

REBUTTAL TESTIMONY

of

Theresa Ebrey
Accountant

Accounting Department
Financial Analysis Division
Illinois Commerce Commission

Verified Petition for Approval to Enter
Into Affiliate Services Agreement

Ameren Illinois Company
d/b/a Ameren Illinois

Docket No. 16-0287

October 28, 2016

1 Witness Identification

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

3 A. My name is Theresa Ebrey. My business address is 527 East Capitol
4 Avenue, Springfield, Illinois 62701.

5

6 **Q. Are you the same Theresa Ebrey who previously provided direct**
7 **testimony in this proceeding?**

8 A. Yes. I provided direct testimony in this case, marked for identification as
9 ICC Staff Ex. 1.0 on August 5, 2016.

10

11 **Q. What is the purpose of your rebuttal testimony?**

12 A. The purpose of my testimony is to respond to the rebuttal testimony and
13 exhibits presented by Ameren Illinois (“Ameren”, “AIC” or “Company”)
14 witness Jennifer A. Russi, as Ameren Ex. 2.0 and 2.1. My testimony also
15 addresses the 12 edits proposed in the direct testimony of Michael P.
16 Gorman, as IIEC/CUB Ex. 1.0.

17

18 **Q. Are you sponsoring any schedules as part of your rebuttal testimony?**

19 A. No.

20

21 **Q. What was the AIC response to your testimony filed on August 5,**
22 **2016?**

23 A. AIC agreed with each of my proposals to its General Services Agreement
24 (“GSA” or “Agreement”) (Ameren Ex. 2.1, 3 – 7), subject to certain
25 clarifications that were supported by my responses to AIC’s discovery.
26 (Ameren Ex. 2.3; 2.4)

27

28 **Q. Do you agree with AIC’s recommendation that the revised allocation**
29 **factors and allocation of costs based on those factors should be**
30 **implemented prospectively effective January 1, 2017 (Ameren Ex.**
31 **2.0, 39-40)?**

32 A. Yes. Due to the anticipated timing of a final order in this proceeding, it
33 would be reasonable for the revised allocation methodologies to be
34 effective at the beginning of 2017.

35

36 **Q. Ms. Russi responded in rebuttal testimony to each of the twelve edits**
37 **proposed by Mr. Gorman to Ameren’s GSA. Please comment.**

38 A. Generally, I agree with the overall recommendations made by Ms. Russi.
39 I address each of those edits in the following testimony.

40

41 **Q. Which of the proposed edits were accepted by Ameren?**

42 A. Ameren accepted or proposed changes to the GSA in response to Edits #
43 1, 6, 8, 9, and 10.

44

45 **Q. Please explain and comment on Edit #1.**

46 A. Edit # 1 by IIEC/CUB defined the “Other Client Companies”. In response,
47 Ms. Russi proposes the addition of a new Appendix D to the Agreement
48 which lists the “Client Companies and Other Client Companies” (Ameren
49 Ex. 2.2, 25). In addition, Ms. Russi testifies that the Company agrees to
50 inform the Commission of any changes to the affiliates receiving services
51 under the Agreement (Ameren Ex. 2.2, 24, item 6). I support these
52 changes because they provide the information requested in an easy to
53 reference Appendix to the Agreement.

54

55 **Q. Please explain and comment on Edit #6.**

56 A. Edit # 6 by IIEC/CUB inserts language indicating the authority of the ICC
57 over the Agreement. AIC has no objection to this edit. (Ameren Exhibit
58 2.0, 24) I likewise find no reason to take issue with this edit since it makes
59 the Commission’s existing authority over the GSA more explicit.

60

61 **Q. Please explain and comment on Edits #8 and #9.**

62 A. Edits # 8 and #9 proposed by IIEC/CUB insert language that address the
63 reasonableness and prudence of the allocation factors calculated under
64 the Agreement. AIC proposes the addition of language in the second
65 paragraph of the Appendix which provides the objective of the allocation
66 factors to be the “cost causation nature of the costs”. (Ameren Ex. 2.2, 10)

67 I support the edit proposed by AIC because it sets forth the basis for the
68 allocations in a manner that would be consistent with a reasonable and
69 prudent finding in prior Commission proceedings.

70

71 **Q. Please explain and comment on Edit #10.**

72 A. Edit #10 proposed by IIEC/CUB adds language to an internal audit step
73 which tests the notice requirement for changes to the entities served by
74 the Service Company (“AMS”)¹. (IIEC/CUB Ex. 1.1, 23) Ms. Russi states
75 that the notice of “changes to Client Companies and Other Client
76 Companies” is already provided for in Appendix C, Paragraphs 6 and 7.
77 (Ameren Ex. 2.0, 33). While I do not agree that the edit to the internal
78 audit step is redundant as AIC claims, I concur with AIC’s
79 recommendation that Edit #10 should be rejected since the IIEC/CUB edit
80 does not enhance the compliance testing already provided in the original
81 internal audit step. Thus, I recommend that the Commission reject
82 IIEC/CUB Edit #10.

83

84 **Q. Which edits were not supported by Ameren?**

¹ While IIEC/CUB’s description of Edit #10 indicates it “requires notification of the change in Client Companies” (IIEC/CUB Exhibit 1.0, p. 7, lines 173 – 180), the actual edit is made to one of the compliance tests to be performed in the internal audit. (IIEC/CUB Exhibit 1.1, p. 23)

85 A. Ameren does not support Edits #2, #5 and #7 concerning “prior approval”,
86 Edits #3 and #4 concerning additional tracking mechanisms and Edits #11
87 and #12 requiring the submission of AMS budgetary support.

88

89 **Q. Please explain and comment on Edits #2, #5, and #7.**

90 A. Edits #2, #5, and #7 proposed by IIEC/CUB would require prior approval
91 by the Commission for certain changes to be made to the services
92 provided under the GSA. In other words, a docketed Commission
93 proceeding would be necessary before any change can be made to the
94 services provided under the GSA. The reporting required by Items 4 and
95 7 of Appendix C (Ameren Ex. 2.2, 23-24), however, already provide
96 safeguards for Commission oversight of any changes made to entities or
97 services provided. Thus, requiring the Company to institute a new
98 proceeding before making changes to the services provided under the
99 GSA would likely result in unnecessary delays and additional costs (to
100 parties and the Commission) without corresponding benefits. Therefore, I
101 recommend the Commission reject these edits proposed by IIEC/CUB.

102

103 **Q. Please explain and comment on Edits #3 and #4.**

104 A. Edits #3 and #4 proposed by IIEC/CUB propose changes for additional
105 tracking of transactions by the Company.

106

107 In her testimony regarding Edit #3, Ms. Russi explains that certain Service
108 Request Projects (i.e., a rate case project) will accumulate costs from a
109 number of AMS functional areas (Ameren Ex. 2.0, 18). Thus, tracking the
110 cost by functional area would not provide the complete picture of costs
111 relative to the Service Request Project. She also notes that the addition of
112 this tracking mechanism comes with additional costs to customize certain
113 existing software as well as additional customizations for changes within
114 their systems as time goes on. I recommend that the Commission reject
115 Edit #3 since the costs to accommodate the additional tracking would not
116 be offset by benefits to the ratepayers.

117

118 In addition, it is unclear how tracking **payment** information by service
119 request and then by functional area (Edit #4) provides any additional
120 information concerning the costs allocated to the utility. *Payments* are not
121 a component of the allocation percentage calculation provided for in the
122 GSA so no benefit would be gained from the additional tracking proposed.
123 Therefore, I recommend that the Commission reject Edit #4.

124

125 **Q. Please explain and comment on Edits #11 and #12.**

126 A Edits #11 and #12 proposed by IIEC/CUB both recommend that budgetary
127 information for AMS be provided to demonstrate “effective cost

128 management” (IIEC/CUB Ex. 1.1, 23) and “to confirm the reasonableness
129 of the allocation factors used to allocate to Client Companies” (Id. at 24).

130

131 I do not agree that budgetary information from AMS is necessary to
132 evaluate the just and reasonableness and prudence of the costs that are
133 allocated to AIC under the GSA. This would be akin to requiring
134 budgetary information from any vendor with which AIC does business to
135 determine if costs charged to ratepayers are just, reasonable, or prudent.
136 In either situation, a budget would not be helpful since 1) it merely reflects
137 company forecasts that are subject to change in the event of changes
138 circumstances and 2) actual costs incurred can and do vary from
139 budgeted amounts for a variety of reasons that may be valid. Therefore,
140 these edits should be rejected.

141

142 **Q. Please explain and comment on IIEC/CUB’s third-party audit**
143 **recommendation.**

144 A. IIEC/CUB recommends “a third-party audit be performed of AMS costs by
145 an independent third-party auditor designated by the Commission.”
146 (IIEC/CUB Ex. 1.0, 9) Ms. Russi correctly points out that what constitutes
147 a third-party audit as recommended by IIEC/CUB is undefined since 1) the
148 frequency of the audit is not identified; 2) the process for the Commission
149 to designate the auditor is not identified; and 3) the scope of the audit is

150 not defined. (Ameren Ex. 2.0, 37-38) In addition, the costs of such an
151 audit would ultimately be recovered from AIC ratepayers, without a
152 corresponding benefit to them. The third-party audit would duplicate the
153 validation efforts that are already provided for in the Appendix C – Illinois
154 Provisions of the proposed GSA; specifically, through the compliance
155 testing in the internal audit provision (Ameren Ex. 2.2, 22-23). Therefore,
156 I recommend that the Commission reject the proposal for a third-party
157 audit.

158

159 **Q. Mr. Gorman states that the “Agreement should be amended to**
160 **clearly state AMS obligations to provide the Client Companies and**
161 **the ... Commission with the information necessary to fully prove that**
162 **AMS costs are prudent and reasonable, and to support the allocation**
163 **of costs to the Client Companies as prudent and reasonable portions**
164 **of total AMS costs.” Do you concur with this statement?**

165 A. No, I do not. I am advised by counsel that nothing in Section 7-101(3),
166 which governs Commission approval of affiliated interest agreements,
167 suggests that a “prudent and reasonable” standard applies to the approval
168 of such agreements; rather, Commission approval of affiliate agreements
169 under Section 7-101(3) is subject to a “public interest” standard. Further, I
170 am advised by counsel that Section 7-101(3) provides in relevant part that
171 “[t]he consent to ... any contract or arrangement under this Section ...

172 does not constitute approval of payments thereunder for the purpose of
173 computing expense of operation in any rate proceeding.” Accordingly,
174 based upon counsel’s advice, Mr. Gorman’s request that the Commission
175 require a prudency review in this proceeding is premature at best.

176

177 **Q. Does this conclude your prepared rebuttal testimony?**

178 **A.** Yes, it does.