

Exhibit No.:
Issues: Transition Process
Witness: James A. Reid
Type of Exhibit: Supplemental Testimony
Sponsoring Party: Union Electric Company
Case No.: EM-96-149

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO. EM-96-149

~~SUBREBTITAL~~
SUPPLEMENTAL TESTIMONY

OF

JAMES A. REID

ST. LOUIS, MISSOURI
JUNE 3, 1996

Exhibit No. 34
Date 9-3-96 Case No. EM 96-149
Recorder XG-

**BEFORE THE PUBLIC SERVICE COMMISSION
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)	Case No. EM-96-149
of certain Assets, Real Estate, Leased)	
Property, Easements and Contractual)	
Agreements to Central Illinois Public)	
Service Company; and (3) in connection)	
therewith, certain other related)	
transactions.)	

AFFIDAVIT OF JAMES A. REID

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

James A. Reid, being first duly sworn on his oath, states:

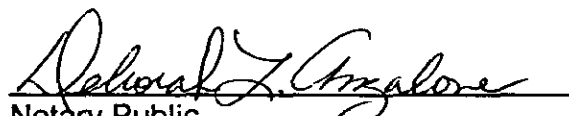
1. My name is James A. Reid. I work in the City of Chicago, Illinois, and I am Senior Vice President of CSC Planmetrics.
2. Attached hereto and made a part hereof for all purposes is my Surrebuttal Testimony consisting of pages 1 through 7, inclusive, all of which testimony has been prepared in written 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.



 James A. Reid

Subscribed and sworn to before me this 1st day of June, 1996.





 Notary Public
DEBORAH L. ANZALONE
 NOTARY PUBLIC—STATE OF MISSOURI
 ST. LOUIS COUNTY
 MY COMMISSION EXPIRES APR. 18, 1998

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**SURREBUTTAL TESTIMONY
OF
JAMES A. REID
CSC PLANMETRICS
Missouri Public Service Commission
Docket No. EM-96-149**

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Q: Please state your name.

A: My name is James A. Reid.

Q: By whom are you employed, and in what capacity?

A: I am employed by CSC Planmetrics as a senior vice president.

Q: What is the purpose of this testimony?

A: The purpose of this testimony is to respond to the Rebuttal

**Testimony filed by Messrs. Oligschlaeger and Brubaker concerning the
development of the estimated savings to be realized from the merger of Union
Electric Company and CIPSCO, Inc.**

**Q: Please describe your professional and educational
background.**

**A: I have been employed by CSC Planmetrics for 18 years as a
management consultant. During this period, I have held various management
functions. I am currently responsible for firm's operations consulting practice.
During my consulting career, I have consulted with more than 50 energy,
consumer product, and industrial companies in the areas of business process
improvement, cost reduction, information technology, and marketing.**

**Prior to joining CSC Planmetrics, I was an officer for a large financial
service company.**

1 I hold a Bachelor of Science degree in Business from the University of
2 Idaho and a Master of Business Administration degree from Baylor University.

3 **Q: Would you briefly describe the type of work CSC Planmetrics**
4 **performs?**

5 **A:** CSC Planmetrics is a general management consulting firm to the
6 electric and gas utility industry. It provides consulting services in the areas of
7 strategy, business planning, marketing, information technology, financial
8 analysis, operational effectiveness, business process improvement, and
9 organizational design.

10 **Q: Has CSC Planmetrics been engaged by Union Electric**
11 **Company and CIPS to assist in planning the merger of the two**
12 **companies?**

13 **A:** Yes, CSC Planmetrics was retained to assist the merger transition
14 team in identifying specific opportunities to achieve merger savings and in
15 developing plans to attain those savings.

16 **Q: Would you briefly describe CSC Planmetrics' role in the**
17 **merger process?**

18 **A:** CSC Planmetrics' role has consisted primarily of these four major
19 functions: (1) designing the process for the transition teams to integrate
20 operations and organizations as described in the Supplemental Direct
21 Testimony of Craig D. Nelson; (2) working with each transition team to identify
22 their savings opportunities, define their recommendation, and develop their

1 implementation plans; (3) serving on Project Administration to oversee the
2 project; and (4) facilitating Steering Committee meetings and providing counsel
3 on key issues.

4 **Q: Specifically, what has been your role in this project?**

5 **A:** I have been the officer in charge of CSC Planmetrics' involvement
6 in the project. As such, I have had management responsibility for the CSC
7 Planmetrics consultants who have worked with the transition team on the
8 project. In addition, I have worked with Project Administration to provide overall
9 project management. I have also facilitated each Steering Committee meeting
10 and advised management on various merger related issues.

11 **Q: What experience have you and CSC Planmetrics had in this**
12 **type of work?**

13 **A:** CSC Planmetrics has consulted for several utilities involved in
14 mergers. This work has involved both the strategic aspects of the mergers as
15 well as the operational issues of merging the utilities. Recently we have done
16 pre-merger related projects for Wisconsin Energy and Cinergy, and post-merger
17 integration projects for PacifiCorp.

18 In addition, we have consulted for many utilities in areas of business
19 process improvement and cost reduction. This type of work is very similar in
20 nature to the work we performed for Union Electric and CIPS.

21 I personally have consulted with more than twenty-five utilities in this type
22 of work.

1 **Q: Would you briefly explain how Union Electric Company and**
2 **CIPS have gone about implementing this merger?**

3 **A: Shortly after the merger was announced, Union Electric and CIPS**
4 **formed a merger transition organization consisting of a senior management**
5 **steering committee and 20 transition teams focused on key business functions.**
6 **(The number of teams was later reduced to 18 transition teams.) These**
7 **transition teams worked through the process described in Craig Nelson's**
8 **testimony. The approach used by the teams allowed the companies to identify**
9 **specific opportunities to achieve merger related savings. Additionally, the**
10 **teams also recommended the specific changes to organizational structures,**
11 **staffing levels, and business processes to attain the identified savings. And**
12 **lastly, the teams developed actionable implementation plans to implement their**
13 **recommendations.**

14 **As a result of this transition project, Union Electric and CIPS have in**
15 **place an organizational design which clearly defines the post-merger staffing**
16 **requirements and a solid definition of the actions necessary to achieve the non-**
17 **labor savings.**

18 **Q: Are you familiar with the Surrebuttal Testimony of Craig D.**
19 **Nelson?**

20 **A: I have reviewed Mr. Nelson's Surrebuttal Testimony and am in**
21 **agreement with it.**

22 **Q: Have you worked with Mr. Nelson on this project?**

1 A: Yes, I have worked with Mr. Nelson on this project.

2 **Q: Is the process being utilized by Union Electric and CIPS an**
3 **appropriate one for implementing a merger of two utilities?**

4 A: Yes, it is.

5 **Q: Please explain.**

6 A: The appropriateness of the process used to merge two companies
7 needs to be measured in terms of three criteria. First, will the process lead to
8 actually attaining the projected savings? Second, will the process integrate the
9 operations of the companies into an organization that operates effectively and
10 efficiently after this merger? Third, will the process minimize the amount of
11 organizational dysfunctionality?

12 In my professional opinion, the process followed by the companies will be
13 successful when measured against these three criteria. And in fact, the process
14 used to date has already produced significant results in this regard.

15 First, a Final Implementation Plan has been developed that identifies
16 savings that are projected to exceed original savings estimates. Second, the
17 companies have resolved the organization structure question and are currently
18 implementing it. They are also implementing recommended business
19 processes and information systems to eliminate the duplication and redundancy
20 that often exist for years in other mergers. Third, staffing issues are being
21 resolved in an expeditious manner which will significantly reduce organization
22 turmoil after the merger.

1 **Q: How would you compare the progress made to date with that**
2 **of other utilities that have merged?**

3 **A: In many mergers, the identification of savings opportunities and**
4 **the restructuring necessary to attain these savings occur only at a broad,**
5 **conceptual level prior to the merger closing. Little work is actually performed on**
6 **integrating the operations and systems. Union Electric and CIPS have made**
7 **significant progress in defining in detail how their businesses can be integrated,**
8 **in identifying management and staffing assignments, and in beginning the**
9 **actual implementation of consolidating information systems and processes.**
10 **This will lead to the attainment of savings much sooner after the merger close**
11 **date than experienced in many mergers. Also much of the organizational**
12 **trauma associated with merging companies will be behind Union Electric and**
13 **CIPS by the merger close date, leading to smoother operations quicker than**
14 **many mergers have experienced.**

15 **Q: In summary, how would you characterize the Union Electric**
16 **and CIPSCO merger transition process?**

17 **A: The process was carefully planned and executed in accordance**
18 **with the plan. It was very comprehensive and thorough in its scope. The**
19 **management and staff of both companies conducted the project in a**
20 **professional manner and worked together very well to achieve their merger**
21 **goals.**

22 **Q: Does this conclude your Surrebuttal Testimony?**

Surrebuttal Testimony of
James A. Reid

1 A: Yes, it does.