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MISSOURI PUBLIC SERVICE COMMISSION

FILE NO. EF-2024-0021

DIRECT TESTIMONY

OF

MITCHELL J. LANSFORD

ON

BEHALF OF

UNION ELECTRIC COMPANY

D/B/A AMEREN MISSOURI

St. Louis, Missouri
November 21, 2023

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DIRECT TESTIMONY

OF

MITCHELL J. LANSFORD

FILE NO. EF-2024-0021

I. INTRODUCTION

Q. Please state your name and business address.

A. My name is Mitchell Lansford. My business address is One Ameren Plaza, 1901 Chouteau Ave., St. Louis, Missouri.

Q. By whom are you employed and what is your position?

A. I am employed by Ameren Services Company as Director of Financial Reporting and Regulatory Accounting.

Q. Please describe your educational background and employment experience.

A. I received Bachelor of Science and Master's degrees in Accountancy from the University of Missouri at Columbia in 2008. I am a licensed Certified Public Accountant in the State of Missouri and a member of the American Institute of Certified Public Accountants. From 2008 to 2017, I worked for PricewaterhouseCoopers LLP, most recently as a Senior Manager in its assurance practice. In that capacity, I provided auditing and accounting services to clients, primarily in the utility industry. From 2017 to 2019, I worked for Ameren Services Company as the Manager of Accounting Research, Policy, and Internal Controls. My primary duties and responsibilities included accounting analysis for non-standard transactions, overseeing the implementation of new accounting guidance, implementation of new accounting policies, and assessments of the internal control environment. From 2019 to present, I have been working for Ameren Missouri in multiple regulatory accounting roles, including my current role as Director, Regulatory Accounting effective in April 2020.

Q. What are your responsibilities in your current position?

A. In my current position, my primary duties and responsibilities include preparation of the revenue requirement for Ameren Missouri rate filings, preparing written testimony for rate, regulatory, and audit proceedings, and testifying before the Missouri Public Service Commission. In November 2023, my responsibilities were expanded to include oversight of financial reporting for Ameren Corporation and its subsidiaries.

II. PURPOSE OF TESTIMONY

Q. What is the purpose of your direct testimony?

A. My testimony supports the Company's request to securitize the energy transition costs and associated financing costs related to the retirement of the Rush Island Energy Center. Specifically, my testimony describes the calculation of the revenue requirement Ameren Missouri seeks to recover through the utilization of securitized utility tariff bonds. I also explain how the Company has complied with the petition filing requirements as specified by RSMo §393.1700 (the "Securitization Statute"). Further, I demonstrate that securitization of the energy transition costs creates significant benefits for customers when compared to recovery and financing of the costs through traditional ratemaking. I also detail the treatment of accumulated deferred income taxes ("ADIT") as it relates to the Company's securitization revenue requirement. Finally, I detail the Company's deferral request to record amounts to a regulatory liability, resulting from the inclusion of amounts in base rates, should the Company receive the requested securitization bond proceeds before base rates reflect the retirement of the Rush Island Energy Center.

Q. Are you sponsoring any schedules?

A. Yes. I am sponsoring Schedules MJL-D1 through MJL-D5.

Q. Will you please briefly summarize the information provided on each of the schedules you are presenting?

A. These supporting schedules provide the following information:

- Schedule MJL-D1 – Total Retail Revenue Requirement for Securitized Energy Transition Charge.
- Schedule MJL-D2 – Pro Forma Plant In-service Costs.
- Schedule MJL-D3 – Estimated Upfront and Ongoing Financing Costs.
- Schedule MJL-D4 – Benefits Comparison.
- Schedule MJL-D5 – ADIT Example.

III. SECURITIZATION REVENUE REQUIREMENT

Q. What determines the principal amount of the bonds that will be issued?

A. Proceeds from the bonds must be large enough to cover the energy transition costs the Company incurred related to the retirement of the Rush Island Energy Center as well as the costs of issuing the bonds themselves. Therefore, the total issuance is equal to the sum of the two categories of costs-- the energy transition costs, and upfront financing costs.

Q. When is the Rush Island Energy Center expected to retire?

A. The exact date has not yet been determined. The Company is currently contractually obligated to operate the energy center under certain circumstances until

September 1, 2024. The Midcontinent Independent System Operator ("MISO") may determine the energy center is necessary to operate for reliability purposes beyond that date. However, an order in the New Source Review ("NSR") litigation requires that the energy center is retired no later than October 15, 2024. As a result, the energy center is expected to retire during the 45-day period from September 1, 2024, to October 15, 2024. The exact date may or may not be known by the conclusion of this case.

Q. Please describe the energy transition costs included in the Rush Island securitization revenue requirement.

A. The Company has included energy transition costs of $512,760,332 related to the retirement of the Rush Island Energy Center based on a September 1, 2024 retirement date. The energy transition costs include estimates of the original cost of plant of the Rush Island Energy Center, reserve for depreciation, abandoned capital projects recorded in construction work in progress ("CWIP"), base mat coal inventory, materials and supplies inventories, safe closure and decommissioning costs, **____________________**, ash pond closure costs, water treatment and monitoring costs, community transition costs, carrying costs (if any), and a reduction to the revenue requirement for the net present value of tax benefits resulting from ADIT. An itemization of these energy transition costs is included in Direct Schedule MJL-D1.

Q. Please describe the estimated original cost of plant of the Rush Island Energy Center.

A. Schedule MJL-D2 details the original cost of plant of the Rush Island Energy Center, including the adjustments made to determine the expected amount as of September 1, 2024. As of June 30, 2023, the Company had an original cost of plant totaling

$940,398,709 for its Rush Island Energy Center. Land costs of $979,537 have been removed. Plant additions of $3,839,235 are expected to be necessary to continue to operate the plant from June 30, 2023, to September 1, 2024, and have, therefore, been added to the estimated plant in service costs. The Company expects to be able to transfer assets resulting in a reduction to the estimated plant in service costs. Further details regarding the transfer of plant assets are provided in the direct testimony of Company witness Jim Williams. After adjustments, the Company has calculated a total original cost of plant of 897,863,380.

Q. Please describe the estimated reserve for depreciation.

A. Schedule MJL-D2 details the Company's adjustments to the reserve for depreciation. As of June 30, 2023, the total reserve for depreciation was $397,300,433. I have reduced this total reserve for depreciation by $17,633,189 for the estimated reserve of the assets expected to be transferred to other Company energy centers mentioned previously. Further, I increased the reserve by $43,248,938 for an estimate of incremental deprecation from June 30, 2023, to September 1, 2024. After adjustments, the total reserve for depreciation is $422,627,751.

Q. Please describe the abandoned capital projects recorded in CWIP.

A. As a result of the early retirement of the Rush Island Energy Center, the Company abandoned CWIP expenditures incurred on certain capital projects totaling $12,968,798.

Q. Please describe the base mat coal inventory costs.

A. The Company estimates $1,923,660 of base mat coal inventory exists at the site. This is the coal at the bottom of the coal pile that is no longer suitable for use as fuel but which provided a necessary foundation for the usable coal in the pile. The Company is in the process of sampling and studying the remaining coal pile and will update its estimate in subsequent testimony.

Q. Please describe the materials and supplies inventory costs.

A. As of June 30, 2023, Rush Island materials and supplies inventory balance was $21,900,901. The Company expects $3,596,459 of this balance can be utilized at its other energy centers, while the remainder will no longer be useful upon retirement of the energy center. As a result, the Company has included the difference of $18,304,442 in this revenue requirement. Further details regarding the materials and supplies inventory costs are provided by Mr. Williams.

Q. Please describe the safe closure and decommissioning costs.

A. Safe Closure and plant decommissioning costs of $46,907,500 include the costs to safely close and dismantle the Rush Island energy center structures and equipment and restore the site to its original condition. Further details regarding decommissioning costs are provided in the direct testimony of Mr. Williams.,

Q. **____**

A. **____

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Q. Please describe the ash pond closure costs.

A. Numerous ash ponds are located at the Rush Island Energy Center site that resulted from its historical operations. The Company maintains an asset retirement obligation for its legal obligation related to the closure of each pond. As of June 30, 2023, the asset retirement obligation balance was $2,490,740. This balance represents the present value of the future obligation. Accretion expense is recorded monthly in recognition of the change in value associated with the passage of time. The Company estimates accretion expense recorded from June 30, 2023, to September 1, 2024, will result in an asset retirement obligation of $2,604,158.

Q. Please describe the water treatment and monitoring costs.

A. Water treatment and monitoring costs must be incurred to comply with applicable laws and regulations. The present value of these costs have been estimated at $4,615,042. This estimate was based on the results of the Company's recently completed water treatment pilot project at another energy center and invoiced amounts for monitoring services.

Q. Please describe the community transition costs.

A. The Company is committed to thoughtfully transitioning our energy centers without compromising on reliability, resiliency, or affordability for our customers. A just transition also involves partnering with the affected communities when an energy center is retired. The Company's Rush Island Energy Center is located in a rural setting (southeast of Festus, Missouri off of Interstate 55) and the related tax revenues and jobs are meaningful to the surrounding community. In order to help the community transition after the retirement of the energy center the Company requests inclusion of $3,677,365 in the securitization revenue requirement. This amount would be used to partially offset the substantially reduced tax revenue currently received by the Jefferson County School District which is derived from the value of the Company's coal inventory at the energy center. Additionally, this amount would include a grant aimed to help engage local community stakeholders to identify and implement initiatives that support schools and students as well as community, economic, and workforce development. Organizations currently administering these types of grants around the country include The Just Transition Fund[1] and Houseal Lavigne.[2] The Company would consider partnering with an organization of this type.

Q. Please describe the reduction to the revenue requirement for the net present value of the tax benefits resulting from accumulated deferred income taxes.

A. The Securitization Statute requires that in calculating the total "energy transition costs," the utility must include "…deferred expenses, with the foregoing to be reduced by applicable tax benefits of accumulated and excess deferred income taxes…"§393.1700.1(7)(a), RSMo. As such, I have determined that the net present value of the tax benefits resulting from accumulated deferred income taxes relating to the Rush Island Energy Center is $49,798,897 and reduced the revenue requirement by that amount. I will further describe this adjustment later in this testimony.

Q. Are carrying costs included in this revenue requirement?

A. No. Refund or recovery of carrying costs is dependent on the timing of the bond issuance and the Company's future general rate cases. Any carrying costs incurred should be calculated at the Company's weighted average cost of capital ("WACC") and incorporated in the reconciliation process discussed by Company witness Steven Wills.

[1] A non-profit organization that engages community stakeholders to help coal communities and local leaders create an equitable, sustainable, and inclusive future.
[2] A community and urban planning firm currently helping Jefferson County create its new Master Plan, a guide for the County to facilitate future growth and development over the next 20 years.

Q. Please describe the upfront financing costs included in the Rush Island securitization revenue requirement.

A. Estimated upfront financing costs total $6,606,609 and include fees for legal and structuring advisors, consultants, underwriting fees, auditing fees, and other fees as well as rating and filing fees necessary to secure the bonds. Additional discussion regarding the upfront costs is provided in the direct testimony of Company witness Katrina Neihaus. An itemization of the estimated upfront financing costs is also included in Schedule MJL-D3. Ameren Missouri has not included an estimate for the Commission's advisor and legal counsel fees since these can vary widely depending on the third parties hired.

Q. Will the Commission review the final amount of the upfront financing costs?

A. Yes. That occurs through the issuance advice letter, as discussed by Company witness Neihaus. Furthermore, if the actual upfront financing costs are less than the upfront costs included in the principal amount securitized, the periodic billing requirement for the first annual true-up adjustment must be reduced by the amount of such unused funds (together with interest, if any, earned on the investment of such funds). If the actual upfront financing costs are more than the upfront financing costs included in the principal amount securitized, Ameren Missouri will request recovery of the remaining upfront financing costs via a regulatory tracking account with recovery in a future proceeding. Company witness Wills further discusses true-up adjustments and reconciliation of costs in future rate proceedings.

Q. Please summarize the total estimated principal amount of the bonds.

A. The sum of these categories is $519,366,940 as shown in Table MJL-1:

Table MJL-1. Bond Issuance Amounts

Energy transition costs	$512,760,332
Upfront costs	$6,606,609
Total	$519,366,940[3]

Q. How does this bond issuance amount change if the energy center retires on October 15, 2024, as compared to September 1, 2024?

A. Holding all other factors constant, the estimated principal amount of the bonds will be $515,874,361 (or $3,492,580 less) if the energy center retires on October 15, 2024, as compared to September 1, 2024. If the bond issuance amount cannot be updated for the definitive retirement date as part of this case, any difference between the amount estimated and the actual final amount will be reconciled via the process described by Mr. Wills.

Q. What is the estimated interest rate and term of the bonds?

A. While the final interest rate will depend upon market conditions at the time of the bond offering, the Company's current estimate is 5.59% and the scheduled final payment date is 15 years after issuance of the bonds. These amounts were determined by Ms. Niehaus.

[3] The Company is requesting to securitize this full amount.

Q. What will be the estimated monthly payment on the bonds?

A. The actual monthly bond payment will also depend on market conditions at the time of issuance, and the actual upfront financing costs, including the Commission's costs. However, based on current estimates, the monthly payment would be $4,268,783.[4] My calculations are shown in Schedule MJL-D1.

Q. Please explain the estimated ongoing costs included in the Rush Island securitization revenue requirement.

A. The ongoing costs include fees associated with the U.S. Securities and Exchange Commission ("SEC") registration process, bad debt costs, indenture trustee fees, servicing fees, administrative fees, rating agency surveillance fees, and any applicable taxes. Additionally, Ameren Missouri has estimated ongoing fees for auditing/accounting, legal, printing and others. The Company has also included an ongoing return on the capital account at its WACC.[5] An itemization of these estimated fees is shown in Schedule MJL-D3, and the combined amount of these estimated fees is expected be $791,883 per year, or $65,990 per month.

Q. Please summarize the securitization revenue requirement.

A. The estimated monthly revenue requirement for securitization of Rush Island energy transition costs is $4,334,773 per month,[6] which is the sum of the estimated bond service payments and estimated ongoing costs, each of which are shown in Table MJL-2 below and further detailed in Schedule MJL-D1:

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[4] Presented as a monthly payment given customers are billed on a monthly basis.
[5] As currently approved in File No. ER-2022-0337 for purposes of Plant In-Service Accounting ("PISA"), Renewable Energy Rate Adjustment Mechanism ("RESRAM"), and Allowance for Funds Used During Construction ("AFUDC"). However, the WACC used to set this aspect of ongoing financing costs is to be changed when a new WACC is determined in the Company's future general rate proceedings.
[6] The Company in its capacity as servicing agent will charge, collect, and remit applicable sales taxes to the relevant taxing authorities.

Table MJL-2. Estimated Monthly Securitization Revenue Requirement ($/month)

Bond Service payment	$4,268,783
Ongoing costs	$65,990
Revenue requirement	$4,334,773

This is the estimated amount Ameren Missouri will need to recover from its customers, in the aggregate, each month over the life of the bonds.

IV. BENEFITS OF SECURITIZATION

Q. What is the purpose of this section of your testimony?

A. In this section, I compare the costs to customers of using securitization to finance the energy transition costs related to the early retirement of the Rush Island Energy Center to those the customers would bear if these costs were financed and recovered without securitization through traditional ratemaking treatment per §393.1700.2(1)(f) of the Securitization Statute. My analysis shows that securitization creates significant quantifiable net present value benefits to customers.

Q. If the costs in question were not financed using securitization, how would the Company recover them?

A. Consistent with the Commission's decision in File No. EO-2022-0193, the traditional method of ratemaking would occur through a general rate case and would entail amortization of the costs to be recovered over a period of years with the Company being allowed to recover its carrying costs during the period of amortization.

Q. How does securitization result in a lower overall cost to customers?

A. Securitization affords access to financing at much lower rates for the Company and its customers. As I explained previously, the Company currently estimates that the interest rate on the securitized utility tariff bonds that will be issued is 5.59%. If the Company were to carry the cost of its energy transition costs and amortize those costs over time as part of general rate cases, the Company would carry the balance as a regulatory asset and apply a carrying charge equal to its WACC. For comparison, the Company's approved WACC for purposes specified in File No. ER-2022-0337 is 6.82%. Consequently, financing costs at a lower securitized rate results in a lower cost for customers.

Q. Have you estimated how much Ameren Missouri's customers will save from using securitization to finance the costs?

A. Yes. As I explained above and as detailed in Schedule MJL-D1, the revenue requirement for the securitized bonds and the associated estimated costs is $4,334,773 per month. Over the course of the 15-year term, customers would pay a total of $780,259,147. For comparison, I calculated the monthly cost that would accrue to customers if the Company amortized its energy transition costs (the actual costs plus carrying charges) over a period of equal length with a carrying charge equal to the Company's WACC.[7] Note that for the comparison I eliminated the upfront and ongoing financing costs. Under this scenario, the Company would need to recover $5,008,607 per month from customers, with such payments totaling $901,549,316 over the 15-year period. Therefore, the benefits to customers total $121,290,169. My calculations are included in Schedule MJL-D4.

[7] For this comparison, the Company has used the WACC approved in File No. ER-2022-0337 for purposes of PISA, RESRAM, and AFUDC. The appropriate comparison supporting the securitization bond issuance will be updated for the Company's actual cost of debt and capital structure at that time.

Q. Have you developed any other comparisons?

A. Yes. The Securitization Statute requires a comparison of costs on a Net Present Value ("NPV") basis. To meet this requirement, I have included a comparison of the total value of the payments made by customers to use securitization to finance the recovery of the energy transition costs, expressed on an NPV basis using the previously mentioned 6.82% WACC as a discount rate, to the total value of payments they would make, expressed on the same basis, if the Company were to recover its costs through traditional ratemaking. My results are included in Schedule MJL-D4 and are shown in Table MJL-3 below.

Table MJL-3 Summary of Securitization Benefits on an NPV Basis

	Securitization	**Amortization 15 Years**
NPV of total payments discounted at WACC	$487,682,987	$563,492,610
NPV Securitization Benefit	-----	$75,809,623

Q. What do these comparisons indicate?

A. These comparisons demonstrate that the Company's proposal to use securitization to finance recovery of its Rush Island energy transition costs is less costly to customers, on both a nominal and NPV basis, than recovery under traditional ratemaking.

V. ACCUMULATED DEFERRED INCOME TAXES [8]

Q. What is ADIT?

A. ADIT is comprised of deferred tax assets and liabilities that are recorded on a company's balance sheet. Deferred tax assets offset or reduce future tax payments, while deferred tax liabilities are amounts owed to the Internal Revenue Service ("IRS") in future periods. ADIT is generally calculated as the difference in book basis and tax basis of an asset multiplied by the applicable tax rate. The most common component of ADIT for a regulated utility is deferred tax liabilities resulting from accelerated tax deprecation, as compared to book depreciation. For most assets, companies recognize depreciation ratably over the life of an asset when calculating and reporting net income for financial reporting ("book") purposes. However, the federal tax code allows companies to calculate taxable income in a manner that recognizes the depreciation expense associated with investment in that asset much sooner – on an accelerated basis. This effectively reduces that company's net income used to calculate income taxes, and therefore tax expense, early in the life of an asset relative to what it would be if based on net income used for financial reporting purposes that did not accelerate that depreciation expense. However, later in the life of the asset, when the company is still recognizing book depreciation expense (ratably) and the asset has been fully depreciated for tax purposes, the company's taxes due to the taxing authority in that period are higher than they would be if based on book income. This higher tax amount due later in the life of an asset is the payment of the taxes that were avoided earlier in the life of the asset through the recognition of accelerated tax depreciation. Hence

[8] As discussed below, while the Commission dealt with ADIT in File No. EO-2022-0193, the development of the factual record in that case was at best incomplete. My testimony provides a complete record, as explained below.

the description as deferred taxes. But it is critical for this discussion to note that accelerated depreciation does nothing to change the *total tax payments* due from a company to the IRS over an asset's life. It only can and does impact the *timing* of tax payments – it defers them from early in the asset life to later in the asset life. When an asset is retired earlier than anticipated, and therefore prior to being fully depreciated (as in the case of a plant being recovered through securitization), a deferred tax balance may still exist at the point of retirement – meaning the company in question has not paid all of the taxes that will be due to the IRS. However, those taxes will still come due when the remaining net book value of the asset in question reduces the company's net income, as it eventually must.

Q. How is ADIT treated in traditional ratemaking?

A. First, utility revenue requirements reflect income tax expenses at the statutory rate applied to book net income before taxes, rather than basing the revenue requirement on its actual current period tax payments (i.e., the utility revenue requirement is calculated based on an income tax expense associated with the level of income determined using book depreciation rates – not accelerated tax depreciation). Reflecting income taxes in rates based on actual current period tax payments would result in a violation of the IRS' normalization rules,[9] which would have significant negative consequences for the Company and for its customers. By reflecting income tax expense in the revenue requirement at the statutory rate applied to adjusted book net income rather than taxable income, utility ratemaking results in customers effectively providing the funds the utility needs to pay its current and net deferred tax liabilities (ADIT) to the IRS. Said another way, customers pay rates as if the taxes were not being deferred. The revenues that

[9] A requirement spelled out in the federal tax code that dictates the regulatory treatment of plant-related ADIT and associated penalty for violation of the requirements.

are collected from customers that are related to deferred taxes, which the utility will not pay until some later date, become cash available to the utility to invest in its system until the time when those deferred taxes come due for payment to the IRS. In this way, deferred tax liabilities collected from customers can be thought of as an interest free loan from the IRS, because the cash available to the utility offsets the need to use other forms of financing to acquire that cash – financing that would obviously have a cost of capital associated with it. Customers are compensated for the long-term use of their funds through a rate base reduction; i.e., the annual general rate revenue requirement is reduced by the product of the ADIT rate base reduction multiplied by the Company's WACC. The reduction of rate base for deferred tax liabilities is an acknowledgement that the utility has collected amounts from customers that will not be paid to the IRS until future periods – amounts which therefore reduce the amount of the Company's investment in rate base that must be financed by traditional debt and equity forms of financing. This lower rate base level results in a lower revenue requirement used to set customer general rates. That lower annual general rate revenue requirement is the benefit customers receive from ADIT.[10]

Q. Please provide an example of how ADIT is treated for traditional ratemaking.

A. Schedule MJL-D5 provides a simplified example of how ADIT is treated for traditional ratemaking over a 20-year period using a hypothetical investment of $1,000 on lines one through 15. Through this example, one can observe the life cycle of ADIT associated with an isolated asset. This example demonstrates what I briefly described

[10] Net deferred tax liabilities in particular.

earlier – that income taxes paid by the utility change in their timing because of ADIT,[11] but do not change in the total amount of taxes ultimately paid.

In this example, accelerated tax depreciation as compared to book depreciation results in a deferred tax liability, which, as I described earlier, is the most common component of ADIT for the Company or any utility. Lines one through three indicate a $1,000 investment in year one, the accumulation of $50 of book depreciation in the reserve for depreciation each year over the 20-year period, and the resulting net plant balance. Lines four through eight is the calculation of ADIT by year.[12] This demonstrates the effect of accelerated tax depreciation, which reduced taxable income early in the asset life, allowing the utility to avoid the payment of taxes until the time that book depreciation "catches up" with the accelerated tax depreciation that is allowed by the federal tax code. ADIT must equal zero at the end of the life of an investment[13] because both the book basis and tax basis must equal zero at that time – meaning all of the investment has eventually been expensed both for tax purposes and book purposes – and there is no remaining ADIT when the book and tax basis converge at zero. Note this effect in line 8 of the example, where ADIT becomes zero in year 21. Line 9 – Rate Base is the net plant investment on line three less ADIT – since the ADIT provided cash that displaced the need for traditional financing of that amount of rate base for a period of time - on line 8, which is the proper treatment of ADIT for traditional ratemaking as I discussed previously. Lines 11 through 15 is a summation of the revenue requirement by year. Of note, income tax expense on line 14 is included in the revenue requirement at the statutory rate as I described is the proper

[11] Particularly the tax deductions (in the case of accelerated depreciation) that result in book-tax differences and produce ADIT.
[12] The difference between the book basis of the asset and tax basis multiplied by the applicable tax rate.
[13] Or upon full recovery of an asset, as it pertains to ADIT resulting from a regulatory asset.

treatment for traditional ratemaking previously (the 25% statutory tax rate on line 7 has been applied to the return on rate base on line 11).[14]

Q. Continuing the prior example, please explain the calculation of a tax return, including the impacts on current and deferred income tax liabilities and expenses.

A. On Schedule MJL-D5, line 16 identifies Net Income Before Income Tax ("NIBIT"), which is the summation of the return on rate base from line 11 and income taxes on line 14.[15] Line 18 is the change in cumulative tax timing differences in the current period, i.e., this is the difference in book income and taxable income in the current period that results from adding book depreciation back to NIBIT, while subtracting tax depreciation from NIBIT. The result becomes net income as adjusted for (accelerated) tax depreciation and given this example produces taxable income on line 19. Taxable income is multiplied by the tax rate to produce line 20, which are the tax payments owed to the IRS in each current period. Line 21 provides the annual activity for deferred tax expense and deferred tax liabilities, as calculated above in the revenue requirement.[16] Total income tax expense on line 22 equals income taxes included in the revenue requirement on line 14 in each period – this demonstrates that the taxes reflected in the revenue requirement are equal to the taxes due in the period along with the taxes deferred in the period – those deferred taxes being a temporary source of cash to the utility. Note that the summation of current tax expense on line 20 is $201 over the 20 year period and equals the summation of income taxes included in the revenue requirement over that same 20-year period. This

[14] Ignoring any interest deduction for ease of illustration.
[15] Presuming all other costs included in the revenue requirement are recovered dollar for dollar with no resulting contribution to net income.
[16] The year over year change in ADIT from line 8.

part of the example evidences that, although greater income tax amounts were included in the revenue requirement than paid to the IRS earlier in the 20-year period, ultimately the total income tax cost included in the revenue requirement (both the current and deferred or ADIT elements of tax expense) is paid to the IRS.

Q. Further continuing the prior example, please explain the amount that should be provided as an offset to a securitization revenue requirement.

A. First, §393.1700 2(3)(c)m of the Securitization Statute requires that applicable "accumulated deferred income taxes, including excess deferred income taxes, shall be excluded from rate base in future general rate cases… ." This means that the benefit of the cash held by the Company to pay its deferred taxes in the future, which was provided by customers through their general rates, can no longer be used to offset rate base in a future rate proceeding. But that cash still is providing a benefit – it is still displacing the need for incremental financing to support the Company's rate base that would carry a cost – until such time that the deferred taxes are required to be paid to the IRS, and the Company no longer has access to that cash. Line 25 of Schedule MJL-D5 calculates that very benefit – the benefit customers receive in the form a reduction to rate base and a resulting reduction in return on rate base under traditional ratemaking by multiplying ADIT by the WACC. Logically, since that benefit is being removed from general rates going forward, it stands to reason that it is that same benefit that should be applied in some manner to the securitization revenue requirement to ensure customers receive the value of the benefit to which they are entitled. Although the benefit that would occur under traditional ratemaking if the asset was not being retired prior to becoming fully depreciated is expressed as a different amount over the course of a series of years, a single lump sum amount can be determined through a net present value calculation that represents the present value of the benefits customers could expect to receive for the ADIT under traditional ratemaking. Line 26 provides that net present value. Offsetting the amount of the bond issuance by this present value reduces the level of the securitization charge customers will experience, and thereby provides customers the full value of the tax benefits of ADIT that they would otherwise receive by offsetting rate base under traditional ratemaking. To further illustrate, the net present value of the benefits resulting from ADIT in year 12 is $31.[17] This amount is calculated as the net present value of the return on rate base reduction customers would otherwise receive through traditional ratemaking from years 12 through 20. If this hypothetical asset were being financed using securitization in year 12 of the example, the bond proceeds would be reduced by $31 – reducing the securitization charge borne by customers – and providing the customers the tax benefits of ADIT. Section 2(3)(c)m of the Securitization Statute further describes the same net present value calculation as is provided on line 26 of Schedule MJL-D5.

Q. What is the appropriate reduction in the Rush Island securitization revenue requirement relating to ADIT?

A. $49,798,897. As of September 1, 2024, the Company's book basis in the Rush Island Energy Center is expected to be $475,235,629,[18] while the tax basis will be zero. The difference between the book basis and tax basis is multiplied by the Company's 23.73% combined state and federal tax rate to compute the applicable ADIT balance of

[17] The ADIT balance of $113 was previously collected from customers via inclusion of income taxes in the revenue requirement at the statutory rate. $31 is the net present value of future ADIT benefits to customers. $81 is the net present value of the future tax payments the company must pay to the IRS. These net present value calculations are a dissection of the nominal ADIT balance and, therefore, the summation of the net present values is equal to the ADIT balance.

[18] This amount is the difference between the original cost of plant included in the Rush Island securitization revenue requirement and the reserve for depreciation noted previously.

$112,788,066, which will be paid to the taxing authority over 15 years after the securitization transaction commences. Excess Accumulated Deferred Income Taxes ("EDIT") is a component of ADIT that results from a change in tax law reducing the statutory tax rate. The expected EDIT balance at September 1, 2024, is $26,139,137. Calculating customer benefits equal to the present value of the benefits resulting from ADIT[19] that customers would otherwise receive through traditional ratemaking results in a securitization revenue requirement reduction of $49,798,897.[20]

Q. You noted earlier that ADIT was addressed in one other securitization case, but has the Commission decided any case involving energy transition costs and ADIT while relying on facts that are the same or similar to those presented in this testimony?

A. No. Although in File No. EO-2022-0193 the Commission was presented with a question regarding ADIT and its effect on energy transition costs, the factual record in that case was substantially different from the facts presented by my testimony in this case.[21] Specifically, the record in that case did not establish that ADIT[22] *is* the income tax payments that must be made to the IRS in future periods. Nor did the record in that case properly contain the comparison of how ADIT is treated in traditional ratemaking to the treatment of ADIT in a securitization transaction.

[19] Including EDIT.
[20] The "return on ADIT" and discount rate used to quantify these benefits is equal to the securitized interest rate as required by the Securitization Statute.
[21] Should the Commission order the Company to reduce the securitization revenue requirement in this case in the same manner as ordered in File No. EO-2022-0193, ongoing financing costs should be increased to include resulting necessary future income tax recoveries. Those income tax recoveries are calculated as the recovered principal on the bonds multiplied by the Company's combined state and federal income tax rate.
[22] Specifically deferred tax liabilities.

VI. DEFERRAL REQUEST

Q. What is the nature of the deferral the Company requests?

A. Approval of the requested financing order in this case is expected to result in the Company's receipt of securitization bond proceeds and recovery of its outstanding investment before general rates are reset to exclude the costs of the Rush Island Energy Center that are reflected in current rates. In order to avoid double recovery of these costs, the Company requests authority defer these amounts included in the Company's revenue requirement used to set customer rates in File No. ER-2022-0337 from the date the Company receives securitization bond proceeds to the date base rates are reset to exclude costs related to the Rush Island Energy Center.

Q. What are the relevant annual cost amounts included in the revenue requirement used to set customer rates in File No. ER-2022-0337 to use in calculating the requested deferral?

A. Table MJL-5 below identifies these amounts.

	Amount
Plant in Service	$893,926,949
Reserve for Depreciation	(365,389,078)
ADIT	(138,896,106)
Fuel Inventory	29,171,064
Materials and Supplies Inventory	17,594,944
Total Net Rate Base	436,407,773
WACC (Including Income Taxes)	7.627%
Return on Rate Base (Including Income Taxes)	33,285,021

Depreciation Expense	35,206,296
Non-labor Operations and Maintenance Expense	6,105,702
Labor Operations and Maintenance Expense[23]	-
Total	74,597,019

Q. Does this conclude your direct testimony?

A. Yes, it does.

[23] To be determined and dependent on whether and what the exact terms of workforce transition costs incurred.

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of the Petition of Union Electric Company d/b/a Ameren Missouri for a Financing Order Authorizing the Issue of Securitized Utility Tariff Bonds for Energy Transition Costs related to Rush Island Energy Center.	))))))	EF-2024-0021

AFFIDAVIT OF MITCHELL J. LANSFORD

STATE OF MISSOURI)
) ss
CITY OF ST. LOUIS)

Steven M. Wills, being first duly sworn on his oath, states:

My name is Mitchell J. Lansford, and hereby declare on oath that I am of sound mind and lawful age; that I have prepared the foregoing *Direct Testimony*; and further, under the penalty of perjury, that the same is true and correct to the best of my knowledge and belief.

/s/ Mitchell J. Lansford
Mitchell J. Lansford

Sworn to me this 21st day of November 2023.

AMEREN MISSOURI
TOTAL RETAIL REVENUE REQUIREMENT FOR SECURITIZED ENERGY TRANSITION CHARGE
EF-2024-0021

LINE	DESCRIPTION	AMOUNT
1	Rush Island Plant in Service	$ 897,863,380
2	Rush Island Reserve	422,627,751
3	Net Plant in Service	$ 475,235,629
4	Abandoned Capital Projects	12,968,798
5	Base Mat Coal Inventory	1,923,660
6	Materials and Supplies Inventory	18,304,442
7	NPV of Tax Benefits (NPV 15 Years)	(49,798,897)
8	Safe Closure and Decommissioning	46,907,500
9	** ____________________ **	
10	Asset Retirement Obligation-Ash Ponds	2,604,158
11	Water Treatment and Monitoring	4,615,042
12	Community Transition	3,677,365
13	**Total Rush Island Energy Transition Costs to Securitize**	**512,760,332**
14	Upfront Financing Costs	6,606,609
15	**Total Cost to be Financed with Securitized Utility Tariff Bonds**	**$ 519,366,940**
16	Interest rate	5.59%
17	**Term (years)**	15
18	**Monthly bond payment**	4,268,783
19	Ongoing costs (annual)	791,883
20	**Ongoing costs (monthly)**	**$ 65,990**
21	**Monthly Revenue Requirement**	**$ 4,334,773**

AMEREN MISSOURI
PRO FORMA PLANT IN SERVICE COSTS
EF-2024-0021

LINE		BALANCE AT 06/30/2023	REMOVE LAND	PLANT ADDITIONS	TRANSFERS TO OTHER PLANTS	CURRENT DEPR RATE	INCREMENT TO RESERVE	PRO FORMA BALANCE
	PLANT-IN-SERVICE							
1	303	2,445,930	-	-	-			2,445,930
2	310	979,537	(979,537)	-	-			-
3	311	112,373,967	-	-	-			112,373,967
4	312	548,315,182	-	-	(10,433,038)			537,882,144
5	314	175,700,444	-	-	(23,448,008)			152,252,436
6	315	76,358,450	-	-	(6,506,369)			69,852,082
7	316	21,360,767	-	3,839,235	(4,959,409)			20,240,593
8	316.21	584,318	-	-	-			584,318
9	316.22	516,285	-	-	-			516,285
10	316.23	1,331,142	-	-	-			1,331,142
11	392	432,687	-	-	(48,204)			384,483
12	Total	940,398,709	(979,537)	3,839,235	(45,395,028)			897,863,380
13	**RESERVE**							
14	303	2,435,097			-		6,066	2,441,163
15	310	-			-	0.00%	-	-
16	311	42,697,274			-	3.56%	4,667,265	47,364,540
17	312	228,940,115			(3,867,039)	4.12%	26,355,683	251,428,759
18	314	85,188,281			(10,849,930)	3.46%	7,092,441	81,430,793
19	315	30,775,074			(1,469,865)	3.58%	3,189,238	32,494,447
20	316	4,907,021			(1,391,070)	5.61%	1,523,701	5,039,653
21	316.21	275,680			-	5.00%	34,085	309,766
22	316.22	362,830			-	6.67%	40,176	403,006
23	316.23	1,180,138			-	20.00%	310,600	1,331,142
24	392	538,922			(55,285)	5.88%	29,682	384,483
25	Total	397,300,433			(17,633,189)		43,248,938	422,627,751

AMEREN MISSOURI
ESTIMATED UPFRONT AND ONGOING FINANCING COSTS
EF-2024-0021

LINE	DESCRIPTION (A)		PRO FORMA TOTALS (B)
1	**Energy Transition Costs**	**$**	**512,760,332**
	Summary of Estimated Upfront Costs for Securitization		
2	Legal Fees		3,682,400
3	Auditor Fee		200,000
4	Trustee Fees and Expenses		30,000
5	Miscellaneous		100,000
6	SPE Organizational Costs		50,000
7	Printing Fees		75,000
8	Servicer Set-up Fees		20,000
9	Financial Advisor (net of discount)		255,000
10	Commission Costs		-
11	Fixed Fees		4,412,400
12	Underwriting		0.4000%
13	SEC Registration Fees		0.0110%
14	Bond Rating Rees		0.0133%
15	Filing Fees Total Percentage		0.4243%
16	Total Rating and Filing Fees		2,194,209
17	Total Upfront Financing Costs		**6,606,609**
18	**Estimated Bond Issuance Amount**	**$**	**519,366,940**
	Summary of Estimated Ongoing Costs per year		
19	Servicing Fee		259,683
20	Administration		50,000
21	Trustee Fee		15,000
22	Auditing/accounting Fees		75,000
23	Legal Fees		35,000
24	Rating Agency Surveillance Fees		70,000
25	Return on Capital Account for Credit Enhancement (calculated at approved WACC from ER-2022-0337 including applicable income taxes)		217,199
26	Printing Fees		10,000
27	Independent Director/Manager Fees		10,000
28	Bad Debt		-
29	Miscellaneous		50,000
30	**Ongoing Costs Per Year**		**791,883**
31	**Ongoing Costs Per Month**	**$**	**65,990**

AMEREN MISSOURI
BENEFITS COMPARISON
EF-2024-0021

LINE	DESCRIPTION (A)	SECURITIZATION (B)	AMORTIZATION: 15 YEARS (C)
1	Energy Transition Costs(incl. carrying)	512,760,332	512,760,332
2	Upfront financing costs	6,606,609	-
3	Total	519,366,940	512,760,332
4	Carrying cost	5.59%	6.82%
5	Incremental Income Taxes	-	7,912,696
6	Term (years)	15	15
7	Monthly payment	4,268,783	5,008,607
8	Ongoing financing costs (monthly)	65,990	-
9	Monthly revenue requirement	4,334,773	5,008,607
10	Total payments	780,259,147	901,549,316
11	**Securitization benefit**		**121,290,169**
12	WACC	6.82%	6.82%
13	NPV payments discounted @ WACC	487,682,987	563,492,610
14	**NPV securitization benefit**		**75,809,623**

AMEREN MISSOURI
ADIT SECURITIZATION EXAMPLE
EF-2024-0021

Traditional Ratemaking Revenue Requirement:

Line		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	Total
1	Original Cost of Plant	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	
2	Depreciation Reserve	-	50.00	100.00	150.00	200.00	250.00	300.00	350.00	400.00	450.00	500.00	550.00	600.00	650.00	700.00	750.00	800.00	850.00	900.00	950.00	1,000.00	
3	Net Plant	1,000.00	950.00	900.00	850.00	800.00	750.00	700.00	650.00	600.00	550.00	500.00	450.00	400.00	350.00	300.00	250.00	200.00	150.00	100.00	50.00	-	
4	Book Basis	1,000.00	950.00	900.00	850.00	800.00	750.00	700.00	650.00	600.00	550.00	500.00	450.00	400.00	350.00	300.00	250.00	200.00	150.00	100.00	50.00	-	
5	Tax Basis	1,000.00	800.00	600.00	400.00	200.00	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
6	Cumulative Tax Timing Difference	-	150.00	300.00	450.00	600.00	750.00	700.00	650.00	600.00	550.00	500.00	450.00	400.00	350.00	300.00	250.00	200.00	150.00	100.00	50.00	-	
7	Tax Rate	25%																					
8	ADIT or Deferred Tax Liability	-	37.50	75.00	112.50	150.00	187.50	175.00	162.50	150.00	137.50	125.00	112.50	100.00	87.50	75.00	62.50	50.00	37.50	25.00	12.50	-	
9	Rate Base	1,000.00	912.50	825.00	737.50	650.00	562.50	525.00	487.50	450.00	412.50	375.00	337.50	300.00	262.50	225.00	187.50	150.00	112.50	75.00	37.50	-	
10	WACC	7%																					
11	Return on Rate Base	70.00	63.88	57.75	51.63	45.50	39.38	36.75	34.13	31.50	28.88	26.25	23.63	21.00	18.38	15.75	13.13	10.50	7.88	5.25	2.63	-	603.75
12	O&M	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13	Depreciation	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	-	1,000.00
14	Income Taxes	23.33	21.29	19.25	17.21	15.17	13.13	12.25	11.38	10.50	9.63	8.75	7.88	7.00	6.13	5.25	4.38	3.50	2.63	1.75	0.88	-	201.25
15	Total Revenue Requirement	143.33	135.17	127.00	118.83	110.67	102.50	99.00	95.50	92.00	88.50	85.00	81.50	78.00	74.50	71.00	67.50	64.00	60.50	57.00	53.50	-	1,805.00

Income Tax Provision:

Line		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	Total
16	Net Income Before Income Tax	93.33	85.17	77.00	68.83	60.67	52.50	49.00	45.50	42.00	38.50	35.00	31.50	28.00	24.50	21.00	17.50	14.00	10.50	7.00	3.50	-	805.00
17	Permanent Differences	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18	Temporary Differences	(150.00)	(150.00)	(150.00)	(150.00)	(150.00)	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	-	-
19	Taxable Income	(56.67)	(64.83)	(73.00)	(81.17)	(89.33)	102.50	99.00	95.50	92.00	88.50	85.00	81.50	78.00	74.50	71.00	67.50	64.00	60.50	57.00	53.50	-	805.00
20	Current Tax Payable / Expense	(14.17)	(16.21)	(18.25)	(20.29)	(22.33)	25.63	24.75	23.88	23.00	22.13	21.25	20.38	19.50	18.63	17.75	16.88	16.00	15.13	14.25	13.38	-	201.25
21	Deferred Tax Liability / Expense	37.50	37.50	37.50	37.50	37.50	(12.50)	(12.50)	(12.50)	(12.50)	(12.50)	(12.50)	(12.50)	(12.50)	(12.50)	(12.50)	(12.50)	(12.50)	(12.50)	(12.50)	(12.50)	-	-
22	Total Income Tax Expense	23.33	21.29	19.25	17.21	15.17	13.13	12.25	11.38	10.50	9.63	8.75	7.88	7.00	6.13	5.25	4.38	3.50	2.63	1.75	0.88	-	201.25

Securitization NPV Calculations:

Line		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	Total
23	Future Tax Payments for ADIT	(37.50)	(37.50)	(37.50)	(37.50)	(37.50)	12.50	12.50	12.50	12.50	12.50	12.50	12.50	12.50	12.50	12.50	12.50	12.50	12.50	12.50	12.50	-	
24	NPV of ADIT	(72.58)	(40.17)	(5.48)	31.64	71.35	113.85	109.32	104.47	99.28	93.73	87.79	81.44	74.64	67.37	59.58	51.25	42.34	32.80	22.60	11.68	-	
25	Return on ADIT	-	2.63	5.25	7.88	10.50	13.13	12.25	11.38	10.50	9.63	8.75	7.88	7.00	6.13	5.25	4.38	3.50	2.63	1.75	0.88	-	
26	NPV of ADIT Benefit	72.58	77.67	80.48	80.86	78.65	73.65	65.68	58.03	50.72	43.77	37.21	31.06	25.36	20.13	15.42	11.25	7.66	4.70	2.40	0.82	-	
27	ADIT	-	37.50	75.00	112.50	150.00	187.50	175.00	162.50	150.00	137.50	125.00	112.50	100.00	87.50	75.00	62.50	50.00	37.50	25.00	12.50	-	

SCHEDULE MJL-D5