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Issue(s):

Rate Case Expense/
Credit Card Processing Fees

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Case No.:

ER-2019-0374

REBUTTAL TESTIMONY

OF

AMANDA C. CONNER

Submitted on Behalf of the Office of the Public Counsel

EMPIRE DISTRICT ELECTRIC COMPANY

CASE NO. ER-2019-0374

March 3, 2020

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REBUTTAL TESTIMONY

OF

AMANDA C. CONNER

THE EMPIRE DISTRICT ELECTRIC COMPANY

CASE NO. ER-2019-0374

1 **I. INTRODUCTION**

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

3 A. I respond to Empire’s witness Sheri Richard’s and Staff’s witness Angela Niemeier’s direct
4 testimonies regarding Empire’s rate case expense, and to Empire witness Brent Baker’s and
5 Staff witness Kimberly Bolin’s direct testimony on credit card processing fees.

6 **II. RATE CASE EXPENSE**

7 **Q. Do Empire’s witness Sheri Richard corrected direct testimony, page 20, and Staff’s**
8 **witness Angela Niemeier Staff Cost of Service (COS) Report page 73, agree on the**
9 **nature and amounts of costs of Empire’s rate case expense?**

10 A. They agree on some of the types of costs, but they disagree on others. They do not agree on
11 the total amount, both (1) because Empire used actual costs through March 31, 2019 to include
12 charges starting in January 2018, which is outside the test year, plus estimated costs through
13 January 31, 2020. Ms. Niemeier used Empire’s actual costs incurred as of January 6, 2020
14 and (2) because Empire included costs that Ms. Niemeier excluded for being imprudent. I
15 have included my adjustment in schedule ACC-R-1.

16 **Q. What types of costs should be included in Empire’s rate case expense?**

17 A. As I testified on direct, Empire’s rate case expense should be limited to the consultant, legal,
18 and employee costs it incurs to bring and pursue this rate case. After pre-filing my direct
19 testimony I learned that a Commission Rule 20 CSR 4240-20.090(13) requires Empire to
20 conduct a new loss study every four years, regardless of whether it files a rate case. Since
21 conducting a loss study is not a rate case expense, a normalized amount of the study’s costs

1 (study cost ÷ four years) should be included in Empire's annual cost of service. I included
2 the costs of Empire's loss study as a rate case expense when I prepared my direct testimony.
3 I have revised my recommendation in this rebuttal testimony to remove the loss study costs
4 from Empire's rate case expense and include the normalized cost of that study in Empire's
5 annual cost of service.

6 In my direct testimony, on the ground that it was imprudently excessive, I also did not include
7 in Empire's rate case expense any of the actual cost of \$3,357.50 in chartered air travel
8 expense Empire incurred for Liberty Utilities employees to travel to and from Jefferson City
9 and Joplin, Missouri, on behalf of Empire for this rate case. Instead of including nothing for
10 this travel in Empire's rate case expense, Staff included \$560. After reviewing Staff's
11 workpaper for Empire's rate case travel costs, I agree that \$560 per trip is a fair and reasonable
12 amount for the travel expenses of four people to make a round trip between Jefferson City and
13 Joplin. Since their travel was for rate case purposes, it is appropriate to allow reasonable
14 amount of travel expense to Empire's rate case expense, and I believe how Staff calculated its
15 adjustment is an appropriate way to do so.

16 **III. CREDIT CARD PROCESSING FEES**

17 **Q. What are Empire and Staff proposing for cost recovery of the credit card fees Empire**
18 **incurs for customers who pay by credit cards?**

19 A. They both are proposing that Empire recover those fees through rates, i.e., that the fees be
20 socialized so that all of Empire's retail customers pay for these fees, even though only a
21 minority of its customers actually pay their bill using this method. I recognize that some
22 customers prefer to pay in this manner; however, as with most services, if there is a fee for
23 this style of payment, the customer using this service should pay the fee. For example, other
24 ratepayers do not subsidize postage fees for customers who pay their utility bill by mail. Nor
25 do other ratepayers pay the fees charged by pay stations. Likewise, ratepayers who do not pay
26 by credit card should not subsidize credit-card fees.

27 In my direct testimony I state that I oppose all of Empire's customers paying the costs for a
28 benefit which only a subset of those customers can or will use. What Empire and Staff are

1 proposing will benefit wealthier customers to the detriment of low-income customers—a
2 cross-subsidization of wealthier customers by low-income customers. As I stated in my direct
3 testimony, because of credit card incentives and benefits available to credit card users, the
4 25% of Empire’s customers who are using credit cards to pay their electric bills will actually
5 receive a net economic benefit, but to the detriment of Empire’s customers who cannot use a
6 credit card to pay their electric bills who will be more economically burdened. Even without
7 socializing credit card fees, the credit card incentives and benefits available to a customer may
8 exceed the credit card fees. Unless Empire provides strong evidence that the incremental
9 benefit to all ratepayers outweighs the costs, for which I have not seen such evidence in
10 support of Empire and Staff’s proposal, I recommend the Commission reject the socialization
11 of credit card fees.

12 **Q. Empire witness Mr. Baker states on page 9, lines 20-21, of his direct testimony that the**
13 **only method of payment which results in a direct charged fee to customers is credit card**
14 **payments. Is he correct?**

15 **A.** I do not believe so. Seeking clarification of what he means by “direct charged fee” in that
16 testimony, I sent OPC data request no. 1218 to Empire, which asked the following:

17 The On page 9, line 20 of Empire witness Brent Baker’s direct testimony he
18 states, “Currently, the only method of payment which results in a direct
19 charged fee to customers is through the use of their card.” Please define in
20 detail what Mr. Baker means by the phrase “direct charged fee” as he uses that
21 phrase in that testimony.

22 Patsy Mulvaney provided the following response for Empire:

23 When the customer pays their bill with a credit card there is a convenience fee
24 of \$2.25 for residential and \$13.00 for commercial. This is a direct charge to
25 the customer by the third party vendor collecting the payment.

26 According to data I received from Empire, its customers who use third-party vendor
27 convenience locations (kiosks) to pay their electric bills are charged and pay a one-dollar

1 convenience fee to the vendor each and every time they use the kiosk to pay their Empire
2 electric bill, regardless of whether they pay their bill by cash, money order, credit card, or
3 otherwise. Based on Empire's foregoing data request response, this one dollar fee is a "direct
4 charge," since Empire's customers pay this fee to third-party vendors for the convenience
5 those vendors provide. I do not see how anyone can view the \$2.25 credit card convenience
6 fee to be a direct charged fee, but not view the \$1 kiosk convenience fee to be a direct charged
7 fee.

8 **Q. On page 10 at lines 1-10 of his direct testimony Mr. Baker says that fees associated with**
9 **these transactions are similar to bank fees that Empire incurs and which are included**
10 **in its cost of service used to set rates paid by all customers. Do you agree?**

11 A. Absolutely not. Mr. Baker omits the fact that Empire pays a flat fee to SpeedPay to collect
12 online payments for Empire. This flat fee is comparative to the fees Empire pays third-party
13 vendors to provide kiosks and lock boxes. Those vendors do not charge ratepayers
14 convenience fees to pay their electric bills at those kiosks or lock boxes. In addition, this fee
15 Empire pays is separate and distinct from the credit card user fee of \$2.25 charged to
16 residential customers who choose to pay their electric bill by a credit card. The fees Empire
17 pays to provide these options (SpeedPay, kiosks, and lock boxes) to its electric customers are
18 included in Empire's cost of service. These fees are known and measurable, and change little,
19 if any, from month to month.

20 Convenience fees, however, are not known and measurable because it is dependent on how
21 many customers choose the payment method each month. Convenience fees are charged by
22 the third party vendor to an individual customer for the "convenience" of having the payment
23 option available at the vendor's location. This fee charged to Empire customers varies from
24 each payment method and, at this time, is not included in Empire's cost of service. Customers
25 who mail their payment pay for the postage. Customers who choose to pay at kiosks are
26 charged \$1, whether they pay by cash or check. Customers who pay at Empire's office have
27 travel expense. Additionally, if a customer pays using a money order, a fee is charged to
28 receive the money order. Just like all the fees I listed, residential customers who want the
29 convenience of paying by a credit card, must pay a fee of \$2.25. Therefore, it is unfair to only

1 include certain fees paid by some customers in the cost of service, and exclude fees paid by
2 other customers.

3 **Q. Mr. Baker states on page 10, lines 13-18, “The Company proposes recovering these fees**
4 **the same as other bank fees in its cost of service. Inclusion of these fees represent a very**
5 **small part, less than a half percent, of the Company’s cost to serve its customers and**
6 **provides the opportunity to meet customer’s needs and to potentially improve the**
7 **percentage of our customers who pay their bills in a timely fashion.” Do you agree with**
8 **this statement?**

9 A. No. To those who have the means, the fee does not cost a large amount of money. Would it
10 be any different than Empire putting the postage of a pre-stamped envelope in their bills so
11 customers don’t have to pay postage to mail in a payment, or paying the fee for the kiosk
12 payments? Yet, Empire is not proposing this, they are only willing to include in rate base for
13 those customers who essentially have the means to pay their bills in this manner, and those
14 who cannot are the ones that must eat these fees.

15 **Q. Does this conclude your rebuttal testimony?**

16 A. Yes, it does.

17

The Empire District Electric Company
ER-2019-0374
AMANDA C. CONNER
Summary

Rate Case Expense

Consultant Totals	\$135,482.50
Legal	\$637.50
Empire Employees	\$7,689.66
Total	\$143,809.66

Disallowed Rate Case Expense

Consultant Totals	\$0.00
Legal	\$510.00
Empire Employees	\$6,569.66
Total	\$7,079.66

Total Allowable Expense **\$136,730.00**

50/50 As of Now	\$68,365.00
3 year normalization	3
Total Annual Rate Case Expense	\$22,788.33

Percentage of Disallowed Rate Case Expense 4.92%

Loss Study	\$15,999.38
4 Year Normalization	4
Normalized Loss Study	\$3,999.85

Empire Estimate

Total Estimated 2019 Rate Case Expense:	\$445,472.00
50/50 as of now	50%
Allowable Rate Case Expense	\$222,736.00
3-year normalization	3
Annual Allowable Rate Case Expense	\$74,245.33
Annual Depreciation Study	\$0.00
Rate Review Expense	\$74,245.33

Estimated Rate Case Expense with Disallowed Percentage	\$21,930.31
50/50 As of Now	50%
Allowable Estimated Rate Case Expense	\$10,965.15
3-year normalization	3
Total Annual Estimated Rate Case Expense	\$3,655.05