

**ILLINOIS COMMERCE COMMISSION
DOCKET NOS. 06-0070, 06-0071, & 06-0072**

REBUTTAL TESTIMONY ON REHEARING

OF

RONALD D. STAFFORD

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**

February 28, 2007

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5 **RONALD D. STAFFORD**

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

7 A. My name is Ronald D. Stafford. My business address is One Ameren Plaza, 1901
8 Chouteau Avenue, St. Louis, Missouri, 63103.

9 **Q. Are you the same Ronald D. Stafford who submitted testimony in these**
10 **proceedings?**

11 A. Yes I am.

12 **Q. What is the purpose of your rebuttal testimony on rehearing?**

13 A. My rebuttal testimony responds to certain issues and recommendations raised by Staff
14 witnesses Burma Jones, Theresa Ebrey, and Peter Lazare. In doing so, I will, among
15 other things, (1) summarize substantiated increases in A&G expenses with which Staff
16 has not taken issue, (2) present the Ameren Illinois Utilities' requested level of A&G
17 expenses, and (3) conclude my testimony with a summarization of the substantiated net
18 increase in A&G expense since the prior delivery service rate cases.

19 **Substantiated Increases in A&G Not Addressed in Staff Testimony**

20 **Q. Please identify substantiated increases in A&G expenses with which Staff has not**
21 **taken issue in direct testimony on rehearing.**

22 A. Shown below is a summary of the substantiated increases in A&G expenses documented
23 on Respondents' Exhibit 53.1 that have not been addressed by Staff in its direct
24 testimony on rehearing:

25 \$11.425 million Depreciation of Ameren Service Assets (Resp. 53.1, Sch. 1, line 6)
26 \$10.321 million Franchise Fees (Resp. 53.1, Sch. 1, line 7)
27 \$(8.022) million Ameren IP A&G Acquisition Cost Savings (Resp. 53.1, Sch. 1, ln. 9)
28 \$5.590 million Salary and Wage Increases (Resp. 53.1, Sch. 1, line 10)
29 \$4.834 million Human Resources and Info. Technology (Resp. 53.1, Sch. 1, line 11)
30 \$1.200 million Ameren Services Interest and Taxes in A&G (Resp. 53.1, Sch. 1, ln
31 12)
32 \$.733 million Post September 11, 2001 Security (Resp. 53.1, Sch. 1, line 13)
33 \$.589 million Sarbannes-Oxley Compliance (Resp. 53.1, Sch. 1, line 14)

34 **Q. What is the total amount of undisputed increases in A&G expense included above?**

35 A. \$26.67 million.

36 **Q. Are pension and benefit expenses included in the above totals?**

37 A. No. The correct amount of 2005 actual pensions and benefits expenses is still at issue.
38 The Ameren Illinois Utilities and Staff are in agreement that the Commission concluded
39 in its November 21 Order that pension and benefits expense should be based on 2005
40 actual expense. Upon further review, the Ameren Illinois Utilities also agree with Staff
41 that the amount included in the Order is incorrect. Staff's calculation, however, is
42 materially incorrect. Therefore, the parties are not currently in agreement with regard to
43 2005 actual pensions and benefits expense.

44 **Requested Level of A&G Expenses**

45 **Q. Please present the Ameren Illinois Utilities' requested level of A&G expenses.**

46 A. As shown on Respondent Exhibit 55.1, Schedule 1, requested A&G expenses are \$36.164
47 million for AmerenCILCO, \$46.089 million for AmerenCIPS, \$68.258 million for

48 AmerenIP. In total, the Ameren Illinois Utilities, the requested level of A&G expenses is
49 \$150.511 million. These amounts are slightly lower than the level presented in my direct
50 testimony on rehearing, due to use of surrebuttal rather than rebuttal amounts, in response
51 to the recommendation of Ms. Ebrey.

52 **Response to Staff witness Burma Jones**

53 **Substantiation of A&G Expenses**

54 **Q. At lines 53-59 and again at lines 62-68 of her testimony, Ms. Jones criticizes your**
55 **substantiation of A&G increases as being one-sided and focused almost entirely on**
56 **increases since the prior case. Please respond.**

57 A. As explained at page 25, lines 562-584 of my direct testimony on rehearing, I conducted
58 what I believe was a comprehensive review of the change in A&G expenses from the
59 prior delivery service rate cases to the current rate case. I set an initial materiality
60 threshold for plus or minus changes of \$1 million for the Ameren Illinois Utilities on a
61 combined basis, but lowered the threshold during my review to plus or minus \$500,000
62 change from prior A&G expense to current A&G expense for a cost component or cost
63 category.

64 My review included looking at the detailed A&G expense account information
65 presented in the prior rate cases, adjustments to A&G expense by the utilities and
66 ultimately by the Commission, in an effort to both understand and discern the types of
67 costs included in A&G expense both at per books and after adjustments. During that
68 review, I identified a number of A&G expenses either on the books or utility-proposed
69 cost of service in prior cases that were not included in the current case. The more
70 material examples (those exceeding \$1 million) are identified at lines 577-579 of my
71 testimony. I also interviewed each of the accounting witnesses that sponsored

72 jurisdictional cost of service, and most pro forma adjustments impacting A&G expense.
73 While both AmerenCILCO and AmerenIP were under different ownerships at the time of
74 their prior rate cases, the primary accounting witnesses for both utilities are still with
75 Ameren currently, and have assisted me in analysis and assessment of not only detailed
76 per-book expense by major/minor, but also pro forma adjustments, Commission decisions
77 on A&G issues, differences in accounting for certain expenses (see for example lines
78 384-451 of my direct testimony on rehearing), other one-time costs, and amortizations. I
79 also reviewed account 925, injuries and damages, due to its fluctuating nature. I also set
80 out to quantify A&G cost savings from the acquisition of Central Illinois Light Company
81 (CILCO), Illinois Power Company (IP), and Asset Transfer of the former Illinois Union
82 Electric Company (UE) operations into AmerenCIPS. As part of that review, I quantified
83 A&G costs savings from the IP acquisition (Resp. 53.1, Sch. 7), reviewed the Orders
84 approving the acquisitions and asset transfer, and interviewed personnel directly involved
85 with A&G expense determinations in each of these transactions, including Ameren's
86 Manager of Acquisitions, and the primary accounting witness that supported the A&G
87 expense evaluation and testimony in the CILCO acquisition case. With regard to CILCO,
88 I identified A&G cost increases that are included in the category of Depreciation of
89 Ameren Services Assets. I identified A&G savings to be realized at the time of
90 acquisition, but had to also assess whether such costs were included in prior rates. As
91 discussed at lines 513-539 of my direct rehearing testimony, I determined that it was
92 impossible for CILCO A&G savings from the acquisition to be included in costs included
93 in the prior delivery service rate case. This has not been refuted by Staff. At lines 547-

94 560, I discussed the review conducted surrounding the asset transfer of Illinois-UE and
95 AmerenCIPS.

96 As discussed in my direct rehearing testimony, I did identify savings in
97 amortization of rate case expense, but the savings did not meet the \$500,000 materiality
98 threshold. I also identified savings for a reduced number of regulatory and other filings
99 as a result of the UE and CIPS asset transfer as de minimus, but have now quantified
100 those savings in response to a data request from Staff witness Lazare, and have now
101 included those savings with savings in rate case expense on Respondents' Exhibit 55.1,
102 Schedule 1, line 9, column (d).

103 **Q. Why did you establish an initial materiality threshold?**

104 A. The primary reason was to aid the Commission in its review process in these
105 proceedings. Materiality thresholds are often used with regard to cost components. It did
106 not make practical sense to list all identified plus or minus items. In my judgment, the
107 net effect would be immaterial.

108 **Q. Why did you lower your materiality threshold from \$1 million to \$500,000?**

109 A. As part of my review, I set out to quantify the impact on A&G expense of both post
110 September 11, 2001, security initiatives and the impact of Sarbanes-Oxley compliance.
111 Both efforts are new since the last delivery services rate cases, and both were identified in
112 Respondents' earlier testimony as reasons why A&G expense had increased since the
113 prior delivery service rate cases. While I expected the A&G expense impact to be greater
114 than \$1 million, once I realized the impact was actually less than \$1 million, I decided to
115 the lower the + or – threshold to \$500,000. I considered it relevant information, and

116 consequently lowered the threshold to capture these and any other identified + or - cost
117 changes between \$500,000 and \$1 million.

118 **Q. At lines 59-61 of her testimony, Ms. Jones discusses a downward trend in A&G**
119 **expenses as reason to question whether some A&G expenses have decreased since**
120 **the prior delivery service rate cases. Do you identify any other decreases in your**
121 **original analysis?**

122 A. Yes. As discussed above and in my direct rehearing testimony, I did identify other A&G
123 expenses that had decreased since the prior cases, but those cost decreases did not exceed
124 \$500,000 for the Ameren Illinois Utilities. As discussed above, however, I have now
125 modified the A&G acquisition cost savings related to UE/CIPS asset transfer to include
126 both savings resulting from reduced regulatory and other filings, and the portion of rate
127 case expense savings attributable to the combination of the former Illinois-UE and
128 AmerenCIPS rate filings. The category of acquisition cost savings already exceeded
129 \$500,000 due to the IP acquisition.

130 **Q. Have you identified any additional categories of expense that have increased or**
131 **decreased by \$500,000 or more, and were not included in your original analysis?**

132 A. Yes. In 2003, Ameren initiated a voluntary retirement program ("VRP") that produced
133 additional savings in A&G expense. The allocable portion of those savings attributable
134 to the Ameren Illinois Utilities exceeds \$500,000. Therefore, I have quantified the net
135 savings resulting from the VRP, and have summarized those savings on Respondents'
136 Exhibit 55.1, Schedule 1, line 13 and further detailed the savings on Schedule 4.

137 **Q. Do you have any additional comments regarding the downward trend in A&G**
138 **expenses discussed by Ms. Jones?**

139 A. Yes. The downward trend Ms. Jones refers to is from Staff witness Ebrey's ICC Staff
140 Exhibit No. 24.0, Schedules 24.1 through 24.3. The purported downward trend Ms.
141 Jones refers to is actually an upward trend for AmerenCILCO (Schedule 24.1), a
142 downward trend for AmerenCIPS (Schedule 24.2), and a downward and then upward
143 movement for AmerenIP (Schedule 24.3). As discussed later in my testimony in
144 response to Staff witness Ebrey, these results are distorted somewhat by the inclusion of
145 Account 926.

146 Ms. Ebrey's A&G cost trend observation has little meaning with regard to the
147 substantiation of A&G cost increases or decreases from the prior delivery service rate
148 cases, which is the subject of Ms. Jones testimony where she discusses trends. That is
149 because in the case of AmerenCILCO and AmerenCIPS, both utilities owned generation
150 assets in 2000, and A&G expenses were supporting not only electric transmission and
151 distribution business lines, but also the generation business lines. In addition, while
152 AmerenIP did not own generation assets in 2000, nor support a generation business line
153 with A&G expenses, a portion of A&G expenses were disallowed as if AmerenIP owned
154 generation at the time. In all three cases, the effect was a lower level of A&G expense in
155 rates than is implied by Ms. Jones' reference to these A&G cost trend schedules as
156 support for her testimony that other A&G costs have decreased. As a point of reference,
157 the sum of 2000 A&G expenses for the Ameren Illinois Utilities, as shown on Schedules
158 24.1-24.3, was \$147.129 million. This compares with A&G included in prior delivery
159 service rates of \$49.497 million (Respondents' Exhibit 53.1, Schedule 1, line 1). The
160 difference is almost \$100 million, yet Ms. Jones somehow believes this information is

161 relevant in her criticism of my substantiation analysis. I believe the numbers speak for
162 themselves.

163 **Duplicate or Unintended Disallowances**

164 **Q. At lines 70-107, Ms. Jones uses the term “Disallowance Ordered by the**
165 **Commission” as a way of responding to your testimony regarding Duplicate or**
166 **Unintended Disallowances. Is she correct in her conclusions?**

167 A. No. While Ms. Jones is correct that the Commission indicated the \$50.3 million A&G
168 disallowance in the November 21 Order was over and above all other adjustments, I do
169 not believe the Commission’s intent was to disallow the same expense twice, or disallow
170 an expense that was in a category other than A&G expense in the prior case and is now
171 included in A&G expense. Rather, I understand the Commission is requiring information
172 by which to reweigh its deliberation. Further disallowing the same expense twice would
173 directly impair our opportunity to earn our authorized rates of return. Ms. Jones seems to
174 also have agreed with Respondents’ conclusion that the \$50.3 million reduction of A&G
175 expenses duplicates certain adjustments by her statement i.e.: “While it may appear that
176 the Commission's \$50.3 million reduction of A&G expenses duplicates certain
177 adjustments made elsewhere in the Order” (ICC Staff Exhibit 23.0, Page 5, lines 77
178 and 78).

179 It is interesting to note that the one category of expense (\$5.7 million of pensions,
180 OPEBs, and Major Medical expense) Ms. Jones uses as her example is not a duplicate
181 disallowance, but rather more in the category of an unintended disallowance (see lines
182 96-102) on the part of the Commission. This item is unique from the other duplicate
183 disallowances, in that it represents the only cost category where the expense seemed to be
184 allowed in one section of the November 21 Order and disallowed in another section.

185 Nevertheless, after giving further consideration to this issue, the Ameren Illinois Utilities
186 have elected to withdraw the \$5.7 million add back as a component of the substantiated
187 A&G expense increases. The removal of this adjustment is summarized on Respondents'
188 Exhibit 55.1, Schedule 1, line 8 and the removal can be traced to Schedule 2.

189 **Q. Why have the Ameren Illinois Utilities elected to withdraw the \$5.7 million**
190 **adjustment for Pensions, OPEBs, and Major Medical Expense as a substantiated**
191 **A&G expense?**

192 A. First, as mentioned above, the adjustment is unique from the others in this category.
193 Second, this adjustment is also the only one expressly referenced by Staff witness Jones,
194 so as a matter of compromise the removal of this adjustment limits the number of issues.
195 Third, use of this adjustment creates some confusion with regard to whether the
196 Commission's intent was to allow pensions and benefits expense based on 2005 actual
197 expense. For purposes of this rebuttal testimony on rehearing, the Ameren Illinois
198 Utilities are willing to agree with Staff that the Commission's intention with regard to
199 these costs was to base them on the 2005 actual, consistent with the AG position, rather
200 than based on the portion previously acknowledged by the Commission as supported,
201 based on testimony of Staff witness Lazare.

202 **Prior A&G Disallowances**

203 **Q. At pages 6-8 of her testimony, Ms. Jones states that the Ameren Illinois Utilities**
204 **have taken an inconsistent position with regard to prior A&G disallowances. Is this**
205 **correct?**

206 A. Absolutely not. As stated in my direct rehearing testimony, for AmerenCIPS, there were
207 no specific A&G disallowances identified in the Order. Conversely, in Docket Nos. 01-
208 0465/01-0530/01-0637 for AmerenCILCO and Docket No. 01-0432 for AmerenIP, the

209 level of authorized A&G expenses was understated due to a combination of
210 misclassifications and/or disallowances. This understatement thus incorrectly paints the
211 picture that A&G expense in this case had increased more than the actual cost of service.
212 If there had been A&G disallowances identified in the AmerenCIPS case, it would result
213 in an increase to substantiated A&G expenses, and further support my direct testimony on
214 rehearing. On the other hand, if documentation existed that identified AmerenCIPS use
215 of the labor allocator for A&G expense resulted in an overstatement of A&G expense
216 allocated to the distribution business in the prior case, then I would have documented a
217 decrease in substantiated A&G expense resulting from this item. However, the facts are
218 what they are. No such disallowance was made.

219 **Q. Can you explain why you believe no such disallowance was made in the last**
220 **AmerenCIPS DST rate case?**

221 A. Yes. AmerenCIPS was under different ownership from both AmerenCILCO and
222 AmerenIP at the time of its last delivery service rate case, and took a different approach
223 to A&G. Even if IP at that time were under the same ownership, the approach for IP
224 would have been different because it didn't own generation assets, and consequently
225 A&G expense was not supporting the generation business line. While both AmerenCIPS
226 and AmerenCILCO still owned generation at the time and could have conceivably
227 compared notes and presented pro forma A&G expense in a comparable manner, they
228 didn't. AmerenCILCO chose to take issue with broad use of the labor allocator, and
229 instead elected to detail A&G expense for each minor and each activity while
230 AmerenCIPS presented data based on information at the FERC major account level.
231 With the additional detail developed by AmerenCILCO, it elected to directly assign in

255 of presentation. In my direct testimony on rehearing, I used the rebuttal levels to be
256 consistent with the information shown on the Appendices to the November 21 Order.
257 After reviewing Ms. Ebrey's direct testimony on rehearing, I agree that it is more
258 appropriate to use the surrebuttal amounts to reflect the Ameren Illinois Utilities' current
259 requested levels.

260 **Q. At line 53 of her testimony, Ms. Ebrey indicates that \$152.3 million of A&G expense**
261 **is the Ameren Illinois Utilities' current requested amount. Is she correct?**

262 A. No. The surrebuttal amount of \$150.511 million, as shown on Repondents' Exhibit 55.1,
263 Schedule 1, Page 1, line 19, is the requested amount.

264 **Q. Have you reviewed the A&G cost trend analysis presented by Ms. Ebrey on**
265 **Schedules 24.1, 24.2, and 24.3?**

266 A. Yes.

267 **Q. Do you have any comments regarding this trend analysis?**

268 A. Yes. As discussed in response to Ms. Jones, the data reflects an upward trend for
269 AmerenCILCO (Schedule 24.1), a downward trend for AmerenCIPS (Schedule 24.2),
270 and a downward and then upward trend for AmerenIP (Schedule 24.3). The inclusion of
271 account 926 creates somewhat distorted results. Since the Commission in these
272 proceedings has concluded that 2005 actual expense should be the basis for pensions,
273 OPEBs, and Major Medical expense (also referred to as pensions and benefits expense), I
274 have recalculated Ms. Ebrey's cost trend analysis. The results are shown on
275 Respondents' Exhibit 55.2 include the following modifications to Ms. Ebrey's
276 calculation, as follows: (a) exclude account 926, where the majority of pension and
277 benefit expenses reside; (b) replace projected 2006 with actual 2006 information; (c)

278 present the distribution percentage share of 2004, 2005, and 2006 costs in order to better
279 demonstrate the correlation between book A&G expenses and the requested amounts in
280 these proceedings; (d) present both combined and separate schedules for the Ameren
281 Illinois Utilities; and (e) compare the distribution share of per-book 2004-2006 A&G
282 expenses, excluding account 926, with Respondents' requested A&G excluding pensions
283 and benefits expenses.

284 **Q. What does the modified cost trend analysis show?**

285 A. The analysis shows different cost trend percentage results, and in some cases results in a
286 flip of a positive vs. a negative percentage on the trend line. More importantly, requested
287 A&G expense excluding pensions and benefits is \$95.051 million (Page 1, Column (F),
288 line 26) which compares favorably with the distribution percentage share of per books
289 expense excluding account 926 for each year 2004-2006. For those years, the range is
290 from \$99.2 million to \$101.4 million.

291 **Q. At lines 89-91, 102-104, 115-117 of her testimony, Ms. Ebrey argues: "Clearly the**
292 **amount [of A&G expense] approved by the Commission in the November 21 Order**
293 **is more reflective of actually results of operations than that requested by the**
294 **Company." Is that statement correct?**

295 A. No, it is not. The statement is not supported by the facts or logic. The numbers speak for
296 themselves, and are not even close for any of the Ameren Illinois Utilities. Using her
297 Schedules 24.1-24.3 as a point of reference, the November 21 Order allowed A&G
298 expense is \$22.667 million for AmerenCILCO compared with 2005 and 2006 shown on
299 Schedule 24.1 of \$36.1 million and \$29.5 million, respectively. For AmerenCIPS, the
300 November 21 Order allowed A&G expense is \$28.054 million, compared with 2005 and

301 2006 shown on Schedule 24.2 of \$40.7 million and \$39.6 million, respectively. For
302 AmerenIP, the November 21 Order allowed A&G expense is \$41.730 million, compared
303 with 2005 and 2006 shown on Schedule 24.3 of \$67.5 million and \$68.2 million,
304 respectively. In summary, Ms. Ebrey's statement is patently incorrect.

305 **Q. Beginning at line 118, Ms. Ebrey appears to criticize Respondents' AMS**
306 **Reallocation Adjustment. Please respond.**

307 A. This section of her testimony is another example of where, presumably unintentionally,
308 the parties have created confusion about something that seemingly was fully understood
309 by parties during the direct case. The testimony implies for example, that use of 2005
310 information somehow violates section 287.40 of the Minimum Filing Requirements (line
311 176). While 287.40 indicates that inflationary adjustments are allowed, she states at line
312 218 that inflation adjustments are not allowed. There is a long line of precedent before
313 this Commission regarding the use of inflation factors, most recently the decision in the
314 ComEd delivery services rate case, to allow a portion of A&G expense to be recovered
315 based on a general inflation rate.

316 Moreover, all of Ms. Ebrey's testimony on this point is irrelevant with regard to
317 the AMS Reallocation Adjustment. Both Staff and AG personnel assigned to audit AMS
318 costs understood that the costs were based on six months 2005 actual data annualized,
319 rather than based on some other approach. Actual data is what it is. No one but Ms.
320 Ebrey has implied that the adjustment somehow includes inflation. It would be
321 inconsistent, for example, for Ms. Ebrey to attempt to use 2004 recalculated data in lieu
322 of later known actual data, and at the same time with accept use of IP acquisition cost
323 savings at 2006 and 2007 levels, rather than restate to 2004 cost savings levels.

324 Whether use of 2005 actual information for six months was entirely clear in my
325 direct testimony was not at issue in the direct case, because it is apparent upon review of
326 the pro forma adjustments and related workpapers (referenced by Ms. Ebrey at line 168).

327 Putting that point aside, however, if Ms. Ebrey actually believes it is reasonable to
328 attempt to reallocate all 2004 costs with an overlay of the IP acquisition, she also
329 presumes that it is somehow more accurate than use of later known actual data. Such a
330 position is illogical. Simply using 2004 actual data with application of different
331 allocations and different employee levels is no longer the actual data.

332 Also, she does not discuss (or even acknowledge) either the process that would be
333 required to reallocate costs or the assumptions that would have to be used with
334 repositioned AMS personnel and former IP employees transferred to AMS. Only an
335 employee-by-employee analysis could conceivably produce reasonable results, but the
336 results would still be estimates, unlike use of 2005 actual data.

337 **Q. Beginning at line 196, Ms. Ebrey appears to tie a response to Data Request TEE**
338 **13.04 to information that she alleges should have been provided in support of**
339 **Respondents' original pro forma AMS reallocation adjustment. Please respond.**

340 A. If I understand her testimony correctly, Ms. Ebrey is alleging that isolating the costs
341 related to the IP acquisition on all Ameren companies is somehow the same or similar to
342 the steps undertaken by Respondent to develop its pro forma AMS reallocation
343 adjustment, and/or should have been undertaken to support the original pro forma
344 adjustment. First, as an aside, the data request was objectionable and it was so stated. If
345 Staff had an issue with discovery, it is my understanding that is to be resolved in
346 procedures other than testimony.

347 Second, there are significant and material differences between the two exercises.
348 The pro forma AMS reallocation adjustment was calculated based on actual information,
349 and reflected the actual results from all changes related to the acquisition, including
350 changes in allocation factors, and movement of personnel from IP to AMS or another
351 affiliate where applicable, and expenses moved from AMS to IP, where applicable.
352 Labor and other costs moving from IP to AMS were measured by Respondents to avoid
353 duplication.

354 Ms. Ebrey's Data Request TEE 13.04 did not ask for actual data. It instead
355 requested the impacts of the acquisition on *all* affiliates, which requires not only the use
356 of a number of estimates, such as assumptions on how work would have been performed
357 by pre acquisition employees absent the acquisition, but also whether changes in all A&G
358 expense levels for *all* affiliates were impacted by the IP acquisition and to what extent.
359 To develop such a result with precision, Respondents would have to literally isolate all
360 changes, and rerun the accounting system for *all* affiliates as if the IP acquisition hadn't
361 occurred. This exercise is not technically impossible, but could require significant
362 system costs and an estimated 1,000 or more hours to accomplish. In addition, it is far
363 beyond the scope of Respondents' pro forma AMS reallocation adjustment, which again
364 was based on actual information for the Ameren Illinois Utilities reflecting the addition
365 of AmerenIP (and also reflecting the combination of former Illinois -UE into
366 AmerenCIPS).

367 **Q. At lines 232 and 233 of her testimony, Ms. Ebrey states that she believes Ameren is**
368 **unable to identify the increased AMS costs related to the IP acquisition. Is she**
369 **correct?**

370 A. No. In response to Data Request TEE 13.04, and further discussed above, the
371 Respondents stated that to take on such an exercise would be extremely time consuming
372 and labor intensive, because the impact would have to be quantified and measured for all
373 Ameren companies receiving AMS services. Even if such an exercise were undertaken,
374 this one piece of information on its own would not provide a breakthrough conclusion to
375 the reasonableness of AMS costs on a whole, given Staff's overall theme in this
376 testimony.

377 **Q. Do you agree with Ms. Ebrey's conclusion that 2005 actual Employee Pensions and**
378 **Benefits Expense are incorrect, based upon what was provided by Respondents and**
379 **included in the Order?**

380 A. Yes. Upon further review it has been determined that 2005 actual expense, as reported,
381 did not reflect actual expense for all cost components. More specifically, the AMS
382 portion of such costs was based on budgeted allocation percentages, and the amounts
383 transferred to construction were also based on budgeted percentages.

384 **Q. At lines 343, 354, and 364, Ms. Ebrey seems to imply that amounts "Transferred to**
385 **Construction" were not properly accounted for in the determination of 2005 actual**
386 **pensions and benefits expense reflected in the November 21 Order. Is this correct?**

387 A. No. The fact is that pensions and benefits expenses exclude cost amounts that are
388 "Transferred to Construction" and the accounting was proper.

389 **Q. At lines 340-342, 351-353, and 361-363, Ms. Ebrey makes a similar point, and a**
390 **more serious allegation, with her alleged double counting of AMS benefit and**
391 **pension expenses, based on the assumption that those expenses were double counted,**
392 **by being included in the AMS reallocation adjustment. Please respond.**

393 A. This allegation is made three times in her testimony. She accuses Respondents of doing
394 something improper. In the AMS Reallocation Adjustment, she refers to workpapers at
395 line 168 of her testimony. Those workpapers clearly identify the removal of pension and
396 benefit expenses from accounts 920 and 926. Pensions and benefits expenses related to
397 the Ameren Illinois Utilities' share of AMS costs follow how labor is recorded, and
398 therefore reside primarily in account 920. Respondents elected to exclude these costs
399 from the AMS reallocation, which is clearly identified, and instead include such costs in
400 the pro forma adjustment for pension and benefits expense. These amounts were also
401 included in the 2005 expense which served as the basis for the Commission's November
402 21 Order, although those amounts were based on allocation percentages rather than actual
403 numbers, which has been corrected, as discussed further below.

404 **Q. At lines 345-346, Ms. Ebrey indicates a lack of understanding of what is meant by**
405 **the amount of \$19.076 million for "IP purchase accounting." What does this cost**
406 **represent?**

407 A. This costs represents the elimination of purchase, or push-back accounting, as required
408 for ratemaking in the Order issued approving the IP acquisition in Docket No. 04-0294,
409 under Condition Number 13. The adjustment to remove purchase accounting was made
410 as an initial pro forma adjustment. Similarly, in arriving at 2005 expense used for the
411 November 21 Order, purchase accounting was also excluded. Failing to exclude
412 purchase accounting now, as Ms. Ebrey has done under her calculation, would be in
413 direct violation of the acquisition order.

414 **Q. Please summarize your review of Ms. Ebrey's recalculation of 2005 actual expense.**

415 A. Her overall approach has merit, but as discussed above, she overlooks some critical
416 adjustments that must be made to properly correct expense included in the November 21
417 Order. Attached is the corrected recalculation of 2005 pensions and benefits expense
418 identified as Respondents' Exhibit 55.3. This recalculation should be used as the basis
419 for the Commission's allowed level of pension and benefits expense on rehearing.

420 **Q. Please describe the adjustments you have made to Ms. Ebrey's recalculation.**

421 A. The first four adjustments are to remove expenses in account 926 that were not
422 individually adjusted by the Ameren Illinois Utilities in its original filings. They are: (1)
423 Employee assistance program expense; (2) Service award program expense; (3) Health
424 screening expense; (4) Education expense; and (5) Ameren Journal expense. While these
425 expenses are 2005 actual, they were not removed in the original pro forma adjustment.
426 Therefore, to include these amounts now would be double counting. The next two
427 adjustments are to add back to the account 926 expense amounts the portion of AMS
428 pension and benefit costs recorded to account 920 (discussed above). The final
429 adjustment is to eliminate purchase accounting for AmerenIP (also discussed above).

430 **Response to Staff Witness Peter Lazare**

431 **Q. At lines 326-328 of his testimony, Mr. Lazare calculates that over \$90 million of**
432 **Respondents' \$152.3 million is related to AMS, and calls into question the basis for**
433 **such a large number. Is this a valid concern?**

434 A. No. Virtually all pensions, OPEBs, and Major Medical expenses flow through AMS.
435 The Commission determined in its November 21 Order that these expenses should be
436 based on 2005 actual information. As shown on Respondents' Exhibit 55.2, Schedule 1,
437 Page 1, line 25, these expenses total \$55.46 million based on 2005 actual expense. Just

438 this one category of expenses accounts for well over half of Mr. Lazare's \$90 million
439 amount referenced. In addition, it should be noted that Respondents' requested level of
440 A&G expense is \$150.511 million, consistent with its surrebuttal testimony, rather than
441 the \$152.3 million number quoted by Mr. Lazare.

442 **Q. Beginning at line 330, Mr. Lazare raises a concern with regard to whether the**
443 **Ameren Illinois Utilities have sufficient independence to protect the interest of**
444 **ratepayers. Please respond.**

445 A. As stated in response to the data request referenced by Mr. Lazare at lines 338-351,
446 requests for service can come from an AmerenCIPS or any other Ameren affiliate. The
447 fact is that the initiation of the service request into the Ameren system is a superior
448 process to what Mr. Lazare seems to be alluding to, because it helps to assure consistency
449 in set-up, and it results in better controls surrounding the service request process. I would
450 expect Mr. Lazare would be interested in a process that generates better controls, given
451 his comments later in testimony regarding the Internal Audit process. Also, it should be
452 noted that if AmerenCIPS needs a service request to be set up, the service may apply to
453 more than one affiliate, such as AmerenCILCO and AmerenIP. To have the same or
454 similar service request initiated into the service request system by more than one
455 employee is not efficient, and weakens controls and consistency. In summary, the
456 process used by Ameren to initiate service requests is the most efficient and consistent
457 approach, and provides controls surrounding the service request process that aid the
458 reviews conducted by Internal Audit from time to time.

459 **Q. Please respond to Mr. Lazare's comments that distinctly lacking in your**
460 **presentation of substantiated A&G expense increases/decreases (from prior levels)**

461 is any documentation of savings realized by AmerenCIPS and AmerenCILCO from
462 mergers over the years.

463 A. I devoted a number of pages in my direct testimony on rehearing, and in my earlier
464 rebuttal testimony, to the review of prior delivery service rate Orders issued for all the
465 Ameren Illinois Utilities, along with the Orders issued approving the
466 mergers/acquisitions and asset transfers that have taken place since the prior delivery
467 service rate cases¹. As Mr. Lazare may have overlooked, it is critical in my analysis to
468 understand whether any A&G savings to be realized are in rates in the prior DST rate
469 cases.

470 **Q. Beginning at line 379, Mr. Lazare discusses the 1995 merger between UE and CIPS.**
471 **Is this relevant to your analysis substantiating increases/decreases in A&G expense**
472 **from prior levels included in prior delivery service rates?**

473 A. No. As stated by Mr. Lazare, the merger took place in 1997. Personnel reductions, and
474 economies of scale related to purchasing and other economies (which would impact A&G
475 to some extent) were put in place in 1998. By the 1999 test year used for the prior
476 AmerenCIPS rate case, material savings would have been already pulled out of the
477 business. In addition, a large portion of the A&G expense savings quoted by Mr. Lazare
478 support electric generation, electric transmission, and gas business lines. In the last
479 delivery service rate case, only about 34% of electric A&G expenses, irrespective of the
480 gas portion, were allocated to the distribution function.

481 Notably Mr. Lazare also does not even discuss what portion of A&G savings were
482 associated with avoided costs resulting from the merger, such as implementing new

¹ Page 16, Line 361 through Page 25, Line 584 of my direct rehearing testimony discuss analysis conducted to understand what costs were in prior DST rates and what net savings, if any, were realized from the various mergers and asset transfer since the prior cases.

483 systems on a combined vs. separate basis, addressing increased regulatory requirements,
484 and other external influences² on a combined rather than a separate basis. These types of
485 savings would of course not be in prior delivery service rates, because they were avoided.

486 In summary, a large portion of the savings in A&G quoted by Mr. Lazare
487 supported business lines other than electric delivery service. In addition, the A&G
488 savings realized from the 1997 merger were substantially or entirely realized prior to the
489 1999 rate case, and therefore were not in rates in the prior DST case. A&G savings
490 would also have been realized from avoided costs, which would not have been in rates in
491 the prior DST case. As a result, the merger is not relevant to my analysis substantiating
492 the change in A&G expense from the prior rate cases.

493 **Q. Mr. Lazare attempts to correlate a data request response (lines 401-423) to the**
494 **entire discussion of the 1997 UE/CIPS merger. How is this relevant?**

495 A. Simply put, it isn't relevant. As explained above, savings were realized prior to the last
496 delivery services rate case; they wouldn't have any bearing on the present case. In
497 responding to Mr. Lazare's data request, I responded to the CIPS/UE merger that
498 produced savings since the prior rate case. That CIPS/UE merger was the UE/CIPS asset
499 transfer that occurred since the prior Ameren CIPS and Illinois-UE rate cases.

500 **Q. Have you reflected the A&G savings result from the asset transfer in your rebuttal**
501 **exhibits?**

502 A. Yes. Respondents' Exhibit 55.1, Schedule 1, Page 1, line 9, column (d) shows net
503 savings of \$174,000 resulting from the asset transfer. These savings are further detailed
504 on Schedule 3 of that exhibit.

² Examples would include Post September 11, 2001 Security initiatives and Sarbanes-Oxley compliance.

505 **Q. Why were these savings not included in your original exhibit 53.1 where you**
506 **substantiated the increase in A&G expense since the prior DST rate cases?**

507 A. As I explained at lines 553-560 in my direct testimony on rehearing, savings resulting
508 from reducing regulatory and other filings were not deemed to be material, and were not
509 quantified at the time of filing my testimony. They have since been quantified, and
510 represent \$14,000 of the \$174,000 in net savings resulting from the asset transfer. The
511 remaining \$160,000 in net savings results from reduced amortization of rate case. I had
512 previously analyzed the category of changes in rate case expense independent of
513 acquisition/merger related savings (lines 580-584). The fluctuation in that category of
514 expense did not meet my materiality threshold of \$500,000, and therefore was not
515 included on Respondents' Exhibit 53.1. I agree with Mr. Lazare that the portion of such
516 savings resulting from combined CIPS/UE vs. two separate rate case filings should be
517 included in the category of Acquisition Cost Savings. Due to the IP acquisition, that
518 category of savings already exceeds \$500,000. Therefore, these savings are now
519 reflected on my Respondents' Exhibit 55.1.

520 **Q. Do you have any comments regarding Mr. Lazare's testimony at lines 439-445?**

521 A. Yes. Mr. Lazare states here that A&G is the primary area of savings, yet at line 392 he
522 previously indicated only about a third of the savings would be realized from A&G. His
523 testimony is inconsistent on this point. As discussed above, savings realized from the
524 CIPS/UE merger are already reflected in prior rates, and are not relevant in the present
525 case.

526 **Q. Have you reviewed Mr. Lazare's discussion regarding savings resulting from the**
527 **merger of CILCO at lines 447-492 of his testimony?**

528 A. Yes.

529 **Q. Do you agree with Mr. Lazare's conclusion at line 450 that the impact of such**
530 **merger savings would only begin to appear in the current proceeding?**

531 A. Yes. From a ratemaking standpoint that's correct.

532 **Q. Do you have any comments regarding the quoted testimony of an Ameren witness in**
533 **the CILCO merger case, at lines 455-471?**

534 A. Yes. The Ameren witness, Mr. Craig Nelson, discussed the fact that savings would be
535 sufficient to obviate the need for any near term rate relief, consistent with the rate
536 stabilization proposal.

537 **Q. Has AmerenCILCO violated terms of the rate stabilization proposal by requesting a**
538 **rate increase at this time?**

539 A. No. New rates in this case went into effect in 2007, which is within the terms of the rate
540 stabilization proposal.

541 **Q. Is the current request for rate relief inconsistent with the statement that savings**
542 **"will be sufficient to obviate any near term need for rate relief"?**

543 A. No. New rates in this case went into effect in 2007, which is five years since the
544 submission of Mr. Nelson's testimony in Docket No. 02-0428. In addition, no new gas
545 rate cases have been filed since the merger, which further supports Mr. Nelson's
546 testimony on this point.

547 **Q. Do you have any further comments regarding Mr. Lazare's testimony addressing**
548 **A&G savings from the CILCO merger?**

549 A. Yes. As explained in response to Data Request PL-10.03, the electric distribution share
550 of A&G savings in 2005 was approximately \$7.5 million. Also, as explained in response

551 to Data Request PL-10.15 and discussed further at lines 491-496 and 515-517 of my
552 direct rehearing testimony, additional expenditures were required, most significantly in
553 the area of Information Technology (estimated at \$13.6 million at time of acquisition).
554 Depreciation of actual Information Technology assets installed to support AmerenCILCO
555 are recorded in an A&G expense account, and impact the level of A&G expense
556 requested in these proceedings, as discussed in more detail in my direct rehearing
557 testimony referenced above.

558 **Q. Back at lines 367-370 of his testimony, Mr. Lazare directs much of his criticism to**
559 **measurement of CILCO merger savings on your Respondent Exhibit 53.1. Can you**
560 **reconcile this criticism with your discussion above regarding CILCO merger related**
561 **costs and savings?**

562 A. Yes. As I discussed at some length in my direct rehearing testimony, and repeated earlier
563 in this testimony, Respondent Exhibit 53.1 (now updated and labeled Respondent Exhibit
564 55.1) substantiates material increases in A&G expenses in rates from *the* prior case to the
565 current case. For any of the above savings numbers to be relevant for inclusion on that
566 exhibit, the costs that give rise to the merger savings have to be in rates approved in the
567 prior DST rate cases. Otherwise, the savings are not part of the explanation for changes
568 in A&G expense in prior rates compared with Respondents' current requested levels.

569 The above is true for each of the Ameren Illinois Utilities, but it is particularly on
570 point for AmerenCILCO, whose prior test year was based on an historical level of
571 expense far below years before and after the test year, and well below levels just prior to
572 submission of testimony in support of the merger. For example, A&G labor expense,

573 which is typically the largest area of A&G savings in a merger, was virtually non-existent
574 in prior approved rates (see line 535 of my direct rehearing testimony).

575 **Q. At lines 494-507 of his testimony, Mr. Lazare concludes his discussion of the CIPS
576 and CILCO mergers. Please respond.**

577 A. That discussion simply ignores the facts in this case. The facts are that AMS costs make
578 up over 60% of A&G costs in the present rate cases. AMS costs impacting A&G
579 expense in this case are based on May-October 2005 annualized data, except for
580 pensions, OPEBs, and Major Medical expenses, which are based on 2005 actual expense
581 per the November 21 Order. A&G savings in AMS costs realized by May 2005-October
582 2005 are reflected in Respondents' proposed surrebuttal level of A&G expense. In
583 addition, A&G costs incurred to integrate systems, improve processes, comply with
584 increasing regulatory requirements and external factors realized by May-October 2005
585 are also in the surrebuttal level of A&G expense.

586 **Q. At lines 565-570 of his testimony, Mr. Lazare draws some conclusions about the
587 internal audit process. Is his concern valid?**

588 A. No. To my knowledge, Ameren's internal audits or internal audit process have not been
589 criticized by the Commission, Staff, or other interested parties as lacking or incomplete,
590 absent Mr. Lazare's comment here. I am not aware that Mr. Lazare has undertaken any
591 review of the audit itself, or inquired about the review process undertaken.

592 **Q. How many hours did it take to conduct the internal audit for Service Request
593 Billing attached to Mr. Lazare's testimony?**

594 A. We estimate, based on conversations with Ameren's Manager of Internal Audit
595 responsible for conducting this audit, that it took about 250 hours to complete the audit

596 that Mr. Lazare discusses. The Manager of Internal Audit has also estimated that the
597 recommendation made by Ms. Jones at lines 186-188 of her testimony would
598 significantly increase the numbers of hours spent on this audit, if adopted by the
599 Commission.

600 **Q. Beginning at line 572 of his testimony, Mr. Lazare expresses concern about the**
601 **proposed level A&G expenses as it relates to pension and health care benefits**
602 **pertaining to retired employees. Is his concern valid?**

603 **A.** No. As indicated in response to a number of data requests from Mr. Lazare, the
604 Commission approved agreements to spin off the generation assets for each of the
605 Ameren Illinois Utilities. These spin off agreements were conducted pursuant to Section
606 16-111 (g) of the Public Utilities Act concerning the proposed sale of generating plants.
607 The approved agreements contemplated that all pension and health care assets and
608 liabilities related to retirees would be retained by the Ameren Illinois Utilities.

609 **Q. Mr. Lazare complains that the responses to data requests requesting information on**
610 **pension and health care benefits pertaining to retired employees were vague. Is he**
611 **correct?**

612 **A.** No. The Ameren Illinois Utilities provided the requested information. Staff did not
613 contact Respondents after submission of the responses to indicate that either the questions
614 weren't answered, nor did Staff send any follow-up requests to obtain more information.

615 **Q. Mr. Lazare also complains that the responses to data requests estimated health care**
616 **and pension costs. Is this correct?**

617 **A.** No. The amounts provided were not estimates. The responses indicated the amounts are
618 not determinable and cannot be estimated. However, the Respondents developed a

619 reasonable allocation, in order to comply with the requests, based upon use of broad
620 assumptions to assess the magnitude of retiree share of such costs, and in turn the
621 production retiree share of the retiree share of such costs. Accordingly, Mr. Lazare's
622 complaint is groundless.

623 **Q. Mr. Lazare also complains that the responses to Data Requests did not provide any**
624 **accompanying explanation or workpapers. It this a valid complaint?**

625 A. No. Mr. Lazare in his requests asked for amounts. Explanations were also provided.
626 Workpapers were not requested. Thus, the Ameren Illinois Utilities provided the
627 requested information. Based upon the fact that pension and health care costs assets are
628 not maintained separately for active vs. retired employees, and retired employees are not
629 flagged as to whether they retired in production role per se, Respondents provided
630 reasonable responses to the underlying requests.

631 **Q. Can you provide some additional explanation regarding why it is appropriate,**
632 **under these circumstances, to include these costs for recovery in rates?**

633 A. Yes. First of all, the Commission encouraged spin-off of generation assets as part of the
634 deregulation process. The underlying agreements were structured to put delivery service
635 customers in the same overall position as if the transfer had not occurred, consistent with
636 the provisions of Section 16-111 (g) of the Public Utilities Act.

637 Second, the active years of service for the since retired employees were on behalf
638 of the Ameren Illinois Utilities and customers served by the Ameren Illinois Utilities
639 during the years of active employment., not on behalf of the newly established company.

640 Third, the allocation of pension and OPEB benefits in an acquisition or divestiture
641 situation is complex given that the actual cost of those benefits is not known until each

642 plan participant has received his or her last pension payment or the last retiree health care
643 claim has been paid.

644 Fourth, it is reasonable for ratepayers to be responsible for shortfalls or benefit
645 from surpluses resulting from pension and OPEB benefits that are promised to retirees
646 that worked their entire career for a regulated utility.

647 Fifth, since the actual cost of those benefits is not known until each plan
648 participant has received his or her last pension payment or the last retiree health care
649 claim has been paid, the costs or gains from the group of production retirees would have
650 been allocated to ratepayers if the spin-off of generation had not occurred.

651 Sixth, if the pension plan, for example, had a significant surplus of assets at the
652 time the production group was spun off, then spinning off liabilities and assets for
653 production retirees would have required a portion of the surplus assets, funded by
654 ratepayers, to be transferred to the new non regulated production company.

655 Seventh, even if the plan had a shortfall and assets and liabilities were spun off for
656 production retirees and all those retirees deceased shortly thereafter, then the resulting
657 plans for the active production employees would benefit from a surplus of assets that
658 should have otherwise been used to offset future ratepayer costs.

659 **Q. Do you believe Mr. Lazare would endorse the sixth or seventh option outlined**
660 **above?**

661 A. I doubt that he would endorse such an option, although he is quick to point towards
662 Respondents' allocation approach to endorse an approach that he perceives takes costs
663 the other direction. As indicated above, it is impossible to know precisely how assets and

664 liabilities associated with retirees would have differed if the plans had been split
665 originally.

666 **Q. Do you have any additional comments regarding why it is appropriate, under these**
667 **circumstances, to include these costs for recovery in rates?**

668 A. Yes. To the extent there unfunded costs, which cannot be determined absent an
669 allocation, such costs represent retiree (production and non-production) legacy costs
670 during years of service performed on behalf of the regulated utility, to the benefit of
671 ratepayers. Also, it should be noted that when assets were spun off for the legacy
672 liabilities for active production employees, assets less than liabilities were transferred to
673 the non regulated generation company. The cost for this unfunded liability is not being
674 borne by delivery service ratepayers, but by the new generation company. This cost was
675 incurred during the years that these production employees were working for a regulated
676 utility. In summary, it would be inconsistent to “cherry pick” and reduce the cost of
677 service for an allocated share of production retirees with making a parallel adjustment in
678 the opposite direction for the legacy liabilities of active production employees.

679 **Q. Is Mr. Lazare correct when he says that ratepayers did not receive any**
680 **remuneration for the spin-off of generation? Please comment.**

681 A. His contention is not relevant in determining whether the utilities should be able to
682 recover these costs. Ratepayers had no property interest in the undepreciated portions of
683 the plants, and were entitled to no compensation. Second, the transfers were encouraged
684 by the General Assembly as part of electric restructuring and authorized by the
685 Commission. There was no requirement for any remuneration to ratepayers, only that the

686 rate freeze and service not be threatened. Neither was threatened, and after the transfers,
687 customers continued to enjoy the benefits of the rate freeze.

688 **Q. If the Commission elects to functionalize a portion of pensions and/or OPEBs**
689 **expense to production, as Mr. Lazare has suggested, what additional considerations**
690 **must the Commission make in its determinations of cost recovery in this case?**

691 A. If such costs are functionalized to production, they should be recoverable from power
692 supply customers of the Ameren Illinois Utilities through the Supply Procurement
693 Adjustment provision of Rider MV. The express language in the SPA states in relevant
694 part: "This adjustment shall also include all costs including capital and operating costs for
695 generation resources incurred outside of the CPA process and any costs assigned to the
696 power supply administration function in the Company's delivery service rate cases, as
697 approved by the Commission from time to time."

698 **Reporting Requirements**

699 **Q. Did Staff witness Jones make any recommendations regarding reporting**
700 **requirements?**

701 A. Yes, she suggests the following reporting requirements with the intended purpose of
702 scrutinizing AMS charges to the Ameren Illinois Utilities:

- 703 • An annual audit report by AMS Internal Audit Department
- 704 • An annual evaluation report of the Service Request policies
- 705 • A report identifying the specifics of the bench marking plan
- 706 • A report documenting the specifics of the customer review process
- 707 • An annual report documenting all customer reviews
- 708 • A quarterly report documenting cost/billing challenges
- 709 • A report on the internal control analysis

710 **Q. What comments do the Ameren Illinois Utilities have regarding this**
711 **recommendation?**

712 A. While the Ameren Illinois Utilities do not oppose the reporting requirements, the intent or
713 objective of filing the reports should be further explained. The Ameren Illinois Utilities
714 file a number of reports containing information on topics which are subsequently litigated
715 in rate proceedings. Historically, the Ameren Illinois Utilities have received little to no
716 feedback on the contents of such reports. The Ameren Illinois Utilities are willing to
717 cooperate with the Staff in this regard, but how this data can or will be used continues to
718 be unclear.

719 **Q. Under what scenario would the recommended reporting requirements be**
720 **reasonable?**

721 A. If the Staff of the Commission routinely reviews the reports, provides comments
722 regarding areas of concern based upon the contents of such reports within a reasonable
723 period of time, and signs off on the reasonableness of such costs, thereby eliminating the
724 potential of re-litigating the cost issues in the next rate proceeding, then the reporting
725 requirements would serve a purpose. Clearly, any costs associated with the preparation
726 of such reports would be directly assigned to the Ameren Illinois Utilities.

727 **Q. Do the Ameren Illinois Utilities substantially agree with the recommendation?**

728 A. For the most part. In the spirit of compromise the Ameren Illinois Utilities are willing to
729 provide the reports except that which calls for the specifics of the bench marking plan.
730 By agreeing to provide these reports, I am not suggesting that the current processes are in
731 any way deficient. Both Mr. Adams and I have explained throughout the legitimacy of
732 the AMS charges and described the protocols in place that ensure the integrity of the

733 AMS charging progress. For example, currently on a bi-annual basis, an evaluation
734 report of the Service Request policies is provided the Staff. I am not aware that the Staff
735 has taken issue with the contents and conclusions reached in the report in prior years.
736 Note that the creation of this particular report takes approximately 250 hours. Obviously
737 creating the report on an annual basis will mean doubling the hours to be expended, and
738 doubling the expense to our customers. Nonetheless, the Ameren Illinois Utilities will
739 provide the information and reports as described if the Commission believes it will be
740 valuable..

741 **Q. You have indicated opposition to proving the specifics of a bench marking plan.**
742 **Please explain why that is the case?**

743 A. First, the requested report is vague in terms of scope and direction. It is not clear if all or
744 some of the AMS services are to be bench marked, as one example. Mr. Adams
745 previously offered testimony, unrebutted, explaining how certain of the services offered
746 by AMS really do not exist in the market place or are otherwise so industry specific that
747 bench marking would be impractical. Further, Mr. Adams also testified to the current
748 state of bench marking and I am not aware that Staff has taken specific issue with those
749 processes. It is not clear as to what is intending in terms of timing, that is, a plan that
750 reviews current bench marking practices, later bench marking efforts, a proposal to
751 develop new bench marking practices, and so forth.

752 **Summary of Substantiated Increases In A&G Expense**

753 **Q. Please summarize the substantiated increases in A&G expenses you have supported**
754 **in your rebuttal rehearing testimony.**

755 A. Respondents' Exhibit 55.1, Schedule 1. Page 1 summarizes the substantiated increase in
756 A&G expenses compared to prior authorized levels. The total amount of substantiated
757 increase in A&G expense is \$105.663 million, as shown on line 16. Included in this total
758 is \$51.681 million of Pensions and Benefits expense (Resp. 55.1, Sch. 1, line 4).

759 **Conclusion**

760 **Q. Does this conclude your surrebuttal rehearing testimony?**

761 A. Yes, it does.