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Issues: Ameren Services Wages
and Benefits
Witness: Kelly S. Hasenfratz
Sponsoring Party: Union Electric Company
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MISSOURI PUBLIC SERVICE COMMISSION

FILE NO. ER-2016-0179

DIRECT TESTIMONY

OF

KELLY S. HASENFRATZ

ON

BEHALF OF

**UNION ELECTRIC COMPANY
d/b/a Ameren Missouri**

**St. Louis, Missouri
July 2016**

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DIRECT TESTIMONY
OF
KELLY S. HASENFRATZ
FILE NO. ER-2016-0179

Q. Please state your name and business address.

A. My name is Kelly S. Hasenfratz. My business address is One Ameren Plaza, 1901 Chouteau Avenue, St. Louis, Missouri 63103.

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

A. I am employed by Ameren Services Company ("Ameren Services") as Director, Compensation & Performance.

Q. Please describe your educational background and employment experience.

A. I was awarded a Bachelor of Science in Business Administration in 1985 from the University of Missouri-Columbia. In addition, I have over 25 years of experience with Ameren¹ in increasingly responsible roles—18 of which were focused on total rewards and human-resources related activities.

Q. Please describe your additional qualifications.

A. In addition to my education and experience as described above, I also attend continuing education programs related to human resources, total rewards and compensation. Further, throughout my career I have successfully managed many strategic projects, including benefit plan redesign, total rewards strategy, benefits administration outsourcing and technology implementations.

¹ References to "Ameren" in my testimony refer to Ameren Corporation or its affiliates.

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

2 A. As Director of Compensation & Performance, I am responsible for
3 overseeing the strategy, design and delivery of broad-based compensation programs for
4 Ameren and its subsidiary companies. This includes base pay infrastructure, merit and
5 incentive programs, and recognition programs. My responsibilities also include elements
6 of performance management and human resources strategy, as well as providing relevant
7 information and supporting materials for the Human Resources Committee of the
8 Ameren Board of Directors.

9 **Q. What is the purpose of your direct testimony in this proceeding?**

10 A. The purpose of my direct testimony is to describe Ameren's organizational
11 structure as well as its compensation and benefits philosophies. I will specifically
12 address the shared services model that is utilized for the services delivered by Ameren
13 Services, which ensures that those services are delivered in an efficient and effective
14 manner, and at a cost that is commensurate with the market for such services.

15 **Q. Please describe and explain the overall organizational structure of**
16 **Ameren.**

17 A. Ameren is a public utility holding company with four primary
18 subsidiaries. Three of the subsidiaries are operating companies—Union Electric
19 Company d/b/a Ameren Missouri ("Ameren Missouri"), Ameren Illinois Company (a
20 rate-regulated electric and natural gas transmission and distribution business in Illinois),
21 and Ameren Transmission Company of Illinois (a Federal Energy Regulatory
22 Commission ("FERC") rate-regulated electric transmission business). The fourth
23 subsidiary is Ameren Services, a service company that provides to Ameren common and

1 necessary services such as information technology, supply services, finance, and human
2 resources.

3 **Q. Is the organizational structure of Ameren reasonable and**
4 **appropriate?**

5 A. Yes. The service company model is widely used throughout the electric
6 utility industry and, in fact, the Security and Exchange Commission previously
7 administered the Public Utility Holding Company Act of 1935 (“PUHCA”) so as to
8 require any employee serving multiple operating companies in a utility holding company
9 system to be an employee of a service company. Given this history and regulation, it is
10 common for affiliated utilities to receive similar services from service companies. In
11 addition, this shared services model enables the operating companies that are a part of
12 Ameren (in this context, Ameren Missouri) to focus on their core businesses of providing
13 customers with reliable and reasonably-priced utility services, while essential corporate
14 services are developed and delivered from a common and shared resource. The shared
15 services model also facilitates standardized processes, enhanced efficiencies, and
16 leveraged buying opportunities. Having one service company provide common services
17 to all of the companies within the holding company system is efficient and cost-effective,
18 compared to a model where each subsidiary would have to provide its own human
19 resources, information technology, accounting and supply services, as well as other
20 support services. In other words, the shared services model reduces overlap and
21 redundancy, thereby providing services in the most efficient, cost-effective manner.

1 **Q. Please describe the compensation philosophy followed by Ameren.**

2 A. Ameren has a market-based compensation philosophy. The objective of
3 this philosophy is to provide a package that attracts, retains, and motivates employees to
4 accomplish the company's goals and objectives, and also ensures that Ameren's pay
5 programs are generally aligned and competitive with those of other similarly-situated
6 companies. With this approach, we can be confident that our pay is competitive and
7 aligned with the external market. Ameren sets pay levels for management positions using
8 this market-based philosophy.

9 ** [REDACTED]
10 [REDACTED]
11 [REDACTED]
12 [REDACTED]
13 [REDACTED]
14 [REDACTED]
15 [REDACTED] **

16 The efficiency of the shared-services model, combined with market-based
17 compensation philosophies, serves to ensure that the shared services company is
18 providing services that are market-priced.

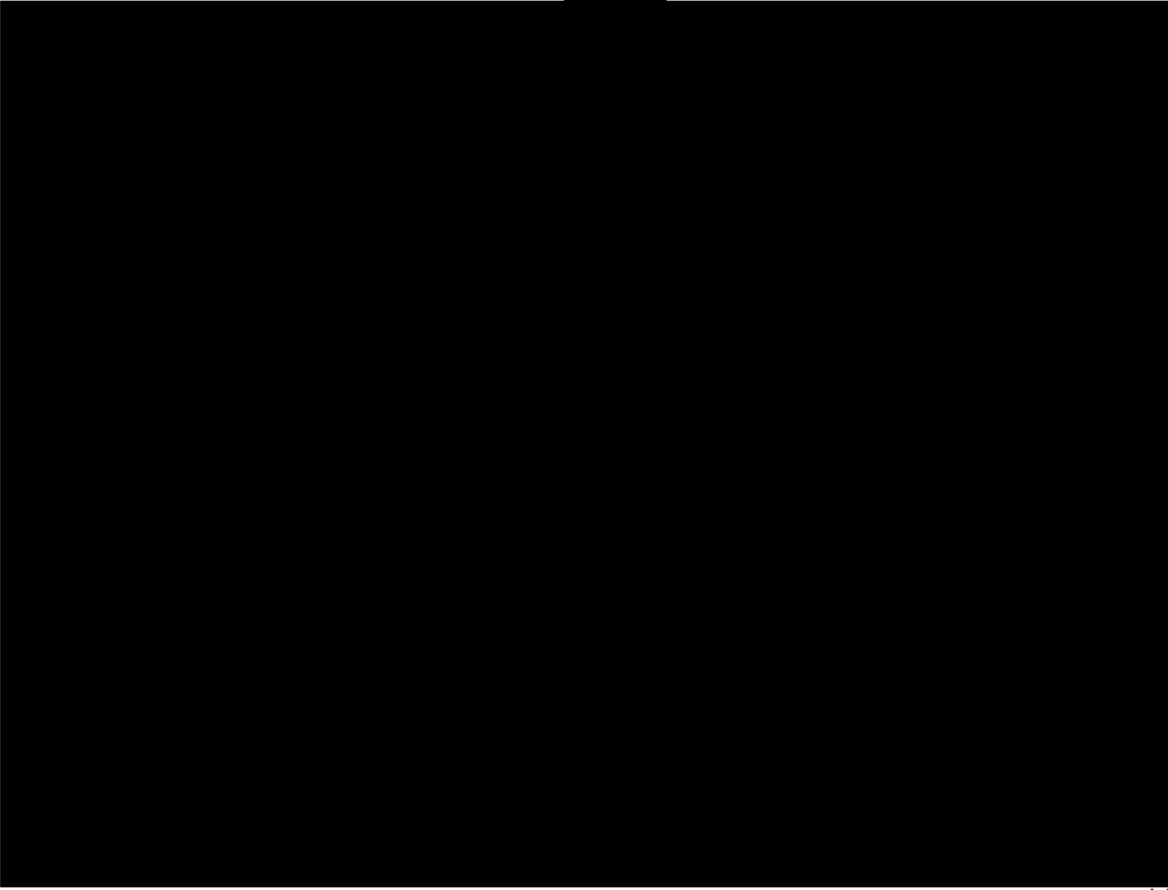
19 **Q. How do you know if this compensation structure is appropriately**
20 **aligned with the external market?**

21 A. Establishing the target market rate of a particular job is a detailed and
22 disciplined process of gathering competitive national, regional, and local external market
23 pay data from a number of reliable, reputable third-party survey sources, and then using

1 the data to set competitive pay levels. The survey process is completed annually to
2 ensure a good understanding of the current average market pay for a given role. This
3 approach is common in the marketplace and is considered a best practice among our
4 many peers within the industry. A summary of the third-party compensation surveys that
5 we have utilized to gain insight into external market-based pay is reflected below in
6 Table 1:

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9 Once all survey responses are received from participating companies, the survey
10 provider summarizes and normalizes data submissions to ensure data consistency and
11 integrity. This process ensures that the benchmarked roles are comparable from company
12 to company. On a regular and on-going basis, we evaluate management salaries both

1 individually and in the aggregate to ensure that we are abiding by our market-based
2 compensation philosophy. ** [REDACTED]

3 [REDACTED]
4 [REDACTED] **

5 **Q. How do you align your benefits with the external market?**

6 A. Similar to our compensation philosophy, our benefits philosophy is to
7 provide a competitive benefits package with an overall value at approximately the market
8 median. By benchmarking benefit offerings against comparable peer utilities, we are able
9 to ensure our benefits programs are consistent with this philosophy.

10 Similar to the market pay benchmarking, we participate in benchmarking services
11 where the value of Ameren benefits is compared to the benefits programs offered by
12 other participating companies. These benchmarking results provide a quantitative
13 evaluation of each company's benefits provisions and overall benefits program, and
14 facilitate a comparison of these benefits values from company to company.

15 ** [REDACTED]
16 [REDACTED]
17 [REDACTED]
18 [REDACTED] **

19 These results are consistent with our philosophy to provide market-based benefits
20 programs.

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

22 A. Yes, it does.

