

## Exhibit No. 2

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Witness: Mitchell Lansford  
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**MISSOURI PUBLIC SERVICE COMMISSION**

**FILE NO. ET-2021-0082**

**SURREBUTTAL TESTIMONY**

**OF**

**MITCHELL LANSFORD**

**ON**

**BEHALF OF**

**UNION ELECTRIC COMPANY**

**d/b/a Ameren Missouri**

**St. Louis, Missouri  
March, 2021**

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**SURREBUTTAL TESTIMONY**

**OF**

**MITCHELL LANSFORD**

**FILE NO. ET-2021-0082**

**I. INTRODUCTION**

1

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

2

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

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

5

6 A. I am employed by Union Electric Company d/b/a Ameren Missouri  
7 (“Ameren Missouri” or “Company”) as Director, Regulatory Accounting.

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**Q. Please describe your educational background and employment  
9 experience.**

8

9

10 A. I received Bachelor of Science and Master's degrees in Accountancy from  
11 the University of Missouri at Columbia in 2008. I am a licensed Certified Public  
12 Accountant in the State of Missouri and a member of the American Institute of Certified  
13 Public Accountants. From 2008 to 2017, I worked for PricewaterhouseCoopers LLP, most  
14 recently as a Senior Manager in its assurance practice. In that capacity, I provided auditing  
15 and accounting services to clients, primarily in the utility industry. From 2017 to 2019, I  
16 worked for Ameren Services Company as the Manager of Accounting Research, Policy,  
17 and Internal Controls. My primary duties and responsibilities included accounting analysis  
18 for non-standard transactions, overseeing the implementation of new accounting guidance,  
19 implementation of new accounting policies, and assessments of the internal control

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1 environment. From 2019 to present, I have been working for Ameren Missouri in multiple  
2 regulatory accounting roles, including my current role as Director, Regulatory Accounting  
3 effective in April 2020.

4 **II. PURPOSE OF TESTIMONY**

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

6 A. The purpose of my Surrebuttal Testimony is to respond to the rebuttal  
7 testimony of Staff witness Lisa Ferguson and, specifically, her recommendation that  
8 "Ameren Missouri create certain subaccounts and unique general ledger coding that  
9 specifies each aspect of the revenue requirement (revenue, expense, and investment) that  
10 is associated with the Program."<sup>1</sup>

11 **Q. How do you respond to Ms. Ferguson's recommendation?**

12 A. The Company's Surge Protection Program proposal is specifically designed  
13 to have all expenses and investment, and all revenues, accounted for above-the-line and  
14 then reflected in the revenue requirement used to set rates so that ultimately the expected  
15 incremental revenues above the Program's costs will lower rates for all customers.  
16 Consequently, there is simply no need to specify each component of the revenue  
17 requirement in the Company's general ledger via separate managerial accounting, just as  
18 there is no need to do so for all of the Company's other costs of providing services to its  
19 customers. That being said, the Company has indicated to the Staff that it would use  
20 managerial accounting (i.e., subaccounts/coding) to capture discrete, incremental costs and  
21 revenues from the Program, such as the investment in the devices, depreciation of those

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<sup>1</sup> Rebuttal Testimony of Lisa Ferguson, p. 6, lines 9-11.

1 investments, payments to the third-party administrator who will run the program and  
2 participant revenues. Each of these items would be unique, new costs arising directly from  
3 the Program and while we do not believe there is a necessity to separately account for them,  
4 it is practical to do so.

5 **Q. Is it practical for the Company to specify all aspects of the revenue**  
6 **requirement associated with this Program in its general ledger?**

7 A. It is not only impractical, but it is not necessary, both because the Program  
8 costs and revenues should be above-the-line and because even without such specification,  
9 Staff would remain free to later advocate for cost disallowances even if the Commission  
10 has approved the Program. To be clear, for the reasons given by Company witnesses Tom  
11 Byrne and Steven M. Wills in their testimonies, the Program should be accounted for  
12 above-the-line and Company rates set accordingly, subject to a reexamination once the  
13 report discussed by Mr. Byrne is submitted after three years of Program operation. My  
14 point is that the specificity Staff seeks to force the Company to maintain in its general  
15 ledger is unnecessary even if Staff were to later urge the Commission to treat the Program  
16 below-the-line.

17 **Q. Please explain the practicality problem.**

18 A. Certain revenue requirement items are by their nature not directly traceable  
19 to any one aspect of the Company's operations, such as income taxes, accumulated deferred  
20 income taxes, property taxes, and some other operations and maintenance expenses.  
21 Consequently, all such amounts are combined under the Company's current general ledger  
22 processes regardless of which program, activity, or initiative may or may not have been the  
23 driver of some portion of them. One cannot just add subaccounts or unique general ledger

1 coding without first developing some kind of method and process to allocate the total costs  
2 recorded for each such item to various contributors to the cost. Put in another way, what  
3 Staff is really suggesting is that the Company, today, engage in a cost allocation exercise  
4 and embed the results of that exercise in its accounting records.

5 **Q. Does Staff need the Company to develop a cost allocation methodology**  
6 **for each type of these costs in order to propose disallowances associated with the**  
7 **Program?**

8 A. No. As an example, assume a party in a rate case claims a utility  
9 imprudently invested \$10 million in some capital project and that the Commission found  
10 that the investment was indeed imprudent. The \$10 million of investment would be  
11 disallowed, the Company's accumulated deferred income taxes would be adjusted to  
12 account for the disallowance, and in all likelihood some level of property taxes, income  
13 taxes, or other expenses determined to be associated with the disallowed investment would  
14 also be disallowed. There would be no managerial accounting in the utility's general ledger  
15 that would have identified the amounts of these additional disallowances. Instead, the party  
16 proposing the disallowance would in all likelihood need to provide the Commission with  
17 a reasonable allocation method on which to base the proposed disallowances. There would  
18 be nothing stopping Staff from taking the same approach if it proposed disallowances  
19 relating to the Surge Protection Program.

20 **Q. With regard to components of the revenue requirement that are not**  
21 **practical to specify in the Company's general ledger, is Ameren Missouri willing to**  
22 **identify the amounts that directly relate to the Program?**

1           A.     Yes. Ameren Missouri will prepare, in support of future general rate cases,  
2     an analysis using reasonable allocation methods to identify the amounts it believes are  
3     included in the revenue requirement that directly relate to the Program. This analysis will  
4     not be memorialized in the general ledger, but when combined with the items the Company  
5     agreed to isolate in the general ledger relating to the Program the Company will provide  
6     the relevant and complete financial picture of the Program.

7           **Q.     Will embedded costs be included in such an analysis?**

8           A.     No. As discussed in Mr. Wills' surrebuttal testimony, incremental cost of  
9     service is the appropriate way to analyze the Program. The purpose of the analysis I  
10    reference in answer to the prior question is to evaluate Program financial performance. It  
11    would be inappropriate to include overhead costs in such an analysis where those costs  
12    would entirely or largely continue to exist regardless of a decision relating to the reason  
13    the analysis was done in the first place.

14          **Q.     Does this conclude your Surrebuttal Testimony?**

15          A.     Yes, it does.



