

Exhibit No.:
Issue(s): Rate Case Expense/
Management Expense/
Witness/Type of Exhibit: Conner/Reply to
Answers to Commission Questions
Sponsoring Party: Public Counsel
Case No.: ER-2019-0374

**REPLY TO TESTIMONY RESPONDING
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 12, 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 responsive testimony to answers to Commission questions in the above-captioned case.

3. My answer to each question in the attached responsive testimony to answers 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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REPLY TO TESTIMONY RESPONDING TO COMMISSIONER QUESTIONS

OF

AMANDA C. CONNER

THE EMPIRE DISTRICT ELECTRIC COMPANY

CASE NO. ER-2019-0374

I. INTRODUCTION

Q. Whose testimony in response to Commission questions are you in turn responding to?

A. I am responding to the testimonies of Empire’s witness Sheri Richard regarding rate case expense, and Staff’s response to management expense questions regarding rate case expenses and management expenses.

I. RATE CASE EXPENSE

Q. Ms. Richard states that Empire anticipates filing its next rate case in the third quarter of 2020. What is your response this statement?

A. The issues Empire raised and spent money on in this rate case could have been addressed in the next rate case, yet Empire seeks to charge the ratepayers a large amount for this rate case, then charge customers again for another rate case in less than a year. This inefficient shareholder-focused approach ignores customer impacts due to inflated rate case expenditures, and demonstrates little regard for the demands this places on the Commission, its Staff, and all other parties.

III. MANAGEMENT EXPENSE

Q. On page 12, lines 1-4 Staff responds to the Commission’s question as to why it did not take a position as to whether any of Empire’s management expense should be included in Empire’s revenue requirement. Staff states that it did not oppose Public Counsel’s position because there is possibly some merit to my rationale for excluding some management expenses, but did not support it because of certain assumptions Public Counsel made. Does Staff have the evidence to include these costs in Empire’s rates?

1 A. No. And my understanding is that the Commission assumes expenditures made with non-
2 affiliate entities are presumed to be prudent. This presumption, once successfully challenged
3 regarding their presumed prudence, is eliminated and the burden of proof regarding the
4 prudence of these costs falls on Empire. However, it is my understanding that the presumption
5 of prudence does not apply when the expenditures are made with affiliates.

6 To the extent the Staff does not know if these costs are prudent, after acknowledging that
7 Public Counsel may be correct that there is some imprudence in regards to management
8 expenses are imprudent, then there is no justification for including those expenses in Empire
9 customer rates. Since Empire has no employees as of May 1, 2018, these management
10 expenses are probably from affiliate transactions. If this is the case, there is no presumption
11 of prudence that can be applied to these costs, and Empire must prove prudence before any of
12 these costs can be included in Empire's customer rates. In either case, Staff is wrong to
13 include these costs in its recommended cost of service study until Empire proves these costs
14 are prudent. Staff's dispute with Public Counsel's supposed assumptions does not prove that
15 the contested expenses are prudent.

16 **Q. Has Staff ever conducted its own analysis of management expenses?**

17 It is my understanding that Staff used to audit management expenses at one time, and the type
18 of auditing they used was "Tone at the Top"; however, in the four years I've done this audit
19 for Public Counsel, Staff has only addressed this issue in one case and that was Laclede's
20 2017 rate case, Case No. GR-2017-0215 (Laclede).

21 **Q. In that case, did Staff mention any concerns with how you performed your management
22 expense audit of Laclede?**

23 A. No.

24 **Q. Have you changed how you perform your audit?**

25 A. I have made only one change in the manner that I perform these audits. Prior to 2018, I did a
26 calculation of the utility company's manager charges based on the officer charges. Since 2018,
27 I started requesting the total amount of charges made by managers. I then use the

1 disallowance percentage by officers and put that to the total amount as I have done in this
2 case. The overall change resulted in a more accurate disallowance of management expenses.

3

4 **Q. DID STAFF TAKE A POSITION ON MANAGMENT EXPENSES FOR THIS CASE?**

5 A. Yes. Staff includes these costs in the level of costs Staff recommends Empire should recover
6 from its customers, despite the concern these costs are imprudent.

7 **Q. Does this conclude your response to other parties' testimony on Commission questions?**

8 A. Yes, it does.

9