

Exhibit No.:

Issue(s):

Rate Case Expense/
Management Expense Charges/
Severance

Witness/Type of Exhibit:

Sponsoring Party:

Case No.:

Conner/Direct

Public Counsel

ER-2018-0145

DIRECT TESTIMONY

OF

AMANDA C. CONNER

Submitted on Behalf of
the Office of the Public Counsel

KANSAS CITY POWER & LIGHT COMPANY

Case No. ER-2018-0145

June 19, 2018

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**

In the Matter of Kansas City Power & Light Company's Request for Authority to Implement a General Rate Increase for Electric Service)
) File No. ER-2018-0145
)
)

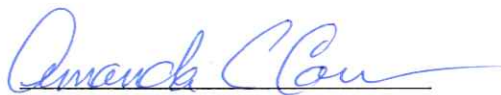
In the Matter of KCP&L Greater Missouri Operations Company's Request for Authority to Implement a General Rate Increase for Electric Service)
) File No. ER-2018-0146
)
)

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
Public Utility Accountant I

Subscribed and sworn to me this 19th day of June 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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DIRECT TESTIMONY
OF
AMANDA C CONNER
KANSAS CITY POWER & LIGHT COMPANY
CASE NO. ER-2018-0145

1 **I. INTRODUCTION**

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

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

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

5 A. I am employed by the Missouri Office of the Public Counsel (“OPC”) as a Public Utility
6 Accountant.

7 **Q. On whose behalf are you testifying?**

8 A. I am testifying on behalf of the OPC.

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

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

12 **Q. Have you conducted a review of the books and records of Kansas City Power & Light**
13 **(“KCPL”) in this rate case?**

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

15 **Q. Please describe your educational background.**

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

1 **Q. Please describe your related background.**

2 A. I began my employment with the OPC in February of 2016. Prior to my current position, the
3 Missouri Department of Revenue employed me. In this capacity, I worked with the public
4 addressing various types of tax issues.

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

7 A. Yes. I received regulatory and ratemaking training as an employee of the OPC. In addition
8 to this training, I attended the Utility Ratemaking Fundamentals course sponsored by
9 Brubaker Associate, Inc. (BAI) in the spring of 2016. In the fall of 2016, I attended the
10 NARUC Utility Rate School sponsored by Michigan State University.

11 **Q. Have you previously filed testimony before the Missouri Public Service Commission**
12 **(“Commission” or “PSC”)?**

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

15 **Q. What is the purpose of your direct testimony?**

16 A. My testimony addresses the OPC’s ratemaking position on the following issues; 1) Rate Case
17 Expense, 2) Management Expense Charges, and 3) Severance, these adjustments are based
18 on KCPL’s direct charges and Great Plains Energy’s (“GPE”) corporate allocated costs.

19 **II. RATE CASE EXPENSE**

20 **Q. What is the OPC’s position on the appropriate allocation of rate case expense between**
21 **ratepayers and shareholders in a utility rate case?**

1 A. The OPC supports the rate case expense methodology of sharing of rate case expense between
2 customers and shareholders. The Commission ordered this same methodology in KCPL's ER-
3 2014-0370 rate case ("2014 Order"). The Commission's 2014 Order directed this adjustment
4 approach because it has been proven that rate cases benefit both customers and shareholders.

5 While rate calculations are rate case specific, the adjustment methodology of allocating rate
6 case expense based on the ratio of the dollar revenue requirement ordered by the Commission
7 to the dollar revenue requirement sought by a utility in its rate case application is reasonable.

8 Reasonableness is evidence by the Commission Staff ("Staff") applying this rate case
9 adjustment methodology in most, if not all, of its rate case Cost of Service Reports since the
10 2014 Order. The approach used by the Commission in its 2014 Order is the approach
11 preferred by the OPC in order to allocate the cost appropriately.
12

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

14 A. Yes. For example, KCPL has only an estimated amount for its rate case expense that will
15 vary based on how the rate case proceeds. Other operating expenses such as prepayments,
16 while subject to updates, will not change directly because of the process of the case.
17 Furthermore, of the rate case expenses incurred, a portion is exclusively for the benefit of
18 KCPL shareholders.

19 **Q. What is the current rate case expense KCPL estimated in direct workpapers?**

20 A. At its direct filing, KCPL has an estimated rate case expense of \$1,005,290 and has it
21 amortized over four years.

22 **Q. Does the OPC have any issues with rate case expense at this time?**

23 A. Yes. The OPC recommends normalizing the rate case expense, not amortizing it over four
24 years.

1 **III. MANAGEMENT EXPENSE CHARGES**

2 **Q. Are management expenses a recent issue with KCPL and GMO?**

3 A. No. Since KCPL's 2006 rate case, Case No. ER-2006-0314, Staff has had substantial
4 problems regarding KCPL's and GMO's management expense charges.

5 **Q. Does KCPL have a policy on the types of employee expenses that are reimbursable by
6 the utility?**

7 A. Yes. Provided to the OPC in response to DR 1203 is an overview of KCPL different
8 expense policies ("Expense Policy").

9 **Q. Are you conducting a review of KCPL management expense charges?**

10 A. Yes. I am conducting a comprehensive and detailed analysis of all or substantially all of
11 KCPL officer expenses charged in the June 30, 2017, test year general ledger.

12 **Q. What were the OPC's findings from this review?**

13 A. At this time, the OPC analysis is continuing. However, of the officers I have reviewed,
14 there have already been numerous violations to KCPL's Expense Policy.

15 **Q. What are some of these violations?**

16 A. The following are violations found so far:

- 17 1. Air Travel: Airline travel must be coach except with approval of a Vice President
18 and it is the only accommodation available and/or the flight is longer than seven
19 hours.
- 20 2. Ground Travel: Employees should choose the most economical ground
21 transportation. Car service may be used when it is the most cost effective form of
22 transportation.
- 23 3. Lodging: Items that may not be reimbursed – In room movies and video games and
24 In-room honor bars.

- 1 4. Receipts are required for ALL transactions billed to the Corporate Card.
2 5. Personal use of credit card is not allowed.

3 **Q. What concerns the OPC regarding these violations?**

4 A. The OPC's analysis is for officers and upper management at KCPL and those employees
5 that sign off on other managers' expense reports. The biggest concern the OPC has is that
6 if these employees are not following the company policy regarding expenses, then the OPC
7 is not confident that they are enforcing those under them to follow it. There have been
8 several instances in the early analysis where receipts are not necessary for charges made.

9 **Q. Does the OPC have any concerns about the Expense Policy?**

10 A. Yes. The Supervisor Responsibilities section of the Expense Policy states that supervisors
11 should check and review purchases, including account coding, and verify proper receipt
12 documentation for audit purchases, but nowhere in the policy does it state what constitutes a
13 proper receipt. The OPC is concerned that with meal charges, the receipts given are the credit
14 card signature portion and not the itemized receipt. It is not apparent how KCPL supervisors
15 verify a proper meal expense with only an amount given, nor what specific charges
16 supervisors expect ratepayers to be charged. In several cases, including KCPL's last rate case,
17 Case No. ER-2016-0285 ("2016 Rate Case"), the OPC has adamantly opposed ratepayers
18 being charged for excessive meals and alcohol purchases.

19 In the 2016 Rate Case in Steven Busser's rebuttal testimony, page 9 line 7, he stated that all
20 employee meal expenses are set to below-the-line utility accounts and in order to be recorded
21 to an operating utility account, a change must be made in the system to "override that default
22 setting." On page 9, line 12 he states that with this new accounting of expenses there is less
23 administrative burden to enter and approve employee expense reports while at the same time
24 increasing the accuracy of the accounting. While this accounting made it appear that KCPL
25 was actively trying to control charges charged to ratepayers, without proper documentation,

1 such as itemized receipts of these expenses, the problems of excessive and imprudent charges
2 remain.¹

3 Another concern is that the Expense Policy's approval section states that expenses for the
4 CEO must be approved by an officer. This raises enforcement and oversight concerns because
5 this policy requires a subordinate to review and approve a superior's expenses for
6 reasonableness and prudence.

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

8 A. Yes. Listed under Not Reimbursable it states, alcoholic beverages consumed in violation of
9 the Code of Ethical Business Conduct are not reimbursable.

10 **Q. Does the OPC have issues with their alcohol reimbursement policy?**

11 A. Yes. In other rate cases, including the 2016 Rate Case, the OPC has made it clear that alcohol
12 consumption charged to ratepayers is unacceptable. In Mr. Busser's 2016 Rate Case rebuttal
13 testimony, he stated that alcohol for business meals might be viewed as a legitimate business
14 expense. While the OPC agrees that KCPL can view alcoholic beverages as a legitimate
15 business expense to charge to their shareholders, the OPC does not approve KCPL viewing
16 alcohol as a legitimate expense to charge ratepayers.

17 **IV. SEVERANCE**

18 **Q. Has KCPL charged employee severance payments to its test year income statement?**

19 A. Yes. KCPL's response to OPC data request 1205 shows that in 2015 KCPL booked
20 severance costs in the test year to the amount of \$6,269,491. The OPC proposes an
21 adjustment to remove these charges from KCPL's test year income statement.

¹ Case No. ER-2016-0285, Steven P. Busser Rebuttal Testimony

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

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

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

5 A. No, for several reasons. The primary reason is that a company often recovers severance
6 payments through regulatory lag. Regulatory lag typically allows a utility to not only
7 recover the amount of severance payments, but in some cases recover two and three times
8 the amount of the severance payment. This is the result of a utility recovering the salaries
9 and benefits in rates after the employees have been severed until rates are changed in the
10 next utility rate case.

11 Another reason why the cost of utility severance agreements should not be included within
12 cost of service is that severance agreements benefit the utility but not customers. Severance
13 agreements contain language designed to shield utility officers and shareholders from
14 potential litigation and embarrassment. Employees are required to sign these severance
15 agreements by the employing utility, and typically require the severed employee to waive
16 and release any legal claims they may have against the utility for any reason. These
17 agreements also prohibit the employee from making any disparaging or critical statements
18 of any nature whatsoever about the utility. Attached is a confidential schedule ACC-D-2
19 a copy of one Severance Agreement. This agreement shows that these payments are only
20 for the benefit of the shareholders, not the customers served by the utility. Additionally,
21 because of language in these agreements, there could be potential harm to ratepayers. This
22 is why the OPC's policy is to remove all severance payments.

23 **Q. Does this conclude your direct testimony?**

24 A. Yes, it does.

**CASE PARTICIPATION
OF
AMANDA C. CONNER**

<u>Company Name</u>	<u>Case No.</u>
Empire District Electric Company	ER-2016-0023
Kansas City Power & Light Company	ER-2016-0285
Laclede Gas Company	GR-2017-0215
Missouri Gas Energy	GR-2017-0216
Missouri American Water Company	WR-2017-0285
Liberty Utilities	GR-2018-0013