

Exhibit No.:
Issue(s): Advertising Expense,
Amortization Expense,
Amortization Reserve,
Common Plant, Credit
Card Fees, Depreciation
Reserve, Injuries and
Damages and Workers'
Compensation, Insurance
Expense, Plant-in-Service,
Postage Expense, Property
Tax Expense, PSC
Assessment, Rate Case
Expense, ROW Clearing
Expense
Witness: Angela Niemeier
Sponsoring Party: MoPSC Staff
Type of Exhibit: Direct Testimony
Case No.: GR-2021-0320
Date Testimony Prepared: January 24, 2022

MISSOURI PUBLIC SERVICE COMMISSION
FINANCIAL AND BUSINESS ANALYSIS DIVISION
AUDITING DEPARTMENT

DIRECT TESTIMONY
OF
ANGELA NIEMEIER

THE EMPIRE DISTRICT GAS COMPANY,
d/b/a Liberty

CASE NO. GR-2021-0320

Jefferson City, Missouri
January 2022

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4 **ANGELA NIEMEIER**

5 **THE EMPIRE DISTRICT GAS COMPANY,**
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1 **DIRECT TESTIMONY**

2 **OF**

3 **ANGELA NIEMEIER**

4 **THE EMPIRE DISTRICT GAS COMPANY,**
5 **d/b/a Liberty**

6 **CASE NO. GR-2021-0320**

7 Q. Please state your name and business address.

8 A. Angela Niemeier, P.O. Box 360, 200 Madison Street Jefferson City, MO 65102

9 Q. By whom are you employed?

10 A. I am a Senior Utility Regulatory Auditor employed by the Missouri Public Service
11 Commission (“Commission”).

12 Q. Please describe your educational background and work experience.

13 A. In early 2020, I completed an MBA from Columbia College. I have worked with the
14 Public Service Commission for two years.

15 Q. What are your responsibilities with the Commission?

16 A. My responsibilities include conducting audits and examinations of regulated utility
17 companies in the state of Missouri.

18 Q. Have you previously filed testimony before this Commission?

19 A. Yes. I have attached a list of the cases in which I have filed testimony before this
20 Commission as Schedule AN-d1.

21 Q. With respect to Case No. GR-2021-0320, have you made an examination of the
22 books and records of the Empire District Gas Company (“Empire”)?

23 A. Yes, with the assistance of other members of the Commission Staff (“Staff”).

24 Q. What knowledge, skills, experience, training, or education do you have in the areas
25 of which you are testifying as an expert witness?

1 A. I have reviewed the prior workpapers, prior cases, prior testimony, and data presented
2 by Empire on these issues.

3 **EXECUTIVE SUMMARY**

4 Q. What is the purpose of your direct testimony?

5 A. The purpose of my direct testimony is to present Staff's recommendations
6 concerning Advertising Expense, Amortization Expense, Amortization Reserve, Common Plant,
7 Credit Card Fees, Depreciation Reserve, Injuries and Damages and Workers' Compensation,
8 Insurance Expense, Plant-in-Service, Postal Expense, Property Tax Expense, PSC Assessment, Rate
9 Case Expense, and Right-of-Way ("ROW") Clearing Expense.

10 **ADVERTISING**

11 Q. What method did Staff use to calculate its adjustment for advertising expense?

12 A. Staff evaluated the invoices and supporting information provided for advertisements
13 and classified them into the five categories as set forth in the Commission's ruling in Kansas City
14 Power and Light Company Case Nos. EO-85-185 et. al., (general, safety, institutional, promotional,
15 and political).

- 16 • General: Informational advertising that is useful in the provision of adequate
17 service;
- 18 • Safety: Advertising that conveys safe ways to use electricity and avoid
19 accidents;
- 20 • Institutional: Advertising used to improve the company image;
- 21 • Promotional: Advertising that is used to promote the use of electricity, it is
22 allowed if the benefits derived exceed the costs; and
- 23 • Political: Advertising associated with political issues.

1 Institutional and Political advertising are always disallowed. General and Safety advertising
2 are always allowed. Promotional advertising can be allowed to the extent that the utility can provide
3 cost justification for the advertisement.

4 Q. Did Empire have any institutional or political advertising during the test year?

5 A. No.

6 Q. Did Empire have any promotional advertising during the test year?

7 A. No.

8 Q. Did Staff disallow any advertising expense?

9 A. Yes. On one invoice, Empire indicated that \$28 was miscoded to gas
10 operations when the amount should have been coded for electric operations. Staff disallowed
11 the \$28 error.

12 **AMORTIZATION EXPENSE**

13 Q. Did Staff review Empire's work papers for amortization expense?

14 A. Yes, Staff analyzed these accounts and made an adjustment to this expense to reflect
15 the annualized amortization expense based on updated information through September 30, 2021.

16 Q. Please describe the method Staff utilized to calculate amortization expense.

17 A. Staff divided the net book balance as of September 30, 2021, by the remaining life
18 to determine the amortization expense. Staff then calculated its adjustment by subtracting this
19 amount by the test year amount. The amortization expense adjustment is a negative \$23,612.

20 Q. Did Staff make changes to data provided by Empire?

21 A. Yes. The remaining life was shown as two years for the non-utilized-M90 conversion
22 expense amortization, which would cause over recovery in rates if remaining life was not adjusted.
23 Staff changed the remaining life to three years, which should more closely align with Empire's filing
24 of its next rate case.

1 **AMORTIZATION RESERVE**

2 Q. Did Staff review the amortization of plant for intangible assets?

3 A. Yes, Staff adjusted the amortization reserve for gas plant intangible assets to reflect
4 the updated balances through September 30, 2021, the end of the update period for this case. The
5 amortization reserve balance as of September 30, 2021, is \$765,612 and was included as an offset
6 to rate base in Staff's Accounting Schedules.

7 **COMMON PLANT**

8 Q. What is common plant?

9 A. Empire District Electric has general common plant, such as office furniture,
10 computer equipment, etc. that is also utilized by Empire Water, Empire Gas, Empire Fiber, Liberty
11 MO Water, and Liberty Midstates Gas. The common plant is booked in Empire District Electric
12 records and is then allocated to the other companies for rate case purposes.

13 Q. Did Staff make an adjustment to add Empire's portion of common plant to
14 plant-in-service and depreciation reserve?

15 A. Yes. For the plant accounts noted by Empire as shared common plant, Staff applied
16 Empire's "Mass rate" to reflect in rates the portion of common plant that is allocated to Empire Gas.
17 The "Mass rate" is the corporate factor used to allocate an appropriate percentage of common plant
18 to Empire's electric, gas, water, and fiber operations using plant, profit margin, and payroll
19 allocation factors.

20 Q. Did Staff make an adjustment to add Empire Gas's portion of depreciation reserve
21 for common plant?

22 A. Yes. For the accounts noted by Empire as common plant, Staff applied
23 Empire's "Mass rate" to reflect in rates the portion of depreciation reserve that is allocated to
24 Empire Gas.

1 **CREDIT CARD FEES**

2 Q. Does Empire currently pay the credit card transaction fees for customer payments
3 made with credit cards?

4 A. No. Currently, each Empire customer who pays her/his utility bill with a credit card
5 is charged a transaction fee. In Empire District Electric's Rate Case, No. ER-2019-0374, the
6 Commission ruled that Empire Electric could begin recovering the credit card transaction fees in
7 rates, instead of the individual customers using a credit card paying the fees. Empire Gas has
8 requested the same treatment in this rate case.

9 Q. Did Empire Gas use the same transaction fee rates in the calculation of its
10 revenue requirement for this rate case as Empire Electric used in the current Empire Electric rate
11 case (ER-2021-0312)?

12 A. Yes. In a November 23, 2021, email from LaToya Johnson of Empire Gas,
13 Ms. Johnson stated that the current consumer-funded processing fees paid by its gas customers is
14 \$1.75 for residential and \$7.75 for commercial ratepayers. If the Commission approves including
15 customer payment fees in the rates for Empire Gas, the fees to Empire will decrease to \$0.40 for
16 both residential and commercial customers paying using Automated Clearing House ("ACH"),
17 \$1.45 for residential customers without ACH, and \$5.50 for commercial customers without ACH.
18 ACH is an electronic funds transfer system. These rates would be the same rates as Empire Electric.

19 Q. Did Staff calculate an annualized amount for transaction fees for customer payments
20 utilizing credit cards?

21 A. Yes. Staff has included an annualized amount for credit card processing fees for
22 Empire, based on the number of actual credit card payments occurring during the 12-month period
23 ending September 30, 2021, multiplied by the current fee per transaction used in the electric
24 operations. Staff's proposed credit card fee adjustment is \$136,442.

1 **DEPRECIATION RESERVE**

2 Q. Did Staff review Empire Gas’s Depreciation Reserve balances?

3 A. Yes. Staff’s Accounting Schedule 6, Depreciation Reserve, reflects the rate base
4 value of Empire’s depreciation reserve by account, updated through September 30, 2021.

5 **INJURIES AND DAMAGES AND WORKERS’ COMPENSATION**

6 Q. Does Empire maintain workers’ compensation insurance for its employees?

7 A. Yes. Empire provided Staff with a copy of the workers’ compensation insurance and
8 premiums in effect at September 30, 2021. Staff’s proposed workers’ compensation adjustment
9 annualizes this expense based upon these premiums to reflect an ongoing and normal expense level
10 for Empire.

11 Q. Does Empire maintain insurance coverage for injuries and damages?

12 A. To the best of Staff’s knowledge, yes. Although Staff verified monthly amounts
13 identified as “Inj & Dam – Premium Clearing” are recorded as expense to the Injuries & Damages
14 925 account in the general ledger, Staff was not provided copies of the underlying policy nor
15 supporting invoices to validate the insurance premium.

16 Q. What policies did Empire Gas provide Staff?

17 A. Staff only received copies of four insurance policies in effect at September 30, 2021.
18 One of these was for property insurance described in the next section. Another was for workers’
19 compensation addressed earlier in this section. The other two were for auto insurance and liability
20 insurance. Neither of these appeared to be included in Empire’s test year expense; however, it is
21 Staff’ understanding that Empire Electric’s portion of these policies were recorded to Account 925
22 in the current Empire District Electric rate case, Case No. ER-2021-0312.

23 Q. Since Staff was able to verify these two insurance coverages, did Staff make an
24 adjustment to include them in its cost of service?

1 A. Yes, Staff applied the gas portion of the total amount of the two insurance policies
2 against the amount recorded in the test year in Account 925 for Injuries and Damages.

3 **INSURANCE EXPENSE**

4 Q. Does Empire maintain insurance to cover unanticipated losses?

5 A. Yes. Insurance expense is utilities' cost of protection obtained from third parties
6 against the risk of financial loss associated with unanticipated events or occurrences. Utilities, like
7 non-regulated entities, routinely incur insurance expense in order to minimize their liability
8 (and, potentially that of their customers) associated with unanticipated losses.

9 Q. Did Staff make an adjustment for property insurance expense?

10 A. Staff reviewed insurance policies and invoices provided by Empire in its responses
11 to Staff Data Request No. 0105. Staff made an adjustment of \$1,174 to annualize Empire's property
12 insurance expense to reflect the premiums paid as of September 30, 2021.

13 Q. Did Staff have difficulty with its review of insurance expense?

14 A. Yes. Staff spent much time reviewing the invoices submitted by Empire in Case Nos.
15 ER-2021-0312 and GR-2021-0320. Staff found that, in several cases, Empire did not allocate
16 insurance expense to Empire Gas. The exceptions were property insurance, where the adjustment
17 occurred above and vehicle insurance and excess liability insurance, which Staff used to adjust the
18 925 account in injuries and damages.

19 Q. Did Empire make adjustment to include allocated insurance premiums?

20 A. Yes. Empire workpapers reflected an allocation of insurance premiums from electric
21 to gas. However, when Staff reviewed invoices for Empire Electric Case No. ER-2021-0312, Staff
22 included full recovery of these premiums in the Empire Electric case. Staff has not included these
23 insurance costs in this case because inclusion of these costs in Empire Gas would result in double

1 recovery to Empire. In future rate case filings, Empire should ensure that this cost is properly
2 allocated to both its electric and gas operations for rate case purposes.

3 **PLANT IN SERVICE**

4 Q. Did Staff review Empire's Plant in Service?

5 A. Yes. Accounting Schedule 3, Plant in Service, reflects the rate base value of Empire's
6 Plant in Service by account, updated through September 30, 2021.

7 **POSTAGE EXPENSE**

8 Q. Has there been a postage rate increase since the end of the test year that affects
9 this case?

10 A. Yes. There was a postage rate increase effective August 29, 2021.

11 Q. Please describe the methodology used by Staff to calculate any adjustments for the
12 increase in postage rates.

13 A. Staff calculated the percentage change and multiplied that by the test year amount
14 for postal expense. This resulted in an increase of \$16,390.

15 **PROPERTY TAX EXPENSE**

16 Q. Please describe the process Empire Gas uses for property tax assessments.

17 A. Utility companies are required to file a valuation of their utility property with their
18 respective taxing authorities at the beginning of each assessment year, which is January 1st. Based
19 on the information provided by the utility, the taxing authority will, in turn, send the company its
20 "assessed values" for every category of the company's property. The taxing authority will then issue
21 to the utility company a property tax rate later in the year. The final step in the process is when the
22 taxing authority issues a property tax bill to the company late in each calendar year with a "due date"
23 of December 31st. The billed amount of property taxes is based on the property tax rate applied to

1 the previously determined assessed values of the utility's plant in service balances as of January 1st
2 of the same year.

3 Q. Please describe the methodology Staff used to calculate property tax expense.

4 A. Staff determined its adjustment for property taxes by developing a property tax rate
5 to be applied to total property as of December 31, 2020. Staff calculated the property rate by
6 dividing the 2020 property taxes paid by the total property as of December 31, 2019. This property
7 tax rate was then applied to the total property as of December 31, 2020, to arrive at the annualized
8 property tax. The total annualized property tax was then subtracted from the total test year property
9 taxes to derive the adjustment.

10 Q. Are there differences between Empire's and Staff's property tax calculations?

11 A. Yes. Empire's calculation involved taking the 2021 estimated property taxes to be
12 paid divided by the taxable gross plant in service as of December 31, 2020. Empire then took that
13 percentage and multiplied it by an estimated plant valuation at December 31, 2021, which is outside
14 of the test year and update period. This calculation resulted in an adjustment of a negative \$29,263.
15 Staff used the known and measurable 2020 property tax assessments paid and plant valuation at
16 December 31, 2020, resulting in an adjustment of negative \$4,546.

17 Also, Empire did not include any amount for materials and supplies in its calculation. Staff
18 used \$492,420 for the amount of materials and supplies to include as taxable. This amount was
19 provided in Empire's response to Staff Data Request No. 0150.

20 **PSC ASSESSMENT**

21 Q. Please describe the PSC Assessment methodology.

22 A. The Public Service Commission Assessment ("PSC Assessment") is an
23 amount billed to all regulated utilities operating under the jurisdiction of the Commission as an
24 allocation of the Commission's operating costs for regulating those utilities. Staff compared

1 Empire Gas's allocated PSC Assessment amount to the General Ledger data for Account 928 in the
2 test year. The adjustment of negative \$15,532 represents the difference between the total
3 PSC Assessment paid during the test year and the most recent annual PSC Assessment in effect for
4 the fiscal year, July 1, 2021, to June 30, 2022.

5 **RATE CASE EXPENSE**

6 Q. Please describe Staff's methodology for determining rate case expense.

7 A. Staff reviewed Empire's projected and actual rate case expense amounts based upon
8 the traditional criteria of allowing rate recovery of all reasonable and prudent expenses, normalized
9 over an appropriate period of time. Staff normalized rate case expense over a three-year period.
10 Staff asserts that the rate case expense incurred in relation to a current rate proceeding should be
11 included in rates on a "normalized" basis.

12 Q. Does Staff and Empire agree on the normalization period for rate case expense?

13 A. No. Empire proposed an adjustment to reflect the cost associated with the current
14 rate case assuming a two-year normalization period; while Staff uses a three-year normalization
15 period. The three-year period generally better aligns with rate case cycles.

16 Q. Does Staff plan to apply the same cost sharing technique to rate case expense as
17 approved by the Commission in Case No. ER-2019-0374?

18 A. Yes. Staff witness Keith D. Foster addresses the cost sharing technique in his direct
19 testimony filed in this case.

20 **ROW CLEARING EXPENSE**

21 Q. Has Right-of-Way ("ROW") Clearing methodology changed since Empire Gas's
22 prior rate case?

1 A. Yes. In the Partial Stipulation and Agreement filed December 18, 2009,
2 and approved by the Commission on January 20, 2010, in Empire Gas's prior rate case, No.
3 GR-2009-0434, a tracker for ROW Clearing was created to track the difference between the expense
4 actually incurred and the annual budget amount of \$106,000. The tracker would create either a
5 regulatory asset or a regulatory liability, depending on the difference between the amount spent and
6 the target annual budget amount of \$106,000. In its response to Staff Data Request No. 0166, Empire
7 has reflected a net regulatory liability of \$23,855 for this tracker as of September 30, 2021.

8 Q. Do Staff's and Empire's calculations differ?

9 A. Yes. Empire used data from account 254304, Underspending Regulatory Liability,
10 through December 30, 2020, to determine an amount of \$163,229 for the regulatory liability. Empire
11 did not offset that with the amount from account 182304, for Overspending Regulatory Asset per
12 the Commission order.

13 **ROW CLEARING CARRYING COSTS AMORTIZATION**

14 Q. How does Staff propose to amortize ROW Clearing carrying cost?

15 A. Pursuant to the Partial Stipulation and Agreement ordered by the Commission in
16 Case No. GR-2009-0434, Staff calculated a regulatory liability of \$23,855 for the ROW Clearing
17 tracker to be amortized over a period of five years. Staff has calculated an amortization of \$4,771
18 per year for the five years.

19 **ROW CLEARING EXPENSE**

20 Q. Does Staff recommend continuing the tracker for ROW Clearing?

21 A. No, Staff does not recommend continuing a tracker for ROW Clearing. Staff
22 analyzed the ROW Clearing data provided by Empire, and ROW Clearing expenses have decreased
23 since the initial purchase of Empire Gas.

Direct Testimony of
Angela Niemeier

1 Q. Does Staff recommend a normalized expense for future ROW expense?

2 A. Yes. After analyzing data provided by Empire, Staff recommends using a 3-year
3 average to determine the normalized expense for ROW Clearing Expense. Staff calculated a 3-year
4 average of \$80,599 for ROW Clearing Expense.

5 Q. Does this conclude your direct testimony?

6 A. Yes, it does.

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of The Empire District Gas)
Company's d/b/a Liberty Request to File Tariffs) Case No. GR-2021-0320
to Change its Rates for Natural Gas Service)

AFFIDAVIT OF ANGELA NIEMEIER

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

COMES NOW ANGELA NIEMEIER and on her oath declares that she is of sound mind and lawful age; that she contributed to the foregoing *Direct Testimony of Angela Niemeier*; and that the same is true and correct according to her best knowledge and belief.

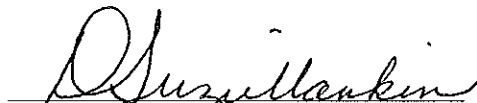
Further the Affiant sayeth not.


ANGELA NIEMEIER

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 24th day of January 2022.

D. SUZIE MANKIN
Notary Public - Notary Seat
State of Missouri
Commissioned for Cole County
My Commission Expires: April 04, 2025
Commission Number: 12412070


Notary Public

Angela Niemeier

Present Position:

I am a Senior Utility Regulatory Auditor, Auditing Department, Financial & Business Analysis Division of the Missouri Public Service Commission. As a Utility Regulatory Auditor, I assist in research and analysis of the financial aspects of public utility operations.

Educational Credentials and Work Experience:

I completed a Bachelor of Health Science- Radiologic Science from the University of Missouri in 2000. In February 2020 I completed an MBA through Columbia College. I have completed 78 credit hours in business related classes; of these, 36 credit hours are specific to accounting and 48 credit hours are graduate level coursework.

Case Participation:

Company Name	Case Number(s)	Testimony/Issues
Liberty Utilities	WA-2019-0036	Certificate of Convenience and Necessity
Missouri American Water Company	WO-2019-0389	ISRS Recommendation
Confluence Rivers	WR-2020-0053	Fuel expense, Revenue, Miscellaneous Revenues, Property Tax, Payroll
Empire District Electric Company	ER-2019-0374	Advertising, Amortization of Ice Storm, Customer Advances, Customer Deposits, Customer Deposits Interest, Materials and Supplies, Postage, Prepayments, PSC Assessment, Rate Case Expense, SWPA Payment Amortization
Elm Hills	WR-2020-0275	Fuel expense, Revenue, Miscellaneous Revenues, Property Tax, Payroll, Plant, Prepayments

Cont'd Angela Niemeier

Company Name	Case Number(s)	Testimony/Issues
Missouri American Water Company	WR-2020-0344	Building Maintenance and Services, Main Break Expense, Maintenance Supplies & Services Expense, Tank Painting, PSC Assessment
Liberty Utilities	WA-2020-0397	Certificate of Convenience and Necessity
Missouri American Water Company	WA-2021-0391	Certificate of Convenience and Necessity
Empire District Electric Company	ER-2021-0312	Advertising, Amortization of Ice Storm, Amortization Expense, Amortization Reserve, Credit Card Fees, Iatan and Plum Point Carrying Costs, PeopleSoft, Plant in Service, Postage, Property Taxes, PSC Assessment, Rate Case Expense, SWPA Payment Amortization, and Vegetation Management