

# EXHIBIT

Exhibit No.: 219 220  
Issue(s): Rate Case Expense/  
Severance Payments/  
Management Expense Adjustment  
Witness/Type of Exhibit: Conner/Surrebuttal  
Sponsoring Party: Public Counsel  
Case No.: WR-2017-0285

FILED  
March 23, 2018  
Data Center  
Missouri Public  
Service Commission

## SURREBUTTAL TESTIMONY

OF

AMANDA C. CONNER

Submitted on Behalf of the Office of the Public Counsel

MISSOURI-AMERICAN WATER COMPANY

CASE NO. WR-2017-0285

February 9, 2018

Exhibit No. 220  
Date 3/9/18 Reporter JLH  
File No. WR-2017-0285

BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MISSOURI


In the Matter of Missouri-American Water )  
Company's Request for Authority to Implement ) Case No. WR-2017-0285  
General Rate Increase for Water and Sewer )  
Service Provided in Missouri Service Areas. )

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 surrebuttal 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 9<sup>th</sup> day of February 2018.



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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**SURREBUTTAL TESTIMONY**  
**OF**  
**AMANDA C. CONNER**  
**MISSOURI AMERICAN WATER COMPANY**  
**CASE NO. WR-2017-0285**

1 **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. Are you the same Amanda C. Conner who filed direct and rebuttal testimony on behalf**  
5 **of the Missouri Office of the Public Counsel (“OPC”) in this case?**

6 A. Yes.

7 **Q. What is the purpose of your surrebuttal testimony?**

8 A. The purpose of this surrebuttal testimony is to respond to the rebuttal testimony from Missouri  
9 American Water Company (“MAWC” or “Company”) regarding rate case expense, severance  
10 payments, and management expense adjustments.

11 **Rate Case Expense**

12 **Q. Did you review the rebuttal testimonies of MAWC witnesses Mr. Brian W. LaGrand**  
13 **and Mr. James M. Jenkins regarding rate case expense?**

14 A. Yes.

15 **Q. Is MAWC requesting rate case expense to be borne solely by ratepayers?**

16 A. Yes.

17 **Q. Is the Company’s approach consistent with past Commission decisions?**

18 A. No. The Commission determined in Case No. ER-2014-0370 (“2014 KCPL rate case”) that  
19 rate case expense should be apportioned between ratepayers and shareholders.

1 **Q. What is OPC's recommendation?**

2 A. The Commission should continue to order just and reasonable rates and directly link rate case  
3 expenses to the reasonableness of the utility's issue positions as well as the dollar value sought  
4 from customers in its rate case.

5 **Severance Payments**

6 **Q. On page 20, line 11, Ms. Bowen states that you are incorrect about MAWC including**  
7 **severance in their expense levels. Is Ms. Bowen's statement correct?**

8 A. It is OPC's understanding that neither MAWC, Staff, or OPC believe the Company is  
9 requesting recovery of severance payments in the current rate case and this adjustment is no  
10 longer an issue.

11 **Management Expense Adjustment**

12 **Q. On page 43, line 4, Ms. Bowen states that expenses should be "deemed prudent and**  
13 **reasonable" because and explanation was not provided as to why such costs are**  
14 **imprudent. Ms. Bowen also argues that OPC did not identify costs totaling OPC's**  
15 **\$200,000 adjustment. Do you agree with Ms. Bowen?**

16 A. No. First, Ms. Bowen ignores the specific examples of imprudent costs that I described in  
17 my direct testimony. Rather than responding to those specific examples, she argues an all-  
18 or-nothing approach in which all costs are "deemed prudent" if she does not understand  
19 the full scope of the proposed disallowance. She could have responded to a variety of  
20 identified imprudent costs. For example, on page 4, lines 23 – 24 of my direct testimony, I  
21 state that ratepayers should not be responsible for the cost of officers and management to  
22 consume alcoholic beverages. On page 5, lines 10 – 21, and page 6, lines 1 – 5, of my  
23 direct testimony, I list a few cost items that I found to be imprudent and excessive. For  
24 example, on page 5, lines 13 – 14, of my direct testimony, was dinner for three totaling  
25 \$128.02 for a legislative meeting. OPC and Staff do not allow lobbying expense; therefore,

1 OPC considers such a dinner to be an imprudent and unreasonable charge. As another  
2 example, I cite airfare to Canada for \$720.64, charged to account 921 - Office Supplies and  
3 Other Expenses on page 6, line 3 of my direct testimony, as an unreasonable charge to  
4 ratepayers. Although my analysis was ongoing at the time, I have since provided the  
5 Company with numerous other examples of imprudent expenditures eliminating Ms.  
6 Bowen's previous justification as to not understanding the full scope of my analysis.

7 **Q. Have you updated the Management Expense Analysis since rebuttal testimony?**

8 A. Yes. OPC received additional invoices from MAWC since filing rebuttal testimony.  
9 OPC's adjustment has increased from \$218,583 to \$248,683.

10 **Q. Between rebuttal testimony and surrebuttal testimony, what caused this change?**

11 A. As stated in rebuttal testimony, MAWC requested to send a "sample" of the invoices OPC  
12 needed to review even though the OPC data request asked for all invoices. OPC agreed to  
13 accept a sampling of invoices to audit rather than the full volume of "all invoices." Once  
14 in possession of these additional invoices, I was able to audit a greater number of  
15 documents and formulate a better analysis.

16 **Q. Were there any issues with the requested invoices sent by MAWC?**

17 A. Yes. All of the requested invoice samples included a monthly expense report; however,  
18 MAWC did not attach the actual invoices to the expense report. In this case, OPC removed  
19 the cost of any requested invoice that was not received, unless the expense report included  
20 enough detail to show if it was a reasonable and prudent expense. This amount totals less  
21 than \$1,300. OPC removed these costs because, among other reasons, the Company failed  
22 to substantiate the prudence of these charges by not adequately retaining invoices.

23 **Q. Did OPC remove charges for any other management expenses?**

24 A. Yes. On January 9, 2018, OPC sent data request 1211 asking what benefit to Missouri  
25 ratepayers did the National Governor's Association ("NGA") summer meeting in Iowa  
26 provide. In response, MAWC stated it is not seeking recovery of these costs in this rate

1 case. However, in response to OPC data requests 1200 and 1201, there is a portion of  
2 charges for the NGA meeting that has been allocated to MAWC. If MAWC does not intend  
3 to pass these charges to ratepayers, then the portion of charges for the NGA meeting should  
4 be removed from the Company's cost of service.

5 In addition to the NGA charges, OPC has concerns about the implementation of American  
6 Water Company's ("AWC") Employee Travel and Business Expenditures Policy provided  
7 in response OPC data request 1203. On page 2, under the heading Meals, it states:

8 When multiple employees are present, the highest ranking employee pays  
9 for the meal and all individuals present are listed on the receipt. For large  
10 groups, it is acceptable to provide a name for the group (i.e. Executive  
11 Management or State Presidents) and the number of attendees.  
12

13 Of the invoices OPC received, the majority did not comply with the Company's policy  
14 regarding meals because the receipts and monthly expense reports lacked attendee  
15 information.

16 Additionally, complying with the Company's policy should not be equated with being a  
17 prudent expense for several reasons. For example, although the policy authorizes it, OPC  
18 does not believe that ratepayers should be required to pay for alcoholic beverages, for the  
19 company entertaining employees and their families at sporting events, for special retreats,  
20 and for expensive dinners that do not help to provide safe and adequate service to  
21 ratepayers.

22 **Q. Please list some charges that OPC excluded from MAWC's expenses.**

23 **A. Below are ten expenses OPC excluded in its final adjustment:**

- 24 1. Dinner at Wilder's Steakhouse in Joplin, MO for \$1,898.47 no attendees listed for  
25 Joplin Public Official's Dinner

- 1                   2. Refreshments for a game at Aramark – Citizen’s Bank Park in Philadelphia, PA for  
2                   \$1,508.58 with 19 people with invoice showing alcohol on the receipt.
- 3                   3. Lunch at Del Frisco’s in Philadelphia, PA for \$672.08 with four people, one was  
4                   an interviewee and their spouse and receipt shows alcohol.
- 5                   4. Dinner for eight at Gene and Georgetti in Rosemont, IL for \$666.47. No itemized  
6                   receipt but comes to \$83.31 a person.
- 7                   5. Meal for two at The ChopHouse in Voorhees, NJ for \$143.31. No itemized receipt  
8                   but comes to \$71.66 a person.
- 9                   6. Meal for four at The ChopHouse in Gribbsboro, NJ for \$388.68. The receipt shows  
10                  alcohol consumption.
- 11                  7. Phillies Game Refreshments at Aramark for \$835.00.
- 12                  8. Dinner at Granite City in Creve Coeur, MO for \$357.86. No itemized receipt or  
13                  number of attendees.
- 14                  9. Rental Car at Enterprise for \$222.33 for ELT Retreat.
- 15                  10. Airfare with United for \$1,121.20 to Austin, TX for a Texas visit.

16   **Q. Does OPC have recommendations for MAWC regarding management expenses?**

17   **A.** Yes. First, MAWC should stop recording alcoholic beverages to the expense accounts  
18   charged to ratepayers. OPC does not believe alcohol consumption is required to provide  
19   safe and adequate service to customers.

20   Second, MAWC has a policy in place for meals; however, they do not require officers to  
21   follow this policy. OPC believes that good behavior starts at the top. If the AWC officers



1 do not follow the expense policy, then it is reasonable to assume that other management  
2 are not required to follow this policy as well.

3 Third, due to lack of detail, OPC does not believe visits to other AWC subsidiaries or other  
4 countries are part of providing safe and adequate service to Missouri ratepayers. Therefore,  
5 these types of travel expenses are imprudent and unreasonable charges.

6 Finally, in order to ensure AWC and MAWC expense charges are not imprudent and  
7 unreasonable to ratepayers, OPC recommends following a practice similar to KCP&L  
8 which is described in my surrebuttal testimony in Case No. ER-2016-0285 on page 2, lines  
9 16-20:

10 The general ledger default account for all officers has been set to  
11 below-the-line non-utility accounts. In order for an officer expense  
12 to be recorded to an operating utility account, the officer or  
13 administrative assistant must positively enter an operating utility  
14 account code to override this default coding.

15 **Q. Does this conclude your surrebuttal testimony?**

16 **A. Yes, it does.**