Exhibit No.:	
Issue(s):	Investment Tax Credits for New Solar Energy Centers and FERC Order 898
Witness:	Mitchell J. Lansford
Type of Exhibit:	Surrebuttal Testimony
Sponsoring Party:	Union Electric Company
File No.:	ER-2024-0319
Date Testimony Prepared:	February 14, 2025

MISSOURI PUBLIC SERVICE COMMISSION

FILE NO. ER-2024-0319

SURREBUTTAL TESTIMONY

OF

MITCHELL J. LANSFORD

ON

BEHALF OF

UNION ELECTRIC COMPANY

D/B/A AMEREN MISSOURI

St. Louis, Missouri
February, 2025

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SURREBUTTAL TESTIMONY

OF

MITCHELL J. LANSFORD

FILE NO. ER-2024-0319

I. INTRODUCTION

Q. Please state your name and business address.

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

Q. Are you the same Mitchell J. Lansford that submitted supplemental direct and rebuttal testimony in this case?

A. Yes, I am.

II. PURPOSE OF TESTIMONY

Q. To what testimony or issues are you responding?

A. The purpose of my testimony is to present two previously unexpected true-up direct adjustments to the Company's true-up direct revenue requirement. The Company has included these adjustments in its true-up direct revenue requirement, as described by Company witness Stephen J. Hipkiss in his true-up direct testimony and supporting schedules. One adjustment relates to the amortization of Investment Tax Credits ("ITCs") resulting from the Boomtown Solar Energy Center. The other adjustment relates to the implementation of Federal Energy Regulatory Commission ("FERC") Order 898. Together these adjustments roughly offset each other resulting in no net change to the Company's revenue requirement.

III. INVESTMENT TAX CREDITS FOR NEW SOLAR ENERGY CENTERS

Q. What is the status of the ITCs relating to the Boomtown and Cass County solar energy centers at the true-up date in this case?

A. Both energy centers were placed in service in December 2024, as the Company expected in its direct filing in this case.[1] This allows the Company to claim the resulting ITCs on its 2024 tax return. The Company's tax status, primarily driven by tax depreciation deductions and other tax credits, did not allow the Company to utilize the Boomtown and Cass County ITCs to offset its current tax liabilities in 2024, nor was the Company able to sell the *majority* of these tax credits by the true-up date. At the time of the Company's direct filing in this case, the Company did not expect it would be able to sell any of these ITCs given the timing of the expected in-service date of the assets in relation to the true-up date in this case. However, the Company was approached by a buyer and was unexpectedly able to transact to receive **____________** for a portion of the Boomtown ITC on December 15, 2024. The Company expects to sell the remaining $150+ million of ITCs relating to these energy centers in the coming months and track the proceeds of these sales in the Company's Commission-authorized IRA tracker for refund to customers in a future rate review.[2]

[1] Along with the Huck Finn Solar Energy Center that is used for compliance with the Missouri Renewable Energy Standard. Consistent with the Commission's approval of the certificate of convenience and necessity for Huck Finn, the Company will make an election for production tax credits for the Huck Finn Solar Energy Center, as opposed to ITCs.

[2] The Company also qualified for approximately $70 million of existing nuclear production tax credits that it intends to sell, track the proceeds from the sale of in the IRA tracker, and refund to customers in a future rate review.

Q. What adjustment to the revenue requirement does the Company propose relating to the ITC sale proceeds received?

A. The Company proposes a reduction to tax expense of $9.5 million in its revenue requirement. Inclusive of tax gross-up, the total impact on the Company's revenue requirement is a reduction of approximately $12.5 million. This reduction reflects a five-year amortization of the proceeds.

Q. Why is a five-year amortization appropriate?

A. The Company advanced the amortization of federal unprotected Excess Deferred Income Taxes ("EDIT") resulting in a $46 million reduction in the Company's revenue requirement in our direct filing based on the expectation that the solar ITCs relating to Boomtown and Cass County would not be available in this case.[3] Irrespective of the change in expectation, the Company has further decreased its revenue requirement by $12.5 million for the amortization of the ITC that was sold, for a total revenue requirement reduction of $58.5 million. In two years when federal unprotected excess is fully amortized and refunded to customers, the absence of that no longer ongoing amortization will increase the Company's revenue requirement by approximately $80 million. Amortization and refund of the ITCs that were not sold by the true-up date in this case should be available to at least partially (hopefully fully in the near term) offset the expiring unprotected federal excess amortization at that time. I intend to make a recommendation in a future case that more comprehensively lays out an amortization of all of the Company's IRA tax credits that best aligns the cost borne by customers of the

[3] Approximately $30 million (grossed up for taxes) of federal unprotected EDIT is being amortized currently. The Company's recommendation is to increase this amount by an additional $46 million (totaling approximately $80 million).

generation transition that is underway with the benefits of this transition, while also protecting customers from considerable potential tax-related rate increases that may result from the absence of EDIT and ITC amortizations in future periods. Doing so will almost certainly entail a more dynamic plan than amortizing all the IRA tax credits over five-years. The five-year amortization of the ITC proceeds in this case is short enough to make a real incremental impact for customers, but long enough to pair with the already considerable accelerated federal unprotected EDIT amortization in this case without cause for concern of the extent of future rate increases resulting from the expiration of these amortizations.

Q. Should the Company be allowed to commingle federal unprotected EDIT balances with ITC deferrals in future periods?

A. Yes. If the Company's recommendations to advance the amortization of federal unprotected EDIT and amortize the Boomtown ITC transfer are accepted in this case, these topics will have then been tied together in a meaningful way. In either instance, customers should receive these benefits, no more and less. Given the short, proposed amortization period associated with federal unprotected EDIT (two years), it is possible the Company may not come in for its next rate review before that amortization expires. The longstanding practice of tracking any over-amortization that may exist between rate reviews (for all regulatory assets or liabilities) should continue for these regulatory balances and all others. In addition, the Commission should allow for any over-amortization of federal unprotected EDIT that may exist in future periods to be commingled and netted with ITC deferrals in order to avoid recovering and refunding these now linked topics over different periods.

IV. FERC ORDER 898

Q. Why are you addressing FERC Order 898?

A. Prior to FERC Order 898, the FERC USoA had not been significantly updated since 2013 and, as a result, did not provide clear accounting treatment for activities related to many technological and economic developments from recent decades. These developments included investments in renewable energy centers, battery storage, renewable energy credits, computer hardware, software, and communication equipment. FERC Order 898 established accounts and accounting procedures for these transactions and established an effective date of January 1, 2025, for prospective implementation of required changes.[4] Accordingly, this is the first opportunity to address compliance with FERC Order 898.

Q. How does the implementation of FERC Order 898 impact the Company's true-up revenue requirement in this case?

A. The majority of the required changes have no impact on this case. In the Company's 2025 annual report and in future rate reviews, the Commission and intervening parties will see the transfer and recognition of transactions in new accounts for renewable energy centers, computer hardware, software, and communication equipment.[5] However, changes primarily relating to software and communication equipment will result in income statement reductions (credits) that occurred during the test year will no longer recur as of January 1, 2025.

[4] This description vastly oversimplifies the impact of the order and work necessary to implement. However, those details are not particularly relevant to this proceeding.
[5] Consistent with FERC guidance, the Company will recompute Commission-approved depreciation rates such that depreciation will continue beyond January 1, 2025 in the newly established plant accounts.

Prior to FERC Order 898 implementation (including during the entirety of the test year), software and communication equipment maintenance costs were recorded in FERC Account 921.[6] FERC Account 922 calls for the systematic and rational capitalization (reduction or credit to expenses, while increasing property, plant, and equipment included in rate base) of costs recorded in FERC Account 921. FERC Order 898 requires that software and communication equipment costs that were previously recorded in Account 921 and subject to capitalization via Account 922 be presented in new specific accounts[7] that are not subject to the processes called for in Account 922. The activity (credits) in Account 922 will reduce by $9 million, resulting in increased operating costs and lesser capitalization. Simply put, $9 million of test year expense reductions will not recur in the future as a result of the adoption of this new accounting guidance. This results in a $9 million increase to the Company's revenue requirement.

Q. How will the Company's rate base and Plant-In-Service Accounting ("PISA") deferrals be impacted in future periods?

A. Holding all else equal, the Company will capitalize $9 million of fewer costs (annually), resulting in reduced rate base (resulting in reduced financing costs), and reduced Plant-In-Service Accounting ("PISA") deferrals. The other side of the same coin is that the Company's ongoing operating expense levels associated with Account 922 are increasing and base rates resulting from this case should reflect this change. Ultimately,

[6] The description of FERC Account 921 being "Office Supplies" illustrates how, prior to FERC Order 898, recent technological advancements were not addressed within the USoA. As part of the Company's 2021 audit, FERC Staff reviewed and confirmed the appropriateness of the Company's presentation of software and communication equipment maintenance costs within Account 921.

[7] These costs for the Company will primarily be recorded in Account 935.2 – Maintenance of Computer Software effective January 1, 2025. However, the Company is required to functionalize these costs resulting a minority of these costs being recorded to similar accounts by production, transmission, and distribution categories (for example).

customers should be charged rates that reflect no more and no less than the Company's prudently incurred costs[8] to serve its customers and that relationship holds true when considering this FERC Order 898 adjustment.

Q. When did the Company become aware of these implications?

A. These implications were unexpected. Although FERC Order 898 was issued in June 2023 it was issued with an effective date of January 1, 2025, because of the extensive work necessary to prepare for implementation.[9] The Company identified this issue in late-January 2025 (just a few weeks ago) in conjunction with its implementation procedures and communicated this information to Staff in early February.

Q. Does this conclude your surrebuttal testimony?

A. Yes, it does.

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[8] Including its financing costs commonly referred to as a reasonable return on its investments

[9] The order with relevant appendices is 477 pages long.

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 Adjust	)	Case No. ER-2024-0319
Its Revenues for Electric Service.	)	

AFFIDAVIT OF MITCHELL J. LANSFORD

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

Mitchell J. Lansford, being first duly sworn states:

My name is Mitchell J. Lansford, and on my oath declare that I am of sound mind and lawful age; that I have prepared the foregoing *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 12th day of February, 2025.