Exhibit No.: Issue(s): Witness/Type of Exhibit: Sponsoring Party: Case No.:

Corporate Re-Engineering Robertson/Kind

MAY 3 0 2000

Missouri Public

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Public Counsel

EM-96-149

## **DIRECT TESTIMONY**

## OF

## **RYAN KIND**

Submitted on Behalf of the Office of the Public Counsel

**UNION ELECTRIC** 

Case No. EM-96-149

May 30, 2000

## **BEFORE THE PUBLIC SERVICE COMMISSION OF THE STATE OF MISSOURI**

In the matter of the application of Union	)	
Electric Company for an order authorizing:	)	
(1) certain merger transactions involving	)	
Union Electric Company; (2) the transfer of	)	
certain assets, real estate, leased property,	)	Case No. EM-96-149
easements and contractual agreements to	)	
Central Illinois Public Service Company; and	)	
(3) in connection therewith, certain other	) j	
related transactions.	)	

## AFFIDAVIT OF RYAN KIND

STATE OF MISSOURI	)	
	)	SS
COUNTY OF COLE	)	

Ryan Kind, of lawful age and being first duly sworn, deposes and states:

1. My name is Ryan Kind. I am Chief Utility Economist for the Office of the Public Counsel.

2. Attached hereto and made a part hereof for all purposes is my direct testimony consisting of pages 1 through 7 and Schedules <sup>1</sup> through <sup>8</sup>.

3. I hereby swear and affirm that my statements contained in the attached testimony are true and correct to the best of my knowledge and belief.

1500 Ryan Kind

My commission expires May 3, 2001

Subscribed and sworn to me this 30th day of May, 2000.

Bonnie Howard Notary Public

## DIRECT TESTIMONY OF

### **RYAN KIND**

## UNION ELECTRIC D/B/A AMERENUE CASE NO. EM-96-149

#### Q. PLEASE STATE YOUR NAME, TITLE, AND BUSINESS ADDRESS.

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 A. Ryan Kind, Chief Energy Economist, Office of the Public Counsel, P.O. Box 7800, Jefferson City, Missouri 65102.

#### Q. PLEASE SUMMARIZE YOUR EDUCATIONAL AND EMPLOYMENT BACKGROUND.

A. I have a B.S.B.A. in Economics and a M.A. in Economics from the University of Missouri-Columbia (UMC). While I was a graduate student at UMC, I was employed as a Teaching Assistant with the Department of Economics, and taught classes in Introductory Economics, and Money and Banking, in which I served as a Lab Instructor for Discussion Sections.

My previous work experience includes three and one-half years of employment with the Missouri Division of Transportation as a Financial Analyst. My responsibilities at the Division of Transportation included preparing transportation rate proposals and testimony for rate cases involving various segments of the trucking industry. I have been employed as an economist at the Office of the Public Counsel (Public Counsel or OPC) since April 1991. Direct Testimony of Ryan Kind

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### Q. HAVE YOU TESTIFIED PREVIOUSLY BEFORE THIS COMMISSION?

A. Yes, prior to this case I submitted written testimony in numerous gas rate cases, several electric rate design cases and rate cases, as well as other miscellaneous water, gas, electric, and telephone cases.

#### Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. The purpose of my direct testimony is to support the Public Counsel's recommendations regarding certain corporate re-engineering costs reported by AmerenUE (UE or the Company) in its calculations of earnings for the first year of its second Experimental Alternative Regulation Plan ("EARP II"). This direct testimony compares Company's actual accounting treatment to the Public Counsel's recommended accounting treatment for certain corporate re-engineering costs.

The Company's Earnings Report for the first year of EARP II included corporate reengineering costs which Public Counsel believes should not have been treated as an expense during the test period. Instead, these costs should have been capitalized and amortized over a ten year period since these costs are intended to bring long-term benefits to Ameren, just like the transition costs that UE incurred when it merged with CIPS.

Q. PLEASE DESCRIBE THE RE-ENGINEERING PROJECTS THAT AMERENUE CONDUCTED WITH EXTENSIVE ASSISTANCE FROM \*\*\_\_\_\_\_\_\_\*\* DURING THE TEST PERIOD?

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1	ର.	Please provide a general description of the areas that were addressed by **
2		**AND THE COMPANY AS PART OF AMEREN'S RE-ENGINEERING EFFORTS
3		DURING THE TEST YEAR.
4	А.	These projects covered a wide range of areas including: **
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Direct Testimony of Ryan Kind

Q. PLEASE IDENTIFY THE COSTS THAT AMEREN INCURRED (AND THE AMOUNTS ALLOCATED TO AMERENUE) IN THE TEST PERIOD TO FURTHER THE RE-ENGINEERING PROJECTS THAT YOU HAVE DESCRIBED ABOVE.

A. The costs that Ameren incurred during the test period to further its re-engineering projects are contained in Ameren Work Order Nos. AO482, AOO85, and A0821. Despite the long term benefits that Ameren expects from the re-engineering projects associated with these work projects, Ameren expensed nearly 100% of these costs during the test period. The following table summarizes the accounting treatment that Ameren gave to the costs associated with Work Order Nos. AO482, AOO85 and A0821.

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		Work Order # 1048	Work Order # 1050	Work Order # 1051	3 Work Order Sum	Percentage
Ameren	1 <sup>st</sup> 6 months	0	1,865,137	0	1,865,137	100%
Services	$2^{nd}$ 6 months	1,067,671	225,108	209,954	1,502,733	100%
	Year	1,067,671	2,090,245	209,954	3,367,870	100%
AmerenUE	1 <sup>st</sup> 6 months	0	1,113,661	0	1,113,661	60%
MO Electric	$2^{nd}$ 6 months	667,766	132,688	131,982	932,436	62%
	Year	667,766	1,246,349	131,982	2,046,097	61%

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As the above table indicates, Ameren incurred \$3,367,870 in re-engineering project costs in Work Order Nos. AO482, AOO85 and A0821. Of these costs, \$2,046,097, or 61%, were allocated to the regulated electric Missouri operations of AmerenUE. The majority

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Direct Testimony of Ryan Kind i of the costs associated with these three work orders were direct payments that Ameren 2 made to \*\*\_\_\_\_\_ Q. HAVE YOU EXAMINED MATERIALS ASSOCIATED WITH THE\*\* 3 4 PROJECTS THAT WERE INCLUDED IN WORK ORDER NOS. AO482, AOO85 AND A0821? 5 Yes, I have. A. **Q**. DO THE MATERIALS THAT YOU EXAMINED INDICATE THAT THE COSTS INCLUDED IN WORK 6 ORDER NOS. AO482, AOO85 AND A0821 WERE RELATED TO RE-ENGINEERING 7 PROJECTS THAT UE EXPECTED TO HAVE A LONG TERM IMPACT ON HOW THE VARIOUS 8 9 **BUSINESS LINES OF AMEREN OPERATE?** 10 Α. Yes. There is no question that these projects were undertaken for the purpose of improving the long run operational results of the various Ameren business lines and 11 12 preparing all of Ameren's business lines, even the ones that are currently regulated, to compete in a deregulated utility business environment. 13 Q. CAN YOU POINT TO SOME DOCUMENTS THAT SUMMARIZE AMEREN'S RE-ENGINEERING 14 EFFORTS OVER THE LAST FEW YEARS? 15 Yes, Attachment 1, a document prepared by \*\* \_\_\_\_\_ \*\*during the test Α. 16 17 period, summarizes Ameren's re-engineering efforts over the last few years. **Q**. You stated that Ameren's re-engineering projects during the test period served 18 \*\*. CAN YOU PROVIDE AN 19 20 EXAMPLE OF THIS?

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А.	Yes. Attachment 2 illustrates an example of the work that **
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Q.	You stated that Ameren's re-engineering projects during the test period serv
	то **
	** CAN YOU PROVIDE AN EXAMPLE OF THIS?
A.	Yes. Attachment 3 illustrates an example of the work that **
	**
Q.	You stated that Ameren's re-engineering projects during the test period
	INCLUDED **** CAN Y
	PROVIDE AN EXAMPLE OF THIS?
A.	Yes. Attachment 4 illustrates an example of the work that **
	**
<b>Q</b> .	You stated that Ameren's re-engineering projects during the test peri
	INCLUDED **
	** CAN YOU PROVIDE
	EXAMPLE OF THIS?
A.	Yes. Attachment 5 illustrates an example of the work that **

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Ryan	
Q.	YOU STATED THAT AMEREN'S RE-ENGINEERING PROJECTS DURING THE TEST PER
	INCLUDED **
	CAN YOU PROVIDE AN EXAMPLE OF THIS?
A.	Yes. Attachment 6 illustrates an example of the work that **
	**
Q.	You stated that Ameren's re-engineering projects during the test per
	INCLUDED **** (
	YOU PROVIDE AN EXAMPLE OF THIS?
A.	Yes. Attachment 7 illustrates an example of the work that **
	**
Q.	You stated that Ameren's re-engineering projects during the test per
	INCLUDED **
	**
A.	Yes. Attachment 8 illustrates an example of the work that **
	**
Q.	DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?
	Yes.

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# CASE NO. EM-96-149 ATTACHMENTS 1 - 8 DEEMED HIGHLY CONFIDENTIAL IN THEIR ENTIRETY

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