

Exhibit No.:
Issue(s): A&G Expenses
Advertising
Insurance, Miscellaneous
Witness: Christopher D. Caldwell
Sponsoring Party: MoPSC Staff
Type of Exhibit: Surrebuttal Testimony
Case No.: GR-2019-0077
Date Testimony Prepared: July 10, 2019

MISSOURI PUBLIC SERVICE COMMISSION

COMMISSION STAFF DIVISION

AUDITING DEPARTMENT

SURREBUTTAL/TRUE-UP TESTIMONY

OF

CHRISTOPHER D. CALDWELL

**UNION ELECTRIC COMPANY,
d/b/a AMEREN MISSOURI**

CASE NO. GR-2019-0077

*Jefferson City, Missouri
July 2019*

**** Denotes Confidential Information ****

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CHRISTOPHER D. CALDWELL
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1 **SURREBUTTAL/TRUE-UP TESTIMONY**

2 **OF**

3 **CHRISTOPHER D. CALDWELL**

4 **UNION ELECTRIC COMPANY,**
5 **d/b/a AMEREN MISSOURI**

6 **CASE NO. GR-2019-0077**

7 Q. Please state your name and business address.

8 A. Christopher D. Caldwell, 111 N. 7th Street, Suite 105, St. Louis, MO 63101.

9 Q. By whom are you employed?

10 A. I am employed by the Missouri Public Service Commission (“Commission”) as
11 a member of the Commission Staff’s (“Staff”) Auditing Department.

12 Q. Are you the same Christopher D. Caldwell who contributed to Staff’s Revenue
13 Requirement Cost of Service Report filed April 19, 2019 in this case?

14 A. Yes, I am.

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

16 A. My surrebuttal testimony will respond to the rebuttal testimony of Union
17 Electric Company, d/b/a Ameren Missouri (“Ameren Missouri”) witnesses Tom Byrne
18 regarding miscellaneous expenses and Laura M. Moore regarding lobbying costs included in
19 payroll and advertising expenses. Finally, my testimony will address Staff’s true up position
20 on insurance expense.

1 **MISCELLANEOUS EXPENSE**

2 **A. Celebrating Ameren**

3 Q. Please address Mr. Byrne's concerns regarding the Celebrating Ameren event
4 that is found on pages 12-13 of his rebuttal testimony.

5 A. For purposes of this rate case, Staff has included one half of the 2017 Celebrate
6 Ameren costs that occurred during the test year in the cost of service calculation. Staff will
7 continue to examine all of the costs that are incurred for Celebrating Ameren events in each of
8 Ameren Missouri's future rate cases.

9 **B. Ameren Diversity and Inclusion Council Retreat**

10 Q. On page 14, lines 9-16, Ameren Missouri witness Tom Byrne states that
11 Ameren's Diversity and Inclusion Council retreat is an annual event held each January at an
12 off-site location, which allows council members to focus on diversity and inclusion issues away
13 from the distractions of day-to-day work. Is Staff adverse to Ameren incurring costs for its
14 diversity and inclusion council for meetings?

15 A. Staff certainly does not object to Ameren holding a Diversity and Inclusion
16 Council event. However, Staff does not agree that the level of costs incurred for a retreat held
17 at the luxury Four Seasons Hotel located in downtown St. Louis, MO is an appropriate use of
18 rate payer funds.

19 Q. What types of costs were incurred for this event?

20 A. The retreat lasted two days and costs were incurred for overnight hotel stays at
21 the Four Seasons Hotel. Specific costs incurred during the test year related to this retreat that
22 Ameren Missouri is seeking recovery include alcoholic drinks, meals, hotel rooms for an

1 overnight stay for all attendees and rented space for the meeting. The total cost of this event is
2 allocated among four different Ameren business segments. It is Staff's position that some of
3 the costs incurred are unnecessary as some of the members of the Council that stayed overnight
4 at the Four Seasons Hotel work and reside in the St. Louis area. Staff also points out that the
5 Commission has disallowed costs related to beverages containing alcohol. In addition, there
6 were ways that the cost could have been greatly reduced, such as by having the meeting at the
7 Ameren general office building. Staff recognizes that some employees from other Ameren
8 business segments that attended may have had to travel to the St. Louis area, even for a day
9 conference, but utilizing a luxury hotel for a happy hour event and overnight accommodations
10 was not necessary. It is Staff's position that Ameren could have chosen a more reasonably
11 priced location for lodging and held the conference at one of the board rooms at the Ameren
12 general office building. Staff submitted Data Request No. 0336 in order to obtain additional
13 information in order to determine a reasonable level of costs to include in the cost of service
14 calculation for this event.

15 **C. Other Miscellaneous Expense**

16 Q. On page 15, lines 18-22 of his rebuttal testimony Tom Byrne states that
17 Staff proposed miscellaneous expense disallowances without even bothering to mention
18 these disallowances in the Staff Report and, for that reason, the disallowances are unsupported.
19 Is this true?

20 A. No. Staff discussed the removal of these costs in the Staff Report on page 81,
21 lines 5-18. In that filing, Staff listed several examples of the costs that were removed because
22 those costs were incurred with no benefit to the rate payer. In addition, at the time of its direct

1 filing Staff was awaiting the response to Data Request Nos. 0186.1 and 0186.2. Staff did not
2 receive the responses to these data requests until April 18, 2019, one day before Staff's filing
3 of direct testimony. Staff has now had a chance to review both data request responses and has
4 the information necessary to give up its proposed disallowance of some of the miscellaneous
5 costs. However, Staff is also maintaining its disallowance position on other costs.

6 After further review, Staff has now included costs related to Accenture LLP;

7 **

8 _____ **.

9 However, Staff's position is to continue to disallow the costs related to ** _____

10 _____
11 _____
12 • _____
13 _____
14 _____

15 • _____
16 _____
17 _____

18 • _____
19 _____ **

20 **LOBBYING AS A PORTION OF PAYROLL EXPENSE**

21 Q. On page 10, lines 12-15 of the rebuttal testimony of Laura M. Moore she states
22 that all lobbying efforts that were done during the test year were for lobbying related to electric

1 service and not gas. How do Mr. Warner Baxter (Ameren Corporations' CEO) and Mr. Byrne,
2 for who Staff has proposed payroll adjustments, record their work time?

3 A. Mr. Byrne's time is recorded on a ** _____
4 _____
5 _____

6 _____ **. Mr. Byrne would have to specifically book exemption reporting to record his
7 labor as something specific other than the ** _____ ** gas allocation. He also does
8 not book time to below the line accounts despite calendars and itineraries showing work on
9 legislative endeavors during the test year. This means that the time reporting recorded for gas
10 is not delineated by activity type but by total time spent multiplied by the allocation factor.
11 This means that his time loses its identity and very well could include some electric lobbying
12 activities. Mr. Baxter is an Ameren Services (AMS) employee and as such his total time booked
13 above the line is multiplied by the AMS allocation factor for the portion that is charged to
14 Ameren Missouri. That amount is also not delineated between electric and gas activity and is
15 similar to Mr. Byrne's situation. Ameren Missouri can manage its operations and record payroll
16 as they see fit as long as all legislative time is booked below the line so as not to subject
17 ratepayers to funding political goals of the utility that may or may not align with their interests.
18 Staff believes that the payroll may very well contain some electric lobbying activities and
19 should be removed from the cost of service.

20 Q. On page 10, lines 16-22 of her rebuttal Ms. Moore discusses that she disagrees
21 with Staff's adjustment; but that if it were to be adopted by the Commission, the calculation is
22 incorrect. She also states that Staff did not provide any explanation whatsoever in its Staff

1 Report to explain why it believes the cost of meetings that were excluded constituted lobbying.

2 Is this true?

3 A. Staff agrees there is a calculation error in its workpaper regarding the adjustment
4 for the lobbying portion of payroll. However, Ms. Moore appears to have used Staff's
5 workpaper as a basis for her own calculation and also picked up the errors. It is not true that
6 Staff did not discuss the lobbying payroll adjustment in its Staff Report. Staff addressed this
7 adjustment in a couple areas of the Staff Direct Cost of Service Report, once on page 53,
8 lines 21-22 and again on page 77, lines 1-10. On page 77, Staff explains that it reviewed the
9 calendars and itineraries of certain employees involved in lobbying activities that record time
10 to Ameren Missouri gas operations, and removed a portion of the salaries for time recorded to
11 lobbying above-the-line (included in rates). Staff will concede that based on the calendar
12 descriptions, it may have disallowed time that may or may not have been lobbying related.
13 Ms. Moore presumably has more knowledge about this and Staff will adopt her proposed
14 disallowance amount, as corrected for the errors, for purposes of this gas rate case. After
15 correction of the error, the updated recommended disallowance for this cost is \$849.

16 **ADVERTISING EXPENSE**

17 Q. On page 17, lines 2-9 of Ms. Moore's rebuttal testimony she describes that the
18 guidelines Staff uses to classify advertising campaigns allows for subjectivity from Staff who
19 are not experts in the field of communication and that Staff appears to "change some of the
20 categories" of advertising that Ameren Missouri included in their data request response with no
21 explanation of why it thinks a different classification should be used. She goes on to implore
22 the Commission to reject these disallowances as they were not explained in testimony.

1 Did Staff review each advertisement utilizing the KCPL method and then propose a different
2 category for some of the advertisements?

3 A. Yes. Staff independently and objectively reviews each advertisement, looks for
4 the primary message of the advertisement and then applies the categories set out in the KCPL
5 standard, as explained in the Staff Report. Once Staff has classified the ads for ratemaking
6 purposes it notes the categories and removes the costs for advertisement categories not allowed
7 by the Commission. Staff inquired in Data Request No. 017.2 as to whether the advertisements
8 were classified into campaigns and was informed that “Ameren Missouri does not have a natural
9 gas advertising campaign”. Thus Staff did not consider advertising on a campaign basis in its
10 analysis. Staff also has another auditor independently review and verify the same primary
11 message of each ad to assure there is no subjectivity in its analysis.

12 Staff did in fact discuss the KCPL standard and removal of advertising that was deemed
13 promotional, political, or institutional in nature under the KCPL standard on page 71,
14 lines 10-28 and page 72, lines 1-16 of the Staff Report. Staff provided a workpaper with
15 categorizations and calculations of its position. In addition, copies of the disallowed ads were
16 filed as Appendix 3 to the Staff Report.

17 Q. On page 17, lines 3-4 of her rebuttal, Ms. Moore states that Staff inserts
18 subjectivity into its classification of the advertisements because Staff are not experts in the field
19 of communication. Does Staff need to be an expert in the field of communication to sponsor
20 recommendations concerning the ratemaking treatment of an advertisement?

21 A. No. In fact, Ameren’s witness opposing Staff’s position in rebuttal, Ms. Moore,
22 is a certified public accountant (CPA) who does not appear to be an expert on communication
23 through advertisement. Ms. Moore specializes in financial and regulatory accounting. Staff

1 need not be an expert in communication because Staff is an expert on the topic of inclusion of
2 advertising costs in utility cost of service. While expertise in communication/advertising may
3 be necessary for targeting the right message to the right customers for general business
4 purposes, it is not necessary for determining what the primary message of an advertisement is
5 and what category that falls under for ratemaking. These are two different approaches intended
6 to achieve two different purposes.

7 Q. Ameren Missouri witness Laura Moore describes several specific
8 advertisements on pages 17 through the top of page 20 that she disagrees with Staff regarding
9 removal of the costs. Please address each ad and describe why it is inappropriate to include
10 them in the cost of service.

11 A. As stated in direct testimony, Staff has classified the ads mentioned in
12 Ms. Moore's rebuttal testimony as institutional except for the Call 811 Sponsorship Ad. Even
13 though this is a sponsorship, it is not a money only sponsorship, a safety message ad was used
14 and Staff accepts that this cost should be included in the cost of service. Staff maintains that
15 the remaining ads are not includable and should remain disallowed. Staff will expand on this
16 position for each ad below:

- 17 • Ink Magazine Ad/United Airline Ad – the primary message of this ad is
18 institutional because it merely shows a female Ameren Employee with a
19 message describing how Ameren has 8,600 employees dedicated to innovation
20 to transform energy services they provide customers now and in the future. The
21 website is also included. This gives no description of the innovative products
22 and services Ms. Moore says it is communicating nor how or when Ameren is
23 innovating energy services and including the website in and of itself does not
24 explain this either. The primary message provides no information other than to
25 promote the image of the company as innovative to its customers. Sending the

1 customer to the website cannot be considered general because it just stating the
2 website does not provide any information. Most customers are already aware
3 of the website.

- 4 • Ameren Cares T- shirts – Staff’s position is that these T-shirts are better
5 classified as promotional items that should be disallowed, but even if Staff
6 attempts to apply the KCPL standard, the primary message of the green T-shirts
7 that contain the company name and the phrase “Ameren Cares” is to promote a
8 good image of Ameren out in the community. That is institutional. Ms. Moore
9 states that these shirts are so that customers can recognize them at community
10 events so as to ask questions or seek guidance. These shirts are worn by Ameren
11 employees while they are volunteering in the community. This is not for work
12 to enable the provision of safe and adequate service, as shown in the ARCUS
13 ad discussed below, and need not be included in rates.

- 14 • M. Heger, Technology Executive of the Year Ad – Ms. Moore states that this
15 ad shows diversity and inclusiveness of the company and that it enables Ameren
16 Missouri to recruit highly-talented workers. The primary message of this
17 advertisement says nothing regarding recruitment; it simply recognizes an
18 Ameren executive as a role model for good job performance.

- 19 • ARCUS Ad – Ms. Moore describes this ad supporting the ARCUS awards as
20 Ameren Missouri supporting their customers who are working every day to
21 build communities to attract economic growth and the ability to recruit the
22 best co-workers. The ARCUS awards champion economic strength and a
23 better tomorrow for the St. Louis region. This ad shows Ameren employees
24 wearing the green “Ameren Cares” shirts described above volunteering in a
25 gymnasium. While it is admirable that Ameren Missouri participates in
26 bettering the community, this ad has nothing to do with the provision of safe
27 and adequate utility services, whether gas or electric. It actually displays the
28 charitable donation through time or goods that Ameren is involved in. The

1 primary message of the ad is clearly to promote Ameren Missouri's image in
2 the community.

- 3
- 4 • Roundtable Ad – Ms. Moore describes this ad as a communication that Ameren
5 Missouri would be speaking at a public forum about the energy needs and
6 innovation in the state of Missouri where customers could attend to hear about
7 services Ameren Missouri provides. The article itself is a roundtable discussion
8 amongst the CEO's from Ameren Missouri, Missouri American Water
9 Company, Laclede Gas (now Spire Missouri East), and the Metropolitan Sewer
10 District about infrastructure concerns surrounding each utility. There are three
11 advertisements that are included within the article for which Staff believes the
12 primary message of each advertisement is institutional. The first ad portrays
13 Ameren Employees volunteering in the community by planting trees with a
14 description below that talks about how Ameren takes great pride in giving back
15 to the communities they serve. The second ad again shows different scenarios
16 where Ameren employees are volunteering in the community. The third ad
17 thanks customers for rating Ameren Missouri for the "Highest Customer
18 Satisfaction with Business Electric Service in the Midwest among Large
19 Utilities, Two Years in a Row." The primary messages of these ads are
20 demonstrating Ameren in a positive light.

- 21
- 22 • Celebrating Ameren Campaign/Event – Staff does not consider the site maps
23 and parking signs for the Celebrate Ameren event to be considered advertising.
24 They are costs associated with holding the actual event and should be treated
25 the same as the other event costs as Staff discussed above. Staff has included
26 50% of the other 2017 Celebrate Ameren costs booked during the test year. As
27 these signs were used for that event, Staff has now included 50% of these costs
28 into the cost of service.

- Street Pole Banner – Ms. Moore states that the banners are placed around the
headquarters of the Ameren general office building to show a strong workforce,

1 service provided to customers and identification of their location. During a
2 meeting with Ameren personnel, it was explained that these banners are for
3 recruiting purposes that show a diverse population in hiring. First, the primary
4 message of the street pole banners is to promote Ameren Missouri's image of
5 hard work in the community. Many of the banners merely show usage of
6 electricity through the many technological products that exist today. This does
7 not portray a message of recruitment but rather that Ameren Missouri is a good
8 company because it powers the gadgets and equipment people use today. While
9 the banners may assist with the large sign in front of Ameren Corporation
10 headquarters in signaling where the Company is located, a person who is not
11 already employed by the Company will more than likely not see them nor see
12 the primary message as inviting them to apply and work there.

- 13 • STL American Diversity Ad – Ms. Moore describes this ad as demonstrating
14 that Ameren Missouri values a diverse workforce and customer base in order to
15 recruit highly-talented co-workers. However the ad shows an African-
16 American male working with the message that Ameren provides electricity and
17 natural gas that is vitally important to the region and powers life for people in
18 Illinois and Missouri. Ameren Missouri is a monopoly and as such has no
19 competition. The primary message of this ad tells customers Ameren provides
20 a vital utility service for which customers already know.
- 21 • PNC to Ameren Presentation Check – Ms. Moore describes this “faux check”
22 as demonstrating that Ameren seeks cost savings by finding partners that
23 help keep costs down and save the customers money. Staff had to seek
24 further explanation from the Company to determine the context and purpose of
25 this “ad”. Staff learned this is a poster check that Ameren uses to demonstrate
26 P-card rebates received from PNC Bank for savings on public relations
27 expenses. The primary message of this faux check is to promote the image of
28 Ameren as a good company because Ameren is seeking to keep its costs low.
29 Customers already expect this of the Company and its management.

- 1 • Energy Assistance Event Posters – Ms. Moore discusses how the energy
2 assistance event is held to make sure Ameren Missouri’s energy assistance
3 partners understand the services the utility has to help customers who struggle
4 to pay their utility bills. The costs in question are the costs for the posters, not
5 the event. The primary message of these posters are institutional in nature as
6 they only show Ameren employees utilizing time to promote various
7 community events/programs such as the “Cool down St. Louis and Heat up
8 St. Louis” air conditioner and winterizing giveaways, Energy Assistance
9 Workshops, Community Action Agency and non-profit resource fairs, etc.
10 Staff believes the events themselves have costs that may be reasonable for
11 inclusion, however this poster’s primary message appears to promote Ameren’s
12 image as a steward of the community rather than list and explain the program
13 options that customers can utilize, what customers are eligible for the programs
14 or how they would utilize them.
- 15 • Power Play Goals for Kids – This graphic is related to a program that is used to
16 help acquire new followers on Ameren Missouri’s social media platforms.
17 Ms. Moore defends inclusion of this cost by discussing that participation in the
18 program during the year attracted new followers at a lesser cost. Staff is not
19 opposed to Ameren Missouri’s communication with customers using social
20 media as it can be helpful to customers for messages such as an outage or severe
21 weather. However, the program itself is a sponsorship of the St. Louis Blues
22 Hockey Team where Ameren Missouri donates \$200 per power play goal
23 scored to charity (Crisis Nursery in St. Louis). The primary message of this ad
24 is institutional in that it promotes Ameren Missouri’s image by associating with
25 the St. Louis Blues and donating to charity. These costs are merely charitable
26 donations for which customers would not have a choice in funding, if allowed
27 in rates.
- 28 • Blank Check – This is a dry erase blank check that the utility considers a cost
29 efficient message to show customers how Ameren Missouri supports their

1 communities. After discussion with Ameren Missouri personnel, this blank
2 check is used for charitable contributions at public relations events. This clearly
3 is institutional in nature and promotes Ameren Missouri's image to the
4 customers and community.

5 Staff has attached copies of the advertisements that are still recommended for disallowance
6 from the cost of service as Schedule CDC-s1.

7 **TRUE-UP DIRECT**

8 **A. Insurance Expense**

9 Q. How did Staff update insurance expense as part of its true-up audit?

10 A. Staff reviewed the insurance policies for any expired and renewed insurance
11 premiums. Staff annualized the insurance expense to include all ongoing insurance premium
12 amounts through May 31, 2019.

13 Q. Does this conclude your surrebuttal and true-up direct testimony?

14 A. Yes, it does.

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

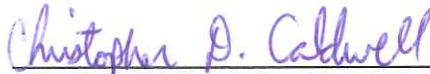
In the Matter of Union Electric Company)
d/b/a Ameren Missouri's Tariffs to Increase)
its Revenues for Natural Gas Service) Case No. GR-2019-0077

AFFIDAVIT OF CHRISTOPHER D. CALDWELL

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

COMES NOW CHRISTOPHER D. CALDWELL and on his oath declares that he is of sound mind and lawful age; that he contributed to the foregoing *Surrebuttal / True-up Direct Testimony*; and that the same is true and correct according to his best knowledge and belief.

Further the Affiant sayeth not.

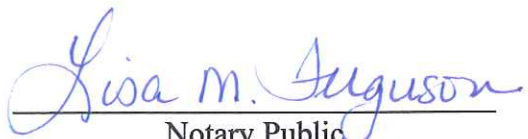


CHRISTOPHER D. CALDWELL

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of St. Louis, State of Missouri, at my office in St. Louis, on this 9th day of July 2019.

LISA M. FERGUSON
Notary Public - Notary Seal
State of Missouri
Commissioned for St. Louis County
My Commission Expires: June 08, 2020
Commission Number: 16631502



Notary Public