

Ameren Illinois Company's
Response to Illinois Industrial Energy Consumers Data Request
Docket 16-0262
Rate MAP-P Modernization Action Plan - Pricing Annual Update Filing (2016)

IIEC 2.08

Please refer to the testimony of Michael J. Getz, Ameren Ex 2.0 pages 15 through 17 regarding services provided for AIC by Ameren Services Company (“AMS”) and provide the following:

- a) A description of how AIC manages and controls the costs of each service it receives from AMS;
- b) Copies of any budgets, project/service scopes of work or other documentation prepared by AIC, or received by AIC from AMS, defining each service to be provided and the estimated cost, in the highest detail available;
- c) Copies of all reports comparing actual costs to budgets prepared by AIC and AMS for the services provided by AMS to AIC within the last 3 years; and
- d) Copies of reports prepared by AIC and AMS regarding scope changes and completion status within the last 3 years.

RESPONSE

Prepared By: Michael J. Getz
Title: Controller, Ameren Illinois
Phone Number: 309-677-5111
Date: 6/10/2016

Objection as to subpart b). This request is overly broad and unduly burdensome in its request for "any budgets, project/service scopes of work or other documentation prepared by AIC, or received by AIC from AMS, defining each service to be provided and the estimated cost, in the highest detail available." Subject to that objection, please see the response to subpart b sponsored by Mr. Getz.

Objection as to subpart c). This request is overly broad and unduly burdensome in its request for "all reports comparing actual costs to budgets prepared by AIC and AMS for the services provided by AMS to AIC within the last 3 years." Subject to that objection, please see the response to subpart c sponsored by Mr. Getz.

Objection as to subpart d). This request is vague and ambiguous, and overly broad and unduly burdensome. The request cannot be answered as asked.

- a) Please see my direct testimony (Ameren Ex. 2.0, ll. 327-38). As discussed there, AIC personnel have annual meetings with AMS personnel to review the forecasted costs for

the upcoming calendar, the allocation factors that will be used, and the level or types of services that will be provided. These meetings allow AIC buyers to evaluate and approve the services to be provided by AMS. AIC does not perform a review of total AMS O&M costs but instead a review of the Business and Corporate Services (B&CS) group is performed monthly as part of the financial analysis. B&CS is the source of most AMS expenses at Ameren.

- b) See IIEC 2.08 Attach 1 for copies of the buyer's checklists which document the discussions between AIC buyers and AMS providers for projected 2015 expenses.
- c) AIC does not perform variance analysis at the total AMS level. Instead a subset of AMS costs in B&CS is analyzed. See IIEC 2.08 Attach 2 for a copy of the December 2015 O&M B&CS variances. Note that this report includes labor and expenses charged to AMS and allocated to AIC as well as external expenses directly charged to AIC which are administered by B&CS departments.
- d) See the objection above as to subpart d).

AIC Joint Planning Checklist – Forecast Year 2015

1. Please specify the number and name of the B&CS product/service you are reviewing: Catalog page number: Product/service name: Regulatory Services
General
2. With whom did you meet? Scott Wiseman & Bob Mill Date(s) of meeting(s)?
7/22/2014
3. Have you reviewed the Catalog description (see link to Catalog) of your product/service? Yes No
4. Have you discussed the nature of the product/service provided, and the related cost, with the AMS service provider? Yes No
5. If some or all of this product/service is currently being outsourced, please explain:
Ameren does use external regulatory firms to assist with rate case filings
6. Joint planning with the AMS service provider:
 - Have you discussed our Segment plans and goals as they relate to the AMS service provider? Yes No
 - Have you explored cost containment opportunities? Yes No
 - Have you explored possible reductions in service level at reduced cost? Yes No
 - Are there potential savings opportunities by further outsourcing? Yes No
 - Are you recommending any changes? Yes No
 - Please explain your recommendations, if any:
7. 2014 Budget – 2015 Forecast and percentage change

2014 Budget	2015 Forecast	Percentage change
3,401,772	3,570,403	+4.96%

2015 Budget (AF36) – 2015 Forecast and percentage change

2015 Budget	2015 Forecast	Percentage change
3,613,763	3,570,403	(1.2%)

What Allocation Factor(s) is(are) being used and methodology?

Function Indirect = 38% to AIC
 Corporate Indirect = 40% to AIC
 100% to AIC
 007A – Capitalization of Assets = 24% to AIC
 001A – Composite = 38% to AIC

8. Allocation of costs:
 - Have you reviewed the allocation factors being used for allocating AMS costs to the business segments? Yes No
 - Does the allocation method appear to be reasonable? Yes No
 - Does the resulting allocation of cost to appear to be reasonable? Yes No
 - Do you have suggested changes? Yes No
 - Please summarize suggested changes, if any.

9. Based on Segment Priorities, what would be changed; increase or reduction in service and cost by X%? *No other recommendations.*

10. AIC representatives: AIC Internal Communication – To what other AIC stakeholders within AIC have you communicated this information or obtained input from regarding these services?

Bob Mill, Craig Nelson, Mike Getz, Scott Butkus

Designated AIC Representative Signature: *Scott Wiseman* Date 7/31/14

Please forward all completed forms to your Segment Controller.

AIC Joint Planning Checklist – Forecast Year 2015

1. Please specify the number and name of the B&CS product/service you are reviewing: Catalog page number: 43 & 44
Product/service name: Claims Management & Workers Comp Management
2. With whom did you meet? Jeff Myers Date(s) of meeting(s)? July 24, 2014 7-30-14
Jackie Feenox
3. Have you reviewed the Catalog description (see link to Catalog) of your product/service? Yes No
4. Have you discussed the nature of the product/service provided, and the related cost, with the AMS service provider? Yes No
5. If some or all of this product/service is currently being outsourced, please explain:
These product and services represent the charges for outsourcing the management of claims to our third-party administrator, Corporate Claims Management, Inc. (CCMI).
6. Joint planning with the AMS service provider:
 - Have you discussed our Segment plans and goals as they relate to the AMS service provider? Yes No
 - Have you explored cost containment opportunities? Yes No
 - Have you explored possible reductions in service level at reduced cost? Yes No *NOT APPROPRIATE*
 - Are there potential savings opportunities by further outsourcing? Yes No
 - Are you recommending any changes? Yes No
 - Please explain your recommendations, if any:

7. 2014 Budget – 2015 Forecast and percentage change

	2014 Budget	2015 Forecast	Percentage change
Claims	807,950	834,762	3.3%
Work Comp	667,079	700,427	5.0%

2015 Budget (AF36) – 2015 Forecast and percentage change

	2015 Budget	2015 Forecast	Percentage change
Claims	830,016	834,762	0.6%
Work Comp	673,790	700,427	4.0%

What Allocation Factor(s) is(are) being used and methodology?

(E.g. 104A: # of employees (mgmt and contract)

For Claim Management the allocation is based on number of customers.

For Workers Comp Management the allocation is based on number of employees.

8. Allocation of costs:

- Have you reviewed the allocation factors being used for allocating AMS costs to the business segments? Yes No
- Does the allocation method appear to be reasonable? Yes No
- Does the resulting allocation of cost to appear to be reasonable? Yes No

- Do you have suggested changes? Yes No
- Please summarize suggested changes, if any.

9. Based on Segment Priorities, what would be changed; increase or reduction in service and cost by X%?

Claims Management

Third-party liability costs are best contained with our TPA conducting prompt investigations and making a timely turn-around of associated costs so as to prevent claimants from retaining attorneys and thus negating associated defense costs all together.

A decrease of service level provided by TPA would lengthen the timeframe to achieve claim closure which would increase costs, add to claimant frustration levels and ultimately harm the image of the Company.

A decrease of service level provided by TPA could result in payment of claims that were not owed at all or overpayment of claims wherein the damages reviewed and assessed.

Workers Compensation Management

A true reduction in Work Comp costs would be claim prevention. Workers' compensation benefits are owed under individual state laws and once a claim is found compensable the expense cannot be avoided only contained within the parameters of the law. A reduction of supplemental pay benefits through collective bargaining, while the costs are not captured within this product and service, may reduce overall comp costs.

A decrease of service level provided by TPA may increase exposure to state penalties for failure to properly handle claims, make timely reporting, make appropriate payouts, etc. ultimately increasing overall operating costs. Likewise, without proper claim handling the

10. AIC representatives: AIC Internal Communication – To what other AIC stakeholders within AIC have you communicated this information or obtained input from regarding these services?

Designated AIC Representative Signature:



Date

7/30-14

Please forward all completed forms to your Segment Controller.

AIC Joint Planning Checklist – Forecast Year 2015

1. Please specify the number and name of the B&CS product/service you are reviewing: Catalog page number: Product/service name: General Legal Services
2. With whom did you meet? Scott Wiseman & Bob Mill Date(s) of meeting(s)? 7/22/2014
3. Have you reviewed the Catalog description (see link to Catalog) of your product/service? Yes No
4. Have you discussed the nature of the product/service provided, and the related cost, with the AMS service provider? Yes No
5. If some or all of this product/service is currently being outsourced, please explain:
Ameren uses external law firms for legal work as well as expert witness testimony
6. Joint planning with the AMS service provider:
 - Have you discussed our Segment plans and goals as they relate to the AMS service provider? Yes No
 - Have you explored cost containment opportunities? Yes No
 - Have you explored possible reductions in service level at reduced cost? Yes No
 - Are there potential savings opportunities by further outsourcing? Yes No
 - Are you recommending any changes? Yes No
 - Please explain your recommendations, if any:
7. 2014 Budget – 2015 Forecast and percentage change

2014 Budget	2015 Forecast	Percentage change
5,250,795	5,477,293	+4.31%

2015 Budget (AF36) – 2015 Forecast and percentage change

2015 Budget	2015 Forecast	Percentage change
5,322,761	5,477,293	+2.9%

What Allocation Factor(s) is(are) being used and methodology?

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