

ILLINOIS COMMERCE COMMISSION

DOCKET NOS. 06-0070, 06-0071 and 06-0072

REBUTTAL TESTIMONY

OF

MARLA J. LANGENHORST

Submitted On Behalf

Of

**CENTRAL ILLINOIS LIGHT COMPANY d/b/a AMERENCILCO,
CENTRAL ILLINOIS PUBLIC SERVICE COMPANY d/b/a AMERENCIPS and
ILLINOIS POWER COMPANY, d/b/a AMERENIP**

May 26, 2006

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Q. Please state your name and business address.

A. My name is Marla J. Langenhorst. My business address is One Ameren Plaza,
1901 Chouteau Avenue, St. Louis, Missouri, 63103.

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

A. I am employed by Ameren Services Company (“Ameren Services”) as Manager
of Employee Benefits.

Q. Please provide your educational history and qualifications.

A. I have a Bachelor of Science degree from Southern Illinois University at
Carbondale and am certified as a Senior Professional in Human Resources. I
have over 14 years of extensive work experience in employee benefit plan design,
costing, analysis and administration with Ameren and the former Union Electric
Company (“Union Electric”). Additionally, I serve on the Board of Directors and
the Executive Board of the St. Louis Business Health Coalition, a coalition of St.

24 Louis-based employers organized to address regional and national healthcare
25 issues.

26 **Q. Please describe your professional work experience.**

27 A. I joined Union Electric in the early 1980's and served in a variety of roles
28 throughout the until 1991, when I was promoted to an analyst in the Employee
29 Benefits Department. In this early part of my benefits career, I focused primarily
30 on pension plan administration, pension payments, trust funding and employee
31 communication and education with regard to the pension plan. In 1993, my
32 responsibilities were expanded to include design, implementation and
33 administration of executive benefits. In 1998, when Union Electric became a
34 subsidiary of Ameren Corporation, I was promoted to General Supervisor and had
35 primary responsibility for the design, integration and ongoing administration of
36 the combined Union Electric and Central Illinois Public Service Company health
37 and welfare benefits (health, life and disability benefits). In October, 2000, I was
38 promoted to Manager of Employee Benefits, assuming both strategic and daily
39 oversight of all of Ameren's benefit plans.

40 **Q. Please describe your responsibilities and duties as Manager of the health and**
41 **welfare benefits with respect to Central Illinois Public Light Company d/b/a**
42 **AmerenCILCO, Central Illinois Public Service Company d/b/a**
43 **AmerenCIPS, and Illinois Power Company d/b/a AmerenIP (the "Ameren**
44 **Companies").**

45 A. As Manager of Ameren's health and welfare benefits, I have led the development
46 of the Ameren benefits strategic plan, and the recent design of innovative medical

47 benefit changes to improve the long-term cost forecast for employees, retirees and
48 the corporation. In addition, I have led the company's efforts to initiate a joint
49 union-management communications forum to better foster relations and improve
50 outcomes with regard to the health plan benefits, and have led the benefits aspect
51 of the mergers and acquisition activity for the merger of Central Illinois Public
52 Service Company and Union Electric and the acquisitions of Central Illinois Light
53 Company and Illinois Power Company. In designing the Ameren Companies'
54 health programs, Ameren Services works toward a package that ensures
55 competitive benefit plans, balancing the cost at a point that is prudent and
56 affordable for both the companies and the employees.

57 **Q. What is the purpose of your rebuttal testimony?**

58 A. My rebuttal testimony will discuss increases in major medical costs for the
59 Ameren Companies since the last electric delivery service rate cases. My
60 testimony responds to certain recommendations described in the direct testimony
61 of Peter Lazare, witness for Staff of the Illinois Commerce Commission ("Staff")
62 and Alan Chalfant, witness for the Illinois Industrial Energy Consumers ("IIEC").
63 Both Mr. Lazare and Mr. Chalfant have proposed to limit recovery of the Ameren
64 Companies' Administrative and General ("A & G") expenses without taking into
65 consideration specific individual cost drivers. As I explain further below, this
66 approach is incorrect, particularly with respect to major medical cost increases.
67 The Ameren Companies' major medical cost expenditures are and have been
68 prudent, and have increased at a much lower rate than the average increase for
69 employer health care costs nationwide.

70 **Q: What is the requested amount of major medical expense included in the**
71 **Ameren Companies' rebuttal filing?**

72 A: The total amount of Major Medical expenses in the Ameren Companies' rebuttal
73 filing is \$12.4 million. Cost totals for each of the Ameren Companies breaks
74 down as follows: AmerenCILCO - \$1.8 million, AmerenCIPS - \$3.9 million, and
75 AmerenIP - \$6.7 million.

76 **Q: Have major medical costs increased at the recent or current rate of inflation?**

77 A: No. Increases in major medical costs and other employee benefits have increased
78 at a much faster rate than the average rate of inflation, as demonstrated in a report
79 posted on the website of the US Department of Labor, Bureau of Labor Statistics.
80 As explained further below, the Ameren Companies have not been immune to
81 nationwide health care cost increases. Nevertheless, the Ameren Companies have
82 prudently managed their costs, and have curbed major medical cost increases to
83 levels well below national averages.

84 **Q: Both Staff witness Lazare and IIEC witness Chalfant claim that A&G**
85 **expenses should increase in proportion to any authorized increase in other**
86 **(non-A&G) Operation and Maintenance "O&M" expenses. Do you agree?**

87 A: No. As a component of A&G costs, major medical cost increases are influenced
88 more by cost trends in the health care industry and other factors than by the
89 impacts of general inflation and other drivers for changes in direct O&M
90 expenses, such as system load growth and customer growth. As a result, major
91 medical costs will always increase at a different rate than direct O&M costs.

92 These witnesses either are unaware or have completely ignored the reality of the
93 level of major medical expenses being incurred.

94 **Q: Are these cost increases entirely within the control of the Ameren**
95 **Companies?**

96 A: No. It is a well-accepted and a commonly known fact that health care costs are
97 increasing nationwide at a far greater rate than the average rate of inflation.
98 Employers bear the brunt of those costs, and the Ameren Companies are no
99 exception. Major Medical costs are driven by such factors as the promotion of
100 new, more costly prescription drugs and medical treatments, consumer behavior,
101 union-negotiated plan designs that insulate the medical consumer from the true
102 costs of services, and an aging workforce that results in more participants in need
103 of care. These cost drivers are largely beyond the control of the Ameren
104 Companies.

105 **Q: Has Ameren Services made efforts to control these cost increases?**

106 A: Yes. Ameren Services has held the increase in Major Medical to an overall
107 average increase of 3.9% over the last three years, which compares very favorably
108 to the national average increase of 6.1%. (See Respondents' Exhibit 22.2.) This
109 chart shows Ameren 's medical and prescription claim costs for the past four
110 years and the corresponding rate of increase, year over year. It also includes a
111 comparison to the results of Mercer's National Survey of Employer-Sponsored
112 Health Plans and Consumer Price Index statistics. Ameren Services has
113 accomplished this cost containment through a number of methods, including:
114 increasing the employee share of contributions, supporting safety and wellness

115 programs, giving employees the choice of less expensive medical and prescription
116 drug plans, implementing disease management programs to help participants with
117 chronic illnesses stay healthier, and educating employees on how to become better
118 health care consumers. Also, Ameren Services has renegotiated many of the
119 contracts with our health plan providers, thus achieving some cost containment in
120 administrative fees.

121 **Q. Can you provide an example of an effort to curb these costs?**

122 **A.** Yes. A good example of Ameren Services' efforts to change employee behavior
123 to a more consumer-driven approach is illustrated by a cost-reducing pharmacy
124 program that implemented in 2004. This program, administered by Express
125 Scripts, sends targeted mailings to plan participants in order to encourage use of a
126 less expensive mail-order option for purchasing maintenance drugs. Ameren
127 Services has also created several different medical plans for management
128 employees so they can choose varying co-payments and deductibles. The
129 premiums that employees pay are linked to how much risk they are willing to
130 bear. The lower cost plans have higher deductibles and lower premiums, but still
131 have an incentive built in for the employee to have an annual wellness exam.
132 Ameren Services has also negotiated on behalf of employees who are members of
133 AmerenCILCO Local 51 to participate in the same plans available to these
134 management employees. This adjustment is reflected in the Staff's direct case
135 filing and in the AmerenCILCO rebuttal filing. These are just a few highlights of
136 the steps that Ameren Services has taken to help slow increases in the Ameren
137 Companies' Major Medical costs.

138 **Q. Does this conclude your rebuttal testimony?**

139 A. Yes.

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