

Exhibit No. 26

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MISSOURI PUBLIC SERVICE COMMISSION

FILE NO. ER-2021-0240

REBUTTAL TESTIMONY

OF

KELLY S. HASENFRATZ

ON

BEHALF OF

UNION ELECTRIC COMPANY

D/B/A AMEREN MISSOURI

**St. Louis, Missouri
October 15, 2021**

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REBUTTAL TESTIMONY

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KELLY S. HASENFRATZ

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1 **I. INTRODUCTION**

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

3 A. My name is Kelly S. Hasenfratz. My business address is One Ameren Plaza,
4 1901 Chouteau Ave., St. Louis, Missouri.

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

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

8 **Q. Please describe your educational background and employment**
9 **experience.**

10 A. I was awarded a Bachelor of Science in Business Administration from the
11 University of Missouri-Columbia. I have over 25 years of experience with Ameren in
12 increasingly responsible roles – 18 of which were focused on total rewards and human
13 resources-related activities. I have been in my current role since December 2015.

14 In addition to my education and experience as described above, I also attend
15 continuing education programs related to human resources, total rewards, and
16 compensation. I have participated in the Compensation & Benefits Council for The
17 Conference Board, a network of professionals focused on trends, metrics, and challenges
18 in compensation and benefits. I also participate in the Willis Towers Watson Compensation
19 Affinity Group, which allows compensation professionals to share ideas and stay current

1 on relevant trends. Further, throughout my career, I have successfully managed many
2 strategic projects, including compensation structure design and implementation, incentive
3 plan redesign, benefit plan redesign, total rewards strategy, benefits administration
4 outsourcing, and technology implementations.

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

6 A. As Director, Compensation & Performance, I am responsible for overseeing
7 the strategy, design, and delivery of broad-based compensation and executive
8 compensation programs and processes for Ameren Corporation and its subsidiary
9 companies (collectively, "Ameren"), including AMS, Ameren Illinois Company, and
10 Ameren Missouri ("Ameren Missouri" or the "Company"). This includes base pay
11 infrastructure, merit, short- and long-term incentive programs, paid time off, and
12 recognition programs. I am also responsible for providing relevant information and
13 supporting materials for the Human Resources Committee of the Ameren Board of
14 Directors. In addition, I am responsible for the executive compensation portions of the
15 annual proxy statement for Ameren and its subsidiary information statements.

16 **Q. To what testimony or issues are you responding?**

17 A. I am responding to the Missouri Public Service Commission Staff Cost of
18 Service Report regarding short-term and long-term incentive compensation. Specifically, I
19 will address why the Restricted Stock Units ("RSUs") in the Ameren Long-Term Incentive
20 Plan ("LTIP") reflect prudent and reasonable compensation for employees and should not
21 be excluded from the revenue requirement to be set in this case. Additionally, Staff's Cost
22 of Service Report discusses the 2019 Short-Term Incentive Plan for Officers ("STIP") and
23 the associated metrics and weightings; however, the STIP metrics and weightings have

1 changed since 2019 and the plan that will be in effect once rates are reset in this case is the
2 2021 STIP, which only ties 70% of the payout to earnings per share. Therefore, I will
3 explain the changes to ensure that the appropriate costs are reflected in the revenue
4 requirement.

5 **II. RESTRICTED SHARE UNITS**

6 **Q. Please explain your understanding of Staff's recommendation related**
7 **to the cost of RSU awards.**

8 A. Staff recommends that the entire cost of the RSUs be assigned to
9 shareholders, rather than reflecting them in the revenue requirement used to set Ameren
10 Missouri's electric rates.

11 **Q. What is the basis for the adjustment?**

12 A. Staff claims that ***
13 _____
14 _____."1**

15 **Q. Do you agree with the basis for this adjustment?**

16 A. No. I do not believe that Staff's characterization accurately describes RSU
17 awards and how the RSUs fit into the employees' total compensation package.

18 **Q. What are Restricted Stock Units?**

19 A. RSUs represent the right to receive stock depending solely on an
20 employee's continued employment with Ameren through a defined vesting period. They
21 are awarded to encourage retention and longevity with Ameren.

¹ ER-2021-0240, Staff Cost of Service Report, p. 125, l. 29 to p. 126, l. 2.

1 **Q. Why were RSUs added to the LTIP?**

2 A. RSUs were added to the LTIP ** _____

3 _____

4 _____

5 _____

6 _____

7 _____

8 _____

9 _____

10 _____ **

11 **Q. Who is eligible for RSUs?**

12 A. Members of the ** _____

13 _____ ** are eligible for RSUs, which are granted under the LTIP.

14 **Q. Do Restricted Stock Units vest over a defined period of time based**
15 **solely on continued employment?**

16 A. Yes, RSUs vest over a 38-month period, as long as the employee is still
17 employed at the time the award is paid.

1 **Q. How do RSUs differ from other forms of compensation?**

2 A. RSUs are a component of the total compensation package offered ** _____
3 _____;**however, RSUs are different insofar as they are of no value to the employee unless
4 the employee remains employed for 38 months after the RSUs are awarded, at which time
5 they vest. Base pay and short-term incentive compensation, while necessary components
6 of Ameren's total compensation package, do not require an employee to remain employed
7 for 38 months before receiving payment. So, while all compensation incentivizes
8 employment itself, RSUs specifically incentivize continued employment for an established
9 duration. That established duration promotes a stable and experienced workforce, which
10 benefits customers as I discuss further below.

11 **Q. Are RSUs based on shareholder-oriented goals?**

12 A. No. Staff states that employees who receive RSUs are directly incentivized
13 to increase Ameren's stock price, which is a shareholder benefit. This is an incorrect
14 characterization/assumption. RSUs are not awarded based on financial performance or
15 other corporate performance measures that incentivize decisions that benefit shareholders.
16 Instead, RSUs are awarded solely on an employee's continued employment with Ameren
17 through the vesting period. By Staff's logic, merit increases based upon employee
18 performance that increases profitability, such as being more productive, reducing costs, or
19 increasing revenues, should be excluded from the revenue requirement because the stock
20 price increases caused by their work is a "shareholder benefit." It is illogical to conclude
21 that productivity, reduced costs, or increased revenues does not benefit customers. As
22 addressed below, RSUs also benefit customers.

1 **Q. Are RSUs different than Performance Stock Units ("PSUs")?**

2 A. Yes. The award of RSUs is not tied to shareholder return whereas the award
3 of PSUs, which are also part of the LTIP, is primarily tied to shareholder return. Ameren
4 Missouri is not requesting recovery of PSUs in this proceeding.

5 **Q. You noted above that RSUs benefit customers. How?**

6 A. RSUs are a common component of total compensation for ** _____
7 _____
8 _____** which will provide more
9 effective and efficient management, leading to lower overall costs and better service, but
10 also by avoiding the productivity loss and replacement costs associated with turnover.

11 **Q. How does a stable workforce create cost savings?**

12 A. Significant personnel turnovers should be avoided from a pure operations
13 standpoint, for obvious reasons. Further, losing an employee can be costly, given not only
14 the lost investment in employee training and temporary productivity, but also the costs
15 associated with replacing talent, including separation, recruiting, productivity, and
16 onboarding costs. ** _____

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19 _____.

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III. SHORT-TERM INCENTIVE PLAN

Q. Has the Ameren Short-Term Incentive Plan been updated since 2019?

A. Yes, the Ameren STIP, which applies **** _____ **** was updated in 2020 and again in 2021.

Q. What changes were made to the STIP?

A. The STIP metrics and associated weightings were adjusted in 2020, and again in 2021. In particular, the weighting associated with earnings per share ("EPS") was reduced from 80% in 2019 to 75% in 2020. Other changes in 2020 included elimination of the Equivalent Availability metric, increasing the weighting on SAIFI² from 3 1/3% to 5%, increasing the weighting on the Callaway Performance Index from 3 1/3% to 5%, and the addition of two customer satisfaction measures, with a weighting of 2.5% each. In 2021, the weighting associated with EPS was further reduced from 75% to 70% and two Diversity, Equity & Inclusion metrics were added to the plan, with a weighting of 2.5% each.

² System Average Interruption Frequency Index.

1 **Q. What are the metrics for the STIP for 2021?**

2 A. The 2021 STIP metrics and associated weightings are as follows:

Metric	Weight
<u>Financial Performance:</u>	
Earnings Per Share (EPS)	70%
<u>Safety:</u>	
Safety c2c Participation rate	7.5%
Safety Coaching c2c	2.5%
<u>Operational Performance:</u>	
Callaway Performance Index (CPI)	5%
<u>Customer:</u>	
SAIFI (Reliability)	5%
JD Power Ranking (Customer Perception)	2.5%
Ameren Listens After Call Survey (Customer Satisfaction)	2.5%
<u>Diversity, Equity & Inclusion – <i>New in 2021</i></u>	
Supplier Diversity	2.5%
Workforce Diversity	2.5%

3 **Q. Should the revenue requirement for the STIP be adjusted?**

4 A. Staff has indicated that they included the costs for safety and customer
5 performance metrics in the revenue requirement calculation. Given that the Staff Report
6 states that this is based on the assumption that the STIP was based 80% on EPS, when in
7 fact the 2021 plan that will be in effect once rates are reset in this case only ties 70% of the
8 payout to earnings per share, the revenue requirement should be increased such that 30%
9 of the payout, which is related to safety and customer metrics, is included. (Cost of Service
10 Report page 124, line 19).

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

12 A. Yes, it does.

