

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

REBUTTAL TESTIMONY

ON REHEARING

OF

MICHAEL J. ADAMS

Submitted On Behalf

Of

CENTRAL ILLINOIS LIGHT COMPANY d/b/a AmerenCILCO
CENTRAL ILLINOIS PUBLIC SERVICE COMPANY d/b/a AmerenCIPS
ILLINOIS POWER COMPANY d/b/a AmerenIP

February 28, 2007

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4 **I. Introduction and Witness Qualifications**

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

6 A. My name is Michael J. Adams. My business address is 77 South Bedford Street,
7 Suite 400, Burlington, Massachusetts 01803.

8 **Q. Are you the same Michael J. Adams who previously submitted**
9 **testimony in this proceeding?**

10 A. Yes, I am.

11 **Q. On behalf of which parties are you presenting this rebuttal testimony?**

12 A. I am sponsoring this testimony on behalf of Central Illinois Light Company d/b/a
13 AmerenCILCO, Central Illinois Public Service Company d/b/a AmerenCIPS and
14 Illinois Power Company d/b/a AmerenIP (each individually, the "Company" and
15 collectively the "Ameren Illinois Utilities").

16 **II. Purpose and Scope**

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

18 A. The purpose of my testimony is to respond to the direct testimonies on rehearing
19 of Illinois Commerce Commission ("ICC" or the "Commission") Staff witnesses
20 Theresa Ebrey and Peter Lazare.

21 **Q. Are you sponsoring any schedules?**

22 A. Yes, in addition to my rebuttal testimony on rehearing which has been marked as
23 Respondents' Exhibit 56.0, I am sponsoring Respondents' Exhibit Nos. 56.1 and
24 56.2.

25 **Q. Based upon the Commission's Order, what is the scope of the review**
26 **on rehearing of Ameren Services Company's ("AMS") costs?**

27 A. The Commission identified five areas of review in its final Order:

- 28 1. Magnitude of the increase in administrative and general ("A&G")
29 expenses;
- 30 2. Substantiation of the increased A&G expenses;
- 31 3. Comparison of AMS' costs with market costs;
- 32 4. Analysis of the services provided by AMS; and
- 33 5. Details on how AMS' costs are allocated among the Ameren
34 Corporation's ("Ameren") subsidiaries.

35 **Q. Have you provided evidence in response to the Commission's areas of**
36 **review?**

37 A. Yes. I have addressed each of the Commission's areas of concern in my direct
38 testimony on rehearing. The purpose of my rebuttal testimony is to respond to the
39 issues raised by Staff witnesses Ebrey and Lazare and to further substantiate the
40 evidence to justify AMS' costs.

41 **Q. Do you have some general observations regarding the Staff's testimony?**

42 A. Yes, I do. The Ameren Illinois Utilities readily concede that they bear the burden
43 of proof in this proceeding. They understand that they must show their A&G
44 costs to be reasonable. The Staff concludes that the Ameren Illinois Utilities have
45 not done so. One would think that somewhere in the Staff's testimony there
46 would be an example of at least one item that the Staff believes to be
47 unreasonable in amount – one example of an instance in which the Ameren
48 Illinois Utilities are incurring an excessive expense for a necessary utility
49 function. Staff, however, fails to identify even one.

50 In fact, there doesn't seem to be any aspect of the Ameren Illinois
51 Utilities' operations that Staff finds unreasonable. The Staff does not challenge
52 the Ameren Illinois Utilities' booking of A&G expenses to the accounts to which
53 they are booked. The Staff does not challenge the Ameren Illinois Utilities'
54 assignment or allocation of any specific A&G costs to any particular company –
55 nor would it be easy for them to do so. The assignments and allocations are
56 governed by the General Services Agreement ("GSA"), and Staff has not
57 indicated that any provisions of that agreement are unreasonable or that any of the
58 allocation factors are unreasonable, inappropriate or inaccurate. Moreover, there
59 is no question that the Ameren Illinois Utilities have applied the GSA terms as
60 written.

61 Thus, the situation is this: the Ameren Illinois Utilities have booked A&G
62 costs as they should have and as they are required to. Staff's complaint that A&G
63 costs are too high cannot be based on any mis-assignment or misallocation of
64 such costs.

65 The Ameren Illinois Utilities fully recognize that recording A&G costs
66 properly is not the end of the story. Those costs also must be prudent and
67 reasonable in order to be recovered in full from customers. And on this point,
68 Staff's analysis is no clearer or persuasive. Staff's point of comparison continues
69 to be to levels from several years ago, based on a labor expense allocator the
70 Commission has now abandoned. Staff argues, in effect, that unless the utilities
71 can show *why* each line item increased since that time – without attributing any
72 portion of the increase to the now discredited labor allocator – then the costs are
73 per se unreasonable, irrespective of whether they are consistent with other
74 measures of reasonableness.

75 This is no basis for ratemaking. It is no stretch to state that the Ameren
76 Illinois Utilities simply could not run their utilities on the amount of A&G
77 expense that the Staff recommends in its testimony. Notably, the Staff does not
78 recommend where the utilities should make cuts. Their view is simply that,
79 overall, the number is too high in comparison to 2000 levels.

80 What the Commission needs to do in this case is, in short, forget about the
81 labor expense allocator. It is not how the utilities accounted for A&G expense

82 when the Commission used the allocator for ratemaking purposes, and it is not
83 how they have accounted for these costs since. The Commission should look to
84 the metrics of reasonableness we offered in our direct testimony on rehearing, and
85 when it does, it will see that the A&G expense levels proposed by the Ameren
86 Illinois Utilities are reasonable.

87 As Company witness Stafford explains, the utilities are accepting much of
88 Staff's recommendation regarding future reporting, so the Commission can track
89 future developments.

90 If the Commission does not accept the overall reasonableness of A&G
91 expense, then at the very least it should do what it purported to do in the Order in
92 this case – allow only demonstrable increases in A&G expenses since the last
93 cases for each utility. Staff simply ignored these items in its testimony – or
94 addressed with circular logic. Company witness Stafford laid them out in detail in
95 his direct, and touches on them again in his rebuttal.

96 **III. Standard of Reasonableness**

97 **Q. Much of the Staff testimony questions whether the Ameren Illinois**
98 **Utilities have been able to justify certain costs. To what standard are**
99 **the utilities being held by Staff in this proceeding regarding the**
100 **demonstration of reasonableness of Ameren Services Company's**
101 **("AMS") costs?**

102 A. It is unclear. Staff never articulates its standard of reasonableness. The standard
103 employed by Staff witnesses Ebrey and Lazare – to the extent there is one – is
104 self-serving and conclusory. Since we did not meet their standard – whatever it is
105 – they conclude that A&G costs are unreasonable. To the extent I can tell what
106 their standard is, it appears that Staff requires a year-by-year, account-by-account
107 justification for all changes in A&G costs since 2000. This, to say the least,
108 expands the test year concept.

109 **Q. Please elaborate.**

110 A The Ameren Illinois Utilities acknowledge that they have the burden to both
111 document and justify their expenses. The Ameren Illinois Utilities have justified
112 AMS' costs in their direct, rebuttal and surrebuttal testimonies and exhibits in the
113 direct phase of these proceedings. The Commission concluded, however, that
114 additional evidence was required to justify over \$50 million of A&G costs. The
115 Ameren Illinois Utilities have provided a significant level of information
116 regarding those costs, and the services to which they relate, in this rehearing
117 phase of the proceedings. In their direct testimony on rehearing, Staff has lobbed
118 criticisms regarding the Ameren Illinois Utilities' evidence. To some extent
119 Staff's standard being applied can best be described as "I don't know what I want
120 or need to justify the expenses, but I will tell you when I see it." Such a standard
121 is arbitrary and impossible to achieve.

122 **Q. What was the Commission's primary concern when the decision was**
123 **made to exclude the incremental \$50 million of A&G costs?**

124 A. The November 21, 2006 Order stated:

125 The Commission is concerned about the magnitude of the increase
126 in A&G expenses and the lack of substantiation for these increases.
127 It seems that the increase may be attributable to the Ameren
128 companies' relationship with Ameren Services. However, the
129 record does not contain enough information for the Commission to
130 assess whether the Ameren companies are being allocated a fair
131 share of the costs of these services for ratemaking purposes or
132 whether the amounts paid to Ameren Services are reasonable for
133 such services.¹

134
135 The Commission continued by directing the Ameren Illinois Utilities to provide
136 the following information:

137 Therefore, the Commission directs the Ameren Companies to
138 conduct a study to show the costs of services obtained from
139 Ameren Services and compare those costs with market costs.
140 Also, as part of the study, the Ameren companies shall provide an
141 analysis of the services provided by Ameren Services to all
142 Ameren companies and provide details on how those costs are
143 allocated among the companies.²

144 **Q. Have the Ameren Illinois Utilities provided the information required**
145 **by the Commission in its November 21, 2006 Order?**

146 A. Yes. The Ameren Illinois Utilities provided testimony and exhibits explaining the
147 increases in the overall level of A&G expenses. As described in my direct
148 testimony on rehearing, AmerenCILCO and AmerenCIPS actually experienced a

¹ November 21, 2006 Order, pp. 66-67.

² Ibid, p. 67.

149 decline in the overall level of A&G expenses since 2000. AmerenIP experienced
150 only a slight increase in the overall level of A&G expenses since 2000.

151 My direct testimony also describes how the increase in A&G
152 expenses to which the Commission's Order refers is actually the result of
153 the allocation methodologies used in prior delivery service proceedings
154 whereby an excessive amount of each of the Ameren Illinois Utilities'
155 then current A&G expenses were allocated to the electric generation
156 function, contrary to cost causation principles. This inappropriate
157 allocation methodology was further exacerbated in the case of AmerenIP
158 (then Illinois Power) by the fact that the Company did not even own
159 electric generation facilities. Therefore, the increase in A&G expenses
160 which the Ameren Illinois Utilities are seeking to recoup from delivery
161 service customers in this proceeding reflect a reversal of past allocation
162 methodologies and reflect the allocation of A&G costs based upon solid
163 cost causation principles.

164 **Q. You have mentioned "cost causation principles" a few times. What do**
165 **you mean by cost causation principles?**

166 A. The fundamental and underlying philosophy applicable to all cost studies pertains
167 to the concept of cost causation for purposes of allocating costs to individual lines
168 of business. Cost causation addresses the question of which line of business (and
169 which customers served) causes particular types of costs to be incurred. To

170 answer this question, it is necessary to establish a link between the costs incurred
171 to provide a given service and the companies which benefit from the provisioning
172 of such service.

173 **Q. Do cost causation principles mean that a portion of every expense**
174 **should be allocated to each of the Ameren subsidiaries?**

175 A. No. Despite the apparent positions espoused by Staff witnesses Ebrey and
176 Lazare, a portion of the costs of each service request should not be allocated to
177 each of the Ameren subsidiaries unless each company benefits in some manner
178 from each service.

179 **Q. Are AMS' costs assigned or allocated to specific lines of business**
180 **based upon sound cost causation principles?**

181 A. Yes. The allocation methodologies employed by AMS to assign or allocate its
182 costs to specific Ameren subsidiaries are based upon sound cost causation
183 principles. These allocation methodologies have been tested and approved by
184 regulatory agencies such as the U.S. Securities and Exchange Commission
185 ("SEC"). The external auditors would also test the allocation practices as part of
186 their attestation of the financials. Further, the allocation methodologies have been
187 tested and approved by Ameren's internal auditors. The direct testimony of
188 Company witness Martin J. Lyons fully described this allocation methodology
189 and internal auditing process. (AmerenCILCO, AmerenCIPS, and AmerenIP
190 Exhibits 2.0, pp. 4-8). Notably, neither Staff nor any other party took issue with

191 the processes Company witness Lyons' testimony describes – not in the primary
192 case, and not on rehearing.

193 **Q. To what standards do you believe the Ameren Illinois Utilities should**
194 **be held when validating the appropriateness of AMS' costs?**

195 A. The standards to which the Ameren Illinois Utilities should be held, in terms of
196 the portion of their A&G costs which were assigned or allocated from AMS,
197 consist of the following three criteria:

- 198 1. Were the services provided by AMS to the Ameren Illinois
199 Utilities necessary to provide service to the Companies'
200 customers?
- 201 2. Were the costs associated with the services reasonable?
- 202 3. Were the costs allocated to the appropriate entities which benefit
203 from such services in a manner consistent with sound cost
204 causation principles?

205 If the answer to each of these questions was affirmative, then the portion
206 of the Ameren Illinois Utilities' A&G expenses which were assigned or
207 allocated to the Ameren Illinois Utilities from AMS should be deemed
208 reasonable and should be included in each Companies' revenue
209 requirement and recovered from the Companies' delivery service
210 customers.

211 **Q. Have the Ameren Illinois Utilities provided sufficient information to**
212 **address each of your proposed standards and to conclude that AMS'**
213 **costs, as assigned or allocated to the Ameren Illinois Utilities, are**
214 **reasonable?**

215 A. Yes. The following response was provided in response to Staff data request PL-
216 10.28:

217 The conclusion that "AMS costs have been shown to be
218 reasonable" is based upon the analysis that was performed in
219 support of the direct testimony on rehearing of Mr. Adams. As the
220 testimony and related exhibits set forth, the Ameren Illinois
221 Companies have, for the most part, declining trends in the overall
222 level of A&G costs (see Respondent's Exhibits 54.1 and 54.2).
223 Mr. Adams has also concluded that the service request and
224 associated allocation process is reasonable. The benchmarking of
225 the A&G costs for each of the Ameren Illinois Companies was
226 shown to be in the first and second quartiles of similarly sized
227 utilities (see Respondent's Exhibits 54.9 and 54.10). The salaries
228 paid to AMS employees was shown to be reasonable based upon
229 market comparisons (see Respondent's Exhibit 54.11). Staffing
230 levels at AMS have held fairly constant over the last five years
231 despite the acquisition of two additional companies (see
232 Respondent's Exhibit 54.12). Finally, given the benchmarking
233 studies routinely performed by AMS' Information Technology
234 group regarding its costs and the outsourcing studies which have
235 been performed by AMS, the statement on page 30, lines 665-666
236 is an accurate statement and fully supported by the testimony and
237 exhibits of Mr. Adams.

238 I believe the Ameren Illinois Utilities have provided sufficient evidence
239 throughout the entirety of these proceedings for the Commission to
240 reasonably conclude that the A&G expenses, including that portion which
241 has been directly assigned or allocated by AMS to each of the Ameren

242 Illinois Utilities are appropriate, reasonable, and fully supported by the
243 evidence in this proceeding.

244 **Q. What are the bases for Staff's criticism of the evidence provided by the**
245 **Ameren Illinois Utilities regarding the reasonableness of the A&G costs,**
246 **including the portion of AMS' costs which were assigned or allocated to the**
247 **Ameren Illinois Utilities?**

248 A. Absent any standards by which to evaluate the reasonableness of the Ameren
249 Illinois Utilities' A&G expenses, the Staff testimony merely raises a few
250 questions or alleged concerns regarding certain allocations and summarily
251 dismisses all of the evidence presented by the Ameren Illinois Utilities. Staff thus
252 dismisses the Ameren Illinois Utilities' studies without ever questioning the
253 reasonableness of a single service provided by AMS; without expressing a
254 concern regarding the level of expense incurred; and without raising a legitimate
255 concern related to the allocation factors employed by AMS or the resulting
256 allocated amounts. Similarly, Staff does not offer a position with regards to the
257 level of increases in the A&G expenses experienced by the Ameren Illinois
258 Utilities. I will discuss the specific questions or concerns raised by each of the
259 Staff witnesses.

260 **Q. Are there significant inputs to the assessment of the reasonableness of**
261 **the Ameren Illinois Utilities' A&G costs for which the Staff witnesses**
262 **remained silent in their direct testimonies?**

263 A. Yes. The Staff witnesses took no issue with the wage surveys which are
264 performed to assess the market comparability of the wages paid to AMS
265 (and all other Ameren subsidiaries) employees. Nor did Staff express
266 concerns regarding the staffing levels of AMS or the Ameren Illinois
267 Utilities. The Staff witnesses did not express concerns regarding the
268 benchmarking studies performed by the Information Technology
269 Department to assess the reasonableness of its costs. Finally, Staff did not
270 comment on the outsourcing studies performed by AMS to evaluate the
271 costs of its services to those of external providers.

272 **Q. Why is it significant that Staff did not express concerns regarding the**
273 **aforementioned studies?**

274 A. As I mentioned in my direct testimony on rehearing, the major cost component of
275 AMS' services would be associated with personnel costs. If the wages and
276 staffing levels are deemed to be appropriate, a significant portion of the overall
277 costs would also have to be deemed to be reasonable.

278 **IV. Response to Staff witness Ebrey**

279 **Q. Have you reviewed the direct testimony on rehearing of Staff witness Ebrey?**

280 A. Yes, I have.

281 **Q. To what issues raised by Staff witness Ebrey do you plan to respond?**

282 A. I will respond to Staff witness Ebrey's discussion in her direct testimony on
283 rehearing regarding 1) A&G expense levels, 2) her comparison of AMS charges

284 to A&G expense and 3) the allocation of AMS costs to the Ameren Illinois
285 Utilities.

286 **Q. Staff witness Ebrey asserts that you have not explained why the Ameren**
287 **Illinois Utilities have reverted to the level of A&G expenses presented in the**
288 **direct case as opposed to the level contained in the surrebuttal case. How do**
289 **you respond?**

290 A. The Ameren Illinois Utilities are not asking to include in rates the A&G expenses
291 which were initially presented in their direct cases as filed in December 2005.
292 The exhibits were created reflecting the originally filed levels of A&G expenses
293 merely for simplicity of presentation.

294 **Q. What level of A&G expenses are the Ameren Illinois Utilities seeking to**
295 **recover in the rehearing phase of these proceedings?**

296 A. Company witness Stafford presents the requested level of A&G expenses which
297 the Ameren Illinois Utilities seek to recover in these proceedings. As Company
298 witness Stafford explains in his rebuttal testimony on rehearing, the Ameren
299 Illinois Utilities are requesting A&G expenses of \$150.5 million.

300 **Q. What do Respondents' Exhibits 54.1 and 54.2 show?**

301 A. As I describe in my direct testimony on rehearing, Respondents' Exhibits 54.1
302 and 54.2 show the trend in overall A&G expenses for each of the Ameren Illinois
303 Utilities for the calendar years 2000 through 2004, as well as the test year expense

304 levels requested in these proceedings. Respondents' Exhibit 54.1 shows the trend
305 of total A&G expenses while Respondents' Exhibit 54.2 shows the trend of total
306 A&G expenses excluding pensions and benefits expenses.

307 **Q. Does Staff witness Ebrey criticize the content of Exhibits 54.1 and 54.2?**

308 A. Yes. Her sole criticism appears to be that the portion of the graphs representing
309 the test year level of A&G expenses of each of the Ameren Illinois Utilities
310 represents electric distribution expenses only.

311 **Q. Have you prepared an exhibit to address Staff witness Ebrey's concern?**

312 A. Yes I have. Respondents' Exhibit 56.1 presents the same information as was
313 contained in Respondents' Exhibit 54.2, with two exceptions. The exceptions are
314 1) that the test year level of A&G expenses reflects the expenses per the Ameren
315 Illinois Utilities' surrebuttal testimony and are "grossed up" by the appropriate
316 jurisdictional allocator factor to derive the total electric amount of A&G expenses
317 and 2) the exhibit shows actual information for the calendar years 2005 and 2006.
318 The information is presented in a stacked bar format as opposed to the tabular
319 view presented by Staff witness Ebrey.

320 **Q. Please describe the results of the updated analysis, as shown on Respondents'**
321 **Exhibit 56.1.**

322 A. Respondents' Exhibit 56.1 shows the trend in A&G expense levels for the electric
323 business of each of the Ameren Illinois Utilities from the year 2000 through 2006.
324 Information is also shown for the test year per the surrebuttal filings of each of the

325 Ameren Illinois Utilities. The exhibit shows that the A&G expense levels have
326 actually declined in total from 2000 levels. Further, Exhibit 56.1 shows that the
327 Ameren Illinois Utilities' A&G expenses have remained relatively flat since 2001,
328 contrary to the position implied by Staff witness Ebrey.

329 **Q. What impact did addressing Staff witness Ebrey's concern regarding the test**
330 **year data have on the overall analysis of the Ameren Illinois Utilities' A&G**
331 **expense levels?**

332 A. The information in Respondents' Exhibit 56.1 for the years 2000 through 2004
333 did not change. The information for the test year was modified to reflect total
334 electric figures per the Ameren Illinois Utilities' surrebuttal testimony as opposed
335 to the electric distribution only figures that were originally reflected in
336 Respondents' Exhibits 54.1 and 54.2. Further, information was included on the
337 graph for the calendar years 2005 and 2006. The conclusions drawn from the
338 analyses were not impacted by addressing Staff witness Ebrey's concern.

339 **Q. Staff witness Ebrey argues that Staff Schedules 24.1, 24.2 and 24.3 show a**
340 **better tracking of the year-to-year variance in total A&G expenses for each**
341 **of the Ameren Illinois Utilities. How do you respond?**

342 A. I have two observations regarding Staff witness Ebrey's schedules. The first is
343 that the information presented in each of the exhibits for the years 2000 through
344 2004 is identical to that which is presented in Respondents' Exhibits 54.3, 54.4

345 and 54.5. The only difference is that Staff witness Ebrey presents the information
346 in tabular form as opposed to graphically.

347 My second observation is that Staff witness Ebrey is attempting to justify
348 the Commission's exclusion of the \$50.3 million of AMS costs by including 2005
349 and 2006 projected expenses in the analysis. As I show in Respondents' Exhibit
350 56.1, the overall A&G expense levels have declined from 2000 to 2006. The
351 surrebuttal test year A&G expense levels reflect that decline.

352 **Q. Does Staff witness Ebrey offer an opinion or conclusion regarding the overall**
353 **level of A&G expenses incurred by the Ameren Illinois Utilities?**

354 A. No, she does not.

355 **Q. Does Staff witness Ebrey offer any insights, conclusions or opinions on the**
356 **allocation of the incurred levels of AMS' expenses to the electric distribution**
357 **businesses of the Ameren Illinois Utilities?**

358 A. No, she does not.

359 **Q. Do you have any further observations regarding Staff witness Ebrey's**
360 **analysis of the Ameren Illinois Utilities' A&G expense level trends?**

361 A. Yes. It appears that Staff witness Ebrey's analysis is focused more on justifying
362 the Commission's elimination of the \$50.3 million of A&G expenses than it is on
363 assessing the reasonableness of the Ameren Illinois Utilities' A&G expenses.

364 Based upon the analyses presented by Staff witness Ebrey, the only way by which
365 she can conclude that the Commission's adjustment was reasonable was to
366 inappropriately include data from 2005 and 2006 in the analysis. Even when
367 2005 and 2006 data are included, Staff witness Ebrey makes no assessment of the
368 reasonableness of the Ameren Illinois Utilities' A&G expenses; she merely
369 concludes the information is consistent with or somehow justifies the
370 Commission's adjustment. Staff's role in this rehearing should not have been to
371 justify the Commission's adjustment, but rather to evaluate the evidence provided
372 by the Ameren Illinois Utilities to assess the reasonableness of the expense levels
373 in the test year.

374 **Q. Staff witness Ebrey expresses concern regarding the percentages of the**
375 **Ameren Illinois Utilities' A&G expenses which are attributable to services**
376 **provided by AMS. Is Staff witness Ebrey's concern warranted?**

377 A. No. The percentages were provided for informational purposes only. They are
378 not used in any manner to determine the level of A&G expenses which should be
379 recovered from each of the Ameren Illinois Utilities.

380 **Q. Staff witness Ebrey states at page 14 of her direct testimony on rehearing**
381 **that "Ameren's response to Staff data request TEE 13.06 does not indicate**

382 **what, if any, impact this has on the analysis.³” Do you agree with Staff**
383 **witness Ebrey’s statement?**

384 A. No. Despite Staff witness Ebrey’s statement to the contrary, the Respondents’
385 response to Staff data request TEE 13.06 clearly stated “Note that the percentages
386 for AmerenCIPS, AmerenCILCO and AmerenIP are merely used for descriptive
387 purposes in the testimony of Company witness Adams.”⁴

388 **Q. Staff witness Ebrey implies that the Ameren Illinois Utilities share her**
389 **concern regarding the AmerenIP calculation. Do you agree?**

390 A. No. A revised percentage was provided in response to Staff data request TEE
391 13.06. As I stated previously, the percentages were used for informational
392 purposes only to provide an indication of the order of magnitude that AMS’ costs
393 represent in terms of each of the Ameren Illinois Companies’ total A&G
394 expenses. Modifying the AmerenIP response for purposes of responding to
395 Staff’s data request did not impact the Ameren Illinois Utilities’ level of or
396 justification of the A&G expenses.

397 **Q. Why was the AmerenIP percentage modified?**

398 A. The revised calculation reflects a reduction of AmerenIP’s A&G expenses
399 associated with reduced headcount post acquisition. The change in the percentage

³ Direct Testimony of Theresa Ebrey, p. 14, lines 265-266.

⁴ AmerenCILCO’s, AmerenCIPS’ and AmerenIP’s Response to Staff Data Request TEE 13.06.

400 was not the result of a change in AMS allocations. Rather, the change was made
401 to pre-acquisition A&G costs incurred by Illinois Power under its previous
402 ownership which would not be incurred on a going forward basis. The reduced
403 costs were already reflected in AmerenIP's test year expense levels. Therefore,
404 the percentage required modification but the expense levels proposed in these
405 proceedings remain unchanged.

406 **Q. Staff witness Ebrey also expresses concerns regarding a perceived uneven**
407 **allocation of AMS costs. How do you respond?**

408 A. Such a conclusion or position reflects an apparent lack of understanding on the
409 part of Staff witness Ebrey regarding how AMS' costs are allocated. As I
410 described in detail in my direct testimony on rehearing, AMS captures costs via a
411 service request process. Each service request has an allocator which determines
412 the amount of the costs that are assigned to each of the Ameren subsidiaries. This
413 does not mean, however, that a portion of the costs from each service request are
414 assigned to each Ameren subsidiary. To the contrary, many of the service
415 requests are directly assigned to a specific Ameren subsidiary. Therefore, the
416 analysis presented by Staff witness Ebrey is meaningless.

417 **Q. Please elaborate.**

418 A. A simple reading of Staff witness Ebrey's testimony implies that she believes that
419 all costs should be distributed amongst the Ameren subsidiaries based upon their

420 respective asset and expense levels, without regard for cost causation. This, of
421 course, is utterly inappropriate. The utilities would never be expected to subsidize
422 non-utility operations, and the converse should be equally true. Costs should be
423 assigned and allocated in accordance with principles of cost causation, which is
424 precisely what the terms of the GSA are intend to do.

425 Referring to column (B), line 5 of Respondents' Exhibit 54.6, the
426 description of the AMS service request is "CSS Phase 3 (O&M) (Eff. 1-1-2001)".
427 A person with even a superficial understanding of the utility industry should know
428 that "CSS" stands for customer service system. As shown in column (D) of the
429 same exhibit and line, approximately \$7.5 million was charged to this particular
430 service request. As shown in column (C) of the exhibit, the costs assigned to this
431 particular service request are allocated based upon an allocator identified as
432 "002L". Referring to Respondents' Exhibit 54.7, line 49, column (B) shows that
433 the allocator is based upon the number of electric and gas distribution customers
434 in Missouri and Illinois. Columns (R), (S) and (T) of line 49 of Respondents'
435 Exhibit 54.7 sets forth that 59.55 percent, 22.08 percent and 18.37 percent of the
436 charges captured by the service request were allocated to AmerenUE (MO),
437 AmerenCIPS and AmerenCILCO, respectively.

438 **Q. In your opinion, is it logical that Ameren Generating Company ("AmGen")**
439 **did not receive a portion of the costs associated with the CSS?**

440 A. Yes, irrefutably so. The CSS is used exclusively by the local gas and electric
441 distribution companies to maintain records and produce monthly bills on behalf of
442 the distribution companies' customers. AmGen does not use the customer service
443 system. AmGen does not bill the distribution customers directly. AmGen does
444 not maintain records regarding complaints or requests generated by these
445 customers. It is perfectly logical, therefore, that AmGen is not allocated any
446 portion of these costs. Staff witness Ebrey's concern is unwarranted and should
447 be dismissed.

448 **Q. What role does AmGen's level of assets or operating expenses have in the**
449 **allocation of AMS' costs?**

450 A. In a situation where a service request relates to services provided by AMS to each
451 of the Ameren subsidiaries and the level of assets or expenses is a reasonable
452 surrogate for cost causation, it would follow that AmGen would receive a
453 proportional share of such costs. Again, the guiding principle behind the
454 assignment or allocation of AMS' costs has to be cost causation.

455 I will provide further examples and discussion regarding the
456 appropriateness of AMS' assignment and allocation of costs when I address
457 certain issues raised by Staff witness Lazare.

458 **Q. Has the appropriateness of specific allocation factors and how costs would be**
459 **allocated been formerly reviewed and addressed by the Commission?**

460 A. Yes. When AMS was formed, the Commission approved the GSA, which set
461 forth the services which would be provided by AMS and how such costs would be
462 allocated. The GSA was updated and approved as part of the proceedings
463 addressing the acquisition of CILCO and again with the acquisition of Illinois
464 Power.

465 **Q. Has Staff witness Ebrey expressed any specific concerns regarding the**
466 **overall A&G expense levels of the Ameren Illinois Utilities?**

467 A. No, she has not.

468 **Q. Has Staff witness Ebrey identified any specific AMS service requests (and the**
469 **associated services thereby provided) which she deemed to be an unnecessary**
470 **or unwarranted service?**

471 A. No, she has not.

472 **Q. Has Staff witness Ebrey identified any specific costs associated with AMS'**
473 **services which she deemed to be excessive?**

474 A. No, she has not.

475 **Q. Has Staff witness Ebrey identified any specific allocation factors employed by**
476 **AMS to assign or allocate costs to the various Ameren companies which she**
477 **deemed to be in error or inappropriate?**

478 A. No, she has not.

479 **Q. Has Staff witness Ebrey identified any specific costs which were assigned or**
480 **allocated to the Ameren Illinois Utilities which she deemed to be excessive,**
481 **imprudent or unnecessary?**

482 A. No, she has not.

483 **V. Response to Staff witness Lazare**

484 **Q. Have you reviewed the direct testimony on rehearing of Staff witness**
485 **Lazare?**

486 A. Yes, I have.

487 **Q. Does Staff witness Lazare question the validity of your benchmarking of the**
488 **Ameren Illinois Utilities' A&G expenses to those of other utilities?**

489 A. Yes. Staff witness Lazare expresses concerns regarding the inclusion of
490 vertically-integrated utilities in the peer group to which I compared the Ameren
491 Illinois Utilities.

492 **Q. Is Staff witness Lazare's concern warranted?**

493 A. No. Respondents' Exhibit 54.8 identifies the companies I included in the peer
494 group. The information for each of the companies was derived from a
495 commercial service which accumulates and reports information from energy
496 companies Form 1 annual reports to the FERC.

497 As I stated in my direct testimony on rehearing, companies that met the
498 following three criteria were included in the analysis:

- 499 1. Total electricity revenues of between \$200,000,000 and \$1,400,000,000;
500 2. Total electric customers of between 100,000 and 700,000; and
501 3. Total MWH sales of between 5,000,000 and 25,000,000.

502 Based upon these criteria, a peer group of 51 companies, including each of
503 the three Ameren Illinois Utilities, was selected. No distinction was made as to
504 which companies owned generation.

505 **Q. Is it necessary to include a criterion of whether a company owns regulated**
506 **generation when establishing the peer group?**

507 A. No. As Staff witness Lazare states in his testimony, I excluded fuel costs from
508 the analysis in an attempt to put the companies on equal footing. It was pointed
509 out through the data request process that purchased power costs should also be
510 excluded. By excluding these two cost components, the companies should be
511 comparable.

512 **Q. Would the fact that a company owns regulated generation impact the**
513 **benchmarking results?**

514 A. No. As I mentioned, by excluding the fuel and purchased power costs from the
515 analysis, each of the companies should be on equal footing. With regards to the
516 A&G as a percentage of total operations and maintenance ("O&M) expenses, it is
517 true that a company which owns generation may incur slightly higher A&G
518 expenses, but the majority of those additional A&G expenses would likely be in
519 the form of pensions and benefits costs, which also have been excluded from the

520 analysis. Further, the higher A&G expenses would be compared to a higher level
521 of total O&M expenses.

522 Staff witness Lazare's criticism may have been appropriate if the A&G
523 expenses of the peer group companies was being compared to just the distribution
524 O&M expenses. The benchmarking analysis, however, compares the A&G
525 expenses to total O&M expenses, which would include any non-fuel and non-
526 purchased power expenses incurred associated with owning, operating, and
527 maintaining the generation facilities.

528 **Q. Staff witness Lazare makes the statement "In fact, Mr. Adams himself,**
529 **admitted in discovery that his method of backing out fuel expense from the**
530 **analysis was inappropriate".⁵ Do you agree with Staff witness Lazare's**
531 **assessment of your response?**

532 A. No. As the response shown in Staff witness Lazare's testimony shows, I agreed
533 that purchased power expenses should also have been excluded from total O&M
534 expenses before finalizing the comparison of A&G expenses as a percent of total
535 O&M. I do not, however, agree that the backing out of fuel expenses from the
536 analysis was inappropriate.

537 **Q. Does Staff witness Lazare express concerns regarding your benchmarking of**
538 **the A&G costs per customer for the peer group?**

⁵ Direct Testimony on Rehearing of Peter Lazare, p. 6, lines 150 – 152.

539 A. Yes. Staff witness Lazare argues that companies which have divested generation
540 cannot be directly compared with utilities that retain a production component. As
541 I stated previously, once the pensions and benefits expenses are excluded from the
542 analysis (which they have been for purposes of benchmarking the A&G cost per
543 customer), I would expect that there would not be much incremental A&G
544 expenses incurred associated with owning regulated generation. Therefore, I do
545 not believe that there would be a material impact on the benchmarking analysis.

546 **Q. Please elaborate.**

547 A. Many of the A&G accounts would not impact a generation function. For
548 example, Account 927 is Franchise Requirements. The expenses in this account
549 would be attributable to the regulated transmission and distribution (“T&D”)
550 businesses and no portion of the costs would be allocated to the generation
551 function, if it existed.

552 Account 928 contains costs for Regulatory Commission expenses. Again,
553 these costs should be 100 percent attributable to the T&D businesses. Accounts
554 930 and 930.1 contain expenses associated with advertising. It is highly unlikely
555 that the generation business would be placing ads.

556 As I stated, I do not believe that the existence of a generation function
557 would have a material impact on the overall level of A&G expenses.

558 **Q. Staff witness Lazare concludes that the Ameren Illinois Utilities rehearing**
559 **testimony falls short of the Commission's directive to include "an analysis of**
560 **the services provided by Ameren Services Company to all Ameren companies**
561 **and provide details on how those costs are allocated among the companies..."**
562 **How do you respond?**

563 A. I disagree with Staff witness Lazare's conclusion. My direct testimony on
564 rehearing clearly and succinctly identifies the nature of the services provided by
565 AMS to the Ameren Illinois Utilities. A discussion of these services begins on
566 page 10 of my direct testimony on rehearing. With regards to details on how the
567 costs are allocated among the Ameren companies, that is precisely the information
568 that is contained in Respondents' Exhibits 54.6 and 54.7.

569 **Q. Staff witness Lazare complains that the descriptions of each service request**
570 **contained on Respondents' Exhibit 54.7 do not provide meaningful**
571 **information. How do you respond?**

572 A. Additional information can be provided if it had been requested. Each service
573 request has supporting documentation which presents additional details as to the
574 specific nature of the work to be performed. Such descriptive detail typically
575 ranges from 2 to 15 pages in length per service request. Given that there are over
576 1,400 service requests which received charges in 2004, the volume of paper
577 provided would have been significant, so it was not provided as a supporting
578 workpaper. If Staff witness Lazare had asked for the additional detail, it would
579 have been made available to him.

580 **Q. Can the information contained in Respondents' Exhibits 54.6 and 54.7 be**
581 **consolidated in an effort to address Staff witness Lazare's apparent**
582 **concerns?**

583 A. Yes. Respondents' Exhibit 56.2 merges the information previously provided in
584 Respondents' Exhibits 54.6 and 54.7. Admittedly, a little work would have been
585 required on Staff's part to obtain the complete picture, so Respondents' Exhibit
586 56.2 shows the service requests to which AMS charges its costs, the allocator
587 used to allocate those costs, the basis of the allocation, and the amount allocated
588 to each of the Ameren subsidiaries. Previously Staff would have had to work
589 through the multiplication effort to achieve the final result. Respondents' Exhibit
590 56.2 now provides that result.

591 **Q. Please describe the results shown on Respondents' Exhibit 56.2.**

592 A. Respondents' Exhibit 56.2 sets forth information related to the total amount that
593 was billed to each service request in 2004, the allocation methodology, and the
594 amount allocated to each Ameren subsidiary. As the exhibit shows, of the
595 approximately \$380 million of AMS charges during 2004, approximately 15
596 percent was assigned or allocated to AmerenCIPS and approximately 14 percent
597 was assigned or allocated to AmerenCILCO.

598 **Q. Does Respondents' Exhibit 56.2 show that the allocation of AMS' costs**
599 **between the various Ameren subsidiaries is reasonable?**

600 A. No. A single exhibit can not reasonably be expected to provide the information
601 necessary to definitively conclude that the allocation of AMS' costs is reasonable.
602 One must look at the totality of the evidence to make this determination.

603 **Q. In addition to Respondents' Exhibit 56.2, what evidence have the Ameren**
604 **Illinois Utilities provided to facilitate the conclusion that allocation of AMS'**
605 **costs between the various Ameren companies is reasonable?**

606 A. My direct testimony identifies the nature of the services provided by AMS to the
607 Ameren subsidiaries (See Respondents' Exhibit 54.6). I explain how costs are
608 captured and reported by AMS and how those costs are allocated to each Ameren
609 subsidiary (See Respondents' Exhibit 54.7). I presented evidence regarding the
610 how the A&G expenses compare to the level of expenses incurred by a peer group
611 of companies (See Respondents' Exhibits 54.9 and 54.10). Based upon the
612 totality of the evidence, I concluded that the Ameren Illinois Utilities' A&G
613 expenses were reasonable.

614 I described how the A&G expenses of the Ameren Illinois Utilities have in
615 fact declined since 2000 (See Respondents' Exhibit 56.1). I explained in detail
616 the efforts that AMS undertakes to ensure that its costs are reasonable and
617 comparable to those of external providers. Finally, the Ameren Illinois Utilities
618 have responded to numerous data requests during the rehearing phase of this
619 proceeding alone related to AMS' costs.

620 **Q. Staff witness Lazare cites a concern with the Ameren Illinois Utilities'**
621 **justification of the reasonableness of AMS' costs by referring to a service**
622 **request. Please explain his concern.**

623 A. Staff witness Lazare identified a service request labeled as "Project PD" which
624 received AMS charges in the amount of \$12,558,107.96 during 2004. Staff
625 witness Lazare expresses concern that the description does not provide
626 meaningful explanation of the costs. Understandably there will be some projects
627 undertaken by AMS which are confidential and the exact nature of the work
628 performed is unknown. By looking at the allocation methodology associated with
629 the specific service request, however, Staff witness Lazare would have been able
630 to conclude that the service request was assigned directly to Ameren Corporation
631 and that no portion of the service request was assigned or allocated to the Ameren
632 Illinois Utilities.

633 **Q. Does Staff witness Lazare also express concerns regarding why the costs**
634 **associated with two specific service requests were not assigned or allocated to**
635 **AmGen?**

636 A. Yes. Staff witness Lazare questions why the costs associated with the service
637 requests entitled "CSS Phase 3 (O&M) (Eff. 1-1-2001) with costs totaling
638 \$7,487,935 and a service request entitled "Production support for CSS (Eff. 1-1-
639 2001) with costs totaling \$6,009,563.23 were not allocated in total or in part to
640 AmGen.

641 I previously discussed why it is appropriate to assign or allocate the costs
642 associated with the customer service system to only the energy delivery
643 companies. The flaw in Staff witness Lazare's position is that not all companies
644 receive a portion of the costs associated with each service request. As I stated,
645 AmGen has no distribution customers, and as such it does not track scheduled
646 appointments, complaints or other outstanding customer issues. Nor does AmGen
647 produce monthly bills to customers for energy delivery services, things which are
648 routinely tracked via the customer service system. Since AmGen is not a user of
649 the customer service system, it would be inappropriate to assign or allocate any
650 portion of these costs to AmGen. Therefore AMS' allocation methodology is
651 consistent with cost causation principles.

652 **Q. Staff witness Lazare complains that with approximately 1,400 open service**
653 **requests to be allocated among the Ameren subsidiaries it is impossible for**
654 **Staff and the Commission to draw any conclusion about the reasonableness**
655 **of the overall allocation of AMS costs based on the information provided by**
656 **the Ameren Illinois Utilities. How do you respond?**

657 A. I disagree with Staff witness Lazare's position on many fronts. First, in response
658 to Staff data request PL-10.20, the Ameren Illinois Utilities explained that
659 AmerenCIPS was assigned or allocated charges from 480 of the 1,437 service
660 requests which received charges during 2004. Of that amount, 156 were directly
661 assigned to AmerenCIPS. AmerenCILCO was assigned or allocated charges from
662 435 of the 1,437 service requests which received charges during 2004. Of that

663 amount 96 were directly assigned to AmerenCILCO. Therefore, the number of
664 service requests which allocated charges to the AmerenCILCO and AmerenCIPS
665 is actually a manageable number.

666 With regards to Staff witness Lazare's overarching concern, the Ameren
667 Illinois Utilities did not claim that the review or justification of AMS' costs was
668 going to be easy. It does take some effort to review and question the nature of the
669 service requests, the basis of the allocation factors, and generally how AMS' costs
670 are assigned or allocated to its affiliated companies. The approach is not like the
671 labor allocator which the Commission has adopted in the past. A simple
672 percentage of all expenses is not going to be allocated to each Ameren company.

673 Given the complex nature of the allocation system, it is not reasonable to
674 expect that a simple and concise exhibit can be presented which justifies all of the
675 allocations. The Commission should, however, take some comfort in the fact that
676 the SEC has reviewed AMS' allocation processes and found the methodology and
677 results to be justified. Similarly the Companies' Internal Audit Department has
678 also reviewed AMS' allocation methodology and the reasonableness of the
679 achieved results. Each of these independent parties have concluded that the
680 processes are appropriate and are functioning properly. The Commission should
681 be able to take notice of, and solace in, the reviews performed by these
682 independent groups.

683 **Q. Do you concur that a review of AMS' cost allocations can be a daunting task?**

684 A. Yes. On the surface, the task of reviewing AMS' costs and the assignment or
685 allocation of those costs to the various Ameren companies can appear to be
686 onerous. As one begins to work through the actual allocations, you realize that
687 the process is not that difficult. Some effort is required, however, to review,
688 understand, and work through the allocation process.

689 The level of effort is less daunting when a reasonable approach to the
690 review is taken. For example, referring to Respondents' Exhibit 54.16,
691 approximately 34 percent of AMS' charges to AmerenCILCO were direct
692 charged. For AmerenCIPS, approximately 23 percent of AMS' charges were
693 direct charged. Further, a mere 181 service requests account for over 80 percent
694 of AMS' total dollars. Of the 181 service requests accounting for over 80 percent
695 of AMS' total dollars, 66 were directly assigned to a specific company.

696 Suffice it to say that the review of AMS' allocated costs is not as daunting
697 as implied by Staff witness Lazare.

698 **Q. Staff witness Lazare expresses concerns that AmerenIP is not addressed in**
699 **Respondents' Exhibit 54.6 and 54.7. How do you respond?**

700 A. As I stated in my direct testimony on rebuttal, AmerenIP did not begin receiving
701 allocated charges from AMS until the second quarter of 2005, approximately six
702 months after its acquisition. The amount of AMS-related costs for AmerenIP for
703 purposes of this rate proceeding was based upon six months of actual charges
704 annualized.

705 **Q. How can the Commission be assured that the portion of AMS' costs which**
706 **have been assigned or allocated to AmerenIP are reasonable?**

707 A. The allocation process did not change after the acquisition of AmerenIP. Rather,
708 the allocation factors used to assign or allocate AMS' costs would have changed,
709 as necessary, to reflect the addition of Illinois Power.

710 **Q. Please elaborate.**

711 A. As with each of the other Ameren subsidiaries, some of AMS' service requests
712 would be direct assigned to AmerenIP in those instances where AmerenIP was the
713 sole benefactor of the service provided by AMS. In those instances where
714 AmerenIP shared in the benefit derived from AMS' services, the allocation
715 percentages would have been modified to reflect the addition of AmerenIP. For
716 example, sticking with the CSS service request, AMS' costs associated with the
717 service request were allocated to AmerenUE(MO), AmerenCIPS, and
718 AmerenCILCO in 2004 based upon the number of electric and gas distribution
719 customers for each company. With the acquisition of AmerenIP, the allocation
720 basis would have remained the same, but the denominator in the equation would
721 have been revised to reflect the additional customers of AmerenIP. AmerenIP
722 would then be allocated its proportional share of the CSS costs.

723 **Q. Staff witness Lazare expresses concern regarding the independence of the**
724 **Ameren Illinois Utilities to exert influence over the allocation process. How**
725 **do you respond?**

726 A. Company witness Stafford responds to Staff witness Lazare's concern regarding
727 independence.

728 **Q. Staff witness Lazare is also critical of the internal audit report addressing the**
729 **assignment and allocation of AMS' costs. Please respond.**

730 A. Anyone familiar with the internal audit reports knows that the summary of the
731 group's work which has been cited by Staff witness Lazare is not unusual in its
732 terse conclusions. The true content and findings of the internal audit would be
733 contained in the workpapers supporting the audit. It does not appear that Staff
734 witness Lazare has either requested or reviewed those workpapers. Therefore, I
735 think it was premature and inappropriate on his behalf to draw the conclusion that
736 he recites in his direct testimony on rehearing regarding the thoroughness of
737 review performed by the internal audit group.

738 **Q. Has Staff witness Lazare expressed any concerns regarding the overall A&G**
739 **expense levels of the Ameren Illinois Utilities?**

740 A. No, he has not.

741 **Q. Has Staff witness Lazare identified any specific AMS service requests (and**
742 **the associated services thereby provided) which he deemed to be an**
743 **unnecessary or unwarranted service?**

744 A. No, he has not.

745 **Q. Has Staff witness Lazare identified any specific costs associated with AMS'**
746 **services which he deemed to be excessive?**

747 A. No, he has not.

748 **Q. Has Staff witness Lazare identified any specific allocation factors employed**
749 **by AMS to assign or allocate costs to the various Ameren companies which**
750 **he deemed to be in error or inappropriate?**

751 A. No, he has not.

752 **Q. Has Staff witness Lazare identified any specific costs which were assigned or**
753 **allocated to the Ameren Illinois Utilities which he deemed to be excessive,**
754 **imprudent or unnecessary?**

755 A. No, he has not.

756 **Q. Yet Staff witness Lazare dismisses the Ameren Illinois Utilities' evidence in**
757 **its entirety, is that correct?**

758 A. Yes. Staff witness Lazare identifies a few perceived deficiencies in the Ameren
759 Illinois Utilities' evidence supporting AMS' costs and then dismisses all of the
760 evidence, without citing a single specific perceived error in the end result of the
761 allocation process and the costs assigned or allocated to the Ameren Illinois
762 Utilities.

763 **Q. Does Staff witness Lazare's level of review and ultimate recommendation**
764 **appear to be reasonable?**

765 A. No. Many of the perceived deficiencies cited by Staff witness Lazare related to
766 AMS' costs and how those costs are allocated or assigned to the Ameren Illinois
767 Utilities arise from Staff witness Lazare's own lack of standards against which to
768 evaluate the reasonableness of the costs and the apparent minimal level of review
769 which was afforded to the evidence.

770 **Q. Please elaborate.**

771 A. Simply because Staff witness Lazare does not seek or obtain answers to questions
772 regarding the evidence should not translate into a conclusion that the Ameren
773 Illinois Utilities' study is flawed and should be rejected. There has to exist some
774 expectation that the parties to this proceeding perform the requisite analysis to
775 thoroughly review the study and supporting documentation to render an informed
776 decision regarding the study.

777 As a result of Staff witness Lazare's review, he identifies a few general
778 questions regarding the Ameren Illinois Utilities' study and then deems the study
779 to be non-responsive to the Commission's directive in this rehearing proceeding.
780 Such a position is untenable. Staff witness Lazare does not attempt to quantify a
781 level of A&G expenses which he believes to be unreasonable. He simply
782 dismisses the Ameren Illinois Utilities' study and concludes that the
783 Commission's adjustment is appropriate. Staff witness Lazare's analysis is
784 rudimentary at best and provides no basis for the Commission to determine what
785 level of A&G expenses is reasonable for each of the Ameren Illinois Utilities.

786 The Ameren Illinois Utilities have provided sufficient evidence to
787 conclude that the nature of the services were reasonable, the costs associated with
788 such services were appropriate, that the allocation of said costs was performed
789 appropriately and that the resulting level of A&G costs, in total and as assigned or
790 allocated by AMS, were reasonable. Staff witness Lazare's testimony provides
791 no evidence to the contract and should be rejected.

792 **Q. Does this conclude your rebuttal testimony on rehearing?**

793 **A. Yes, it does.**

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