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MISSOURI PUBLIC SERVICE COMMISSION

FILE NO. ER-2026-0291

DIRECT TESTIMONY

OF

MITCHELL LANSFORD

ON

BEHALF OF

UNION ELECTRIC COMPANY

D/B/A AMEREN MISSOURI

**St. Louis, Missouri
June, 2026**

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I. INTRODUCTION

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Q. Please state your name and business address.

A. Mitchell Lansford, Union Electric Company d/b/a Ameren Missouri ("Ameren Missouri" or "Company"), 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 ("Ameren Services"), a wholly-owned subsidiary of Ameren Corporation ("Ameren"), as Vice President and Treasurer. I also serve as Vice President and Treasurer of Union Electric Company d/b/a Ameren Missouri ("Ameren Missouri" or "Company"). Ameren Services provides various corporate support services to Ameren's subsidiaries, including Ameren Missouri, such as accounting, legal, financial, and treasury services.

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

1 and accounting services to clients, primarily in the utility industry. From 2017 to 2019, I
2 worked for Ameren Services as the Manager of Accounting Research, Policy, and Internal
3 Controls. My primary duties and responsibilities included accounting analysis for non-
4 standard transactions, overseeing the implementation of new accounting guidance,
5 implementation of new accounting policies, and assessments of the internal control
6 environment. From 2019 to August 2025, I worked for Ameren Missouri in multiple
7 regulatory accounting roles, including as Director, Regulatory Accounting effective in
8 April 2020. In these regulatory accounting roles, a primary responsibility was testifying in
9 front of the Missouri Public Service Commission regarding accounting and finance
10 matters. In 2023, my responsibilities increased to include oversight of Financial Reporting
11 and in 2024, I was promoted to Senior Director of Financial Reporting and Regulatory
12 Accounting. In August 2025, I was promoted to Vice President and Treasurer.

13 **Q. What are your current job duties and responsibilities?**

14 A. As Treasurer, I am responsible for all aspects of the treasury functional area,
15 including corporate finance, cash and investment management, credit risk management,
16 and investor services. Within the areas of corporate finance, I am responsible for, among
17 other things, managing Ameren's and its subsidiaries' capital raising and capital structures,
18 including their short-term and long-term financing activities, such as debt and equity
19 issuances and credit facility arrangements. I am also responsible for monitoring and
20 managing Ameren's and its subsidiaries' liquidity positions, key credit metrics, and debt
21 agreement compliance, overseeing relationships with credit rating agencies and banks, and
22 monitoring capital markets for key developments, and emerging risks and opportunities,
23 among other corporate finance-related activities.

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II. PURPOSE OF TESTIMONY

Q. What is the purpose of your direct testimony?

A. The purpose of my direct testimony is to recommend a reasonable capital structure for Ameren Missouri for ratemaking purposes and an appropriate overall fair rate of return for the Company's electric utility business. The capital structure that I recommend is based on Ameren Missouri's forecasted debt, preferred stock, and common stock balances as of December 31, 2026 (the end of the proposed true-up period for this case). The actual balances as of that date will be provided with the true-up data. My direct testimony reflects, for informational purposes, Ameren Missouri's actual capital structure as of March 31, 2026, the end of the proposed test year. In recommending a fair overall return on rate base, I consider Ameren Missouri's embedded cost of long-term debt, its embedded cost of preferred stock, and the requested return on equity reflected in Ameren Missouri witness Ann Bulkley's Direct Testimony in this case.

Q. Are you sponsoring any schedules in connection with your direct testimony?

A. Yes, I am sponsoring and have attached to my testimony the following schedules, which have been prepared as of or for the projected twelve months ending December 31, 2026, as appropriate:

- Schedule MJL-D1 – Capital Structure/Weighted Average Cost of Capital
- Schedule MJL-D2 – Embedded Cost of Long-Term Debt
- Schedule MJL-D3 – Cost of Short-Term Debt
- Schedule MJL-D4 – Embedded Cost of Preferred Stock

1 **III. RATE OF RETURN AND COST OF CAPITAL CONSIDERATIONS**

2 **Q. What is the relationship between allowed rate of return and cost of**
3 **capital in the context of utility ratemaking?**

4 A. Under the traditional regulatory model utilized in Missouri, the interests of
5 customers and a utility's shareholders may be considered "balanced" when the Commission
6 authorizes a return on rate base equal to the utility's cost of capital. If the authorized return
7 on rate base is less than the utility's overall cost of capital, the financial strength and
8 stability of the utility could degrade, making it difficult for the utility to raise necessary
9 capital on a timely basis, at a reasonable cost, and under reasonable terms. Conversely, if
10 the authorized rate of return exceeds the utility's cost of capital, then customers would
11 essentially be overcompensating the utility for its provision of service. Ultimately, the
12 utility's inability to raise sufficient capital would impair service quality, or the increased
13 cost of capital incurred by a financially weakened utility would result in increased rates.
14 Customer interests are best served when the Commission-authorized rate of return is set
15 equal to the utility's overall cost of capital.

16 **Q. Please define weighted average cost of capital.**

17 A. Weighted average cost of capital equals the sum of the costs of the
18 components of an entity's capital structure, weighted by the relative contribution of each
19 capital source to the entity's total capitalization.

20 **Q. How did you calculate the weighted average cost of capital for Ameren**
21 **Missouri?**

22 A. As reflected in Schedule MJL-D1, I calculated Ameren Missouri's weighted
23 average cost of capital by: (1) multiplying the relative weighting or proportion of each

1 component of Ameren Missouri's capital structure by the cost of that component; and then
2 (2) summing the weighted cost of each capital component.

3 **Q. What is the primary standard for determining a fair rate of return?**

4 A. According to the landmark *Bluefield* and *Hope* U.S. Supreme Court
5 decisions, a utility's rates must be set at a level that allows the utility to generate revenues
6 sufficient to: (1) maintain the financial integrity of its existing invested capital;
7 (2) maintain its creditworthiness; and (3) attract sufficient capital on competitive terms to
8 continue to provide a source of funds for continued investment and enable the utility to
9 meet the needs of its customers.¹ When a utility is allowed a reasonable opportunity to earn
10 its cost of capital, it also generally has the opportunity to accomplish these objectives.

11 **Q. From a finance perspective, why is it important that the Commission**
12 **establish Ameren Missouri's rates based on its actual, overall capital structure and**
13 **thus give it the opportunity to earn its cost of capital?**

14 A. By earning its cost of capital, Ameren Missouri will generate sufficient cash
15 flows and maintain the financial strength and stability necessary to, among other things,
16 attract investment to finance the business and provide reliable, high-quality service to its
17 customers at a reasonable cost. Sufficient cash flow and overall financial health allow the
18 Company to offer an attractive and competitive, risk-adjusted return to equity investors and
19 also to maintain strong credit metrics and investment grade credit ratings. Those strong
20 metrics and ratings, as discussed further below, afford the Company ongoing access to debt
21 capital at a reasonable cost and under reasonable terms and conditions.

¹ *Bluefield Water Works & Improvement Co. v. Public Service Commission of West Virginia*, 262 U.S. 679 (1923) and *Federal Power Commission v. Hope Natural Gas Company*, 320 U.S. 591 (1944).

1 **IV. CAPITAL STRUCTURE AND CREDIT RATINGS, GENERALLY**

2 **Q. What is a utility capital structure?**

3 A. Capital structure refers to the mix of debt and equity capital that a utility, such as
4 Ameren Missouri, uses to finance its assets. Because they must support long-lived assets,
5 utility capital structures tend to include long-term securities, generally a combination of
6 common equity and long-term debt. However, there are other forms of capital, such as
7 preferred equity (which has both equity-like and debt-like elements), that may also be
8 components of a utility's capital structure.

9 **Q. How should the reasonableness of a public utility's capital structure be**
10 **evaluated?**

11 A. In evaluating the reasonableness of a public utility's capital structure, one
12 should determine whether the capital structure is consistent with the financial strength
13 necessary for the utility to access the capital markets under reasonable terms under most
14 economic conditions and, if so, whether the cost of capital resulting from such a structure
15 is reasonable. While debt, relative to equity, is generally a less expensive form of capital
16 due in part to the tax deductibility of interest expense, heightened leverage can increase a
17 company's probability of default and the related costs of financial distress. Beyond a certain
18 point, dependence on debt as a source of capital increases the risk associated with a utility's
19 cash flow, which correspondingly increases a utility's overall cost of capital.

20 **Q. Does Ameren Missouri seek to maintain a certain capital structure?**

21 A. Yes. Ameren Missouri's capital structure is composed of debt, preferred
22 stock, and common equity. Ameren Missouri specifically and continuously maintains the
23 balance of debt and equity in its capital structure to minimize its overall cost of capital and,

1 at the same time, maintain financial strength and stability. Maintaining financial strength
2 and stability includes supporting strong credit metrics and securing investment grade credit
3 ratings that will allow the Company to attract new capital at a reasonable cost and on
4 reasonable terms and ensure that Ameren Missouri has access to the capital markets under
5 varying economic conditions.

6 **Q. Why is it necessary for Ameren Missouri to attract new capital?**

7 A. As a public utility, Ameren Missouri is required to continuously provide
8 safe and adequate service to its customers. Adequately maintaining and updating Ameren
9 Missouri's aging electric infrastructure as well as making the incremental investments
10 necessary to transition its generation fleet to maintain reliability, mitigate risks, and support
11 the state's economic development efforts as outlined in its most recently-filed Integrated
12 Resource Plan, requires Ameren Missouri to make significant investments. Ameren
13 Missouri thus requires substantial new capital investment to do this for the benefit of its
14 customers. It is essential that Ameren Missouri be able to access this new capital on a
15 timely basis, at a reasonable cost, and under reasonable terms and conditions in order to
16 meet these significant service and investment commitments.

17 **Q. Why is it necessary that Ameren Missouri be able to access the capital**
18 **markets during all economic conditions?**

19 A. Ameren Missouri's service commitments to its customers and its
20 infrastructure investment obligations do not cease in an economic downturn. Ameren
21 Missouri, therefore, must be able to attract the capital necessary to meet those commitments
22 and obligations under varying economic conditions, including periods of market distress,

1 when access to the capital markets may be severely limited for weaker-rated issuers of
2 long-term debt, preferred stock, or common equity.

3 **Q. How does a balanced capital structure help ensure Ameren Missouri's**
4 **access to the capital it needs at a reasonable cost and during market fluctuations?**

5 A. Capital structure is one metric that credit rating agencies evaluate when
6 assessing an issuer's credit profile and assigning a credit rating. A healthy capital structure
7 is one that results in a reasonable balance between the overall cost of capital and the
8 expected cost of financial distress. The capital structure recommended in my testimony
9 reflects a reasonable balance between the cost of capital and financial strength and stability.
10 It allows Ameren Missouri to take advantage of the lower cost of debt financing without
11 elevating the risk of default and the related costs of financial distress to an unreasonable
12 level that would impair the creditworthiness and financial integrity of Ameren Missouri.
13 The actual capital structure also influences other credit metrics on which credit ratings are
14 based. Credit ratings, in turn, are used by investors to evaluate the creditworthiness of an
15 issuer and make investment decisions.

16 **Q. What is a credit rating?**

17 A. A credit rating is an evaluation by a credit rating agency of a company's
18 ability to meet its financial obligations in a timely manner. It reflects the opinion of the
19 rating agency of the overall creditworthiness of the company based on the company's
20 relevant business and financial risks. A credit rating can be specific to a particular security
21 or to a particular securities issuer.

1 **Q. Why do credit ratings matter?**

2 A. Credit ratings have a significant effect on a company's ability to attract debt
3 capital, and in extreme cases, whether the company can access debt capital at all. Credit
4 ratings also impact the pricing and contractual terms at which a company may issue debt
5 securities. This affects the cost of capital, and in Ameren Missouri's case, the rates
6 customers pay for utility service. In general, a stronger credit rating typically enables a
7 utility to obtain debt capital at a lower cost, to the benefit of customers.

8 **Q. How are credit ratings determined?**

9 A. The two primary credit rating agencies are Standard and Poor's Ratings
10 Services ("S&P") and Moody's Investor Services ("Moody's"). In assessing a company's
11 ability to meet its financial obligations, S&P and Moody's generally - but each to varying
12 degrees - consider both qualitative factors affecting the company's business risk and
13 quantitative factors affecting its financial risk.

14 **Q. How do a company's credit metrics affect its credit ratings?**

15 A. Credit metrics factor significantly into the credit rating agencies'
16 evaluations of a company's credit profile and the rating agencies' assignment of credit
17 ratings. The credit rating agencies generally deem strong credit metrics necessary to
18 maintain investment grade credit ratings.

19 **Q. What is an "investment grade" credit rating?**

20 A. An investment grade credit rating is a rating of BBB- or stronger from S&P
21 or a rating of Baa3 or stronger from Moody's. An investment grade credit rating implies a
22 certain degree of financial strength, stability, and reasonable assurance of an issuer's ability
23 to satisfy its debt obligations. Investment grade credit ratings, therefore, tend to support

1 enhanced access to debt capital for a company, even when market conditions are weak.
2 For Ameren Missouri, investment grade credit ratings provide reasonable assurance that it
3 will be able to access the capital markets on a timely basis, at a reasonable cost, and under
4 reasonable terms and conditions. Again, for Ameren Missouri, ongoing access to the debt
5 capital markets benefits its customers by supporting its service obligations, and lower debt
6 costs achievable with investment grade credit ratings contribute to lower utility rates.

7 **Q. Does Ameren Missouri target investment grade issuer credit ratings**
8 **when it maintains its capital structure?**

9 A. Yes. As previously explained, access to sufficient capital is critical to
10 Ameren Missouri's financial health and stability and, in turn, to the service that its
11 customers receive and the rates customers pay for that service. Therefore, in my opinion,
12 Ameren Missouri's issuer credit ratings should be securely investment grade (at least two
13 notches stronger than the various rating agencies' weakest investment grade issuer credit
14 rating) to continue to support the financial integrity of the utility and ensure its access to
15 necessary capital at a reasonable cost and on reasonable terms in both strong and weak
16 markets.

17 **Q. What are Ameren Missouri's current issuer credit ratings?**

18 A. Currently, Ameren Missouri's issuer credit ratings at Moody's and S&P are
19 Baa1 and BBB+, respectively. Both credit rating agencies report stable outlooks for
20 Ameren Missouri's credit ratings.

21 **Q. Do you consider Ameren Missouri's current issuer credit ratings to be**
22 **securely investment grade?**

23 A. Yes.

1 **V. AMEREN MISSOURI'S ACTUAL & FORECASTED CAPITAL STRUCTURE**

2 **Q. What was Ameren Missouri's capital structure as of March 31, 2026,**
3 **the end of the proposed test year in this case?**

4 A. Table 1 shows Ameren Missouri's actual capital structure as of March 31,
5 2026:

6 Table 1

	As of March 31, 2026	
	Balance	%
Long-term debt	\$ 8,632,855,451	48.95%
Short-term debt	\$ -	0.00%
Preferred stock	\$ 81,827,509	0.46%
Common equity	\$ 8,922,552,373	50.59%
Total	\$ 17,637,235,333	100.00%

7
8 **Q. What capital structure are you recommending in this case?**

9 A. I recommend that Ameren Missouri's actual capital structure as of the
10 recommended true-up date of December 31, 2026, be used in this case.

11 **Q. How do you expect Ameren Missouri's capital structure to change**
12 **when the balances are trued-up through December 31, 2026?**

13 A. Based on current projections, I expect Ameren Missouri's capital structure
14 as of the December 31, 2026 true-up date to be as follows in Table 2:

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Table 2

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Q. Can you highlight the key activities, both completed and projected, that drive the changes to the balance sheet calculations and percentages of each capital component between March 31, 2026 and December 31, 2026?

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A. There are several activities worth highlighting that are expected to drive the balance sheet differences between March 31, 2026 and December 31, 2026. ** _____

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Q. How does the recommended capital structure compare to the Company's capital structure in recent years?

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A. Ameren Missouri's proposed capital structure is consistent with recent years, as its expected common equity ratio as of December 31, 2026 of ** _____ ** is squarely within the 51.81% - 52.51% range of such ratios between the years ended 2016 through 2019, as well as the years ended 2021 through 2025. The common equity component of Ameren Missouri's year-end 2020 capital structure (at 51.26%) was modestly below the range indicated above due to the timing of the financing associated with the then-recent acquisition of two wind generation facilities.²

12

Q. Why do you believe that the capital structure recommended in your testimony is appropriate?

14

A. The capital structure recommended in my testimony reflects a reasonable balance between the cost of capital and financial strength and stability. It allows Ameren Missouri to take advantage of the lower costs of debt financing without elevating the risk of default and the related costs of financial distress to an unreasonable level that would impair the creditworthiness and financial integrity of the Company.

19

VI. BALANCE AND EMBEDDED COST OF LONG-TERM DEBT

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Q. How was the balance of long-term debt determined?

21

A. The long-term debt balance of ** _____ ** reflected in the proposed Ameren Missouri capital structure represents the projected total carrying value

22

² Please see the direct testimony of Darryl Sagel from Docket ER-2021-0240 for additional information.

1 of the Company's long-term debt as of December 31, 2026. As detailed in Schedule MJL-
2 D2, the carrying value of long-term debt was computed using the net proceeds method,
3 which adjusts the face amount of long-term debt to properly account for unamortized
4 discounts and premiums, long-term debt issuance expenses, and any gains or losses
5 incurred in connection with long-term debt redemptions.

6 **Q. How was the embedded cost of long-term debt determined?**

7 A. As reflected in Schedule MJL-D2, the embedded cost of long-term debt of
8 **** ____**** was computed by dividing the forecasted annualized interest expense as of
9 December 31, 2026, by the forecasted long-term debt carrying value as of such date.

10 **VII. BALANCE OF SHORT-TERM DEBT**

11 **Q. How was the balance of short-term debt determined?**

12 A. The balance of short-term debt of **** _____**** reflected in the proposed
13 Ameren Missouri capital structure represents the forecasted average short-term debt
14 balance for the twelve months ending December 31, 2026, net of cash and construction
15 work in progress balances. **** _____**
16 **_____****

17 **VIII. BALANCE AND EMBEDDED COST OF PREFERRED STOCK**

18 **Q. How was the balance of preferred stock determined?**

19 A. The preferred stock balance of **** _____**** reflected in Ameren
20 Missouri's proposed capital structure reflects the expected carrying value of, and the net
21 proceeds received for, Ameren Missouri's projected preferred stock outstanding as of
22 December 31, 2026. The calculation of the preferred stock balance is shown in Schedule
23 MJL-D4.

1 **Q. How was the embedded cost of Ameren Missouri’s preferred stock**
2 **determined?**

3 A. As reflected in Schedule MJL-D4, the embedded cost of preferred stock of
4 **** ____**** was computed by dividing forecasted annualized dividends by the net proceeds
5 received for forecasted preferred stock outstanding as of December 31, 2026.

6 **Q. Did you consider expenses incurred in connection with Ameren**
7 **Missouri’s issuance of preferred stock in calculating the embedded cost of this**
8 **component of the Company’s capital structure?**

9 A. Yes. As reflected in Schedule MJL-D4, considered in the embedded cost of
10 preferred stock is not only the cost of dividends, but also the cost of preferred stock
11 issuance, including discounts, premiums, expenses, and any losses incurred in connection
12 with redeeming prior preferred stock series. Unlike similar costs incurred in connection
13 with the issuance and redemption of long-term debt, these expenses are not amortized over
14 the life of the security due to the perpetual nature of preferred stock. Nonetheless, it is
15 important and appropriate to consider these costs in order to accurately quantify the true
16 economic cost of Ameren Missouri’s preferred stock and establish a fair overall rate of
17 return for the Company.

18 **IX. BALANCE AND COST OF COMMON EQUITY**

19 **Q. How was the balance of Ameren Missouri’s common equity**
20 **determined?**

21 A. The common equity balance of **** _____**** reflected in Ameren
22 Missouri’s proposed capital structure reflects Ameren Missouri’s forecasted book value of
23 common equity as of December 31, 2026. Common equity is generally reflected net of

1 accumulated other comprehensive income ("AOCI"), but AOCI is projected to be
2 **** _____ **** as of December 31, 2026.

3 **Q. How was the cost of common equity determined?**

4 A. In her testimony in this case, Ms. Bulkley states that the cost of common
5 equity capital for Ameren Missouri's integrated electric operations is currently within the
6 range of 10.25% to 11.25%, with her direct testimony reflecting a return on common equity
7 request of 10.25%. In forecasting Ameren Missouri's overall weighted average cost of
8 capital for its electric business, I have assumed a cost of common equity of 10.25%.

9 **X. FAIR RATE OF RETURN**

10 **Q. What do you propose is a fair overall rate of return for Ameren**
11 **Missouri in this case?**

12 A. A return on rate base of 7.51%, which is equivalent to Ameren Missouri's
13 forecasted weighted average cost of capital as of December 31, 2026, is fair and reasonable.
14 The calculation of the Company's forecasted weighted average cost of capital, considering
15 the debt, preferred stock, and common equity balances and costs set forth above, is
16 reflected in Schedule MJL-D1.

17 **Q. Does this conclude your Direct Testimony?**

18 A. Yes, it does.

ER-2026-0291

**Schedules
MJL-D1 through
MJL-D4 are
Confidential in
their Entirety**

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