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Sponsoring Party: Union Electric Company
File No.: ER-2016-0179

Date Testimony Prepared: January 20, 2017

MISSOURI PUBLIC SERVICE COMMISSION

FILE NO. ER-2016-0179

REBUTTAL TESTIMONY

OF

JULIE CATRON

ON

BEHALF OF

UNION ELECTRIC COMPANY d/b/a Ameren Missouri

> St. Louis, Missouri January 2017

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REBUTTAL TESTIMONY

OF

JULIE CATRON

FILE NO. ER-2016-0179

1		I. INTRODUCTION					
2	Q.	Please state your name and business address.					
3	A.	My name is Julie Catron. My business address is One Ameren Plaza,					
4	1901 Chouteau Avenue, St. Louis, Missouri 63103.						
5	Q.	By whom are you employed and what is your position?					
6	A.	I am employed by Union Electric Company d/b/a Ameren Missouri					
7	("Ameren Missouri" or "Company") as Director, Communications and Public Relations.						
8	I have held this position since 2014.						
9	Q.	Are you the same Julie Catron who filed direct testimony in this case?					
10	A.	Yes, I am.					
11		II. PURPOSE OF TESTIMONY					
12	Q.	What is the purpose of your rebuttal testimony in this proceeding?					
13	A.	I am responding to the portion of the Staff Revenue Requirement Cost of					
14	Service Rep	ort ("Staff Report") sponsored by Jason Kunst on the Company's					
15	communications expenses. Specifically, I will address the following:						
16	•	Evolution of Communications					
17	Evaluation on a Campaign Basis						
18	•	Specific Communications					

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1 **A.** EVOLUTION OF COMMUNICATIONS

Q. Please explain how Staff determined what communication expenditures should be included in the revenue requirement for this case.

4 A. When evaluating advertising expenditures, Staff applies a principle that

5 dates back to the Commission decision In re Kansas City Power and Light Company,

6 Case Nos. EO-85-185 et al. ("KCPL Order"). That case was decided approximately 30

7 years ago. Times have changed and the ways we communicate have changed as well.

8 Social media was not a channel used by our customers when the KCPL Order was issued.

9 After all, Mark Zuckerberg was just 5 years old when this case was decided.

As I stated in my direct testimony, I am not asking that the standards be rejected. Rather, I am asking that the standards that are applied be re-evaluated in light of the very different world that exists today, especially after the social media explosion. According to Brandwatch, over 3 billion people are active internet users, and 2.3 billion of those are active users of social media channels. One million active mobile social media users are added every day, which is about 12 per second. There are over 100 billion searches on the internet each month. ¹

A consequence of this social media prominence is that our customers expect to have information available to them when they want it and where they want it. Therefore, we must use integrated communications to meet our customers' expectations. A strong social media presence is key, and developing a strong social media presence requires us to continually put content in front of our customers. Sometimes the message is an important safety message and other times it may be a lighter message, yet still the

¹ https://www.brandwatch.com/blog/96-amazing-social-media-statistics-and-facts-for-2016/

- 1 message is one that is designed to drive customers to view our social media messages. In
- 2 turn, this increases our ability to use social media to communicate information during
- 3 storms or other times of need.

4 **B.** EVALUATION ON A CAMPAIGN BASIS

- 5 Q. Staff's Report states that it did not evaluate costs on a campaign basis.
- 6 What is this referencing?
- 7 A. In a prior Ameren Missouri rate review case (File No. ER-2008-0318), the
- 8 Commission's Report and Order found that the KCPL standard for advertising continues
- 9 to be useful. However, the Commission also recognized the significance of viewing
- 10 communications ("advertising") as an integrated campaign rather than determining
- recoverability advertisement by advertisement. The Commission stated:
- If on balance a campaign is acceptable then the cost of individual
- advertisements within that campaign should be recoverable in
- rates. If the campaign as a whole is unacceptable under the
- 15 Commission's standards, then the cost of all advertisements within
- that larger campaign should be disallowed.²
- Q. Did Ameren Missouri organize its communications into campaigns?
- 18 A. Yes. In particular, we designated several communications as part of the
- 19 Energy at Work campaign.
- Q. Why do you believe all of those messages are part of a single
- 21 campaign (i.e., the Energy at Work campaign)?
- A. After conducting focus groups and quantitative consumer research with
- 23 Ameren Missouri customers, we found that our customers are interested in receiving
- 24 messages about specific topics. For example, they want to understand the value to

² Case No. ER-2008-0318; Report and Order, January 27, 2009, p. 118.

1 customers of the investments that we make on their behalf.³ Consistent messages about

2 these investments delivered to our customers where and when they want to receive them,

and under one consistent campaign, helps them recognize and retain the information they

4 are receiving.

We have followed the Commission's standard set forth in its Report and Order in File No. ER-2008-0318. Yet, Staff is recommending a disallowance of \$867,770, which is the cost of the community messages in the Energy at Work campaign. I disagree with this recommendation. We developed the Energy at Work campaign as a single campaign with a single purpose – providing customers with the information they want. This information fell into three categories: reliability, clean energy, and community. Just because Staff finds one of these categories objectionable does not mean they can artificially break apart a single campaign to disallow a portion of the costs. This goes against the Commission's decision in its Report and Order in File No. ER-2008-0318, wherein it ruled that it was the majority of an integrated communications campaign that matters.

Our research found that our customers expect Ameren Missouri to support the communities that it serves and help make them strong, thriving communities. Research has shown that when our customers see our co-workers volunteering in the community, customer satisfaction with the service we provide increases. This message works hand-in-hand with the investments we are making for reliability and clean energy. All of the messages work together to increase awareness and engagement with our customers.

Simply stated, Energy at Work is a single campaign that qualifies for complete cost recovery.

³ Ameren Concept Testing Focus Group Report, October 31, 2014; pp. 23, 27, 29, 30, 32.

1 C. SPECIFIC COMMUNICATIONS

Q. Staff proposed that the costs of Power Play Goals for Kids should be disallowed. How do you respond?

A. Again, this is all about improving our ability to communicate with our customers. Customers seek information from many different channels. One of the fastest growing channels is social media. At this time, Ameren Missouri lags behind many other local companies and organizations in the number of followers/likes on social media pages. The St. Louis Blues (as of January 2017) have 674,760 Facebook likes and 512,000 followers on Twitter. The vast majority of those people are Ameren Missouri customers. We have partnered with the St. Louis Blues as well as four children's charities in Missouri that have social media presences in an effort to acquire new social media followers/likes for the Company. By doing this, we have been able to increase the number of followers/likes on our social media outlets, and especially on Facebook. We use these social media outlets to communicate with our customers in times of need, and these efforts are working. During the storm of July 2016, we received over 27,000 inbound messages in three days through our Facebook page regarding outages and service questions.

For our customers to be able to see our messages and continue to receive information from us on social media, we must constantly be posting information and showing activity. It helps increase our social media presence, which allows us to deliver our messages. This connection to our customers is a legitimate purpose for our social media presence and justifies the Commission including these expenditures in the Company's revenue requirement.

1 III. STAFF DISALLOWANCES

Q. How much did Staff recommend be disallowed?

3 A. Staff recommended a disallowance of \$305,746. We do agree with

4 reducing the total by \$77,000, an amount we erroneously included in the test year.

However, recovery of the remaining \$228,746 is appropriate, and I disagree with the

remainder of Staff's disallowance.

Staff's recommendation was made based on a simple reading of the text of each message, possibly without understanding the full purpose of the communication or its context. Those messages contain much more than just the plain text; those communications are made in order to acquire more social media followers/likes and enable us to communicate to our customers in the channel they prefer. A lot of work is involved in making sure our social media presence has the impact that we need and our customers want, including what, when, and how often we post communications. It is important to understand that, in a world where information is available at your fingertips, communications take a different kind of design and implementation than the 30-year-old KCPL Order anticipates or allows. I respect the Staff member's work as an auditor, but without experience in designing or implementing social media and other corporate communications, many of the nuances of and motivations behind those communications may not be apparent.

Q. Are there additional charges that Staff has changed from general advertising to institutional advertising that you do not agree should be categorized this way?

⁴ http://www.forbes.com/sites/jaysondemers/2015/08/20/the-definitive-guide-to-marketing-your-business-on-facebook/#6ddd51c32acf

1	A. Yes, Staff has recommended an additional disallowance of \$196,395					
2	Much of this amount was designated as institutional advertising by the Company and w					
3	do not disagree with Staff's recommendation. However, some of those expenditure					
4	should be categorized as general advertising and should, in fact, be included in setting the					
5	Company's revenue requirement. Out of the \$196,395 disallowance, we only agree with					
6	the disallowance of \$73,340.					
7	The remaining \$123,055 is appropriate for inclusion and should not be					
8	disallowed. The expenditures in question include such items as:					
9	• \$50,000 at Southside Early Childhood Center, where a safety message ha					
10	been placed in a community room to help our customers be safe around					
11	electricity;					
12	• \$2,997 for shirts used by co-workers to be identified at community events;					
13	• \$4,000 for an advertisement that was placed in St. Louis American for					
14	inclusion in their Diversity Calendar;					
15	• \$20,000 for the sponsorship of the St. Louis Earth Day event (where w					
16	have a very large presence of co-workers and information);					
17	• \$21,100 for recruiting radio spots that ran on the Cardinal network;					
18	• \$4,000 for Ameren Missouri's participation in a Heat Up St. Louis event t					
19	raise money to assist those who are struggling to pay their utility bills;					
20	• \$3,424 used for the Missouri State Police Water Patrol Program that awards					
21	children for wearing their life jackets on the Lake of the Ozarks;					
22	These expenditures are clearly general advertising rather than institutional, an					
23	are therefore recoverable.					
24	Q. Does this conclude your rebuttal testimony?					
25	A. Yes, it does.					

BEFORE THE PUBLIC SERVICE COMMISSION OF THE STATE OF MISSOURI

In the Matter of Union Electric d/b/a Ameren Missouri's Tari Increase Its Revenues for Ele	File No. ER-2016-0179							
AFFIDAVIT OF JULIE CATRON								
STATE OF MISSOURI CITY OF ST. LOUIS)) ss							
	,	ath states						
Julie Catron, being first duly sworn on her oath, states:								
1. My name is J	ulie Catron.	I work in th	ne City of St. Louis, Missouri, and I am					
employed by Union Electric Company d/b/a Ameren Missouri as Director, Communications.								
2. Attached heret	to and made a	part hereof f	for all purposes is my Rebuttal Testimony					
on behalf of Union Electric Company d/b/a Ameren Missouri consisting of pages, and								
Schedule(s) None		, all o	of which have been prepared in written					
form for introduction into evidence in the above-referenced docket.								
3. I hereby swear	r and affirm th	at my answe	ers contained in the attached testimony to					
the questions therein propoun		Julie C						
Subscribed and sworn to befo	ore me this 17		in a Best					
My commission expires:								

GERI A. BEST

Notary Public - Notary Seal

State of Missouri

Commissioned for St. Louis Gounty

My Commission Expires: February 15, 2018