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Witness Richard J Mark
Sponsoring Party Union Electric Company
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Case No ER-2008-0318
Date Testimony Prepared October 14, 2008

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO. ER-2008-0318

REBUTTAL TESTIMONY

OF

RICHARD J. MARK

ON

BEHALF OF

**UNION ELECTRIC COMPANY
d/b/a AmerenUE**

St Louis, Missouri
October, 2008

Exhibit No. 20
Case No(s). ER-2008-0318
Date 11/25/08 Rptr MV

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REBUTTAL TESTIMONY
OF
RICHARD J. MARK
CASE NO. ER-2008-0318

I. INTRODUCTION

Q. Please state your name and business address.

A My name is Richard J Mark My business address is One Ameren Plaza,
1901 Chouteau Avenue, St Louis Missouri 63103

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

A I am employed by Union Electric Company d/b/a AmerenUE ("AmerenUE"
or "Company") as Senior Vice President, Missouri Energy Delivery

**Q. Are you the same Richard J. Mark who filed direct testimony in this
case?**

A Yes, I am

II. PURPOSE AND SUMMARY OF TESTIMONY

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

A The purpose of my rebuttal testimony is to respond to that portion of the Staff
Report on Cost of Service ("Staff Report ") which deals with advertising expense, sponsored
by Staff witness Erin M Carle In addition I will respond to the testimony submitted by
Laura Wolfe from the Missouri Department of Natural Resources ("DNR") and John Howat
from AARP

III. ADVERTISING EXPENSE

Q. What position did Staff take on AmerenUE's advertising expense?

1 A Staff recommended an amount that was approximately \$2.36 million lower
2 than what AmerenUE had requested in its recommended revenue requirement. In its Staff
3 Report, Staff did not provide any explanation of why the \$2.36 million should be excluded, it
4 was just removed from the revenue requirement. I will attempt to provide context for each
5 type of advertisement which was excluded by Staff, but reserve the right to provide
6 additional explanation if Staff further explains the basis for their proposed disallowance in its
7 rebuttal testimony.

8 **Q. Does AmerenUE agree with Staff's disallowance?**

9 A No, at least not in its entirety. Following its review of information provided
10 by the Staff, AmerenUE agrees that it is appropriate to exclude approximately \$831,687 of its
11 test year advertising expenses. However, the remaining \$1,529,307 should be included in the
12 revenue requirement and should be allowed to be recovered by AmerenUE.

13 **Q. Please explain.**

14 A Of the \$1,529,307 mentioned above, approximately \$1,355,000 is related to
15 AmerenUE's project Power On. The remaining \$174,245 relates to legitimate expenditures
16 which should be recoverable in AmerenUE's revenue requirement.

17 **Q. Aside from the Power On advertising, what other advertising was
18 recommended by Staff to be excluded?**

19 A Aside from the Power On advertising, there are five groupings of
20 advertisements which were excluded by Staff. The first grouping is telephone directory
21 advertising. Staff excluded \$108,062 for these advertisements. The second grouping is
22 Dollar More advertising. Staff excluded \$60,257 for these advertisements. The third
23 grouping is Vegetation Management advertising. Staff excluded \$4,783 for these

1 advertisements The fourth, and final, grouping is Power Plant Opportunities advertising
2 Staff excluded \$1,142 Schedule RJM-RE2 (attached) contains representative samples of
3 advertising from each of these categories

4 **Q. Please explain why you believe it inappropriate to disallow these**
5 **advertising expenditures.**

6 A First, I note that individually none of these proposed disallowances represent
7 a large amount of money, at least in the context of this case However, they all represent
8 legitimate, prudently incurred expenditures that provide valuable information for customers
9 and that therefore AmerenUE should be able to recover these costs

10 **Telephone book advertising** - AmerenUE lists an 800 phone number as its
11 customer contact number in various telephone directories, in both of the sections traditionally
12 labeled the "yellow pages" and the "white pages" Of course, yellow page advertisements
13 have a cost associated with them Similarly, 800 numbers are not listed in the white pages of
14 the telephone directory unless a separate charge is paid to the directory company It only
15 makes sense that AmerenUE's customer contact number needs to be available for its
16 customers, whether they look in the yellow pages or the white pages The idea that the cost
17 of placing the Company's customer contact number into a telephone directory should be a
18 disallowable expense makes no sense to me I believe this proposed disallowance by the
19 Staff must have been an oversight on their part and that these costs should be recoverable I
20 would certainly think the Commission would be supportive of making it easier for customers
21 to contact the Company when necessary

22 **Dollar More advertising** - Dollar More is a program designed to provide
23 low-income individuals in AmerenUE's service territory with monetary assistance in paying

1 their energy bills. It is funded by voluntary contributions from AmerenUE customers and by
2 Ameren Corporation. The funds are all allocated by the program's administrator, the United
3 Way of Greater St. Louis, to a network of social services agencies throughout the Company's
4 service area.

5 Advertising is a way to both solicit contributions from our customers and to
6 inform customers of the existence of the program. This program has provided more than
7 120,000 customers over \$24 million since 1982. Many of our customers and our employees
8 voluntarily support this program. This too is important information for our customers, and
9 the Commission should encourage the Company to publicize its availability by supporting
10 recovery of these advertising costs in rates.

11 **Vegetation Management advertising** -- Communication with our customers
12 about our vegetation management practices and about what types of trees or other vegetation
13 are recommended for planting in areas next to our power lines is very important. The more
14 our customers know about how vegetation management works, the more we can work in
15 concert with them to better protect our distribution system. These types of communications
16 may prevent customers from planting trees near lines that should not be planted there, and
17 help gain customer cooperation when we need to trim trees outside our right-of-way.
18 Additionally, exclusion of the cost of this information is inconsistent with recent
19 Commission rulemakings on vegetation management practices, which certainly emphasizes
20 the importance of good vegetation management practices. Here again, perhaps it was an
21 oversight on the part of Staff to recommend exclusion of this valuable information. If Staff's
22 rebuttal testimony contains further explanation, I will address it in my surrebuttal testimony.

1 **Power Plant opportunities advertising** – As the Commission may be aware,
2 utilities are facing a severe shortage of qualified and diverse work personnel in certain areas
3 of the business. This advertising focused on recruiting efforts for positions in our power
4 plants – including general mechanics, certified welder repairmen, machinist welder
5 repairmen, welder repairmen and machinist repairmen. This type of advertisement may not
6 easily fit into the Commission's five categories of advertisements as set forth in *Re Kansas*
7 *City Power and Light Company*, Case No. EO-85-185, et al., 28 Mo P S C (N S) 228, 269-
8 71 (1986). However, failure to clearly fit one of these categories should not automatically
9 render the advertisement non-recoverable. Finding qualified employees to help promote safe
10 and efficient operation of our power plants benefits customers. If advertisements are
11 necessary to fill vacancies in AmerenUE's operations, that expenditure should be included in
12 AmerenUE's revenue requirement.

13 **Q. Is Staff's disallowance of money spent on Power On advertising a**
14 **reasonable recommendation for them to make to the Commission?**

15 A. It is not. The Power On advertising is an important component of
16 AmerenUE's communication with its customers about some of the most important
17 investments AmerenUE is making in its distribution system. As I stated in my direct
18 testimony, our customers told us after the storms of 2006 and 2007 that they wanted more
19 information about how we are investing in our system and what steps we are taking to harden
20 the distribution system against the impacts of vegetation and weather. The Power On
21 advertising does exactly that. These advertisements are a form of mass communication that
22 cannot be accomplished in any other manner. My direct testimony addressed why the
23 Company felt this communication was not only appropriate, but why it considers this a

1 necessary expense in order to improve communication with our customers. This explanation
2 has not yet been responded to by Staff. If Staff addresses this issue in its rebuttal testimony, I
3 reserve the right to further develop the Company's position in surrebuttal testimony.

4 **Q. Why should the Commission be concerned with the Company's**
5 **communication to customers about why these investments are being made?**

6 A. These communications provide important information to customers, which
7 benefit the customers, the Company and the Commission. The Power On project involves
8 approximately \$500 million in mandated environmental expenditures, \$300 million in
9 undergrounding work to harden the distribution system against the effects of severe storm,
10 and approximately \$150 million to more aggressively trim trees. The federal government has
11 mandated the environmental expenditures and the other Power On expenditures are driven
12 by a combination of customer and Commission demands and new Commission rules. The
13 Commission is now and will be called upon in the future to raise the Company's rates to
14 cover these large expenditures and will be challenged by customers and customer
15 representatives to justify those rate increases. Better informed customers, who are
16 demanding the kinds of system improvements these expenditures make possible, will better
17 understand that there is a link between environmental and reliability improvements and the
18 costs they pay for electricity.

19 **IV. LOW INCOME WEATHERIZATION**

20 **Q. What did DNR request for low income weatherization funding?**

21 A. DNR requested that AmerenUE be required to continue funding low income
22 weatherization in the amount of \$1,200,000 per year, which was the funding level established

1 in the Report and Order from Case No. ER-2007-0002. Further, DNR requested that this be
2 an ongoing commitment, so that there is stability of funding.

3 **Q. Is this request one that AmerenUE considers appropriate?**

4 A. It is not. First of all, the \$1,200,000 consists of \$600,000 from AmerenUE
5 shareholders and \$600,000 from AmerenUE customers. The Company is especially
6 concerned about any proposal that the Commission order AmerenUE shareholders to make
7 expenditures that are not allowed in the Company's revenue requirement. AmerenUE makes
8 many charitable donations and the choice of recipients for those donations is not something
9 that should be dictated by the Commission. AmerenUE does not deny that DNR, through its
10 Environmental Improvement and Energy Resources Authority ("EIERA"), provides an
11 important service for low-income individuals in the State of Missouri. In fact, the low
12 income weatherization program may well be a recipient of additional funds in the future from
13 AmerenUE. However, shareholder contributions should be made at the discretion of
14 AmerenUE, not the Commission. The Company is asking for the Commission to continue
15 the funding provided by its customers and since these dollars would be collected through
16 rates, it is entirely appropriate for the Commission to decide whether and to what extent
17 customers should be charged to fund this kind of program.

18 Finally, while AmerenUE appreciates that a known and continuous funding
19 source would be beneficial to EIERA and its weatherization work, the Company does not
20 believe it prudent to commit long-term (at least past AmerenUE's next rate case) to this
21 contribution. As long as that money is included in rates, the Company will continue to
22 provide the funding to EIERA. However, the filing of a new rate case will necessarily place
23 that funding in question. This Commission cannot bind future Commissions to including this

1 contribution in rates. It is a discretionary decision by the Commissioners. Accordingly, it is
2 necessary that the funding commitment made by AmerenUE extend only until its next rate
3 case. When AmerenUE is able to go years without filing a rate case, then the funding will
4 remain stable. However, in today's environment, the cost increases AmerenUE is facing and
5 its need to file additional rate cases in the future necessarily introduces more uncertainty into
6 this funding. AmerenUE understands how this is a concern for DNR, but feels it is an
7 uncertainty that cannot be avoided at this time.

8 **V. HOT WEATHER SAFETY PROGRAM**

9 **Q. What did AARP recommend as its "Hot Weather Safety Program?"**

10 A AARP's witness John Howat, recommended that AmerenUE be required to
11 provide a credit on the summer monthly bills of the Company's low income customers aged
12 65 and above. This recommendation was based upon his belief that these individuals are
13 reluctant to use air conditioning in their homes because of a concern about the cost of
14 operating this equipment.

15 **Q. Does AmerenUE support this recommendation?**

16 A No. AmerenUE does not believe the proposal is properly targeted nor does
17 the Company believe it would actually have the result intended by AARP. In fact,
18 AmerenUE, AARP, Staff and other parties discussed this proposal earlier this year and
19 because the Company believed that the proposal would likely not accomplish its goal, the
20 Company decided not to undertake AARP's proposal.

21 **Q. What does AmerenUE do to assist its elderly and low-income customers?**

22 A AmerenUE is very concerned about the health and safety of its customers,
23 especially elderly and low income customers. During the hottest summer months, the

1 Company works with various community outreach organizations to alert the public about the
2 dangers of excessive heat, to encourage the use of air conditioning and to promote the
3 location of the cooling centers within AmerenUE's service territory. This past summer
4 alone, AmerenUE donated 500 window air conditioners as part of its annual "Be Cool" Air
5 Conditioner Program. The air conditioners were all Energy Star®-listed units that meet the
6 strict energy efficiency guidelines set by the U.S. Environmental Protection Agency and the
7 Department of Energy. Eligible recipients were low income and low income elderly
8 customers.

9 As part of the "Be Cool" program, each air conditioner recipient also received
10 a hot weather survival kit, which includes a tote bag, a refrigerator magnet with AmerenUE's
11 number on it, a water bottle, an ink pen, a pad of paper, a nightlight, a flashlight and a
12 "conservation wheel" that contains tips on how to cut energy costs. The kit also includes the
13 St. Louis Area Energy-Assistance Guide and brochures about AmerenUE's payment options,
14 online Energy Savings Toolkit, having a more energy-efficient home and a fold-out poster
15 showing where customers can save energy and money.

16 Additionally, AmerenUE contracted for an independent survey of elderly
17 (over 60) customers to identify the needs and risk factors of these individuals in dealing with
18 heat-related hazards. As a part of this survey, 405 telephone interviews were conducted with
19 eligible respondents by the Center for Advanced Social Research of University of Missouri-
20 Columbia in June and July of 2008. The complete survey report is attached to my testimony
21 as Schedule RJM-RE3.

22 The survey was very instructive and found that 85% of the 405 respondents
23 reported that they cooled their residence during summer months by air-conditioning, three

1 percent relied on electric fans, and 12% used both. When asked “Do you routinely run your
2 air conditioning unit during ‘heat waves,’ that is, the hottest days of the summer months?”
3 98% said “yes,” one percent (1%) “no,” and another one percent (1%) responded “don’t
4 know/not sure.” These results seem to indicate that providing a credit on the bill of
5 AmerenUE’s low-income elderly customers would not make a significant difference – 98%
6 already are running their air conditioners during the hottest days of summer.

7 **Q. Does the Company oppose this program even though AARP would**
8 **provide funding by charging all ratepayers?**

9 A Yes. The Company does not want ratepayers to pay rates higher than
10 necessary to cover AmerenUE’s legitimate revenue requirement, based upon services that
11 make sense for customers. As I explain above, the Company does not believe this proposed
12 program is necessary or that it will have the desired effect. It appears to me that charging
13 customers for such a program is poor policy. There is also a larger issue associated with
14 Commission-mandated funding of what amounts to a social program. In light of AARP’s
15 proposed program, one must ask just how far down the path of implementing social programs
16 the Commission should venture. State social programs are typically funded by the legislature
17 and there has been no legislative directive to undertake such a program. This seems to be an
18 area that is outside the Commission’s legislative mandate.

19 **Q. Does this conclude your rebuttal testimony?**

20 A Yes it does.

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of Union Electric)
Company d/b/a AmerenUE for)
Authority to File Tariffs Increasing)
Rates for Electric Service Provided) Case No ER-2008-0318
To Customers in the Company's)
Missouri Service Area)

AFFIDAVIT OF RICHARD J. MARK

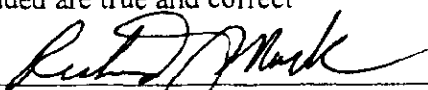
STATE OF MISSOURI)
) ss
CITY OF ST. LOUIS)

Richard J Mark, being first duly sworn on (his/her) oath states

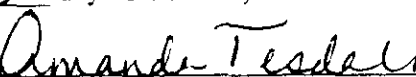
1 My name is Richard J Mark I am employed by AmerenUE as Senior
Vice President of Missouri Energy Delivery

2 Attached hereto and made a part hereof for all purposes is my Rebuttal
Testimony on behalf of Union Electric Company, d/b/a AmerenUE, consisting of 10
pages (and Schedules RJR through RJM-RJ3 if any), all of which have been prepared
in written form for introduction into evidence in the above-referenced docket

3 I hereby swear and affirm that my answers contained in the attached
testimony to the questions therein propounded are true and correct


Richard J Mark

Subscribed and sworn to before me this 13th day of October, 2008


Notary Public

My commission expires _____

