

**ILLINOIS COMMERCE COMMISSION
DOCKET NOS. 06-0070 / 06-0071 / 06-0072 (CONSOLIDATED)**

**SURREBUTTAL TESTIMONY
OF**

MARLA J. LANGENHORST

**Submitted On Behalf
Of
AMEREN COMPANIES**

July 14, 2006

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MARLA J. LANGENHORST

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. Are you the same Marla J. Langenhorst that provided testimony in this proceeding?

A. Yes.

Q. What is the purpose of your testimony?

A. My testimony responds to the rebuttal testimony of Peter Lazare, witness for Staff of the Illinois Commerce Commission (“Staff”).

Q. What points does Mr. Lazare address in his rebuttal?

A. Mr. Lazare states that the proposed level of \$12.4 million in Administrative and General (“A&G”) expenses for Major Medical exceeds the 3.9 % increase in Major Medical expenses previously described in my rebuttal testimony (lines 106-108).

Q. What is your response to Mr. Lazare’s comments?

24 A. Mr. Lazare grossly misstates my testimony. I previously testified that Ameren
25 Services Company ("Ameren Services") has successfully limited growth in Major
26 Medical expenses to a 3.9% increase, which is much lower than the national
27 average increase of 6.1%. These statistics were offered to demonstrate the
28 reasonableness of the Ameren Companies' costs, by showing the proven results of
29 Ameren Services' efforts to keep Major Medical expenses in check. This data
30 was not offered as an "explanation" or "accounting" for Major Medical expenses,
31 as Mr. Lazare claims. (ICC Staff Ex. 17.0, lines 266-273.) The Ameren
32 Companies have provided an accounting of their actual, proven costs through the
33 testimony and schedules of Ronald Stafford. Staff has conducted its own audit of
34 the Ameren Services' accounting methodology, and has identified no Major
35 Medical expenses as unreasonably incurred. The publicly available and
36 undisputed fact that medical expenditures have increased at a national average
37 rate of 6.1% also provides a common sense explanation for the Ameren
38 Companies' requested increase. Mr. Lazare's failure to grasp this point is
39 difficult to swallow.

40 While Mr. Lazare's testimony on this issue is off the mark, I would like to clarify
41 that the 3.9% statistic I offered previously is based on an overall average increase
42 for all Ameren subsidiaries, excluding AmerenIP, and including only part of
43 AmerenCILCO for the latter part of this time period. This clarification shows that
44 the statistic is inappropriate for accounting purposes, but does not dilute my
45 original point that the Ameren Companies' current system is commendable for its

46 ability to limit health care cost growth to rates that are well below the national
47 average.

48 **Q. Does Ameren Services expect to be able to continue keeping costs relatively**
49 **low?**

50 A. Ameren Services will continue its efforts to develop new and innovative programs
51 designed to curb health care costs. However, many such programs are already in
52 place. Thus, future reductions in the rate of health care cost growth may not be
53 achievable, from a practical perspective. There are also many other factors
54 determining growth that are beyond the Ameren Companies' control.
55 Realistically, those factors should be expected to increase the Ameren
56 Companies' health care costs at rates that are consistent with the national average.

57 **Q. Have you described these other factors that are beyond the Ameren**
58 **Companies' control?**

59 A. Yes. In my rebuttal testimony, I discussed some of the major cost drivers for
60 medical plans that are beyond Ameren's control. (Lines 99-104).

61 **Q. Do you feel that these cost drivers will result in increased medical expense in**
62 **the near future in spite of the cost containment programs Ameren Services**
63 **has put in place?**

64 A. Yes. As previously stated, while many opportunities for cost savings have been
65 utilized and implemented, other opportunities will present themselves in the
66 future. For example, the labor agreements between Ameren and the AmerenIP
67 unions are in effect until June 30, 2008. As a result, we will be able to negotiate

68 and implement certain cost containment programs in those plans for AmerenIP at
69 that time.

70 **Q. Are there any other labor agreements that have restricted your cost**
71 **containment efforts?**

72 A. Yes. Some of our other Ameren unions have premium drug benefit programs.
73 For example, many of the union employees pay a lower co-pay for a prescription
74 drug if there is no generic available. This results in increased costs of several
75 million dollars each year. As prescription drug costs rise and as new, more
76 expensive drugs become available, these costs go up at the same rate as the
77 pharmacy inflation rate and Ameren is absorbing all of this cost increase. Since
78 union employees represent the majority of our total employee population, and
79 these negotiated benefits can only change when the collective bargaining
80 agreements are open, there is a strong likelihood that our costs will increase
81 beyond 3.9 % in future years.

82 **Q. Is there anything else you want to add?**

83 A. Yes. Ameren Services fully intends to continue its efforts to control the Ameren
84 Companies' medical costs, but this does not mean that we can provide immunity
85 to medical inflation. Our efforts have only slowed the rate at which our costs will
86 increase. There is no way to completely insulate the Ameren Companies from
87 those increases, aside from extreme measures such as medical plan termination.
88 Such dramatic measures only serve to affect the ability to attract and retain the
89 employees needed to run our operations. Providing decent health care for our
90 employees is critical for our success, and it is consistent with what competing

91 companies provide to their employees. Mr. Lazare's opinion that Major Medical
92 expenses are increasing at a higher rate than he would like them to provides no
93 plausible contest against undisputed evidence of the Ameren Companies' actual,
94 reasonable expenses.

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

96 A. Yes.

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