

ILLINOIS COMMERCE COMMISSION

DOCKET No. 12-0293

REBUTTAL TESTIMONY

OF

KATHLEEN A. PAGEL

Submitted on Behalf

Of

**AMEREN ILLINOIS COMPANY
d/b/a Ameren Illinois**

July 31, 2012

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7 **I. INTRODUCTION**

8 **A. Witness Identification**

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

10 A. My name is Kathleen A. Pagel. My business address is 300 Liberty Street, Peoria,
11 Illinois 61602.

12 **Q. By whom are you employed and in what capacity?**

13 A. I am employed by Ameren Illinois Company d/b/a Ameren Illinois (AIC or the
14 Company) as a Supervisor of Communications.

15 **Q. Please describe your education and relevant work experience.**

16 A. See my Statement of Qualifications, attached as an Appendix to this testimony.

17 **B. Purpose, Scope and Identification of Exhibits**

18 **Q. What is the purpose of your rebuttal testimony?**

19 A. The purpose of my rebuttal testimony is to respond to operating income adjustments
20 proposed in the direct testimonies of Illinois Commerce Commission (Commission) Staff (Staff)
21 witness, Ms. Karen Chang; Illinois Attorney General and AARP (AG/AARP) joint witness, Mr.

22 Michael L. Brosch; and Citizens Utility Board (CUB) witness, Mr. Ralph C. Smith. I will be
23 addressing only adjustments proposed for Charitable Contributions, Advertising Expense and
24 Corporate Sponsorships. In addition, AIC witness, Ms. Geralynn Lord will be addressing
25 adjustments proposed by AG/AARP and CUB to disallow amounts they refer to as "Focused
26 Energy. For Life." costs.

27 **Q. Are you sponsoring any exhibits with your rebuttal testimony?**

28 A. Yes. I am sponsoring the following exhibits:

- 29 • Ameren Exhibit 14.1: Response to KC 6.01 Attach (submitted June 21, 2012)
- 30 • Ameren Exhibit 14.2: Schedule WPC-8 (submitted Apr. 20, 2012)
- 31 • Ameren Exhibit 14.3: Updated/Corrected ICC Staff Ex. 3.0, Schedule 3.04
- 32 • Ameren Exhibit 14.4: MMIS, Payroll and P-Card Expenses

33 **II. STAFF ADJUSTMENT TO CHARITABLE CONTRIBUTIONS**

34 **Q. Please describe the adjustment Staff proposes to reduce the amount of Charitable**
35 **Contribution expense included in the 2011 formula rate revenue requirement.**

36 A. Staff proposes an adjustment to remove donations from the 2011 formula rate revenue
37 requirement that Staff believes are not recoverable operating expenses under Section 9-227 of
38 the Public Utilities Act (Act). (ICC Staff Ex. 3.0, pp. 7-11.) These donations amount to an
39 operating income adjustment of approximately \$56,000. (ICC Staff Ex. 3.0, Schedule 3.02.)

40 **Q. What are some of the donations Staff seeks to disallow?**

41 A. The largest donations recommended for disallowance are those made to the Economic
42 Development Council (EDC) of Central Illinois, Greater Springfield Chamber of Commerce and
43 Illinois State Black Chamber of Commerce. (ICC Staff Ex. 3.0, Schedule 3.02, p. 2.)

44 **Q. What are these organizations?**

45 A. The EDC (www.centralillinois.org) is a non-profit regional public-private partnership for
46 local business and community growth, supported by Peoria, Tazewell and Woodford counties,
47 multiple municipalities and various businesses. The Greater Springfield Economic Chamber of
48 Commerce (www.greaterspringfield.com) is an organization created to grow the Greater
49 Springfield area, develop a competitive workforce and revitalize strategic areas in the
50 community. The Illinois Black Chamber of Commerce (www.ilbcc.us) serves as an advocate for
51 Illinois black businesses to help grow their businesses and sustain jobs.

52 **Q. Why does AIC make contributions to local economic development organizations like**
53 **these?**

54 A. The public good is served through AIC support to organizations actively involved in
55 promoting and sustaining economic vitality and community development. Such community-
56 based public/private partnerships help coordinate a range of activities designed to enhance
57 community capacity for economic growth and provide direct local involvement with business
58 development activities including the attraction and retention of jobs and private sector
59 investment. These self-directed efforts embody the practice of proactive economic development,
60 and ultimately help Illinois communities meet the challenges of the state's current economic
61 climate. AIC designs and implements proactive development programs to support existing

62 business customer retention/expansion and facilitates new business location. AIC also supports
63 communities in our service area to enhance local and regional competitive capacity to sustain
64 business growth/investment and service area economic vitality.

65 **Q. Why does AIC include contributions to local economic development organizations**
66 **in the donations it seeks to recover under Section 9-227 of the Act?**

67 A. Like other contributions made by AIC to support the public welfare, contributions to
68 economic development groups do the same to support the public welfare and should be similarly
69 recovered.

70 **Q. Why does Staff propose to disallow these contributions from the 2011 formula rate**
71 **revenue requirement?**

72 A. Staff claims donations to these organizations are “not charitable contributions for the
73 public welfare.” (ICC Staff Ex. 3.0, p. 8, line 188.) Staff claims, for a donation to be considered
74 a “charitable contribution,” “the donation should be made to an organization that is a Section
75 501(c)(3) tax-exempt organization.” (Id., lines 188-191.) Staff claims this is “consistent with
76 Ameren’s policy regarding charitable giving.” (Id., lines 191-192.)

77 **Q. What contributions are allowable operating expenses under Section 9-227?**

78 A. As I understand, Section 9-227 provides that the Commission can consider an operating
79 expense, for the purpose of setting utility rate or charge, donations made by the utility “for the
80 public welfare *or* for charitable scientific, religious or educational purposes, provided that such
81 donations are reasonable in amount.” (Emphasis added).

82 **Q. Concerning the particular donations Staff seeks to disallow, did AIC identify in its**
83 **direct case filing the Section 9-227 categories for each donation?**

84 A. Yes. Ameren Exhibit 5.1 submitted with the Company's direct filing identified the
85 recipient of each donation, the purpose/nature of the recipient, the use of the donation and the
86 Section 9-227 categories. For 10 of the 11 donations disallowed, the recipient was a local
87 community and economic development organization. The identified Section 9-227 categories for
88 these donations were Public Welfare and Educational. For the 11th donation to Southwest
89 Illinois Jets Smith, the identified Section 9-227 category was Educational.

90 **Q. Has the Commission previously defined contributions "for the public welfare"?**

91 A. Yes. In a recent Commonwealth Edison Company case, Docket No. 11-0721, the
92 Commission defined the term "public welfare" to mean "contributing the general good of the
93 public." Order, May 29, 2012, p. 98.

94 **Q. Has the Commission previously found that contributions to economic development**
95 **organizations are recoverable contributions "for the public welfare"?**

96 A. Yes. In Docket No. 11-0721, the Commission found organizations that promote
97 community and economic development contribute to the general good of the public. Order, May
98 29, 2012, p. 98.

99 **Q. Has the Commission found that recoverable contributions "for the public welfare"**
100 **must be given to organizations who are tax exempt under Section 501(c)(3) of the Internal**
101 **Revenue Code?**

102 A. No. To my knowledge, the Commission has never limited the recoverability of donations
103 under Section 9-227 of the Act based on the recipient's federal tax status.

104 **Q. Should the federal tax status of an organization be the basis for the Commission to**
105 **disallow contributions?**

106 A. In my opinion, no. The recipient's tax status should not matter. To me, if the donation is
107 made to enhance the public welfare, it should not matter if it's a 501(c)(3) organization that is the
108 recipient. The federal tax code should not be the standard for determining what contributions to
109 include in rates under Illinois law.

110 **Q. Are local economic development organizations considered tax-exempt non-profits?**

111 A. Yes. Even though I do not believe tax-exempt status should matter for rate
112 recoverability, nine of the ten local community and economic development organizations at issue
113 here are considered tax-exempt non-profits under a separate section of the Internal Revenue
114 Code – Section 501(c)(6). The 10th group – MACOMB Area Economic Development – is
115 actually a Section 501(c)(3) organization. (Ameren Ex. 5.1, line 141.)

116 **Q. Are there other non-501(c)(3) organizations to which AIC has made donations that**
117 **Staff has not sought to disallow?**

118 A. Yes. In response to Staff Data Request KC 6.01, AIC updated Ameren Exhibit 5.1 to
119 provide the Federal Employer Identification Number (FEIN) for each recipient and indicated
120 which organizations were 501(c)(3) tax-exempt organizations. Ameren Exhibit 14.1 (KC 6.01
121 Attach) is the updated chart produced to Staff. This exhibit shows many other donations to non-
122 501(c)(3) organizations that Staff is not seeking to disallow. These include Headstart programs

123 (line 8), veterans' groups (lines 17, 242), the Elks (line 77), the Free Masons (line 83), Rotary
124 clubs (line 93), the Illinois Women's Institute for Leadership (line 119), a domestic violence
125 support services group (line 145), many local area public schools (lines 13, 15,18, 19, 37, 57,
126 100, 105, 154, 175, 194, 200, 204, 219, 240), various youth organizations (lines 31, 39, 41, 61,
127 65, 139, 140, 156, 161, 162, 163, 169, 171, 174, 207, 224), local governments (lines 48, 50, 51,
128 124, 220, 235), and public libraries (line 76).

129 **Q. Ms. Chang attaches Ameren Corporation's Charitable Contributions Policy to her**
130 **testimony. Do Ameren's internal policies prevent AIC from making contributions to non-**
131 **501(c)(3) organizations?**

132 A. No. Ameren Corporation's (Ameren) internal policies prefer contributions are made to
133 501(c)(3) organizations, but do not prevent contributions to other non-profit organizations. Due
134 to the public-private nature of economic development organizations, many of these groups
135 consciously do not seek preferential tax code status offered by the 501(c)(3) designations.

136 **Q. Does Ameren have an internal policy that prevents AIC from seeking recovery of**
137 **contributions to non-501(c)(3) organizations?**

138 A. No. Ameren has no internal policy that prevents AIC from seeking recovery of
139 contributions to non-501(c)(3) organizations.

140 **Q. Ms. Chang testifies that contributions to local economic development organizations**
141 **are not recoverable donations because they do "more to promote business interests than**
142 **charity." (ICC Staff Ex. 3.0, line 200.) Do you agree with her opinion?**

143 A. No, I do not agree. And frankly neither does the Commission. In Docket No. 11-0721,
144 the Commission expressly found donations to these groups to be recoverable operating expenses,
145 stating these organizations “serve a public need that is different from serving the needy and the
146 poor.” Order, May 29, 2012, p. 98. These non-profit organizations seek to nurture the
147 development of communities in the AIC service territory. They support initiatives to strengthen
148 local business structure, attract new industry and jobs, and assist companies in relocating or
149 expanding in the central Illinois region. That they may promote a business interest does not
150 mean they do not serve a public need. Donations made to these organizations are “for the public
151 welfare” and should be a recoverable operating expense.

152 **Q. Can you give a recent example of how local economic development organizations**
153 **promote the economic health of individuals and businesses in AIC’s service territory?**

154 A. AIC’s contributions go to organizations that are governed by local/regional residents who
155 set priorities for the organization. Activities range across a broad spectrum of programs aimed at
156 enhancing the economic vitality of community. For example, some organizations have used
157 budget resources to conduct community-based labor surveys among existing employers with the
158 goal of identifying workforce needs for the 21st century and coordinating response strategies
159 with local schools and community colleges to effectively educate the next generation workforce.
160 Other organizations use funds to conduct community strategic planning activities to identify
161 local economic strengths and weaknesses and to implement strategies designed to address each
162 with the public goal of sustaining community viability and promote the general welfare of its
163 residents. Still others such as the Macomb Area Economic Development Corporation
164 (MAEDCO) used its local economic development organization to support a recent expansion of

165 NTN-Bower Corporation's manufacturing operations. The organization and its director served
166 as critical players in coordinating development activities leading to a \$100,000,000 investment
167 within the community (and the Company's service territory) and creating a minimum of 80
168 permanent full-time jobs.

169 **III. STAFF ADJUSTMENT TO ACCOUNT 909 ADVERTISING EXPENSE**

170 **Q. Please describe the adjustment to Account 909 advertising expense Staff proposes.**

171 A. Staff proposes to disallow \$2.182 million from Account 909 expense. (ICC Staff Ex. 3.0,
172 Schedule 3.04, p. 1.) That proposed adjustment represents 88% of the \$2.486 million in
173 expenses that Ameren Illinois included in its 2011 revenue requirement for this account.

174 **Q. Does that seem like a reasonable adjustment?**

175 A. No, it does not. To advocate that 88% of advertising expenses charged to this account for
176 2011 are disallowable expenses is not a reasonable adjustment.

177 **Q. What reasons does Ms. Chang offer in support of her adjustment to Account 909**
178 **expense?**

179 A. Ms. Chang claims the 88% of the advertising expenses she disallows for this account "do
180 not meet the requirements for recovery as advertising programs pursuant to Section 9-225 of the
181 Act." (ICC Staff Ex. 3.0, p. 12, lines 280-281.)

182 **Q. Ms. Chang claims some unspecified amount of 88% of the expenses in Account 909**
183 **should be disallowed on the basis that it is institutional advertising. What type of**
184 **advertising is considered disallowable "institutional advertising" in a general rate case?**

185 A. Goodwill advertising is defined by the Act as “any advertising either on local or national
186 basis designed primarily to bring the utility's name before the general public in such a way as to
187 improve the image of the utility or to promote controversial issues for the utility or the industry.”
188 220 ILCS 5/9-225(1)(d); 83 ILAC Part 295.20(d). Section 9-225(2) of the Act provides that, in a
189 proceeding for general rate increase, “the Commission shall not consider, for the purpose of
190 determining any rate, charge or classification of costs, any direct or indirect expenditures for
191 promotional, political, institutional or goodwill advertising, unless the Commission finds the
192 advertising to be in the best interest of the Consumer or authorized as provided pursuant to
193 subsection 3 of this Section.”

194 **Q. What are some categories of advertising that are considered allowable operating**
195 **expenses under the Act and the Commission's rules?**

196 A. The Act and the Commission's rules list advertisements on energy conservation, peak
197 demand, terms and conditions of service, legally required notices, service interruptions, safety
198 measures, and energy efficiency, as some of the categories of advertisements specifically
199 allowed. Section 9-225(3)(i) of the Act also provides for a catch-all “other” category that would
200 cover advertisements, which are not specified in Section 9-225(3), but which are not
201 promotional, institutional or goodwill advertisements. In addition, Section 9-225(2) provides
202 that advertisements, which are promotional, institutional or goodwill advertisements, are still
203 recoverable, if in the best interest of consumers.

204 **Q. What are some examples of obvious allowable advertising expenses that Ms. Chang**
205 **seeks to disallow?**

206 A. Examples of allowable advertising expenses that Staff has proposed to disallow include:
207 writing services for monthly customer newsletter which includes required messaging,
208 subscription for website services used to communicate outages and storm restoration information
209 to our customers, work with the Energy Education Council and use of the Safe Electricity
210 messaging, and media buy and placement for energy efficiency education radio and television
211 advertisement.

212 **Q. Has Staff provided any evidence to support its theory that specific expenses charged**
213 **to Account 909 are institutional advertising?**

214 A. No, Staff has not. In lines 286-292, Ms. Chang mentions corporate sponsorships of
215 certain community events and radio advertising on the Illini Sports network as examples of
216 institutional advertising. But corporate sponsorships are booked to Account 930.1, as I discuss
217 below. They are not expenses booked to Account 909. As for radio advertising on the Illini
218 Sports network, Ms. Chang offers no explanation why this singular example is institutional
219 advertising or warrants the disallowance of the majority of expenses in Account 909.

220 **Q. Ms. Chang also cites Section 9-226 of the Act in support of her claim that 88% of the**
221 **electric expenses in Account 909 should be disallowed. Before you proceed, what**
222 **documentation must AIC make available to the Commission in a general rate case under**
223 **Section 9-226?**

224 A. Section 9-226(a) provides that the following materials shall be made available to the
225 Commission: “Copies of all advertisements and scripts included in the operating expense, listing
226 the production costs for each ad, the publication schedule and costs for each ad.”

227 **Q. What documentation did AIC submit to the Commission in its direct case filing in**
228 **support of the advertising costs it included in its 2011 revenue requirement?**

229 A. Included in the April 20, 2012, direct case filing was Schedule WPC-8, which showed the
230 amounts charged to Account 909 and included in the 2011 revenue requirement. Schedule
231 WPC-8 is attached to my rebuttal testimony as Ameren Exhibit 14.2. Schedule WPC-8 includes
232 a summary page (Page 1) that shows the electric advertising expenses incurred in 2011 by
233 subject matter. WPC further breaks down subject matter costs by program and voucher for
234 Customer Communications (Pages 2-3), Information and Instructional Messaging (Pages 4-6),
235 Community Outreach (Pages 7-10), Media (Pages 11-14), Customer Assistance (Pages 15-16),
236 Corporate Branding (Page 17), and Focused Energy for Life (Pages 18-20). In addition, AIC
237 included invoices that supported vendor specific costs delineated on Schedule WPC-8.

238 **Q. Can you describe how AIC pulled together that supporting documentation?**

239 A. Documentation supporting AIC's education and informational advertising was organized
240 by type of program. Each program included active projects in 2011. Each project had a
241 description, publication schedule, production services costs and publication costs. Voucher
242 numbers and costs were matched to each project showing the costs of the project. All vouchers
243 were included as a separate attachment. The voucher costs were the costs allocated to the
244 electric business segment. Each voucher was matched to an invoice. The invoice showed the
245 total costs of the work performed. Examples of related messaging (scripts, website links, you
246 tube links for commercials) were included with the projects where germane. If the example was
247 not included as a separate attachment, the example was included with the voucher information.

248 **Q. Please explain what the Customer Communications pages show.**

249 A. The Customer Communication program included details for printed materials published
250 in 2011 and included the monthly customer newsletter “Facts on Energy”, the bill inserts,
251 pamphlets and brochures.

252 **Q. Please explain what the Informational and Instructional Messaging pages show.**

253 A. The Informational and Instructional Messaging program included a detail description of
254 projects that communicate to our customers on an ongoing basis and included websites,
255 telephone directories, safety messaging through the Energy Education Council’s Safe Electricity
256 program, and video production.

257 **Q. Please explain what the Community Outreach pages show.**

258 A. The Community Outreach program included projects that touch our customers in their
259 communities or in schools. Projects included the municipal handbook which was distributed to
260 community leaders, electrical safety training with demonstrations of safety around live power
261 lines, mascot activity, booths and community events and related event booklet ads and recycled
262 bags for handouts to event participants, ads in community magazines, equipment for booths,
263 Watts Solutions project bringing kilowatt meters into libraries for customers to check out and try
264 at home, signage and billboards with safety and energy efficiency messages.

265 **Q. Please explain what the Media pages show.**

266 A. The Media program included projects with newspaper, radio, television and work with
267 reporters. Detailed projects included television media buy for the fourth quarter of 2011, WEEK
268 TV 25 weather sponsorship where AIC partnered with the weather broadcast to remind

269 customers about storm safety and being prepared with a storm radio and kit, radio buy for the
270 fourth quarter of 2011, radio ads with the University of IL Network and NPR, newspaper media
271 buys for safety ads and legal notices. Also included are expenditures for security, video
272 streaming of news coverage of AIC related events, video production of B roll, and consulting
273 services for media messaging.

274 **Q. Please explain what the Customer Assistance pages show.**

275 A. The Customer Assistance programs included outreach programs: Inviting customers to
276 local libraries to consult with customer service representatives about their bill, and the Warm
277 Neighbors Cool Friends program reaches out to customers needing assistance with their bills but
278 are not eligible for state funded assistance and those in need of help with weatherization work.

279 **Q. Please explain what the Corporate Branding page shows.**

280 A. The Corporate Branding program includes dollars spent on materials with the Ameren
281 Illinois name, logo, website and/or promise. Clothing and small items like cups, pens, and
282 portfolios can be purchased by employees through the on-line company store.

283 **Q. Please explain what the Focused Energy for Life pages show.**

284 A. This page includes a description of actions taken in 2011 in conjunction with the
285 introduction of the value statement, *Focused Energy. For Life*. The program costs for this
286 communications and customer education effort are detailed by 2011 deliverables, Customer
287 Study, consulting, internal education to prepare employees to communicate promise to
288 customers. Ameren witness Ms. Geralynn Lord discusses these actions in more detail in her
289 rebuttal testimony.

290 **Q. In preparing your rebuttal testimony, did you review Ms. Chang's exhibits?**

291 A. Yes, I reviewed all of Ms. Chang's exhibits.

292 **Q. Please explain what ICC Staff Exhibit 3.0, Schedule 3.4 (CONF) purports to show?**

293 A. ICC Staff Exhibit 3.0, Schedule 3.4 (CONF) lists 2011 advertising related expenses as
294 described by invoices in invoice date order. This exhibit includes costs charged to Accounts 909
295 and 930.1.

296 **Q. In response to Ms. Chang's adjustment to Account 909, have you prepared any**
297 **additional exhibits on vendor specific advertising costs?**

298 A. Yes. Using ICC Staff Ex. 3.0, Schedule 3.04 (CONF) as a starting point, I have updated
299 Ms. Chang's schedule to (i) make necessary corrections to vendor names and descriptions of
300 billed services and (ii) include additional information on voucher numbers, electric costs,
301 advertising categories, customer benefits and description of work. The updated worksheet is
302 attached to my rebuttal testimony as Ameren Exhibit 14.3. In addition, in Ameren Exhibit 14.3,
303 I have supplemented Ms. Chang's exhibit to list additional invoiced expenses that she did not
304 include.

305 **Q. Please explain generally your corrections for vendor names and description of billed**
306 **services.**

307 A. Corrections were made to invoice data where in error. The description of billed services
308 were expanded and corrected where in error.

309 **Q. Please explain generally the difference between an Ameren PO number, the invoice**
310 **number, and the voucher number**

311 A. The Ameren PO number is the number that matches a purchase order to work performed
312 and billed. The PO number can be referenced by several invoices. The invoice number is
313 assigned by the vendor and is unique to the PO number. The voucher number is assigned by the
314 Accounts Payable (AP) system and is unique to the payment of an invoice or a disbursement
315 request.

316 **Q. Please explain generally how you derived the electric AIC cost amounts, how**
317 **Ameren allocates advertising costs between Missouri and Illinois, and how AIC allocates**
318 **advertising costs between its Illinois gas and electric businesses.**

319 A. The electric costs are derived based on the accounting applied to the invoice or voucher
320 when it is paid. Allocations by account number are used for separation/sharing of expenses for
321 projects that are paid by various departments in AIC and/or various companies in Ameren.
322 Companies share some expenses and AIC departments share some expenses. AIC advertising
323 expenses when applicable to both gas and electric are shared approximately 60 percent electric
324 and 40 percent natural gas based on Illinois customers (1.2 million electric and 800,000 gas).
325 The percentage split is based on number of customers. Advertising expenses when applicable to
326 both operating companies, Ameren Illinois and Ameren Missouri, are allocated by customer
327 count, roughly 60 percent to Ameren Illinois and roughly 40 percent to Ameren Missouri, based
328 on a General Service Agreement (GSA) allocation factor.

329 **Q. Please explain what the Advertising Categories column shows.**

330 A. Section 225(3) of the Act lists categories of expenses which shall be considered allowable
331 operating expenses. In addition, Part 295.30(g) of the Commission's rules specifically allows
332 "advertising regarding customer service which directly relates to the utility service received by

333 the customer, identifies company employees and their functions, explains the company's terms
334 and conditions of service.” Based on the Act and the Commission's rules, the following
335 categories were used for advertising expenses: Energy Efficiency, Required, Safety,
336 Employment, Rates, Customers Service, Demand, and Other. Some advertising expenses
337 overlapped several categories; an example would be required legal notices on rate making. This
338 invoice would be marked Required/Rates.

339 **Q. Please explain what the Customer Benefit column shows.**

340 A. The Customer Benefit column specifically defines the messaging benefit to the customer.

341 **Q. Please explain what Description of Work column shows.**

342 A. The data in this column describes the work that was performed. Examples are writing
343 services, Video production, Consulting and strategic planning, and Design services.

344 **Q. Ms. Chang suggests that for certain consulting expenses the generic description
345 provided in Schedule WPC-8 without additional information was insufficient. Does the
346 additional information provided in Ameren Exhibit 14.3 address her concern?**

347 A. Yes. The description of work identifies what the expenses were for and what work was
348 performed. In addition, Ameren witness Ms. Lord describes the expenses listed on pages 18-20
349 of Schedule WPC-8 in her rebuttal testimony.

350 **Q. In comparing Schedule WPC-8 to Ameren Exhibit 14.3, which costs on Schedule
351 WPC-8, are supported by the vendor invoice detail in Ameren Exhibit 14.3?**

352 A. The invoice detail supports the vendor costs charged to Account 909 for Customer
353 Communications, Informational and Instructional, Community Outreach, Media, Customer

354 Assistance, Corporate Branding and Focused Energy for Life. The vendor invoice detail on
355 Ameren Exhibit 14.3 represents approximately \$2,340,926 or 94% of the overall costs included
356 in Schedule WPC-8 for these subject matter areas.

357 **Q. What account for the difference between the vendor specific costs in Ameren**
358 **Exhibit 14.3 and the subject matter area costs in Schedule WPC-8?**

359 A. The difference includes non-invoiced costs occurred in 2011 for MMIS, Payroll
360 Distribution and P-Card charges. This amount is \$148,081.

361 **Q. Have you also supplied additional information on non-invoiced costs incurred in**
362 **2011 for MMIS, Payroll Distribution and P-Card charges?**

363 A. Yes. Ameren Exhibit 14.4 includes detailed information on expenses charged to MMIS,
364 Payroll Distribution and P-Card charges. In general, MMIS expenses include items procured
365 through the storeroom and used during storm restoration (i.e. bandages, boots, safety hat, safety
366 glasses and safety gloves) and forms used or removed from inventory because of revisions (i.e.
367 updated procedures or legacy company names on forms). Payroll Distribution included various
368 loadings with personnel expenses. P-Card charges include mostly individual charges for
369 community or media related meetings or events. These charges are for travel – gas and hotel and
370 meals.

371 **Q. Has AIC self disallowed on rebuttal any advertising expense items included in the**
372 **2011 revenue requirement?**

373 A. Yes, approximately \$48,791 have been included as an adjustment for self disallowance.
374 This adjustment includes expenses allocated to Account 909 for advertising specifically for

375 activities not related to AIC. These adjustments are detailed in Ameren Exhibit 14.3. Ameren
376 witness Mr. Ronald Stafford reflects this self-disallowance in his rebuttal schedules.

377 **Q. Are you offering any legal opinions on AIC's burden to support recovery of**
378 **advertising expenses in formula rates?**

379 A. No.

380 **Q. In your layperson's opinion, did the documentation AIC provided in its filing**
381 **identify and support the advertising expenses included in the 2011 revenue requirement?**

382 A. Yes. Schedule WPC-8 provided detailed, line item support for the various advertising
383 costs charged to Account 909. For example, AIC provided a breakdown of production and
384 printing costs for each bill insert and newsletter sent to customers. We provided production costs
385 for each of AIC's websites and for the customer education videos we produced. We provided
386 the individual program costs for our community outreach and customer assistance programs. We
387 provided the separate signage costs we incurred. We provided a breakdown of the costs of
388 television commercials. We provided invoices support for consulting services. We listed
389 consulting, training and communication costs by voucher for the communication and customer
390 education campaign in conjunction with the introduction of the Focused Energy for Life (FEFL)
391 promise. The information included in Schedule WPC-8 identified and supported the advertising
392 expenses in Account 909 and indicated the corresponding vouchers.

393 **Q. Does the additional information presented on rebuttal in support of vendor specific**
394 **costs and non-invoiced amounts provide further transparency to Staff?**

395 A. Yes. Additional information matching the electric allocated costs to invoices provided to
396 Staff, identifying the type of allowable advertising expense, and additional descriptions of the
397 work performed provides further transparency and detail on the advertising related expenses
398 included in the formula rate revenue requirement for 2011. This information, coupled with the
399 information already included in Schedule WPC-8, satisfies AIC's burden to identify and support
400 the advertising expenses included in the revenue requirement.

401 **IV. CUB & AG/AARP ADJUSTMENT FOR “BRANDING”/E-STORE EXPENSE**

402 **Q. Please describe the adjustments proposed by AG/AARP and CUB for Advertising**
403 **Expense charged to Account 909 related to “Branding”/E-Store expenses.**

404 A. AG/AARP witness Mr. Brosch and CUB witness Mr. Smith both advocate the
405 Commission disallow advertising expenses incurred related to “Branding”/E-Store merchandise.
406 This amounts to a disallowance of \$8000 - 8400 from costs included in the 2011 revenue
407 requirement for Account 909. (AG/AARP Ex. 1.3, p. 6; CUB Ex. 1.2, p. 9.)

408 **Q. Why do AG/AARP and CUB seek to disallow these expenses?**

409 A. AG/AARP witness Mr. Brosch claims these expenses are not reasonable or necessary for
410 the provision of utility service. (AG/AARP Ex. 1.0, pp. 35-36.) CUB witness Mr. Smith also
411 argues these expenses have no established consumer benefit. (CUB Ex. 1.0, pp. 29-31.)

412 **Q. Why did AIC incur these “branding”/e-store expenses in 2011?**

413 A. These expenses were incurred as materials were restocked in the store.

414 **Q. Do you believe that these expenses are intended to promote AIC's image?**

415 A. No. As the Company testified in Docket No. 12-0001, the existence of the online e-store
416 is not solely to provide employees with an opportunity to purchase branded products for personal
417 use (a standard service offered by other large companies). The e-store serves as a depository for
418 branded items to be utilized by employees in the field or at community events, as well as for
419 awards to recognize exceptional safety and employee performance. With the recent merger in
420 late 2010, the use of branded merchandise in 2011 at community outreach and assistance
421 programs allows customers to become more readily familiar with the new consolidated company
422 name. Moreover, employee morale and pride are promoted through better communications with
423 our customers and recognition of work achievements. Rewarding employees with AIC
424 merchandise, using AIC merchandise for Company events, and allowing AIC employees a
425 medium for purchasing these products are justifiable operating expenses.

426 **Q. Mr. Smith also cites the Commission's decision in Northern Illinois Gas Company,**
427 **ICC Docket No. 04-0779. In your lay opinion, is that decision on point?**

428 A. No. In ICC Docket No. 04-0779, it appears the Commission was concerned that Northern
429 Illinois Gas Company (Nicor) did not demonstrate adequate ratepayer benefit from the market
430 intelligence gathering and other branding expenditures at issue in that rate case. Order, pp. 37-38.
431 The Commission apparently was also concerned the branding expenses at issue chiefly benefited
432 the products and service of Nicor's unregulated affiliates. As I explain above, these expenses are
433 not intended to promote the utility or any unregulated affiliate and do have a customer benefit.
434 There has also been no claim that these expenses in anyway benefit a specific AIC affiliate.

435 **V. STAFF, AG/AARP & CUB ADJUSTMENT TO ACCOUNT 930.1 EXPENSE**

436 **Q. Please describe the adjustments proposed by Staff, AG/AARP and CUB to AIC's**
437 **Account 930.1 expense.**

438 A. Ms. Chang, Mr. Brosch and Mr. Smith all advocate the removal of corporate sponsorship
439 costs from Account 930.1 expense. This amounts to a proposed disallowance between \$261,000
440 and \$274,000. (AG/AARP Ex. 1.3, p. 6; CUB Ex. 1.2, p. 11; ICC Staff Ex. 3.0, Schedule 3.04,
441 p. 1.)

442 **Q. Why are Staff, AG/AARP and CUB proposing to disallow these expenses?**

443 A. All parties claim corporate sponsorship costs for local community events are image
444 building, institutional advertising expenses not necessary for provision of safe and reliable
445 electric distribution service that should not be recovered in rates. (AG/AARP Ex. 1.0, p. 36;
446 CUB Ex. 1.0, p. 33; Staff Ex. 3.0, p. 12.)

447 **Q. Why does AIC choose to sponsor local community events?**

448 A. Primarily, sponsorships offer additional channels to communicate the informational and
449 educational messages to our customers. This includes sporting events, local festivals, and
450 community events. Some allow outreach using a booth at the event, giving AIC a presence to
451 talk one on one with customers. Others offer placement of an ad in the festival or event booklet.
452 These activities educates customers on energy efficiency programs and incentives, offer
453 information on safe practices around downed electric lines, educates our customers how to
454 prepare for storms, informs our customers on proactive actions takes to make the system more
455 reliable and informs customers on electric choice and aggregation.

456 **Q. Are the costs AIC incurs in sponsoring local community events “designed primarily**
457 **to bring the utility's name before the general public in such a way as to improve the image**
458 **of the utility or to promote controversial issues for the utility or the industry”?**

459 A. No. The intended purpose of the customer outreach at local community events was to
460 educate customers on energy efficiency customer programs and tools available as well as the
461 actions their utility was taking to improve reliability through smart grid initiatives on the system,
462 and ways to stay safe around electricity, and then direct them to additional information and
463 resources available on Ameren’s websites.

464 **Q. Did any witness proposing an adjustment to remove these costs conduct a detailed**
465 **review of the expenses charged to Account 930.1 and included in the revenue requirement?**

466 A. Not to my knowledge. Rather they appear to argue for wholesale exclusion of the costs.

467 **Q. To your knowledge, has the Commission previously disallowed corporate**
468 **sponsorship costs?**

469 A. Not to my knowledge. No witness has cited any prior Commission docket where such
470 costs were disallowed.

471 **Q. Has AIC sought to recover all of the expenses charged to Account 930.1 and**
472 **allocated to AIC's electric operations?**

473 A. No. As explained in direct testimony of Mr. Stafford and in response to data request KC
474 1.01, AIC selectively removed certain corporate sponsorships costs that were in Account 930.1
475 from the 2011 revenue requirement, that were expenses for athletic events and tickets. Ameren

476 Exhibit 14.3 shows the corporate sponsorship costs that have been removed from Account 930.1
477 This amounts to a self-disallowance of \$127,154.

478 **Q. What are examples of local community events that AIC sponsors?**

479 A. Ameren Exhibit 14.2 (Schedule WPC-8, pp. 23-24) details the community events that
480 AIC sponsored in 2011. AIC is active in supporting community events. Several of the 2011
481 events included the YMCA Decatur Family Day-Women of Excellence program, First Tee
482 program with the Decatur Park District to introduce disadvantaged children to golf, Herrin Fest,
483 Ballon Festival in Centrailia, band concerts through the Pekin Park District, Cooling centers at
484 the Heart of Illinois Fair, World Fest at the Peoria Civic Center recognizing a world events and
485 diversity, Old King Coal Festival in West Frankfort, and the Pekin Marigold Festival.

486 **Q. Why is it appropriate for AIC to recover these costs in rates?**

487 A. These costs support worthy community events whose existence depends largely in part on
488 corporate sponsors. These costs also often support events that provide opportunities for
489 employees to volunteer their time. And these costs support our community outreach efforts and
490 provide venues to inform customers about electric safety, energy efficiency, electric supply
491 choices, energy conservation, and storm preparation. That AIC may receive some public
492 recognition in the communities it serves by virtue of the events it sponsors does not mean that
493 corporate sponsorship dollars constitute disallowable institutional advertising. These dollars are
494 not intended to promote or build AIC's image; they are intend to promote the community events.

495 VI. CONCLUSION

496 Q. Does this conclude your rebuttal testimony?

497 A. Yes, it does.

APPENDIX

STATEMENT OF QUALIFICATIONS
KATHLEEN A. PAGEL

I am Supervisor, Communications in the Community and Public Relations Department for the Ameren Illinois Company. I earned a bachelor's degree in civil engineering in 1979, graduating with honors from the Michigan Technological University, and earned a master's degree in business administration in 2002 graduating from the University of Illinois. I am a Professional Engineer, a certified Project Manager Professional, and a Certified Energy Manager.

I worked at an engineering consulting firm from 1979 to 1981, when I joined Central Illinois Light Company as an Engineering Programmer. I served in various supervisory and management positions in Information Systems, Real Estate, Project Management/Plant Engineering, and Environmental until 1997 when I was appointed Vice President, Technical Services. After AES purchased Central Illinois Light Company in 1999, I was assigned as the Manager, Public Affairs. For AES CILCO, I also served as the Supervisor, Customer Service and the Director, Electric Provider Services. In 2003, Ameren purchased AES CILCO. I was assigned as the Business Development Executive, Economic Development for Ameren Illinois. In 2007, I was promoted to the Reliability Program Manager. In 2008, I joined the Communication and Public Relations Department.

In my current position as Supervisor, Communications, I lead website maintenance and development for AmerenIllinois.com, oversee the maintenance of AIC's microsites including ActOnEnergy.com, supervise the collateral development including a monthly customer newsletter and bill inserts, coordinate legal notices, manage AIC's budget for communications,

supervise advertising initiatives, serve as Information Manager during storm restoration, and serve on AIC's Contribution Committee.