

**Exhibit No.:**

**Issue(s):**

**Witness/Type of Exhibit:**

**Sponsoring Party:**

**Case No.:**

\_\_\_\_\_  
Rate Case Expense/  
Management Expense/  
Conner/Response to  
Commission Questions  
Public Counsel  
ER-2019-0374

**TESTIMONY IN RESPONSE TO  
COMMISSION QUESTIONS**

**OF**

**AMANDA C. CONNER**

Submitted on Behalf of the Office of the Public Counsel

**EMPIRE DISTRICT ELECTRIC COMPANY**

CASE NO. ER-2019-0374

May 6, 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 testimony in response to Commission questions in the above-captioned case.
  
3. My answer to each question in the attached testimony in response to Commission questions 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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TESTIMONY RESPONDING TO COMMISSION QUESTIONS

OF

AMANDA C. CONNER

THE EMPIRE DISTRICT ELECTRIC COMPANY

CASE NO. ER-2019-0374

1 **I. INTRODUCTION**

2 **Q. What is your name, and for whom are you testifying?**

3 A. My name is Amanda Conner, and as I previously testified in direct, rebuttal, and surrebuttal  
4 (Exhibit Nos. 200, 201, and 202, respectively), I am testifying for Public Counsel. I  
5 understand that I am still under oath to tell the truth to the best of my knowledge, information  
6 and belief.

7 **Q. To which Commission questions are you responding?**

8 A. I am responding to the questions the Commission has asked regarding rate case expenses  
9 (Issue 7), and management expenses (Issue 8).

10 **II. RATE CASE EXPENSE**

11 **Q. Regarding Issue 7 Rate case Expense, the Commission asked two questions, one directed**  
12 **to Staff asking Staff to break out the components of one of its adjustments and the other**  
13 **to Empire asking, “When does Empire anticipate filing its next rate case?” Do you have**  
14 **a response to either question?**

15 A. Public Counsel has no response to the question directed to the Commission Staff. As to the  
16 question directed to Empire, my concern is that Empire may or may not file its next rate case  
17 by when it says it will, and if its rate case expense in this case is normalized based on when  
18 Empire says it will file its next rate case, Empire’s retail customers will be overcharged for  
19 Empire’s rate case expense.

1 **III. MANAGEMENT EXPENSE**

2 **Q. With regard to Issue 8 Management Expense, the Commission directed the following six**  
3 **questions to OPC:**

- 4 **1. OPC - Provide the Empire responses to DR 1204 and 1214 relied on by OPC to**  
5 **make its expense disallowances.**
- 6
- 7 **2. OPC - Would OPC agree that the costs associated with employee meals on work**  
8 **premises provided during meetings or training sessions should be included in**  
9 **rates? If not, please explain.**
- 10
- 11 **3. OPC - Were the disallowance adjustments of OPC related to trips to Bermuda,**  
12 **London, England and Peru part of the officer disallowances or management**  
13 **disallowances? Were these charges in the twelve months ending 1-31-20 (true-up**  
14 **period)? Please quantify the disallowance for each of these trips.**
- 15
- 16 **4. OPC - Please provide details for the officer meal disallowances related to alcohol**  
17 **or excessive meal charges for the twelve months ending 1-31-20.**
- 18
- 19 **5. OPC - Is the \$18,550 true-up officer disallowance for the twelve months ending 1-**  
20 **31-20? If not, please provide that adjustment amount.**
- 21
- 22 **6. OPC - Did OPC perform an analysis of any manager expense reports?**
- 23

24 **The Commission directed its final question on this issue to its Staff:**

- 25 **7. Staff - Why did staff take no position with this issue?**
- 26

27 **Q. Would you address each question directed to OPC in turn?**

28 **A. Yes.**

- 29 **1. OPC - Provide the Empire responses to DR 1204 and 1214 relied on by OPC to make**  
30 **its expense disallowances.**
- 31

32 **A. These data request responses have been filed with the Commission as Exhibit Nos. 299-5, and**  
33 **299-6C.**

1     **2. OPC - Would OPC agree that the costs associated with employee meals on work**  
2     **premises provided during meetings or training sessions should be included in rates? If**  
3     **not, please explain.**  
4

5     A. No. First, Empire has no employees. The costs in question, are costs incurred by non-  
6     regulated affiliate's employees, (Liberty Utility Service Company, Liberty Utilities Canada  
7     Company, and Algonquin Power & Utilities Company) who perform work for Algonquin  
8     affiliates, including Empire. There has been no documentation provided that the meetings or  
9     training were caused by Empire, let alone needed by Empire to serve its Missouri retail electric  
10    ratepayers. Empire did not provide enough information regarding any of these charges. The  
11    information provided was the officer's expenses, with little to no description other than for a  
12    meeting or training. They did not state what these meetings or trainings were for, nor were  
13    there good invoices to match with these charges.

14    Business meals have several drawbacks such that they cannot be assumed to be necessary for  
15    all training and meeting events. The menu would need to accommodate all employees' wants  
16    and special needs. Current tax law changes have restricted the income tax deductibility of  
17    business meals, thus making these expenditures more expensive to the affiliate incurring these  
18    business meals costs. The deductibility of certain business meals have been reduced from  
19    50% to full non-deductibility. There is also the question of protection of the business material  
20    sensitivity that is magnified when meals are provided at a location outside the utility premises  
21    or outside individuals are allowed to serve the meal, whether in house or outside the premises.

22    Regulated utilities should be treated the same as government agencies. In government  
23    agencies, each employee must pay for their own meal, or there is a break for lunch. This is  
24    because the government agencies receive money from taxpayers, therefore must be mindful  
25    as to how money is spent. Ratepayers should be treated the same because they are not able  
26    to shop around for the best price or service provider, because their electric services are  
27    provided by a monopoly. Our job is to ensure that they are treated like taxpayers in regards  
28    to how the money they must pay is spent in the fairest way possible, especially because their  
29    rates are meant to allow a utility to provide safe and adequate services, and Empire has  
30    provided no support as to how these meals ensure that this is done.

1 **B. OPC - Were the disallowance adjustments of OPC related to trips to Bermuda, London,**  
2 **England and Peru part of the officer disallowances or management disallowances?**  
3 **Were these charges in the twelve months ending 1-31-20 (true-up period)? Please**  
4 **quantify the disallowance for each of these trips.**

5  
6 A. The disallowance was for Empire's officers. These charges were allocated, in part, to  
7 Empire's ratepayers.

8 The total amount for these trips are \$3,441.17. I do not know how many other employees  
9 went on these trips, however this is what Empire provided to me in response to my request  
10 for the costs of the officers that charged these expenses to Empire ratepayers.

11 Bermuda Trip was \$904.32

12 Australia Trip was \$268.77

13 London & Peru Trip were \$2,268.09

14 **C. OPC - Please provide details for the officer meal disallowances related to alcohol or**  
15 **excessive meal charges for the twelve months ending 1-31-20.**

16  
17 A. The amount of alcohol or excessive charges is \$2,429.97 and have attached my workpapers  
18 in schedule ACC-CQ-1.

19 **D. OPC - Is the \$18,550 true-up officer disallowance for the twelve months ending 1-31-**  
20 **20? If not, please provide that adjustment amount.**

21  
22 A. Yes.

23 **E. OPC - Did OPC perform an analysis of any manager expense reports?**

24  
25 No. Public Counsel was not able to conduct a wider scope of analysis that would include  
26 both officers and managers expense reports. I recently performed an audit on Ameren  
27 Missouri, Case No. ER-2019-0244, consisting of both officers and managers expense  
28 reports. However, this analysis was limited to three months of the year, and I was criticized  
29 for not representing an annual basis of expense accounts. On this audit of Empire, I decided  
30 to return to an annual basis. I found that the Tone at the Top approach to be a fair  
31 representation and sample of Empire's ethical environment controlling its expense report  
32 expenses. Using this accounting method, I am able to analyze both the full test year, and  
33 the true-up period. I have provided the following description from a Google search helps

1 explain the method “Tone-at-the-Top”, which explains how I employ and believe it is the  
2 best method in my audits: Understanding **Tone at the Top**:

3 It states that those at the **top** of the organization should be honest, show integrity,  
4 and uphold an ethically-correct corporate culture. The **tone at the top**, as the name  
5 implies, starts at the **top** and trickles down into middle-management and eventually  
6 to the bottom line.<sup>1</sup>

7 The Tone-at-the-Top methodology is predicated on the assumption that officer’s behavior  
8 patterns would be imitated by the management employees those officers supervise. Since  
9 these are affiliate transactions charges, Empire has the burden to prove they are prudent,  
10 reasonable, and just. My analysis shows that improper expense charges by affiliate officers’  
11 are being recorded on Empire’s books and records. Empire has not shown that its affiliate  
12 management (both officers and managers) expense account charges are prudent, just, and  
13 reasonable. The Commission has no evidence to include these charges when setting  
14 Empire’s customer rates.

15 **Q. Do you have anything else to say in response to the Commission’s questions?**

16 A. No.

17  

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<sup>1</sup> <https://corporatefinanceinstitute.com/resources/knowledge/finance/tone-at-the-top/>