

Exhibit No.:
Issue(s): Tartan Factors, Introduction of
Witnesses, File No. EA-2023-
0286 Stipulation Commitments
Witness: Steven M. Wills
Type of Exhibit: Direct Testimony
Sponsoring Party: Union Electric Company
File No.: EA-2024-0237
Date Testimony Prepared: June 7, 2024

MISSOURI PUBLIC SERVICE COMMISSION

File No. EA-2024-0237

DIRECT TESTIMONY

OF

STEVEN M. WILLS

ON

BEHALF OF

UNION ELECTRIC COMPANY,

d/b/a Ameren Missouri

**St. Louis, Missouri
June 2024**

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DIRECT TESTIMONY

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I. INTRODUCTION

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Q. Please state your name and business address.

A. Steven M. Wills One Ameren Plaza, 1901 Chouteau Avenue, St. Louis, Missouri 63103.

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

A. I am employed by Union Electric Company, d/b/a Ameren Missouri (“Ameren Missouri” or “Company”), as the Senior Director of Regulatory Affairs.

Q. Please describe your professional background and qualifications.

A. I received a Bachelor of Music degree from the University of Missouri-Columbia in 1996. I subsequently earned a Master of Music degree from Rice University in 1998, then a Master of Business Administration (“M.B.A.”) degree with an emphasis in Economics from St. Louis University in 2002. While pursuing my M.B.A., I interned at Ameren Energy in the Pricing and Analysis Group. Following completion of my M.B.A. in May 2002, I was hired by Laclede Gas Company as a Senior Analyst in its Financial Services Department. In this role, I assisted the Manager of Financial Services in coordinating all financial aspects of rate cases, regulatory filings, rating agency studies, and numerous other projects.

In June 2004, I joined Ameren Services as a Forecasting Specialist. In this role, I developed forecasting models and systems that supported the Ameren operating companies’ involvement in

1 the Midwest Independent Transmission System Operator, Inc.'s ("MISO")¹ Day 2 Energy
2 Markets. In November 2005, I moved into the Corporate Analysis Department of Ameren
3 Services, where I was responsible for performing load research activities, electric and gas sales
4 forecasts, and assisting with weather normalization for rate cases. In January 2007, I accepted a
5 role I briefly held with Ameren Energy Marketing Company as an Asset and Trading Optimization
6 Specialist before returning to Ameren Services as a Senior Commercial Transactions Analyst in
7 July 2007. I was subsequently promoted to the position of Manager, Quantitative Analytics, where
8 I was responsible for overseeing load research, forecasting and weather normalization activities,
9 as well as developing prices for structured wholesale transactions.

10 In April 2015, I accepted a position with Ameren Illinois as its Director, Rates & Analysis.
11 In this role, I was responsible for the group that performed Class Cost of Service, revenue
12 allocation, and rate design activities for Ameren Illinois, as well as maintained and administered
13 that company's tariffs and riders. In December 2016, I accepted a position with the same title at
14 Ameren Missouri. In 2022, I was promoted to the position of Director of Regulatory Affairs for
15 Ameren Missouri, in which I provide oversight and direction of all state regulated activities of the
16 Company, and became Senior Director, with similar responsibilities, in January of this year.

17 **II. PURPOSE OF TESTIMONY AND INTRODUCTION OF WITNESSES**

18 **Q. What is the purpose of your testimony?**

19 A. The purpose of my testimony is to describe generally the Company's application
20 for a Certificate of Convenience and Necessity ("CCN") for the Castle Bluff Energy Center
21 ("Castle Bluff" or "Project"), an approximately 800-Megawatt simple-cycle, natural gas
22 combustion turbine generator ("CTG") plant planned to be constructed and placed into service as

¹ Now known as the Midcontinent Independent System Operator, Inc.

1 a part of the Company's portfolio of generating resources in 2027. I will describe the Project
2 generally and introduce the witnesses who provide more details on various aspects of the Project
3 and the need for it. Further, I will address the *Tartan* Factors that the Commission typically uses
4 in the evaluation of CCNs and explain why granting the CCN is in the public interest. Finally, I
5 will address certain items required by a Stipulation and Agreement entered into by the Company
6 and certain other parties and approved by the Commission in resolution of File No. EA-2023-0286.

7 **Q. Please provide a high-level overview of the Project.**

8 A. The Castle Bluff Energy Center will be located on a portion of the site of the
9 Company's recently retired Meramec Energy Center. It will be a CTG plant consisting of four
10 units, each with a net summer capability of approximately 175 megawatts ("MW") and more than
11 200 MW in the winter. The plant will be fueled by natural gas during most hours but will have fuel
12 oil-fired backup capability to ensure reliability in the coldest winter weather when natural gas
13 supplies can become constrained due to high heating demand.

14 **Q. Why is Ameren Missouri proposing construction of the Castle Bluff Energy**
15 **Center?**

16 A. As discussed in the direct testimonies of Company witnesses Matt Michels and
17 Andrew Meyer, the Project is needed to address reliability concerns associated with extreme winter
18 weather events. The Company's 2023 Integrated Resource Plan ("IRP"), filed on September 26,
19 2023, identified the risks associated with extreme winter weather events observed in recent years,
20 including winter storms Uri and Elliot that are discussed in more detail by witnesses Michels and
21 Meyers. A CTG generator was identified as a part of the Company's Preferred Resource Plan
22 ("PRP"), primarily to address these risks. The addition of this dual-fuel and dispatchable capacity
23 will help meet customers' needs under such extreme circumstances when service reliability issues

1 matter most. Additionally, dispatchable gas capacity provides accredited capacity that can hedge
2 against exposure to capacity market price spikes and enhance reliability in all seasons. Further,
3 such dispatchable capacity can play an important role in backstopping reliability as the Company
4 integrates higher levels of low cost, emissions free renewable generation to provide needed energy
5 as the Company's legacy coal-fired energy centers systematically retire. And finally, the capacity
6 provided by the Project can help address overall resource needs in an environment of rapidly
7 increasing load growth, given the imminent potential that the industry and the Company are
8 recognizing of significant new demand from large data center loads. In short, the Castle Bluff
9 Energy Center represents the first significant dispatchable generating resource pursued by the
10 Company in many years and serves to implement a key portion of the Company's PRP while
11 addressing numerous risks.

12 **Q. What other Company witnesses are presenting testimony to support the**
13 **Company's CCN application, and what topics will they be addressing?**

14 A. In addition to my Direct Testimony, the Company's direct case consists of
15 testimony from the following witnesses:

16 1. Matt Michels, Director, Corporate Analysis, Ameren Services Company.

17 Witness Michels provides details on the need for the Project. Mr. Michels
18 discusses the Company's IRP and PRP as important context that establishes the
19 need for additional dispatchable resources to address, among other things, winter
20 reliability risks.

21 2. Andrew Meyer, Senior Director, Energy Management & Trading, Ameren Missouri.

22 Witness Meyer addresses the interaction of the Project with the MISO capacity market,

1 as well as the benefits of locating the Project at the site of the recently retired Meramec
2 Energy Center.

3 3. Chris Stumpf, Senior Director, Engineering Design and Project Management, Ameren
4 Missouri. Witness Stumpf discusses the details of the Project, including a more detailed
5 description of the plant itself, as well as an overview of the Project schedule, cost, and
6 risks. He also discusses details associated with the expected operation of the facility
7 once it is placed in service.

8 4. Mitchell Lansford, Senior Director, Financial Reporting and Regulatory Accounting,
9 Ameren Services Company. Witness Lansford describes the Company's request for
10 accounting authority to utilize the construction accounting deferral mechanism to help
11 mitigate regulatory lag and provide a reasonable opportunity for the Company to
12 recover its costs in the facility, including a return on and a return of the investment in
13 plant needed to serve customers.

14 **III. THE PROJECT IS NECESSARY OR CONVENIENT**
15 **FOR THE PUBLIC SERVICE**

16 **Q. What do you understand to be the requirements to obtain a CCN for a**
17 **generating plant like Castle Bluff?**

18 **A.** The primary concern for the Commission in determining whether to grant a CCN
19 for a generating plant is whether the proposed plant is in the public interest—specifically, whether
20 the proposed plant is "necessary or convenient for the public service." Staff has explained the
21 nature of the Commission's analysis of CCN requests in a previous filing:
22

23 In explaining the nature of its analysis [of CCN requests], the Commission
24 stated the following:

25 Necessary or Convenient for the Public Service

1 The Court of Appeals has said that '[f]or some reason, either
2 intentional or otherwise, the General Assembly has not seen fit to
3 statutorily spell out specific criteria to aid in the determination of
4 what is 'necessary or convenient for the public service' within the
5 meaning of such language as employed in Section 393.170 . . ."

6 . . . The dominant purpose in creation of the Commission is public
7 welfare. The administration of its authority should be directed to
8 that purpose. In every case where it is called upon to grant a permit,
9 or to authorize an additional service to be rendered by an authorized
10 certificate holder, the Commission should be guided, primarily, by
11 considerations of public interest.²

12 In approving a CCN for gas-fired peaking units at Aquila's South Harper plant, the
13 Commission affirmed Staff's description of the Commission's primary consideration when faced
14 with a CCN request, stating:

15 The dominant purpose in creation of the Commission is public
16 welfare. The administration of its authority should be directed to
17 that purpose. In every case where it is called upon to grant a permit,
18 or to authorize an additional service to be rendered by an authorized
19 certificate holder, the Commission should be guided, primarily, by
20 considerations of public interest.³

21 Applying this standard, the Commission concluded that the peaking plants at South Harper would
22 "promote the public interest."⁴ In sum, the primary question before the Commission in this case
23 is whether the Castle Bluff Project is in the public interest.

24 **Q. Does the Commission generally use guidelines in making the determination**
25 **you just described?**

26 A. Yes, for many years the Commission has examined the so-called "*Tartan* Factors."

27 **Q. What are the *Tartan* Factors?**

² *Staff's Post-Hearing Brief*, File No. EA-2005-0309, p. 6 (case citations omitted).

³ *Report and Order*, File No. EA-2006-0309, p. 23.

⁴ *Id.*, p. 56.

1 A. The "*Tartan* Factors" were adopted by the Commission as guidelines for
2 evaluation of CCN applications in its decision in *In Re Tartan Energy Co., L.C.*, No. GA-94-127,
3 1994 WL 762882 (Sept. 16, 1994). The factors are as follows:

- 4 1. Is there a need for the resource?
- 5 2. Is the applicant qualified to operate the proposed resource?
- 6 3. Does the applicant have the financial ability to develop or acquire the resource?
- 7 4. Is the resource economically feasible; and
- 8 5. Does granting the CCN for the resource promote the public interest?

9 I will discuss these factors and how consideration of each of them supports the conclusion
10 that the Project is in the public interest, thereby supporting the Company's request that the
11 Commission grant it a CCN.

12 a. **Tartan Factor 1: The Project is Needed**

13 **Q. How does the Missouri Public Service Commission define necessity for**
14 **purposes of CCN applications such as this case?**

15 A. First, as a threshold matter, it is instructive to consider what the Commission had
16 to say about this factor in the *Tartan* case itself. In *Tartan*, the Commission made clear that
17 “[t]he term ‘necessity’ does not mean ‘essential’ or ‘absolutely indispensable,’ but that an
18 additional service would be “an improvement justifying its cost.” *Tartan* involved a request for
19 an area certificate covering new natural gas service to several communities in southern Missouri,
20 for which new gas distribution infrastructure would need to be built to provide the service. The
21 communities in question were relying on propane or other sources of fuel at the time, and the
22 Commission engaged in a fairly robust discussion of factors that support issuance of a CCN.
23 The Commission determined that need was satisfied in the case and considered the following

1 factors: the communities' "preference" for natural gas, the positive economic development
2 impacts that granting the CCN would promote, and the potential for lower energy costs for
3 consumers. By doing so, it did not anchor itself to one criterion in deciding whether a need
4 existed but considered the totality of the evidence based on a broad view of the benefits of the
5 project.

6 **Q. Would you please elaborate further on why the Project satisfies the *Tartan***
7 **Factor of need?**

8 A. Yes. As I noted earlier, the need for the Project arises from the Company's
9 analysis in its 2023 IRP, including analysis of the increasing reliability risks associated with
10 extreme winter weather events.

11 Mr. Michels' direct testimony details the important role of Castle Bluff in addressing
12 winter reliability needs as a result of the increasing prevalence of extreme winter weather events
13 that have challenged reliability in different parts of the country, including here in the Midwest, in
14 recent years. Additionally, the Project will add accredited capacity to the Company's generation
15 portfolio that will help enhance reliability in all seasons and reduce the Company's and its
16 customers' exposure to volatile and tight MISO capacity markets, will add the needed
17 dispatchability to partner with low-cost renewable energy sources reflected in the Company's
18 PRP, and will help address the risk of step changes in load growth that is appearing across the
19 country in the form of new large data centers. In summary, the Castle Bluff Project is needed
20 because it has a significant role in the development of the appropriate resource mix to ensure
21 reliability for Ameren Missouri's customers in the future, as well as to address numerous risks,
22 including the significant risks around winter reliability in the face of the increasing prevalence of
23 extreme weather events.

1 **b. Tartan Factor 2: The Company is Qualified to Operate the Project.**

2 **Q. How does the Company satisfy Tartan Factor 2?**

3 A. The Company has safely and reliably operated thousands of MW of generation,
4 including generation associated with a wide variety of fuel sources and technologies, for
5 decades. With respect to gas-fired CTGs specifically, witness Chris Stumpf's Direct Testimony
6 explains that the Company currently owns and operates 43 unique simple cycle CTG units at 12
7 different plant locations. The Company is clearly qualified to operate the CTGs at Castle Bluff
8 once they become operational.

9 **c. Tartan Factor 3: The Company has the Financial Ability to Develop the**
10 **Project.**

11 **Q. Please address Ameren Missouri's financial ability to develop the resource.**

12 A. Ameren Missouri has the financial capability to generate and raise the capital
13 needed to develop the resource in question. The upfront capital cost of the Castle Bluff facility is
14 expected to be approximately \$900 million. The Company's existing rate base – financed by an
15 appropriate balance of debt and equity – exceeds \$11 billion, and its planned capital additions
16 over the coming five years (not including the Project) also exceed \$11 billion. The Company has
17 sufficient access to capital markets based on, among other things, its stable credit ratings of Baa1
18 and BBB+, per Moody's and Standard & Poor's credit rating agencies respectively. I expect there
19 to be little question regarding the Company's financial wherewithal to undertake the Castle Bluff
20 Project.

21 **d. Tartan Factor 4: The Project is Economically Feasible.**

22 **Q. Please address the economic feasibility of the Project.**

23 A. The Castle Bluff Project is an improvement justifying its cost. This is because the
24 Project is a needed resource to reliably serve customers' capacity requirements and mitigate

1 certain risks. The Commission has recognized that when a project is needed, the economic
2 feasibility question largely turns on whether the utility can finance the project which, as
3 discussed earlier, is not an issue with respect to the Project. The economic feasibility of the
4 Project is also supported by other facts.

5 The Company's IRP is used to establish the Company's PRP. In selecting the PRP, the
6 primary selection criterion is minimization of the net present value of revenue requirement –
7 essentially, this means that the PRP is selected based on an assessment of the "least cost"
8 portfolio available to meet customers' energy and capacity needs, consistent with other secondary
9 planning objectives and risk assessments. The IRP demonstrates that the Company's PRP, which
10 includes the proposed Castle Bluff Project, is a cost-effective means of providing the energy and
11 capacity resources needed to reliably serve customers over time, supporting the conclusion that
12 the Project is economically feasible.

13 When considering economic feasibility, it is also important to consider the role in the
14 generating portfolio to be filled by Castle Bluff. Specifically, as a resource primarily needed to
15 meet extreme conditions, Castle Bluff will not generate large quantities of energy, but is
16 essentially a capacity resource that will operate on a more limited basis during periods of high
17 demand. CTGs are generally recognized as the capacity resource with the lowest capital cost to
18 construct. This is so much so that MISO utilizes the cost of a CTG in its determination of the
19 "Cost of New Entry" ("CONE") as a reference price level that caps the cost that customer loads
20 must pay to procure capacity in its capacity auction. What this means is that when MISO's
21 capacity auction is short of enough capacity to meet the needs of customers in the market, it
22 utilizes CONE as the clearing price, recognizing that this value, based on the capital cost of a
23 CTG, is the most economic supply-side solution to addressing a capacity shortfall.

1 **Q. Are there other characteristics of the Project that also support a finding of**
2 **economic feasibility?**

3 A. Yes, consistent with items that the Commission has relied on in past CCN cases in
4 its analysis of economic feasibility, this Missouri Project will create jobs and tax revenues within
5 the state and within the Company's service territory and will lessen the Company's reliance on
6 the MISO capacity market. Moreover, the Project will also lessen the Company's reliance during
7 some of the highest priced hours in the energy market, which could include time periods like
8 recent winter storms Uri and Elliott, where prices were observed to spike to extreme levels in
9 Midwestern energy markets, which, in multiple cases, gave rise to the use of securitization to
10 address the extraordinary energy costs incurred by electric utilities in the state.

11 **Q. In terms of the economic feasibility of the Project, is it necessary that the**
12 **Project "pay" for itself?**

13 A. No. The Commission has made it clear that the relevant test is whether the
14 improvement justifies the cost and not whether the proposed plant will "pay" for itself.⁵ Here,
15 the proposed Project justifies its cost, as I have explained above.

16 e. **Tartan Factor 5: The Project is in the Public Interest.**

17 **Q. Finally, turning to the last *Tartan* factor, does granting the CCN for the**
18 **Castle Bluff Project promote the public interest?**

19 A. Yes. It is often said that the public interest test is generally satisfied if each of the
20 first four *Tartan* factors are satisfied. Given that each of the first four *Tartan* Factors strongly
21 support issuance of the CCN, as discussed above, it is a logical extension to conclude that the

⁵ For example, the Commission flatly rejected an argument made by the Office of Public Counsel in the Boomtown CCN case that economic feasibility is not shown unless the project "has been shown to generate more revenues and avoid more costs," stating, "However, the test is whether the improvement justifies the cost." *Report and Order*, File No. EA-2022-0245, pp. 27-28.

1 Project is in the public interest. But just to put a finer point on the public interest question, I will
2 reiterate the perspective that I shared in the Boomtown case on the public interest here.

3 Generally, the public interest is served if the Company is able to effectively balance the
4 three priorities that should be considered the pillars of the generation transition that the Company
5 is undertaking and which are otherwise happening broadly across our industry: reliability,
6 affordability, and sustainability.

7 These are the areas that will impact the customers and communities, which are key
8 interests the Commission's regulation of public utilities is designed to promote and protect.
9 Consequently, they are the areas that the Company has focused on in developing its PRP. The
10 Castle Bluff Project is a part of the Company's PRP, which is the Company's solution to
11 optimizing across those priorities. Specifically, the Project in this case is a key component of the
12 PRP to help ensure reliability. And as discussed above, it is a cost-effective means of providing
13 that reliability.

14 **IV. EA-2023-0286 STIPULATION AND AGREEMENT COMPLIANCE**

15 **Q. In the Company's recent case (File No. EA-2023-0286) in which it received**
16 **CCNs for three solar facilities and potential approval of a fourth subject to certain conditions**
17 **being met, the Company committed in a Stipulation and Agreement ("Solar Stipulation") to**
18 **provide certain information supporting future CCN applications filed prior to 2030. Can you**
19 **please describe the information that is required of that Solar Stipulation provision as well as**
20 **how the Company's filing satisfies those requirements?**

21 **A.** Yes. The Solar Stipulation, filed with the Commission on March 5, 2024, and
22 approved by the Commission on March 21, 2024, required the Company to provide several
23 categories of information, including:

- 1 1. Provide to Staff prior to the filing of a future CCN application analysis of three
- 2 alternative resource plans of Staff's choosing based on the Company's 2023
- 3 IRP⁶,
- 4 2. Analysis of its PRP using project specific assumptions replacing generic
- 5 resource assumptions used in its IRP,
- 6 3. Analysis of a "do nothing" plan that assumes the requested CCN is not granted
- 7 and the Company does not pursue the project that is the subject of the
- 8 application,
- 9 4. Testimony regarding the needs being addressed by the resource for which the
- 10 CCN is being sought,
- 11 5. Testimony regarding any regulatory treatments implicated by the filing,
- 12 6. Answers to ten specific questions that Staff identified in File No. EA-2023-
- 13 0286 as being relevant to the approval of a CCN application.

14 **Q. Has the Company provided all the information required by its agreement to**
15 **the Solar Stipulation in support of its CCN application for the Castle Bluff Project in this**
16 **case?**

17 A. Yes. The Company provided the analysis required in Item 1 above on June 6, 2024,
18 via its external file sharing site used to provide workpapers and data request responses on
19 Commission cases via a link shared with Staff members Busch, Luebbert, Fortson, and Graham.
20 The analyses required in Items 2 and 3 above are addressed in the Direct Testimony of witness
21 Michels at pages 15-17. In response to Item 4, I have described the need for the resource at a high
22 level in my testimony above, but the detailed description required by the Solar Stipulation is

⁶ This requirement is only required prior to the first CCN filed subsequent to the approval of the Solar Stipulation.

1 addressed in the direct testimonies of Matt Michels and Andrew Meyer. For Item 5, at present, the
2 relevant regulatory treatment that is implicated by the CCN request is the Company's request for
3 authority of construction accounting to apply to the investment in Castle Bluff, as described more
4 fully in the Direct Testimony of Company witness Mitchell Lansford. I will address the ten
5 questions identified by Staff in Item 6 of the list above in the remainder of this section of my
6 testimony.

7 **Q. 1. Does the Commission have jurisdiction over the Applicant?**

8 A. Yes. Ameren Missouri acknowledges that it is an electrical corporation and public
9 utility subject to the Commission's jurisdiction.

10 **Q. 2. Very specifically, what authority is requested, and does the Commission**
11 **have jurisdiction to grant the authority requested?**

12 A. The Company is requesting that the Commission grant it a Certificate of
13 Convenience and Necessity under its authority pursuant to subsection 1 of § 393.170, RSMo., to
14 construct, own, and operate the Castle Bluff Energy Center in St. Louis County, and requests that
15 the Commission grant the CCN by December 31, 2024.

16 **Q. 3. Has the Applicant met all CCN rule requirements?**

17 A. Yes. The Company's Application and supporting testimony demonstrate that
18 Ameren Missouri has met all CCN rule requirements for the Project.

19 **Q. 4. Has the Applicant met all other filing requirements of an applicable**
20 **Commission order or rule?**

21 A. Yes. The only requirements are those in 20 CSR 4240-20.045, the applicable
22 provisions of which are addressed in the Company's Application, and the terms of the above-
23 referenced approved stipulation from File No. EA-2023-0286, which are addressed herein.

1 **Q. 5. Does the Applicant have the financial ability to construct (or purchase),**
2 **own, operate, and maintain each project?**

3 A. Yes. See my discussion above.

4 **Q. 6. Does the Applicant have the operational capability to construct (or**
5 **purchase), own, operate, and maintain each project?**

6 A. Yes. See my discussion above and the direct testimony of Company witness Chris
7 Stumpf.

8 **Q. 7. Separately for each project, is the project both important to the public**
9 **convenience and desirable for the public welfare? Or, is the project effectively a necessity**
10 **because the lack of the service is such an inconvenience?**

11 A. There is only one project at issue in this case. With respect to the Project, the
12 answers to these questions are "yes," as discussed in my testimony above respecting *Tartan*
13 Factors 1, 4 and 5, and for the reasons discussed by Company witnesses Michels and Meyer in
14 their direct testimonies.

15 **Q. 8. Separately for each project, is the project of sufficient importance to**
16 **warrant the expense of making it? Or, is the project such an improvement as to justify or**
17 **warrant the expense of making the improvement?**

18 A. There is only one project at issue in this case. With respect to the Project, the
19 answers to these questions are "yes," as discussed in my testimony above respecting *Tartan*
20 Factors 1, 4 and 5, and for the reasons discussed by Company witnesses Michels and Meyer in
21 their direct testimonies.

22 **Q. 9. If applicable, are there conditions or mechanisms that can be imposed to**
23 **overcome any deficits in the answers to the prior questions?**

1 A. There are no deficiencies in the answers the Company has provided which need to
2 be overcome.

3 **Q. 10. Has the Applicant presented an adequate direct case to demonstrate each**
4 **question enumerated?**

5 A. Yes, as demonstrated by the totality of the Company's application and supporting
6 testimony.

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

8 A. Yes.

