

Exhibit No.:  
Issue(s): Incentive Compensation  
Witness: Krista G. Bauer  
Type of Exhibit: Rebuttal Testimony  
Sponsoring Party: Union Electric Company  
File No.: ER-2014-0258  
Date Testimony Prepared: January 16, 2015

**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**

## TABLE OF CONTENTS

<b>I. INTRODUCTION .....</b>	<b>1</b>
<b>II. EIP-D.....</b>	<b>2</b>
<b>III. OTHER ADDITIONAL COMPENSATION.....</b>	<b>5</b>

1 **REBUTTAL TESTIMONY**

2 **OF**

3 **KRISTA G. BAUER**

4 **FILE NO. ER-2014-0258**

5 **I. INTRODUCTION**

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

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

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

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

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

17 A. I hold a Master's degree in Industrial/Organizational Psychology from  
18 Southern Illinois University at Edwardsville and a Master's Degree in Business  
19 Administration from Webster University. I have also attended many continuing  
20 education programs related to both human resources strategy and compensation. In  
21 addition to my academic training, I have over 17 years of progressively responsible  
22 experience in a variety of human resources disciplines – including over 10 years of  
23 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

1                                   **III. OTHER ADDITIONAL COMPENSATION**

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

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

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

21           The next identified difference is larger and is the amount paid out for Bonus  
22 Payment – Non-Pension (“BNA”). BNA is a sign-on or retention bonus. Such bonuses  
23 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



1 respected by the Commission under Missouri law.<sup>1</sup> 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.**

---

<sup>1</sup> 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            )  
Increase Its Revenues for Electric Service.   )  
Case No. ER-2014-0258

**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

Subscribed and sworn to before me this 16<sup>th</sup> day of January, 2015.

  
\_\_\_\_\_  
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