

Exhibit No.:

Issue(s):

Witness/Type of Exhibit:

Sponsoring Party:

Case No.:

Rate Case Expense/
Management Expense

Conner/Direct

Public Counsel

GR-2019-0077

DIRECT TESTIMONY

OF

AMANDA C. CONNER

Submitted on Behalf of the Office of the Public Counsel

**UNION ELECTRIC COMPANY
D/B/A AMEREN MISSOURI**

FILE NO. GR-2019-0077

**

**

Denotes Confidential Information
that has been redacted

April 19, 2019

PUBLIC VERSION

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**


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

AFFIDAVIT OF AMANDA C. CONNER

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

Amanda C. Conner, of lawful age and being first duly sworn, deposes and states:

1. My name is Amanda C. Conner. I am a Public Utility Accountant I for the Office of the Public Counsel.
2. Attached hereto and made a part hereof for all purposes is my direct testimony.
3. I hereby swear and affirm that my statements contained in the attached testimony are true and correct to the best of my knowledge and belief.


Amanda C. Conner
Public Utility Accountant I

Subscribed and sworn to me this 19th day of April 2019.



JERENE A. BUCKMAN
My Commission Expires
August 23, 2021
Cole County
Commission #13754037


Jerene A. Buckman
Notary Public

My Commission expires August 23, 2021.

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DIRECT TESTIMONY
OF
AMANDA C CONNER
UNION ELECTRIC COMPANY
d/b/a AMEREN MISSOURI
CASE NO. GR-2019-0077

1 **I. INTRODUCTION**

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

3 A. Amanda C. Conner, P.O. Box 2230, Jefferson City, Missouri 65102.

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

5 A. I am employed by the Missouri Office of the Public Counsel (“OPC”) as a Public Utility
6 Accountant.

7 **Q. On whose behalf are you testifying?**

8 A. I am testifying on behalf of the OPC.

9 **Q. What is the nature of your duties at the OPC?**

10 A. My duties include performing audits, reviews and examinations of the books and records of
11 public utilities operating within the state of Missouri.

12 **Q. Have you conducted a review of the books and records of Union Electric Company d/b/a**
13 **Ameren Missouri (Ameren) in this rate case?**

14 A. Yes, with the assistance of other members of the OPC.

15 **Q. Please describe your educational background.**

16 A. I earned a Bachelor of Science degree in Accounting from Columbia College in May 2012.

17 **Q. Please describe your related background.**

1 A. I began my employment with the OPC in February of 2016. Prior to my current position, I
2 was employed by the Missouri Department of Revenue, where I worked with the public
3 addressing various types of tax issues.

4 **Q. Have you received specialized training related to public utility accounting and**
5 **ratemaking?**

6 A. Yes. I have received regulatory and ratemaking training as an employee of the OPC, working
7 with the OPC's experts including Certified Public Accountants. In addition to this training, I
8 attended the Utility Ratemaking Fundamentals course sponsored by Brubaker & Associates,
9 Inc. in the spring of 2016. In the fall of 2016, I attended the NARUC Utility Rate School
10 sponsored by Michigan State University.

11 **Q. Have you previously filed testimony before the Missouri Public Service Commission**
12 **("Commission" or "PSC")?**

13 A. Yes. Please refer to Schedule ACC-D-1, attached to this testimony, for a list of cases in which
14 I have submitted testimony.

15 **Q. What is the purpose of your direct testimony?**

16 A. My testimony addresses the OPC's ratemaking position on the following issues: 1) Rate Case
17 Expense, and 2) Management Expense Charges.

18 **II. RATE CASE EXPENSE**

19 **Q. What is the OPC's position on the reasonable allocation of rate case expense between**
20 **ratepayers and shareholders in a utility rate case?**

21 A. First I look to see if the amount of rate case expense is reasonable. My position is that it is
22 not reasonable to include 100% of rate case expense in customers' rates because shareholders
23 also benefit.

1 In that regard, I support the rate case expense methodology of sharing the rate case expense
2 between the Company's customers and its shareholders. The Commission ordered this same
3 methodology in KCPL's ER-2014-0370 rate case ("2014 Order").

4 The methodology determines how rate case expense should be shared between ratepayers and
5 shareholders based on the ratio of Ameren Missouri's ("Ameren" or "Company")
6 Commission authorized revenue requirement increase to the Company's requested revenue
7 requirement increase, net of any of the OPC's adjustments. The adjusted, allocated amount
8 of Ameren's share of the rate case expense should be recovered over four years

9 **Q. Do you believe this methodology is reasonable?**

10 A. Yes. I agree with the Commission's approach, which is the methodology the Commission
11 Staff ("Staff") has applied in most, if not all, of its rate case Cost-of Service Reports since the
12 2014 Order.

13
14 **Q. Is rate case expense significantly different from other types of operating expenses?**

15 A. Yes. For example, Ameren can only estimate rate case expense, which will vary depending
16 on how the rate case proceeds. Other operating expenses such as prepayments, while subject
17 to updates, will not change directly because of the process of the case. Furthermore, of the
18 rate case expenses incurred, a portion is exclusively for the benefit of Ameren shareholders.

19 **Q. What is the current rate case expense Ameren estimated in answer to Staff's data
20 request 77?**

21 A. In its direct filing, Ameren has an estimated rate case expense of ** **.

22 **Q. What are some of the factors causing this estimated rate case expense?**

23 A. According to Ameren's answer to Staff's data request 77, Ameren is anticipating spending
24 ** ** on outside services, which does not include the Depreciation Study. It also
25 estimates ** ** in attorney fees.

1 **Q. Do you consider this to be reasonable for rate case expense?**

2 A. No. The amount of estimated rate case expense is almost 1/3 of the amount of rate
3 increase Ameren requested. I believe that Ameren could have done much of the work in-
4 house, but Ameren chose to hire outside consultants and attorneys. It is unreasonable to
5 expect ratepayers to pay for all of these outside consultants.

6 **Q. Does OPC support normalizing or amortizing rate case expense?**

7 A. OPC recommends normalizing the rate case expense over 4 years.

8 **III. MANAGEMENT EXPENSE CHARGES**

9 **Q. Does Ameren have a policy on the types of employee expenses that are reimbursable?**

10 A. Yes. In its response to OPC's DR 1204 Ameren provided an overview of its expense
11 policies ("Expense Policy"). See attached at ACC-D-2.

12 **Q. Did you conduct a review of Ameren management expense charges?**

13 A. Yes. I conducted a detailed analysis of all or substantially all of Ameren officer expenses
14 charged in the June 30, 2018, test year general ledger.

15 **Q. Are there issues with the data Ameren sent in regards to DRs 1201-1205?**

16 A. Yes. The first issue is that Ameren did not send invoices and/or receipts with its expense
17 report spreadsheet. In contrast, in the Ameren Electric Case, Case No. ER-2016-0179
18 (Electric Case), the company sent all expense reports with invoices and/or receipts, which
19 were not provided in this case. The Company asked to send a sampling, to which I agreed,
20 however, I wanted to choose my own sample of the invoices instead of the Company
21 choosing. This required me to review the entire spreadsheet to be able to find the invoices
22 I wanted to review.

1 The next issue is regarding the Expense spreadsheet itself. In the description cell, there is
2 very little information that can be easily identified regarding the reason for the expense.
3 This makes it extremely difficult to audit and is unlike the information the Company sent
4 in the Ameren Electric Case, Case No. ER-2016-0179 (Electric Case). See attached
5 confidential schedules ACC-D-3. Below is an example of the information sent in the
6 Electric rate case:

ER-2016-0179						
Expense Report Number	Actual Expense Date	Voucher Number	Merchant Name	Expense Justification	Total Line Amount	Major Minor Code
1748211	10/21/15	002609130	INTERCONTINENTAL CHICAGO	CHICAGO BOOTH SCHOOL OF BUSINESS - ADVANCED STRATEGY PROGRAM - DINNER - MJL	73.09	921001
GR-2019-0077						
Invoice #	Month	Voucher #		Description	Amt	Major
6198486	201806	003381591		Parking, Taxi, Tips, Tolls & Fares(RT80)::City Hal	4.00	921

7

8 The Company included the Merchant Name and Expense Justification in the Electric Case,
9 but in this case the Company merged these into the Description section. In OPC data
10 request 1214, I have asked the Company to explain why there is such a discrepancy
11 between the two cases and I am waiting for a response.

12 Next, there are management expense charges to Federal Energy Regulatory Commission
13 (FERC) accounts 870 and 880.¹ FERC account 870 is titled as “Operation Supervision and
14 Engineering.” In the description of this account, it states that this account should include
15 the cost of labor and expenses incurred such as load dispatching, mains operation,
16 removing and resetting meters, etc. Account 880 is titled as “Other Expenses” and is
17 described as the cost of distribution maps and records, distribution office expenses, and the

¹ <https://www.ecfr.gov/cgi-bin/text-idx?c=ecfr&SID=054f2bfd518f9926aac4b73489f11c67&rgn=div5&view=text&node=18:1.0.1.6.46&idno=18>

1 cost of labor and materials used and expenses incurred in distribution systems not provided
2 elsewhere. Costs include expenses of street lighting systems and research, development,
3 and demonstration expenses. None of the officer expense charges to these accounts fit
4 under the FERC guidelines and descriptions.

5 **Q. What were your findings from your review?**

6 A. I identified numerous violations of Ameren's Expense Policy (Policy).

7 **Q. What are some of these violations?**

8 A. My first concern was the lack of justification for expenses, despite the following policy
9 requirements for justifying transactions:

- 10 1. Meals: When practical, Employees should avoid scheduling meetings over the meal
11 period. The business purpose of the meal must be included in the expense
12 justification.
- 13 2. Documenting Transactions: Justification (business reason for transaction).

14 By not providing purpose descriptions as required, Ameren's officers have not provided
15 sufficient data to justify many of their expenses.
16

17 **Q. Does the Expense Policy state anything regarding alcohol consumption?**

18 A. Yes. Under item 5. Descriptions of Potential Expenses/Transactions and Instructions alcohol
19 is listed in category 7. Alcohol purchased with a meal is an allowable expense, but must be
20 submitted separately.

21 **Q. Did the Company show that separate submission in the information submitted?**

22 A. No. In other rate cases, including the Electric Case, I have followed the policy that I exclude
23 alcohol expense. While I agree that Ameren can consider alcoholic beverages as a legitimate
24 business expense, it should be charged to its shareholders, and not ratepayers. Expense for
25 alcohol should be charged in below-the-line accounts.

1 **Q. What is the amount of adjustment you are making?**

2 A. The amount of management expenses removed for Ameren is \$760,868. The purpose of
3 removing this amount is to protect ratepayers from reimbursing Ameren for expenses that
4 are not needed to provide safe and adequate service to their customers. These charges
5 include:

6 1. Meals in the St. Louis, MO area, which is also against Ameren's Policy regarding local
7 meals.

8 2. Charges to Edison Electric Institute (EEI) and Electric Power Research Institute (EPRI).
9 These charges belong in the electric case.

10 3. One officer's primary job is lobbying; all charges for this officer were excluded because
11 lobbying expenses benefit the shareholder.

12 4. All charges I have requested invoices/receipts to create my sample. These exclusions may
13 be updated once I have reviewed the information requested.

14 **Q. How did you calculate the management expense adjustment?**

15 A. First I determined what expenses were reasonably related to Ameren's provision of service to
16 customers. Next, I took the total number of Ameren officer expenses during the test year in
17 the amount of \$289,622 and divided that total by the total of disallowed expenses of \$186,021
18 to establish a percentage of disallowed charges. This percentage is 64.23 % of the charges I
19 viewed as imprudent and/or unreasonable.

20 Next I took the calculated amount of management expenses charged during the test year **
21 ** and multiplied it by 64.23%. This resulted in \$564,847 as the amount of
22 disallowable expenses for the managers.

23 Finally, I add the \$186,021 of disallowable officer expense to the \$574,847 of disallowable
24 manager expenses, resulting in my total adjustment of \$760,868. This calculation is attached
25 as ACC-D-4.

1 **Q. Why does OPC use officers to create its management expense adjustment?**

2 A. OPC believes that the officers of a utility company set the “Tone at the Top.” This means that
3 if the officers of a company are charging imprudent and unreasonable expenses to ratepayers,
4 it is indicative that the company’s managers are also following this same attitude towards
5 charges.

6
7 **Q. Does this conclude your direct testimony?**

8 A. Yes, it does.

**CASE PARTICIPATION
OF
AMANDA C. CONNER**

<u>Company Name</u>	<u>Case No.</u>
Empire District Electric Company	ER-2016-0023
Kansas City Power & Light Company	ER-2016-0285
Laclede Gas Company	GR-2017-0215
Missouri Gas Energy	GR-2017-0216
Missouri American Water Company	WR-2017-0285
Liberty Utilities	GR-2018-0013
KCP&L Greater Missouri Operations Company	ER-2018-0146
Kansas City Power & Light Company	ER-2018-0145

GR-2019-0077

Conner Direct

Schedules ACC-D-2 and ACC-D-3

have been deemed

“Confidential”

in their entirety