**BEFORE THE PUBLIC SERVICE COMMISSION**

**OF THE STATE OF MISSOURI**

In the Matter of Union Electric Company d/b/a )

Ameren Missouri’s Tariffs to Increase ) **File No. ER-2014-0258**

Its Annual Revenues for Electric Service. )

POST-HEARING AMICUS BRIEF OF

THE DEPARTMENT OF ECONOMIC DEVELOPMENT

Comes now the Missouri Department of Economic Development (DED), and respectfully submits its Post-Hearing Brief in the above referenced case.

ISSUE

*Should the Commission adopt the rates and conditions in the “Nonunanimous Stipulation and Agreement regarding Economic Development, Class Cost of Service, Revenue Allocation and Rate Design” filed on March 10, 2015?*

DISCUSSION

DED’s Division of Energy has formally stated its support for the *Nonunanimous Stipulation and Agreement Regarding Economic Development, Class Cost of Service, Revenue Allocation, And Rate Design* (“Stipulation”) filed March 10, 2015. In this Amicus Brief, DED explains the reasons why the department also supports the Stipulation.

**Introduction**

The Missouri Department of Economic Development (DED) conducted an economic impact study through MERIC (Missouri Economic Research and Information Center), a subdivision of DED, related to the Noranda aluminum smelter in New Madrid County incident to the company’s request for rate relief for electrical utility services and statements relating to possible cutbacks or closure of the facility.

DED/MERIC uses an economic model calibrated to the state’s annual budget to calculate the economic and fiscal impact of a plant closure over time to both the region and the state. Economic models follow the flow of income that moves around an economy through the primary relationships between businesses and consumers. Models take into account the typical purchases made by companies to produce products or services, where those companies are, and how workers spend the income that is made. The models follow these spending patterns within the economy to understand the larger impacts that circulate within a region and measure what income leaks out due to purchases made outside of the region.

The specific model used by MERIC and DED is a proprietary model known as REMI (Regional Economic Models, Inc.). This model is used nationwide by private consulting firms, educational institutions, federal, state and local government agencies, and utility companies. Because the model is proprietary and because the data used is protected by confidentiality agreements, the exact data and methodologies cannot be disclosed in this report. However, the findings are presented herein.

It was assumed that if the Noranda smelter plant shut down it would do so in a relatively short period of time, in order minimize long-term production supply issues. The model assumes the shutdown will commence in 2016 and conclude in 2019 and that a 10 year period will be used to measure the impact to the state of Missouri. The DED/MERIC model examines what a typical business in a particular industry would buy and consume and how much of that would be spent in the area and the in state. It attempts to calculate income flows and effects of spending.

**Regional Impacts**

The Lower Southeast (LSE) region is a 10‐county economic area which includes New Madrid, the surrounding counties and four adjacent counties to the west. Counties include Butler, Carter, Dunklin, Mississippi, New Madrid, Pemiscot, Ripley, Scott, Stoddard, and Wayne. The economic situation in the LSE region is comparatively weaker than the state, with higher unemployment and poverty, and lower incomes. The loss of a major manufacturer would be felt more broadly in the LSE region than in a larger metropolitan area especially given the high number of commuters and good pay this industry represents for the region.

Noranda has a significant influence on the economy of Southeast Missouri (LSE). Noranda pays excellent wages. Noranda is the largest employer, not just in New Madrid County, but in a larger six-county area that approximates the Bootheel. This area includes New Madrid County plus the five adjoining counties: Dunklin, Mississippi, Pemiscot, Scott, and Stoddard. These counties have the largest number of workers commuting into New Madrid County; accounting for about 35% of the total of those reported working in New Madrid County. The facility employs more than 900 people. By comparison, only eleven companies in the entire Bootheel region employ more than 500 persons (based on MERIC data). the smelter accounts for 12 percent of New Madrid County employment and 24 percent of the county’s total wages. Forty percent of New Madrid County workers commuted in from other counties for employment, according to the U.S. Census Bureau (U.S. Census Bureau, Journey to Work Survey Data).

The specific effects which can be forecast from a plant closure include:

* Average Annual Job Loss: 2,158 (over 10 year period with average of 2,551 after full plant closure in years 6‐10)
* $175 million in annual Personal Income, or $1.75 billion in cumulative losses over 10 years.
* $230 million in annual GDP, or $2.3 billion in cumulative losses over 10 years.
* $9.4 million in annual net general revenue, or $94 million in cumulative losses over 10 years.

The Noranda facility shutdown would reduce total statewide employment by over 2,500 jobs once the plant was fully closed. The vast majority (85%) of these jobs would be lost in the LSE region with the remainder spread throughout the state. The estimated decline of 2,174 jobs in the LSE region after full plant closure represents a nearly 2% decline of the region’s overall employment. However, due to the high pay in this industry the lost annual wages would amount to 3.5% of all wages in the region. With an average wage already 44% lower than the state, this overall impact to income in the region would be significant.

The mission of DED is to deliver economic growth to the State of Missouri. A shut down of the Noranda plant precipitated by an unfavorable decision in this case would represent a significant set back in the department’s attempts to achieve this growth. Moreover, the effects on the LSE region would be excessive due to the weakness of the economy in the region and the disproportionate impact of Noranda.

CONCLUSION

The Department of Economic Development supports the *Nonunanimous Stipulation and Agreement Regarding Economic Development, Class Cost of Service, Revenue Allocation, And Rate Design* (“Stipulation”) filed March 10, 2015.

Respectfully submitted,

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**CERTIFICATE OF SERVICE**

I hereby certify that true and correct copies of the foregoing have been emailed to the certified service list this 7th day of April, 2015.