

ILLINOIS COMMERCE COMMISSION

DOCKET 16-0262

SURREBUTTAL TESTIMONY

OF

JENNIFER A. RUSSI

Submitted on Behalf

Of

**AMEREN ILLINOIS COMPANY
d/b/a Ameren Illinois**

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PUBLIC VERSION

*****Denotes Confidential & Proprietary Information Redacted*****

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23 2015. Mr. Gorman has revised the amounts of his adjustments, however, in response to Ameren
24 witness Stafford's rebuttal testimony, to reflect correct percentage allocations to AIC electric
25 distribution operations. I explain why the Commission should reject Mr. Gorman's adjustments.
26 Ameren witnesses Stafford and Adams also respond to Mr. Gorman.

27 **Q. What did you review in preparation of your surrebuttal testimony?**

28 A. I reviewed my direct and rebuttal testimonies (Ameren Exs. 7.0 and 12.0), Ameren
29 witness Getz's direct testimony (Ameren Ex. 2.0 (Rev.)), the data request responses that AIC
30 provided IIEC, IIEC/CUB, Staff, and the Attorney General (AG) in this case regarding AMS
31 services and costs, and Mr. Gorman's responses to Staff's data requests. I also reviewed the
32 workpaper that supports my rebuttal testimony ("Russi Testimony 12.0 Workpaper
33 Support.xls"), which AIC provided to the parties with its rebuttal filing. And I reviewed the
34 workpaper that supports Ameren Exhibit 16.2 attached to this surrebuttal testimony, which AIC
35 will provide to the parties with its surrebuttal filing.

36 **Q. Please summarize the conclusions of your testimony.**

37 A. The Commission should reject Mr. Gorman's adjustments. AIC has provided ample
38 information in support of its 2015 AMS costs, including direct, rebuttal, and surrebuttal
39 testimonial evidence, myriad data request responses, benchmarking analyses sponsored by
40 Concentric Energy Advisors, and even the variance analysis that Mr. Gorman references for the
41 first time in his rebuttal testimony in this proceeding. All of this information supports the
42 prudence and reasonableness of 2015 AMS costs. Mr. Gorman remains unsatisfied, but he has
43 been unable to support his cost adjustments, which are overstated in any event, as Mr. Stafford
44 explains. Therefore, the Commission should reject Mr. Gorman's adjustments.

45 **Q. Are you sponsoring any exhibits in support of your surrebuttal testimony?**

46 A. Yes, in addition to my surrebuttal testimony, I am sponsoring the following exhibits:

- 47
- Ameren Exhibit 15.1 – Data request IIEC 2.01; and
 - Ameren Exhibit 15.2 (Confidential & Proprietary) – Variance analysis of 2014-2015 AMS charges to AIC by FERC Account.
- 48
- 49

50 **III. RESPONSE TO IIEC/CUB WITNESS GORMAN**

51 **Q. What is Mr. Gorman’s rebuttal position?**

52 A. While Mr. Gorman continues to advocate the two adjustments he proposed in his revised
53 direct testimony, much of his rebuttal takes a new direction, in which he generally complains that
54 AIC has not demonstrated that the AMS services that AIC received in 2015, and the related
55 costs, are prudent and reasonable.

56 **A. General Response to Mr. Gorman's Rebuttal Position**

57 **Q. Do you have any initial comments in response to Mr. Gorman’s rebuttal position?**

58 A. Yes. He continues to misunderstand the AMS cost allocation process and particularly the
59 use of direct assigned AMS costs. He assumes, for example, that “[i]f AMS costs did not
60 decrease with the number of clients and services provided, then the Client Companies are either
61 being over-allocated costs from AMS or the cost per service must have increased if all AMS
62 costs are charged to Client Companies. This is purely a mathematical relationship.” (IIEC/CUB
63 Ex. 2.0 at 14:309-15:313.) This assumption is incorrect and reflects a fundamental
64 misunderstanding of how AMS cost allocations work.

65 **Q. Please explain.**

66 A. AMS services and cost allocations are more dynamic than Mr. Gorman presumes. There
67 is not one static pie of AMS costs, to be allocated among all affiliates, but rather a dynamic pie

68 of total AMS costs, which varies depending on the AMS services used, the affiliates who use
69 those services, and the changing needs of those affiliates. A portion of the pie may include
70 shared services and the attendant costs that must be borne by the affiliates receiving services
71 from AMS, regardless of the number of affiliates. For example, with corporate intranet systems,
72 like shared Data Operations – Open Systems and network server support, if there are fewer
73 affiliates sharing those services, the cost to each will likely be greater than if more affiliates
74 share the services. However, the services provided by AMS to the affiliates to maintain such a
75 shared system are still cost-effective, even with fewer affiliates, given the higher cost and greater
76 inefficiencies of having each affiliate maintain its own separate intranet system. Further, there
77 are shared services that change over time, such as Cyber Security services required by regulatory
78 cyber security requirements, and e-Customer services, which allow customers online access to
79 their billing and usage information. The AMS cost pie is also composed of services that
80 fluctuate with the individual affiliates' needs. For instance, in 2015, AMS supported the new
81 AIC bill format required by the Commission's Part 280 rules revisions, and AMS continues to
82 support AIC's AMI program.

83 **Q. At lines 43-54 of his rebuttal testimony, Mr. Gorman says that your rebuttal**
84 **testimony recommended that the Commission should reject his adjustments for three**
85 **reasons. (IIEC/CUB Ex. 2.0 at 3.) Are those all the reasons the Commission should reject**
86 **his adjustments?**

87 A. No, there are more. Mr. Gorman says that I gave only three reasons to reject his
88 adjustments: (1) he didn't identify any AMS cost charged to AIC in 2015 that was inconsistent
89 with the Commission-approved General Services Agreement (GSA); (2) he didn't identify any
90 AMS service provided to AIC in 2015 that was imprudent; and (3) he didn't identify any AMS

91 cost charged to AIC in 2015 that was unreasonable in amount. In my rebuttal testimony,
92 however, I also explained that Mr. Gorman's adjustments are factually unsupported, ignore actual
93 costs incurred by AIC in 2015, and flow from several incorrect assumptions. I also explained
94 that AMS costs charged to AIC in 2015 are supported and are prudent and reasonable. I now
95 explain additional flaws in Mr. Gorman's position in this surrebuttal testimony. For all these
96 reasons, the Commission should reject his adjustments.

97 **Q. Has AIC demonstrated that the AMS services that it received in 2015 and the costs**
98 **for those services are prudent and reasonable?**

99 A. Yes, in testimony and discovery. As in prior electric formula rate update cases, Ameren
100 witness Getz's direct testimony explained significant variances 2014 to 2015 in AIC's
101 Administrative and General (A&G) Expenses accounts - the FERC Accounts to which many
102 AMS charges are recorded. Mr. Getz also explained how AIC requests, evaluates, and approves
103 the services it receives from AMS. (Ameren Ex. 2.0 (Rev.) at 15-20.) My rebuttal testimony
104 provided more detail regarding the prudence and reasonableness of AMS costs specifically, in
105 response to Mr. Gorman's revised direct testimony adjustments. (Ameren Ex. 12.0.) My
106 surrebuttal testimony provides even more support, in response to Mr. Gorman's continued
107 adjustments, as does Mr. Adams' rebuttal and surrebuttal testimonies and benchmarking
108 analyses. AIC has also responded to extensive discovery in this case regarding its 2015 AMS
109 charges. Those responses further support the prudence and reasonableness of the costs.

110 **B. Discovery regarding AMS Costs**

111 **Q. Mr. Gorman alleged that AIC did not provide “adequate detail” for him to assess**
112 **the prudence and reasonableness of its 2015 AMS services and charges. (IIEC/CUB Ex. 2.0**
113 **at 120.) Did any other witness make that charge?**

114 A. No. And no other witness supported Mr. Gorman’s adjustments in testimony, or
115 proposed different AMS cost related adjustments.

116 **Q. Did Mr. Gorman say what he considers "adequate detail" to be?**

117 A. No.

118 **Q. Did AIC provide Mr. Gorman information to allow him to assess the prudence and**
119 **reasonableness of AIC’s 2015 AMS services and charges?**

120 A. Yes. In addition to the testimony I described, AIC responded to discovery from IIEC and
121 IIEC/CUB regarding AMS services and charges not only to AIC, but also to other Ameren
122 affiliates. For example, IIEC requested, and AIC provided:

- 123 • a detailed report, in native Excel format that can be pivoted and sorted, of all
124 monthly AMS charges to AIC and other affiliates in 2015, including 25,595 rows
125 of AMS services and cost data broken down by affiliate, description of each
126 service provided by project name/service request name and number, allocation
127 factor used, allocation factor name, service request type (i.e., direct, indirect
128 allocated), FERC Major/Minor account, utility split, and labor/non-labor split
129 (IIEC 2.01(d), (e); MHE 3.03 Attach 2);
- 130 • detailed calculations of and explanations for all allocation factors used to allocate
131 AMS costs to AIC and other affiliates in 2015, including an Excel spreadsheet in
132 native format with 52 tabs, one for each 2015 allocation factor (IIEC 2.01(a), (c));
- 133 • an explanation for how a specific allocation factor is determined to be used for a
134 specific service (IIEC 2.01(d));
- 135 • a summary report of total 2015 AMS costs allocated to AIC and other affiliates,
136 broken-down by AMS functional area (IIEC 2.01(b));
- 137 • a reconciliation of 2015 AMS costs charged to AIC as reported on FERC Form 60

- 138 and IL Form 21, and descriptions of how AIC reports AMS costs in FERC Form 1
139 and IL Form 21 (IIEC 2.01(c), IIEC 2.01 Attach, IIEC 2.07(c), (d));
- 140 • the total amount of AMS costs charged to AIC and each affiliate in 2015,
141 including the total amounts that are direct charges and the total amounts that are
142 allocated charges (IIEC 2.05);
 - 143 • a detailed explanation of how AMS costs charged to AIC are distributed between
144 AIC's retail distribution and federal transmission costs of service (IIEC 2.07(a));
 - 145 • sample journal entries to AIC's books, containing Uniform System of Accounts
146 names and numbers and transaction descriptions for AMS charges to AIC, both
147 for direct and allocated costs (IIEC 2.07(b));
 - 148 • a description of how AIC reviews Business and Corporate Services (B&CS) costs
149 each month, which are the source of most AMS expenses, and a detailed report of
150 B&CS cost variances as of December 2015, including labor and expenses charged
151 to AMS and allocated to AIC and external expenses directly charged to AIC
152 (IIEC 2.08(a), (c), IIEC 2.08 Attach 2);
 - 153 • 66 pages of AIC buyers' checklists, which document discussions between AIC
154 buyers and AMS providers for projected 2015 expenses (IIEC 2.08(b)); and
 - 155 • definitions for and specific examples of "indirect overhead costs" and "general
156 overhead" costs, and descriptions of how those costs are allocated at the account
157 level (IIEC 2.09).
- 158 IIEC/CUB also requested, and AIC provided:
- 159 • detailed data support for the \$5.5 million increase in AMS costs charged to AIC
160 2014-2015, including a native Excel file that can be pivoted and sorted, which
161 contains 46,292 rows of 2014 and 2015 AMS costs charged to AIC (IIEC-CUB
162 2.04, IIEC-CUB 2.04 Attach);
 - 163 • detail regarding the project names and costs comprising the \$7.3 million AMS
164 divestiture-specific services costs charged to Ameren Corporation in 2014 (IIEC-
165 CUB 2.05R; also provided with AIC's rebuttal filing as "Russi Testimony 12.0
166 Workpaper Support.xls"); and
 - 167 • all AMS IT services costs allocated to ATC in 2015, including a description of the
168 services provided, the applicable allocation factor, and a break-down of costs by
169 direct assigned, direct allocated, or indirect costs, supported by a native Excel file,
170 which can be pivoted and sorted, containing over 400 rows of data with each
171 AMS IT service to ATC, by project name/service request number, functional area
172 providing the service (Information Technology or IT), allocation factor, service
173 request type, and labor/non-labor split; for all direct assigned costs, an
174 explanation of how the costs align with service requests by ATC; and for all

175 indirect and/or direct allocated costs, the allocation factor used to assign costs to
176 ATC (IIEC-CUB 2.06, IIEC-CUB 2.06 Attach).

177 Mr. Gorman referred to some, but not all, of this discovery in his rebuttal testimony, in
178 complaining that AIC did not provide "adequate detail" for him to assess the prudence and
179 reasonableness of its 2015 AMS services and charges. He specifically referenced IIEC 2.02 and
180 IIEC 2.08.

181 **Q. When did AIC respond to IIEC 2.02 and IIEC 2.08?**

182 A. AIC responded to the IIEC 2 data request series on June 10, 2016, nearly three weeks
183 before Staff and Intervenors' June 30, 2016 direct testimony deadline.

184 **Q. Did Mr. Gorman tell AIC that he thought that AIC's responses to IIEC's and
185 IIEC/CUB's discovery did not provide "adequate detail" for him to assess the prudence
186 and reasonableness of its 2015 AMS services and charges?**

187 A. No, not until his rebuttal testimony. It's my understanding that neither Mr. Gorman nor
188 IIEC/CUB's counsel contacted AIC or its counsel to discuss any of AIC's data request responses.

189 **Q. Did any other parties investigate AIC's 2015 AMS charges in this case?**

190 A. Yes. AIC also responded to discovery from Staff and the AG regarding AMS charges,
191 some of which requested the same information that Mr. Gorman requested.

192 **Q. What information did AIC provide in response to Staff discovery?**

193 A. After it filed its direct testimony on April 15, 2016, AIC provided Staff:

194 • in native Excel format, a schedule of all allocation percentages that were used to
195 charge AIC and other affiliates for AMS costs in 2015, including the actual
196 calculations made to determine the allocation percentages and the source for all
197 values (MHE 3.01, MHE 3.01 Attach 1 and 2);

- 198 • a detailed explanation of all allocation percentages that varied by 10% or more
199 from 2014-2015 (MHE 3.02);
- 200 • a report summarizing the monthly charges to AIC and all other affiliates from
201 AMS, and a detailed report, in native Excel format, of 2015 monthly AMS
202 charges allocated to AIC and all other affiliates, by FERC Account, description of
203 services provided, allocation factor applied, total amount of AMS costs, and
204 amount of AMS costs allocated to each individual affiliate (MHE 3.03, MHE 3.03
205 Attach 1 and 2); and
- 206 • a detailed reconciliation of the above summary report with amounts reported for
207 each affiliate on Ameren's 2015 FERC Form 60 (MHE 3.06, MHE 3.06 Attach).
- 208 After it filed its rebuttal testimony on July 28, 2016, AIC provided Staff:
- 209 • detailed descriptions and explanations of the use of the AMS IT function by AIC,
210 including the number of PCs used for AIC tasks (shared versus designated); the
211 number of servers used for AIC tasks (shared versus designated); the amount of
212 digital storage capacity allocated for AIC; the amount of digital storage capacity
213 actually used for AIC; the number of employees for AIC; the number of network
214 accounts for AIC; and the same information regarding the use of the AMS IT
215 function by Ameren Corporation, ATC, and Ameren Missouri, to the extent the
216 information is available to AIC (TEE 1.01-1.04);
- 217 • explanations of how the costs, calculations, and allocation percentages for the use
218 of the AMS IT function by AIC, Ameren Corporation, ATC, and Ameren
219 Missouri provided in AIC's responses to TEE 1.01-1.04 were determined (TEE
220 2.01-2.04);
- 221 • a list of the 34 allocation factors that were used to charge AMS IT costs from
222 AMS to all affiliates in 2015 - 5 direct (charged to one company), 26 direct
223 allocated (charged to two or more companies), and 3 indirect allocation factors -
224 an explanation of why and how each allocation factor charges an appropriate
225 portion of the cost to each affiliate, and for each of the 34 allocation factors
226 identified, an example of an actual service request to which each allocation factor
227 was applied, along with the basis for choosing that factor, to the extent that
228 information is available to AIC (TEE 2.05);
- 229 • an explanation of why the relative percentage of total AMS IT costs to AIC and
230 other affiliates is appropriate (TEE 1.06); and
- 231 • for each Ameren affiliate, the breakdown of their AMS IT charges by direct costs
232 charged and indirect costs charged (TEE 1.07).
- 233 IIEC/CUB received this discovery pursuant to a "me too" data request (IIEC 1.01).

234 **Q. Did Mr. Gorman tell AIC that he thought that AIC's responses to Staff's discovery**
235 **did not provide "adequate detail" for him to assess the prudence and reasonableness of its**
236 **2015 AMS services and charges?**

237 A. No.

238 **Q. Did Mr. Gorman refer to any of Staff's TEE data requests regarding AMS IT costs**
239 **in his rebuttal testimony?**

240 A. No.

241 **Q. What information did AIC provide in response to AG discovery?**

242 A. The AG requested the same detailed 2015 allocation factor calculations and AMS
243 monthly billing data that AIC provided to Mr. Gorman and Staff (data request AG 1.19). The
244 AG then sent AIC additional data requests further investigating that detail. In response to the
245 AG's follow-up data requests, AIC provided:

- 246 • a description of the services that AIC received from AMS that are represented by
247 certain functional areas and service requests identified by the AG in the detailed
248 billing data that AIC provided, with an explanation of why AIC was charged for
249 those services and a detailed breakdown of each cost for those services by
250 functional area, allocation factor, service request/project name, and cost (AG
251 8.05, AG 8.05 Attach);
- 252 • a description of certain 2015 AMS services to AIC identified by the AG in the
253 detailed billing data that AIC provided, and an explanation of whether the charges
254 were direct or indirect (AG 8.06); and
- 255 • explanations of why specific allocation factors identified by the AG in the
256 allocation factor calculations data that AIC provided resulted in the percentage
257 allocations to AIC and other affiliates that those allocation factors resulted in in
258 2015 (AG 9.11, AG 9.12).

259 IIEC/CUB also received copies of this discovery (IIEC 1.01).

260 **Q. Did Mr. Gorman refer to any of this AG discovery in testimony?**

261 A. No, although AIC provided it before Mr. Gorman's direct testimony was filed. AIC's
262 discovery responses to IIEC, IIEC/CUB, Staff, and the AG simply belie any accusation by Mr.
263 Gorman that AIC "refused" to provide adequate information in support of the prudence and
264 reasonableness of its 2015 AMS services and charges, or that AIC did not provide "adequate
265 detail" for Mr. Gorman (or other parties) to assess the prudence and reasonableness of 2015
266 AMS costs.

267 **Q. You mentioned that Mr. Gorman raised a specific concern regarding data request**
268 **IIEC 2.08. What did IIEC 2.08 request?**

269 A. IIEC 2.08 asked AIC to provide detailed information regarding "each service" AIC
270 receives from AMS [for an unspecified period], including descriptions of how AIC manages and
271 controls the cost of services, budgets, scopes of work, or other [unspecified] documentation
272 defining "each service to be provided and the estimated cost, in the highest detail available,"
273 copies of reports regarding actual AMS costs to budgeted AMS costs, and copies of reports
274 regarding "scope changes and completion status." AIC's counsel objected to IIEC 2.08 as
275 improper on a number of grounds. Ameren witness Getz responded subject to those objections,
276 including by explaining AIC's AMS service procurement and review process and providing 66
277 pages of AIC buyers' checklists related to AMS services and costs. (See IIEC/CUB Ex. 2.4
278 (IIEC 2.08) (emphasis added).)

279 **Q. What is your understanding of Mr. Gorman's concern regarding IIEC 2.08?**

280 A. Mr. Gorman says "AIC failed to provide any evidence that the procedures described by
281 Mr. Getz [in response to IIEC/CUB 2.08] actually are used by AIC to manage service requests
282 and manage AMS service costs." (IIEC/CUB 2.0 at 13:289-91.)

283 **Q. How do you respond?**

284 A. I disagree. Mr. Getz's direct testimony referenced in the response and the 66 pages of
285 AIC buyers' checklists attached to the response, which document the discussions between AIC
286 buyers and AMS providers for projected 2015 expenses, undercut Mr. Gorman's dissatisfaction
287 with the response. That testimony and those checklists are themselves evidence of AIC buyers'
288 procedures. If the procedures weren't followed, the checklists wouldn't exist.

289 **Q. Did Mr. Gorman ever ask AIC to expand on the AIC buyers' process?**

290 A. No. Again, neither he nor IIEC/CUB's counsel ever followed-up on IIEC 2.08.

291 **Q. You mentioned that Mr. Gorman also raised a specific concern regarding data
292 request IIEC 2.02 in his rebuttal testimony. What did IIEC 2.02 request?**

293 A. I believe this data request asked AIC to provide, for 2011-2014¹: reports of all allocation
294 factor calculations used, FERC Form 60 to IL Form 21 reconciliations for AMS costs, AMS
295 charges to all affiliates, AMS monthly billing detail, a description of each service provided to
296 AIC from AMS, the charge for each service provided to AIC from AMS, explanations of each
297 allocation factor that was used to allocate costs from AMS to AIC, and an explanation of how a
298 specific allocation factor was determined to be used for a specific service. (See IIEC/CUB Ex.
299 2.6 (IIEC 2.02); Ameren Ex. 16.1 (IIEC 2.01).)

300 **Q. What is your understanding of Mr. Gorman's concern regarding IIEC 2.02?**

301 A. Mr. Gorman says "AIC would not provide the requested information." (IIEC/CUB Ex.
302 2.0 at 12:259.) He then, for the first time, complains "[w]ithout this information, a variance

¹ IIEC 2.02 incorrectly refers to IIEC 1.01, which was simply a "me too" data request.

303 report similar to that described by Mr. Getz for Total A&G expense and specific services
304 provided by AMS to AIC was not possible.” (*Id.* at 12:268-13:270.)

305 **Q. How do you respond to Mr. Gorman's claim that AIC wouldn't provide the**
306 **requested information?**

307 A. AIC did not “not respond” to this data request or refuse to provide the information, as Mr.
308 Gorman suggests. (IIEC/CUB Ex. 2.0 at 12:265.) Rather, AIC’s legal counsel objected to the
309 request because it was improper. Again, it's my understanding that neither Mr. Gorman nor
310 IIEC/CUB's counsel contacted AIC or its counsel to follow-up on IIEC 2.02, or, specifically, to
311 explain that Mr. Gorman thought the information was needed so that Mr. Gorman could perform
312 “a variance report similar to that described by Mr. Getz for Total A&G expense and specific
313 services provided by AMS to AIC.” (IIEC/CUB 2.0 at 12:268-69.) It's my further
314 understanding from legal counsel that the parties to Commission proceedings, and to this case
315 specifically, are required to follow a certain process if they feel that a data request objection or
316 response is inadequate. Neither Mr. Gorman nor IIEC/CUB's counsel did that here.

317 **Q. Mr. Gorman says AIC did not provide "information prior to 2015 to produce [a]**
318 **variance report consistent with how Mr. Getz describes AIC's efforts to manage A&G**
319 **costs" because you testified it would be illogical, under EIMA, to assess 2015 costs relative**
320 **to prior years. (IIEC/CUB Ex. 2.0 at 13:272-81.) Is that what you said?**

321 A. No. Mr. Gorman has mischaracterized my rebuttal testimony. My rebuttal testimony at
322 page 3, which Mr. Gorman referenced at line 281 of his rebuttal testimony, states that the
323 Commission should reject Mr. Gorman's adjustment because:

324 the approach underlying Mr. Gorman's adjustment is flawed. He would
325 remove actual AMS costs charged to AIC in 2015 from AIC's revenue
326 requirement: (a) without identifying any specific 2015 AMS cost charged to

327 AIC that is inconsistent with AIC's GSA with AMS, which was approved by
328 the Commission in Docket 09-0234; (b) without identifying any specific 2015
329 AMS cost charged to AIC that is unreasonable in amount; and (c) without
330 identifying any specific 2015 AMS service provided to AIC that was
331 imprudent. Given this, his adjustment is based on the illogical premise that a
332 cost is, on its face, unreasonable and imprudent if it is higher than the prior
333 year's cost. That, however, is a premise that I understand the Energy
334 Infrastructure Modernization Act (EIMA) expressly rejects. And, to the
335 extent Mr. Gorman suggests that 2015 AMS costs charged to AIC should be
336 limited by prior year cost levels, he's attempting to normalize AMS costs,
337 which I also understand the Commission shall not require, per the EIMA.

338 (Ameren Ex. 12.0 at 3:52-4:63.)

339 **Q. Did any IIEC or IIEC/CUB data request ask AIC to produce "a variance report**
340 **similar to that described by Mr. Getz for Total A&G expense and specific services**
341 **provided by AMS to AIC?" (IIEC/CUB 2.0 at 12:268-69.)**

342 A. No.

343 **Q. Did Mr. Gorman request such a variance report in his direct testimony?**

344 A. No, not in his revised direct testimony. He did not mention such a variance report until
345 his rebuttal testimony.

346 **Q. When did Mr. Getz provide his variance analysis for total A&G expenses?**

347 A. When he submitted his direct testimony on April 15, 2016 - two months before Mr.
348 Gorman's direct testimony was due, and four months before Mr. Gorman's August 23, 2016
349 rebuttal testimony.

350 **Q. Did Mr. Gorman ever ask for detail regarding any of the FERC Account variances**
351 **that Mr. Getz described in his direct testimony?**

352 A. No.

353 **Q. Did Mr. Gorman explain why a variance analysis for AMS costs specifically is**
354 **required in addition to the A&G expenses variance analysis that Mr. Getz provided?**

355 A. No. He did not explain why AMS costs should be treated any differently than AIC's
356 other costs of service. If variances in those costs of service drive significant variances in AIC's
357 A&G expenses accounts in the period under review, AIC identifies and explains those variances,
358 as Mr. Getz did in this case.

359 **Q. Do you have any other comments in this regard?**

360 A. Yes. Mr. Gorman complains that I did not provide "a complete list of the AMS services
361 provided to AIC, and the variance in cost for each of the AMS services in 2015 versus 2014, and
362 the cost of new services, if any." (IIEC/CUB 2.0 at 11:231-33.) That is not correct - AIC
363 provided the information Mr. Gorman requested. I provided a complete list of the AMS services
364 provided to AIC in 2014 and 2015, including the cost of those services, in response to IIEC-CUB
365 2.04 Attach. Mr. Gorman attaches that response to his rebuttal testimony. (IIEC/CUB Ex. 2.5.)
366 He fails to mention, however, that the attachment to that response is a native Excel file that
367 includes a second tab labeled "AIC Data 2014-2015" with over 46,000 rows of data, which is a
368 complete list of the AMS services provided to AIC in 2014 and 2015. Again, before his rebuttal
369 testimony, Mr. Gorman never asked AIC for "the variance in cost for each of the AMS services
370 in 2015 versus 2014, and the cost of new services, if any"; he could have used the IIEC-CUB
371 2.04 Attach data, however, to perform his variance analysis. Regardless, as Mr. Gorman
372 acknowledged in his rebuttal testimony (IIEC/CUB 2.0 at 10-11), both Mr. Getz and I explained
373 variances in AIC's costs 2014-2015 in our testimonies, including AMS cost variances.

374 **Q. Can AIC provide “a variance report similar to that described by Mr. Getz for Total**
375 **A&G expense and specific services provided by AMS to AIC?” (IIEC/CUB 2.0 at 12:268-**
376 **69.)**

377 A. Yes. To further aid Mr. Gorman’s understanding, I have taken the 2014-2015 AMS cost
378 data that AIC provided in IIEC/CUB 2.04 Attach and added the FERC Account to which each
379 cost was charged to create a pivot table that shows the variances in AIC's 2014 and 2015 AMS
380 costs by FERC Account, similar to the analysis described by Mr. Getz for Total A&G expenses.
381 The variance report is attached as Ameren Exhibit 16.2.

382 **Q. Does Ameren Exhibit 16.2 include functional area mapping?**

383 A. No. Due to the accounting for pension and labor loadings before 2014, the 2014-2015
384 information is not comparable by functional area.

385 **Q. What does Ameren Exhibit 16.2 show?**

386 A. It shows the variances 2014-2015 in AMS costs charged to AIC by FERC Account,
387 without splitting the costs between AIC's gas and electric operations. It also identifies the
388 specific AMS cost drivers for those FERC Accounts where the AMS charges to the account
389 varied by 10% and \$500,000 or more, or by 5% and \$1 million or more. Generally, the exhibit
390 shows that total AMS costs charged to AIC increased from \$157 million in 2014 to \$162 million
391 in 2015, an increase of \$5.5 million or 3.5%, largely due to AMS employee wages and salaries
392 increases and other specific services, like IT support for cyber security and data operations and
393 maintaining general books and records, as I explained in my rebuttal testimony.

394 **Q. What workpaper support are you providing with Ameren Exhibit 16.2?**

395 A. Workpaper "Russi SRWP_AIC – AMS Costs 2014-2015 workpaper.xls" is provided for
396 support. The first tab of that workpaper, "FERC Account Response Summary," shows the total
397 amount charged from AMS to AIC split by FERC Major Account. The second tab, "account and
398 project summary," shows the variance for each FERC Account split by service request project
399 and labor/non-labor. The third tab, "pivot table, do not print," shows how to consolidate the
400 2014-2015 data. The fourth tab, "AIC data do not print," contains the 46,000 rows of 2014 and
401 2015 AIC AMS cost data provided to Mr. Gorman in IIEC-CUB 2.04 Attach, with the FERC
402 Accounts to which those costs were charged.

403 **Q. Are the service request projects from AIC to AMS the same each year?**

404 A. No. In 2014, for example, there were 849 service request projects charged to AIC. In
405 2015, there were 910 service request projects charged to AIC, 635 of which were also charged in
406 2014. As I explained in my rebuttal testimony, AIC uses some annual recurring AMS services,
407 such as Maintaining General Books and Records, and also uses unique AMS services each year
408 as needed for AIC's operations, such as the new customer bill format required by the
409 Commission's revised Part 280 rules and AIC's AMI project.

410 **Q. Do you have any concerns regarding Mr. Gorman's variance report request?**

411 A. Yes. In his direct testimony, Mr. Gorman proposed adjustments to AMS costs allocated
412 to AIC in 2014 and 2015, based on percentage allocations to Ameren Corporation and ATC. He
413 contended that AIC had not supported those allocations as prudent and reasonable. In my
414 rebuttal testimony, I explained why they were. In his rebuttal testimony, Mr. Gorman appears to
415 change course. There, he accused that AIC hasn't supported its decision to acquire services from
416 AMS and hasn't supported the costs of each AMS service as reasonable. (*See, e.g., IIEC/CUB*

417 Ex. 2.0 at 8.) And he asked for a variance report for all AMS services and charges to AIC 2014-
418 2015, which he claimed would support the prudence and reasonableness of AIC's 2015 AMS and
419 charges. This is something different from Mr. Gorman's previous position. In other words, Mr.
420 Gorman's concern has shifted from one of total cost allocations, to one of specific AMS services
421 and costs. For the first time in his rebuttal testimony, Mr. Gorman responded to Mr. Getz's
422 variance analysis and certain data request responses related to AMS services and costs, which he
423 could have responded to in his direct testimony.

424 **Q. What do you conclude regarding AIC's 2015 AMS charges?**

425 A. AIC has amply supported the prudence and reasonableness of those charges, and has
426 supplied the parties extensive detail regarding 2014 and 2015 AMS services and costs to AIC.
427 Only Mr. Gorman is not satisfied. Further, total AMS costs charged to AIC are reasonable and
428 prudent as shown by Ameren witness Adams' benchmarking analyses. (Ameren Ex. 13.0.) AIC,
429 like any other utility, must obtain the services it needs to operate from somewhere—internally,
430 from a centralized service company like AMS, or from a nonaffiliated third-party. Regardless of
431 the sources of those services for AIC, as Mr. Adams shows, AIC's overall operating expenses are
432 lower than its utility peers.

433 **C. Adjustment related to AMS Charges to Ameren Corporation**

434 **Q. Did Mr. Gorman agree that the divestiture-related services that AMS provided to**
435 **Ameren Corporation in 2014 "went away" in 2015?**

436 A. Yes. Mr. Gorman now appears to understand that these services were provided to
437 Ameren Corporation in 2014, but not 2015.

438 **Q. Did Mr. Gorman acknowledge that there was an increase in AMS costs charged to**
439 **Ameren Corporation 2014-2015 for non-divestiture related services?**

440 A. No. I showed this in my rebuttal testimony, but he did not mention it.

441 **Q. What, then, is the basis for his continued adjustment related to Ameren**
442 **Corporation's 2014-2015 AMS charges?**

443 A. Mr. Gorman thinks "the AMS divestiture *services* in 2014 went away, but the related
444 costs did not." (IIEC/CUB 2.08 at 16:347-48.) He contends, "[a]s a result, the AMS costs that
445 were directly charged to Ameren Corporation were reallocated in AMS service costs for services
446 that were provided to Client Companies in 2015. Ms. Russi's testimony provides nothing to
447 rebut this finding." (IIEC/CUB Ex. 2.0 at 16:348-17:351.)

448 **Q. How do you respond?**

449 A. Mr. Gorman's position is nonsensical. AMS's divestiture-specific services costs to
450 Ameren Corporation were not, and could not be, "reallocated" to other AMS services costs,
451 because those services are no longer performed. As my rebuttal testimony and the workpaper
452 provided with my rebuttal testimony showed, the \$7.3 million in AMS costs charged to AMC in
453 2014 related to the divestiture were composed of divestiture-specific services: *****
454 *****
455 *****
456 *****. Only \$143,000 of AMS charges were for those same services in 2015.
457 (Ameren Ex. 12.0 at 8; Russi Testimony 12.0 Workpaper Support.xls.) AMS does not continue
458 to perform those divestiture-specific services related to a transition that was largely completed in
459 2014. Further, nearly all of the \$7.3 million divestiture-specific AMS costs were non-labor in
460 nature. AMS did not "reallocate" those costs to other affiliates in 2015.

461 **Q. Mr. Gorman claimed that you did not provide certain information regarding the**
462 **AMS divestiture-specific costs. (IIEC/CUB 2.0 at 17.) Do you have any comments**
463 **regarding Mr. Gorman's claim here?**

464 A. Yes. Here, he appears to be referring to IIEC-CUB 2.05. IIEC-CUB 2.05 requested "a
465 complete breakdown and explanation of the \$7.3 million of divestiture costs charged by AMS to
466 Ameren Corp. in 2014." It also asked AIC to "describe all of these costs and note whether the
467 costs related to work done within AMS or were charged to AMS by external contractors. For all
468 external contractor costs, please provide a complete description of the services provided to AMS.
469 Also specify whether each cost was direct or direct allocated." I provided the AMS services
470 comprising the 2014 \$7.3 million total divestiture-related AMS costs, whether the costs were
471 direct or direct allocated to Ameren Corporation and AER, and the high-level labor/non-labor
472 split.

473 I didn't "not provide" the other requested information. AIC's legal counsel objected to
474 providing that information. Mr. Gorman appears to believe that, simply by virtue of AIC's
475 affiliation with Ameren Corporation, AER, and AMS, Mr. Gorman is entitled to information
476 regarding affiliate transactions that are not related to AIC, like transactional information
477 regarding the AER divestiture and the specific external vendors and external vendor services
478 provided to AMS and AMC related to the divestiture. It's my understanding from legal counsel
479 that AIC is not required to produce affiliated information that does not relate to transactions with
480 AIC in a Commission proceeding. Simply put, the divestiture transaction did not involve AIC or
481 its employees, the related AMS costs were segregated and direct charged to AMC, and the
482 details of the divestiture transaction have no bearing on AIC's 2015 costs at issue in this case.

483 **Q. Mr. Gorman thinks “it is possible, and [he] believe[s] highly likely, that AMS**
484 **retained costs that were previously used to provide services to Client Companies which are**
485 **no longer receiving services from AMS.” (IIEC/CUB 2.08 at 14:303-05.) Is it?**

486 A. No. Mr. Gorman “reached this conclusion because AMS total costs did not decrease after
487 it discontinued providing services to a merchant generating unit that was divested by Ameren
488 Corporation in 2014.” (IIEC/CUB 2.08 at 14:305-07.) This suggests that Mr. Gorman doesn’t
489 understand how AMS cost allocations work. As I explained at the outset of this testimony,
490 they’re much more dynamic than that. Moreover, as I explained in my rebuttal testimony, it’s my
491 understanding that the Energy Infrastructure Modernization Act (EIMA) prohibits a cost from
492 being considered unreasonable or imprudent on its face simply because it’s higher than a prior
493 year’s cost.

494 **Q. Did AMS charge AIC more than the cost of the AMS services AIC received in 2015?**

495 A. No. That would not be consistent with the GSA.

496 **Q. Are all of the AMS services that AIC received in 2015 used in AIC’s operations?**

497 A. Yes.

498 **D. Adjustment related to AMS Charges to Ameren Transmission Company**

499 **Q. Please explain your understanding of Mr. Gorman’s reason for continuing his ATC**
500 **related AMS cost adjustment.**

501 A. Mr. Gorman contends that the allocation factors used to allocate AMS IT services costs
502 to AIC and other Client Companies are not prudent and reasonable. (IIEC/CUB 2.0 at 18-19.)

503 **Q. How do you respond?**

504 A. AIC believes it should use the allocation factors authorized by the Commission in the
505 GSA that the Commission approved in Docket 09-0234, until the Commission approves different
506 allocation factors. A proceeding to review and amend the GSA, including new or revised
507 allocation factors, is pending as Docket 16-0287. In that docket, AIC has proposed new or
508 revised allocation factors that will be applied prospectively pending the Commission's approval.
509 Until the Commission approves those new or revised allocation factors, AIC believes it must use
510 the ones in the current GSA.

511 **Q. Mr. Gorman believes that "AIC should be required to provide details supporting**
512 **the reasonableness of the distribution of AMS information technology costs, to show the**
513 **amount of services received by AIC are priced in a reasonable and balanced method."**
514 **(IIEC/CUB 2.0 at 19:396-99.) Hasn't AIC already done that?**

515 A. Yes, in my rebuttal testimony and in AIC's responses to Staff's TEE 1 and 2 series of
516 data requests regarding AMS IT costs and cost allocations, which I described above. There, AIC
517 explained, to the extent it has access to the responsive information, the reasons for AMS IT costs
518 and cost allocations to AIC and other affiliates. For example, in response to Staff data request
519 TEE 1.01, AIC explained that ***** that is
520 available to the Ameren affiliates that receive AMS services. Mr. Gorman doesn't mention the
521 TEE 1 and 2 data request responses in his rebuttal testimony, and he doesn't explain what he
522 means by IT services "priced in a reasonable and balanced method." But AIC's testimony and
523 data request responses amply support the prudence and reasonableness of its 2015 AMS IT
524 services and costs.

525 **Q. Do you have any other comments regarding Mr. Gorman's ATC related AMS IT**
526 **cost adjustment?**

527 A. Yes. He continues to misunderstand the difference in IT requirements between AIC and
528 ATC. In discovery, Staff asked him to "explain the relationship (including similarities and
529 dissimilarities) between AIC's and ATC's Information Technology costs." Mr. Gorman
530 responded, "Mr. Gorman believes ATC and AIC have similar needs for information technology,
531 such as customer billing, financial accounting and operating and maintaining facilities." (MHE
532 14.03.) This reflects a fundamental misunderstanding of AIC's IT needs versus ATC's, which
533 are not the same. As I explained in my rebuttal testimony, AIC has significant customer billing
534 needs. AIC has 1.2 million electric distribution customers. ATC, on the other hand, has zero.
535 AIC provided this information to Mr. Gorman and other parties in response to Staff data request
536 MHE 3.01. Mr. Gorman ignored this distinction, or he does not understand it.

537 **Q. What about Mr. Gorman's adjustment related to other AMS services charged to**
538 **ATC?**

539 A. When Staff asked him to state whether his determination of insufficiency of costs
540 allocated to other AMS functions was based on an analysis of transactions between ATC and
541 AMS, Mr. Gorman admitted that his determination "was not based on an analysis of transactions
542 between ATC and AMS." (MHE 14.06.)

543 **E. AIC's Compliance with the General Services Agreement**

544 **Q. Mr. Gorman also addressed AIC's GSA in his rebuttal testimony. What was his**
545 **concern?**

546 A. Mr. Gorman disagreed with any suggestion that consistency with the Commission-
547 approved GSA between AMS and AIC "will establish, by itself" that AMS costs are prudent and

548 reasonable. (IIEC/CUB Ex. 2.0 at 4:88.) He contended that even if compliance with the GSA is
549 considered as one factor in establishing prudence and reasonableness, other factors should be
550 considered. (*Id.* at 4-5.)

551 **Q. How do you respond?**

552 A. Mr. Gorman mischaracterized my testimony, to the extent he suggests that I have argued
553 that compliance with the GSA alone supports the prudence and reasonableness of AMS costs.
554 As I explained in response to data request IIEC-CUB 2.03, “compliance with the Commission’s
555 directives - here, the Commission-approved GSA - is one consideration in determining that costs
556 are prudent and reasonable.” (IIEC/CUB Ex. 2.3 (IIEC-CUB 2.03).)

557 **Q. Mr. Gorman faulted you for not identifying other factors in your response to IIEC-**
558 **CUB-2.03(a). Did IIEC-CUB 2.03(a) ask you to identify other factors?**

559 A. No.

560 **Q. Did Mr. Gorman specifically identify other factors?**

561 A. No, not in his rebuttal testimony. He did not mention the GSA in his revised direct
562 testimony.

563 **Q. Are there other factors to consider in determining that costs are prudent and**
564 **reasonable?**

565 A. There may be many ways to demonstrate the prudence and reasonableness of utility costs.
566 It’s my understanding from legal counsel that the Commission determines whether costs are
567 prudent and reasonable based on the evidence before it. But there is no general prescription on
568 what form that evidence must take. That is, what evidence the Commission deems sufficient to
569 support a finding of prudence and reasonableness is up to the Commission. In this case, as I’ve

570 explained, AIC has presented ample evidence to demonstrate the prudence and reasonableness of
571 its 2015 AMS charges.

572 **Q. Mr. Gorman says that, in response to IIEC-CUB 2.03, “you opined that a full**
573 **explanation of [your] understanding of the prudence and reasonableness of AIC costs from**
574 **AMS “is protected by the attorney-client privilege.” (IIEC/CUB Ex. 2.0 at 3:66-4:68.) Did**
575 **you opine this?**

576 A. No. Here, he is referring to an objection to IIEC-CUB 2.03(b) raised by AIC’s legal
577 counsel; it is not a response or opinion from me. Again, it’s my understanding that what
578 evidence the Commission deems sufficient to make a finding of prudence and reasonableness is
579 up to the Commission. What evidence AIC presents to demonstrate that prudence and
580 reasonableness is necessarily informed by AIC’s legal counsel.

581 **Q. Did Mr. Gorman raise any other concerns regarding the GSA?**

582 A. Yes. He noted that the GSA requires AIC to pay AMS “the cost” of AMS services. He
583 then stated that paying AMS an allocated share of total AMS costs is not the same as paying
584 AMS the cost of services, and if AMS “incurs costs unrelated to services provided to Client
585 Companies, then AMS total costs may overstate its costs of services provided to AIC, and should
586 not be included as charges for services to AIC.” (IIEC/CUB 2.0 at 5:99-101.)

587 **Q. How do you respond?**

588 A. Mr. Gorman appears to fault AIC here for its inability to prove a negative. He also
589 ignores that AIC does not pay an allocated share of total AMS costs, but only an allocated share
590 of shared services and indirect costs, and some AMS costs are not allocated at all, but are direct
591 assigned.

592 **Q. Did AIC incur any AMS costs unrelated to AMS services to AIC in 2015?**

593 A. No.

594 **Q. Does AMS provide services to other affiliated companies that are not related to**
595 **AIC?**

596 A. Yes. Mr. Gorman continues to misunderstand this aspect of a centralized service
597 company. He stated "AMS has an obligation to eliminate costs that it does not need to incur to
598 provide services to AIC, and AIC has an obligation to make sure that prices it pays for services
599 provided by AMS do not include costs that are not needed to provide the service." (IIEC/CUB
600 Ex. 2.0 at 5:105-08.) AMS provides services to other affiliates that are not shared with AIC.
601 AMS does not have an obligation to limit its services to only AIC's needs, since AMS supports
602 other companies. And, again, whatever services AMS provides to Ameren affiliates, AIC only
603 pays for the AMS services that AIC uses.

604 **IV. CONCLUSION**

605 **Q. What do you conclude in response to Mr. Gorman's rebuttal position?**

606 A. The Commission should reject Mr. Gorman's adjustments. Mr. Gorman is wrong when
607 he alleges that AIC has not provided support for the prudence and reasonableness of its 2015
608 AMS costs or adequate information to allow him to assess those costs. AIC has provided ample
609 information in support of those costs, as I've explained. No other witness joined Mr. Gorman's
610 allegation of inadequacy or his AMS cost adjustments. For all the reasons that I've explained in
611 my testimony in this case, and for the reasons explained in the testimony of the other Ameren
612 witnesses, the 2015 AMS costs charged to AIC are reasonable. The Commission should reject
613 Mr. Gorman's adjustments to those costs.

614 **Q. Does this conclude your surrebuttal testimony?**

615 A. Yes, it does.