

ILLINOIS COMMERCE COMMISSION

DOCKET No. 15-0305

SURREBUTTAL TESTIMONY

OF

THOMAS B. KENNEDY, III

Submitted on Behalf

Of

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

September 15, 2015

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7 **I. INTRODUCTION**

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

9 A. My name is Thomas (Tucker) B. Kennedy, III. My business address is 300 Liberty
10 Street, Peoria, Illinois, 61602.

11 **Q. Are you the same Thomas B. Kennedy, III who previously sponsored direct and**
12 **rebuttal testimony in this proceeding?**

13 A. Yes, I am.

14 **Q. What is the purpose of your surrebuttal testimony?**

15 A. The purpose of my surrebuttal testimony is to respond on behalf of Ameren Illinois
16 Company d/b/a Ameren Illinois (AIC or Company) to certain witnesses' rebuttal testimony
17 submitted on behalf of the Staff of the Illinois Commerce Commission (Commission) and
18 Intervenors. Specifically, I respond to the rebuttal testimony of Staff witness Steven R. Knepler
19 and the Illinois Office of Attorney General (AG) witness Michael L. Brosch.

20 **Q. Will you be sponsoring any exhibits in support of your testimony?**

21 A. No.

22 **II. RESPONSE TO STAFF WITNESS KNEPLER**

23 **Q. Have you reviewed the rebuttal testimony of Mr. Knepler?**

24 A. Yes.

25 **Q. Are there any remaining contested issues between you and Mr. Knepler?**

26 A. No. Staff and the Company have reached agreement on Mr. Knepler's four adjustments:
27 Charitable Contributions, Educational and Informational Advertising, General Advertising
28 Expense, and Outside Services Employed. The Company considers all of Mr. Knepler's issues
29 to be resolved.

30 **III. RESPONSE TO AG WITNESS BROSCH**

31 **Q. Have you reviewed the rebuttal testimony and related exhibits of AG witness**
32 **Brosch?**

33 A. Yes. Specifically, I reviewed the portions of Mr. Brosch's testimony and exhibits that
34 concern his proposed adjustments to Account 909 expense. (AG Exs. 3.0 at 4-22; 3.3-3.7)

35 **Q. Did Mr. Brosch make adjustments to Account 909 expense in his direct testimony?**

36 A. Yes. Mr. Brosch, in his direct, proposed an adjustment to Account 909 expense in excess
37 of \$1.142 million. (Ameren Ex. 11.0, pp. 7-8.)

38 **Q. Did you submit rebuttal testimony in response to Mr. Brosch's direct adjustment to**
39 **Account 909 expense?**

40 A. Yes. My rebuttal testimony (Ameren Ex. 11.0 at 7-31) responded to Mr. Brosch's
41 adjustment. In addition to my rebuttal testimony, I submitted twelve exhibits (Ameren Exs.
42 11.1-11.12).

43 **Q. Please summarize your rebuttal testimony in response to Mr. Brosch’s direct**
44 **adjustment to Account 909 expense.**

45 A. Mr. Brosch had proposed an adjustment to exclude \$385,000 for expenses that he
46 claimed were “undocumented.” (Ameren Ex. 11.0 at 7.) In response to that adjustment, I
47 submitted additional information on the vendor service or work product for the specific expenses
48 that Mr. Brosch identified as unsupported. (Ameren Exs. 11.0 at 9-13; 11.1.) I produced
49 additional information on these expenses in discovery. (Ameren Ex. 11.0, at 12.) Mr. Brosch
50 has now withdrawn that adjustment on rebuttal. (AG Ex. 3.0 at 6.)

51 Mr. Brosch proposed a second adjustment to exclude \$574,000 for expenses associated
52 with two advertisements (identified as Advertisements Nos. 20.1 and 21), which Mr. Brosch
53 claimed were “image advertising” “of the same type” disallowed by the Commission in Docket
54 14-0317. (Ameren Ex. 11.0 at 13, 17.) In my rebuttal testimony, I explained that the two scripts
55 (one of which, Advertisement No. 20.1, was a draft script that was never published) were
56 intended to educate customers about the capital improvements that AIC is making to the electric
57 grid pursuant to its investment commitments under the Energy Infrastructure Modernization Act
58 (EIMA) that they were not associated with the 2013 “Focus Forward – Manage Energy Use”
59 (FFMEU) expenses disallowed by the Commission in Docket 14-0317, and that, when finalized,
60 included more content on the particular investments and types of customer benefits. (Ameren
61 Ex. 11.0, pp. 13-22.) I submitted the FFMEU scripts from Docket 14-0317 (Ameren Ex. 11.2)
62 and the scripts at issue here: Advertisement No. 20.1 (Ameren Ex. 11.3) and Advertisement No.
63 21 (Ameren Ex. 11.4). I also submitted the final scripts published in 2015 (Ameren Ex. 11.5),
64 instead of the draft Advertisement No. 20.1. Mr. Brosch, however, continues to propose
65 disallowance of these expenses in his rebuttal testimony. (AG Ex. 3.0 at 7-19.)

66 Mr. Brosch proposed a third adjustment to exclude \$183,000 for expenses associated with
67 other types of advertising. (Ameren Ex. 11.6) The adjustment included \$106,962 for messages
68 on infrastructure improvements (Ad Example Nos. 54 and 54.1); \$40,935 for Facebook expenses
69 for targeted customer messages (Ad Example Nos. 1 and 54.3); \$23,300 on radio ads on
70 employment and business growth opportunities (Ad Example No. 46); \$11,518 on fees to
71 Rockhold Marketing (Ad Example No. 37); and \$300 on an “Ameren Cares” ad (Ad Example
72 No. 25). (Ameren Ex. 11.0 at 22-23.) On rebuttal, the Company agreed to remove \$2,620.
73 (Ameren Ex. 11.0 at 8-9.) But the Company defends the remaining expenses as recoverable and
74 not supportive of “image advertising.” (Ameren Ex. 11.0 at 22-31.) On rebuttal, Mr. Brosch
75 reduced his adjustment and now seeks disallowance of expenses for infrastructure improvements
76 (Ad Example No. 54 - \$95,782), Facebook messages (Ad Example Nos. 1 and 54.3 - \$40,935),
77 and radio ads (Ad Example No. 46 - \$23,300). (AG Ex. 3.0 at 6.)

78 **Q. Has Mr. Brosch modified his adjustments to Account 909 expense on rebuttal?**

79 A. Yes. As mentioned above, Mr. Brosch reduced his adjustment to Account 909 expense.
80 He now breaks down his Account 909 adjustment into five groups: Energy at Work TV Ads (Ad
81 Example No. 20.1 - \$328,277); Infrastructure Video/Radio/Display (Ad Example No. 21 -
82 \$245,446); Additional Infrastructure Video Ads (Ad Example No. 54 - \$95,782); Facebook
83 Advertising (Ad Example Nos. 1, 54.3 - \$40,935); and radio ads (Ad Example No. 46 - \$23,300).
84 (AG Ex. 3.0 at 6.)

85 **Q. What is the overall impact of Mr. Brosch’s revised adjustment to Account 909**
86 **expense?**

87 A. After accounting for some credits not applied to his direct adjustment, Mr. Brosch’s total
88 adjustment to Account 909 expense is \$716,767. (Ameren Ex. 3.0 at 6.) The related filing year

89 (FY) and reconciliation year (RY) adjustments are (\$721,000) and (\$835,000), respectively.
90 (Ameren Ex. 3.1.)

91 **Q. Should the Commission accept any of Mr. Brosch's Account 909 adjustments?**

92 A. No. For the reasons I provided in my rebuttal testimony and here in my surrebuttal
93 testimony, the costs associated with the advertisements at issue are reasonable and prudent
94 expenditures for messages that are intended to inform the customers about specific utility
95 investments, programs, initiatives or opportunities that concern AIC's electric delivery service.
96 The advertisements are not "designed primarily to bring the utility's name before the general
97 public in such a way as to improve the image of the utility." 220 ILCS 5/9-225(1)(d).

98 **Q. With respect to Advertisement Nos. 20.1 and 21, Mr. Brosch suggests that the**
99 **Company has not "critiqu[ed]" the expenses "based on whether the ad is promoting**
100 **[AIC's] public image or is necessary for any specific business purposes." (AG Ex. 3.0 at**
101 **8:137-139.) Is that a fair critique of the Company's preparation of its schedules and**
102 **workpapers in this proceeding related to its advertising expenses?**

103 A. No. As I indicated in my direct testimony, the Company considers the necessity of
104 communication expenses, both when we budget for and execute our advertising initiatives, and
105 when we seek cost recovery of the related expenses in rate proceedings. (Ameren Ex. 5.0 at 19.)
106 We also are cognizant of whether a communication expense is an allowable advertising expense
107 under Section 9-225 of the Public Utilities Act and Part 295 of the Commission's rules.
108 (Ameren Ex. 5.0 at 21-22.) In addition, we prepare detailed workpapers in support of the
109 communication expenses that we include in the updated formula rate revenue requirement, and
110 self-exclude certain expenses in the Company's direct filing. (Ameren Exs. 5.0 at 27-28; 11.0 at
111 9-10.) We also consider and discuss in our direct testimony the Commission's prior

112 disallowances of advertising expenses. (See, e.g., Ameren Ex. 5.0 at 30.) For these reasons, I
113 believe that we are very diligent and transparent in our annual review of communication
114 expenses in connection with the formula rate proceedings.

115 **Q. Do you believe that your rebuttal testimony also was a fair "critique" of the**
116 **advertisements at issue?**

117 A. Yes. The purpose of my rebuttal testimony was to explain why the advertisement was
118 not intended to be image-enhancing. And in the case of the EIMA-related infrastructure
119 advertising, the purpose of my rebuttal testimony was to explain how the advertisements were
120 distinguishable from the FFMEU advertisements that were at issue in Docket 14-0317.

121 **Q. Has Mr. Brosch provided the Commission with his explanation of what constitutes**
122 **"goodwill or institutional advertising"?**

123 A. No. As I indicated in my direct, Section 9-225(1) defines "goodwill" or "institutional"
124 advertising as "any advertising either on a local or national basis designed primarily to bring the
125 utility's name before the general public in such a way as to improve the image of the utility or to
126 promote controversial issues for the utility or industry." In my opinion, Mr. Brosch hasn't
127 explained what constitutes "goodwill" or "institutional" advertising and hasn't provided
128 sufficient evidence that the advertisements at issue were actually "designed primarily" to
129 improve the utility's image.

130 **Q. Mr. Brosch claims that, rather than critique the disputed advertisements, you**
131 **“instead elect[] to revisit and parse language from prior Commission Orders.” (AG Ex. 3.0**
132 **at 8:140.) Is that a fair critique of your rebuttal testimony?**

133 A. No. It is true that my testimony discusses and applies the prior Commission orders on
134 advertising issues. But I don't see why that sort of analysis or consideration of Commission
135 findings is problematic or should be avoided. I note that Mr. Brosch also quotes from the
136 Commission's prior orders in his rebuttal testimony. We just happen to have a disagreement on
137 the applicability of the Commission's prior orders in this case.

138 **Q. Mr. Brosch states that the Commission, in Docket 14-0317, did not find that “the**
139 **costs of [AIC’s] image advertising [are] recoverable as long as ‘particular investments or**
140 **types of benefits’ are identified in such ads.” (AG Ex. 3.0 at 9:158-160.) Do you agree with**
141 **his assessment of the Commission’s findings in Docket No. 14-0317?**

142 A. No. The Commission's Order in Docket 14-0317 stated that the advertising did not direct
143 the audience "to particular investments or types of benefits." Docket 14-0317, Order at 52 (Dec.
144 10, 2014). As I understand the Commission's Order, if the content of the FFMEU
145 advertisements had offered the audience more details about the specific investments or benefits,
146 the advertisements would not have appeared to have the goal of being image-enhancing. I'm not
147 suggesting that "image advertising" is otherwise recoverable, if particular investment or types of
148 benefits are identified. I'm suggesting that those sorts of details would have supported a
149 Commission finding that the FFMEU advertisements were not intended to be image enhancing.

150 **Q. Mr. Brosch claims that the Commission did not “approve recovery from ratepayers**
151 **of image-building goodwill advertising in its Order in Docket 13-0301.” (AG Ex. 3.0 at**

152 **9:170-171.) Do you agree with his assessment of the Commission's findings in Docket 13-**
153 **0301?**

154 A. No. The Commission's Order in Docket 13-0301 speaks for itself. The Order states that
155 Staff withdraw an adjustment for advertising expenses "designed to educate and inform
156 customers about AIC's investments as a result of its participation in the EIMA." Docket 13-
157 0301, Order at 41 (Dec. 9, 2013). That section of the Order tells me that EIMA-related
158 advertising expenses were included in the Commission's approved revenue requirement. I'm not
159 suggesting that the 2012 advertisements, the expenses which were allowed, were "image-
160 building" ads. What I am suggesting is that there is precedence for EIMA-related advertising
161 expenses on infrastructure investments being recovered in rates.

162 **Q. Mr. Brosch claims that the Commission "clearly disallow[ed] discretionary, image-**
163 **enhancement advertising and other public relations expenses in instances where [AIC]**
164 **could not demonstrate that such expenses are necessary business expenses." (AG Ex. 3.0 at**
165 **10:179-182.) Mr. Brosch then identifies what he considers to be "numerous disallowances**
166 **of [] image-enhancing expenses incurred in 2012" in Docket 13-0301. (AG Ex. 3.0 at**
167 **10:183-84.) Do you find this discussion relevant to the scripts at issue in this proceeding?**

168 A. No. The excerpt from the Order in Docket 13-0301, which is quoted on pages 10 and 11
169 of Mr. Brosch's testimony, does not mention any disallowed expenses for communications that
170 are closely analogous to the advertisements at issue in this proceeding. The closest analogy in
171 the excerpt is the discussion of the "advertisements touting Ameren's promotion of economic
172 development." But as I discussed in my rebuttal testimony, the radio advertisements still at issue
173 in this proceeding do not "tout" Ameren Corporation's economic development. The radio
174 advertisements encourage businesses to contact Ameren Corporation about their plans to expand

175 or relocate in communities served by the operating companies. As my rebuttal testimony
176 indicates, the Company has agreed with Staff to remove the expenses for a more general
177 advertisement that did promote Ameren Corporation's role in encouraging economic growth in
178 local communities, (Ameren Ex. 11.0 at 29.) The other communication expenses (e.g., media
179 training) discussed in Mr. Brosch's excerpt of the Order in Docket 13-0301 are not at all similar
180 to the advertisements at issue in this proceeding.

181 **Q. Mr. Brosch claims that if you had “fairly applied the Commission’s findings**
182 **regarding rate recovery of disputed image-enhancing goodwill advertising from Docket 13-**
183 **0301 to the Company’s advertising costs incurred in 2014,” you would be adopting the**
184 **same disallowance that he is proposing. (AG Ex. 3.0 at 11-12:251-53.) Do you agree with**
185 **that assessment?**

186 A. No. I don't agree with his assessment. And I find it to be an unfair criticism of the
187 Company's filing in this case. As I stated above, I believe that my testimony does fairly apply
188 the Commission's prior rulings on advertising, in particular its findings in Docket 14-0317, on
189 the FFMEU advertisements. Furthermore, I am not aware of any other public utility in Illinois
190 that does as a rigorous review of its annual communication expenses when preparing its formula
191 rate update filings, as we do. Nor am I aware of another public utility in Illinois that self-
192 excludes communication expenses in its direct case in its rate filings.

193 **Q. With respect to the draft scripts contained in Advertisement No. 20.1, Mr. Brosch**
194 **suggests that the Company “filed workpapers that do not accurately support the**
195 **Company’s asserted revenue requirement.” (AG Ex. 3.0 at 12:268-69.) Is that a fair**
196 **assessment?**

197 A. No. I don't believe that to be the case. The draft scripts contained in Advertisement No.
198 20.1 were scripts that were produced in 2014 (but not published). Since the 2014 production
199 costs for these draft scripts were included in the revenue requirement, it was appropriate for the
200 costs and scripts to be included in my workpapers.

201 **Q. With respect to the drafts scripts contained in Advertisement No. 20.1, Mr. Brosch**
202 **suggests that the work product may have been “largely a wasted effort” that “should be**
203 **disallowed as wastefully imprudent and of no tangible benefit to ratepayers.” (AG Ex. 3.0**
204 **at 12-13:275-78.) Do you agree?**

205 A. No. In the course of developing a customer education campaign, it is customary for the
206 utility and the vendor to work through, brainstorm and refine initial creative concepts, before the
207 script and layout for the advertisement are finalized. As I noted in my rebuttal testimony, the
208 scripts in Advertisement No. 20.1 were an early creative concept for advertisements that would
209 eventually be published in 2015. Even though they were revised before final publication, the
210 draft scripts still offered tangible value to the utility and vendor, as part of the process of coming
211 up with the final informational and education scripts.

212 **Q. Mr. Brosch claims that the final television scripts (Ameren Ex. 11.5) are “nothing**
213 **more” than “image building” and “image enhancing” “goodwill advertising” “that is of no**
214 **tangible benefit to AIC ratepayers.” (AG Ex. 3.0 at 13-14:290-92, 307.) Do you agree?**

215 A. No. Again, as mentioned in my rebuttal, the feedback from customers supports the
216 notion that they want to know how AIC is spending their rate dollars on EIMA-related
217 infrastructure projects. And, more importantly, the customer feedback also indicates that they
218 want to know why the projects should matter to them (i.e., what benefits will they will be
219 receiving). Educating the customers on the importance of the Company's EIMA-related capital
220 investments is the primary goal of the advertisements. Below are the links to the two published
221 television advertisements, for the benefit of the Administrative Law Judge and the Commission:

222 Stronger -

223 [https://www.youtube.com/watch?v=Rg3mXGniqsU&list=PLZyH8M0hGx8ojP1WaQJHqUgzW](https://www.youtube.com/watch?v=Rg3mXGniqsU&list=PLZyH8M0hGx8ojP1WaQJHqUgzW4LdhkN6C&index=8)
224 [4LdhkN6C&index=8](https://www.youtube.com/watch?v=Rg3mXGniqsU&list=PLZyH8M0hGx8ojP1WaQJHqUgzW4LdhkN6C&index=8)

225 Preparation -

226 [https://www.youtube.com/watch?v=cChog17EibM&list=PLZyH8M0hGx8ojP1WaQJHqUgzW](https://www.youtube.com/watch?v=cChog17EibM&list=PLZyH8M0hGx8ojP1WaQJHqUgzW4LdhkN6C&index=9)
227 [4LdhkN6C&index=9](https://www.youtube.com/watch?v=cChog17EibM&list=PLZyH8M0hGx8ojP1WaQJHqUgzW4LdhkN6C&index=9)

228 **Q. Mr. Brosch states that the final television scripts (Ameren Ex. 11.5) provide no**
229 **reference to “[AIC’s] products or services,” “[t]he Company’s web site where more**
230 **information is available,” “any energy conservation measures or programs,” or “any safety**
231 **measures or warnings”?** (AG Ex. 3.0 at 13-14: 296-99.) **What is your response?**

232 A. While it is true that the television scripts do not reference those particular items, the
233 absence of these details does not mean that the intent of the advertisements is to improve the
234 utility's image. My rebuttal testimony, specifically lines 355-366, explain how the content and

235 delivery of the Energy at Work advertisements differ from the FFMEU advertisements. The
236 Energy at Work advertisements are intended to educate customers on the new equipment and
237 technology that is being installed to help the company reduce outages and improve service to the
238 customer. The featured images and audio contained in the final-produced advertisements were
239 recorded with the intent of helping a customer to see and hear about the investments AIC is
240 making to upgrade the energy delivery system and provide a direct benefit to the customer.
241 Conveying this message through the broadcast channel is the most cost effective way to reach
242 and educate the largest number of customers as possible throughout AIC's 43,000-square-mile
243 territory.

244 **Q. Mr. Brosch claims that the final television scripts (Ameren Ex. 11.5) do not contain**
245 **“any specifically actionable information useful to the customer” and do not urge customers**
246 **to take “any specific action that may reduce energy costs or improve public safety.” (AG**
247 **Ex. 3.0 at 14:300, 304-05.) What is your response?**

248 A. While it is true that the television scripts do not urge the customer to take any specific
249 action, the absence of these details does not mean that the associated expenses are per se
250 unrecoverable as goodwill advertising. As my rebuttal testimony, specifically lines 367-379,
251 indicates, the goal of the advertisements was to educate customers, not promote the utility's
252 image. The fact that the expenses for these advertisements are allowable is bolstered by research
253 which indicates that a large majority of Ameren Illinois customers are unfamiliar with the
254 overhaul of the state's electric infrastructure (commonly referred to as “Smart Grid”). Results of
255 AIC's monthly survey of AIC customers reveals that 73.83% of AIC customers have “never
256 heard of” advances that are being made to change the way electricity is delivered. (August 2015
257 Survey.) This would indicate that there is a large segment of the AIC customer base that must be

258 educated about the changing electric grid and, more importantly, how those changes will provide
259 benefits to the customer.

260 **Q. Mr. Brosch states that the “depiction of serious, hard-working employees within the**
261 **ads is undoubtedly intended to further [AIC’s] image.” (AG Ex. 3.0 at 14:316-17.) What is**
262 **your response?**

263 A. The delivery mechanism – AIC employees – was utilized because customers have told
264 AIC that they hold great affinity for the men and women who work hard to keep their power on.
265 It stands to reason that our educational messages have a greater chance of resonating with
266 customers if delivered by the people whom they know and trust. In this case, the AIC employees
267 featured in the advertisements are communicating to the customers about the improvements AIC
268 is making to the energy delivery system and how those improvements will benefit customers.
269 The audio component is supported by visuals of AIC’s upgraded equipment and technology.

270 **Q. Mr. Brosch claims that there is “no identification of any specific equipment being**
271 **installed or any specific benefits that will be achieved” in the final scripts (Ameren Ex.**
272 **11.5). What is your response?**

273 A. I do not agree. The “Preparation” script in Ameren Exhibit 11.5 refers to advanced
274 technology (the equipment) tie directly back to an associated 20-percent improvement in
275 reliability and a reduction in power outages (the benefits). The images in the advertisements
276 depict new equipment and technology, such as the “Intellirupter,” which AIC is installing to
277 quickly detect service disruptions and re-route power from sources to prevent customers from
278 losing power.

279 **Q. Mr. Brosch quotes an excerpt from an October 28, 2014 “Concept Testing Focus**
280 **Group Report” produced by Hughes Leahy Karlovic (AG Ex. 3.3) and concludes that the**
281 **report “reveals” how the “Energy at Work advertising concept is intended to change the**
282 **customers’ perceptions of, and attitudes toward” AIC, “rather than providing specific and**
283 **useful product or service information.” (AG Ex. 3.0 at 15:320-23.) Do you agree?**

284 A. No. The focus group feedback can assist AIC in crafting communications that will inform
285 customers' perceptions on the utility's grid investments and initiatives. The primary purpose of
286 conducting the focus groups, however, remains to identify the content of messages and channels
287 best suited to educate customers on a range of topics, including electrical safety, new customer
288 service features, and steps customers can take to reduce their energy usage and save money.

289 **Q. With respect to Advertisement No. 21, Mr. Brosch claims that “[e]xplaining how**
290 **such ... a particular distribution technology works provides no identifiable benefit to**
291 **customers.” (AG Ex. 3.0 at 17:390-91.) Do you agree?**

292 A. No, he is incorrect. Operating under the fact that customers want to know how their rate
293 dollars are being spent to improve the performance of the electric grid, it stands to reason that
294 demonstrating how a piece of technology reduces outage times or re-routes power to the home is
295 inherently an identifiable benefit of such investments.

296 **Q. Mr. Brosch further claims that “[c]ustomers need not be informed of the particulars**
297 **of electric distribution design issues.” (AG Ex. 3.0 at 17:388-89.) Do you agree?**

298 A. No. Again, AIC produces this content knowing that customers want to be educated on
299 how the Company is making improvements to the grid, including in areas such electric
300 distribution design.

301 **Q. Mr. Brosch further claims that customers “clearly are not invited to participate in**
302 **these investment decisions” and “these decisions are not dependent upon input from**
303 **customers after advertising campaigns highlight selected categories of new investment.”**
304 **(AG Ex. 3.0 at 17-18:389-90, 396-98.) What is your response?**

305 A. The job of AIC’s Community and Public Relations group is to communicate about a
306 range of topics using a variety of channels (broadcast, digital, print, direct, social, community
307 relations). With a limited communication budget, we base decisions on which categories to
308 highlight – and which channel we’ll engage to transmit those messages – on how we can reach
309 and impact as many customers in the most cost effective manner possible.

310 **Q. Mr. Brosch suggests that the “tag lines of the scripts and display ads within**
311 **Advertisement No. 21” (listed on page 18 of Mr. Brosch’s rebuttal) demonstrate that the**
312 **purpose of the advertisement is to enhance the public perception of the utility. (AG Ex. 3.0**
313 **at 18: 399-400.) Do you agree?**

314 A. I disagree. To focus on the tag lines in a 30-second advertisement is to ignore the overall
315 intent of the customer educational message.

316 **Q. Mr. Brosch claims that you have not provided “any evidence” to show that AIC**
317 **customers want the utility to spend money “advising them in TV and video ads about new**
318 **investments are being made to improve service reliability, if the costs of such advertising**
319 **increase the Company’s rates.” (AG Ex. 3.0, p. 18: 410-12.) What is your response?**

320 A. There is clear evidence that customers want to be informed about the improvements AIC
321 is making with the customer rate-dollar. The question posed whether or not they “want the
322 utility to spend money” to transmit the messages that the customers want to hear confuses the
323 issue. Here’s an analogy. Gas stations post the price of a gallon of gas on large signs posted

324 near the entrance to the station with a goal of enticing motorists to fill their tanks at their station.
325 There are many “costs” baked into that per-gallon price, such as overhead, advertising,
326 transportation, and the cost of fuel. It’s the same concept with the utility advertising. It is
327 presumed that customers are aware that their electric rates are comprised of many cost sources,
328 many of which are even outlined on customer bills. Ultimately, the customers want the lights to
329 remain on today, at an affordable price, and also to be made aware of what their utility is doing
330 to improve service and to ensure that systems are as safe and reliable as possible in the future.

331 **Q. Mr. Brosch attaches a copy of a May 31, 2013 “Qualitative Focus Group” study**
332 **produced by Weber Shandwick (AG Exhibit 3.4). What is your response to this study?**

333 A. The results of this study support our argument that customers want to be educated about
334 how and where AIC is making improvements to the electric distribution grid.

335 **Q. With respect to the Company’s Facebook messages, Mr. Brosch claims that the**
336 **Company’s goals (identified in Ameren Ex. 11.8, page 2) show an effort to build goodwill.**
337 **(AG Ex. 3.0 at 20.) Do you agree?**

338 A. Mr. Brosch is in error. It’s an effort to build an audience that can be engaged in a two-
339 way dialogue about a variety of topics.

340 **Q. Mr. Brosch further claims that the messages in Ameren Exhibit 11.9 “illustrate that**
341 **AIC is using social media to promote its infrastructure investments ... in an apparent effort**
342 **to improve public perceptions of the utility.” (AG Ex. 3.0 at 20-21: 460-63.) Do you agree?**

343 A. No. The topic of infrastructure investments is but one of many messages that are shared
344 with customers through social media. Again, the express purpose is to build a large network of
345 customer-users to engage in a two-way dialogue about topics ranging from customer service

346 programs to safety reminders. Mr. Brosch appears to be denying Facebook-related expenses
347 based on the notion that “likes” is somehow a surrogate measurement of the Company’s
348 reputation. To the contrary, for businesses with a presence on Facebook a “like” merely means
349 that another Facebook user has stated an interest in hearing more from the business and
350 interacting with its representatives in the social channel. The true measure of the effectiveness
351 of the social channel is engagement and AIC customers have, by virtue of sharing AIC content
352 with their own friends and followers and participating in a dialogue, demonstrated that Facebook
353 is a channel that will only continue to grow in importance.

354 **Q. With respect to the radio ads, Mr. Brosch states that the scripts “do not provide any**
355 **detailed information about specific job openings or any AIC utility services and products**
356 **that benefit customers.” (AG Ex. 3.0 at 21:481-82.) What is your response?**

357 A. It would not be possible to list all job openings in a 30-second radio advertisement.
358 Instead, the Company is communicating about the categories (IT, Engineering, Customer
359 Service, etc.) of jobs that are available and, in turn, encouraging listeners to learn more by
360 visiting the careers section of the Company website. Advertising concerning employment
361 opportunities are recoverable expenses.

362 **Q. Mr. Brosch further claims that the advertisements “are for the apparent purpose of**
363 **associating Ameren’s name and reputation with Cardinals baseball.” (AG Ex. 3.0, p.**
364 **22:483-84.) Do you agree?**

365 A. No. Here’s an analogy. Each year, companies purchase 30-seconds of TV air time to
366 advertise their products and services during the Super Bowl. The principal reason companies
367 advertise during the Super Bowl is that it delivers their message to a large, guaranteed viewing
368 audience. The same argument can be made for AIC’s advertising relationship with the Cardinals.

369 Their game broadcasts command a large listening audience on stations that serve communities
370 and customers in the AIC territory.

371 **Q. Mr. Brosch further claims that you have not showed “any benefits to Illinois**
372 **ratepayers resulting from such radio advertising” and have not demonstrated that**
373 **“Cardinals baseball radio ads represent a necessary business expense.” (AG Ex. 3.0, p. 22:**
374 **485-87.) Do you agree?**

375 A. No. Delivering an educational message to thousands of customers through a viable
376 network of Illinois radio affiliates is a prudent, cost-effective use of ratepayer dollars.

377 **IV. CONCLUSION**

378 **Q. Does this conclude your surrebuttal testimony?**

379 A. Yes, it does.