

Exhibit No.:
Issue(s): Economics of Project
Witness: Lindsey J. Forsberg
Type of Exhibit: Surrebuttal Testimony
Sponsoring Party: Union Electric Company
File No.: EA-2022-0245
Date Testimony Prepared: January 18, 2023

MISSOURI PUBLIC SERVICE COMMISSION

FILE NO. EA-2022-0245

SURREBUTTAL TESTIMONY

OF

LINDSEY J. FORSBERG

ON

BEHALF OF

UNION ELECTRIC COMPANY

d/b/a Ameren Missouri

**St. Louis, Missouri
January 2023**

P

TABLE OF CONTENTS

I.	PURPOSE OF TESTIMONY	1
II.	UPDATED PROJECT AND PROGRAM ECONOMICS	2

1 **Q. Do you have any schedules supporting your Surrebuttal Testimony?**

2 A. Yes, I have two: Highly Confidential Schedule LJF-S1 and Highly Confidential
3 Schedule LJF-S2.

4 **II. UPDATED PROJECT AND PROGRAM ECONOMICS**

5 **Q. What modeling parameters have changed?**

6 A. Two variables have shifted in a way that meaningfully impact the economics of the
7 Project: the energy community provisions within the Inflation Reduction Act (“IRA”), and the
8 estimated project cost.

9 **Q. What impact do those two variables have on the Company's tax strategy for**
10 **the Boomtown Project?**

11 A. The two variables stated above have shifted in a way that impact the project
12 economics and may impact the tax strategy for the Project. First, while final diligence to confirm
13 this is not fully completed (primarily because further guidance may be forthcoming from the
14 Internal Revenue Service on the IRA rules), Ameren Missouri's current expectation is that the
15 Boomtown Solar Project will be located within what the IRA defines as an "energy community,"
16 which under the IRA qualifies the Project for an additional 10% tax credit "boost." The Company's
17 understanding of how the "boost" will be applied is as follows: the investment tax credit ("ITC")
18 increases from 30% to 40%, and the production tax credit ("PTC") rates in each year are multiplied
19 by 1.1x. Second, as discussed in Company witness Arora's Surrebuttal Testimony, for several
20 reasons the Company's current estimate of expected project cost has been adjusted upward to
21 approximately *** _____ .*** Both changes discussed increase the value of the ITC
22 relative to the PTC, indicating the Company may ultimately utilize the ITC for the Project to ensure
23 the most favorable (lowest cost) outcome for customers. Company witness Steven M. Wills'

1 Surrebuttal Testimony discusses how this may, or may not, mean that tax equity financing could
2 again be necessary to capture the full value for our customers. If necessary, the Company will
3 return to the Commission to request any required authority for such a tax strategy in a future,
4 separate proceeding.

5 **Q. Please describe Highly Confidential Schedule LJF-S1 and Highly Confidential**
6 **Schedule LJF-S2.**

7 A. Highly Confidential Schedule LJF-S1 provides an updated overview of the
8 modeling assumptions, and Highly Confidential Schedule LJF-S2 provides a detailed view of the
9 modeling results from the six cases shown below in Tables 1 and 2. These schedules are consistent
10 in formatting with the schedules provided with my Direct (LJF-D2 and LJF D3) and Supplemental
11 Direct (LJF-SD1 and LJF-SD2) Testimonies.

12 **Q. How do the changes you made to your modeling results relate to the issues**
13 **addressed in Rebuttal Testimony by other parties?**

14 A. Both Staff witness Stahlman and MIEC witness Brubaker discuss the Project and
15 Renewable Solutions Program economics that I presented in my Direct and Supplemental Direct
16 Testimonies. The economics they present in their Rebuttal Testimonies are now outdated.

17 **Q. How does the change in the estimated project cost and the likelihood of**
18 **utilizing the ITC impact MIEC witness Brubaker's Rebuttal Testimony?**

19 A. Company witness Wills addresses this issue in more detail, but the primary point
20 made by witness Brubaker relating to the Program was that since the IRA made the available tax
21 credits more robust, subscribers, he argues, should get a lower renewable charge rate, i.e.,
22 essentially get credit for one-half of the enhanced tax benefits. While the enhanced tax benefits
23 do offset part of the increase in estimated project costs, on a net basis, the subscriber's contribution

1 toward the project costs is now lower. Therefore, as Company witness Wills discusses in greater
2 detail, the basis for MIEC witness Brubaker's contention that subscriber contributions should be
3 lowered does not exist, as my updated modeling results show.

4 **Q. Do your updated modeling results undercut Staff witness Stahlman's**
5 **testimony?**

6 A. Figure 4 in Staff witness Stahlman's Rebuttal Testimony has become inaccurate to
7 some degree. The larger point that really obviates the need for witness Stahlman's Figure 4 at all,
8 however, as discussed by Company witness Wills, is that the resource is needed to serve customers.
9 The Company is not proposing the resource to speculate on favorable economics, even though the
10 economic impact of the resource could result in a revenue requirement benefit to customers,
11 depending on the outcome of several key variables. To that end, regardless of its accuracy, Staff
12 witness Stahlman's graph does nothing to undercut the need for the resource.

13 **Q. Have you updated the tables provided in your Direct and Supplemental Direct**
14 **Testimonies based on the updated modeling?**

15 A. Yes. At the current estimated project cost (modeled at *** _____)*** with
16 the energy community boost applied, the most favorable tax approach for the Boomtown Project
17 is the ITC, and therefore the updated results below show the present value incremental net revenue
18 requirement impact ("NPVRR") of the Project and Program assuming the ITC is utilized.³ Tables
19 1 and 2 show the updated NPVRR results for the Project under the three power market price
20 scenarios previously modeled, as developed within the Company's 2022 Change in Preferred

³ For consistency, current modeling of the Project with the ITC still assumes the use of tax equity financing. Transferring the ITC value to another entity may result in the same or better economic outcomes as using the ITC with tax equity financing, if sales proceeds do not require normalization (an uncertainty until the IRS issues further guidance).

1 Resource Plan ("PRP"), both without (Table 1) and with (Table 2) the Renewable Solutions
2 Program.

Table 1		
BOOMTOWN SOLAR PROJECT ONLY		
<i>NPVRR Impact of Project (\$MM)</i>	Current Estimate Cost; Base NCF	Current Estimate Cost; Low NCF
Low Price Scenario	49.8	68.2
PWA Price Scenario	18.5	40.4
High Price Scenario	(17.6)	8.4
Table 2		
BOOMTOWN SOLAR PROJECT WITH RENEWABLE SOLUTIONS PROGRAM		
<i>NPVRR Impact of Project and Program (\$MM)</i>	Current Estimate Cost; Base NCF	Current Estimate Cost; Low NCF
Low Price Scenario	38.1	40.4
PWA Price Scenario	6.8	12.7
High Price Scenario	(29.3)	(19.3)
<i>RSP Benefit</i>	<i>(11.7)</i>	<i>(27.8)</i>

3 **Q. Given the change in the Project's estimated cost, do you still believe that the**
4 **Project and Program are cost-effective for customers?**

5 A. Yes, and that belief continues to be supported under the modeling updates
6 presented in Tables 1 and 2 above and in my Highly Confidential Schedules LJF-S1 and LJF-S2.
7 Although project cost has increased over the Company's initial expectations, the combination of
8 the energy community boost with the Renewable Solutions Program ensures that the Project
9 remains a reasonable, cost-effective resource for Ameren Missouri customers.

10 **Q. Does this conclude your Surrebuttal Testimony?**

11 A. Yes, it does.

EA-2022-0245

Schedule LJF-S1 is
Highly Confidential
in its entirety

EA-2022-0245

Schedule LJF-S2 is
Highly Confidential
in its entirety

P

