

EXHIBIT

Exhibit No.: 409
Issue(s): Management Expense Adjustment/
Credit Card Processing Fees/
Cash Working Capital (CWC)
Witness/Type of Exhibit: Conner/Rebuttal
Sponsoring Party: Public Counsel
Case No.: GR-2017-0215
GR-2017-0216

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REBUTTAL TESTIMONY

OF

AMANDA C. CONNER

Submitted on Behalf of the Office of the Public Counsel

**LACLEDE GAS COMPANY
MISSOURI GAS ENERGY**

CASE NO. GR-2017-0215
CASE NO. GR-2017-0216

October 17, 2017

OPC Exhibit No. 409
Date 12-28-17 Reporter AF
File No. GR-2017-0216

EXHIBIT

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of Laclede Gas Company's)
Request to Increase Its Revenues for Gas) Case No. GR-2017-0215
Service)

In the Matter of Laclede Gas Company)
d/b/a Missouri Gas Energy's Request to) Case No. GR-2017-0216
Increase Its Revenues for 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 rebuttal 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 Conner
Amanda C. Conner
Public Utility Accountant I

Subscribed and sworn to me this 17th day of October 2017.



JERENE A. BUCKMAN
My Commission Expires
August 23, 2021
Cole County
Commission #13764037

Jerene A. Buckman
Jerene A. Buckman
Notary Public

My Commission expires August 23, 2021.

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REBUTTAL TESTIMONY

OF

**AMANDA C CONNER
LACLEDE GAS COMPANY**

MISSOURI GAS ENERGY

CASE NO. GR-2017-0215

CASE NO. GR-2017-0216

1 **Introduction**

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

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

4 **Q. Are you the same Amanda Conner who filed direct testimony in this case?**

5 A. Yes.

6 **Q. What is the purpose of this rebuttal testimony?**

7 A. The purpose of this rebuttal testimony is to respond to the direct testimonies of Missouri
8 Public Service Commission ("Staff") witness Jason Kunst on the management expenses and
9 credit card processing fees, and Staff witness Karen Lyons cash working capital ("CWC").

10

11 **Management Expense Adjustment**

12 **Q. Did you review Mr. Kunst's direct testimony on Staff's proposed officer expense**
13 **account adjustment?**

14 A. Yes.

15 **Q. Does OPC agree with the specific expense disallowances proposed by Staff?**

1 A. Yes. Staff removed charges that should not be included in a utility's cost of service.

2 **Q. Is the level of Staff's proposed adjustment sufficient to protect Laclede and MGE's**
3 **ratepayers from excessive and unreasonable expense charges?**

4 A. No. In my direct testimony, I provided evidence in support of a much larger expense
5 disallowance than is proposed by Staff. Staff's proposed adjustment is to remove only
6 \$46,299 from Laclede's test-year books and only \$24,290 from MGE's books. The Staff's
7 proposed disallowance is understated and insufficient when a full review and analysis of
8 the quality and quantity of Laclede's and MGE's evidence is performed.

9 For example, Staff did not question why Laclede's ratepayers should pay thousands of
10 dollars in rates for what is described as an insurance-broker meeting in Bermuda. In
11 addition, Staff apparently did not question expenses for spouse travel and meals, or the
12 inclusion of the cost of alcoholic beverages in meal expenses the companies proposed to
13 pass through to ratepayers. Finally, Staff did not raise any issue with the numerous times
14 Laclede employees charged for meal expenses, which were above the maximum charges
15 recommended in the Companies' policies.

16 **Q. In formulating its adjustment, did the Staff use the exact same data source used by**
17 **OPC as the basis of its adjustment?**

18 A. Yes. The information Staff relied upon as the basis of its adjustment is found in Laclede's
19 response to OPC's Data Request 1033.

20 **Q. Since its direct filing, have you continued to review Laclede's employee expense**
21 **reports?**

22 A. Yes.

23 **Q. Have you continued to find examples of charges in excess of what is necessary for**
24 **Laclede to provide safe and adequate utility service?**

1 A. Yes. I am continuing to review the invoices I received and will include my analysis of any
2 additional detailed invoices the companies send in subsequent testimony in this case.

3
4 **Credit Card Processing Fees**

5 **Q. What is OPC's position on the socialization of credit-card-processing fees?**

6 A. Socialization of credit-card fees means all customers will pay for these fees, even though
7 only some customers actually pay their bill using this method. To state it another way,
8 Laclede and MGE propose to require all of their customers to pay the credit-card fees
9 instead of the limited number of customers who pay by credit card paying the fee. OPC
10 understands that some customers prefer to pay in this manner, however, as with most
11 services, if there is a fee for this style of payment, the customer using this service should
12 pay the fee. For example, other ratepayers do not subsidize postage fees for customers who
13 choose to mail their utility bill. Nor do other ratepayers pay the fees charged by pay
14 stations, such as Gerbes or Schnucks. Likewise, ratepayers who do not pay by credit card
15 should not subsidize credit-card fees.

16 OPC opposes this shift of costs from the customers who make use of this payment method,
17 unless there is strong evidence that the incremental benefit to all ratepayers outweighs the
18 costs. Since OPC has not seen any evidence in support of the Companies' proposal, OPC
19 recommends the Commission reject socialization of credit card fees.

20 **Q. Did you review Staff witness Kunst's testimony on credit card processing fees?**

21 A. Yes. Kunst testifies in favor of Laclede's socialization of credit-card fees. The only reason
22 provided by Staff in its recommendation to force all Laclede ratepayers to subsidize the
23 bill paying practices of a limited number of Laclede ratepayers is that MGE does it this
24 way. Staff supports an increase in the cost of service to all ratepayers with no associated

1 benefit to all ratepayers. Given this lack of support, the Commission should disregard
2 Staff's testimony on this issue.

3 **Q. You stated above that Staff's only support for its position on all customers paying for**
4 **credit card fees is that MGE does it this way. Please elaborate.**

5 **A.** In support of its position, Staff refers to a Partial Stipulation and Agreement in MGE rate
6 case GR-2009-0355. Included in this stipulation is the following language:

7
8 **Credit Card Payments.** MGE shall be responsible for the per-
9 transaction expense associated with customer credit card payments
10 for credit card transactions processed via MGE's web site, MGE's
11 interactive voice response system, or manually either by MGE
12 contact center personnel (a telephone transaction) or MGE field
13 collections personnel (a transaction in person) and this expense shall
14 be considered in the calculation of MGE's cost of service in this
15 case.

16
17 **General Provisions**

18 36. This Stipulation is being entered into solely for the purpose of
19 settling the issues specified in Case No. GR-2009-0355. Unless
20 otherwise explicitly provided herein, none of the Parties to this
21 Stipulation shall be deemed to have approved, accepted, agreed,
22 consented or acquiesced to any ratemaking or procedural principle,
23 including, without limitation, any method of cost determination or
24 cost allocation or revenue-related methodology, cost of capital
25 methodology or capital structure, rate design principle or
26 methodology, or depreciation principle or methodology, and except
27 as explicitly provided herein, none of the Parties shall be prejudiced
28 or bound in any manner by the terms of this Stipulation (whether
29 this Stipulation is approved or not) in this or any other proceeding,
30 other than a proceeding limited to enforce the terms of this
31 Stipulation.

32
33 **Q. Does the Stipulation and Agreement include any language related to ratepayer**
34 **benefits of this additional cost?**

35 **A.** No.

1 **Q. Does the language in the Stipulation and Agreement state, “This Stipulation is being**
2 **entered into solely for the purpose of settling the issues specified in Case No. GR-**
3 **2009-0355.”**

4 A. Yes.

5 **Q. Is it reasonable for the Staff to use a Stipulation and Agreement, which is an**
6 **agreement made by the parties for the sole purpose of settling a rate case, as the sole**
7 **basis of its recommendation to increase Laclede’s cost of service?**

8 A. No.

9 **Q. Does OPC recommend that MGE or Laclede’s ratepayers subsidize the bill paying**
10 **habits of a select few ratepayers?**

11 A. No. Without Laclede and Staff providing evidence that such a change will result in
12 ratepayer benefits, OPC does not support all ratepayers subsidizing the limited number of
13 ratepayers who choose to pay their utility bill with a credit card. There has been no
14 evidence put forth in this case to show any benefit from increasing cost of service in order
15 for a limited number of ratepayers to pay their utility bill using a credit card.

16 **Q. If Laclede and Staff believe that increasing cost of service by forcing ratepayers to**
17 **pay for credit card fees will result in ratepayer benefit, would you expect Staff and**
18 **Laclede to propose adjustment to reduce cost of service in these benefit areas?**

19 A. Yes and they have not done so.

20 **Q. In conclusion, please summarize the reasons OPC against this credit card processing**
21 **fees allowance.**

22 A. OPC understands that some customers prefer to pay in this manner, however, as with most
23 services, if there is a fee for this style of payment, the customer using this service should

1 take it on. Postage for sending in payments or gas money to hand deliver a payment is on
2 the customer utilizing that payment method. OPC's position is that unless Laclede and
3 MGE sends a postage paid envelope for those who will not or cannot pay by credit card, it
4 is only right to charge a credit card processing fee to the customers choosing to pay by this
5 method.

6
7 **Cash Working Capital (CWC)**

8
9 **Q. Does OPC agree with Staff witness Lyons' Direct Testimony on Cash Working Capital**
10 **(CWC)?**

11 **A.** Yes, with one exception.

12 **Q. What portion of the Direct Testimony does OPC disagree with?**

13 **A.** Laclede does not pay current income taxes nor does it anticipate being a cash taxpayer in the
14 immediate future. A CWC analysis specifically excludes non-cash transactions. Laclede and
15 MGE's current income tax expenses are non-cash transactions and should be excluded from
16 any CWC analysis approved by the Commission in this case.

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

18 **A.** Yes, it does.