Exhibit No.:

Issue(s): Incentive Compensation Witness: Krista G. Bauer
Type of Exhibit: Surrebuttal Testimony Sponsoring Party: Union Electric Company
File No.: ER-2014-0258

Date Testimony Prepared: February 6, 2015

MISSOURI PUBLIC SERVICE COMMISSION

FILE NO. ER-2014-0258

SURREBUTTAL TESTIMONY

OF

KRISTA G. BAUER

ON

BEHALF OF

UNION ELECTRIC COMPANY d/b/a Ameren Missouri

> St. Louis, Missouri February 2015

1		SURREBUTTAL TESTIMONY
2		OF
3		KRISTA G. BAUER
4		FILE NO. ER-2014-0258
5	Q.	Please state your name and business address.
6	A.	Krista G. Bauer, One Ameren Plaza, 1901 Chouteau Avenue, St. Louis,
7	Missouri 63103.	
8	Q.	By whom are you employed and in what position?
9	A.	I am employed by Ameren Services Company ("Ameren Services" or
10	"AMS" or	"Company") as Senior Director of Talent Management & Executive
11	Compensation.	
12	Q.	Are you the same Krista G. Bauer who filed rebuttal testimony in this
13	proceeding?	
14	A.	Yes, I am.
15	Q.	What is the purpose of your surrebuttal testimony in this proceeding?
16	A.	The purpose of my surrebuttal testimony is to address statements in Office
17	of the Public Counsel ("OPC") witness Ted Robertson's rebuttal testimony questioning	
18	whether it was necessary to retain employees of the divested non-regulated entities or i	
19	these employees were "just added to the employee roster to inflate the Company and	
20	AMS costs in the short term with the goal of subsequently increasing the Company'	
21	earned rate of return."	
22	Q.	How do you respond to Mr. Robertson's questions regarding whether
23	it was necess	sary to retain employees of the divested non-regulated entities?

- A. I am responding by confirming that the retention of employees formerly employed by the divested non-regulated entities Ameren Energy Resources ("AER") and EEI Joppa ("EEI") was a prudent business decision that addressed legitimate workforce Hiring qualified former AER and EEI employees to fill vacant or needed positions in Ameren Missouri and Ameren Services allowed us to fill positions with highly-skilled employees who have a deep knowledge of this industry without incurring additional recruiting and training costs that would have been necessary with a new hire who did not have experience working for an Ameren company.
 - Q. How were the relevant position vacancies and workforce needs identified?
 - A. Position vacancies and workforce needs were identified in several ways. First, Ameren Missouri and Ameren Services virtually always have vacant positions for which the Ameren Services Human Resources Department is actively recruiting. These vacancies generally exist as a result of workforce turnover, largely due to retirement. Following the announcement of the divestiture of the unregulated business, leaders for Ameren Services and Ameren Missouri were encouraged to delay the filling of vacancies for which displaced AER and/or EEI employees would be highly qualified (unless a delay would create business challenges). This approach was designed to address workforce needs, reduce recruiting costs and align with the overall values of Ameren Missouri and Ameren Services. In addition to the consideration of existing needs, Ameren's Talent Development Council (a senior leadership council responsible for overseeing succession planning and leadership development efforts for affiliated Ameren companies) engaged in a facilitated discussion regarding expected retirements, current

- 1 leadership needs and future succession issues. This dialogue resulted not only in
- 2 immediate leadership needs being addressed but in a longer term strategy to ensure
- 3 business continuity as experienced leaders retired.
- 4 Q. What process did you engage in to determine which of the displaced
- 5 AER and EEI employees would be offered positions within Ameren Missouri or
- 6 Ameren Services?

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A. The process occurred in two steps, focusing first on evaluating opportunities for former AER or EEI Directors, Senior Directors and Officers at Ameren Missouri or Ameren Services; then on the facilitation of a process to enable displaced management employees to be considered for the existing vacancies. As the Talent Development Council considered current and future leadership needs, they reviewed the resumes and profiles of displaced leaders and identified best fit opportunities, if any. As a result of this process, it was determined that seven of these leaders were well qualified for positions within Ameren Services. The majority of these positions were at the same level in each organization (e.g., a Director position at AER to a Director position at Ameren Services) designed to support the expanding FERC-regulated transmission business and, in some cases, these leaders were hired to address expected succession needs. For example, one former AER employee had both strong leadership capabilities and a strong technical skill-set and Ameren Services had a position that called for those skills, so that employee was hired to fill the position of Sr. Director, Project Management in Ameren Services (in support of the transmission organization). He was hired with recognition that he would be a strong candidate for a key technical leadership role that was expected to become available at Ameren Missouri following the retirement of an

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- 1 Ameren Missouri leader. The incumbent leader recently announced his retirement, and 2 the former AER employee was immediately named as his successor, providing stability 3 to the Ameren Missouri organization during a time of transition. This pro-active 4 approach to succession planning has enabled Ameren Missouri and Ameren Services to 5 advance important business priorities, effectively manage retirement transitions, and avoid the lengthy and often expensive process associated with recruiting highly-qualified 6 7 leaders. Once the leadership team was stabilized, displaced management employees were 8 asked if they would like to be considered for existing positions within the organization. 9 Interested employees were provided with a list of available positions and encouraged to 10 apply for the positions for which they met the minimum qualifications. These employees 11 were considered (along with other internal candidates) for vacant positions and 12 participated in the standard selection process (inclusive of interviews, etc.). Upon 13 selection, a compensation offer was developed consistent with Ameren's standard 14 processes (which evaluates market-based compensation opportunities for each position 15 and the candidate's current compensation package relative to the position). 16 candidate was offered a compensation package consistent with the position for which 17 they were applying. This process resulted in five former AER employees being placed in 18 vacant positions in Ameren Missouri and an additional fifteen former AER employees 19 being placed in vacant positions in Ameren Services.
 - Q. Before transitioning to their new roles, AER employees were temporarily placed in roles within Ameren Services. How did that work?
- A. Forty-four out of eighty-six AER employees were ultimately hired by
 Ameren Missouri (5), Ameren Services (23) or Ameren Illinois (16). In all cases, these

- 1 employees were temporarily placed in transitional roles within Ameren Services for
- 2 approximately two months to allow them to transition smoothly to their new jobs prior to
- 3 the closing of the AER divestiture, while continuing to provide transitional services (per
- 4 contractual agreement) to the purchaser of AER, Dynegy. These employees direct
- 5 charged the appropriate legal entity for their service during that time.
- Q. Were any of the AER employees retained simply to inflate Company
- 7 and Ameren Services' costs in the short-term with the goal of subsequently
 - increasing the Company's earned rate of return as witness Robertson alleges?
- 9 A. Absolutely not. The process used to identify leadership and workforce
- 10 needs and to consider displaced AER employees for those positions was extensive and
- 11 thoughtful. Ameren made prudent decisions designed to address both immediate and
- 12 evolving workforce needs, simultaneously. These actions helped to retain experienced
- and skilled employees, ultimately reducing recruiting and training costs and increasing
- 14 organizational stability.

- 15 Q. Does this conclude your surrebuttal testimony?
- 16 A. Yes, it does.

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.) File 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 C	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 p	art hereof for all purposes is my Surrebuttal		
Testimony on behalf of Union Electric Company d/b/a Ameren Missouri consisting of			
	, all of which have been		
prepared in written form for introduction into evidence in the above-referenced docket.			
3. I hereby swear and affirm tha	t my answers contained in the attached		
testimony to the questions therein propounded are true and correct.			
	Krista G. Bauer		
Subscribed and swom to before me this 6th day of February, 2015.			
	Ductin A. Eaves		
My commission expires:	Notary Public		
2-21-18	BECKIE J. EAVES Notary Public - Notary Seal State of Missouri Commissioned for St. Louis City My Commission Expires: February 21, 2018 Commission Number: 14938572		