

**ILLINOIS COMMERCE COMMISSION**

**ICC DOCKET NO. 07-0585 (CONS.)**

**SURREBUTTAL TESTIMONY**

**OF**

**MARK R. LIVASY**

**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**

**(The Ameren Illinois Utilities)**

**MAY 27, 2008**

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23 how this was done. I also describe how contractor invoice records contained in Ameren  
24 Exhibit 61.1 support costs for plant additions.

25 **C. IDENTIFICATION OF EXHIBITS**

26 **Q. Are you sponsoring any exhibits in addition to your surrebuttal testimony?**

27 **A.** Yes. I am attaching and sponsoring the following exhibits:

- 28 • Ameren Exhibit 61.1: The Ameren Illinois Utilities' response and  
29 supplemental response to Staff DR 14.03 and attachments, including a  
30 compilation of electronic contractor invoice records that support costs for  
31 certain plant additions for IP listed in Ameren Exhibit 19.13.

32

33 **II. RESPONSE TO STAFF'S REBUTTAL TESTIMONY**

34 **Q. Please summarize Ms. Everson's rebuttal position regarding the use of EFTs to**  
35 **support plant additions.**

36 **A.** Ms. Everson responds to my rebuttal testimony (Ameren Exhibit 37.0) in which I explain  
37 how electronic invoice records were created and kept by Illinois Power Company ("IP"  
38 as I reference the utility prior to its acquisition by Ameren Corporation ("Ameren"), in  
39 September 2004) for project costs associated with plant additions prior to April 1, 2005.  
40 Ms. Everson's rebuttal position is that, while EFTs support that funds were transferred  
41 from one account to another account, they do not provide support for the validity of the  
42 cost amount of associated plant additions. She takes the position that EFTs are not  
43 enough to support the amount of plant additions, and that other documentation such as  
44 invoices is necessary to demonstrate project costs for ratemaking purposes.

45 **Q. Do you agree with the way Ms. Everson characterizes your testimony?**

46 A. No. Ms. Everson appears to believe that my testimony describes nothing more than the  
47 manner in which funds were electronically transferred from IP accounts into contractor  
48 accounts for work on plant additions. This is incorrect. Rather than describe the method  
49 for electronic transfer of funds, my testimony describes how electronic *invoice records*  
50 were created for specific projects related to plant additions, and then ultimately used by  
51 IP to pay contractors. As I stated in my rebuttal testimony, the process by which  
52 electronic invoice records were created involved several steps. First, a contractor that  
53 had completed work for a plant addition submitted a timesheet for manpower and  
54 equipment to IP. Second, an IP employee — or sometimes the contractor with a secure  
55 identification — entered the timesheet information into IP’s electronic database called  
56 Contractor Invoicing. The information entered into Contractor Invoicing accurately  
57 reflected the information contained in the contractor timesheet, and was regularly kept  
58 and maintained by IP in the Contractor Invoicing database in the ordinary course of  
59 business. Third, an IP supervisor knowledgeable about the project and the contractor’s  
60 work performance approved or denied the Contractor Invoicing records for payment.  
61 Fourth, once approved, the billing information contained in Contractor Invoicing was  
62 transferred into an electronic database known as the Accounts Payable (“AP”) system.  
63 The information transferred into AP accurately reflected the billing information contained  
64 in Contractor Invoicing, and was regularly stored and maintained by IP in the AP  
65 database in the ordinary course of business. Finally, the contractor was paid based upon  
66 the approved invoice record in AP. Although payment usually was made by EFT, it was  
67 often made by what Ms. Everson refers to as more traditional methods of transmitting  
68 payment, such as a check.

69 **Q. Why is it important to understand that your testimony describes how electronic**  
70 **invoice records were created?**

71 **A.** It is important because the essence of Ms. Everson's rebuttal testimony is that IP's  
72 contractor costs for plant additions (whether paid by EFT or otherwise) are not  
73 sufficiently documented for ratemaking purposes because those costs are not supported  
74 by invoices. When it is understood that, in IP's situation, some invoice records were  
75 created and kept electronically rather than in paper copy, it becomes clear that IP's plant  
76 additions are in fact supported by invoice records (*i.e.*, the electronic information  
77 contained in the Contractor Invoicing system). The fact that IP created and stored some  
78 invoice records electronically rather than in paper copy should not be a basis to disallow  
79 plant additions supported by those records. The same information is available in  
80 electronic format as would be available in a paper record supplied by a vendor. That  
81 information includes: the contractor name; the time that each contracting employee spent  
82 working on a particular project; the contract rate for that time; any reimbursable costs  
83 incurred by the contractor for work on the project; a work order number, invoice number,  
84 job number, and project description to identify the project for which the work was done;  
85 and the dollar amount paid to the contractor for the project.

86 **Q. Ms. Everson states that Staff has not been provided with any invoices to support**  
87 **IP's plant additions. Can you comment on this statement?**

88 **A.** Yes. Ameren Exhibit 61.1 contains the Ameren Illinois Utilities' response and  
89 supplemental response to Staff DR 14.03, in which Staff requested the vendor invoices to  
90 support the amounts shown on Ameren Exhibit 19.13 for plant additions. In Ameren  
91 Exhibit 61.1, I explain that, with respect to IP, vendor payment support for Ameren

92 Exhibit 19.13 is available in electronic format due to the electronic Contractor Invoicing  
93 system used by IP. I further explain that, although information summarizing the  
94 electronic invoice records is already provided in Ameren Exhibit 19.13, additional  
95 electronic information associated with vendor payments is available if desired. Thus, in  
96 response to Ms. Everson's concern in rebuttal that no actual invoices have been provided  
97 to support IP's plant additions, Ameren Exhibit 61.1 contains paper printouts of  
98 contractor invoice records that were electronically created and stored in IP's Contractor  
99 Invoicing system.

100 **Q. Please explain what information is contained in the contractor invoice records**  
101 **included in Ameren Exhibit 61.1.**

102 **A.** Each electronic invoice contained in Ameren Exhibit 61.1 shows all of the information  
103 necessary to substantiate project costs for specific plant additions for IP. As an example,  
104 it is helpful to look at the first invoice in Ameren Exhibit 61.1 (Invoice #0010406440)  
105 with a "Date Created" of 6/29/2004.

106 *First*, the invoice identifies the contractor name, PAR. It also shows a "Date  
107 Created" and "Invoice Date" of 6/29/2004. This is the date when either an approved IP  
108 employee or the contractor entered the contractor timesheet information into Contractor  
109 Invoicing. The specific project that is the subject of the invoice is identified by an  
110 "Invoice #" (0010406440), a "Work Request Number" (9566200172), a "Job #" (1341008),  
111 and a "Description" of the work completed by the contractor (RT. 159  
112 RELOCATION PROJECT – REPLACE TWO STRUCTURES ON L3452 FOR ROAD  
113 WIDENING).

114 *Second*, the invoice displays the "Position" and "Description" of each contracting

115 employee who completed the work for which payment was made. It also shows the  
116 “Qty.” of work completed. This is the number of hours that each contracting employee  
117 spent on the job. The “Value/Unit,” is also shown, or the contract price for the work  
118 completed (the contract price was pre-programmed into Contractor Invoicing and could  
119 not be altered by a contractor who entered timesheet information into the system). The  
120 “Total Value” of the work completed by each contracting employee is also displayed, and  
121 represents the number of hours spent by each contracting employee multiplied by the  
122 contract price for the work completed.

123 *Third*, the invoice shows: a “Description” of the equipment charged to the project;  
124 the “Qty.” or units of equipment charged; the “Value/Unit” or value per unit of that  
125 equipment; and the “Total Value” of equipment costs for the project. The “Total Job  
126 Cost,” is also shown, which represents the sum of the value of the time spent by each  
127 contracting employee and the total value of equipment costs for the project.

128 *Finally*, the invoice also displays the “Approval Trail” for the electronic invoice.  
129 The “Approval Trail” lists the name of the IP employee or contractor who entered the  
130 timesheet information into Contractor Invoicing (Vickie Kelly), the name of an IP  
131 employee who reviewed the timesheet information prior to approval by a supervisor  
132 (Jerry Moore), and the name of the IP supervisor who approved the invoice for payment  
133 (Ron Roof). It also shows the date when the electronic invoice record was transferred to  
134 the AP system for final payment to the contractor. As an aside, the information from the  
135 AP system was taken through a bi-query, which was used to develop Ameren Exhibit  
136 19.13. In my rebuttal testimony, I explained how the AP system was managed.

137 **Q. Does each invoice provide information that would allow Staff to compare it with the**  
138 **plant addition costs in Ameren Exhibit 19.13?**

139 **A.** Yes. Each invoice displays a “Work Order” number or numbers and corresponding  
140 dollar amounts that match the project costs for plant additions listed in Ameren Exhibit  
141 19.13. For example, Invoice #0010406440 (dated 6/29/2004) identifies Work Order  
142 numbers 58949 and 18949. These work orders represent \$955.56 and \$7731.33 of plant  
143 additions, respectively. Only the work order 18949 and the associated \$7731.33 applies  
144 to Ameren Exhibit 19.13.

145 **Q. Why did IP use the Contractor Invoicing system?**

146 **A.** The primary reason was to ensure that contractor billings were using negotiated contract  
147 rates. By limiting the contractors’ input into the Contractor Invoicing system to work  
148 completed, and pre-programming the appropriate contract rates in house at IP, IP was  
149 able to ensure a high level of compliance with contracted rates. The Contractor Invoicing  
150 system permitted a consistent level of rigor, control, and accuracy over contractor costs  
151 that would otherwise be hard to maintain with hardcopy invoicing.

152 **III. CONCLUSION**

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

154 **A.** Yes, it does.