Exhibit No.: Witness: Type of Exhibit: Issues: Sponsoring Party: Case No.:

Witness:Joseph H. HaslagType of Exhibit:Surrebuttal TestimonyIssues:Noranda Economic Impact

Noranda Aluminum, Inc. ER-2014-0258

BEFORE THE PUBLIC SERVICE COMMISSION OF THE STATE OF MISSOURI S

Filed March 24, 2015 Data Center Missouri Public Service Commission

In the Matter of Union Electric Company, d/b/a Ameren Missouri's Tariff to Increase Its Revenues for Electric Service

Case No. ER-2014-0258

Surrebuttal Testimony of Joseph H. Haslag

On behalf of

Noranda Aluminum, Inc.

February 6, 2014

miec Exhibit No. 607 Date3/11/15 Reporter SB File No. ER 2014.0258

BEFORE THE PUBLIC SERVICE COMMISSION OF THE STATE OF MISSOURI

In the Matter of the Union Electric Company, d/b/a Ameren Missouri's Tariff to Increase its Revenues for Electric Service

Case No. ER-2014-0258

STATE OF MISSOURI

SS

COUNTY OF BOONE

Affidavit of Joseph H. Haslag

Joseph H. Haslag, being first duly sworn, on his oath states:

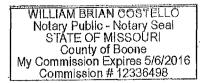
1. My name is Joseph H. Haslag. I am a professor in Economics at the University of Missouri. My business address is Department of Economics, University of Missouri, Columbia, Missouri 65211.

2. Attached hereto and made a part hereof for all purposes is my surrebuttal testimony, which was prepared in written form for introduction into evidence in Missouri Public Service Commission Case No. ER-2014-0258.

3. I hereby swear and affirm that the testimony is true and correct.

Joseph H. Haslag

Subscribed and sworn to before me this <u>44</u> day of February, 2015.



Notary Public

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Before the Missouri Public Service Commission

Case No. ER-2014-0258

Prepared Surrebuttal Testimony of Joseph H. Haslag

1	Q:	Please state your name and business address.
2	A:	Joseph H. Haslag; Department of Economics, University of Missouri, Columbia,
3		MO 65211.
4		
5	Q:	Did you file Direct testimony in this case?
6	A:	Yes.
7		
8	Q:	What was the purpose of your Direct testimony?
9	A:	I explained my calculation of the economic impact that Noranda's New Madrid
10		Smelter has on the economy of the state of Missouri to assist the Commission in
11		understanding the consequences to Missouri's economy resulting from a closure
12		of Noranda's New Madrid Smelter.
13		
14	Q:	What is the purpose of this Surrebuttal testimony?
15	A:	I respond to the rebuttal testimony of Mr. William R. Davis, filed on behalf of
16		Ameren Missouri. He addresses my testimony beginning on page 32 through
17		page 35. Specifically, I respond to Mr. Davis' criticism of my calculation of impact
18		to the Missouri economy resulting from a closure of Noranda's New Madrid
19		Smelter.

1 Q: What specifically are his criticisms?

A: While Mr. Davis does in fact <u>agree</u> that the economic impacts of smelter closure
are "not unimportant" (pages 34-35), and also notes that the Commission
acknowledged that fact in the 0224 case, he cites my exchange with
Commissioner Hall in the 0224 case (Tr. 601) as supposed support for his claim
that my testimony lacks context (pages 32-33).

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Q: What did you say in that exchange?

9 A: I agreed with Commissioner Hall that increased cost of electricity would cause
10 consumers to buy less electricity and also buy less of other products. I also
11 acknowledged that I did not study that issue in the 0224 case.

12

13 Q: Do you agree with the Davis criticism in this regard and explain why?

14 A: I do not agree. The entire premise of the Noranda rate relief case was that, without 15 rate relief, Noranda was not viable and would close the Smelter. That is still the 16 premise in this case. If it closed the Smelter, rates that Ameren Missouri's other 17 customers were paying would increase by more than they would increase under 18 the rate relief proposed by Noranda. So, in fact ratepayers would curtail their 19 purchases of other products less under Noranda's proposal than they would if 20 Noranda received no rate relief and the Smelter closed. I still have not quantified 21 that impact, but understand that given the other testimony in this case (that without 22 rate relief Noranda will likely have to close the Smelter and that Ameren Missouri will sell the power Noranda then does not use for more than the rate Noranda is 23

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requesting) that additional impact would weigh in favor of, not against, Noranda's request.

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4 Q: Does Mr. Davis have other criticisms of your testimony?

A: I am not sure if this is a criticism, but he downplays my calculation of economic
impact in two ways. First, by stating "even if one were to accept Dr. Haslag's
testimony," he implies that my calculations are not correct. Second, he converts
the large dollar impacts of losing Noranda into percentages of overall state
economic activity to claim that "Noranda's potential impact on these statistics
[GDP, taxes and unemployment insurance] is not large from a statewide
perspective." (Davis Rebuttal 34).

12

13 Q: How do you respond?

Mr. Davis would not appear to be a good candidate to ever work for the Missouri 14 A: 15 DED with that attitude. The fact that a \$600 million impact to GDP in one year 16 represents 0.2% of state GDP in that year, or that \$23 million in tax revenues represents 0.3% of total state general revenue in that year, or that \$3.6 million to 17 \$9.4 million represents 1-2% of the annual unemployment insurance budget, does 18 not mean that those impacts are not extremely significant. Indeed, imagine the 19 media coverage or the number of Missouri DED press releases that would be 20 issued if Missouri attracted a new employer hiring 900 people. 21

- 22
- 23

1 Q: Does this conclude your testimony?

2 A: Yes.

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