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**MISSOURI PUBLIC SERVICE COMMISSION**

**FILE NO. EC-2014-0223**

**REBUTTAL TESTIMONY**

**OF**

**JOHN J. REED**

**ON**

**BEHALF OF**

**UNION ELECTRIC COMPANY**

**d/b/a Ameren Missouri**

**Marlborough, Massachusetts  
June 6, 2014**

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1 regulatory agencies, various state and federal courts, and before arbitration panels in  
2 the United States and Canada. My background is presented in more detail in  
3 Schedules JJR-1 and JJR-2.

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

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

15 **Q. PLEASE DESCRIBE CE CAPITAL'S ACTIVITIES.**

16 A. CE Capital, a wholly-owned subsidiary of Concentric, is a Financial Industry  
17 Regulatory Authority ("FINRA") and Securities Investor Protection Corporation  
18 ("SIPC") member securities firm that provides services relating to corporate mergers  
19 and acquisitions, the valuation of securities, and capital market advisory services.

1    **Q.    WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY IN THIS**  
2    **PROCEEDING?**

3    A.    The purpose of my rebuttal testimony is to respond to the direct testimony of  
4    Mr. Greg R. Meyer on behalf of Noranda Aluminum, Inc. (“Noranda”) as it relates to  
5    an earnings complaint filed with the Missouri Public Service Commission  
6    (“MoPSC”) by Noranda, Inc. and 37 residential customers. The complaint requests  
7    an expedited proceeding and immediate rate relief based on Ameren Missouri’s  
8    recent earnings history.

9    The remainder of my testimony is organized as follows:

- 10           • In Section II, I summarize my key conclusions.
- 11           • In Section III, I summarize Noranda’s claim as detailed in the testimony of  
12           Mr. Meyer.
- 13           • In Section IV, I provide an overview of utility ratemaking and describe the  
14           fundamental ratemaking principles and constructs that are relevant to the  
15           discussion of “over-earning.”
- 16           • In Section V, I describe how cost of service ratemaking balances the interests  
17           of ratepayers and utility shareholders; and I discuss the cost of service  
18           framework for rate setting. I also discuss two failed regulatory constructs –  
19           retroactive ratemaking and single-issue ratemaking – that have emerged from  
20           the practical limitations of the cost of service model but have been rejected by  
21           courts and regulatory agencies as conflicting with fundamental ratemaking  
22           principles.



- 1           • Rates are exclusively set prospectively;
- 2           • The cost of service model cannot predict the “actual” cost of service with  
3           absolute precision and the lag between rate changes will inevitably result in over-  
4           or under-earnings for any given period;
- 5           • The cost of service model incents management to improve efficiency so that it  
6           can increase its earned return over that which would otherwise be achievable. If  
7           investors perceive that they can only earn below the authorized return but will  
8           not be allowed the opportunity to earn above the authorized return, they will  
9           correspondingly increase their required returns or they will reduce their  
10          investment in the utility (or both) to reduce the potential for earnings shortfalls  
11          caused by the regulatory lag associated with making investments in the utility’s  
12          system;
- 13          • Mr. Meyer’s proposal to reduce Ameren Missouri’s rates by \$67 million is not  
14          supported by consistent or reliable analyses; he has failed to offer a proper,  
15          comprehensive cost of service study, which is necessary to determine what rates  
16          should be, and has instead offered a flawed and incomplete analysis that provides  
17          no clear indication that the Company is going to over-earn or under-earn in the  
18          future; and
- 19          • The proposal put forth by the Complainants is the product of a review of historic  
20          financial information, in which Ameren Missouri earned above its Commission  
21          approved cost of equity; this does not suggest that rates in the past were not just  
22          and reasonable, nor that these same rates will be unjust or unreasonable in the  
23          future; that conclusion can only be reached after a full cost of service study,

1 reflecting traditional test year adjustments, has been developed and subjected to a  
2 full review in a process comparable to the process followed when a utility seeks  
3 a rate increase including, at a minimum, the performance of such studies by the  
4 Company, the MoPSC Staff and here, it would seem appropriate, by the  
5 Complainants.

6 **III. NORANDA ALUMINUM'S CLAIM**

7 **Q. PLEASE SUMMARIZE THE TESTIMONY AND RECOMMENDATION PUT**  
8 **FORTH BY MR. MEYER.**

9 A. Mr. Meyer, on behalf of Noranda, claims that Ameren Missouri's current rates  
10 produce earnings that are substantially in excess of what he alleges is a reasonable  
11 return for the twelve months ended September 30, 2013. His findings are based on  
12 his review of Ameren Missouri's Surveillance Reports for the same period with  
13 certain adjustments to reported results. Based upon his review of these reports and  
14 his proposed adjustments, he concludes that Ameren Missouri has been earning in  
15 excess of its previously allowed return on equity ("ROE") since September 2012 and  
16 will continue to do so<sup>2</sup>. Mr. Meyer's colleague, Mr. Michael Gorman, also  
17 recommends lowering Ameren Missouri's authorized ROE from 9.8 to 9.4 percent.

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<sup>2</sup> Greg R. Meyer Direct, pp. 3 – 4.



1 **Q. PLEASE DESCRIBE HOW MR. MEYER DETERMINED THAT THE**  
2 **COMPANY WAS ALLEGEDLY OVER-EARNING.**

3 A. There are essentially three components that collectively led Mr. Meyer to his  
4 conclusion that Ameren Missouri was over-earning. The first, and most sizeable,  
5 component was the historic earnings above the Company's previously authorized  
6 9.8% ROE. As was mentioned, Mr. Meyer reviewed the Company's reported  
7 earnings for the twelve months ended September 30, 2013, as reported in the  
8 Company's Surveillance Report. The "excess earnings" (as labeled by Mr. Meyer)  
9 that are reflected in the unadjusted Surveillance Report, represent 43 percent or \$29.2  
10 million of the Complainants' proposed rate reduction.

11 The second component of the Company's purported over-earnings results from the  
12 Complainant's proposed reduction of the Company's authorized ROE from the 9.8%  
13 approved by the Commission in the Company's last rate proceeding, to a proposed  
14 ROE of 9.4%. Reducing the authorized ROE by 40 basis points, accounts for another  
15 34 percent or \$22.5 million of the Complainants' proposed rate reduction.

16 The remaining 23 percent of the proposed rate reduction is the sum of 13 revenue and  
17 expense adjustments and annualizations, as thought to be appropriate by Mr. Meyer.  
18 Most of these adjustments rely on data that are years old, and as explained by  
19 Company witness Gary Weiss, several of the adjustments contain errors and, in  
20 general, the adjustments fail to consider factors which have a major effect on the  
21 Company's prospective and retrospective earnings, including weather, market  
22 changes, capital additions and depreciation changes. Mr. Meyer concluded that he

1 has “prepared a very thoughtful and conservative earnings review<sup>3</sup>.” I must firmly  
2 disagree. His analysis attempts to use earnings, which are a result, as a surrogate for  
3 a full analysis of revenues, expenses and rate base. His approach is not an  
4 appropriate basis on which to set future rates.

5 **Q. HOW DOES MR. MEYER PROPOSE THAT THE COMMISSION REMEDY**  
6 **THE “OVER-EARNING”?**

7 A. Mr. Meyer states that a rate reduction is “necessary for Ameren Missouri’s rates to be  
8 fair and reasonable.” He calculates the reduction he believes is necessary in his  
9 testimony, which is \$67 million. The Complaint further asks the Commission “to set  
10 an expedited procedural schedule to conduct whatever investigation or hearings it  
11 deems appropriate and required by law, to revise Ameren Missouri’s electric rates to  
12 just and reasonable electric rates consistent with its cost of service revenues<sup>4</sup>.”

13 **Q. DO MR. MEYER’S CALCULATIONS PROVIDE COMPELLING EVIDENCE**  
14 **THAT THE COMPANY’S RATES SHOULD BE REDUCED?**

15 A. No they do not. As discussed in more detail later in my testimony, Mr. Meyer’s  
16 calculations do not even begin to enable a regulator to conclude whether Ameren  
17 Missouri’s rates should be increased, decreased or left alone. His analysis is an odd  
18 mixture of backward-looking and forward-looking cost estimates, and some  
19 adjustments reflect other people’s analyses that were based on data that is now up to  
20 approximately three and a half years old. Mr. Meyer’s complaint is easily

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<sup>3</sup> Ibid, at p. 8.

<sup>4</sup> Noranda Aluminum, Inc., et al., Complainants, v. Union Electric Company d/b/a Ameren Missouri, Respondent, Case No. EC-2014-0223, Excess Earnings Complaint and Request for Expedited Review and Relief (February 12, 2014) at 7.

1 summarized as: “Ameren earned more than its cost of capital in a past period, and if  
2 matters are left as is, it may do so in the future as well.” However, this tells us  
3 nothing about whether current rates should be continued into the future. As noted  
4 earlier, it is widely understood that there will be periods of under- and over-earning  
5 between rate cases under the cost of service rate model because no rate case can  
6 precisely predict how market forces will impact costs, the success management will  
7 have in improving efficiency, or consumers’ demand for services. Nor can one  
8 perfectly predict how any of these factors will influence each other. The opportunity  
9 to respond to changing market conditions and preserve or enhance returns under the  
10 cost of service model is an important incentive for management to capture  
11 efficiencies, and management should be allowed to reap the rewards and bear the  
12 costs of these efforts. The fact that actual earnings came in either above or below  
13 projected levels in any particular period do not indicate that the underlying rates are  
14 unjust or unreasonable. To the contrary, before such a determination can be made  
15 comprehensive cost of service studies must be performed and properly vetted through  
16 Commission proceedings, conducted in a manner that is comparable to the manner in  
17 which rate increase requests are conducted.

18 **IV. OVERVIEW OF UTILITY REGULATION**

19 **Q. WHAT IS UTILITY RATE REGULATION?**

20 **A.** Utility rate regulation is essentially a proxy for competitive forces where regulation is  
21 judged to be more effective to carry out services that are required by the public

1 interest. According to the renowned regulatory economist and the author of The  
2 Economics of Regulation, Alfred Kahn, regulation is described as follows:

3 The essence of regulation is the explicit replacement of competition  
4 with governmental orders as the principal institutional device for  
5 assuring good performance. The regulatory agency determines  
6 specifically who shall be permitted to serve; and when it licenses  
7 more than one supplier, it typically imposes rigid limitations on their  
8 freedom to compete. So the two prime requirements of competition  
9 as the governing market institution – freedom of entry and  
10 independence of action – are deliberately replaced. Instead the  
11 government determines price, quality and conditions of service, and  
12 imposes an obligation to serve<sup>5</sup>.

13  
14 **Q. WHY DOES COMPETITION SERVE AS THE MODEL FOR UTILITY**  
15 **REGULATION?**

16 A. In free-market economies, competition is typically considered the most efficient  
17 means of allocating resources, where individual buyers and sellers, each pursuing  
18 their individual interests, come together in an open market, and transact in an orderly  
19 manner to efficiently allocate resources for the good of society. The prices that  
20 emerge from competition are those that arise out of the bargains between freely  
21 contracting buyers and sellers<sup>6</sup>. Essentially, in this vein, utility regulation represents  
22 a series of tradeoffs between service providers and their regulators (and customers) to  
23 incent service providers to make risky investments, accept the obligation to serve the  
24 public and charge cost-based rates in return for a reasonable opportunity to recover  
25 their costs including the costs of the capital they employed to make the investments.  
26 And customers accept the lack of competition in return for protection from monopoly

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<sup>5</sup> Alfred E. Kahn, *The Economics of Regulation Principles and Institutions* (1988) at 20.

<sup>6</sup> *Ibid.*

1 pricing and an assurance of sufficient availability of service. This series of tradeoffs  
2 is what is commonly referred to as the “regulatory compact.”

3 **Q. HOW HAS UTILITY RATEMAKING EVOLVED OVER THE YEARS AND**  
4 **WHAT GUIDING PRINCIPLES HAVE EMERGED?**

5 A. Utility ratemaking has evolved very much through trial and error in a series of  
6 landmark U.S. Supreme Court decisions that spanned the late 19<sup>th</sup> century and the  
7 early 20<sup>th</sup> century. One of the most widely relied upon decisions addressing utility  
8 regulation is *Bluefield Water Works (1923)*, where the Supreme Court articulated  
9 specific criteria for evaluating whether the standard of “just and reasonable” had been  
10 met. The Supreme Court handed down this guidance with respect to determining the  
11 fairness of utility rates:

12 A public utility is entitled to such rates as will permit it to earn a  
13 return on the value of the property which it employs for the  
14 convenience of the public equal to that generally being made at the  
15 same time and in the same general part of the country on investments  
16 in other business undertakings which are attended by corresponding,  
17 risks and uncertainties; but it has no constitutional right to profits  
18 such as are realized or anticipated in highly profitable enterprises or  
19 speculative ventures. The return should be reasonably sufficient to  
20 assure confidence in the financial soundness of the utility and should  
21 be adequate, under efficient and economical management, to maintain  
22 and support its credit and enable it to raise the money necessary for  
23 the proper discharge of its public duties<sup>7</sup>.

24 Since that time, our modern system of rate regulation has continued to evolve. In  
25 *Hope Gas (1944)*, the Supreme Court reiterated the standard that rates must be “just  
26 and reasonable” and articulated that in order to achieve rates that are just and

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<sup>7</sup> *Bluefield Water Works (1923)*.

1 reasonable there must be a balancing of shareholder and consumer interests. The  
2 court further found that there is no prescription for the correct rate setting process, but  
3 rather, it is the end result that is determinative. This is now known as the “end  
4 results” doctrine.

5 While the regulatory system has continued to evolve, the regulatory framework and  
6 standards for fairness, established in *Hope* and *Bluefield*, have stood the test of time.  
7 The cost-based regulatory framework has shown its ability to adapt to changing  
8 economic and environmental conditions, such as declining growth, high inflation,  
9 increasing need for investment, etc. to minimize the risks imposed by the regulatory  
10 process and retain the fundamental risk sharing constructs that were part of the  
11 original regulatory compact. The regulatory process continues to rebalance itself,  
12 through the development of risk mitigating mechanisms (e.g. future test year,  
13 decoupling mechanisms, capital cost trackers, automatic adjustment mechanisms,  
14 etc.), but the end result is adherence to the regulatory doctrine of just and reasonable  
15 rates that appropriately balance the interests of the shareholder and the consumer,  
16 such as one would expect to find in a competitive market place.

## 17 V. COST OF SERVICE RATEMAKING

18 **Q. WHAT IS THE PREDOMINANT RATEMAKING MODEL FOR SETTING**  
19 **RATES?**

20 **A.** By far, the predominant ratemaking model in the modern regulatory system in the  
21 United States is the cost of service model, whereby prices are based on actual prudent  
22 costs (as the best estimate of the cost of effectively providing service), as well as the

1 cost of debt and equity financing on capital invested. Rates are established  
2 prospectively for the period they are to be in effect. Once rates are set, the company  
3 is subject to the market forces of supply and demand, which are revealed through  
4 costs and/or customer consumption, and are ultimately reflected in the company's  
5 actual cash flows and earnings. To the extent that actual costs and revenues differ  
6 from those anticipated when rates were set (as they always do), rates will yield  
7 returns that are either above or below the allowed cost of capital.

8 **Q. IS THE REALITY THAT THE COST OF SERVICE MODEL PRODUCES**  
9 **RETURNS THAT DIFFER FROM THE ALLOWED COST OF CAPITAL A**  
10 **SHORTCOMING OF THE MODEL?**

11 **A.** No, it is not. The model is intended to provide for periodic rate revisions by  
12 undergoing a new rate proceeding. The model essentially provides the utility  
13 management with a reasonable opportunity to achieve the allowed return. It is  
14 management's responsibility to operate its business effectively such that it can realize  
15 the return. If management were to find that market forces had shifted such that it no  
16 longer had a reasonable opportunity to earn its return, it would commence a new rate  
17 proceeding to rebalance the risks between the utility and its customers.

18 The allowed return is the threshold return that management strives to achieve and  
19 hopes to beat. The cost of service model incents management to improve efficiency  
20 so that it can improve the return that it earns, at least until the next rate case. As  
21 noted by Leonard Goodman in his text on ratemaking, citing a case in Indiana:

22 The courts in Indiana rest the rule that excludes past profits and losses  
23 from current rate cases on classical economics. Once the rate is set,

1           then the utility must be left to its own devices; the “invisible hand” of  
2           the free market system promotes the interests of society, according to  
3           the Indiana courts and Adam Smith, more effectually than when we  
4           even intend to do so<sup>8</sup>.

5  
6           So, although the cost of service model cannot predict the “actual” cost of service with  
7           absolute precision and the lag between rate changes will result in earnings over or  
8           under that which was allowed for any given period, this framework also provides  
9           important incentives to management to maximize efficiency. It is argued that any  
10          model that more exactly tracks actual costs and revenues in rates may result in  
11          unintended consequences by removing important incentives to improve efficiency.  
12          This point is made in the following quote by Bonbright, Danielsen and Kamerschen,  
13          in their highly-regarded regulatory treatise, Principles of Utility Rates:

14           ...[T]he basic standards of reasonable rates should be primarily  
15           standards of functional efficiency. But just as the acceptability of any  
16           medicine must be determined in part by reference to its undesirable  
17           side effects and not alone by reference to effectiveness as an anodyne,  
18           so also must the reasonableness of any given set of rates or rate policy  
19           be determined in part by reference to unintended consequences. The  
20           administration of any standard or system of ratemaking has  
21           consequences, some of which are costly or otherwise harmful, and  
22           these consequences may warrant the rejection of one system in favor  
23           of some other system admittedly less efficient in the performance of  
24           its recognized economic functions.

25           Thus an elaborate structure of rates designed to make scientific  
26           allowance for the relative costs of different kinds of service may  
27           possibly be rejected in favor of a simpler structure more readily  
28           understood by ratepayers and less expensive to administer. And thus  
29           a system of rate regulation that would come closest to assuring a  
30           company of its continued ability to earn a capital-attracting rate of  
31           return may be rejected in favor of an alternative system that runs less

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<sup>8</sup> Goodman, Leonard Saul, *The Process of Ratemaking*, Public Utilities Reports, Inc. (1998), at 292, citing *Indiana Gas Co. v. Office of the Util. Consumer Counselor*, 575 N.E.2d 1044, 1052 (Ind.App. 3 Dist. 1991).



1 danger of removing incentives to managerial efficiency. The art of  
2 ratemaking is an art of wise compromise<sup>9</sup>.

3 The cost of service model is generally regarded as a functionally efficient model that  
4 balances shareholder and ratepayer risk, provides the appropriate incentives to  
5 management to improve efficiency, and provides investors with a reasonable  
6 opportunity to recover their costs of providing utility service as well as a market-  
7 based return on their invested capital. This model has proven adaptable in a changing  
8 regulatory environment, but continues to retain its fundamental form and principles as  
9 the predominant regulatory model.

10 **Q. HOW ARE THESE INCENTIVES AND PRINCIPLES APPLIED IN**  
11 **MODERN RATEMAKING?**

12 A. Dr. Karl McDermott, in his paper, Cost of Service Regulation in the Investor-Owned  
13 Electric Utility Industry - A History of Adaptation, identified the following  
14 underlying regulatory concepts that have become part of the modern ratemaking  
15 process:

16 1. **Prohibition on single-issue ratemaking:** Regulation is  
17 designed to focus on total net cost of service to avoid  
18 piecemeal or single-issue ratemaking. That its regulators are  
19 generally required to review all costs included in the [total  
20 revenue requirement] TRR to assure that the net result  
21 includes all costs increases and decreases as well as  
22 productivity changes;

23 2. **Prohibition on retroactive ratemaking:** The revenue  
24 requirements and, in turn, rates are set prospectively in order  
25 to attempt to match the costs that are embedded in the rates

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<sup>9</sup> Bonbright, Danielsen, Kamerschen, Principles of Utility Rates, Public Utilities Reports, Inc., Second Edition (1988), at 82.

1                   with the time period in which the rates are in effect. There is  
2                   no attempt to rectify past outcomes by making up for lost or  
3                   excess profits. Conceptually, prices are intended to reflect the  
4                   costs of the utility at the time service is provided;

5                   3. **Prudent investment standard:** Prudence is generally defined  
6                   in terms of the “reasonable manager” standard. The standard  
7                   does not allow the regulator to substitute its judgment for  
8                   management judgment; rather the regulator determines that,  
9                   given the information known or that should have been known  
10                  at the time a decision is made, the decision could have been  
11                  made by a reasonable management team (i.e., prudence is not  
12                  a 20/20 hindsight review). Costs that are not the result of  
13                  prudent management are excluded from the TRR; and

14                  4. **Used and useful standard:** Utility assets must be sized such  
15                  that at any given time they are, or can be, used to provide  
16                  service to customers<sup>10</sup>.

17                  I will return to these requirements later in my testimony.

18       **Q.     WITHIN THIS FRAMEWORK, WHAT IS THE PROCESS FOR SETTING**  
19       **RATES?**

20       A.     The rate setting process typically begins with a rate case, a formal administrative  
21              process, where the utility puts forth and supports its proposed cost of service, the  
22              Commission’s Staff develops its own cost of service study, and both studies are  
23              vetted through the regulatory process under the scrutiny of the utility’s customers and  
24              the regulatory commission itself. Rates can also be changed through a rate  
25              investigation initiated by an interested party or the regulator itself, in which the  
26              burden of proof shifts to the party challenging the existing rates. However, as I  
27              discuss further below that process also requires the full development of a proper cost

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<sup>10</sup> Ibid. [Emphasis added].

1 of service study, to be scrutinized in a process akin to that followed in a rate increase  
2 proceeding. Rate proceedings are often litigious, where all stakeholders may weigh  
3 in and influence the outcome of the process. The result is the establishment of base  
4 rates, or rates that have been normalized such that they represent the expected normal  
5 cost of providing service designed to act as a reasonable proxy for conditions that will  
6 persist after new rates take effect and for a reasonable time thereafter. Pending the  
7 outcome of the hearings, some states allow utilities to implement the new rates  
8 subject to refund, and most states authorize their commissions to grant interim rate  
9 increases subject to refund<sup>11</sup>.

10 **Q. HOW ARE COST-BASED RATES DEVELOPED?**

11 A. The rate calculation process begins with “base year” data, which are adjusted to  
12 establish a “test year” cost of service level. The concept of a “test year” was  
13 developed to test whether the proposed rates will be just and reasonable on a  
14 prospective basis after they are implemented and for a reasonable time thereafter.  
15 The test year cost of service is intended to produce a representative level of revenues,  
16 expenses, cost of capital, depreciation rates, and customer usage for the period of time  
17 during which the rates will be in effect. In addition, test year data are normalized to  
18 remove all extraordinary or non-recurring events from the revenue requirement and  
19 are adjusted for known and measurable changes to best predict the future cost of  
20 providing service. Without a fully synchronized and consistent set of test year data,

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<sup>11</sup> Stefan H. Krieger, *The Ghost of Regulation Past: Current Applications of the Rule Against Retroactive Ratemaking in Public Utility Proceedings* (1991) at 994.

1 the rates that are derived may not be just and reasonable for the period of time in  
2 which they are to be in place.

3 **Q. WHEN DO RATES BECOME FINAL?**

4 A. Unless challenged on appeal, rates become final once the commission has reviewed  
5 and approved the revenue requirement and rate design in the final order and upon the  
6 company's issuance of revised rate schedules in accordance with the final order.  
7 These rates then remain in effect until changed in a subsequent rate proceeding<sup>12</sup>.

8 **Q. IS THE RATE SETTING PROCESS FORWARD-LOOKING?**

9 A. Yes. A rate proceeding attempts to develop test year costs and revenues, based on  
10 recent historical experience, that reflect representative future values. As I indicated  
11 above, it is a well-understood principle of ratemaking that rates are set prospectively.  
12 There have been many cases that acknowledge this requirement, but it is clearly  
13 stated in a Louisiana Power and Light Co. appeal case, where the court stated:  
14 "Pervading the utility rate making process is the fundamental rule that rates are  
15 exclusively prospective in application and that future rates may not be designed to  
16 recoup past losses<sup>13</sup>." Future costs may be estimated based on recent historical test  
17 year data as the best predictor of future costs, but the focus of rate setting is on the  
18 period of time during which the rates will be in effect.

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<sup>12</sup> Ibid.

<sup>13</sup> Louisiana Power & Light Co. v. Louisiana Pub. Serv. Comm'n et al. Hooker Chemical and Plastics Corporation v. Louisiana Public Service Commission et al. 377 So. 2d 1023, 1028 (1979).

1 **Q. WHY IS THERE A PROHIBITION AGAINST RETROACTIVE**  
2 **RATEMAKING?**

3 A. There are many practical justifications for this prohibition, but most often the  
4 rationale is as was articulated by the Alabama Supreme Court in *T.R. Miller Mill Co.*  
5 *v. Louisville & Nashville Railroad* (1921), where the court affirmed that rates  
6 approved are the lawful rates, and stated:

7           Such schedules cannot be made unlawful for and during the period of  
8 their approved operation by any subsequent retroactive finding and  
9 order of the Commission. Such a practice would be odious to the  
10 generally established notions of justice, and would moreover be  
11 utterly subversive of the policy and utility of any system of rate  
12 regulation; for no rate could be relied upon as stable, and neither  
13 carrier nor shipper could ever be certain of the basis upon which  
14 business was being conducted<sup>14</sup>.

15 I recognize that there are exceptions where rates can be adjusted for events which turn  
16 out differently than expected, and where the ratemaking framework can deviate from  
17 the traditional cost of service and provide for sharing of under-earnings and over-  
18 earnings. However, for the most part retroactive adjustments are strictly prohibited in  
19 rates in favor of reliability and predictability.

20 **Q. HOW THEN SHOULD CUSTOMERS AND UTILITY SHAREHOLDERS**  
21 **SEEK TO REMEDY CHRONIC OVER- OR UNDER- EARNING?**

22 A. The appropriate remedy for any substantive change in the cost/revenue relationship of  
23 the regulated utility is a full rate case. The due process requirements applicable to the  
24 rate setting process have been described as:

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<sup>14</sup> *T.R. Miller Mill Co. v. Louisville & N.R. CO.* 92 So. 797 (Ala. 1921), reh'g denied (Mar. 3, 1922) at 802.

1           The question of the reasonableness of a rate of charge for  
2           transportation by a railroad company, involving as it does the element  
3           of reasonableness both as regards the company and as regards the  
4           public, is eminently a question for judicial investigation, requiring  
5           due process for its determination. If the company is deprived of the  
6           power of charging reasonable rates for the use of its property, and  
7           such deprivation takes place in the absence of an investigation by  
8           judicial machinery, it is deprived of the lawful use of its property, and  
9           thus, in substance and effect, of the property itself, without due  
10          process of law and in violation of the Constitution of the United  
11          States; and insofar as it is thus deprived, while other persons are  
12          permitted to receive reasonable profits upon their invested capital, the  
13          company is deprived of the equal protection of the laws<sup>15</sup>.

14          During a rate case all of the costs and revenues of the company are thoroughly  
15          examined, all stakeholders are provided an opportunity to be heard and conflicting  
16          opinions reconciled, and prospective rates that are just and reasonable are produced.  
17          The party which seeks to have the existing rates changed bears the burden of proving  
18          that its proposed rates better satisfy the just and reasonable standard, based on a  
19          consideration of all elements of the utility's cost of service.

20   **Q.    WHAT IS SINGLE-ISSUE RATEMAKING AND WHY IS IT TYPICALLY**  
21   **PROHIBITED?**

22   A.    Single-issue ratemaking occurs when a regulatory commission reviews and makes a  
23   rate determination with respect to a single component of the revenue requirement in  
24   isolation, without considering and reviewing all components of the revenue  
25   requirement in aggregate. The rationale behind the prohibition against single-issue  
26   ratemaking was cited in *Citizens Utilities Board v. Illinois Commerce Commission*  
27   (1995) as “consideration of any one item in the revenue formula in isolation risks

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<sup>15</sup> Copeland Jr., B.L. and Walter W. Nixon III (1991). —Procedural Versus Substantive Economic Due Process for Public Utilities, *Energy Law Journal* 12(81), 81–110.

1 understatement or overstatement of the revenue requirement<sup>16</sup>.” The judge went on to  
2 elaborate that:

3 When the Commission examines costs within the framework of a  
4 proposed change in base rates, the regulatory principle that prohibits  
5 single-issue ratemaking requires the Commission to examine the  
6 impact of the expense on the utility’s overall revenue requirement.  
7 One element of the revenue requirement is the utility’s rate of return,  
8 or allowed return on investment. Any adjustment to the total  
9 investment, or rate base, creates a proportional increase in the return  
10 on that investment<sup>17</sup>.

11 Because of the interplay between revenue requirement components, a commission  
12 generally seeks to avoid changing rates based on changes in individual components of  
13 the revenue requirement without considering them in totality. In addition, it is  
14 important to understand that it is the overall rate that is just and reasonable, or not,  
15 and that the process by which the rates were developed, including the individual cost  
16 components, do not make a rate reasonable or unreasonable. A corollary of this is  
17 that changes in individual ratemaking elements do not necessarily make the rate  
18 unreasonable. As such, it is important that rates meet the standard of justness and  
19 reasonableness, the interests of ratepayers and shareholders are balanced, and  
20 management incentives are preserved.

21 **VI. ASSESSMENT AND RESPONSE TO NORANDA’S PROPOSAL**

22 **Q. BASED UPON YOUR REVIEW, DOES MR. MEYER’S TESTIMONY**  
23 **PROVIDE THE LEVEL OF INFORMATION NEEDED TO EVALUATE THE**

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<sup>16</sup> Citizens Utility Bd. V. Ill. Commerce Com’n, 651 N.E.2d 1089 (Ill. 1995) at 1102.

<sup>17</sup> Copeland Jr., B.L. and Walter W. Nixon III (1991). —Procedural Versus Substantive Economic Due Process for Public Utilities, *J Energy Law Journal* 12(81), 81–110.

1           **REASONABLENESS OF AMEREN MISSOURI'S EXISTING RATES, OR TO**  
2           **SUPPORT HIS PROPOSED RATE REDUCTION?**

3    A.    No. Mr. Meyer presents a list of items in Table 1<sup>18</sup> of his testimony which factor into  
4           his calculation of the alleged excess earnings that he in turn claims justifies a decrease  
5           in Ameren Missouri's current rates. As discussed in more detail by Mr. Weiss in his  
6           rebuttal testimony, to support his assertion that the Company is over-earning and  
7           would be likely to do so prospectively, Mr. Meyer provides an inconsistent and  
8           incomplete set of backward-looking financial *results* (*i.e.*, the earned return for a past  
9           period), and individual adjustments to a few *cost* levels. Even these adjustments  
10          reflect analyses done by the Commission Staff in a past case, using data that in some  
11          cases is more than three years old, not by Mr. Meyer using current or projected costs  
12          that have been shown to reflect a reasonable proxy for the future. As Mr. Weiss also  
13          explains, some of the adjustments also reflect incorrect calculations. Notably,  
14          Mr. Meyer also offers no analyses of changes to billing determinant levels (energy,  
15          demand or customers), rate base, depreciation, taxes or many other major elements of  
16          the ratemaking process. Mr. Meyer's analysis is asynchronous (it uses adjustments  
17          from one period, applies them to costs in another period, and proposes to use these  
18          figures to set rates for a third period) and internally inconsistent (he proposes to  
19          annualize the effects of the Company's last rate increase, but not to annualize the  
20          costs which were used to establish those new rates). In short, his analysis is out of  
21          date, internally inconsistent, and does not even begin to meet established standards  
22          for conducting a rate investigation or for establishing new rates.

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<sup>18</sup> Meyer Direct, p. 5.



1 **Q. IF THE COMPANY WERE TO FILE FOR A RATE CHANGE SUPPORTED**  
2 **ONLY BY THE KIND OF EVIDENCE SET FORTH BY MR. MEYER,**  
3 **COULD THE COMMISSION APPROPRIATELY DISMISS THE RATE**  
4 **PROCEEDING?**

5 A. Yes. If the Company made such an application, I would expect the Commission to  
6 summarily deny such an unsupported request without the need for discovery or a  
7 hearing.

8 **Q. SHOULD ACCEPTED STANDARDS OF RATEMAKING BE APPLIED ANY**  
9 **DIFFERENTLY TO A RATE INVESTIGATION DESIGNED TO**  
10 **DETERMINE IF A UTILITY'S RATES SHOULD BE LOWERED**  
11 **PROSPECTIVELY THAN TO A UTILITY'S RATE INCREASE REQUEST?**

12 A. No, in my opinion the standards and process should be the same, because the results  
13 would have the same impact. The same burden of proof requirement for reliable and  
14 verifiable data and standard of review should apply to whomever applies for the rate  
15 change, and the same level of proof, process and scrutiny should be applied.

16 **Q. PLEASE EXPAND ON YOUR EXCEPTIONS TO MR. MEYER'S ALLEGED**  
17 **CALCULATION OF OVER-EARNINGS.**

18 A. I take exception to Mr. Meyer's over-earnings calculations on several bases: 1) the  
19 Surveillance Report data do not reflect a normalized test year; 2) resetting the  
20 authorized ROE outside of a full rate case constitutes at least "tunnel vision" if not  
21 single issue ratemaking; 3) his adjustments are backward-looking and exclude  
22 numerous cost categories; 4) he has failed to offer any evidence regarding changes in

1 billing determinants; and 5) he has failed to present any evidence on changes to rate  
2 base or capital spending.

3 **Q. PLEASE EXPLAIN WHY THE SURVEILLANCE REPORT DATA DO NOT**  
4 **REFLECT A NORMAL TEST YEAR.**

5 A. Mr. Meyer calculates a level of alleged over-earnings by selectively adjusting  
6 Ameren Missouri's historical financial information in an attempt to provide a short-  
7 hand approach to establishing an appropriate test year upon which rates could be  
8 reset. Mr. Meyer's analysis, however, falls well short of producing a test year cost of  
9 service that is representative of a normal year. Mr. Meyer makes no attempt to either  
10 weather normalize revenues or to reflect the expected level of electric usage during  
11 the time period in which new rates from this proceeding would be in effect. Instead,  
12 he would apparently have the Commission believe that the weather experienced  
13 during the twelve months ended September 30, 2013 was normal, when indeed it was  
14 somewhat warmer than normal. Further, Mr. Meyer fails to reflect actual plant  
15 additions that the Company has placed in service since September 30, 2013 or those  
16 likely to be in service in the future when new rates would be in effect. Mr. Meyer's  
17 position denies the Company the right to earn a return on prudently incurred capital  
18 expenditures.

19 During a period of high investment and warmer than usual weather, setting rates  
20 cannot be done based solely on a utility's historical performance with limited pro  
21 forma adjustments. Without the *full* suite of normalization adjustments, such as  
22 weather normalization, adjustments for known and measureable changes, etc. it is  
23 impossible to know on a going-forward basis whether or not the Company's revenue

1 requirement has increased or decreased, and by extension, whether its rates are  
2 reasonable or unreasonable. As noted, Mr. Weiss discusses the myriad of  
3 adjustments that are necessary to develop a proper cost of service study, and the  
4 complexity involved in developing such a study.

5 **Q. IN WHAT RESPECT DOES THE COMPLAINANTS' PROPOSAL**  
6 **CONSTITUTE SINGLE-ISSUE RATEMAKING?**

7 A. As discussed previously in my testimony, it is typically inappropriate to rule on  
8 individual components of the revenue requirement without considering them in  
9 totality. As I have previously stated, Mr. Meyer's alleged calculation of over-  
10 earnings is heavily dependent upon two items: 1) the Company's reported historic  
11 earnings in excess of the Commission previously approved 9.8 percent ROE; and  
12 2) the proposed lowering of the authorized ROE to 9.4 percent. These two items  
13 alone represent 77 percent of the alleged over-earnings calculation. Approximately  
14 one-third of the perceived over-earning position espoused by Mr. Meyer is the result  
15 of reducing the Commission-approved ROE from the last rate proceeding by 40 basis  
16 points. Resetting the authorized rate of return, as requested by the Complainant,  
17 constitutes, at a minimum, tunnel-vision ratemaking, which is one step short of  
18 single-issue ratemaking.

19 **Q. PLEASE EXPLAIN WHY YOU BELIEVE MR. MEYER'S PROPOSAL IS**  
20 **BACKWARD LOOKING?**

21 A. When resetting rates, the Commission should establish rates that will allow the  
22 Company an opportunity to earn a reasonable return of and on the cost structure and  
23 investments in place during the period that the rates will be in effect. As such, rates

1 must be set with an eye toward the future. In this case, however, a fair reading of  
2 Mr. Meyer's testimony demonstrates that what Noranda is really seeking is to reduce  
3 rates to reflect (recoup) past profits, i.e. the amount that Complainants allege Ameren  
4 Missouri has over-earned, by adjusting future rates downward. Quite simply, that is  
5 improper. If Mr. Meyer had shown that the Company was likely to earn at that level  
6 prospectively, rather than retrospectively, he would at least have established a  
7 foundation for setting new rates, although a comprehensive cost of service study  
8 would still have been required to determine what those new rates should be.  
9 However, Mr. Meyer's testimony neither asks, nor answers, this fundamental  
10 question.

11 **Q. ARE THE COMPANY'S PAST EARNINGS, WHETHER ABOVE OR**  
12 **BELOW THE COST OF CAPITAL, NECESSARILY INDICATIVE OF**  
13 **FUTURE EARNINGS?**

14 A. No, they are not. Over the past decade, Ameren Missouri has predominantly under-  
15 earned relative to its authorized rate of return. Indeed, my testimony before this  
16 Commission two years ago was to seek prospective rate relief to help prevent a repeat  
17 of the chronic under-earning that Ameren Missouri had experienced for the prior six  
18 years<sup>19</sup>. In my testimony in that proceeding, I pointed out that traditional ratemaking  
19 assumes that growth in plant investment would be offset by growth in revenue,  
20 allowing the utility a reasonable opportunity to earn its allowed return. However, in  
21 Ameren Missouri's case, plant investment has been on the rise and sales growth has  
22 been declining or essentially flat, resulting in reduced cash flows and frequent under-

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<sup>19</sup> Direct Testimony of John J. Reed, Case No. ER-2012-0166 (February 2012) at 27.

1 earning<sup>20</sup>. This issue has been exacerbated by the historic test year and regulatory lag  
2 in Missouri's rate setting process. Historically, rates were often out of date by the  
3 time they went into effect<sup>21</sup>.

4 **Q. WHY HAS AMEREN MISSOURI'S CAPITAL INVESTMENT BEEN ON**  
5 **THE RISE AND WHAT CHALLENGES DOES THIS PRESENT?**

6 A. As discussed extensively in the Company's last rate case, Ameren Missouri has either  
7 had to replace or upgrade much of its infrastructure that was installed in its boom  
8 years from the 1950s to early 1970s to continue providing safe and reliable service.  
9 Further, Ameren Missouri has had to make substantial investments to comply with  
10 legislative mandates (including environmental, renewable energy and energy  
11 efficiency laws). This consistent need to deploy non-revenue producing capital,  
12 coupled with sales volumes that are on average flat to declining, in conjunction with  
13 the regulatory lag prevalent in the Missouri regulatory system, has exposed Ameren  
14 Missouri to significant cost pressure in the past and has led to the need for frequent  
15 rate cases. Ameren Missouri witness Lynn Barnes' testimony in this case shows that  
16 significant investments are continuing, and are projected to total approximately \$1.7  
17 billion through the end of this year since the end of the Company's last rate case.  
18 Mr. Weiss discusses the significant impact of energy efficiency program expenditures  
19 and the costs of compliance with renewable energy standards, which Mr. Meyer has  
20 completely failed to address. These kinds of circumstances illustrate why the use of  
21 simple historic data to establish new rates, without the conduct of a comprehensive

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<sup>20</sup> Ibid at 22.

<sup>21</sup> Ibid at 25 – 26.

1 cost of service study that is properly vetted through the regulatory process, would not  
2 produce just and reasonable results.

3 **Q. HOW THEN IS IT POSSIBLE THAT AMEREN MISSOURI HAS**  
4 **EXPERIENCED “OVER-EARNING” IN RECENTLY FILED EARNINGS**  
5 **REPORTS IF IT IS GENERALLY EXPERIENCING EARNINGS**  
6 **ATTRITION?**

7 A. Without a full study, it is impossible to know if indeed Ameren has over-earned on a  
8 normalized basis. Its over-earnings could be attributable to weather or other  
9 abnormal or non-recurring factors. While on the surface it may appear that the  
10 Company is in an over-earning position, once the appropriate adjustments are made to  
11 the data to reflect a “normal” test year, the result could very easily reflect under-  
12 earnings. But this debate about past “over- or under-earnings” is not really the  
13 question relevant to the determination of whether Ameren Missouri's rates are just  
14 and reasonable on a going forward basis. The relevant question is, what is the  
15 revenue requirement that will be needed (based on a proper cost of service study) in  
16 order to provide the Company with a reasonable opportunity to earn a fair return *in*  
17 *the future when new rates would be in effect*. The Complainants' approach to this  
18 case doesn't ask, let alone begin to answer, that question.

19 **Q. DOES MR. MEYER'S REVENUE REQUIREMENT CALCULATION PROVE**  
20 **THAT AMEREN MISSOURI'S EXISTING RATES ARE NO LONGER JUST**  
21 **AND REASONABLE?**

22 A. No. It is very difficult to determine merely by review of the Surveillance Reports that  
23 rates “are” or “are not” just and reasonable. Clearly the Commission would not

1        expect to reset Ameren Missouri's rates each time that a Surveillance Report  
2        indicated that earnings results were below what the Commission authorized in the  
3        Company's last rate proceeding. Why then should the Commission be expected to  
4        adjust rates when a Surveillance Report, or even a few of them, reflect earnings  
5        marginally above authorized levels? Taken to the extreme, if the Commission were  
6        to act on each Surveillance Report, it would likely result in four or five pancaked rate  
7        proceedings, seeking both the increase in and the reduction of rates, based upon each  
8        quarter's performance. Such an environment is clearly not reasonable for the  
9        Company, its investors, its customers and the Commission. Operating in such an  
10       environment would create entirely the wrong incentive for utilities, for they would  
11       fail to benefit (or lose a significant part of the benefit) from efficiencies they might be  
12       able to create between rate cases. While it is true that utilities do benefit from those  
13       efficiencies between rate cases (this is an instance when regulatory lag can help  
14       utilities) those efficiencies also ultimately benefit customers as they are factored into  
15       rates when new rate cases are filed, as the company plans to do next month. Further,  
16       the Surveillance Reports are simply not intended to be used to set rates. The reports  
17       provide little information on Ameren Missouri's cost of service or any of the other  
18       factors that are necessary to make a prospective rate determination. The reports  
19       provide an unadjusted snapshot of financial performance, and are at best a starting  
20       point for a discussion of the reasonableness of current rates. I would note that the  
21       Commission's Staff receives these same Surveillance Reports but has not suggested  
22       that a rate investigation is needed so that rates can be lowered and, as noted, has  
23       recognized that this stage of this case would not appropriately lead to a rate decrease

1 without significant, further investigation, including the conduct of a proper cost of  
2 service study. In my experience, those facts are strongly suggestive of a situation  
3 where the regulatory commission's Staff recognizes that a rate decrease is likely not  
4 warranted because, for example, any "over-earnings" are temporary because of  
5 changes in the utility's revenue requirement and/or billing determinants that are  
6 unlikely to persist in the future.

7 **Q. HAS THERE BEEN A SIGNIFICANT SHIFT IN THE REVENUE/COST**  
8 **RELATIONSHIP UPON WHICH RATES WERE LAST SET TO WARRANT**  
9 **A FULL RATE REVIEW?**

10 A. One cannot reach that conclusion at this time. The Company has stated its intention  
11 to file a full rate proceeding in July 2014. The revenue requirement set forth in that  
12 proceeding will reflect a proper matching of the revenues, costs and invested capital  
13 that will allow the Commission to establish a proper revenue requirement and rates  
14 for the future.

15 **Q. DOES THE MISSOURI COMMISSION ADHERE TO THE GENERALLY-**  
16 **ACCEPTED PROHIBITIONS AGAINST SINGLE ISSUE RATEMAKING**  
17 **AND RETROACTIVE RATEMAKING?**

18 A. Yes. Several cases have been brought before the Missouri Public Service  
19 Commission to test its adherence to these doctrines. The Commission invoked the  
20 prohibition against single-issue ratemaking in its decision to reject an abbreviated  
21 tariff filing by UtiliCorp:.

22 The law is quite clear that when the Commission determines the  
23 appropriateness of a rate or charge that a utility seeks to impose on its



1 customers, it is obligated to review and consider all relevant factors,  
2 rather than just a single factor. To consider some costs in isolation  
3 might cause the Commission to allow a company to raise rates to  
4 cover increased costs in one area without recognizing  
5 counterbalancing savings in another area. Such a practice is justly  
6 considered to be single-issue ratemaking<sup>22</sup>.

7 The Commission also has similarly articulated its adherence to the prohibition against  
8 retroactive ratemaking. In 2007, the MoPSC found that to allow the amortization of  
9 tax refunds into rates would constitute retroactive ratemaking and should be rejected.

10 The Commission stated:

11 ...In setting rates, there is always a risk that the expense for property  
12 taxes will be under or over estimated. The company therefore has the  
13 risk of not recovering its property taxes. In this case, the property tax  
14 expense was set too high, just as cost of service was set too low in the  
15 preceding issue.

16 MGE argues that Staff's proposal constitutes retroactive ratemaking  
17 and that the Missouri Supreme Court has determined, in setting rates,  
18 that the Commission can consider past excess recovery by a utility  
19 only insofar as it is relevant to a determination of what rate is  
20 necessary to provide a just and reasonable return...

21 ...Based on its Conclusions of Law and the above findings, the  
22 Commission will deny Staff's request to amortize the property taxes  
23 refunded to MGE in 2005<sup>23</sup>.

24 Further, in 2011, Noranda Aluminum, one of the Complainants in this proceeding,  
25 sought review of a Commission decision similarly arguing that Ameren Missouri was  
26 charging unjust and unreasonable rates, partly due to the allowance by the  
27 Commission of past vegetation management expenses to be amortized prospectively

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<sup>22</sup> Order Rejecting Tariff, Re UtiliCorp United Inc., Case No. ET-2001-482 Tariff No. 200100849, MoPSC (April 13, 2001).

<sup>23</sup> Missouri Gas Energy, a Division of Southern Union Company, Case No. GR-2006-0422, Tariff File No. YG-2006-0845, Missouri Public Service Commission (March 22, 2007).

1 into rates. Ultimately, the Court of Appeals affirmed the Commission's Decision  
2 citing two Missouri cases, Utility Consumers Council, 585 S.W.2d at 41, and AG  
3 Processing, 311 S.W.3d at 361<sup>24</sup>. In Utility Consumers Council, the Court found that  
4 the Commission could consider past excess recovery so long as it provided a just and  
5 reasonable return in the future, but it could not re-determine rates already established  
6 without providing the utility due process of law:

7 ...to direct the commission to determine what a reasonable rate  
8 [w]ould have been and to require a credit or refund of any amount  
9 collected in excess of this amount would be retroactive ratemaking.  
10 The commission has the authority to determine the rate [t]o be  
11 charged, [section] 393.270. In so determining it may consider past  
12 excess recovery insofar as this is relevant to its determination of what  
13 rate is necessary to provide a just and reasonable return in the future,  
14 and so avoid further excess recovery, [s]ee State ex rel. General  
15 Telephone Co. of the Midwest v. Public \*318 Service Comm'n, 537  
16 S.W.2d 655 (Mo.App.1976). It may not, however, redetermine rates  
17 already established and paid without depriving the utility (or the  
18 consumer if the rates were originally too low) of his property without  
19 due process<sup>25</sup>.

20 In *AG Processing*, the Court cited the “filed rate doctrine” which ensures  
21 predictability in utility rate regulation, and that the filed rates are the proper rates.  
22 The Court cited *State ex rel. Associated Natural Gas Co.*, 954 S.W.2d at 531 for that  
23 important precedent:

24 The filed rate doctrine's rule against retroactive ratemaking has an  
25 “underlying policy of predictability, meaning that if a utility is bound  
26 by the rates which it properly filed with the appropriate regulatory  
27 agency, then its customers will know prior to purchase what rates are  
28 being charged, and can therefore make economic or business plans or  
29 adjustments in response.” In other words, the approved tariffs are to

<sup>24</sup> State ex rel. Noranda Aluminum, Inc. v. Public Service..., 356 S.W.3d 293 (2011).

<sup>25</sup> Supreme Court of Missouri, En Banc., State ex rel. Utility Consumers Council Of Missouri v. MoPSC and Union Electric Company, et al., No. 60848. June 29, 1979. Rehearings Denied Sept. 11, 1979.

1 “provide advance notice to customers of prospective charges,  
2 allowing the customers to plan accordingly<sup>26</sup>.”

3 So, in sum, the Missouri Commission and the Missouri courts have adhered to the  
4 prohibitions against retroactive ratemaking and single issue ratemaking.

5 **Q. HOW HAVE OTHER STATE REGULATORY JURISDICTIONS DEALT**  
6 **WITH THE ISSUE OF OVERTURNING?**

7 A. State commission practices vary widely. A good portion of the state jurisdictions  
8 employ a forward test year, such that a better matching of revenues and costs is  
9 established, lessening the likelihood of significant over or under earning. Many states  
10 that have wrestled with the issue of significant earnings variances have instituted  
11 some sort of earnings sharing arrangement or “ROE collar” between the utility and  
12 the ratepayers. These are frequently included in multi-year rate plans for utilities, and  
13 reflect the regulator’s desire, and the utility’s acceptance that earned returns should  
14 remain within a prescribed range, or that a rate case should be initiated to correct  
15 earnings variances that are outside of these bounds. Other regulators use deferral  
16 accounting to capture the effects of significant cost differences, or sales differences,  
17 for future rate treatment, so as to keep actual earnings close to the approved cost of  
18 capital. All of these mechanisms have merit if the regulator is concerned that  
19 traditional ratemaking may produce earnings swings that are larger than what is  
20 reasonable. What distinguishes all of these mechanisms from traditional cost of  
21 service regulation is that the sharing of earnings shortfalls or surpluses is established  
22 in advance of those events occurring, and that the utility and customers understand

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<sup>26</sup> State ex rel. AG Processing, 311 S.W.3d 361, No. WD 70799. March 23, 2010.

1           that these variances will be shared through prospective rate adjustments that reflect  
2           past performance.

3       **Q.    ARE THESE CIRCUMSTANCES APPLICABLE TO THE CURRENT CASE?**

4       A.    No. Ameren Missouri's last rate order did not include any form of earnings sharing.  
5           Such a mechanism, if it had been adopted, would provide notice and due process such  
6           that investors and consumers could rely on the rate order and reasonably expect the  
7           possibility of a refund or surcharge. However, in this case, there have been no  
8           negotiated arrangements to refund utility profits in excess of allowed returns to  
9           Ameren Missouri's ratepayers, or to surcharge ratepayers for any earnings shortfall.  
10          If the Commission would like to preserve the right to recoup utility profits, it must set  
11          a prospective rate mechanism to do so.

12       **Q.    YOU EARLIER NOTED THAT THE LEVEL OF PROOF REQUIRED, AND**  
13       **THE PROCESS, IN AN EARNINGS COMPLAINT SHOULD BE SIMILAR**  
14       **TO WHAT WE SEE WHEN A UTILITY SEEKS A RATE INCREASE.**  
15       **PLEASE DESCRIBE HOW THAT PROCESS UNFOLDS IN MISSOURI.**

16       A.    In Missouri, when a utility seeks a rate increase there are a number of minimum filing  
17           requirements, and direct testimony that underlies a comprehensive cost of service  
18           study. The Commission affords the other rate case parties several months to audit the  
19           Company's books and to present their own direct cases, including a comprehensive  
20           cost of service study prepared by the Staff. In addition, all parties are afforded further  
21           opportunity to file rebuttal testimony, surrebuttal and cross-surrebuttal testimony.  
22           Only then do evidentiary hearings occur. There is no reason why the same kind of  
23           process should not be followed when a complaint is filed seeking a rate decrease, yet

1 the Complainants clearly put forward a much more abbreviated and incomplete  
2 process when they filed the Complaint. As the Commission has recognized, short-  
3 cutting the process would be inappropriate.

4 **Q. ON WHAT DO YOU BASE YOUR STATEMENT THAT THE COMMISSION**  
5 **HAS RECOGNIZED THAT SHORT-CUTTING THE PROCESS WOULD BE**  
6 **INAPPROPRIATE?**

7 A. Complainants proposed a very short procedural schedule that called only for the filing  
8 of their direct testimony on February 12 – which as noted is not based on a proper,  
9 comprehensive cost of service study – followed by rebuttal testimony and then  
10 surrebuttal/cross-surrebuttal testimony, all on a timeline much shorter than typically  
11 seen in rate increase cases. Almost three months later, they then sought to establish a  
12 test year which would have had the effect of ignoring significant changes in the  
13 revenue requirement that would likely persist once any new rates were set. As noted  
14 earlier, Mr. Weiss and Ms. Barnes address some of those changes in their testimonies.  
15 The Commission’s Staff recognized that the process being advocated by  
16 Complainants was insufficient to allow the Commission to change rates, but rather,  
17 was really more appropriately characterized as a limited investigation to first  
18 determine the threshold question of whether the current rates should be changed at all.  
19 In my opinion, the Staff is correct, for the reasons I discussed earlier. While I cannot  
20 speak for the Commission itself, I read the Commission’s May 14, 2014 Order  
21 Regarding Request to Set Test Year and True-up as also recognizing that this stage of  
22 this case is really an investigation rather than a case that is designed to inevitably  
23 produce new rates. This makes sense because, as noted, new rates cannot and should

1 not be set without proper, comprehensive cost of service studies and without the kind  
2 of due process afforded to the utility that others are afforded when the utility seeks a  
3 rate increase.

4 **Q. ARE YOU SUGGESTING THEN THAT THE 11-MONTH PROCESS USED**  
5 **FOR RATE INCREASE CASES BE ADOPTED?**

6 A. I am suggesting that the process would logically have to take at least that long, and  
7 likely longer. The reason it would likely take longer is that when a utility files a rate  
8 increase case it must file a robust set of information and a comprehensive cost of  
9 service study. That was not done here. Moreover, I am told that under Missouri law  
10 rate increase cases are required to be given priority over all other Commission  
11 matters. That is not the case for an earnings investigation, which one can logically  
12 conclude reflected the legislature's recognition that earnings investigations may take  
13 longer.

14 **Q. NORANDA HAS DEFENDED WHAT IT FILED AS BEING "AS MUCH OF**  
15 **AN 'ALL RELEVANT FACTORS ANALYSIS'" AS COULD BE**  
16 **PERFORMED GIVEN THAT MOST OF THE INFORMATION NEEDED TO**  
17 **PERFORM A COMPREHENSIVE COST OF SERVICE STUDY IS IN THE**  
18 **UTILITY'S HANDS. DOESN'T IT HAVE A POINT?**

19 A. I agree that when a complainant files a complaint seeking an investigation into a  
20 utility's rates that could lead to a rate decrease the complainant faces practical  
21 difficulties in filing, at that time, a comprehensive cost of service study. But there is  
22 nothing stopping a complainant from (a) providing some evidence upon which the  
23 Commission could determine that it should order its Staff to perform an audit and

1 develop a proper cost of service study that can then be vetted through the testimony  
2 and hearing process utilized in rate increase cases, or (b) conducting discovery and  
3 itself developing a proper cost of service study that can be vetted in the same way. In  
4 either case, that study should in effect start the part of such a case that could lead to a  
5 decrease in rates, just as the filing of a cost of service study is required to start a rate  
6 increase case that could lead to an increase in rates. Complainants sought to skip  
7 important parts of that process. Here, Complainants apparently assumed none of this  
8 was necessary, even waiting until almost three months into the case to suggest that a  
9 test year ought to be established.

10 **Q. DOESN'T A PROCESS SUCH AS YOU'VE DESCRIBED ABOVE**  
11 **INEVITABLY DELAY THE IMPLEMENTATION OF ANY RATE**  
12 **DECREASE?**

13 A. It may, but utilities are not able to obtain quick rate relief either. The kind of  
14 comprehensive analyses of costs, revenues and rate base that could support a rate  
15 adjustment takes time to develop. Utilities spend several months before a rate case is  
16 filed preparing the kind of comprehensive cost of service studies and testimony  
17 needed to support a rate increase request, and then do not receive new rates for  
18 another 11 months on top of that preparation time, even with the statutory priority I  
19 mentioned earlier. Complainants could have taken a different path here that would  
20 have taken longer than they might have liked, but that's simply the way the system  
21 works, and was designed to work. Also, one cannot assume that the end result of  
22 such a case would be a rate decrease – it might or might not be.





1           and to be vetted through the regulatory process in much the same way that rate  
2           increase cases are processed.

3           • The Company has previously committed to file a full rate proceeding in July  
4           2014. The revenue requirement established in that proceeding will reflect a  
5           proper matching of the revenues, costs and invested capital that will allow the  
6           Commission to establish a proper revenue requirement and rates for the future.  
7           For all the reasons identified above, the Commission should reject this  
8           Complaint because it is inadequately supported, and because any issues  
9           identified in the Complaint will be addressed in the upcoming rate proceeding.

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

11    **A.    Yes.**

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

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John J. Reed is a financial and economic consultant with more than 30 years of experience in the energy industry. Mr. Reed has also been the CEO of an NASD member securities firm and Co-CEO of the nation's largest publicly traded management consulting firm (NYSE: NCI). He has provided advisory services in the areas of mergers and acquisitions, asset divestitures and purchases, strategic planning, project finance, corporate valuation, energy market analysis, rate and regulatory matters and energy contract negotiations to clients across North and Central America. Mr. Reed's comprehensive experience includes the development and implementation of nuclear, fossil, and hydroelectric generation divestiture programs with an aggregate valuation in excess of \$20 billion. Mr. Reed has also provided expert testimony on financial and economic matters on more than 150 occasions before the FERC, Canadian regulatory agencies, state utility regulatory agencies, various state and federal courts, and before arbitration panels in the United States and Canada. After graduation from the Wharton School of the University of Pennsylvania, Mr. Reed joined Southern California Gas Company, where he worked in the regulatory and financial groups, leaving the firm as Chief Economist in 1981. He served as executive and consultant with Stone & Webster Management Consulting and R.J. Rudden Associates prior to forming REED Consulting Group (RCG) in 1988. RCG was acquired by Navigant Consulting in 1997, where Mr. Reed served as an executive until leaving Navigant to join Concentric as Chairman and Chief Executive Officer.

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**REPRESENTATIVE PROJECT EXPERIENCE**

**Executive Management**

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

**Financial and Economic Advisory Services**

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

**Litigation Support and Expert Testimony**

Provided expert testimony on more than 150 occasions in administrative and civil proceedings on a wide range of energy and economic issues. Clients in these matters have included gas distribution utilities, gas

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pipelines, gas producers, oil producers, electric utilities, large energy consumers, governmental and regulatory agencies, trade associations, independent energy project developers, engineering firms, and gas and power marketers. Testimony has focused on issues ranging from broad regulatory and economic policy to virtually all elements of the utility ratemaking process. Also frequently testified regarding energy contract interpretation, accepted energy industry practices, horizontal and vertical market power, quantification of damages, and management prudence. Have been active in regulatory contract and litigation matters on virtually all interstate pipeline systems serving the U.S. Northeast, Mid-Atlantic, Midwest, and Pacific regions.

Also served on FERC Commissioner Terzic's Task Force on Competition, which conducted an industry-wide investigation into the levels of and means of encouraging competition in U.S. natural gas markets. Represented the interests of the gas distributors (the AGD and UDC) and participated actively in developing and presenting position papers on behalf of the LDC community.

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

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

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

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

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

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### **PROFESSIONAL HISTORY**

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

Chairman and Chief Executive Officer

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

Chairman, President, and Chief Executive Officer

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

President, Navigant Energy Capital (2000 – 2002)

Executive Director (2000 – 2002)

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

Executive Managing Director (1998 – 1999)

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

**REED Consulting Group (1988 – 1997)**  
Chairman, President and Chief Executive Officer

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

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

**Southern California Gas Company (1976 – 1981)**  
Corporate Economist  
Financial Analyst  
Treasury Analyst

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**EDUCATION AND CERTIFICATION**

B.S., Economics and Finance, Wharton School, University of Pennsylvania, 1976  
Licensed Securities Professional: NASD Series 7, 63, and 24 Licenses

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

Concentric Energy Advisors, Inc.  
Navigant Consulting, Inc.  
Navigant Energy Capital  
Nukem, Inc.  
New England Gas Association  
R. J. Rudden Associates  
REED Consulting Group

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**AFFILIATIONS**

National Association of Business Economists  
International Association of Energy Economists  
American Gas Association  
New England Gas Association  
Society of Gas Lighters  
Guild of Gas Managers

EXPERT TESTIMONY OF JOHN J. REED  
REGULATORY AGENCIES

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| SPONSOR                                     | DATE             | CASE/APPLICANT                 | DOCKET NO.              | SUBJECT   |
|---|------------------|--------------------------------|-------------------------|---|
| <b>Alaska Public Utilities Commission</b>   |                  |                                |                         |   |
| Chugach Electric                            | 12/86            | Chugach Electric               | Docket No. U-86-11      | Cost Allocation                                       |
| Chugach Electric                            | 6/87             | Enstar Natural Gas Company     | Docket No. U-87-2       | Tariff Design   |
| Chugach Electric                            | 12/87            | Enstar Natural Gas Company     | Docket No. U-87-42      | Gas Transportation                                    |
| Chugach Electric                            | 11/87, 2/88      | Chugach Electric               | Docket No. U-87-35      | Cost of Capital                                       |
| <b>California Energy Commission</b>         |                  |                                |                         |   |
| Southern California Gas Co.                 | 8/80             | Southern California Gas Co.    | Docket No. 80-BR-3      | Gas Price Forecasting                                 |
| <b>California Public Utility Commission</b> |                  |                                |                         |   |
| Southern California Gas Co.                 | 3/80             | Southern California Gas Co.    | TY 1981 G.R.C.          | Cost of Service, Inflation                            |
| Pacific Gas Transmission Co.                | 10/91, 11/91     | Pacific Gas & Electric Co.     | App. 89-04-033          | Rate Design   |
| Pacific Gas Transmission Co.                | 7/92             | Southern California Gas Co.    | A. 92-04-031            | Rate Design   |
| <b>Colorado Public Utilities Commission</b> |                  |                                |                         |   |
| AMAX Molybdenum                             | 2/90             | Commission Rulemaking          | Docket No. 89R-702G     | Gas Transportation                                    |
| AMAX Molybdenum                             | 11/90            | Commission Rulemaking          | Docket No. 90R-508G     | Gas Transportation                                    |
| Xcel Energy                                 | 8/04             | Xcel Energy                    | Docket No. 031-134E     | Cost of Debt  |
| <b>CT Dept. of Public Utilities Control</b> |                  |                                |                         |   |
| Connecticut Natural Gas                     | 12/88            | Connecticut Natural Gas        | Docket No. 88-08-15     | Gas Purchasing Practices                              |
| United Illuminating                         | 3/99             | United Illuminating            | Docket No. 99-03-04     | Nuclear Plant Valuation                               |
| Southern Connecticut Gas                    | 2/04             | Southern Connecticut Gas       | Docket No. 00-12-08     | Gas Purchasing Practices                              |
| Southern Connecticut Gas                    | 4/05             | Southern Connecticut Gas       | Docket No. 05-03-17     | LNG/Trunkline   |
| Southern Connecticut Gas                    | 5/06             | Southern Connecticut Gas       | Docket No. 05-03-17PH01 | LNG/Trunkline   |
| Southern Connecticut Gas                    | 8/08             | Southern Connecticut Gas       | Docket No. 06-05-04     | Peaking Service Agreement                             |
| <b>District Of Columbia PSC</b>             |                  |                                |                         |   |
| Potomac Electric Power Company              | 3/99, 5/99, 7/99 | Potomac Electric Power Company | Docket No. 945          | Divestiture of Gen. Assets & Purchase Power Contracts |

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| SPONSOR  | DATE       | CASE/APPLICANT                            | DOCKET NO.  | SUBJECT  |
|--|------------|---|---|--|
| <b>Fed'I Energy Regulatory Commission</b>  |            |   |   |  |
| Safe Harbor Water Power Corp.  | 8/82       | Safe Harbor Water Power Corp.             |   | Wholesale Electric Rate Increase                             |
| Western Gas Interstate Company   | 5/84       | Western Gas Interstate Company            | Docket No. RP84-77                                  | Load Fest. Working Capital                                   |
| Southern Union Gas   | 4/87, 5/87 | El Paso Natural Gas Company               | Docket No. RP87-16-000                              | Take-or-Pay Costs  |
| Connecticut Natural Gas  | 11/87      | Penn-York Energy Corporation              | Docket No. RP87-78-000                              | Cost Alloc./Rate Design                                      |
| AMAX Magnesium   | 12/88      | Questar Pipeline Company                  | Docket No. RP88-93-000                              | Cost Alloc./Rate Design                                      |
| Western Gas Interstate Company   | 6/89       | Western Gas Interstate Company            | Docket No. RP89-179-000                             | Cost Alloc./Rate Design, Open-Access Transportation          |
| Associated CD Customers  | 12/89      | CNG Transmission                          | Docket No. RP88-211-000                             | Cost Alloc./Rate Design                                      |
| Utah Industrial Group  | 9/90       | Questar Pipeline Company                  | Docket No. RP88-93-000, Phase II                    | Cost Alloc./Rate Design                                      |
| Iroquois Gas Trans. System   | 8/90       | Iroquois Gas Transmission System          | Docket No. CP89-634-000/001; CP89-815-000           | Gas Markets, Rate Design, Cost of Capital, Capital Structure |
| Boston Edison Company  | 1/91       | Boston Edison Company                     | Docket No. ER91-243-000                             | Electric Generation Markets                                  |
| Cincinnati Gas and Electric Co., Union Light, Heat and Power Company, Lawrenceburg Gas Company | 7/91       | Texas Gas Transmission Corp.              | Docket No. RP90-104-000, RP88-115-000, RP90-192-000 | Cost Alloc./Rate Design Comparability of Svc.                |
| Ocean State Power II   | 7/91       | Ocean State Power II                      | ER89-563-000  | Competitive Market Analysis, Self-dealing                    |
| Brooklyn Union/PSE&G   | 7/91       | Texas Eastern                             | RP88-67, et al                                      | Market Power, Comparability of Service                       |
| Northern Distributor Group   | 9/92       | Northern Natural Gas Company              | RP92-1-000, et al                                   | Cost of Service  |
| Canadian Association of Petroleum Producers and Alberta Pet. Marketing Comm.                   | 10/92      | Lakehead Pipe Line Co. L.P.               | IS92-27-000   | Cost Allocation, Rate Design                                 |
| Colonial Gas, Providence Gas   | 7/93, 8/93 | Algonquin Gas Transmission                | RP93-14   | Cost Allocation, Rate Design                                 |
| Iroquois Gas Transmission  | 94         | Iroquois Gas Transmission                 | RP94-72-000   | Cost of Service and Rate Design                              |
| Transco Customer Group   | 1/94       | Transcontinental Gas Pipeline Corporation | Docket No. RP92-137-000                             | Rate Design, Firm to Wellhead                                |
| Pacific Gas Transmission   | 2/94, 3/95 | Pacific Gas Transmission                  | Docket No. RP94-149-000                             | Rolled-In vs. Incremental Rates: rate design                 |

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| SPONSOR  | DATE                | CASE/APPLICANT   | DOCKET NO.  | SUBJECT   |
|--|---------------------|--|---|---|
| Tennessee GSR Group  | 1/95, 3/95,<br>1/96 | Tennessee Gas Pipeline Company   | Docket Nos. RP93-151-000, RP94-39-000, RP94-197-000, RP94-309-000 | GSR Costs   |
| PG&E and SoCal Gas   | 8/96, 9/96          | El Paso Natural Gas Company  | RP92-18-000   | Stranded Costs  |
| Iroquois Gas Transmission System, L.P.   | 97                  | Iroquois Gas Transmission System, L.P.   | RP97-126-000  | Cost of Service, Rate Design  |
| BEC Energy - Commonwealth Energy System  | 2/99                | Boston Edison Company/<br>Commonwealth Energy System   | EC99-___-000  | Market Power Analysis –<br>Merger   |
| Central Hudson Gas & Electric, Consolidated Co. of New York, Niagara Mohawk Power Corporation, Dynegy Power Inc. | 10/00               | Central Hudson Gas & Electric, Consolidated Co. of New York, Niagara Mohawk Power Corporation, Dynegy Power Inc. | Docket No. EC00-___   | Market Power 203/205 Filing   |
| Wyckoff Gas Storage  | 12/02               | Wyckoff Gas Storage  | CP03-33-000   | Need for Storage Project  |
| Indicated Shippers/Producers   | 10/03               | Northern Natural Gas   | Docket No. RP98-39-029  | Ad Valorem Tax Treatment  |
| Maritimes & Northeast Pipeline   | 6/04                | Maritimes & Northeast Pipeline   | Docket No. RP04-360-000   | Rolled-In Rates   |
| ISO New England  | 8/04<br>2/05        | ISO New England  | Docket No. ER03-563-030   | Cost of New Entry   |
| Transwestern Pipeline Company, LLC   | 9/06                | Transwestern Pipeline Company, LLC   | Docket No. RP06-614-000   |   |
| Portland Natural Gas Transmission System   | 6/08                | Portland Natural Gas Transmission System   | Docket No. RP08-306-000   | Market Assessment, natural gas transportation; rate setting                                 |
| Portland Natural Gas Transmission System   | 5/10, 3/11,<br>4/11 | Portland Natural Gas Transmission System   | Docket No. RP10-729-000   | Business risks; extraordinary and non-recurring events pertaining to discretionary revenues |
| Morris Energy  | 7/10                | Morris Energy  | Docket No. RP10-  | Affidavit re: Impact of Preferential Rate   |
| <b>Florida Public Service Commission</b>   |                     |  |   |   |
| Florida Power and Light Co.  | 10/07               | Florida Power & Light Co.  | Docket No. 070650-EI  | Need for new nuclear plant  |
| Florida Power and Light Co.  | 5/08                | Florida Power & Light Co.  | Docket No. 080009-EI  | New Nuclear cost recovery, prudence   |

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| SPONSOR  | DATE             | CASE/APPLICANT  | DOCKET NO.                | SUBJECT                                     |
|--|------------------|---|---------------------------|---|
| Florida Power and Light Co.  | 3/09             | Florida Power & Light Co.                                   | Docket No. 080677-EI      | Benchmarking in support of ROE              |
| Florida Power and Light Co.  | 3/09, 5/09, 8/09 | Florida Power & Light Co.                                   | Docket No. 090009-EI      | New Nuclear cost recovery, prudence         |
| Florida Power and Light Co.  | 3/10; 5/10, 8/10 | Florida Power & Light Co.                                   | Docket No. 100009-EI      | New Nuclear cost recovery, prudence         |
| Florida Power and Light Co.  | 3/11, 7/11       | Florida Power & Light Co.                                   | Docket No. 110009-EI      | New Nuclear cost recovery, prudence         |
| <b>Florida Senate Committee on Communication, Energy and Utilities</b> |                  |   |                           |   |
| Florida Power and Light Co.  | 2/09             | Florida Power & Light Co.                                   |                           | Securitization                              |
| <b>Hawaii Public Utility Commission</b>                                |                  |   |                           |   |
| Hawaiian Electric Light Company, Inc. (HELCO)                          | 6/00             | Hawaiian Electric Light Company, Inc.                       | Cause No. 41746           | Standby Charge                              |
| <b>Indiana Utility Regulatory Commission</b>                           |                  |   |                           |   |
| Northern Indiana Public Service Company                                | 10/01            | Northern Indiana Public Service Company                     | Docket No. 99-0207        | Valuation of Electric Generating Facilities |
| Northern Indiana Public Service Company                                | 01/08, 03/08     | Northern Indiana Public Service Company                     | Cause No. 43396           | Asset Valuation                             |
| Northern Indiana Public Service Company                                | 08/08            | Northern Indiana Public Service Company                     | Cause No. 43526           | Fair Market Value Assessment                |
| <b>Iowa Utilities Board</b>  |                  |   |                           |   |
| Interstate Power and Light   | 7/05             | Interstate Power and Light and FPL Energy Duane Arnold, LLC | Docket No. SPU-05-15      | Sale of Nuclear Plant                       |
| Interstate Power and Light   | 5/07             | City of Everly, Iowa  | Docket No. SPU-06-5       | Municipalization                            |
| Interstate Power and Light   | 5/07             | City of Kalona, Iowa  | Docket No. SPU-06-6       | Municipalization                            |
| Interstate Power and Light   | 5/07             | City of Wellman, Iowa                                       | Docket No. SPU-06-10      | Municipalization                            |
| Interstate Power and Light   | 5/07             | City of Terril, Iowa  | Docket No. SPU-06-8       | Municipalization                            |
| Interstate Power and Light   | 5/07             | City of Rolfe, Iowa   | Docket No. SPU-06-7       | Municipalization                            |
| <b>Maine Public Utility Commission</b>                                 |                  |   |                           |   |
| Northern Utilities   | 5/96             | Granite State and PNGTS                                     | Docket No. 95-480, 95-481 | Transportation Service and PBR              |

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|---|-------|---|-------------------------|--|
| <b>Maryland Public Service Commission</b>   |       |   |                         |  |
| Eastalco Aluminum   | 3/82  | Potomac Edison  | Docket No. 7604         | Cost Allocation                          |
| Potomac Electric Power Company  | 8/99  | Potomac Electric Power Company  | Docket No. 8796         | Stranded Cost & Price Protection         |
| <b>Mass. Department of Public Utilities</b>   |       |   |                         |  |
| Haverhill Gas   | 5/82  | Haverhill Gas   | Docket No. DPU #1115    | Cost of Capital                          |
| New England Energy Group  | 1/87  | Commission Investigation  |                         | Gas Transportation Rates                 |
| Energy Consortium of Mass.  | 9/87  | Commonwealth Gas Company  | Docket No. DPU-87-122   | Cost Alloc./Rate Design                  |
| Mass. Institute of Technology   | 12/88 | Middleton Municipal Light   | DPU #88-91              | Cost Alloc./Rate Design                  |
| Energy Consortium of Mass.  | 3/89  | Boston Gas  | DPU #88-67              | Rate Design                              |
| PG&E Bechtel Generating Co./<br>Constellation Holdings  | 10/91 | Commission Investigation  | DPU #91-131             | Valuation of Environmental Externalities |
| Coalition of Non-Utility Generators   |       | Cambridge Electric Light Co. &<br>Commonwealth Electric Co.   | DPU 91-234<br>EFSC 91-4 | Integrated Resource Management           |
| The Berkshire Gas Company<br>Essex County Gas Company<br>Fitchburg Gas and Elec. Light Co.                          | 5/92  | The Berkshire Gas Company<br>Essex County Gas Company<br>Fitchburg Gas & Elec. Light Co.                        | DPU #92-154             | Gas Purchase Contract Approval           |
| Boston Edison Company   | 7/92  | Boston Edison   | DPU #92-130             | Least Cost Planning                      |
| Boston Edison Company   | 7/92  | The Williams/Newcorp<br>Generating Co.  | DPU #92-146             | RFP Evaluation                           |
| Boston Edison Company   | 7/92  | West Lynn Cogeneration  | DPU #92-142             | RFP Evaluation                           |
| Boston Edison Company   | 7/92  | L'Energia Corp.   | DPU #92-167             | RFP Evaluation                           |
| Boston Edison Company   | 7/92  | DLS Energy, Inc.  | DPU #92-153             | RFP Evaluation                           |
| Boston Edison Company   | 7/92  | CMS Generation Co.  | DPU #92-166             | RFP Evaluation                           |
| Boston Edison Company   | 7/92  | Concord Energy  | DPU #92-144             | RFP Evaluation                           |
| The Berkshire Gas Company<br>Colonial Gas Company<br>Essex County Gas Company<br>Fitchburg Gas and Electric Company | 11/93 | The Berkshire Gas Company<br>Colonial Gas Company<br>Essex County Gas Company<br>Fitchburg Gas and Electric Co. | DPU #93-187             | Gas Purchase Contract Approval           |
| Bay State Gas Company   | 10/93 | Bay State Gas Company   | Docket No. 93-129       | Integrated Resource Planning             |
| Boston Edison Company   | 94    | Boston Edison   | DPU #94-49              | Surplus Capacity                         |
| Hudson Light & Power Department   | 4/95  | Hudson Light & Power Dept.  | DPU #94-176             | Stranded Costs                           |
| Essex County Gas Company  | 5/96  | Essex County Gas Company  | Docket No. 96-70        | Unbundled Rates                          |

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| SPONSOR   | DATE        | CASE/APPLICANT  | DOCKET NO.                 | SUBJECT   |
|---|-------------|---|----------------------------|---|
| Boston Edison Company                           | 8/97        | Boston Edison Company                                       | D.P.U. No. 97-63           | Holding Company Corporate Structure                   |
| Berkshire Gas Company                           | 6/98        | Berkshire Gas Mergeco Gas Co.                               | D.T.E. 98-87               | Merge approval  |
| Eastern Edison Company                          | 8/98        | Montaup Electric Company                                    | D.T.E. 98-83               | Marketing for divestiture of its generation business. |
| Boston Edison Company                           | 98          | Boston Edison Company                                       | D.T.E. 97-113              | Fossil Generation Divestiture                         |
| Boston Edison Company                           | 98          | Boston Edison Company                                       | D.T.E. 98-119              | Nuclear Generation Divestiture                        |
| Eastern Edison Company                          | 12/98       | Montaup Electric Company                                    | D.T.E. 99-9                | Sale of Nuclear Plant                                 |
| NStar   | 9/07, 12/07 | NStar, Bay State Gas, Fitchburg G&E, NE Gas, W. MA Electric | DPU 07-50                  | Decoupling, risk                                      |
| NStar   | 6/11        | NStar, Northeast Utilities                                  | DPU 10-170                 | Merger approval                                       |
| <b>Mass. Energy Facilities Siting Council</b>   |             |   |                            |   |
| Mass. Institute of Technology                   | 1/89        | M.M.W.E.C.  | EFSC-88-1                  | Least-Cost Planning                                   |
| Boston Edison Company                           | 9/90        | Boston Edison   | EFSC-90-12                 | Electric Generation Mkts                              |
| Silver City Energy Ltd. Partnership             | 11/91       | Silver City Energy  | D.P.U. 91-100              | State Policies; Need for Facility                     |
| <b>Michigan Public Service Commission</b>       |             |   |                            |   |
| Detroit Edison Company                          | 9/98        | Detroit Edison Company                                      | Case No. U-11726           | Market Value of Generation Assets                     |
| Consumers Energy Company                        | 8/06, 1/07  | Consumers Energy Company                                    | Case No. U-14992           | Sale of Nuclear Plant                                 |
| WE Energies                                     | 12/11       | Wisconsin Electric Power Co.                                | Case No. U-16830           | Economic Benefits/Prudence                            |
| <b>Minnesota Public Utilities Commission</b>    |             |   |                            |   |
| Xcel Energy/No. States Power                    | 9/04        | Xcel Energy/No. States Power                                | Docket No. G002/GR-04-1511 | NRG Impacts   |
| Interstate Power and Light                      | 8/05        | Interstate Power and Light and FPL Energy Duane Arnold, LLC | Docket No. E001/PA-05-1272 | Sale of Nuclear Plant                                 |
| Northern States Power Company d/b/a Xcel Energy | 11/05       | Northern States Power Company                               | Docket No. E002/GR-05-1428 | NRG Impacts on Debt Costs                             |
| Northern States Power Company d/b/a Xcel Energy | 09/06       | NSP v. Excelsior  | Docket No. E6472/M-05-1993 | PPA, Financial Impacts                                |
| Northern States Power Company d/b/a Xcel Energy | 11/06       | Northern States Power Company                               | Docket No. G002/GR-06-1429 | Return on Equity                                      |

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EXPERT TESTIMONY OF JOHN J. REED  
REGULATORY AGENCIES

| SPONSOR   | DATE          | CASE/APPLICANT                       | DOCKET NO.                             | SUBJECT                            |
|---|---------------|--------------------------------------|--|------------------------------------|
| Northern States Power                           | 11/08, 05/09  | Northern States Power Company        | Docket No. E002/GR-08-1065             | Return on Equity                   |
| Northern States Power                           | 11/09<br>6/10 | Northern States Power Company        | Docket No. G002/GR-09-1153             | Return on Equity                   |
| Northern States Power                           | 11/10, 5/11   | Northern States Power Company        | Docket No. E002/GR-10-971              | Return on Equity                   |
| <b>Missouri Public Service Commission</b>       |               |                                      |  |                                    |
| Missouri Gas Energy                             | 1/03          | Missouri Gas Energy                  | Case No. GR-2001-382                   | Gas Purchasing Practices; Prudence |
| Aquila Networks                                 | 2/04          | Aquila-MPS, Aquila_L&P               | Case Nos. ER-2004-0034<br>HR-2004-0024 | Cost of Capital, Capital Structure |
| Aquila Networks                                 | 2/04          | Aquila-MPS, Aquila_L&P               | Case No. GR-2004-0072                  | Cost of Capital, Capital Structure |
| Missouri Gas Energy                             | 11/05         | Missouri Gas Energy                  | Case Nos. GR-2002-348<br>GR-2003-0330  | Capacity Planning                  |
| Missouri Gas Energy                             | 11/10, 1/11   | KCP&L                                | Case No. ER-2010-0355                  | Natural Gas DSM                    |
| Missouri Gas Energy                             | 11/10, 1/11   | KCP&L GMO                            | Case No. ER-2010-0356                  | Natural Gas DSM                    |
| Laclede Gas Company                             | 5/11          | Laclede Gas Company                  | Case No. CG-2011-0098                  | Affiliate Pricing Standards        |
| <b>Montana Public Service Commission</b>        |               |                                      |  |                                    |
| Great Falls Gas Company                         | 10/82         | Great Falls Gas Company              | Docket No. 82-4-25                     | Gas Rate Adjust. Clause            |
| <b>Nat. Energy Board of Canada</b>              |               |                                      |  |                                    |
| Alberta-Northeast                               | 2/87          | Alberta Northeast Gas Export Project | Docket No. GH-1-87                     | Gas Export Markets                 |
| Alberta-Northeast                               | 11/87         | TransCanada Pipeline                 | Docket No. GH-2-87                     | Gas Export Markets                 |
| Alberta-Northeast                               | 1/90          | TransCanada Pipeline                 | Docket No. GH-5-89                     | Gas Export Markets                 |
| Indep. Petroleum Association of Canada          | 1/92          | Interprovincial Pipe Line, Inc.      | RH-2-91                                | Pipeline Valuation, Toll           |
| The Canadian Association of Petroleum Producers | 11/93         | Transmountain Pipe Line              | RH-1-93                                | Cost of Capital                    |
| Alliance Pipeline L.P.                          | 6/97          | Alliance Pipeline L.P.               | GH-3-97                                | Market Study                       |
| Maritimes & Northeast Pipeline                  | 97            | Sable Offshore Energy Project        | GH-6-96                                | Market Study                       |
| Maritimes & Northeast Pipeline                  | 2/02          | Maritimes & Northeast Pipeline       | GH-3-2002                              | Natural Gas Demand Analysis        |
| TransCanada Pipelines                           | 8/04          | TransCanada Pipelines                | RH-3-2004                              | Toll Design                        |

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EXPERT TESTIMONY OF JOHN J. REED  
REGULATORY AGENCIES

| SPONSOR   | DATE              | CASE/APPLICANT   | DOCKET NO.            | SUBJECT                             |
|---|-------------------|--|-----------------------|-------------------------------------|
| Brunswick Pipeline                              | 5/06              | Brunswick Pipeline   | GH-1-2006             | Market Study                        |
| TransCanada Pipelines Ltd.                      | 3/07, 04/07       | TransCanada Pipelines Ltd.: Gros Cacouna Receipt Point Application | RH-1-2007             | Toll Design                         |
| Repsol Energy Canada Ltd                        | 3/08              | Repsol Energy Canada Ltd   | GH-1-2008             | Market Study                        |
| Maritimes & Northeast Pipeline                  | 7/10              | Maritimes & Northeast Pipeline                                     | RH-4-2010             | Regulatory policy, toll development |
| <b>New Brunswick Energy and Utilities Board</b> |                   |  |                       |                                     |
| Atlantic Wallboard/JD Irving Co                 | 1/08              | Enbridge Gas New Brunswick   | MCTN #298600          | Rate Setting for EGNB               |
| Atlantic Wallboard/Flakeboard                   | 09/09, 6/10, 7/10 | Enbridge Gas New Brunswick   | NBEUB 2009-017        | Rate Setting for EGNB               |
| <b>NH Public Utilities Commission</b>           |                   |  |                       |                                     |
| Bus & Industry Association                      | 6/89              | P.S. Co. of New Hampshire  | Docket No. DR89-091   | Fuel Costs                          |
| Bus & Industry Association                      | 5/90              | Northeast Utilities  | Docket No. DR89-244   | Merger & Acq. Issues                |
| Eastern Utilities Associates                    | 6/90              | Eastern Utilities Associates                                       | Docket No. DF89-085   | Merger & Acq. Issues                |
| EnergyNorth Natural Gas                         | 12/90             | EnergyNorth Natural Gas  | Docket No. DE90-166   | Gas Purchasing Practices            |
| EnergyNorth Natural Gas                         | 7/90              | EnergyNorth Natural Gas  | Docket No. DR90-187   | Special Contracts, Discounted Rates |
| Northern Utilities, Inc.                        | 12/91             | Commission Investigation   | Docket No. DR91-172   | Generic Discounted Rates            |
| <b>New Jersey Board of Public Utilities</b>     |                   |  |                       |                                     |
| Hilton/Golden Nugget                            | 12/83             | Atlantic Electric  | B.P.U. 832-154        | Line Extension Policies             |
| Golden Nugget                                   | 3/87              | Atlantic Electric  | B.P.U. No. 837-658    | Line Extension Policies             |
| New Jersey Natural Gas                          | 2/89              | New Jersey Natural Gas   | B.P.U. GR89030335J    | Cost Alloc./Rate Design             |
| New Jersey Natural Gas                          | 1/91              | New Jersey Natural Gas   | B.P.U. GR90080786J    | Cost Alloc./Rate Design             |
| New Jersey Natural Gas                          | 8/91              | New Jersey Natural Gas   | B.P.U. GR91081393J    | Rate Design; Weather Norm. Clause   |
| New Jersey Natural Gas                          | 4/93              | New Jersey Natural Gas   | B.P.U. GR93040114J    | Cost Alloc./Rate Design             |
| South Jersey Gas                                | 4/94              | South Jersey Gas   | BRC Dock No. GR080334 | Revised levelized gas adjustment    |
| New Jersey Utilities Association                | 9/96              | Commission Investigation   | BPU AX96070530        | PBOP Cost Recovery                  |
| Morris Energy Group                             | 11/09             | Public Service Electric & Gas                                      | BPU GR 09050422       | Discriminatory Rates                |
| New Jersey American Water Co.                   | 4/10              | New Jersey American Water Co.                                      | BPU WR 1040260        | Tariff Rates and Revisions          |

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EXPERT TESTIMONY OF JOHN J. REED  
REGULATORY AGENCIES

| SPONSOR   | DATE  | CASE/APPLICANT   | DOCKET NO.   | SUBJECT  |
|---|-------|--|--|--|
| Electric Customer Group   | 01/11 | Generic Stakeholder Proceeding   | BPU GR10100761 and ER10100762  | Natural gas ratemaking standards and pricing           |
| <b>New Mexico Public Service Commission</b>                             |       |  |  |  |
| Gas Company of New Mexico   | 11/83 | Public Service Co. of New Mexico   | Docket No. 1835  | Cost Alloc./Rate Design                                |
| <b>New York Public Service Commission</b>                               |       |  |  |  |
| Iroquois Gas. Transmission  | 12/86 | Iroquois Gas Transmission System   | Case No. 70363   | Gas Markets  |
| Brooklyn Union Gas Company  | 8/95  | Brooklyn Union Gas Company   | Case No. 95-6-0761   | Panel on Industry Directions                           |
| Central Hudson, ConEdison and Niagara Mohawk                            | 9/00  | Central Hudson, ConEdison and Niagara Mohawk   | Case No. 96-E-0909<br>Case No. 96-E-0897<br>Case No. 94-E-0098<br>Case No. 94-E-0099 | Section 70, Approval of New Facilities                 |
| Central Hudson, New York State Electric & Gas, Rochester Gas & Electric | 5/01  | Joint Petition of NiMo, NYSEG, RG&E, Central Hudson, Constellation and Nine Mile Point | Case No. 01-E-0011   | Section 70, Rebuttal Testimony                         |
| Rochester Gas & Electric  | 12/03 | Rochester Gas & Electric   | Case No. 03-E-1231   | Sale of Nuclear Plant                                  |
| Rochester Gas & Electric  | 01/04 | Rochester Gas & Electric   | Case No. 03-E-0765<br>Case No. 02-E-0198<br>Case No. 03-E-0766                       | Sale of Nuclear Plant;<br>Ratemaking Treatment of Sale |
| Rochester Gas and Electric and NY State Electric & Gas Corp             | 2/10  | Rochester Gas & Electric<br>NY State Electric & Gas Corp                               | Case No. 09-E-0715<br>Case No. 09-E-0716<br>Case No. 09-E-0717<br>Case No. 09-E-0718 | Depreciation policy                                    |
| <b>Oklahoma Corporation Commission</b>                                  |       |  |  |  |
| Oklahoma Natural Gas Company  | 6/98  | Oklahoma Natural Gas Company   | Case PUD No. 980000177   | Storage issues   |
| Oklahoma Gas & Electric Company   | 9/05  | Oklahoma Gas & Electric Company  | Cause No. PUD 200500151  | Prudence of McLain Acquisition                         |
| Oklahoma Gas & Electric Company   | 03/08 | Oklahoma Gas & Electric Company  | Cause No. PUD 200800086  | Acquisition of Redbud generating facility              |

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EXPERT TESTIMONY OF JOHN J. REED  
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| SPONSOR   | DATE          | CASE/APPLICANT  | DOCKET NO.               | SUBJECT  |
|---|---------------|---|--------------------------|--|
| <b>Ontario Energy Board</b>                       |               |   |                          |  |
| Market Hub Partners Canada, L.P.                  | 5/06          | Natural Gas Electric Interface Roundtable             | File No. EB-2005-0551    | Market-based Rates For Storage   |
| <b>Pennsylvania Public Utility Commission</b>     |               |   |                          |  |
| ATOC  | 4/95          | Equitrans   | Docket No. R-00943272    | Rate Design, unbundling  |
| ATOC  | 3/96          | Equitrans   | Docket No. P-00940886    | Rate Design, unbundling  |
| <b>Rhode Island Public Utilities Commission</b>   |               |   |                          |  |
| Newport Electric                                  | 7/81          | Newport Electric                                      | Docket No. 1599          | Rate Attrition   |
| South County Gas                                  | 9/82          | South County Gas                                      | Docket No. 1671          | Cost of Capital  |
| New England Energy Group                          | 7/86          | Providence Gas Company                                | Docket No. 1844          | Cost Alloc./Rate Design  |
| Providence Gas                                    | 8/88          | Providence Gas Company                                | Docket No. 1914          | Load Forecast., Least-Cost Planning  |
| Providence Gas Company and The Valley Gas Company | 1/01          | Providence Gas Company and The Valley Gas Company     | Docket No. 1673 and 1736 | Gas Cost Mitigation Strategy   |
| The New England Gas Company                       | 3/03          | New England Gas Company                               | Docket No. 3459          | Cost of Capital  |
| <b>Texas Public Utility Commission</b>            |               |   |                          |  |
| Southwestern Electric                             | 5/83          | Southwestern Electric                                 |                          | Cost of Capital, CWIP  |
| P.U.C. General Counsel                            | 11/90         | Texas Utilities Electric Company                      | Docket No. 9300          | Gas Purchasing Practices, Prudence   |
| Oncor Electric Delivery Company                   | 8/07          | Oncor Electric Delivery Company                       | Docket No. 34040         | Regulatory Policy, Rate of Return, Return of Capital and Consolidated Tax Adjustment |
| Oncor Electric Delivery Company                   | 6/08          | Oncor Electric Delivery Company                       | Docket No.35717          | Regulatory policy  |
| Oncor Electric Delivery Company                   | 10/08, 11/08  | Oncor, TCC, TNC, ETT, LCRA TSC, Sharyland, STEC, TNMP | Docket No. 35665         | Competitive Renewable Energy Zone  |
| CenterPoint Energy                                | 6/10<br>10/10 | CenterPoint Energy/Houston Electric                   | Docket No. 38339         | Regulatory policy, risk, consolidated taxes  |
| Oncor Electric Delivery Company                   | 1/11          | Oncor Electric Delivery Company                       | Docket No. 38929         | Regulatory policy, risk  |
| <b>Texas Railroad Commission</b>                  |               |   |                          |  |
| Western Gas Interstate Company                    | 1/85          | Southern Union Gas Company                            | Docket 5238              | Cost of Service  |
| Atmos Pipeline Texas                              | 9/10: 1/11    | Atmos Pipeline Texas                                  | GUD 10000                | Ratemaking Policy, risk  |

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EXPERT TESTIMONY OF JOHN J. REED  
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| SPONSOR                                    | DATE       | CASE/APPLICANT               | DOCKET NO.                                       | SUBJECT                                |
|--|------------|------------------------------|--|--|
| <b>Utah Public Service Commission</b>      |            |                              |  |  |
| AMAX Magnesium                             | 1/88       | Mountain Fuel Supply Company | Case No. 86-057-07                               | Cost Alloc./Rate Design                |
| AMAX Magnesium                             | 4/88       | Utah P&L/Pacific P&L         | Case No. 87-035-27                               | Merger & Acquisition                   |
| Utah Industrial Group                      | 7/90       | Mountain Fuel Supply         | Case No. 89-057-15                               | Gas Transportation Rates               |
| AMAX Magnesium                             | 9/90       | Utah Power & Light           | Case No. 89-035-06                               | Energy Balancing Account               |
| AMAX Magnesium                             | 8/90       | Utah Power & Light           | Case No. 90-035-06                               | Electric Service Priorities            |
| Questar Gas Company                        | 12/07      | Questar Gas Company          | Docket No. 07-057-13                             | Benchmarking in support of ROE         |
| <b>Vermont Public Service Board</b>        |            |                              |  |  |
| Green Mountain Power                       | 8/82       | Green Mountain Power         | Docket No. 4570                                  | Rate Attrition                         |
| Green Mountain Power                       | 12/97      | Green Mountain Power         | Docket No. 5983                                  | Cost of Service                        |
| Green Mountain Power                       | 7/98, 9/00 | Green Mountain Power         | Docket No. 6107                                  | Rate development                       |
| <b>Wisconsin Public Service Commission</b> |            |                              |  |  |
| WEC & WICOR                                | 11/99      | WEC                          | Docket No. 9401-YO-100<br>Docket No. 9402-YO-101 | Approval to Acquire the Stock of WICOR |
| Wisconsin Electric Power Company           | 1/07       | Wisconsin Electric Power Co. | Docket No. 6630-EI-113                           | Sale of Nuclear Plant                  |
| Wisconsin Electric Power Company           | 10/09      | Wisconsin Electric Power Co. | Docket No. 6630-CE-302                           | CPCN Application for wind project      |
|  |            |                              |  |  |

EXPERT TESTIMONY OF JOHN J. REED  
COURTS AND ARBITRATION

| SPONSOR  | DATE  | CASE/APPLICANT  | DOCKET NO.                 | SUBJECT  |
|--|-------|---|----------------------------|--|
| <b>American Arbitration Association</b>                            |       |   |                            |  |
| Michael Polsky   | 3/91  | M. Polsky vs. Indeck Energy   |                            | Corporate Valuation, Damages                         |
| ProGas Limited   | 7/92  | ProGas Limited v. Texas Eastern   |                            | Gas Contract Arbitration                             |
| Attala Generating Company  | 12/03 | Attala Generating Co v. Attala Energy Co.   | Case No. 16-Y-198-00228-03 | Power Project Valuation; Breach of Contract; Damages |
| Nevada Power Company   | 4/08  | Nevada Power v. Nevada Cogeneration Assoc. #2   |                            | Power Purchase Agreement                             |
| Sensata Technologies, Inc./EMS Engineered Materials Solutions, LLC | 1/11  | Sensata Technologies, Inc./EMS Engineered Materials Solutions, LLC v. Pepco Energy Services | Case No. 11-198-Y-00848-10 | Change in usage dispute/damages                      |
| <b>Commonwealth of Massachusetts, Suffolk Superior Court</b>       |       |   |                            |  |
| John Hancock   | 1/84  | Trinity Church v. John Hancock  | C.A. No. 4452              | Damages Quantification                               |
| <b>State of Colorado District Court, County of Garfield</b>        |       |   |                            |  |
| Questar Corporation, et al   | 11/00 | Questar Corporation, et al.   | Case No. 00CV129-A         | Partnership Fiduciary Duties                         |
| <b>State of Delaware, Court of Chancery, New Castle County</b>     |       |   |                            |  |
| Wilmington Trust Company   | 11/05 | Calpine Corporation vs. Bank Of New York and Wilmington Trust Company                       | C.A. No. 1669-N            | Bond Indenture Covenants                             |
| <b>Illinois Appellate Court, Fifth Division</b>                    |       |   |                            |  |
| Norweb, plc  | 8/02  | Indeck No. America v. Norweb  | Docket No. 97 CH 07291     | Breach of Contract; Power Plant Valuation            |
| <b>Independent Arbitration Panel</b>                               |       |   |                            |  |
| Alberta Northeast Gas Limited                                      | 2/98  | ProGas Ltd., Canadian Forest Oil Ltd., AEC Oil & Gas  |                            |  |
| Ocean State Power  | 9/02  | Ocean State Power vs. ProGas Ltd.   | 2001/2002 Arbitration      | Gas Price Arbitration                                |
| Ocean State Power  | 2/03  | Ocean State Power vs. ProGas Ltd.   | 2002/2003 Arbitration      | Gas Price Arbitration                                |

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EXPERT TESTIMONY OF JOHN J. REED  
COURTS AND ARBITRATION

| SPONSOR  | DATE           | CASE/APPLICANT  | DOCKET NO.            | SUBJECT                                  |
|--|----------------|---|-----------------------|--|
| Ocean State Power  | 6/04           | Ocean State Power vs. ProGas Ltd.   | 2003/2004 Arbitration | Gas Price Arbitration                    |
| Shell Canada Limited                                     | 7/05           | Shell Canada Limited and Nova Scotia Power Inc.                             |                       | Gas Contract Price Arbitration           |
| <b>International Court of Arbitration</b>                |                |   |                       |  |
| Wisconsin Gas Company, Inc.                              | 2/97           | Wisconsin Gas Co. vs. Pan-Alberta   | Case No. 9322/CK      | Contract Arbitration                     |
| Minnegasco, A Division of NorAm Energy Corp.             | 3/97           | Minnegasco vs. Pan-Alberta  | Case No. 9357/CK      | Contract Arbitration                     |
| Utilicorp United Inc.                                    | 4/97           | Utilicorp vs. Pan-Alberta   | Case No. 9373/CK      | Contract Arbitration                     |
| IES Utilities  | 97             | IES vs. Pan-Alberta   | Case No. 9374/CK      | Contract Arbitration                     |
| <b>State of New Jersey, Mercer County Superior Court</b> |                |   |                       |  |
| Transamerica Corp., et. al.                              | 7/07,<br>10/07 | IMO Industries Inc. vs. Transamerica Corp., et. al.                         | Docket No. L-2140-03  | Breach-Related Damages, Enterprise Value |
| <b>State of New York, Nassau County Supreme Court</b>    |                |   |                       |  |
| Steel Los III, LP  | 6/08           | Steel Los II, LP & Associated Brook, Corp v. Power Authority of State of NY | Index No. 5662/05     | Property seizure                         |
| <b>Province of Alberta, Court of Queen's Bench</b>       |                |   |                       |  |
| Alberta Northeast Gas Limited                            | 5/07           | Cargill Gas Marketing Ltd. vs. Alberta Northeast Gas Limited                | Action No. 0501-03291 | Gas Contracting Practices                |
| <b>State of Rhode Island, Providence City Court</b>      |                |   |                       |  |
| Aquidneck Energy   | 5/87           | Laroche vs. Newport   |                       | Least-Cost Planning                      |
| <b>State of Texas Hutchinson County Court</b>            |                |   |                       |  |
| Western Gas Interstate                                   | 5/85           | State of Texas vs. Western Gas Interstate Co.                               | Case No. 14,843       | Cost of Service                          |
| <b>State of Texas District Court of Nueces County</b>    |                |   |                       |  |
| Northwestern National Insurance Company                  | 11/11          | ASARCO LLC  | No. 01-2680-D         | Damages                                  |

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| SPONSOR   | DATE           | CASE/APPLICANT   | DOCKET NO.                              | SUBJECT                               |
|---|----------------|--|---|---------------------------------------|
| <b>State of Utah Third District Court</b>                                       |                |  |   |                                       |
| PacifiCorp & Holme, Roberts & Owen, LLP   | 1/07           | USA Power & Spring Canyon Energy vs. PacifiCorp. et. al.                     | Civil No. 050903412                     | Breach-Related Damages                |
| <b>U.S. Bankruptcy Court, District of New Hampshire</b>                         |                |  |   |                                       |
| EUA Power Corporation   | 7/92           | EUA Power Corporation  | Case No. BK-91-10525-JEY                | Pre-Petition Solvency                 |
| <b>U.S. Bankruptcy Court, District Of New Jersey</b>                            |                |  |   |                                       |
| Ponderosa Pine Energy Partners, Ltd.  | 7/05           | Ponderosa Pine Energy Partners, Ltd.   | Case No. 05-21444                       | Forward Contract Bankruptcy Treatment |
| <b>U.S. Bankruptcy Court, No. District of New York</b>                          |                |  |   |                                       |
| Cayuga Energy, NYSEG Solutions, The Energy Network                              | 09/09          | Cayuga Energy, NYSEG Solutions, The Energy Network                           | Case No. 06-60073-6-sdg                 | Going concern                         |
| <b>U.S. Bankruptcy Court, So. District Of New York</b>                          |                |  |   |                                       |
| Johns Manville  | 5/04           | Enron Energy Mktg. v. Johns Manville;<br>Enron No. America v. Johns Manville | Case No. 01-16034 (AJG)                 | Breach of Contract; Damages           |
| <b>U.S. Bankruptcy Court, Northern District Of Texas</b>                        |                |  |   |                                       |
| Southern Maryland Electric Cooperative, Inc. and Potomac Electric Power Company | 11/04          | Mirant Corporation, et al. v. SMECO  | Case No. 03-4659; Adversary No. 04-4073 | PPA Interpretation; Leasing           |
| <b>U. S. Court of Federal Claims</b>  |                |  |   |                                       |
| Boston Edison Company   | 7/06,<br>11/06 | Boston Edison v. Department of Energy  | No. 99-447C<br>No. 03-2626C             | Spent Nuclear Fuel Litigation         |
| Consolidated Edison of New York   | 08/07          | Consolidated Edison of New York, Inc. and subsidiaries v. United States      | No. 06-305T                             | Leasing, tax dispute                  |

EXPERT TESTIMONY OF JOHN J. REED  
COURTS AND ARBITRATION

| SPONSOR  | DATE       | CASE/APPLICANT  | DOCKET NO.                    | SUBJECT  |
|--|------------|---|-------------------------------|--|
| Consolidated Edison Company  | 2/08, 6/08 | Consolidated Edison Company v. United States                        | No. 04-0033C                  | SNF Expert Report                                |
| Vermont Yankee Nuclear Power Corporation                             | 6/08       | Vermont Yankee Nuclear Power Corporation                            | No. 03-2663C                  | SNF Expert Report                                |
| <b>U. S. District Court, Boulder County, Colorado</b>                |            |   |                               |  |
| KN Energy, Inc.  | 3/93       | KN Energy vs. Colorado GasMark, Inc.                                | Case No. 92 CV 1474           | Gas Contract Interpretation                      |
| <b>U. S. District Court, Northern California</b>                     |            |   |                               |  |
| Pacific Gas & Electric Co./PGT PG&E/PGT Pipeline Exp. Project        | 4/97       | Norcen Energy Resources Limited                                     | Case No. C94-0911 VRW         | Fraud Claim                                      |
| <b>U. S. District Court, District of Connecticut</b>                 |            |   |                               |  |
| Constellation Power Source, Inc.                                     | 12/04      | Constellation Power Source, Inc. v. Select Energy, Inc.             | Civil Action 304 CV 983 (RNC) | ISO Structure, Breach of Contract                |
| <b>U. S. District Court, Massachusetts</b>                           |            |   |                               |  |
| Eastern Utilities Associates & Donald F. Pardus                      | 3/94       | NECO Enterprises Inc. vs. Eastern Utilities Associates              | Civil Action No. 92-10355-RCL | Seabrook Power Sales                             |
| <b>U. S. District Court, Montana</b>                                 |            |   |                               |  |
| KN Energy, Inc.  | 9/92       | KN Energy v. Freeport MacMoRan                                      | Docket No. CV 91-40-BLG-RWA   | Gas Contract Settlement                          |
| <b>U.S. District Court, New Hampshire</b>                            |            |   |                               |  |
| Portland Natural Gas Transmission and Maritimes & Northeast Pipeline | 9/03       | Public Service Company of New Hampshire vs. PNGTS and M&NE Pipeline | Docket No. C-02-105-B         | Impairment of Electric Transmission Right-of-Way |

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| SPONSOR   | DATE           | CASE/APPLICANT   | DOCKET NO.                          | SUBJECT  |
|---|----------------|--|-------------------------------------|--|
| <b>U. S. District Court, Southern District of New York</b>                              |                |  |                                     |  |
| Central Hudson Gas & Electric   | 11/99,<br>8/00 | Central Hudson v. Riverkeeper,<br>Inc., Robert H. Boyle, John J.<br>Cronin | Civil Action 99 Civ<br>2536 (BDP)   | Electric restructuring,<br>environmental impacts |
| Consolidated Edison   | 3/02           | Consolidated Edison v.<br>Northeast Utilities                              | Case No. 01 Civ.<br>1893 (JGK) (HP) | Industry Standards for Due<br>Diligence          |
| Merrill Lynch & Company   | 1/05           | Merrill Lynch v. Allegheny<br>Energy, Inc.                                 | Civil Action 02 CV<br>7689 (HB)     | Due Diligence, Breach of<br>Contract, Damages    |
| <b>U. S. District Court, Eastern District of Virginia</b>                               |                |  |                                     |  |
| Aquila, Inc.  | 1/05, 2/05     | VPEM v. Aquila, Inc.   | Civil Action 304 CV<br>411          | Breach of Contract,<br>Damages                   |
| <b>U. S. District Court, Portland Maine</b>   |                |  |                                     |  |
| ACEC Maine, Inc. et al.   | 10/91          | CIT Financial vs. ACEC Maine   | Docket No. 90-0304-B                | Project Valuation                                |
| Combustion Engineering  | 1/92           | Combustion Eng. vs. Miller<br>Hydro  | Docket No. 89-0168P                 | Output Modeling;<br>Project Valuation            |
| <b>U.S. Securities and Exchange Commission</b>  |                |  |                                     |  |
| Eastern Utilities Association   | 10/92          | EUA Power Corporation  | File No. 70-8034                    | Value of EUA Power                               |
| <b>Council of the District of Columbia Committee on Consumer and Regulatory Affairs</b> |                |  |                                     |  |
| Potomac Electric Power Co.  | 7/99           | Potomac Electric Power Co.   | Bill 13-284                         | Utility restructuring                            |

BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MISSOURI

Noranda Aluminum, Inc. et al., )  
)  
Complainants, )  
v. ) File No. EC-2014-0223  
)  
Union Electric Company, d/b/a )  
Ameren Missouri )  
Respondent. )

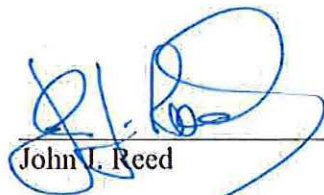
COMMONWEALTH OF MASSACHUSETTS )  
)  
COUNTY OF MIDDLESEX )

AFFIDAVIT OF JOHN J. REED

BEFORE ME, the undersigned authority, on this day personally appeared John J. Reed, who having been placed under oath by me did depose as follows:

1. My name is John J. Reed. I am of sound mind and capable of making this affidavit. The facts stated herein are true and correct based upon my personal knowledge.
2. I have prepared the foregoing Rebuttal Testimony and the information contained in this document is true and correct to the best of my knowledge.

Further affiant sayeth not.

  
\_\_\_\_\_  
John J. Reed

SUBSCRIBED AND SWORN TO BEFORE ME on this 4th day of June, 2014.

  
\_\_\_\_\_  
Notary Public in and for the Commonwealth of Massachusetts

My commission expires: 10/15/15



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