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Witness: Mitchell J. Lansford  
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Testimony  
Sponsoring Party: Union Electric Company  
File No.: EF-2024-0021  
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**MISSOURI PUBLIC SERVICE COMMISSION**

**FILE NO. EF-2024-0021**

**SUR-SURREBUTTAL TESTIMONY**

**OF**

**MITCHELL J. LANSFORD**

**ON**

**BEHALF OF**

**UNION ELECTRIC COMPANY**

**D/B/A AMEREN MISSOURI**

**St. Louis, Missouri  
April 2024**

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**SUR-SURREBUTTAL TESTIMONY**

**OF**

**MITCHELL J. LANSFORD**

**FILE NO. EF-2024-0021**

1

**I. INTRODUCTION**

2

**Q. Please state your name and business address.**

3

A. My name is Mitchell Lansford. My business address is One Ameren Plaza,  
4 1901 Chouteau Ave., St. Louis, Missouri.

5

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

6

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

8

**Q. Are you the same Mitchell J. Lansford who submitted direct and  
9 surrebuttal testimony in this case?**

10

A. Yes, I am.

11

**II. PURPOSE OF TESTIMONY**

12

**Q. To what testimony or issues are you responding?**

13

A. I am responding to Office of Public Counsel ("OPC") witness David  
14 Murray's surrebuttal testimony which disagrees with my direct testimony and its analysis  
15 regarding the net present value ("NPV") of benefits expected to result from securitization,  
16 as compared to traditional financing and recovery of the costs for which we seek  
17 securitization in this case.

1 **III. BENEFITS OF SECURTIZATION**

2 **Q. Please describe the NPV analyses performed by Mr. Murry in his**  
3 **surrebuttal testimony.**

4 A. Mr. Murray produced new modeling in his surrebuttal testimony and  
5 concludes that if the Company were allowed to finance and recover its remaining  
6 investment in the Rush Island Energy Center at the Company's weighted-average-cost-of-  
7 capital ("WACC") (through a mix of debt and equity as the Company finances all of its  
8 other long-term investments) there would be net present value benefits to customers  
9 resulting instead from a securitization transaction. Mr. Murray goes on to take the position,  
10 which he did not do in his rebuttal testimony, that the Company should not be allowed to  
11 finance and recover its remaining investment at the Company's WACC and instead that  
12 financing rate should be limited to the Company's historical cost of debt as of December  
13 31, 2023. Based on this assumption, Mr. Murray calculates that customers would not  
14 benefit (on a net present value basis) from the securitization of the Company's unrecovered  
15 investment in the Rush Island Energy Center.

16 **Q. Practically speaking, could the Company finance and recover its**  
17 **remaining investment at the 4.05% historical cost of debt Mr. Murray suggests?**

18 A. Absolutely not. As I explained in my rebuttal testimony and, as Mr. Murray  
19 appears to agree, the Company's existing investment is financed via a mix of debt and  
20 equity. Simply put, the Company's existing investment is financed at the Company's  
21 WACC. Without a time machine, the Company cannot refinance this investment as debt  
22 only, let alone at a blended *historical* debt rate.<sup>1</sup>

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<sup>1</sup> The Company's 4.05% debt rate utilized by Mr. Murray in his analysis is derived from approximately 20 debt issuances that have occurred over approximately the last 30 years.

1           **Q.     Is there any precedent where the Commission has ordered a utility to**  
2 **recover over \$500 million of its remaining investment in an asset over a fifteen-year-**  
3 **period while only recovering its cost of debt (as opposed to WACC) during that term?**

4           A.     Not to my knowledge. Mr. Murray references File No. ER-2022-0129  
5 several times in support of his theory that financing and recovery through traditional  
6 ratemaking must result in financing at a utility's historical debt rate and recovery of those  
7 financing costs and the remaining balance, both over a 15-year-term. However, that case  
8 involved an unrecovered investment that was far less and regarding the term of recovery  
9 the Commission found the following:

10           [T]he question before the Commission is whether it is appropriate to make  
11           Eversource wait 17 to 20 years for a full return of its unrecovered investment  
12           absent any return on those amounts. The Commission does not find this  
13           result reasonable. Eversource should be allowed a return of these amounts as  
14           quickly as practicable.

15           The conclusion the Commission reached in this Eversource case is far less applicable than the  
16           Commission's approval of the securitization of Liberty's Asbury plant, as I referenced in  
17           my rebuttal testimony and as Mr. Murray has chosen to selectively ignore. Confronted with  
18           facts quite similar to those present in this case, the Commission used Liberty's WACC for  
19           the unrecovered Asbury Plant balance in determining that securitization of that balance  
20           provided NPV benefits for customers as compared to traditional financing and recovery.

21           **Q.     What is the lowest interest rate the Company could refinance its**  
22 **existing investment at?**

23           A.     The lowest rate available for such a refinance is the securitized interest rate  
24           (estimated at 5.59% at the time of the Company's direct testimony in this case). The only

1 way the Company can achieve that lowest rate is through Commission approval in this  
2 case.

3 **Q. What are the practical implications of accepting Mr. Murray's position**  
4 **that financing and recovery under traditional ratemaking must occur at the**  
5 **Company's historical debt rate instead of the Company's WACC?**

6 A. No securitization could ever occur in a rising interest rate environment.  
7 Assuming Mr. Murray's surrebuttal position, it is an intuitive conclusion that if the  
8 securitized interest rate were to exceed a utility's historical debt rate, then unless a model  
9 has a critical flaw, it should show that securitization is more costly than financing and  
10 recovery through traditional ratemaking.<sup>2</sup>

11 Under Mr. Murray's traditional financing and recovery scenario, utilities would  
12 experience losses equal to the difference between actual carrying costs (its WACC) and his  
13 allowed debt return. Those losses would reduce funds from operations and erode utility  
14 credit metrics. Erosion of utility credit metrics can result in downgrades to  
15 creditworthiness, a higher future cost of debt, and greater costs to customers.<sup>3</sup>

16 **Q. Is it reasonable to assume lawmakers intended to pass a law that allows**  
17 **for securitization only when interest rates are *declining*?**

18 A. No.

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<sup>2</sup> File No. EF-2024-0021, David Murray Surrebuttal Testimony, p. 3, ll. 1-10 applied this same logic.

<sup>3</sup> None of these factors have been considered in Mr. Murray's analyses. An adjustment to the Company's capital structure in a future rate review in acknowledgement of 100% debt financing of this asset would be necessary to address these factors. The result would be that all of the Company's other investments would be financed at a greater equity percentage and result in greater costs to customers, holding all other factors constant.

1           **Q.     Over the past few years have interest rates increased or decreased?**

2           A.     It is common knowledge that interest rates have increased over the past few  
3 years. In fact, when the securitization statute was enacted, interest rates were at historic  
4 lows and no rational lawmaker would have expected them to stay that low indefinitely into  
5 the future as the statute was to be applied. Additionally, and as the record in this case  
6 reflects, the Company's debt rate has increased over this period. This is reflective of the  
7 macro trend in interest rates.

8           **Q.     Do you have any other concerns about Mr. Murray's new modeling?**

9           A.     Yes. In the limited time afforded to review his six schedules there are  
10 several causes for concern.

11           • In every instance of his schedules labeled as "securitization revenue  
12 requirement for early retirement" Mr. Murray has reflected Accumulated  
13 Deferred Income Taxes ("ADIT") in a manner that is inconsistent with the  
14 securitization statute and any position of any party in this case (including OPC's  
15 own position). Mr. Murray has reduced energy transition costs by the full value  
16 of ADIT, without regard for calculation of the net present value of tax benefits  
17 arising from ADIT.<sup>4</sup> He's up front about how he considered ADIT in his  
18 traditional financing and recovery ratemaking scenario, as can be viewed on  
19 page 9 line 13 of his surrebuttal testimony, but noticeably silent on ADIT in  
20 subsequent sections describing his assumptions as they relate to securitization.

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<sup>4</sup> For example, lines 19 and 20 of Schedule DM-S-5 rely on a calculation from line 12 and the totals in line 12 rely on the result from line 9. Line 9 reflects his calculation of rate base where the ADIT balance in line 8 has been subtracted from the net plant total in line 3.





**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 ) EF-2024-0021  
of Securitized Utility Tariff Bonds for )  
Energy Transition Costs related to Rush )  
Island Energy Center. )

**AFFIDAVIT OF MITCHELL J. LANSFORD**

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

Mitchell J. Lansford, 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 *Sur-Surrebuttal 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 4th day of April 2024.