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Public Counsel

GR-2019-0077

SURREBUTTAL 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

**

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SURREBUTTAL TESTIMONY
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UNION ELECTRIC COMPANY
d/b/a AMEREN MISSOURI
CASE NO. GR-2019-0077

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 surrebuttal testimony?**

7 A. The purpose of my surrebuttal testimony is to respond to the rebuttal testimonies of Ameren
8 Missouri's (Ameren) witnesses Laura Moore and Tom Byrne, and to update the management
9 expenses adjustment.

10 **Rate Case Expense**

11 **Q. Did you review Ms. Moore's rebuttal testimony regarding rate case expense?**

12 A. Yes.

13 **Q. On page 15, line 21 and page 16, line 1, Ms. Moore stated that OPC "does not seem to**
14 **exclude Commission-mandated costs from the sharing adjustment." Do you agree with**
15 **this statement?**

1 A. No. In fact on page 3, line 24 of my direct testimony, I specifically stated that Ameren is
2 anticipating to spend \$350,000 on outside services, not including any Depreciation
3 Study. Ameren's most recent depreciation study was sent to Commission Staff in mid-June
4 2015 using 2014 data. In Ameren's last rate case, GR-2010-0363 (2010) rate case, the
5 company was allowed a three-year amortization for the Depreciation Study in that case. The
6 amount of that Depreciation Study was \$100,000 and when amortized over three years, the
7 amount collected in rates is \$33,333. Since the rate increase started in February of 2011,
8 Ameren has been collecting for the Depreciation Study for approximately eight and a half
9 years. This amount totals to approximately \$283,330. This is approximately \$183,330 over
10 the amount of the Depreciation Study in the 2010 rate case. The cost of the Depreciation
11 Study done in 2015 was \$51,783. Therefore, I am recommending Ameren collects nothing
12 for the Depreciation Study because it has already collected the amount to cover the entire
13 Depreciation Study they used in this rate case leaving approximately \$131,547 in over
14 collection. This amount is enough to pay for Ameren's next Depreciation Study.

15 **Q. On page 16, lines 1-2, Ms. Moore states that the normalization period you propose is**
16 **different from Staff's. Why is the amount of time different?**

17 A. Staff has requested Ameren file another rate case in ** **, therefore, the
18 normalization period for Staff is ** **. My four-year normalization is based on
19 the fact that Ameren Gas has gone nine years between rate case filings. If Ameren Gas files
20 for an ISRS, however, I could agree to a three-year normalization, because by statute, the
21 Company would be required to file a rate case within three years.

22 **Q. On page 16, lines 14-17, Ms. Moore claims that 100% of prudently-incurred rate-case**
23 **expenses should be included in rates. Did she provide any support for her statement?**

24 A. No. The fact that Ameren's claimed rate case expense in this case is approximately *one-third*
25 (\$948,000) of its total requested increase casts doubt on the accuracy and prudence of the
26 expense. The Commission has found that shareholders benefit from rate cases. Under the

1 2014 Order, therefore, shareholders should pay for the portion of rate case expense above the
2 amount required to provide safe and adequate service.

3 **Management Expense Adjustment**

4 **Q. Have you reviewed Ameren witness Tom Byrne's rebuttal testimony regarding your**
5 **proposed disallowance of management expenses?**

6 A. Yes.

7 **Q. On page 17, lines 21-22, Mr. Byrne states that you didn't look at expenses incurred**
8 **by the non-officer employees. Is he correct in this statement?**

9 A. Yes.

10 **Q. Why did you only audit Ameren's officers' expenses?**

11 A. It is my belief that corporate officers set the "Tone at the Top." This means that if a
12 company's officers are charging inappropriate expenses to ratepayers, it is reasonable to
13 think their management employees do the same.

14 **Q. Is the "Tone at the Top" an accepted auditing concept?**

15 Yes, it is. The basis for this approach is the idea that what is acceptable behavior by the
16 Company's officers will also most likely be considered acceptable for lower management.
17 This is why I used the accepted audit practice of sampling.

18 I have used this method in all of the rate cases in which I have performed a management
19 expense audit. This method allows me to assess whether there is an issue with Ameren's
20 internal controls used to separate those management expenses which are not necessary for
21 Ameren to provide safe and adequate service. In this case I determined that the Company's
22 internal controls are inadequate to separate expenses, which were plainly unrelated to

1 Ameren's provision of safe and adequate service, from costs that are the shareholders
2 responsibility.

3 **Q. What is your response to Mr. Byrne's testimony about your auditing technique?**

4 A. Despite my agreement with the Company's request to do a sample, Mr. Byrne, nonetheless
5 criticizes me for not reviewing expenses incurred by non-officer employees. Mr. Byrne
6 does not provide any support for his claim that it is egregious to use the sampling technique
7 I used.

8 **Q. On page 18, lines 7-8, Mr. Byrne agrees that lobbying expenses must be booked below
9 the line, and states that they are. Based on your audit do you agree?**

10 A. No, I requested invoices for the officer in question, and on the mileage and other invoices
11 Ameren supplied, many of the descriptions including the dates, times and nature of the
12 expense included lobbying expenses that were not booked below the line.

13 **Q. On page 18, lines 10-11, Mr. Byrne suggests that meals in St. Louis do not necessarily
14 violate the Company's policies, and there is no basis for my disallowance. Do you
15 agree?**

16 A. Ameren's policy states when practical, all internal meetings should avoid being scheduled
17 over the meal period, and if it is, the convener must provide justification. Since Ameren
18 did not provide records of any justification for scheduling an internal meeting over a
19 mealtime, I disallowed all such meals. Mr. Byrne suggested an example of a situation that
20 might meet Ameren's policy, but the policy requires justification. Mr. Byrne failed to
21 include any of the policy's required documentation stating the justification.

22
23 In my testimony, I explain that OPC's policy is to disallow expenses for local meals. There
24 are two reasons for this. The first is that, on any regular workday Ameren doesn't pay for
25 employees meals. Just because there is a meeting does not change the fact that it is a regular

1 work day. If there is justification for paying for such meals, Ameren's policy allows an
2 exception to its rule. Secondly, Ameren provided nothing to explain why the same
3 meetings could not have occurred in Ameren's nearby corporate headquarters without the
4 added expenses of customer-paid lunches.

5 **Q. On page 18, lines 18-21, Mr. Byrne challenges your disallowance of meals in St. Louis**
6 **because Ameren Missouri's gas operations are located in Central Missouri, do you**
7 **agree with his argument?**

8 A. No. Ameren's main offices are in St. Louis, so the majority of Ameren's officers and
9 managers are in the St. Louis offices.

10 **Q. Have you adjusted the management expense disallowance since your direct**
11 **testimony?**

12 A. Yes.

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

14 A. The amount of management expenses I have removed is \$762,285. The basis of my
15 adjustment is that the Company's natural gas customers should not reimburse Ameren for
16 expenses that do not ratepayer benefits. These charges include, for example, costs for trips
17 to Canada and to Europe, charges for the Company's lobbying activities both in Missouri
18 and at the federal level, and tickets and meals to professional league sporting events. I
19 have also removed excessive expenses for meals in St. Louis where the Company is
20 headquartered; due to the lack of proof that these meals were business related or that there
21 was a reasonable basis for not conducting the meeting at Ameren's nearby corporate
22 headquarters. I also removed charges to events and memberships that **might** benefit
23 electric customers but do not benefit the Company's natural gas customers.

1 **Q. Does this conclude your Surrebuttal testimony?**

2 A. Yes, it does.