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Sponsoring Party: Union Electric Company
Case No.: ER-2019-0335
Date Testimony Prepared: Jan 21, 2020

MISSOURI PUBLIC SERVICE COMMISSION

FILE NO. ER-2019-0335

REBUTTAL TESTIMONY

OF

BEN HASSE

ON

BEHALF OF

UNION ELECTRIC COMPANY

d/b/a Ameren Missouri

St. Louis, Missouri
January 2020

Ameren Exhibit No. 5
Date 3/11/20 Reporter JMB
File No. ER-2019-0335

TABLE OF CONTENTS

I. INTRODUCTION1

II. RESPONSE TO OPC TESTIMONY2

REBUTTAL TESTIMONY

OF

BEN HASSE

FILE NO. ER-2019-0335

1 **I. INTRODUCTION**

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

3 A. My name is Ben Hasse and my business address is 1901 Chouteau
4 Avenue, St. Louis, Missouri 63103.

5 **Q. By whom are you employed and what is your position?**

6 A. I am employed by Union Electric Company d/b/a Ameren Missouri
7 ("Ameren Missouri" or "Company") as the Cost Allocation Manual ("CAM") Manager.

8 **Q. Please describe your educational background and employment
9 experience.**

10 A. I received a Bachelor of Science degree in Accounting from Truman State
11 University in May 2012 and a Master's degree in Accounting from Truman State
12 University in May 2013. I am a Certified Public Accountant, licensed to practice in the
13 State of Missouri. From 2013 to 2015, I worked for KPMG in St. Louis, Missouri, as an
14 auditor. From 2015 to 2017, I worked for Ameren Services Company ("AMS") in the
15 General Accounting Department, first as a Specialist and then as a Senior Specialist.
16 From 2017 to 2019, I worked for AMS in the Financial Services Department, first as
17 Business Performance Specialist and then as a Senior Business Performance Specialist. In
18 February 2019, I accepted the position as the CAM Manager for Ameren Missouri.

1 **Q. What are your responsibilities in your current position?**

2 A. As CAM Manager, my day-to-day responsibilities include, among other
3 things, staying in continuous communication with the business lines and the Regulatory
4 Accounting Department regarding affiliate transactions; reviewing recordkeeping of
5 affiliate transactions monthly to ensure the transactions comply with the Affiliate
6 Transaction Rules ("Rules"); and participating in the Joint Planning and Procurement
7 process. In addition, I am the point of contact for all employees with questions relating to
8 Rules compliance.

9 **II. RESPONSE TO OPC TESTIMONY**

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

11 A. The purpose of my rebuttal testimony is to address certain issues raised in
12 the direct testimony of Office of Public Counsel ("OPC") witness Robert Schallenberg.

13 **Q. On what specific issues are you providing rebuttal testimony?**

14 A. Specifically, my rebuttal testimony addresses the following issues raised
15 by OPC: (1) training of employees regarding the requirements of the Rules; and (2)
16 Ameren Missouri's choice of goods or services it receives from AMS.

17 **Q. What issue did Mr. Schallenberg raise about training employees**
18 **regarding the Rules?**

19 A. As Company witness Tom Byrne discusses in his rebuttal testimony, Mr.
20 Schallenberg claims that the Company is not in compliance with the Rules. He suggests
21 that one of the reasons is the failure to train and advise personnel regarding the Rule.

1 **Q. Does Mr. Schallenberg's direct testimony provide a fair**
2 **characterization of the Company's efforts regarding the training provided to**
3 **employees?**

4 A. No, it does not. Ameren Missouri provided some training to employees
5 when the Affiliate Transaction Rules were first enacted but it has not provided training on
6 a regular schedule in subsequent years. I should note, however, that all new employees
7 are trained on the proper use of timesheets and all AMS employees complete training on
8 the proper use of allocation factors every two years. Moreover, as part of the Stipulation
9 and Agreement filed by the Company and Staff in File No. EO-2017-0176, the
10 Company's agreed-upon CAM requires extensive training respecting Rules compliance
11 and the sharing of training materials with Staff prior to use so that they may provide their
12 input. I have developed that training for Ameren Missouri and AMS employees, and Staff
13 has provided feedback, which has been incorporated into the training. File No. EO-2017-
14 0176 has been stayed in order for the Company and all potentially impacted utilities and
15 utility stakeholders to fully participate in the workshop process and in the formal
16 rulemaking that is likely to follow File No. AW-2018-0394. Therefore, the training has
17 not been deployed as it is likely that the Rules will be updated and one can reasonably
18 expect it to contain differences from the current Rules.

19 **Q. What is Mr. Schallenberg's testimony with regard to which goods or**
20 **services Ameren Missouri receives from AMS?**

21 A. Mr. Schallenberg claims that the Company is unable to choose which
22 goods or services it receives from AMS.

23 **Q. Do you agree with Mr. Schallenberg's conclusion?**

1 A. No. As stated in my direct testimony in File No. EO-2017-0176, which I
2 have also attached to this testimony as Schedule BH-R1, Ameren Missouri's Joint
3 Planning and Procurement policy establishes the process used by Ameren Missouri for
4 planning and purchasing products and services from AMS. This established process
5 allows Ameren Missouri to determine its need for, the nature of, and the value of the
6 products and services offered by AMS on an ongoing basis. As part of this process,
7 Ameren Missouri can evaluate opportunities for AMS to reduce the level of a product or
8 service, increase the value of a product or service, provide new or modified products and
9 services, and can discuss, consider and if it so chooses, use, practical alternatives to
10 receiving a given product or service from AMS.

11 **Q. Does this conclude your rebuttal testimony?**

12 A. Yes.

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

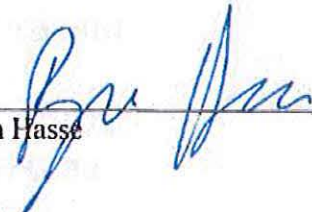
In the Matter of Union Electric Company d/b/a Ameren)
Missouri's Tariffs to Decrease Its Revenues for) File No. ER-2019-0335
Electric Service.)

AFFIDAVIT OF BEN HASSE

STATE OF MISSOURI)
) ss
CITY OF ST. LOUIS)

COMES NOW Ben Hasse, and on his oath declares that he is of sound mind and lawful age; that he has prepared the foregoing *Rebuttal Testimony*; and that the same is true and correct according to his best knowledge and belief.

Further the Affiant sayeth not.



Ben Hasse

Subscribed and sworn to before me this 21 day of January, 2020.



Notary Public

My commission expires:



Exhibit No.:
Issue(s): CAM Team; Joint
Planning; FDC Study
Witness: Benjamin Hasse
Type of Exhibit: Direct Testimony
Sponsoring Party: Union Electric Company
File No.: EO-2017-0176
Date Testimony Prepared: June 14, 2019

MISSOURI PUBLIC SERVICE COMMISSION

FILE NO. EO-2017-0176

DIRECT TESTIMONY

OF

BENJAMIN HASSE

ON

BEHALF OF

UNION ELECTRIC COMPANY

D/B/A AMEREN MISSOURI

**St. Louis, Missouri
June 2019**

TABLE OF CONTENTS

I. INTRODUCTION.....1

II. PURPOSE OF TESTIMONY.....1

III. CAM TEAM.....2

IV. JOINT PLANNING AND PROCUREMENT.....4

V. FDC STUDY.....7

DIRECT TESTIMONY

OF

BENJAMIN HASSE

FILE NO. EO-2017-0176

1

I. INTRODUCTION

2

Q. Please state your name and business address.

3

A. Benjamin Hasse, One Ameren Plaza, 1901 Chouteau Avenue, St. Louis,

4

Missouri 63103.

5

Q. By whom and in what capacity are you employed?

6

A. I am employed by Union Electric Company d/b/a Ameren Missouri

7

("Ameren Missouri" or "Company") as the Cost Allocation Manual Manager.

8

Q. Please describe your educational and professional background.

9

A. I received a Bachelor of Science degree in Accounting from Truman State

10

University in May 2012 and a Master's degree in Accounting from Truman State University

11

in May 2013. I am a Certified Public Accountant, licensed to practice in the State of

12

Missouri. From 2013 to 2015, I worked for KPMG in St. Louis, Missouri, as an auditor.

13

From 2015 to 2017, I worked for Ameren Services Company ("AMS") in the General

14

Accounting Department, first as a Specialist and then as a Senior Specialist. From 2017 to

15

2019, I worked for AMS in the Financial Services Department, first as Business

16

Performance Specialist and then as a Senior Business Performance Specialist. In February

17

2019, I accepted the position as the Cost Allocation Manual Manager for Ameren Missouri.

18

II. PURPOSE OF TESTIMONY

19

Q. What is the purpose of your direct testimony?

1 A. The purpose of my direct testimony is to detail the responsibilities and
2 duties of the newly formed Cost Allocation Manual ("CAM") Team. In addition, I will
3 testify how the Joint Planning and Procurement process ensures that Ameren Missouri
4 receives only the services it needs from AMS. Finally, I will provide detail on a fully
5 distributed cost ("FDC") study Ameren Missouri is performing as agreed upon with the
6 Staff of the Missouri Public Service Commission ("Staff").

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

8 A. Yes, I am sponsoring Schedule BH-1 which is a Joint Planning and
9 Procurement Policy applicable to Ameren Missouri's receipt of products and services from
10 AMS, and Schedule BH-2 which relates to the FDC study agreed upon with Staff as part
11 of this docket.

12 III. CAM TEAM

13 **Q. What is the "CAM Team"?**

14 A. The CAM submitted with the Stipulation and Agreement ("Stipulation")
15 filed by the Company and Staff in this docket provides for the formation and ongoing
16 operation of a group of people – the CAM Team – whose purpose is to support Ameren
17 Missouri's compliance with the Affiliate Transaction Rules ("Rules") and accounting for
18 any variances.¹ The CAM Team consists of the following individuals:

- 19 • Warren Wood — Vice President of Regulatory & Legislative Affairs,
20 Ameren Missouri
- 21 • Tom Byrne — Sr. Director of Regulatory Affairs, Ameren Missouri

¹ The 2018 CAM submitted on May 15, 2019 also provides for the CAM Team and is substantively the same as the CAM submitted in this docket.

- 1 • Mitchell Lansford — Senior Manager of Regulatory Accounting, Ameren
- 2 Missouri
- 3 • Laura Moore — Controller, Ameren Missouri
- 4 • Jermaine Grubbs — Corporate Counsel, Ameren Missouri
- 5 • Ben Hasse — Cost Allocation Manual Manager, Ameren Missouri
- 6 • Jim Lowery — Attorney, Smith Lewis, LLP

7 **Q. What is the responsibility of the CAM Team?**

8 A. As Ameren Missouri witness, Tom Byrne, explained in his direct testimony,
9 the overall responsibility of the CAM Team is to ensure that the Company's
10 affiliate transactions comply with the Rules. Among other things, the CAM Team
11 plays an active role in ensuring all record keeping and reporting required by both
12 the Rules and the CAM are completed, staying well-informed on current and new
13 business activities, and participating in annual audits of Rules and CAM
14 compliance. In addition, the CAM Team ensures that the Company's Joint
15 Planning and Procurement Policy is followed and has designed employee training
16 relating to Rules compliance as part of its efforts to make sure employees
17 understand the Rules, the agreements reflected in the CAM, and otherwise conduct
18 themselves in a way that keeps the Company in compliance with the Rules. I will
19 discuss the Joint Planning and Procurement Policy in more detail later in my
20 testimony. The CAM Team meets approximately every month (more often if
21 necessary) to address its duties, which include the above matters. Essentially, the
22 CAM Team monitors and discusses ongoing CAM Team responsibilities as

1 outlined in the CAM, as well as any actual issues relating to Rules compliance that
2 may have arisen.

3 **Q. What are your responsibilities as the CAM Manager?**

4 A. As CAM Manager, my day-to-day responsibilities include, among other
5 things, staying in continuous communication with the business lines and the
6 Regulatory Accounting Department regarding affiliate transactions; reviewing
7 recordkeeping of affiliate transactions monthly to ensure the transactions comply
8 with the Rules; and participating in the Joint Planning and Procurement process.
9 In addition, consistent with the Rules' requirements, and as part of the Company's
10 agreements with the Staff, I have developed extensive training for Ameren
11 Missouri and AMS employees on compliance with the Rules. In addition, I am the
12 point of contact for all employees with questions relating to Rules compliance.

13 **IV. JOINT PLANNING AND PROCUREMENT**

14 **Q. Please describe the Joint Planning and Procurement Policy.**

15 A. The Joint Planning and Procurement Policy attached to my testimony as
16 Schedule BH-1 establishes a process used by Ameren Missouri for planning and
17 purchasing products and services from AMS. This established process allows
18 Ameren Missouri to determine its need for, the nature of, and value of the products
19 and services offered by AMS on an ongoing basis. This policy not only ensures
20 that AMS is providing the types of services Ameren Missouri needs and in the
21 quantity that Ameren Missouri desires, it also increases transparency and facilitates
22 continuous improvement. I should also note that a joint planning process has
23 existed for many years, but as part of collaborating with the Staff in developing the

1 Stipulation and CAM submitted in this docket, the policy was formalized in the
2 Joint Planning and Procurement Policy attached as Schedule BH-1 to reflect
3 enhancements and improvements identified as part of those discussions.

4 **Q. What process does the Joint Planning and Procurement Policy**
5 **establish?**

6 A. In the development of Ameren Missouri's next fiscal year budget, a series
7 of Joint Planning and Procurement meetings are held annually (concluding by no
8 later than the end of September) between representatives of Ameren Missouri and
9 AMS. Prior to the meeting, AMS distributes documentation that describes in detail
10 the products and services available to Ameren Missouri, as well as what the
11 estimated cost of such products and services for the next fiscal year would be if
12 Ameren Missouri continues to utilize all the products and services it has
13 historically taken from AMS in the coming budget year. Both AMS and Ameren
14 Missouri leaders review the documentation and come to the meetings well-
15 informed. In this regard, the Policy specifically provides that the Ameren Missouri
16 leaders that participate in the process obtain the views of employees in their
17 organization as needed so that the products and services are properly evaluated.

18 **Q. Please describe the documentation provided by AMS in more detail.**

19 A. AMS provides the following:

- 20 • Listing of all the products and services AMS can provide to Ameren
21 Missouri, including details as to what is included in the products and
22 services. This is also known as the "Products and Services Catalog."

- 1 • Information on opportunities for Ameren Missouri to consider alternatives
2 for receiving the product or service. This may include increasing the value
3 by reducing cost or increasing the service level, or consideration of
4 outsourcing a service.
- 5 • Projected aggregate AMS annual costs to Ameren Missouri based on
6 continuation of the products and services it has been taking from AMS. In
7 addition, a year-over-year comparison is provided.
- 8 • Projected annual AMS operations and maintenance cost to Ameren
9 Missouri for each individual product and service based on continuation of
10 the product or service. In addition, a year-over-year comparison is
11 provided.
- 12 • Documentation of AMS' exercise of its authority as agent for Ameren
13 Missouri.

14 After enough time has been given for an in-depth review, the Joint Planning
15 and Procurement meetings take place. Representatives from each AMS
16 organization will present to Ameren Missouri more detail on its respective products
17 and services and facilitate a collaborative discussion. Part of the discussion is
18 Ameren Missouri's feedback on the prospective and historical value of the products
19 and services. This includes opportunities for AMS to reduce the level of a product
20 or service, increase the value of the product or service, provide new or modified
21 products and services that Ameren Missouri may need, and a discussion of practical
22 alternatives to receiving a given product or service from AMS. As a result of these
23 discussions, Ameren Missouri will assess which products and services, and how

1 much of each product or service, it will procure from AMS during the next budget
2 year.

3 **Q. What is the result of the Joint Planning and Procurement meetings?**

4 A. Once Ameren Missouri agrees to purchase specific products and services
5 and the level of those services from AMS, Ameren Missouri will include the
6 estimated cost of those products and services at that level in its budget to reflect
7 the results of decisions made in the Joint Planning and Procurement process.

8 **Q. Is the Joint Planning and Procurement Process over at that point?**

9 A. No, the Joint Planning and Procurement process is ongoing and is not just
10 a single annual event. The policy also requires a monitoring process for Ameren
11 Missouri to ensure charges from AMS are consistent with the products and services
12 approved during the Joint Planning and Procurement meetings. AMS
13 representatives meet with members of the CAM Team on a quarterly basis to
14 discuss variances from the approved products and services. The results of those
15 quarterly meetings are then presented to the President of Ameren Missouri and his
16 lead team for their feedback.

17 **V. FDC STUDY**

18 **Q. You noted earlier that in collaboration with the Staff a fully distributed**
19 **cost ("FDC") study will be performed by Ameren Missouri. How did the FDC**
20 **study come about?**

21 A. As Mr. Byrne explains in his direct testimony, as part of the extensive
22 discussions that occurred in this docket and that led to agreement between the
23 Company and the Staff on a CAM, the Company and the Staff both believed it

1 would be beneficial to do two things to support the ongoing reasonableness of the
2 costs Ameren Missouri would incur from AMS: (1) evaluate the cost drivers of
3 each product and service to ensure that the allocation factors used to allocate the
4 costs of shared products and service among Ameren Missouri and its other
5 affiliates that receive the shared products and services reasonably reflect those
6 costs drivers, and to look for ways to improve those allocation factors
7 prospectively, and (2) evaluate whether the percentage of AMS costs that are
8 allocated could be reduced by finding greater opportunities to directly charge a
9 given affiliate (whether it be Ameren Missouri or, as an example, Ameren Illinois
10 Company) for a given product or service. The Company and the Staff also
11 recognized, however, that undertaking such a study was a very significant task that
12 would take considerable time to design, complete and implement, and that
13 implementing the significantly updated and enhanced CAM that the Company and
14 Staff have agreed upon, and the variances reflected in the CAM did not depend on
15 completing the study. Consequently, the Company and the Staff agreed that they
16 would complete and file the CAM and seek its approval and would then design and
17 agree upon the parameters of the FDC study. The Stipulation provided a
18 mechanism for the Commission to resolve disputes about its design if needed, but
19 that was unnecessary as the Company and the Staff collaborated on and then agreed
20 to the study.

21 **Q. More specifically, what is the FDC study?**

1 A. The details of the FDC study are outlined in Schedule BH-2 which, as noted,
2 was agreed upon by the Company and the Staff. The study will look at two main
3 areas:

4 1. Allocated Costs — the study will evaluate the allocation factors
5 currently used when AMS costs cannot be directly assigned to a given
6 affiliate to determine if improvements can be made. The study will evaluate
7 if different types of allocation factors would more fairly and accurately
8 allocate AMS costs to the affiliates receiving the benefits of AMS' products
9 and services, and will aim to achieve the fairest practical allocation of these
10 types of costs by evaluating the drivers of these costs.

11 2. Directly Assignable Costs — the study will also evaluate ways to
12 increase AMS costs that are directly assignable to the specific customer of
13 AMS' products and services. By doing this, reduced reliance on the
14 allocation factors discussed above can be achieved.

15 **Q. Who is performing the study and what are the deliverables?**

16 A. After agreeing upon the study with the Staff, Ameren Missouri prepared
17 and in March of this year issued, a Request for Proposal ("RFP") seeking professional
18 outside services to perform the study from firms with expertise in cost causation and
19 allocation. A consultant was engaged this month to perform the study.² The consultant is
20 commencing its work on the study roughly concurrently with the filing of this testimony.
21 The deliverables of the study can be found on Schedule BH-2. Among other things, the

² Please note that when the study was initially contemplated it was expected to commence approximately February 1, 2019. However, due to the press of business for the Company and the Staff, working out the study details and getting the RFP prepared and issued took longer than anticipated, which delayed commencement of the study to June 2019.

Direct Testimony of
Benjamin Hasse

1 deliverables will include a comparison of the amount of costs that would have been
2 allocated by AMS to Ameren Missouri (and other Ameren affiliates) using the proposed
3 allocation factors from the study to the amount of costs allocated to Ameren Missouri (and
4 other Ameren affiliates) using current cost allocation approaches. A study report will be
5 prepared and provided to the Staff and if indicated prospective changes to allocation factors
6 and/or processes to increase the amount of direct charging that occurs can then be
7 implemented.

8 **Q. Why is it appropriate to do an FDC study now?**

9 A. Allocation factors have been developed at different points in time since
10 Ameren Corporation was formed. Given the passage of time, it is appropriate to
11 comprehensively review those factors to ensure that they are optimally designed. While I
12 have no reason to believe that the factors will be significantly changed as a result of the
13 study, many of the factors may need to be fine-tuned, and some new factors may need to
14 be developed.

15 **Q. Does this conclude your direct testimony?**

16 A. Yes, it does.

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of a Union Electric Company d/b/a)
Ameren Missouri's Cost Allocation Manual (CAM).) File No. EO-2017-0176

AFFIDAVIT OF BEN HASSE

STATE OF MISSOURI)
) ss
CITY OF ST. LOUIS)

Ben Hasse, being first duly sworn on his oath, states:

1. My name is Ben Hasse. I work in the City of St. Louis, Missouri, and I am employed by Union Electric Company d/b/a Ameren Missouri as Cost Allocation Manual ("CAM") Manager.

2. Attached hereto and made a part hereof for all purposes is my Direct Testimony on behalf of Union Electric Company d/b/a Ameren Missouri consisting of _____ 10 _____ pages and Schedule(s) _____ BH-D1 - BH-D2 _____, all of which have been prepared in written form for introduction into evidence in the above-referenced docket.

3. I hereby swear and affirm that my answers contained in the attached testimony to the questions therein propounded are true and correct.

Ben Hasse

Subscribed and sworn to before me this 12 day of June, 2019.

Notary Public

My commission expires






Joint Planning and Procurement Procedure for Purchasing Ameren Services Company Products and Services

Effective Date: [9/26/18]

Approved By:  Date: 9/26/18

**Michael Moehn
President – Ameren Missouri**

Approved By:  Date: 9/26/18

**Marty Lyons
President – Ameren Services Company**

Table of Contents

<u>Section</u>	<u>Page Number</u>
1.0 Purpose	3
2.0 Scope.....	3
3.0 AMS Joint Planning and Procurement Process.....	3
4.0 Oversight/Approval Process	6
5.0 Internal Audit	6



1.0 Purpose

- 1.1 The purpose of this document is to establish the procedure used by Ameren Missouri for planning for and purchasing products and services from Ameren Services Company (AMS) in an efficient process.

This process is designed to allow Ameren Missouri to determine its need for, the nature of, and the value of the products and services offered by AMS. This process contemplates that Ameren Missouri will analyze and evaluate practical alternatives, if any, including performing the service or developing the product within Ameren Missouri, before Ameren Missouri makes commitments to purchase AMS products and services from AMS. This procedure allows Ameren Missouri to explore additional opportunities for obtaining the products or services it needs, and to increase the value of the products and services AMS provides to Ameren Missouri by either reducing the cost or increasing the service level.

- 1.2 It is understood that Ameren Missouri is responsible to perform adequate review and evaluation to support its decision to procure specific AMS products and services for the current year as well as the following budget year. It is understood that Ameren Missouri is responsible to ensure AMS provides all necessary information to facilitate a review of the products, services, and billings received from AMS, in order to determine whether Ameren Missouri should dispute or question AMS charges.

2.0 Scope

- 2.1 This procedure applies to all expenditures made by Ameren Missouri for AMS products and services, whether charged to balance sheet or income statement accounts.
- 2.2 This procedure does not apply to transactions under the Money Pool Agreement, under the Tax Allocation Agreement, or to products or services purchased by AMS as agent for Ameren Missouri on Ameren Missouri's behalf.
- 2.3 This procedure applies to current year AMS expenditures charged to Ameren Missouri and to development of the annual budget of AMS expenditures charged to Ameren Missouri for the following year.

3.0 AMS Joint Planning and Procurement Process

- 3.1 AMS planning and procurement is done on an annual basis, beginning no later than the end of September, so that it may be completed prior to the final Ameren Missouri board meeting of the year, normally held in December.
- 3.2 An initial comprehensive joint planning and procurement meeting is held between representatives of Ameren Missouri and AMS.

3.2.1 The President of Ameren Missouri, the Sr. Vice President – Customer and Power Operations, the Sr. Vice President and Chief Nuclear Officer, and the Vice President – External Affairs and Communications will ensure that they have obtained the views of employees within their organizations as necessary to properly evaluate the products and services available from AMS.

3.2.2 AMS Officers (Vice President or Sr. Vice President) representing each AMS organization providing products or services to Ameren Missouri will ensure that they have obtained information from employees in their organizations as necessary to properly provide Ameren Missouri with relevant information regarding the products and services available from AMS.

3.2.3 By a deadline to be determined by Ameren Missouri each year, AMS will provide to Ameren Missouri detailed information for Ameren Missouri to review in advance of the initial comprehensive planning and procurement meeting. This deadline shall be far enough in advance of the meeting to allow for in-depth review by Ameren Missouri leaders and for broader dissemination and in-depth review by Ameren Missouri employees at lower levels of the Company. The information provided by AMS shall include:

3.2.3.1 Descriptions of the individual services and products AMS is willing to provide Ameren Missouri, with details defining what is included in the product or service,

3.2.3.2 AMS' assessment of opportunities for Ameren Missouri to consider alternatives for obtaining the product or service or to increase the value derived from each product and service to Ameren Missouri by reducing the cost or increasing the service level.

3.2.3.3 Projected aggregate annual AMS costs related to its products and services provided to Ameren Missouri, including year-over-year comparisons,

3.2.3.4 Projected annual costs for each AMS product and service offered, including year-over-year actual historical costs comparisons.

3.2.3.4 Records of AMS' exercise of its authority as agent for Ameren Missouri during the prior year.

3.2.3.5 Any additional information requested by Ameren Missouri from AMS needed to prepare for the initial comprehensive planning and procurement meeting. Ameren Missouri and AMS are expected to document and communicate their current positions regarding AMS transactions at the time any material issue/matter develops and not wait until this annual initial comprehensive planning and procurement meeting.

3.2.4 Ameren Missouri will assign company resources as necessary to review the detailed information in advance of the initial comprehensive planning and procurement meeting, and ensure that:

3.2.4.1 Ameren Missouri understands the full nature of the products and services that AMS offers to Ameren Missouri.

3.2.4.2 Ameren Missouri evaluates the nature and extent of the products and services it will receive for the coming year.

3.2.4.3 Ameren Missouri evaluates practical alternatives, if any, such as providing them within Ameren Missouri or outsourcing them to third parties other than AMS, to determine if such actions would increase the value derived from the products and services.

3.2.4.4 Ameren Missouri assesses and provides feedback to AMS on opportunities for AMS to increase the value of products and services it is willing to provide to Ameren Missouri, either by reducing costs or increasing service levels.

3.2.4.5 Ameren Missouri assesses and provides feedback to AMS on opportunities for AMS to provide value to Ameren Missouri and other Ameren affiliates by providing new or additional products and services needed by Ameren Missouri, at a lower cost or with a higher service level than Ameren Missouri could otherwise do on its own.

3.2.4.6 Ameren Missouri assesses and provides feedback to AMS regarding the nature and extent of AMS' historical exercise of its authority as Ameren Missouri's agent and provides instructions with respect to any limits on such authority or consultation required by AMS with Ameren Missouri with respect to exercise of such authority during the upcoming year.

3.2.5 If the first meeting is not conclusive regarding the products, services, and price terms between AMS and Ameren Missouri, follow-up actions will be agreed to by AMS and Ameren Missouri, which may include additional meetings of the appropriate Ameren Missouri and AMS representatives.

3.3 Once Ameren Missouri agrees to the purchase of specific AMS products and/or services, Ameren Missouri will adjust its budgets to reflect the results of decisions made in this joint planning and procurement process and ensure that appropriate parties enter these results in the budget system before required deadlines.

3.4 Ameren Missouri will ensure that the individual products and services that AMS is to provide to Ameren Missouri are documented contemporaneously and also reflected in Ameren Missouri's next CAM filing.

4.0 Oversight/Approval Process

4.1 Ameren Missouri understands its responsibility to ensure payments to AMS are consistent with the products and services approved by Ameren Missouri. In order to support payments to AMS, Ameren Missouri will establish a monitoring process documenting the receipt of the specified product and/or service from AMS, as agreed to with Ameren Missouri, as well as Ameren Missouri's level of satisfaction with the received product or service as compared to the specified conditions for the received product or service outlined in the Ameren Missouri – AMS General Services Agreement, and will establish a monitoring process for AMS' exercise of agency authority on Ameren Missouri's behalf. Ameren Missouri shall ensure that its agreement with AMS includes a billing format that facilitates the Ameren Missouri approval process.

5.0 Internal Audit

5.1 Ameren Missouri shall initially conduct annual audits to assess the level of compliance with this procedure and to identify corrective actions, if any, necessary to ensure ongoing compliance and satisfaction of Ameren Missouri's stated responsibilities. After three years and upon a showing of a high level of compliance and responsibility satisfaction, these audits may be conducted not less than once every four years.

**SCOPE OF WORK AND DELIVERABLES FOR
FULLY DISTRIBUTED COST STUDY**

File No. EO-2017-0176

Purpose

The study's purpose is to verify that Ameren Services Company's (AMS) fully distributed costs (FDC) are consistent with 4 CSR 240-20.015(1)(F) and to otherwise provide assurance that AMS products and services provided to Ameren Missouri are not subsidizing AMS products and services provided to other Ameren affiliates.

Background

AMS, formed in 1997 as part of the Commission-approved merger of Union Electric Company with Central Illinois Public Service Company is a centralized service company providing shared services to Ameren Corporation and its affiliates. Since that time, AMS has used a project-based Service Request (SR) system to charge its actual costs to the various entities to which it provides products and services. Each SR project has an allocation factor assigned to it. The allocation factor provides the system with the percentages to allocate costs to each of the affiliates. The system utilizes several different types of allocation factors:

- Direct – costs that can be identified as being applicable to services performed for a single affiliate and are directly charged to that affiliate.
- Direct Allocated – costs that are applicable to two or more affiliates and will be allocated among affiliates based on a prescribed allocation factor. The allocation factor is designed to allocate costs to the appropriate affiliate.
- Indirect – costs of a general overhead basis which cannot be identified to a single affiliate or group of affiliates. These indirect costs are defined as either functional or corporate in nature.
- Undivided Interest – allocates costs for capital software projects based on a unique allocator that is developed for that specific project tied to the use of the software for each interest owner.

FDC Study Team Activities

The FDC Study Team has been tasked with evaluating the currently-used allocation factors and the utilization of the different types of allocation factors to determine if improvements can be made to the SR system and the allocation factors to more fairly and accurately allocate AMS costs to the affiliates receiving the benefit of AMS' products and services, in particular so that the costs of various products and services can be charged according to the cost drivers of those costs. The team will also evaluate ways to reduce the percentage of AMS costs that are allocated (Direct Allocated and Indirect) and to increase the percentage that are Direct charged. The goal is a system where no one affiliate is subsidizing AMS costs provided to other affiliates. The team believes that configuring the SR system around the products and services catalog is one change that should be considered in order to provide a clearer line of sight back to the products and services that each affiliate agrees to receive through the annual Joint Planning process. In order to determine if that is a change that should be made, it is necessary to study current allocation factors and to consider new ones for ultimate assignment to each of the products and services performed. In addition to greater alignment of the SR system cost allocation process with AMS products and services, the team will also consider any other appropriate

modifications of the current AMS allocation process in order to more fairly and accurately allocate AMS costs to affiliates.

Parameters for the Study

The FDC Study Team, led by Ameren Missouri's CAM team leader and that person's counterpart with Ameren Illinois, will perform a study to determine to what degree a products and services method of allocating AMS costs is appropriate from a practical and cost-benefit perspective, and to determine whether such a method will more accurately allocate costs based on the drivers of those costs. The study will utilize calendar year 2018 data, more specifically, will utilize a data set of those 2018 costs that lists all AMS costs. The data will be filtered to exclude Direct costs (since they are charged 100% to a given affiliate), and to exclude costs allocated by Undivided Interest factors (since those utilize already-analyzed project-specific allocations). This data will then be arranged in a way that displays, by function, each product and service.

Because the leadership of each function has the most in-depth knowledge as to the cost drivers behind the work that is being performed within their individual functions, the team will survey and/or interview leadership for each function to gain an understanding of the cost drivers for the selected product and services owned by that function. The surveys/interviews will further seek to gain an understanding of the drivers of allocated charges and look for ways to reduce allocated charges and to increase Direct charges. The team members that will work with the function leaders are finance professionals that can help the function leaders to understand the reasons for the surveys and interviews and guide them in accurately determining the appropriate cost drivers and to identify ways to reduce the percentage of costs that are allocated.

If it is determined that for a given product or service that the allocation factors currently utilized for that product or service do not accurately or adequately reflect the cost drivers of the product or service, new or revised allocation factors reflecting better alignment with the cost drivers will be developed. Where it is determined that there is more than one material cost driver associated with a given product or service, more than one allocation factor will be used for that product or service. Opportunities to increase the percentage of costs that are Direct charge will also be implemented.

Time Required for Study

The study will take approximately eleven months from the date the study commences. The study will be commenced approximately February 1, 2019, post-the closing of the books for 2018.

Deliverables

When the study is completed, Ameren Missouri will provide a study report to MPSC staff and OPC containing the following key elements:

- The full calendar 2018 data set of AMS costs.
- A schedule that organizes the above costs by function owner and products/services within each of those functions.
- Function leadership survey results and/or interview summaries.
- A list of products and services, along with the allocation factor(s) chosen for each of those products and services, based on cost drivers. There will be a detailed discussion in the study

report concerning the basis of and support for each allocation factor. (Note: if an allocation factor was initially chosen but was then determined to be overly burdensome to calculate, and therefore replaced with a different allocation factor, this fact will be disclosed in the study report).

- An analysis showing a comparison of the amount of costs that would have been allocated by AMS in 2018 to Ameren Missouri and separately to each of its affiliates using the proposed allocation factors from the study to the amount of costs allocated to Ameren Missouri and separately to each of its affiliates using current cost allocation approaches, broken out by products and services.
- For each affiliate, a list of all of the CAM team members' names, job titles, and cost allocation areas of responsibility
- A list of and quantification of direct costs by affiliate, and by product and service, that were excluded in the study
- A list of and quantification of undivided interest costs by affiliate with all applicable allocation factors
- A copy of a complete product and services catalog