

Exhibit No.:
Issue(s): Rate Case Expense/
Management Expense/
Credit Card Processing Fees
Witness/Type of Exhibit: Conner/Surrebuttal
And True Up Direct
Sponsoring Party: Public Counsel
Case No.: ER-2019-0374

**SURREBUTTAL TESTIMONY
TRUE-UP DIRECT TESTIMONY**

OF

AMANDA C. CONNER

Filed on Behalf of the Office of the Public Counsel

THE EMPIRE DISTRICT ELECTRIC COMPANY

CASE NO. ER-2019-0374

March 27, 2020

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

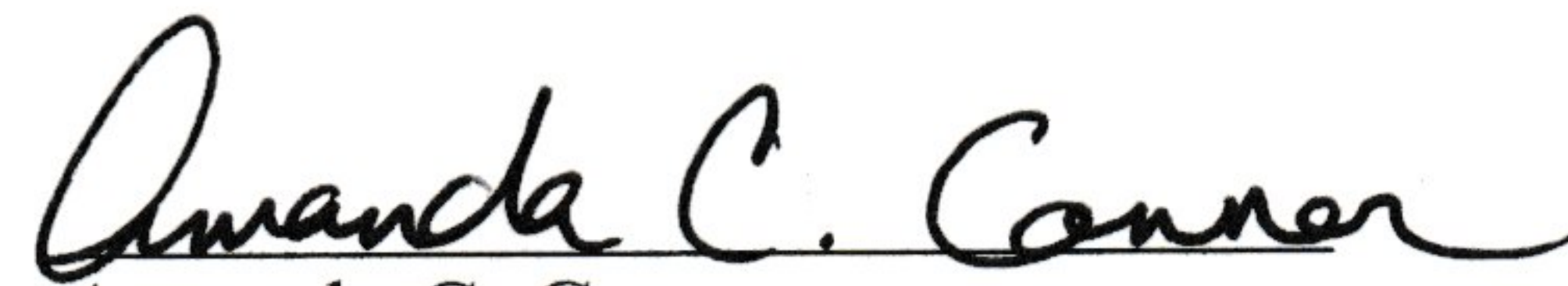
In the Matter of The Empire District)
Electric Company's Request for Authority)
to File Tariffs Increasing Rates for Electric) Case No. ER-2019-0374
Service Provided to Customers in its)
Missouri Service Area)

VERIFICATION OF AMANDA C. CONNER

Amanda C. Conner, under penalty of perjury, states:

1. Attached hereto and made a part hereof for all purposes is my surrebuttal and true-up direct testimony in the above-captioned case.

3. My answer to each question in the attached surrebuttal and true-up direct testimony is true and correct to the best of my knowledge, information, and belief.



Amanda C. Conner
Public Utility Accountant I
Office of the Public Counsel

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SURREBUTTAL/TRUE-UP DIRECT TESTIMONY

OF

AMANDA C. CONNER

THE EMPIRE DISTRICT ELECTRIC COMPANY

CASE NO. ER-2019-0374

1 **I. INTRODUCTION**

2 **Q. To whose rebuttal testimony are you responding?**

3 A. I respond to Empire's witness Sheri Richard's rebuttal testimony regarding Empire's rate case
4 expense and management expenses, and to Empire witness Brent Baker's rebuttal testimony
5 on credit card processing fees.

6 **II. RATE CASE EXPENSE**

7 **Q. On page 33 at lines 21-23 and on page 34 at lines 1-3 of Ms. Richard's rebuttal testimony,**
8 **she testifies that Empire was required to file this rate case and, therefore, its rate case**
9 **expense is not discretionary. Do you agree?**

10 A. No. Empire chooses to benefit from continuing its Fuel Adjustment Clause (FAC). To
11 continue its FAC, Empire is required to come in for a general rate case every four years. Ms.
12 Richard fails to mention that Empire is not *required* to have a FAC. This rate case, though
13 required by the FAC rules, is not necessary. This rate case would only be necessary if Empire
14 were not earning its authorized return. Since Empire has failed to prove they are not earning
15 their authorized return, they should not recover 100% of its costs of this rate case.

16 **Q. On page 35 at lines 1-3 of Ms. Richard's rebuttal testimony she testifies that she does**
17 **not agree with your rate case expense amortization period, and that two years is**
18 **reasonable because Empire will be back in for another rate case in three years. What is**
19 **your response?**

20 A. As I stated in my direct testimony, Empire's rate case expense should be *normalized* over
21 three years, not *amortized* over three years. Historically, Empire has filed a rate case every

1 three years, and that is why I chose the 3-year normalization. If Empire decides to come in
2 sooner, it may, but OPC does not support changing the normalization period merely because
3 Ms. Richard is testifying that presently Empire is planning to file another general rate case in
4 two years.

5 **Q. Why does the normalization period matter?**

6 A. If it is too short, Empire's retail rates will be too high. Although Ms. Richard testifies that
7 Empire will file another rate case in two years, there is no guarantee that it will do so. If, for
8 some unforeseen reason, Empire decides to wait and file its general rate case in three years, it
9 could still seek to continue its FAC, but, if this were to happen, Empire's customers will still
10 be paying for the rate case expense from this rate case until that time. This will end up causing
11 Empire to over collect for rate case expense in this case.

12 **III. MANAGEMENT EXPENSE**

13 **Q. On page 30 at lines 15-22 of Ms. Richard's rebuttal testimony she testifies that it is**
14 **reasonable and prudent to provide meals during lunchtime meetings because it is often**
15 **the only time available for an internal meeting and the people in the meeting do not**
16 **receive overtime compensation. She goes on to say that the price of a meal is a small**
17 **price to pay in the gain of productivity Empire receives. Do you agree with this**
18 **reasoning?**

19 A. No. She really is arguing that providing lunchtime meals is a form of overtime compensation.
20 The first issue I'd like to point out are the labor laws in Canada and Missouri. Canada Labour
21 Code, part III – Division I-802-1-IPG-100 states employers are to allow employees a break
22 of at least 30 minutes during every period of five consecutive hours of work.¹ This is different
23 from the United States Federal Law, which Missouri follows, "Missouri law does not require
24 employers to provide employees a break of any kind, including a lunch hour. These provisions
25 are either left up to the discretion of the employer, can be agreed upon by the employer and

¹ <https://www.canada.ca/en/employment-social-development/programs/laws-regulations/labour/interpretations-policies/30-minute-breaks.html>.

1 employee, or may be addressed by company policy or contract.”² This means that if an
2 employee does not receive breaks or lunches, their employer is required to pay that employee
3 for the time worked.

4 The second issue is that the costs of these meals range from \$100 up to over \$700, but none
5 include a description as to what the meal is for. I can’t verify in either the Excel sheet or the
6 invoices that Empire provided whether these meals are for meetings, training, or if they are
7 just a group going to lunch. There are two officers that are allotted a certain amount of money
8 a month for meals and entertainment, where there is no receipt, nor is there any reason given
9 for the meal expense.

10 Finally, officers who charge meals to Empire should look into managing their work time so
11 that they can have work meetings during business hours. To be clear, I am not suggesting
12 Empire should not have lunch meetings; however, there is no reason to force ratepayers to
13 bear the burden of Empire’s officers passing on the costs of these meals to them. No one at
14 Empire, including Ms. Richard, has provided data to show that having lunch meetings in a
15 restaurant raises the productivity of these officers, nor does she, or anyone else, provide any
16 workpapers to show which meals were for this purpose; therefore, I dismiss this claim of
17 higher worker productivity.

18 **Q. On page 31 at lines 5-14 of Ms. Richard’s rebuttal testimony she explains problems that**
19 **she perceives with your officers’ expense charges calculations. Is she correct?**

20 A. Ms. Richard is correct that I did not convert the officers’ expense charges from Canadian
21 Dollars to American Dollars, and that I did not do the CAM4 and Empire Electric allocations.
22 I understood Empire’s response to my data request 1214 for all expenses officers charged to
23 Empire to only include the amounts of officers’ expenses charged to Empire, and in American
24 Dollars. Ms. Richard has clarified in her rebuttal testimony that my understanding was
25 incorrect, and that Empire provided unallocated total officer expense charges provided in
26 Canadian, not American Dollars. Since I have no reason to dispute Ms. Richard’s
27 clarification, I have adjusted my amounts for officers’ expense charges to reflect the proper

² <https://labor.mo.gov/DLS/General/breaks>.

1 allocations to Empire and for the conversion from Canadian to American Dollars. I did not
2 change the manager amounts because the managers are based in the United States, so the total
3 given should be in U.S. Dollars already. I also made the CAM 4 and the Empire Electric
4 allocations. I did not allocate the amounts charged by managers because I believe the
5 managers only work for Empire, and not any of its affiliates.

6 **Q. Do you include your management expense surrebuttal adjustment in your true-up**
7 **adjustments?**

8 A. Yes. My adjustment is attached as Schedule ACC-S-1. My surrebuttal adjustment includes
9 the amount of expenses charged by officers and managers. My true-up adjustment includes
10 expenses charged by officers and managers as of September 2019.

11 **Q. Were you able to true-up all of your adjustments?**

12 A. Yes.

13 **Q. What is the amount of your surrebuttal disallowance for management expense?**

14 A. With all conversions and allocations in place, I recommend the removal of \$3,707,884 of
15 management expenses that Empire and Staff have included in their determinations of
16 Empire's cost of service. This amount should not be included in Empire's cost of service that
17 the Commission uses for setting Empire's retail customer rates in this case.

18 **Q. Was there any charges for the true-up period that stand out? Please explain.**

19 A. Yes. One officer charged a trip to Bermuda to Empire.

20 **Q. Did you disallow the Bermuda trip? Why?**

21 A. Yes. OPC does not allow overseas trips to be charged to ratepayers. It is my understanding
22 that Algonquin bought a utility company in Bermuda, however, the charges for this trip should
23 not be charged to Empire ratepayers. This trip does not benefit Empire or its ratepayers and I
24 have disallowed all related charges.

1 **Q. What is the amount of your true-up adjustment?**

2 A. I recommend removing \$3,006,363 of management expenses that Empire and Staff have
3 included in their determination of Empire's costs of service for the true-up period.

4 **Q. Did you believe Empire gave you an accurate officer's expense data for true-up?**

5 A. No. The two officers that get a monthly allotment for expenses were not updated like the rest
6 of the officers were. I also did not receive an updated managers' expense amount.

7 **Q. How did you calculate managers' expenses for the two officers for whom you did not
8 receive follow up information?**

9 A. Since the two officers received the same amount each month with no change, I have no reason
10 to believe they stopped receiving this money. So I added each month of the true-up period
11 and calculated these charges the same as I did the original data.

12 **Q. How did you calculate for the expenses charged by Empire managers?**

13 A. I took the original amount I had for the managers' portion of charges and came up with an
14 average monthly disallowance by dividing that number by 6, for the six months represented
15 in the officer expenses. I then multiplied that by the ten months of true-up. I then calculated
16 the amounts the same as I did in the surrebuttal management adjustment.

17 **IV. CREDIT CARD PROCESSING FEES**

18 **Q. On page 6, lines 7-10 Mr. Baker's rebuttal testimony, he states that Empire generally
19 attempts to assign costs to the appropriate cost-causers, but online transactions are a
20 normal part of daily life for many of their customers. How do you respond?**

21 A. I disagree. As I stated in my direct and rebuttal testimonies, there are just as many customers
22 who do not have the option to pay by credit card as those who do, which is 25%. That leaves
23 50% of the customers who choose not to pay with a credit card online. Mr. Baker also omits
24 that Automated Clearing House (ACH) is free to those who wish to pay their bills online, or

1 to have their bills paid automatically out of their account. To force all ratepayers to pay the
2 \$2.25 goes against the assignment of costs to the cost-causers.

3 **Q. On page 6, lines 10-11 of Mr. Baker's rebuttal testimony, he asserts that fees associated**
4 **with these transactions are similar to bank fees Empire incurs in the cost of service paid**
5 **by all customers. Do you find fault with his logic?**

6 A. Yes. In my rebuttal testimony, I explained that Empire already pays a flat fee to Speedpay to
7 provide internet payment options, which includes the option of credit card payments, to
8 Empire's customers. This flat fee is already in cost of service, so all Empire customers pay
9 for this service. The \$2.25 convenience fee for credit/debit card payments would be in
10 addition to the flat fee that those who cannot or choose not to use credit/debit card payments
11 would be expected to pay along with whatever cost they incur to pay their own electric bill.

12 **Q. On page 6, lines 12-15 of Mr. Baker's rebuttal testimony, he states that from a customer**
13 **service perspective, adding the credit card fees to Empire's cost of service will reduce**
14 **the amount of service representatives hours needed to receive and process in person**
15 **payments in their local offices. Do you have any reservations about this statement?**

16 A. Yes. Neither Mr. Baker, nor Empire have provided any evidence to provide any proof for
17 what Mr. Baker says. What I do know, and provided in my direct testimony, is that the most
18 used method of payment is by customers paying their bill by mail, which is 37%. The next
19 largest are those who use free services to pay their bills, whether in Empire's local offices or
20 the other options, i.e. lock boxes; whether these payments are made by check, cash or cashier's
21 check/money order, I cannot differentiate from the data received. However, Empire has not
22 provided any real evidence of how many customers who pay through another method would
23 change because the company is offering to provide credit/debit card payments without a
24 convenience fee.

25 I believe that those customers paying by mail will continue to do so, just as those who prefer
26 to pay in person at a kiosk, local office, or the various other avenues Empire provides for
27 various reasons. Many people, especially those from the older generations either do not have
28 access to the internet, or don't trust the security of making online payments. In my direct

1 testimony I provided a poverty and unbanked/underbanked analysis to show that there are
2 many Empire customers that do not have the ability to pay by credit/debit card. These
3 customers make up about 25% of Empire customers, which is approximately the same number
4 of customers which pay using a credit/debit card.

5 **Q. What is your overall belief of adding credit/debit card payment fees to Empire's cost of**
6 **service?**

7 A. It is my belief that Empire is trying to socialize a fee to provide a benefit for 25% of their
8 customers to be paid by all customers. Not only is it unfair to force all ratepayers to subsidize
9 for a quarter of the overall customers of Empire, it is imposing these charges to customers
10 who may not themselves be able to utilize this service. Customers already pay for the fees
11 Empire incurs to provide online payment methods through the flat fee the company is charged
12 by SpeedPay to provide online payments, just like all customers share the burden of the fees
13 incurred to provide other payment methods. Allowing Empire to require all customers to pay
14 a service charge for a select few is socialization of costs that Empire has not provided
15 sufficient justification to support. Instead, Empire's proposal would help those with the means
16 to make these payments at the expense of those who cannot afford credit cards or the extra
17 fee added to their bill.

18 **Q. Does this conclude your surrebuttal/true-up direct testimony?**

19 A. Yes, it does.
20

Management Expense Adjustment
Prepared By: Amanda Conner

Source: DR 1204 & 1214

	<u>Test Year</u>	<u>True-Up</u>	<u>Average * 10 months</u>
Total Meals	\$8,713	\$4,988	
Total Other Officer Expenses	\$33,684	\$23,173	
Total Officer Expense	\$42,397	\$28,161	
Total Manager Expense	\$8,513,610	\$4,582,763	\$763,793.85
Total Expense	\$8,556,007	\$7,666,099	\$7,637,938.50
Percentage of Expenses that are meals	25.87%	21.53%	
Local Meals/Meetings Disallowance	\$2,704	\$2,939	
Percentage of Disallowed Meals	31.03%	58.93%	
Other Officer Disallowed Expenses	\$31,914	\$15,611	
Percentage of Other Expenses	94.74%	67.37%	
Manager Meals	\$2,202,106	\$1,644,208	
Other Manager Expenses	\$6,311,503	\$5,993,731	
Manager Allowance 50%	47.37%	33.68%	
Disallowed Manager Meals	\$683,383	\$968,865	
Disallowed Other Manager Expenses	\$2,989,883	\$2,018,948	
Total Manager Disallowance	\$3,673,266	\$2,987,813	
Total Officer Disallowance	\$34,618	\$18,550	
Total Disallowance	\$3,707,884	\$3,006,363	

923 FERC Account Description

A. This account shall include the fees and expenses of professional consultants and others for general services which are not applicable to a particular operating function or to other accounts. It shall include also the pay and expenses of persons engaged for a special or temporary administrative or general purpose in circumstances where the person so engaged is not considered as an employee of the utility.

B. This account shall be so maintained as to permit ready summarization according to the nature of service and the person furnishing the same.

Items

1. Fees, pay and expenses of accountants and auditors, actuaries, appraisers, attorneys, engineering consultants, management consultants, negotiators, public relations counsel, tax consultants, etc.

2. Supervision fees and expenses paid under contracts for general management services.

Note: Do not include inspection and brokerage fees and commissions chargeable to other accounts or fees and expenses in connection with security issues which are includible in the expenses of issuing securities.