Exhibit No.:	______________
Issue(s):	Rate Case Expense/ Management Expense/ Severance Payments
Witness/Type of Exhibit:	Conner/Direct
Sponsoring Party:	Public Counsel
Case No.:	ER-2019-0335

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. ER-2019-0335

December 4, 2019

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF THE MISSOURI

In the Matter of the Union Electric Company d/b/a	)	
Ameren Missouri's Tariffs to Decrease Its	)	File No. ER-2019-0335
Revenues for Electric 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
Amanda C. Conner
Public Utility Accountant I

Subscribed and sworn to me this 4th day of December 2019.

NOTARY PUBLIC
NOTARY SEAL
STATE OF MISSOURI

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

Jerene A. Buckman
Jerene A. Buckman
Notary Public

My Commission expires August 23, 2021.

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OF

AMANDA C CONNER
UNION ELECTRIC COMPANY

d/b/a AMEREN MISSOURI

CASE NO. ER-2019-0335

I. INTRODUCTION

Q. Please state your name and business address.

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

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

A. I am employed by the Missouri Office of the Public Counsel ("OPC") as a Public Utility Accountant.

Q. On whose behalf are you testifying?

A. I am testifying on behalf of the OPC.

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

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

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

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

Q. Please describe your educational background.

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

Q. Please describe your related background.

A. I began my employment with the OPC in February of 2016. Prior to my current position, I was employed by the Missouri Department of Revenue, in both the Taxation Division Collections Section and General Counsel's Office, Bankruptcy Unit, where I worked with the public addressing various types of tax issues.

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

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

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

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

Q. What is the purpose of your direct testimony?

A. My testimony addresses the OPC's ratemaking position on the following issues: 1) Rate Case Expense, 2) Management Expense Charges, and 3) Severance.

II. RATE CASE EXPENSE

Q. What is the OPC's position regarding the amount of rate case expense that should be included in customer rates in this case?

A. OPC's position is that it is not reasonable to include 100% of rate case expense in customers' rates because shareholder(s) also benefit from a rate case.

Q. What process did you use to arrive at that position?

A. First I looked to see if the amount of rate case expense is reasonable. All unreasonable costs were removed to be paid by the Company's owner, as it has the authority to prevent this expenditures from occurring.

In that regard, I support the rate case expense methodology of sharing the rate case expense between the Company's customers and its shareholder(s). The Commission ordered this same methodology in KCPL's ER-2014-0370 rate case ("2014 Order") and it is OPC's position that this methodology is appropriate for this case adjusted for unique features in this case.

The 2014 Order methodology determines how rate case expense should be shared between ratepayers and shareholders based on the ratio of Ameren Missouri's ("Ameren" or "Company") Commission authorized revenue requirement decrease to the Company's requested revenue requirement effective rate change, net of any of the OPC's adjustments. Accordingly, the adjusted, allocated amount of Ameren's share of the rate case expense should be recovered over four years.

Q. Why should ratepayers not pay all the rate case costs for when the Company asserts reduces their customer rates by approximately a million dollars?

A. There are a number of reasons why rate case expense should be shared. First, as the Commission concluded in the 2014 Order, shareholders benefit greatly from rate cases. Second, the fact that this case was characterized as a rate decrease is questionable as one considers customers will no longer receive $177 million of Tax Cuts and Jobs Act bill credits and may pay over $100 million more in Fuel and Purchased Power Rate Adjustment Mechanism (FAC) surcharge revenues if Ameren's proposed $100 million FAC base reduction is later charged back to customers through the FAC adjustment mechanism. See the direct testimony of Lena Mantle and Robert Schallenberg for more details. Lastly, Ameren typically incurs rate case expenses that exceed the total $700,000 decrease it proposes in this case, which begs the question as to why Ameren even filed this case if the expense of the case itself would erode the claimed customer savings. For all of these reasons, the Commission should require customers to pay *no more* than 50% of Ameren's total rate case expense. I say "no more" because, based on the facts above, the Commission would be justified to order customers to pay even less than 50% for rate case expense.

Q. Do you believe the 2014 Order methodology is reasonable?

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

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

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

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

A. In its direct filing, Ameren has an estimated rate case expense of $501,045 without the Depreciation Study.

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

A. According to Ameren's answer to Staff's data request 153, which asked what containment measures Ameren was using to reasonably minimize costs, Ameren stated that they made an effort to do more work-in-house, but that it was not possible to quantify what level of savings resulted from these measures.

Q. Do you agree with Ameren's statement?

A. No. First, quantifying savings should not be a difficult task since Ameren has the information from their 2016 rate case, Case No. ER-2016-0179.

Secondly, I do not believe that Ameren is using any cost containment measures. They are using a consultant for Witness Skills Development, for which they have already spent $42,276.37 as of September 2019. They are also hiring an outside Rate Design witness whose hourly rates are between $250 and $550 an hour, depending on the scope of work being done on any given invoice. This has totaled to $115,354.81 as of September 2019. They have another consultant for Ameren's cost allocation manual (CAM) that has totaled $116,048.18 as of September, 2019. They have also signed a contract for Return on Equity testimony for which the not-to-exceed budget is $31,380.00. The Company's legal expenses are negligible at this point.

Q. What is your position regarding amortizing the rate case expense over three years?

A. First, OPC position is to normalize, not amortize. At this time, OPC is expecting that the Company will file another rate case in about a year. Based on this representation, it is only right that the rate case expense be collected in that year before the next case. If rate case expense are amortized for three years and then the Company files another rate case within the next three years, ratepayers will be charged for both this case's rate case expense and any allowable rate case expense in the next case. By normalizing the rate case expense, any amount left from this rate case would be uncollectable after the next rate case is filed.

Q. What is your position regarding amortizing the Depreciation Study?

A. Ameren is requesting $54,451 to be included from the last Depreciation Study. I find this problematic because the study was done in 2014 and included in their 2014 rate case, Case No. ER-2014-0258. Ameren is in the process of performing a new Depreciation Study this year. Because the Depreciation Study was included in the 2014 rate case, the five (5) year amortization should be completed before rates for this rate case are in place. Because the

2014 Study should already be paid off, I do not believe that this amount should be included in the rate case, especially since Ameren is including costs for the 2019 Depreciation Study in their rate case expense. I oppose this accounting and assert that the costs of the Deprecation Study should be recorded in account 928 “Regulatory commission expenses” as the study is required independent of the rate case. The total of the 2019 Depreciation study as of September 2019 is $87,984.84, so Ameren can either amortize that over five (5) years or wait until they file the next rate case to include the amount for this Depreciation Study.

Q. Do you have any further opinions regarding Ameren’s rate case expense?

A. Yes, I am of the opinion that Ameren is spending an extremely high amount in rate case expense for a relatively small rate reduction. Ameren requested to decrease its rates by $700,000 annually. Ameren’s current rates produce approximately $3 billion of revenues. The Company asserts its customer rates will be reduced by three (3) pennies a month as a result of their filing. Thus, the Company has initiated a huge commitment of its resources as well as those of the Commission, its Staff, OPC, and other interveners for a negligible reduction.

III. MANAGEMENT EXPENSE CHARGES

Q. What is your concern with the Company’s management and officer expenses?

A. It has been my experience in the Company’s recent natural gas case that there are significant issues regarding the inappropriate handling of expense account reimbursements. Based on the review I conducted in this case, I discovered some irregularities in the accounting for manager and officer expenses.

Q. Does Ameren have a policy on the types of employee expenses that are reimbursable to their managers and officers?

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

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

A. Yes. I conducted a significant detailed analysis of the company's officers and managers expenses charged in the first quarter of the 2018 general ledger.

Q. Do you normally audit all of a company's officers and managers?

A. No.

Q. What made you decide to conduct such an extensive audit for this rate case?

A. In Case No. GR-2019-0077, I performed the normal sampling audit that I have done for over three years. However, in that case the Company criticized my audit claiming I did not look at Ameren's non-officer and manager expenses. Therefore, I decided to expand the scope of study to all officers and managers that charged to Ameren Electric during the test year and made my sample from the first quarter. My sample is only from the first quarter because including non-officers increased the volume of data to the point where a full year sample would be impossible to complete before the filing deadline for this testimony.

Q. Did you make any concessions for Ameren regarding this audit?

A. Yes, I am reviewing invoices that I have questions on regarding the charges.

Q. Have you sent your requested invoices yet?

A. I have sent a request for several invoices, and will likely have more as my review continues.

Q. What are your findings from your review?

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

Q. What are some of these violations?

A. My first concern was the lack of justification for expenses, contrary to Policy requirements for justifying transactions. These Policy requirements are:

1. Meals: When practical, Employees should avoid scheduling meetings over the meal period. The business purpose of the meal must be included in the expense justification.

2. Documenting Transactions: Justification (business reason for transaction).

By not providing purpose descriptions as required, the Company's officers and managers did not have sufficient data to justify many of the expenses they approved or submitted.

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

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

Q. What is OPC's position on alcohol consumption charged to ratepayers?

A. I follow OPC's policy to exclude alcohol expense. Its OPC's position that alcoholic consumption is not conducive to conducting the Company's electric utility business. The expense for alcohol should be charged in below-the-line accounts.

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

A. The annual amount of management expenses removed as of this filing for Ameren is $1,306,291. The purpose of removing this amount is to protect ratepayers from reimbursing Ameren for expenses that are not needed to provide safe and adequate service to their customers. These charges include:

1. Meals in the manager/officers work location without sufficient business justification, which is also against Ameren's Policy regarding local meals.

2. Charges to Edison Electric Institute (EEI) and Electric Power Research Institute (EPRI).

3. There are a few managers and officers whose primary job is lobbying but for those personnel whose primary job is lobbying, all charges for this officer were excluded because lobbying expenses benefit the shareholder.

4. All other charges that are otherwise unreasonable or imprudent for which I may identify as my review continues.

Q. Are you providing documentation in regards to your calculation?

A. Yes. This calculation is attached as ACC-D-3.

Q. What are some of the examples of your fourth excluded category, "otherwise unreasonable or imprudent"?

A. Examples of such charges:

1. A trip to Canada that is posted to FERC Account 524 that includes meals, travel, and hotel accommodations.

2. A trip to Rome, Italy posted to FERC Account 517 that includes meals, travel, and hotel accommodations.

3. There are also charges for the storm relief efforts in Puerto Rico, which are charged to various FERC Accounts. The company was reimbursed for these charges, and they are also considered a non-recurring event.

Q. Are all of the "otherwise unreasonable or imprudent" expenses travel-related then?

A. No. I also found questionable charges related to Ameren Missouri's membership in the Utility Air Regulatory Group (UARG). UARG is a lobbying group that pursues various legislative goals that may not be in the best interests of Ameren Missouri's customers or be those that customers may not wish to support. I therefore excluded UARG related charges in my audit. Public reporting has also recently addressed this topic. See Schedule ACC-D-4 for context.

IV. SEVERANCE PAYMENTS

Q. Does the Commission typically allow rate recovery of utility severance payments?

A. No. The Commission typically does not allow rate recovery of utility severance payments.

Q. Are severance payments a type of utility cost that should be included in a utility's cost of service?

A. No, for numerous reasons. The primary reason is that severance payments are often recovered by the utility through regulatory lag. Regulatory lag usually allows a utility to not only recover the amount of severance payments, but in some cases recover two and three times the amount of the severance payment. This is the result of a utility recovering the salaries and benefits, after the employees have been severed, in rates until rates are changed in the next utility rate case.

Another major reason why I believe that the cost of utility severance agreements should not be included in cost of service is that the agreements signed by the severed employee contains language designed to safeguard utility officers and shareholders from potential litigation and embarrassment. Utility severance agreements typically require the severed employee to surrender and release any legal claims the employee may have against the utility for any reason and prohibits the employee from making any disparaging or critical statements of any nature whatsoever about the utility. These agreements primarily benefit the utility's shareholder, while discouraging benefits customers may get from former-employee whistleblower revelations. The cost of securing these types of commitments from severed employees should therefore be borne by shareholders and not ratepayers.

Q. Does this conclude your direct testimony?

A. Yes, it does.