

Exhibit No.: _____
Issue(s): Rate Case Expense/Management
Expense Charges
Witness/Type of Exhibit: Weathers/Direct
Sponsoring Party: Public Counsel
Case No.: ER-2022-0129 and ER-2022-0130

DIRECT TESTIMONY

OF

CASSIDY WEATHERS

Submitted on Behalf of the Office of the Public Counsel

**EVERGY METRO, INC. D/B/A
EVERGY MISSOURI METRO
AND
EVERGY MISSOURI WEST, INC. D/B/A
EVERGY MISSOURI WEST**

CASE NOS. ER-2022-0129 AND ER-2022-0130

** **
Denotes Confidential information that has been redacted

June 8, 2022

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1 **I. INTRODUCTION**

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

3 A. Cassidy Weathers, 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 Utility Regulatory
6 Auditor.

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 and examinations of the books and records of public
11 utilities operating within the state of Missouri.

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

13 A. I graduated from Missouri Southern State University with a Bachelor’s of Science in Business
14 Administration with an emphasis in Accounting and a certificate in Crime Scene Investigation
15 in May of 2021.

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

3 A. Yes. I received and continue to receive regulatory and ratemaking training as an employee of
4 the OPC. In March 2022, I attended the online Institute of Public Utilities Accounting and
5 Ratemaking Course sponsored by Michigan State University. In addition, I attended the
6 NARUC Utility Rate School also sponsored by Michigan State University in May of 2022.

7 **Q. Have you previously testified before the Missouri Public Service Commission**
8 **(“Commission”)?**

9 A. No.

10 **Q. What is the purpose of this direct testimony?**

11 A. The purpose of my testimony is to address my ratemaking positions and current adjustments
12 on rate case expense and management expense charges.

13 **II. RATE CASE EXPENSE**

14 **Q. What is rate case expense?**

15 A. Rate case expense can be defined as a sum of the costs a utility incurs during the preparation
16 and filing of a rate case. The largest amount of these charges consist of outside witnesses,
17 consultants, and attorneys hired by the utility to participate in the rate case process.

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

19 A. Yes. Rate case expense is different from other utility operational expenses for the following
20 reasons:

- 21 1) It is adversarial in nature, with the utility on one side and its ratepayers on
22 the other;

1 2) It produces some direct benefits to shareholders, such as seeking a higher
2 return on equity;

3 3) Requiring ratepayers to pay the entire rate case expense provides the utility
4 with an inequitable financial advantage over other case parties; and

5 4) Full reimbursement of rate case expense does not encourage the utility to
6 be mindful to set reasonable levels of cost containment.

7 **Q. What is your position on the appropriate allocation of rate case expense between**
8 **ratepayers and shareholders in a utility rate case?**

9 A. The Commission should employ rate case expense sharing methodology that allocates a 50/50
10 split to both ratepayers and shareholders of the expenses incurred for the preparation and filing
11 of the rate case, for the following reasons:

12 1) This sharing methodology incentivizes the utility to control rate case
13 expense to rational levels.

14 2) Both ratepayers and shareholders benefit from the rate case process. The
15 ratepayer receives, at a just and reasonable rate, safe and sufficient service.
16 The shareholder receives an opportunity to receive an adequate return on
17 investment.

18 This is the same rate case sharing methodology applied by the Commission Staff (“Staff”) in
19 most, if not all, of its rate case Cost of Service Reports since 2014.

20 **Q. Have the rate case sharing methodology been used in previous Evergy Missouri Metro**
21 **and Evergy Missouri West (collectively “Evergy”) cases?**

22 A. Yes. When Evergy Missouri Metro (“Metro”) was still under the name of Kansas City Power
23 and Light Company and Evergy Missouri West (“West”) was still under the name of Greater

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1 Missouri Operations Company (“GMO”), the Commission ordered this methodology in Case
2 Nos. ER-2014-0370 and ER-2016-0285.

3 **Q. According to Evergy’s direct workpapers, what is Metro and West’s current estimated**
4 **rate case expense?**

5 A. As of Evergy’s direct filing, Metro has an estimated rate case expense of \$1,576,628 and has
6 it amortized over 4 years (\$394,157 per year) and West has an estimated rate case expense of
7 \$1,677,883 and has it amortized over 4 years (\$419,471 per year).

8 **Q. Do you have any adjustments with rate case expense at this time?**

9 A. Yes. According to the response to Staff Data Request (“DR”) 0092, in the *MO Metro Rate*
10 *Case Expense Vouchers through Dec 2021* and the *MO West Rate Case Expense Vouchers*
11 *through Dec 2021* excel spreadsheets there is a charge from ** _____

12 _____

13 _____

14 _____

15 _____

16 _____ **

17 **Q. Given this adjustment and the sharing methodology, what is the correct amount of rate**
18 **case expense that should be included in Evergy’s revenue requirement for this case?**

19 A. I am not sure at the time of this filing. With rate case expense continuously being updated as
20 the case continues, I should be able to provide an amount I deem appropriate to include in
21 Evergy’s revenue requirement in my next filing and update that number in my last filing.

1 **III. MANAGEMENT EXPENSE CHARGES**

2 **Q. Are management expense charges a recent issue with Evergy?**

3 A. No. Staff has had issues regarding Evergy's management expense charges since 2006 in Case
4 No. ER-2006-0314.

5 **Q. Does Evergy have policies on employee expenses that are reimbursable by the utility?**

6 A. Yes. Reimbursement and supply chain management procurement policies ("Expense Policy")
7 were provided in response to OPC DR 1203. These policies cover reimbursement for business
8 expenses, travel and entertainment, credit card use, and authorized procurement/purchasing
9 methods.

10 **Q. Are you conducting a review of Evergy's management expense charges?**

11 A. Yes. I am conducting a comprehensive and detailed analysis of all or substantially all of
12 Evergy's officer expenses charged in the twelve months ending June 30, 2021 test year
13 general ledger.

14 **Q. What are your findings from conducting this review?**

15 A. My analysis is still continuing at the time of this filing. However, from what I have reviewed,
16 there seems to be some violations to the Expense Policy.

17 **Q. What are some of these violations you have found?**

18 A. I have found violations of the following items in Evergy's Expense Policy:

- 19 1) Ground Travel: The most economical ground transportation should be used.
20 Limousine or car service costing more than the average mode of transportation
21 are not valid business expenses.

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- 1 2) Itemized Receipts: Employees will need to provide a receipt that includes the
- 2 amount, date, place (name and location) and a list of items purchased.
- 3 3) Personal use of the credit card is not allowed.
- 4 4) Receipts are required for every transaction over \$25 that are billed to the
- 5 Corporate Card.

6 **Q. Do you have any specific examples that you can share?**

7 A. Yes. I have listed some current examples below and will be including them in a workpaper in

8 my next filing:

9 1) ** _____

10 _____

11 _____

12 _____

13 _____

14 _____

15 _____

16 _____ **

17 2) ** _____

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20 _____ **

21 3) ** _____

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26 _____ **

27 4) ** _____

28 _____

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30 _____

31 _____ **

1 **Q. What are the concerns you have in regards to these violations?**

2 A. This analysis is for upper management and officers at Evergy and the employees that sign off
3 on other managers' expense reports. If these employees are not following the company policy
4 regarding expenses, then I am not confident that lower-ranked employees are being
5 encouraged to follow the Expense Policy.

6 **Q. Do you have concerns about the Expense Policy?**

7 A. Yes. In the Reporting and Approval of Expenses section of the Expense Policy, it states:

8 *The approver has the primary responsibility for the review of expense*
9 *reports. The review should include the following verifications: 1)*
10 *compliance with Company Policies and Procedures including eligibility for*
11 *reimbursement; 2) reasonableness of amount; 3) required evidence of*
12 *payment; 4) completeness of information e.g., including attendees for Meals*
13 *and Entertainment; 5) clerical accuracy; and 6) correct account coding*
14 *information. If an approver is uncertain about the propriety of any reported*
15 *expense, the approver should consult the next higher level of supervision.*

16 A concern I have is with meal charges. Most receipts given were copies of the card
17 signature receipt and not the itemized receipt. This should make it difficult for Evergy
18 supervisors to verify a proper meal expense with just a total amount given. These receipts
19 sometimes do not show the amount of attendees to provide further context to the total
20 printed on the receipt.

21 In Case No. ER-2016-0285, Steven Busser's rebuttal testimony¹ states:

22 *In addition, the general ledger default account for all Company officers is*
23 *set to below-the-line utility accounts. In order for an officer expense to be*

¹ ER-2016-0285, Steven Busser's Rebuttal Testimony, page 9, lines 7-10

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1 *recorded to an operating utility account, a change must be made in the*
2 *system to enter an operating utility code to override this default coding.*

3 He then states:²

4 *There is significantly less administrative burden to enter and approve*
5 *employee expense reports while at the same time increasing the accuracy*
6 *of the accounting for employee expenses as the reviews and approvals are*
7 *more timely.*

8 Since 2016, Evergy seems to be actively trying to control charges charged to its ratepayers,
9 without proper documentation, such as itemized receipts of these expenses, but the
10 problems of imprudent charges remain.

11 **Q. What do you recommend?**

12 A. Evergy needs to change its behavior because no matter how many times the policy is
13 revised, the imprudent charges will continue if the behavior does not improve. Due to this
14 behavior, I continue to disallow imprudent charges such as expenses without proper
15 documentation.

16 **Q. Does the Expense Policy mention alcohol consumption?**

17 A. Yes. Listed under the Not Reimbursable column and the Meals section, it states:

18 *Alcoholic beverage purchases must comply with the Company Code of*
19 *Ethics.*

20 **Q. Do you have issues with the alcohol reimbursement policy?**

21 A. In past Evergy cases, the OPC has made it clear that alcohol consumption charged to
22 ratepayers is unacceptable and I support this position. In Mr. Busser's ER-2016-0285
23 rebuttal testimony, he states in a response to preapproval of alcohol purchases:

² ER-2016-0285, Steven Busser's Rebuttal Testimony, page 9, lines 12-14

1 *Exceptions for use of possession of alcohol in connection with authorized*
2 *events will be approved in advance by the chief compliance officer.*³

3 *If an employee is at a dinner conducting legitimate Company business and*
4 *alcohol is purchased, this is not viewed as an “authorized event” which*
5 *requires preapproval. Rather, it may be viewed as a legitimate business*
6 *expense, incurred during the performance of the employee’s responsibilities*
7 *that will require approval by the employees approver (in most cases, the*
8 *employee’s supervisor).*⁴

9 Everygy states in their Expense Policy that alcohol purchases that get preapproved are
10 reimbursable and can be charged to ratepayers. I do not believe that any alcohol purchases
11 should be charged to ratepayers, preapproved or otherwise. Everygy views preapproved
12 alcohol purchases as a legitimate business expense, for that reason, Everygy should take
13 responsibility for these expenses rather than charging them to ratepayers. Everygy employee
14 alcohol consumption incurred during the course of business in no way contributes to
15 reliable service. This is an imprudent, below-the-line expense and therefore disallowable.

16 **Q. Is there any other specific issues you have with the Expense Policy?**

17 A. Yes. The last paragraph in the Reporting and Approval of Expenses section of the Expense
18 Policy states that the expenses the CEO incurs must be approved by an officer. This increases
19 oversight and enforcement concerns because this policy requires a subordinate to review and
20 approve a superior’s expenses for prudence and reasonableness. The CEO could add pressure
21 out of superiority, to a subordinate to get an expense approved without proper documentation.

³ ER-2016-0285, Steven Busser’s Rebuttal Testimony, page 11, lines 2-4

⁴ ER-2016-0285, Steven Busser’s Rebuttal Testimony, page 11, lines 7-11

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1 My recommendation is that the CEO's expenses have to be viewed and approved from the
2 Board of Directors. This will help prevent ascendancy within the company in regards to CEO
3 expense approval.

4 **Q. Based on these concerns, should the Commission disallow any of the management**
5 **expenses Everygy currently seeks to recover?**

6 A. Yes. Everygy has violated policy rules in its Expense Policy in regards to ground travel,
7 itemized receipts, personal expenses being charged to the corporate credit card, and receipts
8 needed with expenses above \$25. The Commission should be concerned that these expenses
9 are being approved in violation of the policy rules and in addition, without proper or complete
10 documentation. I am currently continuing my investigation and will be better equipped to
11 recommend specific disallowances in future testimony.

12 **Q. Does this conclude your testimony?**

13 A. Yes.