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MISSOURI PUBLIC SERVICE COMMISSION

FILE NO. EF-2024-0021

SURREBUTTAL TESTIMONY

OF

DARRYL T. SAGEL

ON

BEHALF OF

UNION ELECTRIC COMPANY

D/B/A AMEREN MISSOURI

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

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SURREBUTTAL TESTIMONY

OF

DARRYL T. SAGEL

FILE NO. EF-2024-0021

1 **I. INTRODUCTION**

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

3 A. A. My name is Darryl T. Sagel. My business address is One Ameren
4 Plaza, 1901 Chouteau Avenue, St. Louis, Missouri 63103.

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

6 A. I am employed by Ameren Services Company ("Ameren Services"), a
7 wholly-owned subsidiary of Ameren Corporation ("Ameren"), as Vice President and
8 Treasurer. I also serve as Vice President and Treasurer of Union Electric Company d/b/a
9 Ameren Missouri ("Ameren Missouri" or "Company"). Ameren Services provides various
10 corporate support services to Ameren's subsidiaries, including Ameren Missouri, such as
11 accounting, legal, financial, and treasury services.

12 **Q. What are your current job duties and responsibilities?**

13 A. As Treasurer, I am responsible for all areas of the treasury functional area,
14 including corporate finance, cash and investment management, credit risk management,
15 investor relations, investor services, corporate modeling and corporate development.
16 Within the areas of corporate finance, I am responsible for, among other things, managing
17 Ameren's and its subsidiaries' capital raising and capital structures, including their short-
18 term and long-term financing activities, such as debt and equity issuances and credit facility

1 arrangements. I am also responsible for monitoring and managing Ameren's and its
2 subsidiaries' liquidity positions, key credit metrics, and debt agreement compliance,
3 overseeing relationships with credit rating agencies and banks, and monitoring capital
4 markets for key developments, and emerging risks and opportunities, among other
5 corporate finance-related activities.

6 **Q. Please describe your educational and professional background.**

7 A. See my Statement of Qualifications, which is attached as Appendix A to my
8 surrebuttal testimony.

9 **II. PURPOSE OF TESTIMONY**

10 **Q. To what testimony or issues are you responding?**

11 A. My surrebuttal testimony in this proceeding responds to the rebuttal
12 testimony of James Owen, submitted on behalf of Renew Missouri Advocates ("Renew
13 Missouri") in respect to the question of whether Ameren Missouri could or should utilize
14 funds available under the authority of the U.S. Department of Energy's ("DOE") Title 17
15 Energy Infrastructure Reinvestment Program (the "EIR Program") to finance Energy
16 Transition Costs and Up front Financing Costs which Ameren Missouri seeks to securitize
17 in this docket (collectively, the "securitized costs").

18 **III. SUMMARY OF KEY CONCLUSIONS**

19 **Q. What are your key conclusions?**

20 A. My key conclusions are as follows:

21 1. While it appears that it could be possible to sell or place the
22 securitized utility tariff bonds (the "bonds") with the DOE under the EIR Program instead
23 of selling the bonds in a more customary public issuance by marketing the bonds to

1 traditional asset-backed investors, in my opinion there is no advantage for customers in
2 doing so and it may in fact actually be detrimental to customers. The relative impact is
3 due to the fact that the DOE will not *incrementally* fund both the securitized costs and the
4 costs of eligible renewable energy projects to which the proceeds of the bonds are
5 required to be allocated. Funding securitization costs via a DOE loan means we
6 effectively forego the ability to finance investments we will be making using all available
7 sources of lower cost debt (both AAA-rated debt through a securitization transaction and
8 DOE loans for renewables that qualify under the EIR Program).

9 2. Witness Owens' reliance on the February 16, 2024 Rocky Mountain
10 Institute ("RMI") article¹ is misplaced, suggesting that "securitizing Rush Island via the
11 above-mentioned [EIR] Program could save ratepayers \$413 million,"² because the
12 savings derived from the RMI analysis actually come directly from access to low-cost
13 DOE funds to finance the Company's future renewable energy program, and are really
14 not traceable to any realized savings from EIR Program funding of securitized costs. In
15 fact, in my opinion, if it were to utilize DOE funds for the securitized costs, the Company
16 may be deprived of these relatively cheaper DOE funds for future renewable energy
17 projects, resulting in higher overall costs to customers over time.

18 3. In addition, there are other incremental costs to DOE funding of the
19 securitized costs that would result in further detriment to customers. Specifically, there
20 are practical and logistical issues with using DOE funding for securitized costs, because

¹ The Energy Infrastructure Reinvestment Program: Federal financing for an equitable, clean economy, by Christian Fong, David Posner and Uday Varadarajan.

² File No. EF-2024-0021, James Owen Rebuttal Testimony, p. 12.

1 the timing of the securitization under this approach is likely to be years past the expected
2 date of the Rush Island retirement.

3 **IV. SPECIFIC RESPONSE TO RENEW MISSOURI WITNESS OWEN**

4 **Q. Mr. Owen's specific recommendation is that "the Company should**
5 **utilize funds available through the EIR Program... in order to make the securitization**
6 **of the Rush Island Plant closure more economically-feasible for its customers while**
7 **achieving the same goals of converting the remaining value of the plant into**
8 **securities."**³ **Do you agree with his position?**

9 A. No. For the reasons I will detail below, executing the securitization through
10 the EIR Program represents a much less attractive solution to Ameren Missouri customers
11 than financing the securitized costs through more customary securitization methodologies.

12 **Q. Before commenting in detail on the EIR Program process, can you**
13 **please provide a high-level summary of the effect you referenced earlier whereby the**
14 **Company may forego financing some amount of investments with low-cost capital if**
15 **it elects to effectuate the securitization through the EIR Program, which is a key**
16 **contributor to the Company's position that conducting the securitization through the**
17 **EIR Program represents a much less attractive solution to Ameren Missouri**
18 **customers?**

19 A. It essentially comes down to a desire by the Company to maximize the
20 amount of low-cost funding sources (i.e., preferential interest rates) to finance investments
21 made to serve its customers. Both EIR Program funding and traditional securitization
22 funding provide the potential for access to lower interest rates and an overall lower cost of

³ File No. EF-2024-0021, James Owen Rebuttal Testimony, p. 12.

1 capital than the Company is otherwise able to secure when raising capital through
2 traditional corporate financing sources. The Company should be, and is, pursuing
3 opportunities to access such low-cost funding through both the EIR Program and traditional
4 securitization markets. But, rather than pursuing EIR Program funds as a means to finance
5 the securitized costs of Rush Island, with such funding required by the DOE to be allocated
6 to eligible renewable energy investments, we submit that Ameren Missouri customers
7 would be better off if the Company just pursued EIR Program loans directly for those
8 eligible renewable energy investments. Consequently, Ameren Missouri would then be free
9 to access the other low-cost funding source – the traditional securitization markets.
10 Pursuing EIR Program funds to directly finance future eligible renewable energy projects
11 would still allow the Company to achieve maximum access to this low-cost funding source,
12 while providing flexibility to access *additional* low-cost capital through the traditional
13 securitization markets to finance the Rush Island securitized costs. In this way, the
14 Company uses the most expansive pool of sources of low-cost debt financing to obtain the
15 largest possible benefit.

16 **Q. Now can you please proceed to explain how the EIR Program works?**

17 A. Under Title 17 of the Energy Policy Act of 2005, the DOE Loan Programs
18 Office ("LPO") may provide loan guarantees for projects that support clean energy
19 deployment and energy infrastructure reinvestment in the U.S. Flexible financing is
20 available for projects qualifying under four identified program categories; however,
21 Ameren Missouri (and Mr. Owen) is focused specifically on opportunities under the EIR
22 Program, or what is known as "Section 1706 authority", that was created under the Inflation
23 Reduction Act ("IRA") in 2022, which amended the 2005 Act. EIR Program projects

1 support reinvestment in communities throughout the U.S. where existing energy
2 infrastructure has been challenged by market forces, resource depletion, age, technology
3 advancements, or the broader energy transition. In order to qualify for EIR Program
4 financing, projects must fall into one or more of the following types:

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

12 **Q. How does the LPO define Energy Infrastructure?**

13 A. For purposes of EIR Program eligibility, the LPO defines Energy
14 Infrastructure as a facility, and associated equipment, used for (1) the generation or
15 transmission of electric energy; or (2) the production, processing, and delivery of fossil
16 fuels, fuels derived from petroleum, or petrochemical feedstocks.⁵ Based on this definition
17 and information provided by the LPO, it is my opinion that Rush Island can be
18 characterized as Energy Infrastructure for purposes of receiving EIR Program loans that
19 support the Company's energy transition program. Importantly, at the DOE's discretion,
20 the costs of refinancing outstanding indebtedness directly associated with eligible Energy
21 Infrastructure may also be included as part of EIR Program financing, which appears to

⁴ Program Guidance for Title 17 Clean Energy Financing Program, page 25.

⁵ Program Guidance for Title 17 Clean Energy Financing Program, page 26.

1 open the door for the LPO to invest in securitization bonds issued for the closure costs
2 related to the accelerated retirement of generation plant assets like Rush Island.

3 **Q. Would the LPO participate in a securitization financing?**

4 A. According to LPO-generated literature, financing transactions are typically
5 structured as limited recourse project financings, but the LPO can accommodate other
6 structures, including secured corporate lending, securitizations, and transactions involving
7 tax equity.⁶ In addition, based on information obtained directly from the LPO, it is my
8 opinion that the LPO would, under the right facts and circumstances, be open to meeting
9 programmatic objectives through potential investment in securitization bonds.

10 **Q. Has the LPO actually completed a securitization financing under the**
11 **EIR Program?**

12 A. No, not to the Company's knowledge. In his rebuttal testimony, Mr. Owen
13 references several electric utilities (e.g., Portland General Electric, Consumers Energy,
14 Duke Energy and Alliant Energy) that have identified, through public filings or other
15 disclosures, that they are evaluating or pursuing EIR Program financing options.⁷ Due to
16 confidentiality obligations, the LPO cannot corroborate these activities and the Company
17 is not able to determine on its own what these other electric utilities are pursuing and
18 whether such pursuits have similar fact patterns and objectives to this Ameren Missouri
19 securitization case. For reasons I discuss later in more detail – namely, the economic and
20 logistical challenges of effectuating a securitization transaction through LPO sponsorship
21 – I suspect that most, if not all, of these peer electric utilities are considering EIR Program
22 loans in the context of financing future renewable energy projects rather than in the

⁶ Program Guidance for Title 17 Clean Energy Financing Program, page 9.

⁷ File No. EF-2024-0021, James Owen Rebuttal Testimony, p. 20.

1 circumstances of securitizing accelerated fossil plant closure costs. In fact, the LPO has
2 recently indicated to the Company that among the multitude of electric utilities evaluating
3 the EIR Program funding mechanism, very few are considering it in the context of a
4 securitization transaction.⁸

5 **Q. In your opinion, does the securitization of Rush Island closure costs, in**
6 **and of itself, entail the retooling, repowering, repurposing, or replacing of Energy**
7 **Infrastructure that has ceased operations?**

8 A. No, it does not. The securitization of the securitized costs from Rush Island
9 merely provides an avenue for customer-funded recovery of such costs over time – there is
10 no retooling, repowering, repurposing or replacing that occurs as part of that distinct
11 exercise. Therefore, and based on information provided by the LPO, in my opinion the
12 LPO would not discretely support a securitization of Rush Island closure costs without
13 demonstration of retooling, repowering, repurposing and replacing benefits, a
14 demonstration the Company cannot make because it isn't retooling, etc. Rush Island.
15 Consequently, in order to qualify to receive securitization funding from the LPO, Ameren
16 Missouri must invest the proceeds of any securitization bond purchase by the LPO into
17 projects that meet the specific eligibility criteria that the LPO identifies. Said a different
18 way, only by reinvesting any DOE funds received from DOE's purchase of the
19 securitization bonds in renewable energy investments can Ameren Missouri qualify for this
20 type of loan. Instead, the Company may simply qualify for DOE funds solely through its
21 investments in new eligible renewable energy and utilize the loan proceeds to fund such
22 investments.

⁸ Those that are may have been encouraged to look at it by the RMI (which issue the article that is heavily relied upon by Mr. Owen), as was the case with Ameren Missouri in the context of this case.

1 **Q. What are the LPO's eligibility criteria for projects to potentially qualify**
2 **for an EIR Program loan?**

3 A. According to LPO documentation⁹, projects must demonstrate satisfactory
4 fulfillment of the following criteria in order to receive an EIR Program loan:

- 5 1. The project must be located in the U.S.
- 6 2. The project must be an energy-related project, concerning the production,
7 consumption, transportation, or storage of energy, or related manufacturing
8 activities.
- 9 3. The project must achieve significant and credible greenhouse gas or air
10 pollution avoidance, reduction, utilization or sequestration.
- 11 4. The loan must have a reasonable prospect of repayment.
- 12 5. The project must involve technically viable and commercially ready
13 technology.
- 14 6. The project must be supported by an analysis of how the proposed project
15 will engage with and affect associated communities as part of a Community
16 Benefits Plan.
- 17 7. The project cannot benefit from prohibited federal support.

18 In addition, federal law requires that certain review and project provisions must be
19 met in order for a specific project to receive LPO support under Title 17, including
20 compliance with the National Energy Policy Act ("NEPA"), prevailing wage requirements,
21 the Cargo-Preference Act, and Build America – Buy America requirements.¹⁰

⁹ Program Guidance for Title 17 Clean Energy Financing Program, pages 11-12.

¹⁰ Program Guidance for Title 17 Clean Energy Financing Program, page 47.

1 **Q. Does Ameren Missouri have any future projects that potentially meet**
2 **the aforementioned eligibility criteria?**

3 A. With the Commission's future approval, yes. Ameren Missouri plans to add
4 approximately 2,800 MW of renewable energy capacity and 400 MW of battery storage
5 projects by 2030 according to the Integrated Resource Plan ("IRP") filed with the
6 Commission in September 2023. The Company believes that a portion of this renewable
7 energy and battery storage capacity, should it receive requisite Commission approvals and
8 is developed and constructed according to current plans, would meet the LPO eligibility
9 criteria and thus could qualify for EIR Program loans. However, none of the renewable
10 energy projects that have been recently approved by the Commission in a Certificate of
11 Convenience and Necessity ("CCN") case – namely the 50 MW Bowling Green solar
12 project, the 50 MW Vandalia solar project, the 150 MW Cass County solar project,¹¹ and
13 the 300 MW Split Rail solar project – can meet the LPO's NEPA requirements (further
14 explained below), and therefore they cannot qualify as eligible projects. There are,
15 nevertheless, several, yet-to-be-publicly-identified renewable energy and battery storage
16 projects that the Company is developing for which the Company plans to satisfy NEPA
17 requirements in the future in order to position them to qualify as LPO-eligible projects.
18 But these projects are subject to eventual Commission approval through the formal CCN
19 process and are not expected to be in operation for several years, well after the retirement
20 of Rush Island and the intended securitization of associated securitized costs.

¹¹ Subject to the subscription requirements reflected in the stipulation approved in the CCN case involving Cass County.

1 **Q. Can you further describe the NEPA compliance requirement?**

2 A. NEPA requires federal agencies to consider the environmental impacts of
3 their actions in decision-making processes. LPO's NEPA process is integrated into its
4 review and processing of applications to ensure that a project's environmental impacts are
5 properly considered and are part of the LPO's decision-making process. Prior to financial
6 close of a Title 17 loan guarantee, projects must complete the appropriate environmental
7 review pursuant to NEPA.¹² Meeting NEPA requirements typically entails substantial
8 incremental documentation and testing, thereby impacting project development schedules,
9 and creating significant additional cost to the developer/owner.

10 **Q. As I understand it, then, EIR Program funds – however they are**
11 **obtained, whether through DOE buying bonds issued from this securitization docket**
12 **or from a direct DOE loan – must be used for future eligible projects and such**
13 **projects must meet all of the EIR Program's requirements, including those related to**
14 **NEPA. And, as I further understand it, the Company expects to invest in eligible**
15 **renewable/storage projects in the future, assuming the Commission approves them,**
16 **and the Company is taking all reasonable steps to qualify them for receipt of EIR**
17 **Program funds to capture the benefits of EIR Program funding – are my**
18 **understandings correct?**

19 A. Yes, that is correct, but as noted above and discussed in further detail below,
20 accessing the DOE funds by involving DOE in the contemplated securitization is not
21 necessary to capture the benefits of EIR Program, and as noted earlier, in my opinion,
22 pursuing securitization through LPO sponsorship in fact will reduce those benefits.

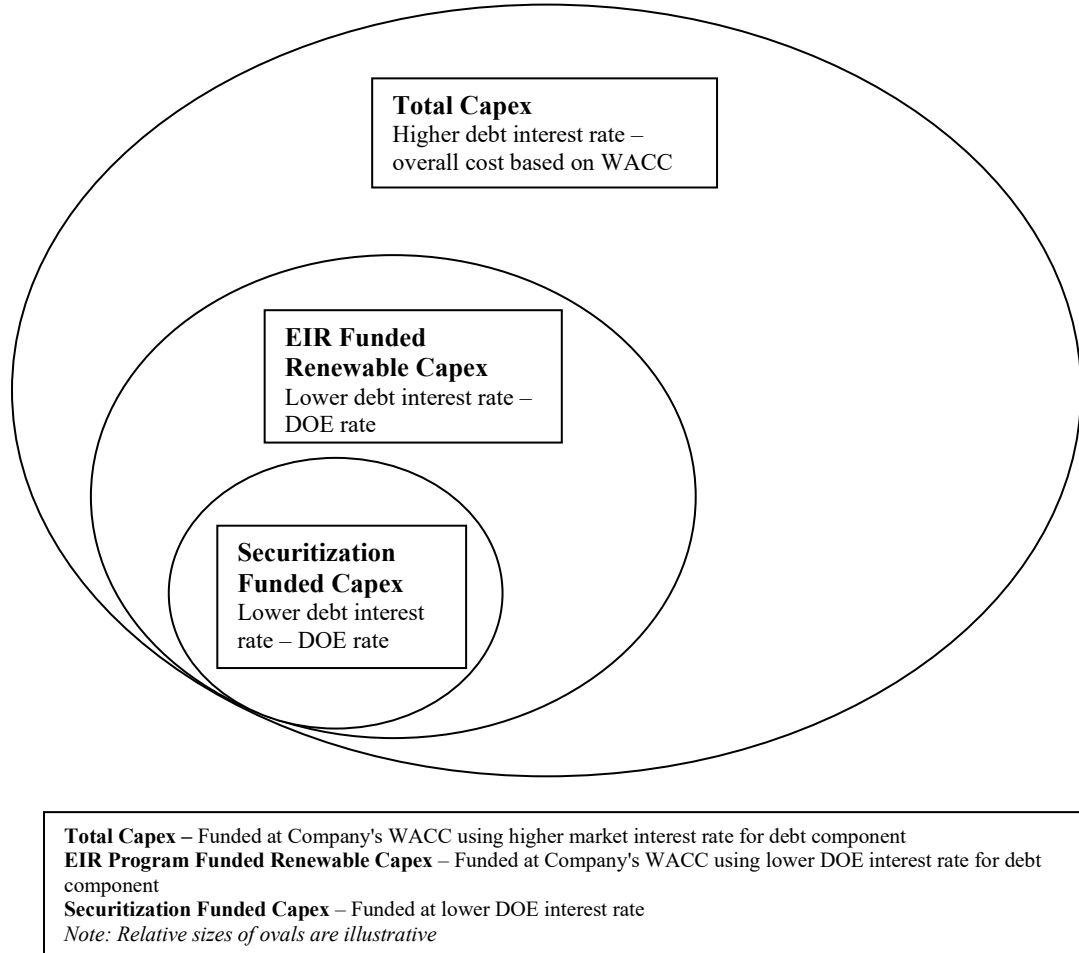
¹² Program Guidance for Title 17 Clean Energy Financing Program, pages 47-48.

1 **Q. Please outline, in detail, why this is so.**

2 A. Let me walk through the economics relating to use of EIR Program loan
3 funds if such funds were obtained via a securitization financing and in turn applied (as is
4 required) to fund future eligible projects, versus simply issuing securitization bonds in the
5 traditional manner to finance the securitized costs and then separately borrowing lower cost
6 EIR Program funds to fund the Company's future renewable/storage projects.

7 This concept can be visualized with a simple Venn Diagram identified in Figure 1
8 below. The large oval represents the total capital budget of the Company that needs to be
9 financed. Absent utilization of one of these mechanisms (securitization or EIR Program
10 loan), the cost of that funding will be the Company's weighted average cost of capital
11 ("WACC") – what it can achieve from the market based on its own creditworthiness and
12 then-prevailing market conditions. But, as has been discussed, there are two potential
13 sources of lower-cost debt funding which could displace higher-cost traditional corporate
14 debt funding:– 1. traditional securitization and 2. EIR Program loans. If securitization is
15 conducted in the context of the EIR Program, the securitization funds will be a subset of
16 the EIR Program funds, as illustrated in the Venn Diagram in Figure 1 below:

1 **Figure 1 – Sources of Capital – Securitization Using EIR Program Funds**¹³



13

14 However, if the Company were to instead utilize EIR Program funds to the

15 maximum extent possible to finance its renewable investments on a standalone basis, and

16 then separately securitize the securitization costs and reinvest those proceeds in other

17 needed projects that themselves would not qualify for EIR Program funding, then the

18 amount of capital investment financed at the Company's higher cost of capital would be

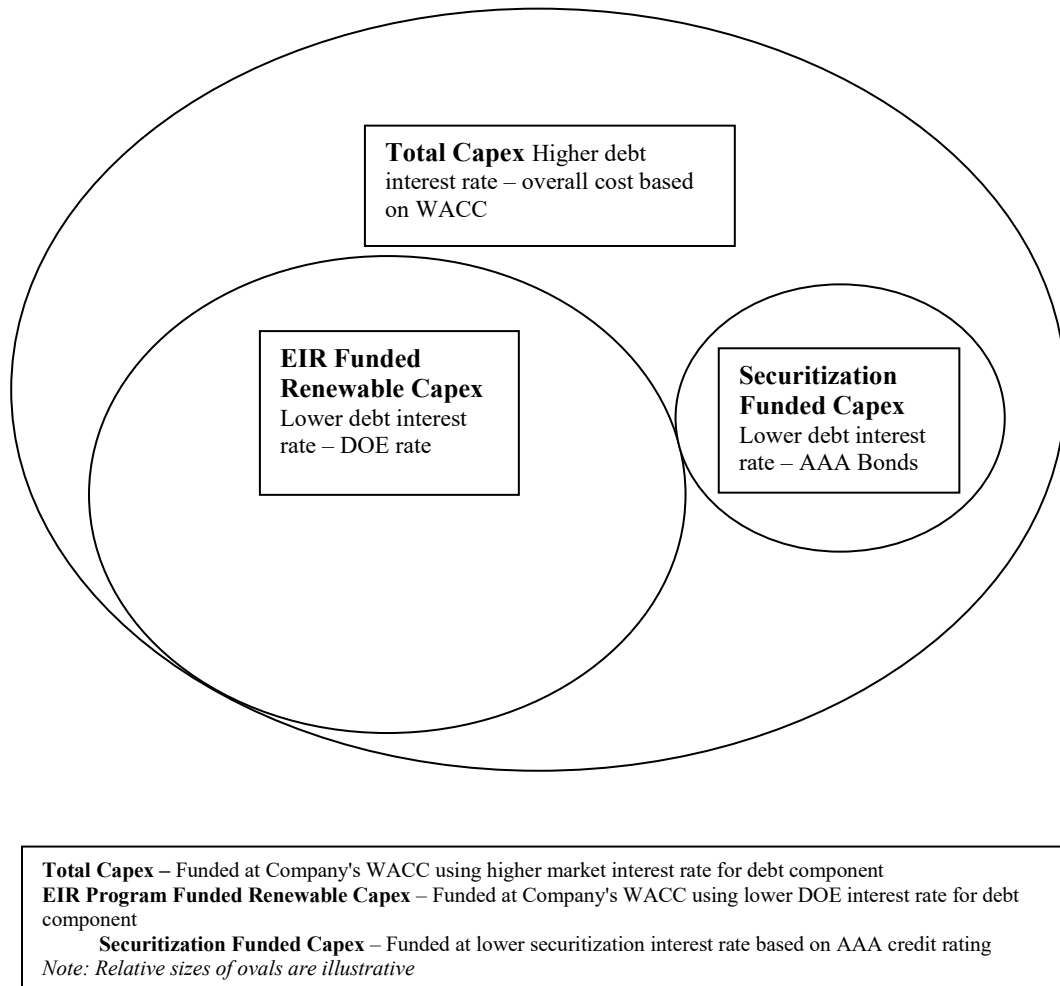
19 further displaced and become even smaller, as shown in the Venn Diagram in Figure 2

20 below, which reflects separate and distinct financing transactions through (1) the EIR

¹³ Not representative of actual debt amounts.

1 Program for eligible renewable energy investments, and (2) securitization of Rush Island
2 closure costs.

3 **Figure 2 – Sources of Capital – Securitization Conducted Independently**
4 **from EIR Program Funds**



17

18 A comparison of these two figures clearly shows that Figure 2 illustratively has
19 much less area in the Total Capex portion of the diagram that is outside the EIR Program-
20 funded Capex and Securitization-funded Capex ovals than does Figure 1 – representing
21 less actual debt capital that will need to be raised at the highest cost of the three available
22 capital sources – when securitization is conducted outside of the EIR Program funding,
23 thereby displacing the Company's higher cost of debt capital.

1 **Q. Have you conducted any analysis to quantify the effect that you just**
2 **illustrated visually?**

3 A. Yes. Table 1 and Table 2 below walk through the same phenomenon as is
4 illustrated visually above, but putting real dollar values that are at issue in this case to the
5 question.

6 **Table 1**

| LINE | DESCRIPTION | Normal Securitization & Renewables w/ DOE | | |
|------|---------------------------------------|---|----------------------|---------------|
| | | Securitization | Renewables w/ DOE | Total |
| | (A) | (B) | (C) | (D) |
| 1 | Debt financing | - | 512,209,577 | - |
| 2 | Debt Ratio | - | 47.42% | |
| 3 | Financed Amount (pre financing costs) | 512,209,577 | 1,080,086,829 | 1,592,296,406 |
| 4 | Upfront financing costs | 6,604,272 | 4,223,257 | 10,827,530 |
| 5 | Total | 518,813,849 | 1,084,310,086 | 1,603,123,935 |
| 6 | Carrying cost ¹⁴ | 5.59% | 7.28% | |
| 7 | Incremental Income Taxes | - | 7,904,197 | |
| 8 | Term (years) | 15 | 15 | |
| 9 | Monthly payment | 4,264,237 | 10,366,590 | 14,630,827 |
| 10 | Ongoing financing costs (monthly) | 65,948 | 8,333 | 74,281 |
| 11 | Monthly revenue requirement | 4,330,185 | 10,374,923 | 14,705,108 |
| 12 | Total payments | 779,433,255 | 1,867,486,161 | 2,646,919,415 |
| 13 | Securitization benefit | | | |
| 14 | Embedded WACC | 6.88% | 6.88% | |
| 15 | NPV payments discounted @ WACC | 485,374,494 | 1,162,934,922 | 1,648,309,416 |

¹⁴ Carrying Cost = Securitization (B) 5.59% X Securitization Debt Ratio 100%; Renewables w/DOE (C) Weighted Cost of Debt (4.89% X Debt Ratio 47.423%) + Weighted Cost of Preferred Stock (4.18% X Preferred Stock Ratio 0.669%) + Weighted Cost of Equity (9.50% X 51.908% Equity Ratio) = 7.28%

1

Table 2

| LINE | DESCRIPTION | Securitization w/ DOE & Renewables w/ FMB | | |
|-------------|---|--|------------------------------|-------------------|
| | | DOE Securitization | Renewables w/ FMB | Total |
| | (A) | (E) | (F) | (G) |
| 1 | Debt financing | | 512,209,577 | |
| 2 | Debt Ratio | - | 47.42% | |
| 3 | Financed Amount (pre financing costs) | 512,209,577 | 1,080,086,829 | 1,592,296,406 |
| 4 | Upfront financing costs | 8,355,306 | 4,895,878 | 13,251,184 |
| 5 | Total | 520,564,883 | 1,084,982,707 | 1,605,547,590 |
| 6 | Carrying cost ¹⁵ | 4.89% | 7.73% | |
| 7 | Incremental Income Taxes | | 7,904,197 | |
| 8 | Term (years) | 15 | 15 | |
| 9 | Monthly payment | 4,087,948 | 10,656,612 | 14,744,560 |
| 10 | Ongoing financing costs (monthly) | 72,332 | 833 | 73,165 |
| 11 | Monthly revenue requirement | 4,160,280 | 10,657,446 | 14,817,725 |
| 12 | Total payments | 748,850,362 | 1,918,340,210 | 2,667,190,572 |
| 13 | Securitization benefit | | | |
| 14 | Embedded WACC | 6.88% | 6.88% | |
| 15 | NPV payments discounted @ WACC | 466,329,687 | 1,194,603,135 | 1,660,932,822 |
| 16 | NPV benefit of separate transactions | | | 12,623,406 |

2 **Q. Please describe Tables 1 and 2.**

3 A. Both tables illustrate the financing of the Energy Transition Costs
4 associated with Rush Island and the financing of approximately \$1 billion of investment in

¹⁵ Carrying Cost = DOE Securitization (E) 4.89% X Securitization Debt Ratio 100%; Renewables w/DOE (F) Weighted Cost of Debt (5.84% X Debt Ratio 47.423%) + Weighted Cost of Preferred Stock (4.18% X Preferred Stock Ratio 0.669%) + Weighted Cost of Equity (9.50% X 51.908% Equity Ratio) = 7.73%

1 renewable energy projects that would qualify for EIR Program funds. In Table 1, the
2 securitization and the EIR Program funding are conducted separately using the two lower-
3 cost sources of debt funding, maximizing the amount of funds obtained at preferential
4 interest rates across the two transactions. In Table 2, the securitization is conducted as a
5 part of the EIR Program transaction, which lowers the interest rate for the securitization
6 bonds slightly (as reflected in the Carrying Cost line), but which also requires additional
7 capital raised at the Company's higher corporate debt rate in order to achieve the same level
8 of overall funding, due to the "overlap" of the securitization and the EIR Program funds as
9 was illustrated in the Figure 1 Venn Diagram above. Note that the differences between
10 Tables 1 and 2 are entirely driven by the different carrying costs in Row 6 of each table.
11 Table 1 reflects the securitization interest rate in column B (5.59%), and the effect of the
12 EIR Program interest rate (4.89%) on the Company's overall WACC for this financing
13 exercise in column C. Table 2 shows the slightly lower interest rate that would apply to
14 securitization as conducted through the EIR Program (4.89%), but the elevated Company
15 debt costs that result from higher-cost corporate debt issuances (at 5.84%) would apply to
16 incremental financing when the EIR Program funding has overlapped with securitization.
17 The key takeaway of these tables is that the NPV of customer cost of the scenario described
18 in Table 1 – in which securitization is conducted independent of the EIR Program process
19 – is approximately \$12 million *lower* than the cost in which securitization is conducted
20 through the EIR Program loan process. As expected, since not using EIR Program funds
21 for the securitization reduces the amount of capital that must be funded with higher-cost
22 debt financing, it is more beneficial to maximize the pool of dollars available to fund the

1 Company's capital investments at preferential interest rates than to minimize the specific
2 interest rate applicable to securitization when viewing that transaction in isolation.

3 **Q. You earlier indicated that Ameren Missouri is taking reasonable steps**
4 **to access EIR Program funds for future renewable/storage projects. but has Ameren**
5 **Missouri also applied for EIR Program funds in a manner that would allow DOE to**
6 **finance the securitization bonds that would be issued as a result of this case?**

7 A. Yes, the Company did take action as part of its EIR Program application
8 submission in January 2024, as a means to preserve what at the time of submission was a
9 potential option to involve DOE in the securitization.

10 **Q. Why did Ameren Missouri believe it was important to preserve the**
11 **option?**

12 A. In mid-January 2024, Renew Missouri approached the Company with what
13 we now understand to be RMI's idea to place the securitization bonds with DOE under the
14 EIR Program rather than issuing the bonds to asset-backed investors under a traditional
15 securitization structure. Renew Missouri pitched the concept that this would be more
16 beneficial to customers and indicated that at least one other utility was planning to make a
17 state regulatory filing to that effect (a filing that we believe has not been made). We
18 engaged with Renew Missouri and RMI to listen to their idea and given the timing of when
19 we needed to submit our overall EIR Program loan application, went ahead and included
20 provisions in the application that would preserve the ability to utilize this solution, if doing
21 so was ultimately viewed as beneficial to customers. Keep in mind that the Company had
22 not been provided supporting analysis at the time by Renew Missouri/RMI to back up their
23 net-benefits claims nor had the Company heard of such a concept through other market

1 channels. But, we preserved the option to move down the path and subsequently continued
2 to investigate how it would work (or if it would work) given DOE requirements.

3 **Q. After preserving the option, what did you do?**

4 A. We attempted to determine whether other electric utilities were pursuing
5 LPO-sponsored securitizations, and we directly consulted with the LPO to understand
6 whether such solution was feasible and how it might be executed. Those consultations
7 made clear, as discussed above, that LPO will not *incrementally* fund the securitized costs
8 *and* renewable/storage project costs, meaning that having LPO fund the securitized costs
9 would be economically detrimental to customers, as discussed above. Moreover, it has
10 become clear that there would be other complications associated with any such DOE
11 funding.

12 **Q. What are some of those complications?**

13 A. There are several timing-related issues that create logistical uncertainty and
14 could meaningfully worsen, beyond the detriment I discuss above, the impact of using EIR
15 Program funding for the securitized costs instead of marketing securitization bonds to
16 traditional asset-backed investors.

17 First, there is uncertainty when and whether the LPO will complete its review and
18 authorize its participation in a Rush Island securitization transaction, even had we wanted
19 them to take such action. At this time, the Company has submitted its EIR Program
20 application and, if invited to proceed, eventually must complete a second part of the
21 application, which is highly technical in nature. Of course, there is no certainty that the
22 LPO will ultimately approve the Company's application as filed and there also is some
23 prospective risk that a new Presidential administration could lead to the eventual rescission

1 of some or all policies incorporated in the IRA, including the EIR Program funding under
2 Section 1706. In addition, there is no statutory deadline within which the LPO must act in
3 respect of the Company's application, so it is possible that any eventual decision by the
4 LPO could be well past when the bonds need to be issued. Specifically, because the LPO
5 will tie the securitization financing and use of those funds to eligible renewable/storage
6 project(s), the timing for approval will be dependent upon the Company's demonstration
7 that one or more of its future renewable energy projects meets the eligibility criteria,
8 including NEPA compliance. However, Ameren Missouri does not expect to have
9 sufficient documentation to demonstrate NEPA compliance for the first available project
10 until late this year at the earliest, so it is unlikely that the LPO would be prepared to support
11 a securitization transaction at or around the time of the expected issuance of the bonds.

12 In addition, the estimated cost of the first available eligible renewable project,
13 which is currently scheduled for commercial operation in December 2026, is likely
14 insufficiently-sized to support the entire use of proceeds from the anticipated securitization
15 transaction,¹⁶ so the Company would need to allocate such use of proceeds to at least one
16 additional future eligible project. This assumes the Commission approves a CCN for it later
17 this year. The second unidentified project in the Company's development queue is
18 scheduled to enter commercial operation in 2027, but again, assuming the Commission
19 approves a CCN for it in 2025. Consequently, were the LPO to act as the securitization
20 sponsor, Ameren Missouri may not be in a position to execute the financing transaction
21 until sometime in 2027, which certainly runs counter to the Company's objectives of timely

¹⁶ The LPO can only guarantee up to 80% of an eligible project's costs, so assuming a \$512 million securitization transaction as filed in this proceeding, the Company would need to allocate such proceeds to eligible projects with costs of at least \$640 million. Based on current estimates, the cost of the Company's first available project is below the \$640 million threshold.

1 recovery of Rush Island closure costs and will add carrying costs to the securitization costs
2 to the detriment of customers.

3 In addition, delaying the securitization transaction results in future interest rate
4 uncertainty as it relates to the eventual coupon rate, with customers ultimately shouldering
5 the burden of that risk.

6 It is also worth noting that delaying the securitization transaction to attract LPO
7 sponsorship of the financing inherently assumes that Ameren Missouri (1) will receive
8 requisite regulatory approvals to own and operate future eligible renewable energy projects
9 to which the financing is tied, and (2) will successfully complete development and
10 construction of these projects. To the extent the Company is unable to secure regulatory
11 approvals for these projects under terms and conditions that are satisfactory, or is otherwise
12 unable to finish construction of future eligible renewable energy projects in a timely
13 manner, then Ameren Missouri would not be able to consummate a securitization
14 transaction with LPO sponsorship, and would therefore need to revisit the traditional
15 securitization structure, with customers bearing the cost of delay.

16 Another issue with delaying the securitization transaction is the suspension of the
17 receipt of associated proceeds. What I mean by that is the DOE will not (under reasonable
18 terms) participate in a securitization transaction until eligible renewable energy projects
19 have been approved and ultimately placed in service. Consequently, in the interim, the
20 Company will not have the roughly \$500 million of bond fund proceeds to invest in projects
21 needed to provide service to customers, but will instead need to finance such projects with
22 traditional corporate financing. Such nearer-term corporate financing, which would likely
23 entail a mix of debt and equity issuance in order to satisfy credit ratings and balance sheet

1 objectives, would result in a much higher weighted average cost of capital (i.e., blended
2 corporate debt and equity rates) than AAA-rated securitization debt. Of course, the
3 eventual issuance of securitization debt will preclude the need for later corporate financing.
4 However, given "time value of money" considerations, financing with more expensive
5 capital today and less expensive capital later represents a net present value negative
6 outcome to customers.

7 **V. THE RMI ANALYSIS**

8 **Q. Mr. Owen, relying on an RMI article from mid-February of this year,**
9 **states that "securitizing Rush Island via the above-mentioned [EIR] Program could**
10 **save ratepayers \$413 million."¹⁷ Do you agree with this assertion?**

11 A. No, I do not. It should be obvious that the proposition that customers could
12 save \$413 million on an NPV basis by restructuring a \$512 million financing simply
13 because of a roughly 70 basis point spread advantage in interest rates (between EIR
14 Program funds and a traditional securitization transaction) cannot be true. It is my opinion
15 that Mr. Owens is conflating the benefits of an LPO-sponsored securitization with the
16 Company's potential financing of a portion of its planned renewable energy and battery
17 storage with EIR Program loans.

18 Mr. Owen's reference to \$413 million of ratepayer savings is based on the RMI
19 Article¹⁸, in which RMI states that "using EIR to refinance the entirety of remaining fossil
20 plant balances as well as just a portion of the new clean energy assets that [it is] planning
21 to deploy through 2030 could save... Missouri ratepayers \$413 million in NPV terms".

¹⁷ File. No. EF-2024-0021, James Owen Rebuttal Testimony, p. 12.

¹⁸ The Energy Infrastructure Reinvestment Program: Federal financing for an equitable, clean economy. Case studies from Missouri and Iowa. February 16, 2024. By Christian Fong, David Posner, Uday Varadarajan.

1 RMI's analysis makes a variety of assumptions about such elements as the amount of
2 financing available from the LPO, the timing and structure of the securitization transaction,
3 the amount of capital spending on the Company's clean energy project portfolio over the
4 balance of this decade, and the degree of financial leverage used in funding the clean energy
5 project portfolio. Many of the important assumptions in RMI's analysis are not completely
6 grounded in reality, do not reflect the Company's circumstances, or are inconsistent with
7 existing regulatory policy and frameworks.

8 **Q. Can you give some examples of inherent flaws in RMI's underlying**
9 **assumptions?**

10 A. Yes. First, as it relates to the LPO-sponsored securitization transaction,
11 RMI assumes that the Company is able to execute this type of transaction on the same
12 timeline as a traditional securitization approach, but as I indicated earlier, the Company
13 anticipates material delays in effectuating an LPO-sponsored securitization transaction (if
14 it is even able to execute this methodology at all), resulting in higher relative customer
15 payments over time.

16 Next, RMI assumes that Ameren Missouri is otherwise able to secure EIR Program
17 loans to support funding for a portion of its clean energy investment program over the
18 balance of this decade. RMI's analysis reflects \$4.79 billion of programmatic spending on
19 this clean energy portfolio through 2030 based on its review of the Company's public
20 disclosures and its IRP. While I do not take issue with RMI's assumed size of the portfolio,
21 I would reiterate that not all of Ameren Missouri's planned renewable energy and battery
22 storage projects over the next several years are expected to qualify as eligible projects under

1 the EIR Program.¹⁹ How much Ameren Missouri is ultimately able to finance through the
2 EIR Program will directly impact the relative savings generated for customers.

3 Finally, RMI assumes that the Company finances 20% of the \$4.79 billion clean
4 energy portfolio via EIR Program loans through an "off-balance sheet" vehicle. The
5 remaining 80% of the spending balance would be financed with a combination of on-
6 balance sheet corporate equity and debt in line with the Company's current regulatory
7 capital structure (i.e., approximately 52% equity). Effectively, the off-balance sheet
8 treatment allows the Company to apply more leverage against this clean energy portfolio,
9 resulting in a lower relative cost of capital. This incremental leverage, combined with the
10 lower relative debt coupons achieved by financing through the EIR Program rather than
11 traditional corporate debt markets and lower equity returns under a more-leveraged
12 financing structure, drives the lion's share of the \$413 million of ratepayer NPV benefits.

13 **Q. Does an off-balance sheet vehicle exist today to support funding of the**
14 **Company's renewable energy and battery storage investments?**

15 A. Not to my knowledge. Mr. Owen references the potential to utilize the
16 Missouri Environmental Improvement and Energy Resource Authority ("EIERA") not only
17 for the clean energy portfolio, but also for the securitization transaction – "Renew Missouri
18 believes the EIERA is the Missouri entity best suited to receive and transfer EIR funds to
19 Ameren Missouri to accomplish the early retirement of the Rush Island plant and invest
20 funds in renewable generation"²⁰. I am not personally familiar with this entity, its financial
21 wherewithal or its statutory authority to support funding of the Company's securitization

¹⁹ The four projects that were the subject of the CCN case that just concluded comprise more than 20% of the \$4.79 billion RMI assumed would qualify, but none of those projects do qualify because they were too far advanced in their development by the time the EIR Program and its regulations became available.

²⁰ File No. EF-2024-0021, James Owen Rebuttal testimony, p. 15.

1 transaction or its renewable energy development. In addition, given the complexity of
2 effectuating key features of the securitization statute with a Missouri agency intermediary
3 – namely, the ability to transfer the property right to a specified charge on customer bills
4 and the right to "true up" customer charges to address over-/under-collection – with such
5 structure and intermediary certainly not contemplated in the Company's securitization
6 filing, I believe it would be challenging to change course now.

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

8 A. Yes, it does.

APPENDIX A

STATEMENT OF QUALIFICATIONS

DARRYL T. SAGEL

1 My name is Darryl T. Sagel. My business address is One Ameren Plaza, 1901
2 Chouteau Avenue, St. Louis, Missouri, 63103. I am employed by Ameren Services
3 Company as Vice President and Treasurer. As Treasurer, I am responsible for all areas of
4 the treasury functional area of Ameren Corporation and its subsidiaries, including
5 corporate finance, cash and investment management, insurance, credit risk management,
6 investor services and corporate development. Within the areas of corporate finance, I am
7 responsible for, among other things, managing Ameren Corporation's and its subsidiaries'
8 capital raising initiatives and capital structure, including their short-term and long-term
9 financing activities, such as debt and equity issuances and credit facility arrangements. I
10 am also responsible for monitoring and managing Ameren's and its subsidiaries' liquidity
11 positions, key credit metrics, and debt agreement compliance, overseeing relationships
12 with credit rating agencies and banks, and monitoring capital markets for key
13 developments, emerging risks, and opportunities, among other corporate finance-related
14 activities.

15 I received my Bachelor of Arts degree in Quantitative Economics in 1994 from
16 Stanford University.

17 I have more than 25 years of experience in various finance and strategy roles. Upon
18 graduating from college in 1994, I joined the Investment Research Department at Goldman
19 Sachs, & Co. based in New York City, where I aided in the research coverage of
20 approximately 100 domestic and international electric and gas utility companies. In 1996,

1 I transferred to Goldman Sachs' Investment Banking Division, within which I advised
2 energy and utility clients in the U.S. and internationally in raising capital and structuring
3 merger and acquisition (M&A) transactions. In 2000, I took a position at Morgan Stanley
4 & Co., working within the company's Mergers & Acquisitions group and focusing
5 predominantly on assisting global power and utilities clients on M&A-related matters.
6 After over three years on the Morgan Stanley investment banking platform, in 2003, I
7 moved to Lazard Freres & Co. (Lazard), where I continued to originate and execute
8 financial advisory assignments for a broad range of domestic and international power and
9 utility companies and alternative energy companies. For several years during my tenure, I
10 was a Partner and co-head of Lazard's North American Power & Utilities practice. In 2010,
11 I left Lazard to join Rothschild Inc. to head its North American Power & Utilities group.
12 In total, I amassed over 18 years of experience as an investment banker covering the broad
13 power & utilities sector, working on a wide array of transformative and incremental M&A
14 transactions, corporate restructurings and capital raising initiatives. In mid-2012, I joined
15 Ameren Services as Director of Corporate Development, overseeing the company's M&A
16 functional area, as well as originating and executing direct investment and corporate
17 partnership opportunities. I was promoted to Assistant Vice President, Corporate
18 Development in 2016 and again promoted to Vice President, Corporate Development in
19 2017. In July 2018, I inherited oversight of all of Ameren's treasury functions and my title
20 changed to Vice President and Treasurer.

**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 DARRYL T. SAGEL

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

Darryl T. Sagel, being first duly sworn on his oath, states:

My name is Darryl T. Sagel, 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/ Darryl T. Sagel
Darryl T. Sagel

Sworn to me this 22nd day of March, 2024.