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MISSOURI PUBLIC SERVICE COMMISSION

FILE NO. ER-2014-0258

REBUTTAL TESTIMONY

OF

KRISTA G. BAUER

ON

BEHALF OF

UNION ELECTRIC COMPANY

d/b/a Ameren Missouri

St. Louis, Missouri
January 2015

UE Exhibit No. 5
Date 3-12-15 Reporter KF
File No. ER-2014-0258

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REBUTTAL TESTIMONY
OF
KRISTA G. BAUER
FILE NO. ER-2014-0258

I. INTRODUCTION

Q. Please state your name and business address.

A. Krista G. Bauer, One Ameren Plaza, 1901 Chouteau Avenue, St. Louis, Missouri 63103.

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

A. I am employed by Ameren Services Company ("Ameren Services") as Senior Director of Talent Management & Executive Compensation. Ameren Services provides various corporate support services to Union Electric Company d/b/a Ameren Missouri ("Ameren Missouri" or "Company") and its affiliates, including accounting, legal, environmental and human resources services.

Q. Please describe your educational background, work experience and the duties of your position.

A. I hold a Master’s degree in Industrial/Organizational Psychology from Southern Illinois University at Edwardsville and a Master’s Degree in Business Administration from Webster University. I have also attended many continuing education programs related to both human resources strategy and compensation. In addition to my academic training, I have over 17 years of progressively responsible experience in a variety of human resources disciplines – including over 10 years of experience in compensation design and management. In my current role as Senior

1 Director, Talent Management and Executive Compensation I am responsible for Ameren
2 Services' talent-related processes including workforce planning, recruiting, leadership
3 development, employee training and development, performance management, and change
4 management. In addition, I am responsible for executive compensation programs
5 including base compensation and short- and long-term incentive plans. Between 2000
6 and 2005, I served as Adjunct Faculty at St. Louis University where I taught courses in
7 Industrial Psychology. Prior to joining Ameren Services in 1997, I was employed by
8 AAIM Management Association as Manager, Public Education.

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

10 A. The purpose of my rebuttal testimony is to respond to the
11 recommendations made by Staff witness Sarah Sharpe with regard to incentive
12 compensation, specifically the Executive Incentive Plan for Directors ("EIP-D").
13 Ameren witness Dennis Weisenborn, Vice President, Safety and Supply Services, will
14 provide separate rebuttal testimony related to the safety measure included in the
15 Executive Incentive Plan for Officers ("EIP-O"). I will also address Staff's proposed
16 disallowance, which is reflected in Staff's workpapers but which is not supported by
17 testimony, relating to certain other additional compensation paid to employees.

18 **II. EIP-D**

19 **Q. What is the position of Ms. Sharpe regarding Ameren's Executive**
20 **Incentive Plan for Directors (EIP-D)?**

21 A. Ms. Sharpe states that 25% of the payout under the EIP-D is based on
22 budget performance (as measured by earnings per share) and recommends that this
23 portion of the EIP-D incentive payment be disallowed.

1 **Q. Ms. Sharpe notes changes to the Executive Incentive Plan since this**
2 **plan was last reviewed in 2012. Before proceeding, please clarify who participates**
3 **in the EIP-D under discussion.**

4 A. The participants in the 2013 Executive Incentive Plan for Directors
5 (non-officer, members of the Ameren Leadership Team) is unchanged from the 2012
6 Executive Incentive Plan for Managers. This Plan did not expand to include additional
7 participants. On January 1, 2013 leadership titles were adjusted to better align with the
8 titles used in other organizations. These title changes had no impact on the leader's roles
9 and responsibilities or compensation – but did impact the way in which this incentive
10 plan was labeled.

11 **Q. Please clarify the basic design of the EIP-D and any material changes**
12 **that have been implemented since 2012.**

13 A. The 2012 (and current) EIP-D is designed to place a portion of the leader's
14 market-based total cash compensation at risk pending performance in 2 key areas:
15 1) budget management; and 2) key performance indicator achievement. The plan weights
16 goals related to budget management 25% and key performance indicators 75%. The
17 performance-based award may then be adjusted up or down (+/- 50%) based on
18 individual performance. The last material change to this plan was effective January 1,
19 2012. Prior to this date, the EIP-D goals were weighted 25% based on earnings per share
20 and 75% based on key performance indicators. Effective with the 2012 plan, goals are
21 weighted 25% based on budget and 75% based on key performance indicators.

22 **Q. How are you defining "budget" in the EIP-D and why is this measure**
23 **important to Ameren Missouri customers?**

1 A. For the purposes of this plan, Ameren Missouri focuses on the
2 management of both operations and maintenance (“O&M”) and capital budget
3 expenditures. Budget-related goals are considered important because they help to ensure
4 that Ameren Missouri is using its resources wisely and working to control costs.
5 Ultimately, lower cost operations lead to lower rates for our customers. The budget goal
6 also replaced the earnings per share goal in this plan beginning in 2012 because, as
7 Department heads, EIP-D participants have the ability to influence and impact budget and
8 cost management on a day-to-day basis, thereby creating greater line of sight and
9 accountability around a critical management issue.

10 **Q. Overall, what is your response to Ms. Sharpe’s recommendation?**

11 A. I disagree with Ms. Sharpe’s conclusion that 25% of the EIP-D payout is
12 based on earnings per share, and should thus be disallowed. It is true that 25% of the
13 EIP-D payout *was* based on earnings per share in years prior to 2012. However, it is also
14 true that, since 2012, earnings per share has *not* been a measure in the EIP-D. Instead the
15 25% of the payout is based on O&M and capital budget management – which directly
16 aligns with prudent cost management and, ultimately, with lower rates. As Ameren
17 Missouri President and CEO Michael Moehn testified in his direct testimony in this case,
18 the Company's overall non-energy related operations and maintenance expenditures in
19 the test year in this case are approximately \$67 million lower than they were in our last
20 rate case. Controlling our budgets is one of the key reasons for these savings, and those
21 savings are reflected in our revenue requirement filed in this case, directly benefiting our
22 customers

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III. OTHER ADDITIONAL COMPENSATION

Q. Please explain the issues raised by the Staff regarding certain other additional compensation.

A. In reviewing the workpapers provided by Staff, it appears that three additional bonus adjustments were made, with adjustments totaling \$1,666,712, although Staff does not offer testimony to support any of the adjustments. Ameren Missouri was only able to identify them by combing through the workpapers to find the difference between Ameren Missouri’s proposal and Staff’s recommendation. The Staff should not be allowed to provide reasons supporting these adjustments in rebuttal testimony or after, as the support should have been in their direct testimony. It was not supported by Staff’s direct testimony and so these amounts should be deemed recoverable by the Commission.

The smallest of the three was an adjustment of \$12,850 made to the Company’s Performance Bonus Program (“PBP”). PBP is used for one-time bonus payments that recognize outstanding performance for the Company’s union employees. The program was designed in 2007 and is applicable to all active, regular, Local 1455 bargaining unit employees as specified under the existing labor contract. Similar to the Exceptional Performance Bonus (“EPB”) program for management employees, the PBP encourages outstanding performance and innovation in support of Ameren Missouri’s efforts to provide safe, reliable service to our customers. There is no justification for disallowing these legitimate payments to employees.

The next identified difference is larger and is the amount paid out for Bonus Payment – Non-Pension (“BNA”). BNA is a sign-on or retention bonus. Such bonuses are a customary and necessary business practice in the industry to attract or retain key

1 talent and/or personnel with business-critical knowledge to ensure the continued safety,
2 reliability and efficiency of the electric system. It is in everyone's best interest that
3 Ameren Missouri attract such knowledgeable and talented employees. There is simply
4 no justification for disallowing these prudently incurred and legitimate compensation
5 expenses.

6 The last difference identified was for Bonus-Discretionary ("BBI") payments.
7 BBI is a requirement of our 2012 collective bargaining agreement with UGSOA Local 11
8 for Security Officers at the Callaway Energy Center who perform additional duties. One
9 such duty is for security officers who are also licensed as Emergency Medical
10 Technicians ("EMT") to provide 24/7 availability of an EMT on shift. The other is for
11 Security Officers who are selected and qualify to serve on the Adversary Team. We have
12 an Adversary Team because Callaway is required by the Nuclear Regulatory Commission
13 ("NRC") to conduct periodic drills and exercises to challenge our Security Force. The
14 Adversary Team simulates the hostile force to run the required drills and exercises. The
15 employees selected are required to meet more stringent physical requirements and receive
16 additional training. In the case of represented employees, the Company has no discretion,
17 and is required to make these payments under the collective bargaining agreement.
18 Management employees who serve on the adversary team and are required to meet the
19 same qualifications are compensated consistent with their represented co-workers to
20 ensure internal equity. The compensation to represented co-workers fulfills obligations
21 made through the collective bargaining process which, according to my attorney, must be

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1 respected by the Commission under Missouri law.¹ This adjustment in the amount of
2 \$122,962 is equally unjustified and should be rejected.

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

4 **A. Yes, it does.**

¹ Section 386.315.1 RSMo. "In establishing public utility rates, the commission shall not reduce or otherwise change any wage rate, benefit, working condition, or other term or condition of employment that is the subject of a collective bargaining agreement between the public utility and a labor organization."

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) Case No. ER-2014-0258
Increase Its Revenues for Electric Service.)

AFFIDAVIT OF KRISTA G. BAUER

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

Krista G. Bauer, being first duly sworn on her oath, states:

1. My name is Krista G. Bauer. I work in the City of St. Louis, Missouri, and I am employed by Ameren Services as Senior Director Talent Management & Executive Compensation.

2. Attached hereto and made a part hereof for all purposes is my Rebuttal Testimony on behalf of Union Electric Company d/b/a Ameren Missouri consisting of 7 pages, and Schedule(s) N/A, 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.

Krista G. Bauer
Krista G. Bauer

Subscribed and sworn to before me this 16th day of January, 2015.

Becky J. Eaves
Notary Public

My commission expires:

BECKIE J. EAVES
Notary Public - Notary Seal
State of Missouri
Commissioned for St. Louis City
My Commission Expires: February 21, 2018
Commission Number: 14938572