

SUPPLEMENTAL DIRECT TESTIMONY

of

BONITA A. PEARCE
Accountant

Accounting Department
Financial Analysis Division
Illinois Commerce Commission

Ameren Illinois Company

Proposed General Increase in Gas Rates
Docket No. 13-0192

July 5, 2013

Table of Contents

Witness Identification 1
Schedule Identification..... 1
Adjustment to Reduce Ameren Credit Card Expenses2
Adjustment to Reduce Advertising Expenses4
Conclusion5

Schedules

Schedule 9.01 — Adjustment to Reduce Ameren Credit Card Expenses

Schedule 9.02 — Adjustment to Reduce Advertising Expenses

Witness Identification

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

2 A. My name is Bonita A. Pearce. My business address is 527 East Capitol
3 Avenue, Springfield, Illinois 62701.

4

5 **Q. Have you previously filed testimony in this proceeding?**

6 A. Yes, my revised direct testimony (ICC Staff Ex. 4.0R) was filed on June
7 27, 2013.

8

9 **Q. What is the purpose of your supplemental direct testimony in this**
10 **proceeding?**

11 A. The purpose of my supplemental direct testimony is to present the results
12 of my review and analysis of purchases with the Ameren Credit Card
13 (formerly "P—Card") and to propose an adjustment removing from the
14 2014 test year my estimate of expenses that are not recoverable from
15 ratepayers, based on the criteria outlined by the Commission in its
16 December 5, 2012 Order in Docket No. 12-0293.

17

18 **Schedule Identification**

19 **Q. Are you sponsoring any schedules as part of ICC Staff Exhibit 9.0?**

20 A. Yes. I prepared the following schedules that reflect data as of, or for the
21 test year ending, December 31, 2014:

22 Schedule 9.01 – Adjustment to Reduce Ameren Credit Card Expenses

23 Schedule 9.02 – Adjustment to Reduce Advertising Expenses

24

25 **Adjustment to Reduce Ameren Credit Card Expenses**

26 **Q. Please describe ICC Staff Exhibit 9.0, Schedule 9.01, Adjustment to**
27 **Reduce Ameren Credit Card Expenses.**

28 A. ICC Staff Exhibit 9.0, Schedule 9.01, Adjustment to reduce Ameren Credit
29 Card Expenses (formerly P-Card Expenses), presents my disallowance of
30 certain types of charges by AIC employees for expenses in 2012 that are
31 not recoverable from ratepayers. The issue of credit card purchases by
32 AIC employees was addressed in Docket No. 12-0293 as part of
33 Advertising expenses, specifically, “P-Card Expenses.”¹ The Commission
34 excluded several types of expenses from rate recovery, based on the
35 rationale that:

36 The listed P-Card charges are questionable because the expenses
37 at some retailers are arguably excessive and/or not reasonable
38 related to the provisioning of delivery services.²

39
40 The Commission excluded purchases at book retailers, upscale clothing
41 retailers, and embroidered clothing for AIC employees. Additional types of
42 disallowed expenses were purchases of flowers, decorations,
43 entertainment such as meals and tickets to sporting events, satellite
44 television service and such types of expenses that appear unreasonable
45 and/or unnecessary for the provision of electric delivery service.

¹ Order, Docket No. 12-0293, December 5, 2012 at 66 – 69.

² *Id.* at 67.

46 The Commission summarized the underlying premise of the P-Card
47 disallowances in the following paragraph:

48 To the extent that AIC feels that its current P-Card policies are
49 consistent with general corporate standards, the Commission
50 reminds AIC that such a comparison is not appropriate when the
51 corporate entity in question simply passes purchasing card
52 expenses on to its captive customers. The customers of a typical
53 corporation can choose to spend their money elsewhere if they can
54 find better prices. AIC's customers have no choice but to accept
55 the P-Card purchases in their delivery service rates.

56
57 Order, Docket No. 12-0293, December 5, 2012 at 69.

58

59 **Q. Have you conducted a review of costs incurred by AIC employees**
60 **using the Ameren Credit Cards during 2012?**

61 A. Yes. My adjustment disallows costs similar to those that were disallowed
62 by the Commission in Docket No. 12-0293 and include costs such as:
63 meals and luncheons; refreshments served at parties and meetings;
64 flowers, gift cards, and promotional items such as travel mugs and gift
65 boxes; satellite television service at various company offices; electronics
66 and accessories such as flat screen and LCD televisions, digital video disk
67 players, digital cameras, satellite television hardware; wireless service
68 and hand-held devices, along with accessories such as holsters and
69 chargers. Additionally, I disallowed the cost of McLean County Chamber
70 dues. The entire list of disallowed items is included on Schedule 9.01,
71 page 2.

72

73 **Q. Please explain the rationale for your disallowance of these items.**

- 74 A. The rationale behind my adjustment is threefold.
- 75 1) These charges are not necessary for the provision of utility service
76 and are thus unreasonable expenses to be recovered from
77 ratepayers.
- 78 2) These charges do not provide benefits to ratepayers—instead,
79 most of these expenses appear to benefit employees in the form of
80 perquisites for attending a meeting, or recognition of a special
81 occasion or enhancements to the work environment that are in
82 addition to the adequate compensation the employees receive for
83 performing their work.
- 84 3) These charges may be usual expenses in many for-profit
85 businesses in which stockholders provide the funding, but
86 ratepayers are providing the funding for these types of expenses
87 incurred by the utility. Accordingly, consistent with the
88 Commission’s reasoning in Docket No. 12-0293, a comparison to
89 general corporate standards is not appropriate because the
90 customers require the service provided by the Company and have
91 no alternative but to use AIC for delivery of their gas service.

92

93 **Adjustment to Reduce Advertising Expenses**

- 94 **Q. Please describe ICC Staff Exhibit 9.0, Schedule 9.02 Adjustment to**
95 **Reduce Advertising Expenses.**

96 A. ICC Staff Exhibit 9.0, Schedule 9.02, Adjustment to reduce Advertising
97 Expenses reflects my revision to the original adjustment I proposed in ICC
98 Staff Exhibit 4.0R, Schedule 4.02 for all three rate zones. First, I removed
99 the amount on Schedule 4.02, line 14 for “P-cards” because that amount
100 has been superseded by ICC Staff Exhibit 9.0, Schedule 9.01, a separate
101 adjustment to remove certain credit card expenses (formerly “P-card”
102 expenses). Additionally, I replaced the amount on Schedule 4.02, line 15
103 for Sponsorships, with an updated amount using information provided by
104 the Company in Docket No. 13-0301, Exhibit 6.2 (Rev.). Finally, I
105 corrected the amount on line 1, column (c) for Staff’s Advertising Expense
106 amount to reference the higher of the 2012 estimate or the four-year
107 average estimate, as indicated on ICC Staff Exhibit 4.0R, p. 8, lines 168 –
108 173. I note that the statement on ICC Staff Exhibit 4.0R, line 172 should
109 be corrected to state: “2014 estimate which is based on escalation of the
110 four-year average” instead of “the adjusted 2012 actual”, since the four-
111 year average is the greater of the two estimates.

112

113 **Conclusion**

114 **Q. Does this conclude your prepared supplemental direct testimony?**

115 A. Yes, it does.

Adjustment To Reduce Ameren Credit Card Expenses (formerly P-Card Expenses) - All Rate Zones
 For the Test Year Ending December 31, 2014
 (In Thousands)

Line No.	Description	Total AIC Gas Adjustment		Source
(a)	(b)	(c)	(d)	(e)
Operating Statement Adjustment:				
1	Ameren Credit Card Expenses Disallowed by AIC	\$ -		Response to DR BAP 6.02
2	Ameren Credit Card Expenses Disallowed by Staff	12		DR BAP 20.01; Sch. 9.01, p. 2, line 113/1,000; See Note 2 for Allocation by Rate Zone
3	Staff Adjustment to Reduce Ameren Credit Card Expenses	<u>\$ (12)</u>		Line 1 minus line 2

Note 1.

Although the Commission disallowed certain expenses that resulted from the use of Ameren Credit Cards ("formerly P-Cards") in Docket No. 12-0293, the Company did not remove comparable types of expenses from the 2012 reporting year, as indicated in the response to DR BAP 6.02. Accordingly, Staff prepared an analysis of purchases with the Ameren Credit Card based on a sample selected in DR BAP 20.01. The results of Staff's analysis show that consistent with the criteria set forth by the Commission in Docket No 12-0293, certain purchases should not be recovered from ratepayers, as summarized on page 2 of Schedule 9.01

Allocation of Credit Card Disallowance Using Other O & M		AIC WPC-4a RZ Line 139	(In 000's) Allocated Amount		
Note 2.	Allocation Percentages by Rate Zone	Columns (H) - (K)	By Rate Zone		Source of Column (d) Amounts
4	AmerenCIPS - Rate Zone 1	25.7100%	\$	3	Line 4 column (c) multiplied by line 3
5	AmerenCILCO - Rate Zone 2	23.6700%		3	Line 5 column (c) multiplied by line 3
6	AmerenIP - Rate Zone 3	50.6300%		6	Line 6 column (c) multiplied by line 3
7	Total AIC Gas Adjustment per Staff	<u>100.0100%</u>	<u>\$</u>	<u>12</u>	Sum of lines 4 through 6

Analysis of AIC Corporate Credit Card (Formerly "P-Card") Charges
 2012 Actual Amounts
 (In Whole Dollars)

Line No.	AIC Response to DR BAP 20.01	Expense Report	Explanation	Amount	Vendor/Notes
(a)	(b)	(c)	(d)	(e)	(f)
1	Attach 01	208686		\$ -	
2	Attach 02	242232		-	
3	Attach 03	248408	flowers for employee funeral	110.75	
4	Attach 03		employee farewell	64.38	TLF Blossom Basket Florist
5	Attach 04	257270		-	
6	Attach 05	274273	105 Ameren pens w Ameren Illinois logo	194.75	Jedco Sales
7	Attach 06	280249	72 travel cups for new employee packets & kudos	420.13	Jedco Sales
8	Attach 06		73 coffee mugs for new employee packets & kudos	682.20	Jedco Sales
9	Attach 06		100 sandstone coasters for Div 4' s new	485.73	Jedco Sales
10	Attach 07	209157	employee packets & kudos- 50 gift boxes	181.66	this total includes the 1% discount
11	Attach 08	240304	2 logo T-shirts, 1 hoodie	24.67	Casey's - candy & nuts
12	Attach 09	246252	snacks for first Friday	-	
13	Attach 09			-	
14	Attach 09		snacks for first Friday	33.84	Walmart
15	Attach 10	256907		-	
16	Attach 11	275316	snacks for first Friday	35.00	Mister Donut
17	Attach 11		snacks for first Friday	10.73	Walmart
18	Attach 12	205779	safety meeting	254.71	Little White Cottage Catering
19	Attach 12		safety leadership luncheon	702.99	Little White Cottage Catering
20	Attach 12		cellphone-Andy Stolp	85.39	Wireless Central - Kewanee
21	Attach 13	213711	"meeting room supplies"	101.73	HyVee-snacks
22	Attach 14	209453		-	
23	Attach 15	234016	cell phone _____	66.85	
24	Attach 15			-	
25	Attach 15		_____ service anniversary lunch	89.35	
26	Attach 16	240348		-	
27	Attach 17	248596	Donuts	16.30	Walmart
28	Attach 18	263169	new cell phone	68.06	
29	Attach 18		safety committee meeting meals	254.66	Little White Cottage Catering
30	Attach 18		cell phone for _____ - no receipt available	85.39	Wireless Central - Kewanee
31	Attach 19	263971	Wireless purchase	245.51	Wireless Central - Kewanee
32	Attach 20	276967	Anniversary Cake/Coffee	14.91	Walmart
33	Attach 21	276993	Anniversary Cake	41.81	
34	Attach 22	215069	Snacks for First Friday	25.29	Schnucks 2 fruit trays
35	Attach 23	240310	Snacks for First Friday Safety	24.03	Casey's pizza
36	Attach 24	256913	Snacks for First Friday Safety	48.04	
37	Attach 25	275328	Junior Achievement Lunch	84.81	Ameren Executive Dining
38	Attach 26	208782	"Logistics" mtg	13.30	Walmart-candy
39	Attach 27	241079		-	
40	Attach 28	254469	Hotel Rm 1 night	189.28	Embassy Suites
41	Attach 29	256509		-	
42	Attach 30	259690	"Finance Charge" on Cas Advance	30.00	
43	Attach 31	274115		-	
44	Attach 32	206997	TV for Champaign Storm Rm	489.35	
45	Attach 33	213351	Yr End Safety Celebration	171.89	Stadium Grill
46	Attach 34	238421	Holster & Car Charger for _____	54.47	
47	Attach 34		Blackberry for _____	68.06	
48	Attach 34		Blackberry Holster for _____	33.96	
49	Attach 35	245003	Safety Recognition Breakfast	127.36	
50	Attach 36	255233	Blackberry for _____	212.49	
51	Attach 37	266408	Blackberry for _____	52.80	
52	Attach 38	217089		-	
53	Attach 39	277194		-	
54	Attach 40	242379		-	
55	Attach 41	275967	Employee appreciation	197.99	
56	Attach 41		Employee appreciation	146.93	
57	Attach 42	207528		-	
58	Attach 43	211764	Volunteer Gift Card	105.44	
59	Attach 43		Volunteer Gift Card	28.44	
60	Attach 43		Volunteer Gift Card	53.94	
61	Attach 44	245399		-	
62	Attach 45	254110	Strtching Gift Cards & Slide Advancer	275.56	
63	Attach 46	256068	Refreshments VPQ meeting	82.56	
64	Attach 46		Refreshments VPQ meeting	44.69	
65	Attach 46		Dinner-HR Partner meeting	36.00	
66	Attach 47	269872	Balance for Christmas Luncheon	16.34	
67	Attach 48	216746	LCD TV	377.11	Sherman's Place
68	Attach 48		Safety lunch	70.35	O'Charley's
69	Attach 48		DVD player	86.19	Best Buy
70	Attach 49	242095	Safety Brkfst Meeting	90.59	Cracker Barrel
71	Attach 49		Logistics Team	62.05	Cheddars Casual Caf�

72	Attach 49		_____ Service Anniversary Lunch	101.91	Main Place Bar & Grill
73	Attach 50	257756	United Way mtg	35.00	Denny's Doughnuts & Bakery
74	Attach 50		_____ 25th Service Anniv	550.51	Smokey Bones
75	Attach 51	276812	McLean County Chamber Dues	701.00	
76	Attach 51		"Logistics"	27.50	at McFurray' Golf and Grill
77	Attach 51		Adopt a Family committee	77.50	
78	Attach 52	261453	Flat Screen TV	996.80	
79	Attach 52		Lunch meeting with _____	33.53	
80	Attach 52		Blackberry Case & Car charger	75.85	
81	Attach 52		Bluetooth	60.53	
82	Attach 53	275857		-	
83	Attach 53		Meeting with _____ - Cupcakes for Exec Staff	34.57	
84	Attach 54	240869		-	
85	Attach 55	245127		-	
86	Attach 56	273838		-	
87	Attach 57	207675		-	
88	Attach 58	216027	Decorations for Retirement Celebration	17.56	
89	Attach 58		Lunch/Refreshments for Retirement Celebration	42.46	
90	Attach 58		Lunch/Refreshments for Retirement Celebration	115.24	
91	Attach 59	238842		-	
92	Attach 59		Belleville Appreciation Breakfast for employees on Tax project	40.69	
93	Attach 60	261424	Flat Screen TV for ESTL OC	498.40	
94	Attach 60		Digital Cameras, USBs, Discs & Rechargabel batteries	657.59	
95	Attach 60		Safety lunch	274.41	
96	Attach 60		Direct TV hardware	75.06	
97	Attach 60			-	
98	Attach 61	264301		-	
99	Attach 61		Monthly Svc for ESTL office	82.98	Direct TV
100	Attach 61		Drinks for _____ and Lawyers	24.65	
101	Attach 61		Lunch for _____ and Lawyers	128.69	
102	Attach 62	273243	Direct TV	34.99	
103	Attach 62		ESTL Cable	34.99	
104	Attach 63	275859	Storm	-	
105	Attach 64	279039	Retirement Lunch	405.61	meals-possible alcohol-plus 18% gratuiy
106	Attach 64		Safety Breakfast	93.46	meals-possible alcohol-plus 18% gratuiy
107	Attach 64		Safety Breakfast	15.00	
108	Staff Disallowance based on four months' expenses			\$ 12,807.29	
109	Multiplier to annualize estimate			3	
110	Staff Disallowance based on twelve months' expenses			\$ 38,421.87	
111	Gas Portion - Based on Direct Labor With Admin & General			31.04%	AIC Schedule A-5b, line 7
112	Electric Portion - Based on Direct Labor With Admin & General			68.96%	AIC Schedule A-5b, line 7
113	Disallowance for Gas Service			\$ 11,926.15	
114	Disallowance for Electric Service			26,495.72	
115	Total Disallowed Expenses - Gas and Electric			<u>\$ 38,421.87</u>	

Ameren Illinois Company - All Rate Zones
 Adjustment To Reduce Advertising Expense
 For the Test Year Ending December 31, 2014
 (In Thousands)

Line No.	Description	Total AIC Gas Amount	Source
(a)	(b)	(c)	(e)
Operating Statement Adjustment:		(In 000's)	
1	Advertising Expense per Staff calculation	\$ 917	Line 18 col. (c) / 1,000
2	Advertising Expense per Schedule C-8	1,757	Schedule C-8, line 6
3	Staff Adjustment to Reduce Advertising Expense	<u>\$ (840)</u>	Line 1 minus line 2; See Note 3 For Allocation by Rate Zone
Note 1. Staff Calculation of 2014 Forecasted Advertising Expense		(In Whole Dollars)	
4	Account 909, Actual Expenses for 2012 - Informational and Instructional Advertising Expenses	\$ 703,460	Response to DR BAP 7.05 (a)
5	Account 930.1 Actual Expenses for 2012 - General Advertising Expenses	126,278	Response to DR BAP 7.06 (a)
Less: 2012 Expenses that were disallowed in Docket No. 12-0293:			
6	Strategic International Group (formerly Mercury Public Affairs)	(72,720)	Response to DR BAP 6.02
7	P-Card/Corporate Credit Card Expenses	-	Superseded by Schedule 9.01
8	Sponsorships	<u>(94,095)</u>	Schedule 9.02, p. 2
9	2012 Advertising Expense exclusive of comparable expenses disallowed in Docket No. 12-0293	662,923	Sum of lines 4 through 8
10	2013 Estimate based on Inflation Factor of 2 %	676,182	Line 9 multiplied by 1.02%
11	2014 Estimate based on Inflation Factor of 2%	\$ 689,705	Line 10 multiplied by 1.02%
Note 2. 2014 Forecasted Advertising Expense Using Four-Year Average Instead of 2012 Actual		(In Whole Dollars)	
12	Four-Year Average of Advertising Expenses for the Years 2009 through 2012 - Gas Portion	\$ 1,048,000	Staff Exhibit 4.0, Attachment A, line 9, col. (c)
Less: 2012 Expenses that were disallowed in Docket No. 12-0293:			
13	Strategic International Group (formerly Mercury Public Affairs)	(72,720)	Response to DR BAP 6.02
14	P-Card/Corporate Credit Card Expenses	-	Superseded by Schedule 9.01
15	Sponsorships	<u>(94,095)</u>	Schedule 9.02, p. 2
16	2012 Advertising Expense exclusive of comparable expenses disallowed in Docket No. 12-0293	881,185	Sum of lines 12 through 15
17	2013 Estimate based on Inflation Factor of 2 %	898,809	Line 16 multiplied by 1.02%
18	2014 Estimate based on Inflation Factor of 2%	\$ 916,785	Line 17 multiplied by 1.02%
Note 3. Allocation of Advertising Disallowance Using Other O & M Allocation Percentages by Rate Zone		AIC WPC-4a RZ Line 138	(In 000's) Allocated Amount
		Columns (H) - (K)	By Rate Zone
19	AmerenCIPS - Rate Zone 1	25.7100%	\$ (216)
20	AmerenCILCO - Rate Zone 2	23.6700%	(199)
21	AmerenIP - Rate Zone 3	50.6300%	<u>(425)</u>
22	Total AIC Gas Adjustment per Staff	100.0100%	\$ (840)
			Source of Column (d) Amounts
			Line 3, col. (c) multiplied by line 19, col. (c)
			Line 3, col. (c) multiplied by line 20, col. (c)
			Line 3, col. (c) multiplied by line 21, col. (c)
			Sum of lines 19 through 21

