

**DIRECT TESTIMONY**

**of**

**MARY H. EVERSON  
Accountant**

**Accounting Department  
Financial Analysis Division  
Illinois Commerce Commission**

**Ameren Illinois Company d/b/a Ameren Illinois**

**Rate MAP-P Modernization Action Plan – Pricing Annual Update Filing**

**Docket No. 16-0262**

**June 30, 2016**

**TABLE OF CONTENTS**

**Witness Identification** ..... 1

**Schedule Identification** ..... 2

**Adjustment to Advertising Expense** ..... 2

**Adjustment to Rate Case Expense** ..... 6

**Rate Case Expense Recommendation** ..... 6

**Recommendations** ..... 8

**Conclusion** ..... 8

**Adjustment Schedules**

Schedule 2.01 – Adjustment to Advertising Expense

Schedule 2.02 – Adjustment to Rate Case Expense

**Attachments**

Attachment 1 – Ameren Illinois Response to Staff DR MHE 13.03

Attachment 2 – Ameren Illinois Response to Staff DR MHE 13.04

1 **Witness Identification**

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

3 A. My name is Mary H. Everson. My business address is 527 East Capitol Avenue,  
4 Springfield, Illinois 62701.

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

6 A. I am currently employed as an Accountant in the Accounting Department of the  
7 Financial Analysis Division of the Illinois Commerce Commission (“Commission”  
8 or “ICC”).

9 **Q. Please describe your professional background and affiliations.**

10 A. I have a Bachelor of Science in Accounting from the University of Central Florida.  
11 I am a Certified Public Accountant licensed to practice in the State of Illinois. I  
12 joined the Staff of the Illinois Commerce Commission (“Staff”) in February 1999.  
13 Prior to joining Staff, I was employed in industry as a financial analyst and in  
14 government as an internal auditor.

15 **Q. Have you previously testified before any regulatory bodies?**

16 A. Yes. I have testified on several occasions before the Commission.

17 **Q. What is the purpose of your testimony in this proceeding?**

18 A. I have reviewed and analyzed Ameren Illinois Company’s (“AIC”, “Ameren”, or  
19 “Company”) filing and the underlying data. I propose adjustments to rate case  
20 expense and advertising expense, and I make a recommendation regarding  
21 proposed wording for the rate case determination that is required of the  
22 Commission by Section 9-229 of the Public Utilities Act (“PUA”).

23 **Schedule Identification**

24 **Q. Are you sponsoring any schedules or attachments with your testimony?**

25 A. Yes. I prepared the following schedules and attachments for the Company, which  
26 show data for 2015:

27 **Adjustment Schedules**

28 Schedule 2.01 – Adjustment to Advertising Expense

29 Schedule 2.02 – Adjustment to Rate Case Expense

30 **Attachments**

31 Attachment 1 – Ameren Illinois Response to Staff DR MHE 13.03

32 Attachment 2 – Ameren Illinois Response to Staff DR MHE 13.04

33 **Adjustment to Advertising Expense**

34 **Q. Please explain Schedule 2.01, Adjustment to Advertising Expense.**

35 A. Schedule 2.01 presents my adjustment to reduce advertising expense for items  
36 that are goodwill or institutional advertising.

37 **Q. Why do you consider these advertisement to be goodwill or institutional in  
38 nature?**

39 A. In one of the advertisements, AIC or Ameren employees are pictured participating  
40 in various volunteer activities. In another, the advertisement depicts a parade  
41 honoring Vietnam Veterans that AIC sponsored. In a third advertisement, AIC  
42 advertises its donation of air conditioners in Peoria. While the underlying events  
43 such as volunteering, sponsoring a veterans' memorial parade, and donating air  
44 conditioners to community residents are each worthwhile events, advertising the  
45 fact that AIC, Ameren or its employees participated in these activities has only one  
46 purpose: to bring the utility's name before the general public in such a way as to  
47 improve the image of the utility.

48 **Q. Did Ameren offer its rationale for these advertisements?**

49 A. Yes. Much of the Company's rationale appears to combine the customer benefits  
50 of charitable giving with advertising its own corporate charity. The expenses I  
51 remove are for advertisements that serve to notify customers that Ameren supports  
52 charitable events, some appearing in print after the event has occurred. In  
53 response to Staff Data Request ("DR") MHE 12.01, AIC stated its rationale that its  
54 advertising "...informs and educates customers on AIC's ongoing efforts to  
55 improve the quality of life in the communities where AIC employees live and work."  
56 This rationale might be persuasive support for the charitable events or donations,  
57 but not for the advertisement of charitable or community events that were held in  
58 the past. If the advertisement were placed prior to the event, not following the  
59 event that Ameren sponsored, each might be allowable to encourage the public to  
60 attend the event or, if the advertisement also told customers how they could aid

61 the event. However, the dates of the advertisement for the Vietnam Veterans  
62 Parade demonstrate that the advertisement followed the actual event. In response  
63 to Staff DR MHE 13.03, AIC stated: "The date of the Peoria Vietnam Veterans  
64 Parade and Ceremony was on June 13, 2015 in Peoria Illinois." The response  
65 further states: "The print ad developed as described in MHE 13.02<sup>1</sup> ran in the  
66 Peoria Journal Star on July 5, 2015." The print ad ran 3 weeks after the parade  
67 had taken place, thus serving no purpose other than placing Ameren's corporate  
68 name before the public supporting a worthy cause. I have attached AIC's response  
69 to Staff DR MHE13.03 to this testimony as Attachment 1.

70 Similarly, AIC advertised after the event, that it had donated air conditioners to a  
71 community action agency in Peoria. AIC's response to Staff DR MHE 13.04 states  
72 that the air conditioners were distributed on June 9, 2015, and the print ad ran in  
73 the Peoria Journal Star on June 29, 2015, again nearly 3 weeks after the  
74 distribution of the air conditioners. I have attached AIC's response to Staff DR  
75 MHE13.04 to this testimony as Attachment 2.

76 **Q. Does the PUA offer guidance regarding allowable types of advertisements?**

77 A. Yes. Section 9-225 of the PUA expressly states that advertising costs of a goodwill  
78 or institutional nature shall not be considered for the purpose of determining rates:

79 In any general rate increase requested by any gas or electric utility  
80 company under the provisions of this Act, the Commission shall not  
81 consider, for the purpose of determining any rate, charge or

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<sup>1</sup> Staff DR MHE 13.02 inquired about charges for the Vietnam Veterans Parade.

82 classification of costs, any direct or indirect expenditures for  
83 promotional, political, institutional or goodwill advertising, unless the  
84 Commission finds the advertising to be in the best interest of the  
85 Consumer or authorized as provided pursuant to subsection 3 of this  
86 Section.

87 (220 ILCS 5/9-225(2))

88 Further, Section 9-225 of the Act defines goodwill or institutional advertising as:

89 [A]ny advertising either on a local or national basis designed primarily  
90 to bring the utility's name before the general public in such a way as  
91 to improve the image of the utility or to promote controversial issues  
92 for the utility or the industry.

93 (220 ILCS 5/9-225(1)(d))

94

95 Advertising that the Company made donations, or sponsored events and that its  
96 employees volunteer in the community serves only to improve AIC or Ameren's  
97 name in the community and improve Ameren's corporate image. The disallowed  
98 expense consists of advertising that enhances the corporate image of AIC, but  
99 does not fit any of the categories considered allowable advertising purposes listed  
100 in 83 Ill. Adm. Code 295.30 (Advertising Expenses of Electric and Gas Utilities).  
101 Therefore, I recommend disallowing advertising expenses that are of a goodwill or  
102 institutional nature.

103 **Q. What is the total amount of goodwill or institutional advertising expense that**  
104 **you are removing?**

105 A. The total of these goodwill and institutional advertisements is \$13,281.

106 **Adjustment to Rate Case Expense**

107 **Q. Please describe Schedule 2.02, Adjustment to Rate Case Expense.**

108 A. Schedule 2.02 presents my adjustment to reduce rate case expense for amounts  
109 that are for services not related to AIC's 2015 electric formula rate case. The  
110 invoice for which AIC was billed is for services performed and identified as services  
111 related to its 2015 gas rate case, not its 2015 electric formula case. This expense  
112 should not be included in electric formula rate case expense.

113 **Q. Did the Company agree to not contest your rate case expense adjustment?**

114 A. Yes. The Company's response to Staff DR MHE 11.01 acknowledged that an  
115 adjustment is appropriate. The amount of this adjustment is \$4,620.

116 **Rate Case Expense Recommendation**

117 **Q. Has the Company provided documents for the record to support the**  
118 **reasonableness of its rate case expense?**

119 A. Yes. The Company described its costs beginning at Ameren Exhibit 1.0, p. 4 and  
120 Ameren Exhibit 7.0, p. 2 and also provided Ameren Exhibits 1.9, 1.10CP, 1.11CP,  
121 1.12, 7.1, and 9.0, (Public and Confidential & Proprietary versions for Ameren  
122 Exhibits. 1.10 and 1.11).

123 **Q. Please provide your recommended language for the Commission to include**  
124 **in its order pursuant to Section 9-229 of the Act regarding the justness and**

125           **reasonableness of the attorney and expert compensation expended by the**  
126           **public utility to prepare and litigate the rate case that the Commission must**  
127           **expressly address in its order.**

128       A.       Based on the cost documentation supporting rate case expense for this proceeding  
129           reviewed by Staff, I propose that the Order in this proceeding express a  
130           Commission conclusion as follows:

131                   The Commission has considered the costs expended by AIC  
132                   to compensate attorneys and technical experts to prepare and  
133                   litigate rate case proceedings and assesses that the amount  
134                   included as rate case expense in the revenue requirements of  
135                   \$1,106,098 is just and reasonable pursuant to Section 9-229  
136                   of the Act. This amount includes the following costs incurred  
137                   in 2015: (1) \$12,108 associated with Docket No. 13-0301<sup>2</sup>; (2)  
138                   \$18,021 associated with Docket No. 14-0317<sup>3</sup>; (3) \$1,061,181  
139                   associated with Docket No. 15-0305; and (4) \$14,788  
140                   associated with Docket No. 16-0262. The Commission also  
141                   finds that the unamortized balances of rate case expense for  
142                   Docket Nos. 12-0001 and 12-0293 are zero.

143           The above statement incorporates Staff's position on rate case expense as of its  
144           direct testimony. If the Commission makes any further adjustments to rate case  
145           expense, those adjustments should be considered in the Commission's statement  
146           that sets forth the amount of rate case expense included in the revenue  
147           requirement.

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<sup>2</sup> Costs for Docket No. 13-0301 are related to costs of appeal incurred during 2015.

<sup>3</sup> Costs for Docket No. 14-0317 are related to costs of appeal incurred during 2015.

148 **Recommendations**

149 **Q. Do you have any recommendations for the Commission?**

150 A. Yes. I recommend the Commission:

151 1) Approve my adjustment to advertising expense;

152 2) Approve my adjustment to rate case expense; and

153 3) Include the recommended language for the Commission to include in its  
154 order pursuant to Section 9-229 of the Act regarding the justness and  
155 reasonableness of the attorney and expert compensation expended by the  
156 public utility to prepare and litigate the rate case.

157 **Conclusion**

158 **Q. Does this question end your prepared direct testimony?**

159 A. Yes.

Ameren Illinois Company  
Adjustment to Advertising Expense  
For the Filing Year ending December 31, 2016

Line No.	Description (a)	Amount (b)	Source (c)
1	Advertising Expense per Staff	\$ -	
2	Advertising Expense per Company	<u>13,281</u>	Line 8
3	Difference-Staff Adjustment	<u><u>\$ (13,281)</u></u>	Line 1 - Line 2
<u>Account 909</u>			
4	Develop and place print ad highlighting Ameren volunteerism	\$ 2,701	Response to MHE 5.05
5	Develop and place print ad - Veterans Day Parade support - Peoria Journal Star	1,846	Response to MHE 13.02
<u>Account 908</u>			
6	Develop copy, photo shoot event and design print ad-Peoria Vietnam Veterans Parade	3,468	Response to MHE 13.02
7	Develop copy, photo shoot event and design print ad-Peoria Air Conditioner Donations	<u>5,266</u>	Ameren workpaper DWP 1_2015
8	Goodwill/Institutional Advertisements	<u><u>\$ 13,281</u></u>	Sum of lines 4 through 8

Ameren Illinois Company  
 Adjustment to Rate Case Expense  
 For the Filing Year ending December 31, 2016

Line No.	Description (a)	Amount (b)	Source (c)
1	Rate Case Expense per Staff	\$ 1,106,098	Line 6
2	Rate Case Expense per Company	<u>1,110,718</u>	Line 4
3	Difference-Staff Adjustment	<u><u>\$ (4,620)</u></u>	Line 1 - Line 2
4	Total 2015 Rate Case Expense per Ameren	\$ 1,110,718	Ameren Exhibit 1.9
5	Outside Consultant Expense for 2015 gas rate case	<u>4,620</u>	Resp. to DR MHE 11.01
6	Total 2015 Rate Case Expense per Staff	\$ 1,106,098	Line 4 - Line 5

Ameren Illinois Company's  
Response to ICC Staff Data Request  
Docket 16-0262  
Rate MAP-P Modernization Action Plan - Pricing Annual Update Filing (2016)

MHE 13.03

**(Advertising Accounts 909 and 908)** For each of the activities listed in 13.02 above, a Vietnam Veterans Parade and a Veterans Day Parade Support, please identify:

- a) The date of each parade; and
- b) The date(s) the advertisements ran in the Peoria Journal Star.

**RESPONSE**

**Prepared By: Thomas B. Kennedy III**  
**Title: Director, Community and Public Relations**  
**Phone Number: 309-677-5489**  
**Date: 6/24/2016**

- a) The date of the Peoria Vietnam Veterans Parade and Ceremony was on June 13, 2015 in Peoria, Illinois.
- b) The print ad developed as described in MHE 13.02 ran in the Peoria Journal Star on July 5, 2015.

Ameren Illinois Company's  
Response to ICC Staff Data Request  
Docket 16-0262  
Rate MAP-P Modernization Action Plan - Pricing Annual Update Filing (2016)

MHE 13.04

**(Account 909 Informational and Instructional Advertising)** Please refer to the AIC workpaper labeled "Kennedy DWP 1\_015 Workpapers Advertising Production and Publications Costs FINAL" (Excel version) on worksheet "908 910", line 9, the advertisement described as "Develop copy, photo shoot event and design print ad – Peoria Area Air Conditioners Donations". Please identify:

- a) The date of the Air Conditioner Donations; and
- b) The date(s) the advertisement ran in a print publication.

**RESPONSE**

**Prepared By: Thomas B. Kennedy III**  
**Title: Director, Community and Public Relations**  
**Phone Number: 309-677-5489**  
**Date: 6/24/2016**

- a) AIC donated air conditioners to a community action agency in Peoria. The air conditioners were distributed on June 9, 2015.
- b) The print ad ran in the Peoria Journal Star on June 29, 2015.