

Exhibit No.:
Issues: General Services
Agreement
Witness: Warner L. Baxter
Type of Exhibit: Supplemental Direct
Testimony
Sponsoring Party: Union Electric Co.
Case No.: EM-96-149

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO. EM-96-149

SUPPLEMENTAL DIRECT TESTIMONY

OF

WARNER L. BAXTER

St. Louis, Missouri
June 3, 1996

Exhibit No. 22
Date 8-5-96 Case No. EM-96-149
Reporter KE

MISSOURI PUBLIC SERVICE COMMISSION
STATE OF MISSOURI

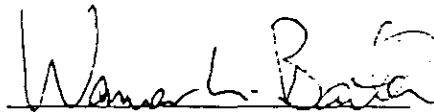
In the matter of the Application of)
Union Electric Company for an order)
authorizing: (1) certain merger)
transactions involving Union Electric) Case No. EM-96-149
Company; (2) the transfer of certain)
Assets, Real Estate, Leased Property,)
Easements and Contractual Agreements)
to Central Illinois Public Service Company;)
and (3) in connection therewith, certain)
other related transactions.)

AFFIDAVIT OF WARNER L. BAXTER

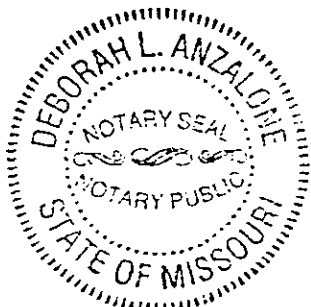
STATE OF MISSOURI)
) SS.
CITY OF ST. LOUIS)

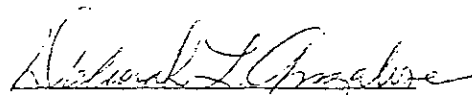
Warner L. Baxter, being first duly sworn on his oath, states:

1. My name is Warner L. Baxter. I work in the City of St. Louis, Missouri, and I am the Assistant Controller at Union Electric Company.
2. Attached hereto and made a part hereof for all purposes is my Supplemental Direct Testimony consisting of pages 1 through 5, inclusive, all of which testimony has 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.


Warner L. Baxter

Subscribed and sworn to before me this 31st day of May, 1996.




Notary Public

DEBORAH L. ANZALONE
NOTARY PUBLIC—STATE OF MISSOURI
ST. LOUIS COUNTY
MY COMMISSION EXPIRES APR. 18, 1998

1 SUPPLEMENTAL DIRECT TESTIMONY
2 OF
3 WARNER L. BAXTER
4 MISSOURI PUBLIC SERVICE COMMISSION
5

6 Q. Please state your name and business address.

7 A. My name is Warner L. Baxter and my business address is 1901 Chouteau
8 Avenue, St. Louis, Missouri 63103.

9 Q. Are you the same Warner L. Baxter who previously submitted direct
10 testimony in this docket?

11 A. Yes, I am.

12 Q. What is the purpose of your testimony?

13 A. The purpose of my testimony is to respond to the Staff's proposed procedures
14 related to the Joint Motion to Establish Filing Dates, submitted to the MPSC on April 24,
15 1996, as it relates to Ameren Services Company (Ameren Services) and the General Services
16 Agreement (GSA). In addition, I will respond to issues cited by Staff witness Schwieterman
17 in his rebuttal testimony as they relate to the General Services Agreement.

18 Q. What are the Staff's proposed procedures under the Joint Motion to
19 Extend Filing Dates?

20 A. The Staff's proposed procedures are as follows:

21 Regarding Ameren services [Company], UE would file its supplemental
22 direct testimony on June 3, 1996, along with its surrebuttal testimony. If the
23 information respecting Ameren Services Company were still not complete, UE
24 would file that information which is available and indicate when the remaining
25 information would be filed. Within several days of the filing of said
26 supplemental direct testimony, the Commission Staff would be able to suggest
27 dates for the filing of supplemental, rebuttal, and surrebuttal testimony and
28 supplemental evidentiary hearing dates, if necessary, for this matter.
29

1 **Q. What is the status of UE's work with regard to the GSA?**

2 A. At this time, UE has substantially completed all of the work associated with the
3 GSA for Ameren Services; however, the Company still needs to make some modifications to
4 the GSA previously submitted to the MPSC. UE expects to file a final copy of the GSA with
5 the MPSC by June 21, 1996.

6 **Q. Is UE prepared to present any information related to the GSA to the Staff**
7 **at this time?**

8 A. Yes. In order to comply with the Staff's proposed procedures, I am submitting
9 information which is currently available for the Staff to review. UE believes that this
10 information will address the issues/concerns cited by Mr. Schwieterman in his rebuttal
11 testimony.

12 **Q. What information are you presenting at this time?**

13 A. I am presenting a brief discussion of the purpose of Ameren Services, a general
14 description of the expected services that Ameren Services will perform, and the accounting
15 procedures which will be employed to meet the needs of Ameren Services, Ameren
16 Corporation (Ameren) and its subsidiaries. In addition, I am presenting a listing of the
17 expected cost allocation factors that will be utilized to allocate the costs of Ameren Services
18 to Ameren's subsidiaries.

19 **Q. What is the purpose of Ameren Services?**

20 A. The principal purpose of Ameren Services is to provide certain services in
21 support of Ameren's subsidiaries.

22 **Q. What types of services will Ameren Services perform?**

Supplemental Direct Testimony of
Warner L. Baxter

1 A. Schedule 1 to my supplemental direct testimony identifies the various
2 functions/departments which will be part of Ameren Services, as well as provides a general
3 description of the nature of the expected services those functions/departments will perform.

4 **Q. How will the costs incurred by Ameren Services be handled?**

5 A. The costs of Ameren Services will be billed to Ameren's subsidiaries based on
6 the costs of the services provided.

7 **Q. How will Ameren Services identify the costs of the services provided to
8 Ameren's subsidiaries?**

9 A. Accounting procedures and systems are currently being developed which will
10 capture the costs of Ameren Services for subsequent billing to Ameren's subsidiaries. These
11 costs will be accumulated via a "Service Request" system (SR system). The SR system will
12 consist of work orders established to capture the various types of costs incurred by Ameren
13 Services. That is, each Ameren Services department will establish "service requests" that
14 specify, in general terms, the services that department will perform for Ameren's subsidiaries.
15 Costs incurred by the various Ameren Services departments will then be charged to these
16 various service requests, which ultimately will become the basis for the billings of costs to
17 Ameren's subsidiaries.

18 **Q. What types of costs will Ameren Services incur?**

19 A. Ameren Services' costs will be classified into the following four categories:

- 20 • direct;
- 21 • allocated direct;
- 22 • allocated indirect - departmental; and

- 1 • allocated indirect - corporate.

2 Direct Costs are those costs which can be specifically associated with one of the
3 Ameren subsidiaries. These costs will be charged directly to that entity. For example, a direct
4 cost would be the labor costs related to an in-house attorney working on a UE legal matter.

5 Allocated Direct Costs are those costs which are incurred which benefit more than one
6 of Ameren's subsidiaries. These costs will be directly allocated to these entities based on
7 certain cost allocation factors. For example, the labor costs associated with an Information
8 Services employee providing recurring maintenance work on the General Ledger system
9 would be an Allocated Direct Cost. Schedule 2 presents a listing of the various factors that
10 Ameren Services expects to utilize for the allocated direct costs. Schedule 3 presents which
11 allocation factors are expected to be utilized by the various Ameren Services
12 functions/departments.

13 Allocated Indirect Costs - Departmental are costs that cannot be directly charged or
14 allocated to one of the Ameren subsidiaries. An example of this type of cost would be office
15 supplies. These costs will be allocated to Ameren's subsidiaries based on the ratio of Total
16 Direct and Allocated Direct Costs charged to each entity by each department.

17 Allocated Indirect Costs - Corporate are also costs that cannot be directly charged or
18 allocated to one of the Ameren subsidiaries. An example of a Corporate Indirect Cost would
19 be property taxes associated with Ameren Services' assets. These costs will be allocated
20 based on total billings to the Ameren subsidiaries.

21 **Q. How will costs associated with construction activities be handled?**

Supplemental Direct Testimony of
Warner L. Baxter

1 A. The costs of materials, labor, outside services, etc., attributable to construction
2 activities will be charged directly to the construction project and corresponding work order.

3 Q. How will costs be allocated by jurisdiction?

4 A. These allocations will be largely consistent with the current jurisdictional
5 allocation factors utilized by UE.

6 Q. How often will bills be submitted to the Ameren subsidiaries?

7 A. On a monthly basis.

8 Q. Does this conclude your supplemental direct testimony?

9 A. Yes, it does.

Ameren Services
Description of Expected Services by Function/Department

Function/Department	Description
Building Service	Provide facility management services for owned and leased facilities, excluding power plants. Services include operation and maintenance of structures, capital improvements, interior space planning, security and janitorial.
Controller's	Perform all accounting services necessary to properly maintain and report on the books and records of Ameren and its subsidiaries. Provide investor relations services.
Corporate Communications	Develop strategies for advertising and marketing efforts, develop employee communication programs, coordinate community relations efforts and develop policies and procedures for media relations.
Corporate Planning	Provide rate engineering, interchange marketing, resource planning and business analysis services.
Customer Services/ Division Support	Answer customer inquiries pertaining to electric/gas service usage and perform credit activities. Provide technical support relating to planning, engineering, constructing and operating the distribution and transmission systems. Provide technical support and maintenance of protective relay schemes, station meter work, system testing and data acquisition systems.
Economic Development	Provide community and business development services, as well as natural gas development services. Analyze community and business development opportunities.
Energy Supply	Coordinate the use of the generating, transmission and interconnection facilities to provide economical and reliable energy.
Engineering and Construction	Provide professional services related to engineering studies, design, procurement, planning, building and management of projects. Study technology that may reduce costs of producing, delivering and using electricity.

Function/Department	Description
Environmental Services & Safety	Perform analysis and advocacy of regulatory and legislative issues in the areas of environment, health and safety. Communicate final regulatory requirements to operating groups. Provide assistance and support and compliance review in meeting those requirements. Oversee hazardous substance site investigation and remediation activities.
Fossil Fuel Procurement	Provide resources necessary to procure fuel for the fossil power plants and minimize production costs.
Gas Supply	Provide gas supply and pipeline capacity procurement and management services. Develop policies, procedures and standards which govern the design, construction and operation of the gas systems.
General Counsel	Provide legal advice and services in regards to legislative activities, regulatory agencies and security matters. Make regulatory filings, maintain minutes of the boards of directors, conduct stockholder meetings and procure property and casualty insurance bonds .
Human Resources	Administer and negotiate employee benefits including pensions, major medical, long-term disability, life insurance, defined contribution plans, executive benefit and flexible spending plans. Provide employment services, including required regulatory reporting and maintenance of personnel records. Provide employee training and communications services.
Industrial Relations	Negotiate, represent and administer provisions of labor agreements applicable to unions representing union employees.
Information Services	Provide for the development and operation of computer software, telecommunications and other equipment used to conduct business and engineering activities. Maintain all billing records and process customer meter readings.
Internal Audit	Audit company operations, perform operational and productivity reviews, review justifications for capital projects and perform quality assurance reviews.
Marketing	Provide marketing services including account management, program development, market research and customer energy services.

<u>Function/Department</u>	<u>Description</u>
Merger Coordination	Monitor programs to achieve savings, merger costs and position reductions as they relate to the implementation plans.
Motor Transportation	Provide engineering, support, and mechanical servicing of vehicles, procurement of vehicles and safety and training programs.
Purchasing	Provide procurement of goods and services other than fuel. Provide materials inventory management services.
Real Estate	Acquire necessary land rights and permits including coordination of site selection. Maintain existing land rights while permitting licenses and leases to minimize investment or costs of holding property.
Stores	Receive, inspect, store, issue and deliver materials and supplies throughout all service areas. Process transformers, tools, scrap material and hazardous waste.
Tax	Research and consult on tax issues in connection with federal, state and local tax compliance and planning matters, including the preparation and filing of returns.
Treasurer's	Provide treasury operation, mailing, financial planning, investments, and executive payroll and pension disbursement services.

**AMEREN SERVICES
EXPECTED ALLOCATED DIRECT COST FACTORS**

<u>ALLOCATION NUMBER</u>	<u>DESCRIPTION</u>
1	Composite*
2	Number of customers
3	Sales (kwh and dekatherm)
4	Kwh sales
5	Number of employees
6	Current tax expense
7	Peak load (electric)
8	Total revenues
9	CPU cycles
10	Total capitalization
11	Dekatherm sales
12	Total assets
13	Number of vehicles
14	Generating capacity
15	Gas throughput (includes transportation)
16	Peak load (gas)
17	O&M labor
18	Construction expenditures
19	Electric revenue
20	Gas revenue

*Composite consists of the following three factors (equal weight to each factor):

- Sales (kwh and dekatherm)
- Number of customers
- Number of employees

**Ameren Services
Expected Allocation Factors
by Function/Department**

Function/Department	Expected Allocation Factors
Building Service	5, 17
Controller's	1, 12
Corporate Communications	1
Corporate Planning	1, 4, 7, 19
Customer Services/Division Support	2, 5, 17
Economic Development	2, 3, 8
Energy Supply	4, 19
Engineering and Construction	7, 14, 18
Environmental Services & Safety	5, 14, 17, 18
Fossil Fuel Procurement	4, 19
Gas Supply	11, 15, 16, 20
General Counsel	1
Human Resources	5, 17
Industrial Relations	5, 17
Information Services	1, 2, 5, 9, 17
Internal Audit	1, 2, 5, 17
Marketing	3, 8
Merger Coordination	1
Motor Transportation	13

<u>Function/Department</u>	<u>Expected Allocation Factors</u>
Purchasing	1, 18
Real Estate	1, 2
Stores	1
Tax	1, 6
Treasurer's	1, 2, 5, 10