what does that have to do with**
2 **Ameren's proposal to securitize costs tied to Rush Island's closure?**

3 **A:** In order to accomplish the clean energy goals of the IRA, the drafters were well-aware of the
4 barriers tied to the regulatory structure and market composition of the energy industry. One of those
5 concerns involved how coal plants are often kept in commission but used to make less power due
6 to the challenges of retiring plants while costs were still attached to those plants and assets hadn't
7 yet fully depreciated. That is where the EIR Program becomes an important tool.

8 **Q: What is the EIR Program?**

9 **A:** Under Section 1706 of the IRA, the EIR Program guarantees loans for projects to replace energy
10 infrastructure that have ceased operations or enable operating energy infrastructure to avoid or
11 reduce air pollutants or emissions of greenhouse gases. For this program, \$5 billion is appropriated
12 through September 30th of 2026 with a total cap on loans of \$250 billion.¹⁴ Loan guarantees under
13 the EIR Program are administered through the US Department of Energy's Loan Programs Office
14 ("LPO"). The LPO can accommodate financing structures including "secured corporate lend,
15 *securitizations*, and transactions involving tax equity."¹⁵ (Emphasis added)

16 **Q: Would the Rush Island closing qualify for an EIR Program Loan?**

17 **A:** Yes. While there is no guarantee of an award, the program guidance is promising. "Regulated
18 utilities" are eligible applicants¹⁶ for which the EIR program is designed in order to support
19 investment in "existing energy infrastructure challenged by market forces, resource depletion, age,
20 technology advancements, or the broader energy transition."¹⁷ Such infrastructure includes

¹⁴ <https://www.energy.gov/lpo/inflation-reduction-act-2022>

¹⁵ "LPO's Updated Title 17 Clean Energy Financing Program Guidance Connects Eligible Projects to New Financing Opportunities as Part of President Biden's Investing in America Agenda," U.S. Department of Energy Loan Programs Office, May 19, 2023. Available at: <https://www.energy.gov/lpo/articles/lpos-updated-title-17-clean-energy-financing-program-guidance-connects-eligible>

¹⁶ Id at page 7.

¹⁷ Id at page 25.

1 generation plants such as Rush Island. Further, applications must fall into certain categories that
2 would include:¹⁸

3 Projects that retool, repower, repurpose, or replace Energy Infrastructure that has
4 ceased operations; provided that if the project involves electricity generation
5 through the use of fossil fuels, it is required to have controls or technologies to
6 avoid, reduce, utilize, or sequester air pollutants and anthropogenic emissions of
7 greenhouse gases...”

8
9 As a condition, Ameren would invest in clean energy projects to replace the power
10 generated by Rush Island. However, even a cursory glance of Ameren’s recently-filed Integrated
11 Resources Plan (“IRP”) suggests there are existing projects waiting for Commission approval or
12 future planning renewable investments that would qualify as replacing Rush Island’s capacity.
13 Specifically, Ameren is proposing “to build 1,800 MW of solar, 1,000 MW of wind, and 400 MW
14 of battery storage by 2030.¹⁹ It would be relevant to note Ameren could very well change its
15 proposed gas plant expansion as outlined in its IRP to instead include even more clean energy –
16 projects that would be eligible for EIR funding. Additionally, projects qualifying under a State
17 Energy Financing Institution (“SEFI”) can receive financing.

18 **Q: What are some other relevant qualifications for EIR funding?**

19 **A:** According to DOE’s guidance, a SEFI is – in relevant part - a “quasi-independent entity or an entity
20 within a State agency or financing authority established by a State...to create liquid markets for
21 Eligible Projects, including warehousing and *securitization*, or take other steps to reduce financial
22 barriers to the deployment of existing and new Eligible Projects.”²⁰ (Emphasis added.)

23 **Q: Is there a Missouri entity that can act as a SEFI to receive financing through EIR?**

¹⁸ Id.

¹⁹ Christian Fong, David Posner, and Uday Varadarajan, “The Energy Infrastructure Reinvestment Program: Case Studies from Missouri and Iowa,” Rocky Mountain Institute, February 16, 2024. Available at: <https://rmi.org/the-energy-infrastructure-reinvestment-program-federal-financing-for-an-equitable-clean-economy/>

²⁰ Section 1703 of the Inflation Reduction Act

1 **A:** Yes. The Missouri Environmental Improvement and Energy Resource Authority (“EIERA”) is a
2 quasi-governmental environmental finance agency, or financing authority, administered through
3 the Department of Natural Resources. The EIERA was founded in 1972 under Chapter 260 of the
4 Revised Missouri Statutes, and it is empowered to, among other things:²¹

5 to provide for the development of the energy resources of the state, to provide for
6 energy conservation and to provide for energy efficiency projects and increased
7 energy efficiency in the state, and to further such programs the authority is
8 authorized to acquire and construct, and finance projects and to issue bonds and
9 notes and make loans as herein provide to pay the costs thereof.

10
11 Renew Missouri believes the EIERA is the Missouri entity best suited to receive and transfer EIR
12 funds to Ameren Missouri to accomplish the early retirement of the Rush Island plant and invest
13 funds in renewable generation.

14 **Q: How does the money appropriated through the EIR Program differ from the more traditional
15 form of securitization sought by Ameren in this case?**

16 **A:** To understand this is to understand how ratepayer dollars factor into traditional securitization. The
17 Missouri Legislature has authorized this process whereby a special form of bond financing is
18 authorized to secure the highest possible rating from credit rating agencies, making the bonds
19 attractive to investors and ensuring that the utility can lower its borrowing costs. Properly structured
20 and implemented, securitization should give a utility additional flexibility to deploy its capital and
21 invest in infrastructure while also benefitting customers. Typically, a properly implemented bond
22 will be sold to investors to replace a corresponding amount of the utility’s existing debt and equity.
23 Because these bonds receive a much higher credit rating, this means the utility’s costs are being
24 reduced through this new bond issue.

25 The reason this worked and is attractive to investors goes back to the fundamental structure of
26 securitized utility bonds that receive revenues from a dedicated tariff rate on utility customers’

²¹ Section 260.015, Revised Missouri Statutes.

1 monthly bills. Direct recovery from customers provides special legal protections that make them
2 more secure in the eyes of credit rating agencies and investors. Under securitization, a newly
3 created property right is assigned to a limited purpose entity that pledges the property right as
4 collateral for the securitized utility bonds sold to investors. The utility is considered repaid for the
5 investment, and any related rate base or other regulatory asset is removed from the utility's books.
6 Customers stop paying the utility's cost of capital with respect to that item, and instead begin paying
7 the special charge which repays the bondholders.²²

8 In the case of using funds from the EIR, the federal government takes the place of the bond market
9 in the process. According to RMI analysts:²³

10 EIR can be particularly effective in managing competing community, customer,
11 and shareholder interests in cases where power plants are already slated to cease
12 operations. EIR loans can be used to refinance the obligation of customers to
13 provide cost recovery to utilities for prudently incurred energy infrastructure costs
14 – including...decommissioning costs – and can be structured as off-balance sheet
15 financing vehicles repaid through a dedicated bill surcharge. With tenors of up to
16 thirty years, borrowing costs just slightly above the federal government's, and the
17 flexibility to cover up to 80 percent of total project costs, EIR loans can make
18 accelerated reinvestment in existing fossil sites much more attractive for both
19 utility customers and shareholders. Since EIR loans require any refinancing of
20 legacy investments be tied to reinvestment activities, their use also helps ensure
21 that local communities can retain jobs and tax base while ratepayers benefit from
22 additional cost reductions resulting from ongoing use of assets such as
23 interconnection points and transmission capacity.

24
25 According to the analysis offered by RMI in their publication, using EIR funding would save
26 Ameren Missouri ratepayers \$413 million *compared to the traditional form of securitization as*
27 *contemplated in the statute, which is substantial.*

28 **Q: How does using EIR funds save Ameren ratepayers money?**

²² "Managing Electricity Rates Amidst Increasing Capital Expenditures: Is Securitization the Right Tool? An Update," NRRI Insights, January 2029, Page 2-3. Available at: <https://pubs.naruc.org/pub/34058ED0-1866-DAAC-99FB-B8BC5BCC625C>

²³ Christian Fong, David Posner, and Uday Varadarajan, "The Energy Infrastructure Reinvestment Program: Case Studies from Missouri and Iowa," Rocky Mountain Institute, February 16, 2024. Available at: <https://rmi.org/the-energy-infrastructure-reinvestment-program-federal-financing-for-an-equitable-clean-economy/>

1 **A:** RMI has conducted a significant analysis of Ameren’s proposal and how that proposal would be
2 financed using funds from the EIR program compared to how that proposal would be using the
3 traditional form of securitization. I am adopting the RMI analysis into my testimony *in haec verba*
4 as to allow such numbers to be a part of the record in this docket.

5 According to RMI, total project costs to Ameren for just EIR financing the clean energy
6 portfolio “would be \$4.79 billion: \$933 million for the twenty percent of the clean energy portfolio
7 capital stack financed by EIR, \$3.82 billion for the remaining 80 percent of the clean energy
8 portfolio capital stack financed by the utility, and \$39 million in transaction costs. Total EIR loan
9 volume for just EIR financing the clean energy portfolio would be \$971 million, or twenty-six
10 percent of total project costs net of transaction costs, well below the 80 percent threshold. For
11 ratemaking, this \$971 million would be financed at EIR loan rates and recovered via a dedicated
12 rate surcharge, while the remaining clean energy costs would be recovered normally at the utility’s
13 rate of return.

14 RMI’s analysis states:²⁴

15 When combining the Rush Island refinancing of \$513 million, total project costs
16 would be \$5.31 billion: \$932 million for the 20 percent of the clean energy
17 portfolio capital stack financed by EIR, \$3.82 billion for the remaining 80 percent
18 of the clean energy portfolio capital stack financed by the utility, \$513 million for
19 the Rush Island refinancing, and \$42 million in transaction costs. Total EIR loan
20 volume would equal \$1.5 billion, or 35 percent of project costs.

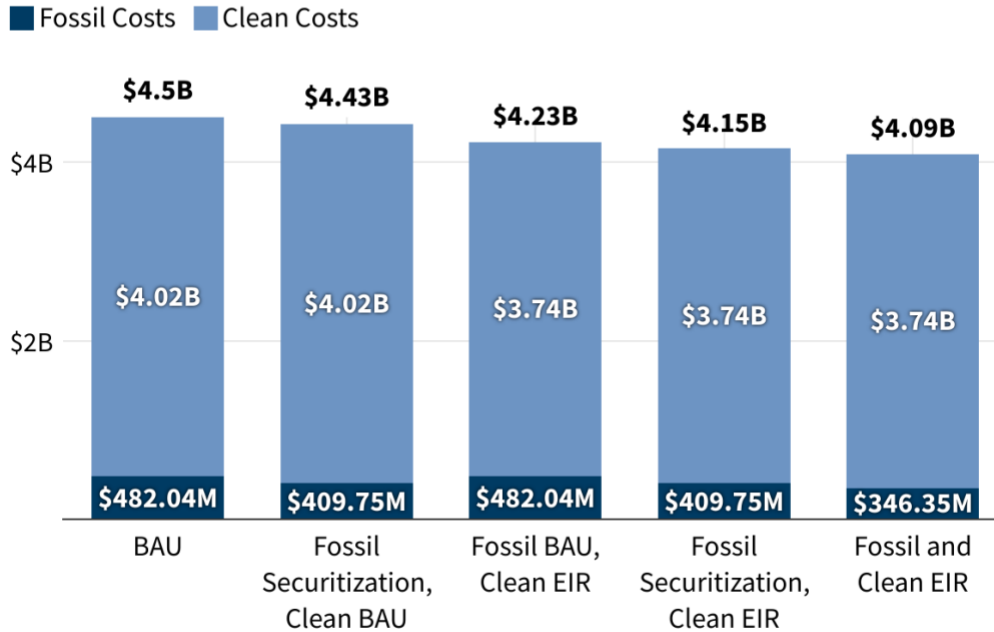
21 For ratemaking purposes, the \$1.5 billion again would be financed at EIR
22 rates and recovered via the dedicated rate surcharge; however, the \$513 million of
23 remaining Rush Island balance would be removed from rate base. With the plant
24 balance out of rate base, the Rush Island capital from the EIR loan is “recycled”
25 back into the utility’s balance sheet and can be used for the new clean energy
26 assets. The 80 percent of the clean capital stack, now with the \$265 million directly
27 from the EIR loan for Rush Island, is recovered at the utility’s rate of return.

28
29 This is further illustrated with the charts provided by RMI below:

²⁴ Id.

Ameren Cost Comparison

Cost comparison in NPV 2024\$ of traditional utility financing (BAU) vs. EIR financing for Rush Island and Ameren's planned clean energy build



Source: RMI Analysis



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RMI’s analysis further states:²⁵

Using traditional utility financing for both the recovery of Rush Island’s remaining plant balance and the new clean energy portfolio, the costs would total \$4.5 billion under net present value (“NPV”) for 2024 with \$482 million coming from the Rush Island recovery and \$4 billion coming from new clean energy. EIR financing for twenty percent of the clean energy portfolio while maintaining traditional utility financing for Rush Island would save ratepayers \$278 million, net of \$6.6 million in NPV of EIR transaction costs.

Under Ameren’s proposal to securitize Rush Island cost recovery with a 15-year bond, Ameren ratepayers would save \$72 million, net of \$15.6 million in NPV of transaction costs. Combined, EIR financing for a portion of the new clean assets along with securitization of the fossil plant balance would result in \$350 million in savings, with \$22.2 million in NPV of transaction costs.

The use of EIR for Rush Island cost recovery delivers even greater savings than securitization. If Ameren is already applying for EIR financing for a portion of its clean energy portfolio, the NPV of marginal transaction costs of bundling together the Rush Island recovery with this EIR package would be just over \$1.3 million, a substantial cost reduction compared with the NPV \$15.6 million in securitization transaction costs. Lower transaction costs, a lower interest rate from EIR, and a longer loan tenor as allowed by EIR would lead to a further \$131 million in savings from Rush Island, for a total savings of \$413

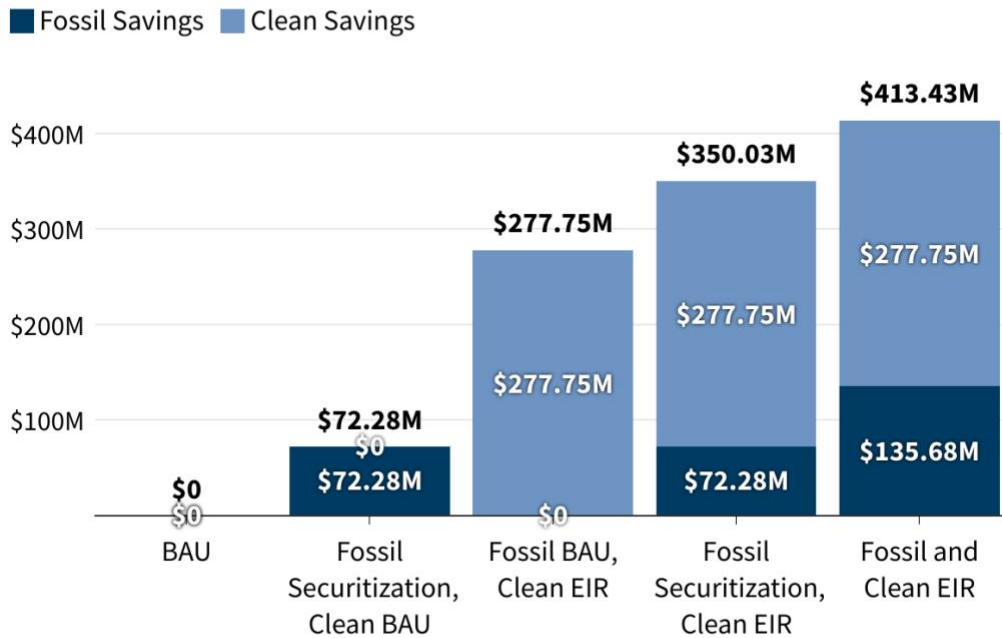
²⁵ Id.

1 million versus traditional utility financing for fossil plant cost recovery and new
2 clean deployment.

3
4 Again, RMI has provided a helpful illustration of this, which I have shared below.²⁶

Ameren Savings Comparison

Savings comparison in NPV 2024\$ of traditional utility financing (BAU) vs. EIR financing for Rush Island and Ameren's planned clean energy build



Source: RMI Analysis



5
6 **Service of the Public Interest**

7 **Q: Why do you believe seeking the funding from the LPO of the DOE to provide financial**
8 **support for these utility tariff bonds is superior to Ameren's ratepayers providing such**
9 **financing?**

10 **A:** The benefits should seem obvious. Quite simply, using appropriated federal funds rather than
11 relying on the private bond market should give the Commission, as well as all intervenors in this
12 matter, assurances that the ratepayer money is secured and at a lower level of interest compared to

²⁶ Id.

1 what the private market would offer. While Renew Missouri generally believes that the costs
2 incurred by ratepayers are worth the benefits they receive from shifting away from dirty, coal-
3 burning generation, if another option is available that helps keep ratepayer costs lower, that option
4 should be seized upon and at the first appropriate chance. Critically, the DOE will only approve
5 EIR funding through 2026. Ameren’s current application allows for that chance.

6 **Q: If Ameren pursued this approach, would they be the first utility to do so?**

7 **A:** While EIR program applications are not available to the public, a number of utilities have signaled
8 through public filings that they will be pursuing these funds as an option. In its docket for “All
9 Source Request for Proposals”, Portland General Electric indicated it would pursue EIR program
10 funds for projects “designed to decarbonize (its) system.”²⁷ Consumers Energy in Michigan also
11 stated it had been working with the DOE on possibly using EIR program financing for a number of
12 projects.²⁸ Duke Energy also drafted a letter to the South Carolina Public Service Commission dated
13 January 31st of 2024 stating they would pursue EIR program funds.²⁹ Alliant Energy has filed for
14 such requests in Iowa³⁰ as well as Wisconsin³¹ according to testimony before each state’s regulators.
15 Ameren would not be the only regulated utility to pursue this as an option as a number of other
16 utilities have been looking at this for several months. We would urge the Company, as well as the
17 other intervenors, to reach out to their peer groups in these dockets for a better understanding of

²⁷ Order Number 24-011 of the Public Utilities Commission of Oregon related to PGE’s “All Source RFOP” dated January 12, 2024.

²⁸ Michigan Public Service Commission Case U-21227, “In the matter, on the Commission’s own motion, to seek comments from rate-regulated electric, steam, and natural gas utilities regarding potential utility infrastructure improvements in the state of Michigan from federal funding available under the Infrastructure Investment and Jobs Act of 2021.”

²⁹ South Carolina Public Service Commission, Docket Number 2023-319-A.

³⁰ Iowa Utilities Board in Docket # RPU-2023-0002, “Direct Testimony of Neil E. Michek” Submitted October 12, 2023.

³¹ Wisconsin PSC in Docket # 6680-UR-124, “Rebuttal Testimony of Neil E. Michek,” Submitted September 19, 2023.

1 how the EIR program would work and whether their experience indicates it would in fact save
2 ratepayers money as the RMI analysis suggests.

3 **Q: What is your overall opinion in regard to the Company’s petition?**

4 **A:** I believe that securitizing the unrecovered costs related to the early retirement of the Rush Island
5 plant meets the intentions of the Missouri Legislature to carry out the interests of the public as well
6 as Commission precedent, and that the Company’s application should be approved regardless.
7 However, as an alternative, we believe utilization of funds available under the EIR – authorized by
8 Congress through the IRA whereby federally-appropriated funds are used to offer US Treasury
9 bonds – represents a decision that does more to further the public interest as applying for EIR
10 program funds would save the Company’s ratepayers \$413 million. It would be a substantial win
11 for the utility, its captive customers, and the goals of public health and climate policy that is
12 championed at the federal level through the passage of the IRA.

13 **Q: Does this conclude your testimony?**

14 **A:** Yes, it does.

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

In the Matter of the Petition of Union Electric)
Company d/b/a Ameren Missouri for a)
Financing Order Authorizing the Issue of) File No. EF-2024-0021
Securitized Utility Tariff Bonds for Energy)
Transition Costs related to Rush Island)
Energy Center)

AFFIDAVIT OF JAMES OWEN

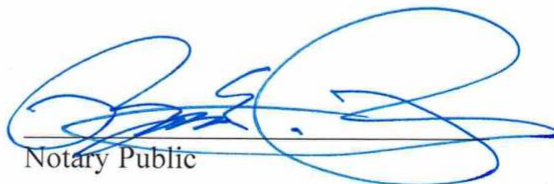
STATE OF MISSOURI)
) ss
COUNTY OF BOONE)

COMES NOW James Owner, and on his oath states that he is of sound mind and lawful age; that he prepared the attached Rebuttal Testimony; and that the same is true and correct to the best of his knowledge and belief.

Further the Affiant sayeth not.


James Owen

Subscribed and sworn before me this 23rd day of February 2024.


Notary Public

My commission expires: May 22, 2026

