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MISSOURI PUBLIC SERVICE COMMISSION

File No. EA-2024-0237

DIRECT TESTIMONY

OF

MITCHELL J. LANSFORD

ON

BEHALF OF

UNION ELECTRIC COMPANY

d/b/a Ameren Missouri

**St. Louis, Missouri
June 2024**

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I. INTRODUCTION

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Q. Please state your name and business address.

A. Mitchell Lansford, One Ameren Plaza, 1901 Chouteau Avenue, St. Louis, Missouri 63103.

Q. By whom and in what capacity are you employed?

A. I am employed by Ameren Services Company as Senior Director of Financial Reporting and Regulatory Accounting. Included within my responsibilities are to provide regulatory accounting support and services to Union Electric Company, d/b/a Ameren Missouri ("Ameren Missouri" or "Company").

Q. Please describe your professional background and qualifications.

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

1 assessments of the internal control environment. From 2019 to present, I have been working for
2 Ameren Missouri in multiple regulatory accounting roles, including as Director, Regulatory
3 Accounting effective in April 2020. In November 2023, I became the Director of Financial
4 Reporting and Regulatory Accounting, and in May 2024, I was promoted to Senior Director of
5 Financial Reporting and Regulatory Accounting.

6 **Q. What is the purpose of your testimony?**

7 A. The purpose of my direct testimony is to detail the regulatory lag the Company will
8 suffer on the Castle Bluff Project between its in-service date and when this investment could be
9 included in the revenue requirement used to set new base rates. I will also propose the parameters
10 of and request approval for construction accounting that would allow the Company to continue to
11 accrue Allowance for Funds used During Construction ("AFUDC") and defer depreciation expense
12 for the Castle Bluff Project during the Regulatory Loss Period (defined below), a deferral that has
13 been approved by the Commission in past cases involving large generation additions and projects.

14 **II. REGULATORY LOSS ON THE CASTLE BLUFF PROJECT**

15 **Q. When will the Company's rates reflect a return of and on its investment in the**
16 **Castle Bluff Project?**

17 A. The Company's rates will not reflect a return on or of its investment in the Castle
18 Bluff Project until it is included in the revenue requirement used to set new base rates and those
19 base rates become effective. The Castle Bluff Project is anticipated to be constructed and placed
20 in service by the end of October 2027. However, it is impossible to time a rate review to begin
21 recovering an investment at the time it goes into service. The minimum time period between the
22 true-up date in a rate review and the effective date of new rates has historically been approximately
23 five months. This means that there will be a lag between the in-service date (when AFUDC is

1 traditionally no longer accrued on the Company's books) and the time when new customer rates
2 become effective that are based on a revenue requirement that includes the Company's capital
3 investments in the Castle Bluff Project. For a project the size of Castle Bluff, lost recovery of a
4 return of and on the Company's investment will total millions of dollars per month.

5 **Q. Absent approval of the Company's construction accounting request, how**
6 **much return of and on the Company's investment will be lost?**

7 A. Even if the Company were to optimize its rate review timing, the Company will
8 experience multiple months of regulatory lag. Using the Company's last rate review schedule as a
9 proxy for a 2027 rate review that would be needed to pick up the Castle Bluff investment, the
10 Company will experience seven months of losses on this approximately \$900 million project, for
11 a total loss of approximately \$44 million.¹ Absent construction accounting, losses equal to
12 approximately five percent of the Company's initial investment would occur before the first dollar
13 of recovery from customers occurs.

14 **III. CONSTRUCTION ACCOUNTING FOR CASTLE BLUFF**

15 **Q. How should the Commission ensure equitable treatment of the Company to**
16 **allow it to recover its costs and earn a reasonable return on this investment?**

17 A. As I mentioned above, even if the Company were to optimize its rate review timing,
18 there would still be several months of significant losses. Given those facts, the Company is
19 requesting approval by this Commission to reflect construction accounting for the Castle Bluff
20 Project between the time it is placed in service on the Company's books and the effective date of
21 new rates that include this investment in the related revenue requirement (the "Regulatory Loss
22 Period"), at which time rates will reflect the Company's investment. Construction accounting

¹ The minimum five months of losses that is unavoidable under any reasonable circumstances would total approximately \$32 million.

1 would allow the Company to continue to accrue AFUDC on this Project and to defer the
2 depreciation expense during the Regulatory Loss Period.

3 **Q. Has the Commission granted the Company approval to utilize construction**
4 **accounting in the past?**

5 A. Yes. The regulatory concept of construction accounting is well-known.
6 Construction accounting has been authorized by the Commission in the past to help utilities
7 recover the cost of singular large construction projects, such as the Company's Sioux Scrubber
8 project (construction accounting approved by the Commission in File No. ER-2010-0036). The
9 Sioux Scrubber Project was similar to Castle Bluff in terms of the large financial resources required
10 to construct the project and absent an authorization for construction accounting, posed similar
11 negative regulatory lag consequences to the consequences a lack of construction accounting for
12 Castle Bluff will create. The Company is requesting the same treatment for Castle Bluff that was
13 approved for the Sioux Scrubber project.

14 **Q. Has the Commission granted other Missouri utilities approval to utilize**
15 **construction accounting in the past?**

16 A. As I mentioned above, construction accounting is not a novel concept in Missouri
17 and has been proposed and approved by the Commission for other utilities, notably for the
18 construction of energy centers. For example, construction accounting was proposed and approved
19 in the following cases:

- 20 • EU-2014-0255--Kansas City Power & Light; related to the La Cygne energy center.
21 • EU-2011-0034-- Kansas City Power & Light/Greater Missouri Operating Company
22 ("GMO"); related to the Iatan 2 energy center.

- 1 • EO-2010-0262--Empire District Electric Company; related to the Plum Point
2 energy center.
- 3 • EO-90-114--Missouri Public Service Company; related to significant projects and
4 improvements at the Sibley Generating Station, when it was converted to burn
5 western coal.

6 As is the case here with the Castle Bluff Project, these utilities made extraordinarily large
7 financial outlays for the construction or improvement of generating units and were faced with
8 significant regulatory losses, absent the approval of construction accounting. The Commission
9 determined construction accounting was appropriate in those cases, and the Company is requesting
10 the same treatment for this investment that provides necessary capacity and reliability benefits for
11 customers.

12 **Q. Does this conclude your testimony?**

13 A. Yes.

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**

In the Matter of the Application of Union Electric)
Company d/b/a Ameren Missouri for Permission and)
Approval and Certificate of Public Convenience and) File No.: EA-2024-0237
Necessity Authorizing it to Construct a Renewable)
Generation Facility)

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 *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 6th day of June 2024.