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MISSOURI PUBLIC SERVICE COMMISSION

FILE NO. EF-2024-0021

SURREBUTTAL TESTIMONY

OF

STEVEN M. WILLS

ON

BEHALF OF

UNION ELECTRIC COMPANY

D/B/A AMEREN MISSOURI

**St. Louis, Missouri
March, 2024**

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SURREBUTTAL TESTIMONY

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STEVEN M. WILLS

FILE NO. EF-2024-0021

1

I. INTRODUCTION

2

Q. Please state your name and business address.

3

A. Steven M. Wills, Union Electric Company d/b/a Ameren Missouri ("Ameren Missouri" or "Company"), One Ameren Plaza, 1901 Chouteau Avenue, St. Louis, Missouri 63103.

6

Q. By whom and in what capacity are you employed?

7

A. I am the Senior Director of Regulatory Affairs for Ameren Missouri.

8

Q. Are you the same Steven M. Wills that submitted direct testimony in this case?

9

10

A. Yes, I am.

11

II. PURPOSE OF TESTIMONY

12

Q. To what testimony or issues are you responding?

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A. My surrebuttal testimony responds to Staff witness Keith Majors and Office of Public Counsel ("OPC") witness John Riley regarding the inclusion of community transition costs in the securitization revenue requirement. I also address recommendations from Staff witness Majors related to the inclusion of costs of the expert witnesses utilized by the Company to support this filing in the securitization revenue requirement, and Staff witness Claire Eubanks' overly narrow definition of the prudence question that should be

1 addressed in this case. Finally, I respond to the testimonies of Missouri Industrial Energy
2 Consumers ("MIEC") witness Maurice Brubaker and Staff witness Sarah Lange with
3 respect to issues of the allocation of securitization charges to customers, and other tariff
4 design issues.

5 III. COMMUNITY TRANSITION COSTS

6 **Q. Please describe the community transition costs that the Company**
7 **proposed for inclusion in its securitization revenue requirement, and the rationale for**
8 **categorizing these costs as Energy Transition Costs that are eligible to be securitized.**

9 A. The Rush Island Energy Center is, and has been for decades, an important
10 part of the economic landscape in Jefferson County, Missouri. As described in the direct
11 testimony of Company witness Mitchell Lansford, the jobs at and supported by the plant,
12 and importantly, the local tax revenues that arise primarily from the value of Rush Island's
13 coal inventory, are significant.¹ The Company is cognizant of its role as an important part
14 of the fabric of the communities we serve. What we do can and does directly impact our
15 customers, employees, and communities - categories of stakeholders which have a
16 significant amount of overlap and common interest. Given that context, it is important that
17 we evaluate the impact that changes in our operations will have on those various categories
18 of stakeholders, and thoughtfully work to mitigate negative impacts of those changes on
19 them where we can reasonably do so, in order to support the communities, customers, and
20 employees in the Ameren Missouri service territory.

21 In making that very type of assessment with respect to the impact of the retirement
22 of the Rush Island Energy Center on the Jefferson County community that has been home

¹ The material and supplies inventory at the plant also produces local tax revenues for Jefferson County taxing entities, including its schools.

1 to the plant for decades, it became apparent that the sudden and significant reduction in
2 local tax revenues upon retirement of the plant would disproportionately and negatively
3 impact this community that Ameren Missouri serves. This impact cannot reasonably be
4 expected to be mitigated except through the means the Company has proposed in this case.

5 The situation in this area is particularly dire if the funding ends abruptly. The coal
6 pile and materials and supplies inventory at Rush Island generate a critical source of tax
7 revenue for this area's school and county budgets. I have been involved in multiple
8 conversations with officials from the region about the closure of the Rush Island generation
9 facility and the very real impact of this upon the community. For example, the property
10 taxes paid by Ameren Missouri in 2022 represented approximately 11 percent of the
11 Jefferson County R-VII school district budget. It is clear to me that a future budget gap of
12 that magnitude will impact the ability to maintain the level of educational services that are
13 currently available to the community. My opinion in this regard is based in part on the letter
14 written by Jefferson R-VII School District Superintendent David Haug, which was filed
15 publicly with the Commission (see Consumer Comment P202400355 filed on February 20,
16 2024) and is also attached to my surrebuttal testimony as Schedule SMW-S1. I encourage
17 the Commission to review that letter in full.

18 The goal of including community transition costs in the securitization revenue
19 requirement is to provide a glide path that helps mitigate the sudden nature of the decline
20 in funding of the local schools and government. This will provide resources to continue
21 vital community services for a period of time during which the county and school district
22 may pursue other opportunities to generate long term and permanent solutions that provide
23 for the economic security of the local schools and community.

1 **Q. Are the costs of the community transition funding reasonable to**
2 **consider as Energy Transition Costs under the statute that authorizes securitization**
3 **in Missouri?**

4 A. Absolutely. Counsel advises me that these costs qualify as Energy
5 Transition Costs under the statute. More specifically, the statute allows recovery of "energy
6 transition costs," which are "pretax costs with respect to a...to be retired...electric
7 generating facility that is the subject of a petition for a financing order filed under this
8 section...include, ***but are not limited to***,..." The statute then goes on to list traditional costs
9 that would be incurred when a generating facility is retired early. But focusing solely on
10 the list ignores the clear language that allows for other costs (the "not limited to" language).

11 Property taxes paid by Ameren Missouri and reflected to its customers in the
12 revenue requirements used to establish rates for decades have made up a huge amount of
13 the local schools' and community's funding, which allowed for the provision of critical
14 services for the residents in the Jefferson County area. Communities like Jefferson County
15 that are intimately tied to the Company, both as a home to customers and employees of the
16 Company, and as a host for a plant that has provided service to the Company's more than
17 one million customers for decades, are stakeholders that deserve consideration by this
18 Commission. It is self-evident that the school and community impacts are a *direct result* of
19 the retirement of the plant – the energy transition event that is being addressed in this
20 proceeding. It simply would not be in the public interest for the Commission to deny
21 inclusion of these costs in the securitization revenue requirement with the result being that
22 this community would be likely to suffer significant cuts in services and educational
23 opportunities when there are simple and modest steps that can be taken to ease the transition

1 and wean the community off of the property taxes that have been provided by the facility
2 for so long. I encourage the Commission to find that it is squarely in the public interest to
3 include these community transition funds in the revenue requirement to be securitized as a
4 part of the Energy Transition Costs arising from the closure of the Rush Island Energy
5 Center.

6 **Q. You just said that the Company's plan for community transition is**
7 **"simple and modest." What is the customer impact of the Company's proposal to**
8 **provide temporary needed support to this community of Missourians, most of whom**
9 **also call Ameren Missouri their electric service provider?**

10 A. For the typical residential customer, it would literally cost *a penny per*
11 *month*. If you recall in my direct testimony, I identified the expected cost for a typical
12 residential customer of the securitization charge – based on the Company's proposed
13 approximately \$519 million revenue requirement – as \$1.71 per month. Note that the
14 proposed community transition costs of \$3.7 million represent a mere 0.69% of the
15 proposed revenue requirement. Therefore, of the \$1.71 per month charge anticipated by the
16 Company for securitization, approximately 1 cent per month, per residential customer,
17 would arise from the inclusion of these community transition costs. It is clearly within the
18 Commission's broad discretion to find the inclusion of 1 cent per month on customers' bills
19 to be just and reasonable, given the public interest in supporting a community that has
20 played an integral role in the provision of service by Ameren Missouri for decades through
21 a challenging transition.

1 **Q. Is there evidence from the industry that there is a public interest**
2 **associated with ensuring consideration of communities that are economically**
3 **impacted as legacy coal fired generation retires and newer and cleaner generation**
4 **comes online to replace it?**

5 A. Yes. It is widely recognized that the transition from legacy coal fired
6 generation that has reached or is reaching end of life disproportionately impacts certain
7 communities and workforces. For example, in the Inflation Reduction Act ("IRA"), which
8 provides for Production Tax Credits and Investment Tax Credits for new renewable energy
9 sources, there is a provision that allows for enhanced tax credits when such projects are
10 located in an "energy community". As stated in a U.S. Department of the Treasury press
11 release related to the IRA:

12 "The Inflation Reduction Act is designed not just to lower energy costs
13 and combat climate change, but to promote broad-based economic
14 opportunity and create jobs in **communities that have been at the**
15 **forefront of energy production**, especially coal communities," said
16 Deputy Secretary of the Treasury Wally Adeyemo. "Treasury is
17 focused on ensuring **all Americans benefit from the growth of the**
18 **clean energy economy, particularly those who live in communities**
19 **that have depended on the energy sector for jobs**. Economic growth
20 and productivity are higher when all communities can reach their full
21 potential."

22 The energy community bonus is available to developers for locating
23 projects **in communities historically dependent on fossil energy jobs**
24 **and tax revenues**, including areas with closed coal mines or coal-fired
25 power plants.²

26 It is clear that federal policy has been focused on supporting the communities that
27 have supported our energy security for decades. And it is not just federal policy that has
28 seen fit to do so. A number of states have explicitly contemplated such community

² <https://home.treasury.gov/news/press-releases/jy1538> (Emphasis added).

1 transition costs in their own securitization laws as well. For example, as reported in a
2 National Association of Regulatory Utility Commissions ("NARUC") report titled
3 "Mitigating Stranded Asset Risks to Utility Customers: an Exploration of Securitization
4 and Retiring Coal Generation:"

5 More recent enabling legislation of securitization for coal plant
6 retirements in states such as New Mexico and Colorado have
7 **considered the impact of coal plant closures within communities,**
8 and included provisions to ensure that some of the funds from the
9 securitized bonds are earmarked to support communities by **providing**
10 **funding for items such as property tax payments** and severance pay
11 and re-training for workers.³

12 While these states have explicitly contemplated community transition costs in their
13 securitization legislation, the same considerations that led to such decisions support a
14 Commission finding that it is in the public interest to support this Missouri community –
15 particularly given the stark reality facing the Jefferson R-VII school district and the entire
16 region in the near term - using its discretion to mitigate the direct impact of the energy
17 transition on this community - discretion which is clearly available under Missouri's
18 securitization statute.

19 **Q. Both Staff⁴ and OPC⁵ have characterized the Company's proposal as**
20 **the inclusion of a charitable contribution in the revenue requirement. Is that a good**
21 **characterization of the Company's proposal?**

22 A. No. Jefferson County and the local school district are not charitable
23 organizations. The Company has paid property taxes there for years, and it is entirely

³ Mitigating Stranded Asset Risks to Utility Customers: an Exploration of Securitization and Retiring Coal Generation, NARUC, February 2024, available at: <https://pubs.naruc.org/pub/D41DAF2A-9425-50CD-C1E2-70B694AAC1A4>, emphasis added

⁴ File No. EF-2024-0021, Keith Majors Rebuttal Testimony, p. 21. 1.15

⁵ File No. EF-2024-0021, John S. Riley Rebuttal Testimony, p. 19, ll. 2-3

1 reasonable for the Commission to provide a glide path in the reduction of such taxes
2 through a continuation of similar payments as a transitional expense as the plant ceases
3 operations. But furthermore, if the Commission determines that this proposal represents a
4 charitable contribution that cannot be included in this securitization exercise or in utility
5 rates otherwise, then the Commission will fully abdicate its opportunity to ensure – or even
6 influence – the continuity of critical services that are at risk in Jefferson County, and which
7 are clearly a matter of public interest that is directly related to the energy transition event
8 giving rise to this proceeding. The Commission can, however, see that such services are
9 maintained through a reasonable exercise of its authority to promote the public interest and
10 determine just and reasonable rates, by including a modest 1 cent per residential customer
11 per month in the securitization revenue requirement. An election not to do so would amount
12 to sitting back and hoping that private interests decide to allocate any "charitable" spending
13 they may contemplate in their budgets to this effort. But if the Commission sees the goal
14 of the community transition funds advocated for by the Company as worthwhile and in the
15 public interest, the only way the Commission can ensure that outcome is by including these
16 costs in the securitization revenue requirement.

1 **IV. COSTS OF EXPERT WITNESSES IN THIS CASE ARE PRUDENTLY**
2 **INCURRED ENERGY TRANSITION COSTS**

3 **Q. Staff witness Keith Majors proposes that the costs of the Company's**
4 **expert witnesses Jeffrey R. Holmstead and Karl R. Moor be excluded from the**
5 **upfront financing costs proposed for inclusion in the securitization revenue**
6 **requirement in this case.⁶ Why are the expenses incurred by the Company for these**
7 **witnesses appropriate to securitize?**

8 A. As should be abundantly clear from the Company's direct and surrebuttal
9 testimony in this case, the Company firmly believes that its actions in and decisions related
10 to the New Source Review ("NSR") proceedings arising from the Rush Island projects, and
11 its subsequent decision to retire the plant rather than install expensive pollution control
12 equipment, were prudent and were made with customers' interests in mind at every turn.
13 Moreover, as demonstrated by Company witness Matt Michels' surrebuttal testimony, even
14 if one hypothetically assumed that any of those decisions were imprudent, the fact is that
15 customers were not harmed at all; indeed, customers' rates would have been and would be
16 substantially higher had Ameren Missouri made different decisions respecting the NSR
17 permitting or a different decision regarding retrofitting versus retiring the plant. As such,
18 the Company has every right – and frankly an obligation to the investors on whom it relies
19 for the capital needed to provide safe and adequate service to its customers - to put on a
20 defense of those decisions when the propriety of those decisions and the ultimate recovery
21 of its cost of service is called into question. Reasonable businesses make prudent decisions

⁶ File No. EF-2024-0021, Keith Majors Rebuttal Testimony, p.21, l. 21 through p. 22, l. 3

1 to incur litigation expenses to defend their interests all the time, and this is no different.
2 Those costs are prudently incurred costs of providing electric service.

3 **Q. Mr. Majors says that the Company was not "required to procure the**
4 **services of witnesses Mr. Moor and Mr. Holmstead,"⁷ and also that their testimony is**
5 **"largely the same as that filed in the last prior rate case"⁸ and that "[r]atepayers have**
6 **paid these expenses through rate case expense in the prior rate case and should not**
7 **be responsible for these duplicative costs to the extent Ameren Missouri seeks to**
8 **include expenses for these witnesses through securitization."⁹ Is that an accurate**
9 **assessment of the situation?**

10 A. No, for several reasons. First, it is easy for Staff to assert that there is no
11 "requirement" to file these witnesses' testimony – at least as far as a legal or regulatory
12 obligation to do so. But practically speaking from the perspective of a Company that has
13 hundreds of millions of dollars of investments that are subject to potential prudence
14 challenges in this very case, previous cases, and perhaps even subsequent cases if Staff has
15 its way, there was no realistic choice but for the Company to vigorously defend its interests
16 in this proceeding. Given that these experts are among the most knowledgeable individuals
17 of the very circumstances the Company navigated that led to the NSR litigation, their hiring
18 was very obviously a reasonable decision for the Company, and the costs incurred to hire
19 them are a prudently incurred cost of doing business, which it must have an opportunity to
20 recover absent a finding of imprudence. Staff identifies one witness's cost as
21 **** _____ ****. Separately Staff suggests over \$50 million in prudence disallowances it

⁷ File No. EF-2024-0021, Keith Majors Rebuttal Testimony, p. 22, ll. 4-6

⁸ Id. p. 22, ll. 19-20

⁹ Id. p. 22, ll. 20-22

1 intends to potentially pursue related to the resolution of this question. There can be little
2 doubt that a reasonable business would spend the amount the Company has spent for these
3 witnesses to defend recovery of tens of millions of dollars of costs that it has good reason
4 to believe are prudently incurred.

5 Beyond that, Staff's claim that customers have already paid for the costs of these
6 witnesses is both inaccurate and ironic.

7 **Q. How is Staff's claim inaccurate?**

8 A. Staff's statement is inaccurate inasmuch as in the Company's last electric
9 rate case (File No. ER-2022-0337), Staff proposed that rate case expense be shared equally
10 between customers and shareholders based on a three-case average of such expense, rather
11 than fully reflected in customer rates.¹⁰ The Company proposed that a multi-case average
12 of rate case expense be included fully in the revenue requirement.¹¹ The rate case expense
13 that was averaged to form the Company's position included five prior rate cases, none of
14 which included any costs related to Messrs. Moor or Holmstead. Therefore, it is explicitly
15 true that neither Staff nor the Company even *proposed* full reflection in the revenue
16 requirement of rate case expense that was calculated based on the costs of these witnesses
17 in ER-2022-0337. Even more fundamentally, however, is the fact that the revenue
18 requirement in that case was resolved in a Stipulation and Agreement, commonly referred
19 to as a "black box settlement," that did not specify what costs were explicitly included or
20 excluded in the agreed upon revenue requirement from that stipulation. So, it cannot be
21 demonstrated by Staff, or anyone else, that these costs were included in the revenue
22 requirement, as Staff claims. And logic dictates that if no party with a position on rate case

¹⁰ File No. ER-2022-0337, Jared Giacone Direct Testimony, p. 12, ll. 11-12.

¹¹ File No. ER-2022-0337, Mitchell J. Lansford Direct Testimony, p. 29, ll. 8-10.

1 expense in that case even advocated for full inclusion of those costs in the revenue
2 requirement, it simply could not possibly be true that the agreed upon revenue requirement
3 reflected these costs. Mr. Majors admits this:

4 "Q. Well, as you said yourself earlier, that case [ER-2022-0337] was settled
5 by a black box, right?

6 A. Yes.

7 Q. By the nature of black box, no one can say what costs were not, quote,
8 in the revenue requirement, isn't that right?

9 A. That's correct."¹²

10 **Q. And why do you say it is ironic that Staff objects to recovery of these**
11 **costs as duplicative of prior rate case expense?**

12 A. Because, quite frankly, it is Staff's positions and tactics across multiple
13 cases that have – practically speaking – left the Company with *no choice* but to repeatedly
14 defend its decision making regarding the projects that led to the NSR litigation.
15 Additionally, Staff's position in this case, if adopted by the Commission, would virtually
16 guarantee that the Company would need to have these individuals testify *yet again* in a
17 future case, and perhaps repeatedly in many future cases, where Staff has indicated its
18 intention to continue to litigate this very same issue. If Staff wishes to stop hearing from
19 Messrs. Moor and Holmstead and wishes for the Company to stop incurring the costs of
20 hiring these witnesses, then it makes little sense to "kick the can down the road" on
21 resolving the Rush Island prudency question from case to case to case, as Staff's posture in
22 this case (and the immediately prior rate case) promotes.

¹² File No. EF-2024-0021, Deposition of Keith Majors, March 12, 2024, p. 63, ll. 14-20.

1 To understand why that is true, it is worth reviewing the specific circumstances that
2 the Company was faced with when making the decision to employ these witnesses.

3 **Q. What are those circumstances?**

4 A. Following the announcement of the Company's planned retirement of the
5 Rush Island Energy Center, Staff filed a motion for the Commission to initiate an
6 investigation into that situation on February 14, 2022, which the Commission did (the
7 Company did not object to Staff's motion) by opening File No. EO-2022-0215. In the
8 context of the investigation, Staff recommended that the Commission "direct Ameren
9 Missouri to file a memorandum, supported by affidavits and other exhibits as necessary,
10 showing how its decisions resulting in the present circumstance were prudent."¹³ Staff put
11 the onus on the Company to explain the prudence of its decision making, and the Company
12 agreed to do exactly that in its next rate case – the first time that the costs of Rush Island
13 would be subject to review following the retirement decision. And of course, the Company
14 took the task very seriously, leading to the engagement of Messrs. Moor and Holmstead.
15 These witnesses' testimony was developed and filed, and the costs of the witnesses
16 incurred, in direct response to Staff's recommendation and the Commission's subsequent
17 order for the Company to explain the prudence of the Rush Island circumstances.¹⁴

18 Fast forward a few months to the rate case where the Company complied with the
19 Commission's order by filing these witnesses' testimony for the first time. In that case, Staff
20 challenged recovery of certain Rush Island costs, but not on the basis of prudence of the

¹³ File No. EO-2022-0215, Staff's Initial Investigation Report Cover Pleading, p. 7, para. 22

¹⁴ Staff admits that this is the case. Keith Majors' Deposition, supra, at p. 60, ll. 11-16 ("Q. But the precipitating reason, isn't it fair to say that Mr. Birk and Mr. Michels testified about Rush Island's prudence and Mr. Holmstead and Mr. Moor testified about it is because the Commission at staff's urging ordered the company to do that, right? A. Yes.").

1 NSR process – despite the prudence issue being present in the case as a result of Staff's
2 request and the Commission's subsequent order for the Company to address it.

3 Staff did, however, provide lengthy rebuttal testimony in ER-2022-0337 suggesting
4 that it believed the Company's actions related to Rush Island's circumstance may have been
5 imprudent. At the end of the relevant section of Staff witness Claire Eubanks' rebuttal
6 testimony in that case, a section of testimony where she had thoroughly recounted the long
7 history of the NSR case, witness Eubanks stated:

8 Ameren Missouri intends to seek **securitization in a future case**. It is
9 Staff's position that that case would be the most appropriate case for
10 the Commission to **consider the prudence of Ameren Missouri's**
11 **decision-making** and ultimate recovery of the stranded asset.¹⁵

12 In the context of Ms. Eubanks' rebuttal testimony and its many, many pages
13 recounting the history and results of the NSR litigation, it is virtually impossible to read
14 her recommendation that the securitization case was the most appropriate case to "consider
15 the prudence of Ameren Missouri's decision-making" as referring to anything but
16 consideration of the entirety of that NSR process within this docket. Given that backdrop,
17 it would have been downright foolish for a Company with an interest in demonstrating its
18 prudence – which had already been called into question by Staff – to not file the testimony
19 of highly relevant expert witnesses. Staff witness Majors now calls the filing of these pieces
20 of testimony in this case duplicative of the filing of similar pieces in the prior rate case, yet
21 it is Staff whose recommendation in the Rush Island investigation case and subsequent
22 testimony statements from ER-2022-0337 virtually dictated that the testimony be filed once
23 and then rehashed again in this case.

¹⁵ File No, ER-2022-0337, Claire M. Eubanks Rebuttal Testimony, p. 19 l. 23 through p. 20 l.2 (Emphasis added)

1 Mr. Majors also admits that Staff advised the Commission in the Company's
2 previous rate case that this securitization case was the case where the prudence issues
3 addressed by Messrs. Holmstead and Moore (arising from the NSR permitting issue)
4 should be decided:

5 Q. You know that that was staff's position. Staff said in the 0337 case
6 Commission, you don't need to decide prudence around this dispute that
7 we're debating back and forth with Mr. Holmstead and Mr. Moor
8 among others and based on the Court decision, you don't need to decide
9 that in the 0337 case because the most appropriate case for you to
10 decide this is the securitization case the company is going to file, right?

11 A. I think that would be a fair interpretation of that which appeared in
12 [Staff] testimony.

13 Q. That's a fair interpretation of staff's position in that case?

14 A. Yes, but I don't recall elucidating about that specific position in my
15 [rate case] testimony.

16 Q. Right, I understand. I don't think you're the one that said it. I'm just
17 confirming that that was the staff's basic message to the Commission
18 in that case.

19 A. Yes.¹⁶

20 **Q. Are there other reasons why Mr. Major's recommendation in this**
21 **case is ironic?**

22 A. As noted, Staff insisted in its motion to open the Rush Island investigation
23 that the Company provide sworn evidence on the NSR prudence issues, put on significant
24 testimony itself on such issues, and told the Commission, however, that the ER-2022-0337

¹⁶ Keith Majors' Deposition, *supra*, p. 61, l. 14 through p. 62, l. 8. Mr. Majors went on to agree that the Company, faced with the knowledge that Staff told the Commission the prudence issues should be taken up in this securitization case, was rational in deciding that it should put on evidence – in this case – defending itself on the prudency question. *Id.* p.62, l. 19 through p. 63, l. 3.

1 case was not the case to decide those issues but that prudence issues should be taken up in
2 *this* case, as pointed out in the quote from Staff witness Eubanks.

3 Now, despite witness Eubanks' prior rate case statement that the Company's
4 decision making related to NSR was best evaluated in the securitization case - this case -
5 Staff has chosen to recommend limiting the application of the prudence question in this
6 case to solely the retirement decision in isolation, rather than all of the events surrounding
7 the NSR litigation. Staff *now* suggests that the prudence issue be discussed here but
8 preserved for ratemaking determinations in *another* future rate case. Although Staff has
9 asked for the Commission to acknowledge imprudence in this case, I am advised by counsel
10 that such an acknowledgement would not legally bind a future Commission to find costs
11 in a future rate case to be imprudently incurred, so it would only make sense that the entire
12 issue would be litigated *again* in that case, even if the Commission indicated an inclination
13 to find imprudence here. As a result, if Staff has its way, then it would become likely that
14 the testimony of Messrs. Moor and Holmstead would be needed yet again. For this reason,
15 and many others, the Commission should resolve the Rush Island prudence issue once and
16 for all in this case. Company witness John P. Reed addresses why in greater detail in his
17 surrebuttal testimony as well. And it should resolve it – based on the testimony of Ameren
18 Missouri's witnesses – with a finding that the Company acted reasonably based on what it
19 knew or reasonably should have known at the time the decisions were made. And it should
20 also find the cost of the expert testimony filed by the Company to be a prudently incurred
21 Energy Transition Cost that is subject to securitization.

1 **Q. You just said the Commission should resolve this situation in this case**
2 **for "many" reasons besides just the incurrence of the cost of expert witnesses. What**
3 **are some of those reasons?**

4 A. Protracted and repeated litigation of this issue serves no parties' interests,
5 and certainly does not serve the public interest, or the Commission's interest. Tremendous
6 resources are expended by all parties and the Commission itself every time a complex and
7 impactful issue like this is litigated. Kicking the can down the road will ensure that
8 resources continue to be poured into the issue from all sides. But beyond the wasteful cost
9 of repeated litigation of the issue, the uncertainty of "kicking the can down the road" creates
10 a regulatory overhang that will complicate future cases, put the relevant decisions and facts
11 that are being assessed and evaluated even further in the distant past than they already are
12 – potentially making key witnesses with firsthand knowledge of the situation unavailable
13 and key facts more difficult to verify, make the impacts of those decisions ever-more
14 complicated to disentangle from the myriad other factors in the energy landscape that will
15 be impacting the costs that Staff may decide to challenge (such as the transmission project
16 costs and potential MISO capacity costs that Staff has already signaled that it anticipates
17 challenging), and make Missouri less attractive for investors – potentially reducing access
18 to or raising the cost of capital in the state - due to the lack of clarity about how the issue
19 may play out over a potential period of many years. It simply makes no sense for anyone
20 in this circumstance to kick the can down the road.

1 **V. ALLOCATION OF THE SECURITIZATION REVENUE REQUIREMENT**
2 **TO CLASSES AND OTHER TARIFF ISSUES**

3 **Q. Please provide an overview of the positions of the parties with respect**
4 **to how the securitization revenue requirement should be allocated to customers.**

5 A. In my direct testimony, I recommended that the charges be allocated to
6 customers based on loss adjusted kilowatt hour energy usage. As I stated at that time, this
7 was in recognition of the adoption of this method by the Commission in Liberty's
8 securitization proceeding (File No. EO-2022-0193), as well as the approval of a similar
9 method in a settlement of Evergy's securitization case (File No. EO-2022-0155).

10 Staff witness Lange endorses this approach and provides perspective on why Staff
11 feels this approach is appropriate.

12 MIEC witness Brubaker takes issue with the Company's cost allocation, and in
13 doing so distinguishes the facts in the Company's securitization case from the other two
14 dockets that I referenced. Witness Brubaker goes on to recommend that the securitization
15 costs be allocated based on the base rate revenues incurred by customers rather than on
16 their loss-adjusted energy consumption. Mr. Brubaker argues that the nature of the costs
17 being securitized are fixed costs and do not vary with kWh consumption, and that therefore
18 allocation based on loss-adjusted energy is not consistent with cost causation, whereas base
19 rate revenue allocation is more consistent with the nature of fixed costs being recovered.

20 **Q. What is your response to MIEC's alternative proposal and the rationale**
21 **for it?**

22 A. I certainly understand the rationale that Mr. Brubaker presents, and do not
23 disagree with his assessment that the nature of the costs being recovered do not vary

1 directly with kWh consumption. The cost allocation approach advocated for by MIEC
2 would unquestionably be another reasonable alternative for the Commission to consider.
3 Ultimately, some of Mr. Brubaker's arguments are very similar to points that were made
4 previously, specifically in the Liberty securitization docket, and the Commission found in
5 favor of the loss-adjusted energy method. Since both methods appear to be within the
6 Commission's discretion to adopt, the Company chose to recommend consistency across
7 the utilities in the state on this topic. However, if the Commission wishes to reconsider it
8 would not be unreasonable to adopt MIEC's approach.

9 **Q. Do you agree with Mr. Brubaker on the distinguishing characteristics**
10 **of this case relative to the Evergy and Liberty securitization cases?**

11 A. In part. Certainly, the Evergy case can reasonably be distinguished because
12 the costs being securitized were exclusively a result of extraordinary energy costs incurred
13 in an extreme winter storm event, and not associated with Energy Transition Costs
14 associated with a retiring plant. However, Liberty's costs included both cost types – winter
15 storm impacts on net energy costs, as well as Energy Transition Costs from the retirement
16 of a coal fired generation facility (the Asbury plant). The Commission's rationale for
17 choosing loss-adjusted energy costs was explicitly expressed with respect to why it was
18 just and reasonable for recovery of the Asbury retirement costs. The nature of the Asbury
19 retirement costs is similar to the nature of the Rush Island Energy Center Energy Transition
20 Costs being sought for recovery by the Company in this case. To that end, I think the
21 Commission's rationale would still apply in this case, though perhaps not as strongly, given
22 the fact that the Rush Island plant costs are not being comingled with winter storm costs.
23 Perhaps if the Commission had only been considering Asbury costs in isolation, it would

1 have reached a different conclusion. To the extent that is the case, the Commission may
2 wish to reconsider that conclusion in this case.

3 **Q. What is your recommendation given the competing proposals?**

4 A. I believe both cost allocation methods in this case could be considered just
5 and reasonable and are well within the Commission's discretion to adopt. The Company's
6 primary recommendation was premised on driving consistency with the prior securitization
7 decisions and thus allocated the costs on a loss-adjusted energy basis. But the Company
8 does not have significant concerns if the Commission felt persuaded by MIEC's argument
9 and chose to do so on the basis of base rate revenues.

10 **Q. Staff witness Sarah Lange argues that the Company's tariff, which**
11 **provides for a carveout of customers under special contracts to not pay securitization**
12 **charges is inappropriate. Do you agree with her?**

13 A. In retrospect, yes I do. In developing its initial position in this case the
14 Company focused on the statutory language specifying that securitization charges are not
15 applicable to special contracts. Because the Company has certain customers taking service
16 under special contracts, we develop the tariff to exempt them. But Ms. Lange provided more
17 context around the statutory language that defines the nature of special contracts that are
18 subject to this exemption. It makes sense to me based on Ms. Lange's discussion that the
19 nature of the special contracts that exist with the two customers identified by the Company
20 were not of the nature of contracts that the legislation targeted for carveout from these
21 charges. Based on that understanding, the Company agrees that the exemption for such
22 special contracts does not apply to these circumstances.

1 **Q. Are there other tariff issues identified by Staff witness Lange that you**
2 **wish to respond to?**

3 A. Yes. Staff witness Lange discusses a comparison of the Evergy
4 securitization tariff and the Liberty securitization tariff, noting that the Liberty tariff design
5 was not available when the Company filed its case. That is definitely accurate – we had not
6 seen Liberty's tariff at the time we designed the securitization tariff filed with my direct
7 testimony. The Company understands Staff to generally prefer the tariff structure that was
8 developed for Liberty's compliance filing. The Company does not have a strong preference
9 between the general form of tariff with respect to whether the format aligns more closely
10 with the Evergy or the Liberty model and would not object to following the structural
11 layout of Liberty's tariff.

12 There are certain specific tariff provisions that Staff calls out though, that are
13 identified as missing from the Company's proposed tariff. Specifically, Staff identified
14 three additions to the Company's proposed tariff that should be made. The changes
15 recommended by Staff include the following:

- 16 • "Future-proof" the tariff by tying the voltage adjustment factors to the
17 similar factors used in the Company's Fuel Adjustment Clause, ensuring
18 that such factors will be updated in future rate reviews,
- 19 • Language about the non-bypassability of securitization charges clarifying
20 that securitization charges are not subject to discount, and
- 21 • Language about non-bypassability of securitization charges clarifying what
22 happens if future changes are made to the utility's service territory.

1 **Q. Does the Company agree with the recommendations made by Staff**
2 **regarding these tariff provisions?**

3 A. In part. The first "future-proofing" provision makes sense to incorporate in
4 the final securitization tariff assuming that the Commission adopts the revenue allocation
5 methodology proposed by the Company. If the Commission were to adopt MIEC's
6 proposal, this provision would become unnecessary, as loss-adjustments would not be
7 needed to develop or apply the rate to customer bills.

8 The Company has no objection to making the second change, clarifying that
9 securitization charges are not eligible for any discounts.

10 The third change related to the applicability of charges to customers involved in
11 changes of service provider raises certain concerns from the Company. Specifically, Staff's
12 proposed language seems to include asymmetric language about the treatment of customers
13 that are subject to change of provider through territorial agreements in the future. As I read
14 Staff's proposed language securitization charges would apply to any customer that joined
15 the system through a territorial agreement with another utility and would also apply
16 indefinitely going forward to any customer that left the Company's system through a
17 territorial agreement. Territorial agreements often arise as "swaps" between the Company
18 and neighboring co-ops, where, due to proximity to utility facilities, or other mutual
19 considerations, it makes sense for utilities to "exchange" or "swap" customers. Staff's
20 proposal seems to suggest that customers on "both sides" of a swap would be indefinitely
21 responsible for securitization charges. I do not think it makes sense for customers that leave
22 the Company's system through such a territorial agreement to indefinitely pay
23 securitization charges, even while taking service from a different utility. These are

1 generally small numbers of customers involved in swaps or territorial agreements, and the
2 mechanisms for Ameren Missouri to bill these customers, that would then be another
3 utilities' customers, for its charges simply do not exist. Neither do collection practices nor
4 disconnection practices exist to enforce Ameren Missouri's charges on a neighboring
5 utilities' customers. And it would likely be more costly to develop the billing and collection
6 practices to continue to receive securitization charges from these former customers than
7 the value of all of the payments that would likely be collected by continuing to apply
8 charges to these customers.

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

10 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) EF-2024-0021
of Securitized Utility Tariff Bonds for)
Energy Transition Costs related to Rush)
Island Energy Center.)

AFFIDAVIT OF STEVEN M. WILLS

STATE OF MISSOURI)
) ss
CITY OF ST. LOUIS)

Steven M. Wills, being first duly sworn on his oath, states:

My name is Steven M. Wills, and hereby declare on oath that I am of sound mind and lawful age; that I have prepared the foregoing *Surrebuttal Testimony*; and further, under the penalty of perjury, that the same is true and correct to the best of my knowledge and belief.

/s/ Steven M. Wills
Steven M. Wills

Sworn to me this 22nd day of March 2024.

Jefferson County R-VII School District

1250 Dooling Hollow Road
Festus, MO 63028
Phone: (636) 937-7940
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David Haug, Ed.D.
Superintendent of Schools
Email: haugd@jr7.k12.mo.us
Darren Schaffer
Executive Director of
Administrative Services
Email: schafferd@jr7.k12.mo.us

February 20, 2024

Dear Missouri Public Service Commission,

The Superintendent of Schools from the Jefferson R-VII School District met with representatives from Ameren to discuss the Rush Island plant closure and securitization on January 12, 2024. Ameren provided information related to securitization including a \$3.6 million request for the Jefferson R-VII School District and local entities to help offset the sudden closure of the Rush Island Plant.

The Jefferson R-VII School District Superintendent has communicated with several entities to gain a better understanding of the securitization process. The securitization process is relatively new and little precedent exists. The Missouri Office of Public Counsel informed the superintendent the district may provide information on behalf of the securitization process.

Please accept this letter as support of Ameren's request to support the Jefferson R-VII School District and local entities with the abrupt closure of the Ameren Rush Island Plant. Please see the attached "Analysis of Ameren Rush Island Plant Closure in the Jefferson R-VII School District" with additional information to support the securitization.

Please feel free to contact me with any questions or additional information. My email address is haugd@jr7.k12.mo.us.

Sincerely,

Dr. David Haug, Superintendent
Jefferson R-VII School District

CC: Missouri Senator Elaine Gannon, Missouri Representative Cyndi Buchheit-Courtway, Jefferson County Commissioner Dennis Gannon, Jefferson County Council Person Scott Seek, Jefferson R-VII Board of Education President James Jackson

Schedule SMW-S1

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7 Blue Jay Way
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rougelya@jr7.k12.mo.us

Danby-Rush Tower Middle

Principal: Steve Horn
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Telegraph Intermediate

Principal: Dalia Watson
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Plattin Primary

Principal: Tina Basler
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Board of Education

Jimmy Jackson, President • Karen Koenig, Vice President • Mike Frisk • Chris Hastings • Beth McDaniel • James "Pete" McPeters • Justin Neel

Analysis of the Ameren Rush Island Plant Closure

Dr. David Haug, Superintendent of Schools

Jefferson R-VII School District

February 19, 2024

Executive Summary

The Jefferson R-VII School District was notified by Ameren representatives on Friday, January 12, 2024 of the abrupt closure of the Ameren Rush Island Plant on October 15, 2024.

- The Jefferson R-VII School District, according to Ameren representatives, will lose \$1.5 to \$1.6 million annually of local tax revenue beginning in 2025 and moving forward.
- Referencing 2022 budget numbers, the approximate total revenues were \$14 million dollars. The loss of \$1.6 million represents approximately 11.4% of the budget.
- The Jefferson R-VII School District is not eligible to recoup funds through the Missouri School Funding Formula.
- The Jefferson R-VII School District will assess the need to raise the tax ceiling or consider a tax rate increase to sustain the operation of the school district. This is a concern for two reasons:
 - Small school budgets are susceptible to sudden, significant changes in revenue. The Ameren closure will greatly affect our budgets.
 - More importantly, Jefferson R-VII School District has two current corporations, Ameren and Buzzi Unicem. A third, James Hardie Industries, is anticipated to begin building in the coming years. With the loss of Ameren, the burden of tax, with no additional state funding, will fall on the shoulders of Buzzi Unicem and James Hardie Industries.

In short, the significant, abrupt reduction in local tax revenue by the closure of the Rush Island Plant by a federal court, will create instability in our local school budget and will potentially negatively impact corporate growth in Missouri.

Introduction

The Jefferson R-VII School District was saddened to be notified of the closing of Ameren's Rush Tower Plant. Ameren has been an excellent corporate community partner. Ameren's support of the students of the Jefferson R-VII School District goes beyond the tax dollars directed to our local budgets. Ameren has been an advocate for our kids with generous donations of time and resources to support our students. The closure of this plant will impact the educational opportunities for our students, but more importantly, Jefferson R-VII may lose a valued partner in our community since 1976.

The district was notified by Ameren leadership on Friday, January 12, 2024 of the imminent closure of the Ameren Rush Island Plant on October 15, 2024. Ameren leadership informed the Jefferson R-VII leadership that the effect on school budgets beginning in 2025 is \$1.5 to \$1.6 million dollars annually in lost tax revenue. Ameren leadership provided the opportunity for the district to begin planning for growth with the abrupt nature of the closure and is aware of the immediate impact the closure will have on the finances of the Jefferson R-VII School District.

Delimitations

This analysis, while communicating with Ameren leadership, is based on the following delimitations:¹

- The district is aware that, at this time, the Rush Island Plant is scheduled to close and cease operation on October 15, 2024, well ahead of the 2039 anticipated closure.
- All options to keep the Rush Island Plant open have been exhausted through court filings by Ameren to keep the plant operational.
- The Rush Island Plant will be removed and the land will be restored following EPA guidelines.
- The Jefferson R-VII School District will lose an approximate \$40-\$45 million from the assessed valuation (AV), with an approximate loss of \$1.5 to \$1.6 of local tax revenue to the district.

Abrupt Closure of the Ameren Plant

Through the analysis of Jefferson R-VII historical AV, it is our conclusion that Ameren has acted in good faith with the taxpayers of Missouri and the Jefferson R-VII School District and their intent to keep the Ameren Rush Island Plant open until 2039. The scheduled Rush Island Plant closure in 2039 has been expedited by a federal court ruling. The district experienced tremendous growth in local AV in 2010-11 with the completed upgrades made to the Rush Island Plant between 2006 and 2010. The AV for the district in 2009-10 was \$157,835,012. The AV for the Jefferson R-VII School District grew, unexpectedly, to \$199,995,648 in 2010-11. The conservative estimate of the benefit to the district was \$1.7 to \$1.9 million dollars during the 2010-11 fiscal year.

The upgrades became the center of the lawsuit as opponents to the upgrades argued in federal court that the Rush Island Plant was no longer exempt from new coal emission standards.² Through a review of the multiple filings of this case, Ameren continued to provide a sustainable energy plan for the Rush Island Plant throughout this process.

Citing the example provided above, where the Jefferson R-VII School District and State of Missouri School Funding Formula benefitted greatly from the Ameren expansion and growth, the opposite is true for the future of the Jefferson R-VII School District without support from the Missouri School Funding Formula.

Large Corporate Positive Impact on Local and State Education Revenues

The Jefferson R-VII School District has long benefitted from the presence of two major corporations and the subsequent tax dollars provided to educate students. Referencing 2022 Jefferson R-VII tax revenues, Buzzi Unicem and Ameren consisted of 56.7% of the local tax revenues related to real estate and personal property.

Table: Jefferson R-VII Local Real Estate and Personal Property 2022 Revenue

Total (Personal Property/Real Estate/Ameren RR & Utilities)	\$9,611,585.56
Buzzi Unicem (2022 Real Estate & Personal Property)	\$3,159,025.45

¹ Bloomberg, L. D. & Volpe, M. (2016). *Completing your qualitative dissertation, A road map from beginning to end*. Sage Publications Inc.

² *U.S. Court of Appeals: Ameren Must Install Scrubbers at Jefferson County Coal Plant*. St. Louis Post-Dispatch, August 2021. ([Link](#))

Ameren (2022 Real Estate, Personal Property, RR & Utilities)	\$2,292,492.48
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Under the Missouri School Funding Formula, Jefferson R-VII was able to capture funds from both corporations, which allowed the Basic Formula in the State of Missouri to save or reallocate dollars to other school districts.³ Under the current formula, Jefferson R-VII receives \$2016 per pupil for weighted daily attendance (WADA). For the purposes of this document, Jefferson R-VII will use a conservative WADA number at 945. Here is the impact compared to the Missouri School Funding Formula that the two large corporations, Ameren and Buzzi Unicem, have on state fund savings:

Table: Jefferson R-VII Per-Pupil Reimbursement Compared to Missouri School Funding Formula

	Per Student	Per Student x WADA
Jefferson R-VII Adjusted Per-Pupil Reimbursement	\$2016	\$1,905,120
Missouri Per-Pupil Reimbursement	\$6350	\$6,007,500

For the purposes of this report, five local schools were contacted to inquire to their per-pupil reimbursement. The average of the five schools located within the county is \$4415. The comparison to local schools is shown below.

Table: Jefferson R-VII Per-Pupil Reimbursement Compared to Missouri School Funding Formula

	Per Student	Per Student x WADA
Jefferson R-VII Adjusted Per-Pupil Reimbursement	\$2016	\$1,905,120
Jefferson County Average Per-Pupil Reimbursement	\$4415	\$4,172,175

The State of Missouri saves \$4,095,630 annually with the presence of two major corporations located within the boundaries of the Jefferson R-VII School District. In comparison to the five-school average of schools located within the county, the savings to the State of Missouri is \$2,267,055. The common agreement within the world of school finance is Jefferson R-VII benefits greatly from the high Assessed Valuation (AV). This study agrees with this thought. However, the State of Missouri has also greatly benefitted from the presence of Ameren and Buzzi Unicem’s impact on the Jefferson R-VII School District. This study notes the district would need to move from \$2016 in per-pupil reimbursement from the State of Missouri to \$3600 through \$4000 to offset the loss of the Ameren tax revenue. The increase of state funding still would not meet the average of five local schools and is well below the full per-pupil expenditure. **Furthermore, Jefferson R-VII is not eligible to receive any increase based on the Missouri School Funding Formula.**

This review of Missouri per-pupil reimbursement demonstrates the current benefit of two major corporations, Buzzi Unicem and Ameren, to the Jefferson R-VII School District, and more importantly, to the Missouri School Funding Formula. **While the Jefferson R-VII School District benefitted from growth of the two corporations, the district, with its limited local funding opportunities, would experience a substantial loss in revenue with no opportunity to recoup funds from the Missouri School Funding Formula.**

District Reacts to Announcement of Early Closure

Prior to December 2021, the Jefferson R-VII Administration and Board of Education were aware of the slated closure of the Rush Island Plant in 2039. The December 2021 announcement of Ameren’s intent to

³ Missouri Department of Elementary and Secondary Education, Missouri School Funding Formula ([Link](#))

close the Rush Island Energy Center in 2025 came as a surprise. In November 2021, the Board of Education had approved moving forward with a bond issue in the amount of \$10 million for district improvements, specifically centered around road improvements to increase student and family safety during the AM drop-off and PM pick-up times. The district revisited the announcement of the bond issue, specifically related to the Ameren announcement, and rescinded the bond issue in January 2022. The Board of Education did not want to violate the trust of its constituents as the bond issue could no longer be termed “a no tax-rate increase,” and the project was promptly removed.

The removal of the bond issue was a setback to the district as student safety related to the state highway and campus roads were not improved. Jefferson R-VII is located in an unincorporated part of Jefferson County, with no local government, and is responsible for any road improvements on US Highway 61, with no additional funding support from the State of Missouri or Jefferson County.

Actions by the district since the announcement:

- Removal of a Bond Issue scheduled for April 2022
- Streamline apps and texts related to direct instruction
- An immediate analysis of district-wide needs and upgrades of facilities
- Adjustments to budgeting to move scheduled projects to an earlier date, if possible
- Along with a shortage of substitute drivers and the Ameren announcement of the Rush Island Plant closure, district leadership combined a bus route on January 24, 2024.

Future Budget Projections

Currently, Jefferson R-VII leadership are conducting projections for the 2024-25 and 2025-26 budgets. The following table outlines three current projections for local funding based on projected Assessed Valuation. The table includes the projection from last year based on a reduction of personal property from Ameren:

Table: Three-Year Local Revenue Budget Projection – Jefferson R-VII

Prior	2023-24	\$9,500,000 – Projection for 2023-24 budget, June 2023
Next Year	2024-25	\$9,700,000 – Projection for 2024-25 budget, February 2024
Two Year	2025-26	\$8,340,000 – Includes the Rush Island Plant Closure

The projections include a \$40 million reduction in Assessed Valuation as presented by Ameren leadership on January 12, 2024. The district would lose \$1,359,750 in one year based on current projections.

Local Governance

The Jefferson R-VII School District is located in the southeast part of Jefferson County. The district formed as a K-8 district in 1950. The district remained a K-8 district until 2009, when the doors of the high school opened. The community celebrated its first graduating class in 2013. The enrollment of the district in the past 10 years has steadily remained near 1,000 students K-12.

The district is located in an unincorporated part of Jefferson County. The landscape of the district provides opportunity for growth, both corporate and residential. The district has no city and limited local government. In the county’s current format, the district is represented at the local level with only one county representative position, which also represents portions outside of the Jefferson R-VII School District. **The district has historically been impacted by decisions on local taxes made with little or no representation by district patrons. This is related to the unincorporated standing of the district.**

- In 2005, the three-person county commission voted to approve a Chapter 100 abatement for Buzzi Unicem (locally known as River Cement). The R-VII community had no direct representation. (The county moved to a charter, allowing for the aforementioned county representative.)
- In 2023, the Crystal City City Council voted unanimously to approve a Chapter 353 abatement for James Hardie Industries and their future plant located within the boundaries of the Jefferson R-VII School District. The Jefferson R-VII School District had no representative present for the planning or voting on the abatement.

While it is not eminent, the district may be forced to maximize its tax rate ceiling or seek a tax rate increase in the community to continue the great education provided by our district. The unintended consequence of the abrupt closure of the Ameren Rush Island Plant potentially will be the additional tax burden placed on corporations. **Buzzi Unicem, James Hardie Industries, small business owners, and constituents will bear the burden of the Ameren Rush Island closure.**

Local Interest – Missouri Growth Precedence

Upon reviewing other public utility cases and legislation, there is precedence in Missouri for legislation and decisions to protect local interests. The Grain Belt Express decision extended over a period of time and centered on the effect of eminent domain and farmers. Missouri State Senator Jason Bean described the legislation to “[keep] Missouri open for business while ensuring we aren’t taken advantage of simply because of our geographic location.”⁴ While the Jefferson R-VII – Ameren securitization process does not represent eminent domain, a public utility closing due to a Federal Court Ruling should not negatively affect other corporations. In my opinion, the Grain Belt Express provides precedence to protect growth and local interests.^{5,6,7}

Effect on Local Budgets

Referencing 2022 county and state tax collection numbers, Ameren contributed 16.3% to the total budget. The loss of \$1.5 to \$1.6 million in 2025 would be a substantial shock to the budgets of the district. The district has been proactive regarding district funds in the short amount of time since learning of the Ameren closure. The district currently has a reserve of 38% in funds 1 and 2, for a combined \$5.2 million.

Jefferson R-VII School District Continuous School Improvement Plan (CSIP) goals adopted by the Jefferson R-VII Board of Education outlines the threshold where reserves must remain to protect school budgets. CSIP Smart Goal 1.2.2 stipulates the reserves remain above 28%. For example, if the district were to need to use \$1 million in one fiscal year out of reserves, the number would drop immediately to \$4.2 million, 28% of a \$15 million-dollar budget.⁸

⁴ Kite, Allison. “Missouri Senate Approves Eminent Domain Reform That Wouldn’t Kill Grain Belt Express.” *Missouri Independent*, 5 May 2022. [Link](#)

⁵ Kite, Allison. “Missouri Governor to Sign Compromise Legislation after Efforts to Stymie Grain Belt Express.” *Missouri Independent*, 8 June 2022. [Link](#)

⁶ Kite, Allison. “Missouri Agriculture Groups Renew Criticism of Grain Belt Express over New Extension.” *Missouri Independent*, 4 Oct. 2022. [Link](#)

⁷ Kite, Allison. “Grain Belt Express Transmission Line Wins Final Approval in Missouri.” *Missouri Independent*, 13 Oct. 2023. [Link](#)

⁸ Jefferson R-VII School District Continuous School Improvement Plant ([Link](#))

Research also identifies that small schools are not as efficient in terms of testing and finance.^{9,10,11} Small school budgets are susceptible to sudden, significant changes in revenue. The Ameren closure and complete demolition of the plant will greatly affect our budgets. **The concern, as outlined above and below, is the impact on the taxpayers in our district, including Buzzi Unicem and James Hardie Industries.**

District Opportunities

The Ameren Rush Island closure can create opportunities for the Jefferson R-VII School District, Jefferson County, and the State of Missouri:

- The \$3.6 million securitization proposed by Ameren would not only benefit the yearly budgeting for the school district and protect the interests of the students, staff and community, but the funding would also aid with the abrupt closure of the Rush Island Plant to protect the current corporate landscape that resides in the district. The district potentially would need to review all measures to ensure the education of its students, including possibly raising the tax rate.
- In addition to the benefits to the district, portions of the \$3.6 million could be allocated to align with county growth plans. The district is meeting with outside entities, specifically those initiated by Ameren and including resources within the State of Missouri, to provide research-based practices to align Jefferson County growth planning and the resources that lie within the Jefferson R-VII District.
- Specific to this community, the alignment and expansion of a sewer planning will be essential to housing growth. Several houses and HOAs still have septic as the only option.

Recommendation

Closing recommendations:

- The Jefferson R-VII School District fully supports Ameren in its filing for the securitization based on our current knowledge of the request, including the \$3.6 million for the district to mitigate abrupt losses due to the forced early retirement of the Rush Island Plant.
 - The district has had no voting authority on the two major abatements in the past 20 years. However, the closure of the Ameren Rush Island Plant, 15 years prior to its projected retirement and through no fault of Ameren, should not harm the school district, two corporations, local business, or tax payers.
 - The students, district, and community should not bear the burden of negativity from the state and county if tax rates are increased related to the Rush Island closure.
- The Jefferson R-VII School District must identify regional strengths and maximize opportunities for the local work force. The campus is within 15 minutes of driving distance to three major corporations in the cement industry. Buzzi Unicem, Holcim, and the future development of James Hardie Industries provide opportunities for the local labor force to grow this community.

⁹ Hattie, J. A. (2009). *Visible learning, A synthesis of over 800 meta-analyses relating to achievement*. Routledge.

¹⁰ Lee, H.-J., Ozgun-Koca, S. A., & Cristol, D. (2011). An analysis of high school transformation effort from an outcome perspective. *Current Issues in Education*, 14(1).

¹¹ Newman, M. (2008). Big or small: Does the size of a secondary school matter? *FORUM: For Promoting 3-19 Comprehensive Education*, 50(2), 167–176.

- The Jefferson R-VII School District and county groups should continue to explore and engage the resources Ameren has provided to better communicate and plan for future growth. District leadership has collaborated with Ameren to connect with growth planning through the State of Missouri, Jefferson County EDC, and other resources.
- The Jefferson R-VII School District and community should pursue county government alignment and support for future growth opportunities.

Closing

Ameren has been and continues to be a strong community corporate partner. The district understands that the impact of the departure is greater than dollars. Ameren has provided support for the children of the Jefferson R-VII District for many years. **As part of this securitization process and the opportunity to work with the Missouri Office of the Public Counsel (OPC), the district would like to advocate on behalf of the energy rate payers and tax payers of Missouri.**

The Jefferson R-VII School District would fully support the opportunity for a new Ameren Plant to emerge at the location of the current Rush Island Plant. We have reviewed documents, including newspaper articles, to prepare this report. Citing two articles from September, 2023, Ameren has stated they intend to build two plants to replace the coal-fired plants, including Rush Island.^{12,13} The Jefferson R-VII School District would support a future plant at the current location for the following reasons:

- Ameren has a desire to reduce emissions by 2045.
- Efficient use of rate and tax dollars supports using the current infrastructure that is in place when the Rush Island Plant is closed.
- The new plant would be centered among three major cement corporations, Buzzi Unicem, Holcim, and James Hardie Industries, aligned along a great waterway, the Mississippi River
- Ameren and the Jefferson R-VII community have been good partners in the past, and with this opportunity, seek to continue a great relationship.

Finally, Ameren has stated the land has value to them in the future. However, if the land is not designated for use by Ameren for a replacement plant, we recommend a joint effort by the State of Missouri and Ameren to find a corporation to use the current property. In speaking with contacts within local industry, the land would be valuable to another corporation.

¹² Ameren Wants to Build Two Natural Gas-Powered Plants. St. Louis Post Dispatch. September, 2023. [Link](#)

¹³ Ameren Missouri Plans New Natural Gas Plants. Missouri Independent. September, 2023. [Link](#)