206

Exhibit No.:	
Issue(s):	Rate Case Expense/ Management Expense
Witness/Type of Exhibit:	Conner/Surrebuttal
Sponsoring Party:	Public Counsel
Case No.:	GR-2019-0077

SURREBUTTAL TESTIMONY

OF

AMANDA C. CONNER

Submitted on Behalf of the Office of the Public Counsel

UNION ELECTRIC COMPANY
D/B/A AMEREN MISSOURI

FILE NO. GR-2019-0077

** **

Denotes Confidential Information
that has been redacted

July 10, 2019

OPC Exhibit No. 206
Date 8-15-19 Reporter CJS
File No. GR-2019-0077

Public

EXHIBIT
206
PENGAD 800-631-6989

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of Union Electric Company d/b/a Ameren Missouri's Tariffs to Increase Its Revenues for Natural Gas Service	))))	File No. GR-2019-0077

AFFIDAVIT OF AMANDA C. CONNER

STATE OF MISSOURI)
) **ss**
COUNTY OF COLE)

Amanda C. Conner, of lawful age and being first duly sworn, deposes and states:

1. My name is Amanda C. Conner. I am a Public Utility Accountant I for the Office of the Public Counsel.

2. Attached hereto and made a part hereof for all purposes is my surrebuttal testimony.

3. I hereby swear and affirm that my statements contained in the attached testimony are true and correct to the best of my knowledge and belief.

Amanda C. Conner
Public Utility Accountant I

Subscribed and sworn to me this 10th day of July 2019.

NOTARY PUBLIC NOTARY SEAL STATE OF MISSOURI

JERENE A. BUCKMAN
My Commission Expires
August 23, 2021
Cole County
Commission #13754037

Jerene A. Buckman
Notary Public

My Commission expires August 23, 2021.

TABLE OF CONTENTS

SURREBUTTAL TESTIMONY

OF

AMANDA C. CONNER

UNION ELECTRIC COMPANY

d/b/a AMEREN MISSOURI

CASE NO. GR-2019-0077

Introduction

Q. Please state your name and business address.

A. Amanda C. Conner, PO Box 2230, Jefferson City, Missouri 65102.

Q. Are you the same Amanda Conner who filed direct testimony in this case?

A. Yes.

Q. What is the purpose of this surrebuttal testimony?

A. The purpose of my surrebuttal testimony is to respond to the rebuttal testimonies of Ameren Missouri's (Ameren) witnesses Laura Moore and Tom Byrne, and to update the management expenses adjustment.

Rate Case Expense

Q. Did you review Ms. Moore's rebuttal testimony regarding rate case expense?

A. Yes.

Q. On page 15, line 21 and page 16, line 1, Ms. Moore stated that OPC "does not seem to exclude Commission-mandated costs from the sharing adjustment." Do you agree with this statement?

A. No. In fact on page 3, line 24 of my direct testimony, I specifically stated that Ameren is anticipating to spend $350,000 on outside services, not including any Depreciation Study. Ameren's most recent depreciation study was sent to Commission Staff in mid-June 2015 using 2014 data. In Ameren's last rate case, GR-2010-0363 (2010) rate case, the company was allowed a three-year amortization for the Depreciation Study in that case. The amount of that Depreciation Study was $100,000 and when amortized over three years, the amount collected in rates is $33,333. Since the rate increase started in February of 2011, Ameren has been collecting for the Depreciation Study for approximately eight and a half years. This amount totals to approximately $283,330. This is approximately $183,330 over the amount of the Depreciation Study in the 2010 rate case. The cost of the Depreciation Study done in 2015 was $51,783. Therefore, I am recommending Ameren collects nothing for the Depreciation Study because it has already collected the amount to cover the entire Depreciation Study they used in this rate case leaving approximately $131,547 in over collection. This amount is enough to pay for Ameren's next Depreciation Study.

Q. On page 16, lines 1-2, Ms. Moore states that the normalization period you propose is different from Staff's. Why is the amount of time different?

A. Staff has requested Ameren file another rate case in ** **, therefore, the normalization period for Staff is ** **. My four-year normalization is based on the fact that Ameren Gas has gone nine years between rate case filings. If Ameren Gas files for an ISRS, however, I could agree to a three-year normalization, because by statute, the Company would be required to file a rate case within three years.

Q. On page 16, lines 14-17, Ms. Moore claims that 100% of prudently-incurred rate-case expenses should be included in rates. Did she provide any support for her statement?

A. No. The fact that Ameren's claimed rate case expense in this case is approximately *one-third* ($948,000) of its total requested increase casts doubt on the accuracy and prudence of the expense. The Commission has found that shareholders benefit from rate cases. Under the

2014 Order, therefore, shareholders should pay for the portion of rate case expense above the amount required to provide safe and adequate service.

Management Expense Adjustment

Q. Have you reviewed Ameren witness Tom Byrne's rebuttal testimony regarding your proposed disallowance of management expenses?

A. Yes.

Q. On page 17, lines 21-22, Mr. Byrne states that you didn't look at expenses incurred by the non-officer employees. Is he correct in this statement?

A. Yes.

Q. Why did you only audit Ameren's officers' expenses?

A. It is my belief that corporate officers set the "Tone at the Top." This means that if a company's officers are charging inappropriate expenses to ratepayers, it is reasonable to think their management employees do the same.

Q. Is the "Tone at the Top" an accepted auditing concept?

Yes, it is. The basis for this approach is the idea that what is acceptable behavior by the Company's officers will also most likely be considered acceptable for lower management. This is why I used the accepted audit practice of sampling.

I have used this method in all of the rate cases in which I have performed a management expense audit. This method allows me to assess whether there is an issue with Ameren's internal controls used to separate those management expenses which are not necessary for Ameren to provide safe and adequate service. In this case I determined that the Company's internal controls are inadequate to separate expenses, which were plainly unrelated to

Ameren's provision of safe and adequate service, from costs that are the shareholders responsibility.

Q. What is your response to Mr. Byrne's testimony about your auditing technique?

A. Despite my agreement with the Company's request to do a sample, Mr. Byrne, nonetheless criticizes me for not reviewing expenses incurred by non-officer employees. Mr. Byrne does not provide any support for his claim that it is egregious to use the sampling technique I used.

Q. On page 18, lines 7-8, Mr. Byrne agrees that lobbying expenses must be booked below the line, and states that they are. Based on your audit do you agree?

A. No, I requested invoices for the officer in question, and on the mileage and other invoices Ameren supplied, many of the descriptions including the dates, times and nature of the expense included lobbying expenses that were not booked below the line.

Q. On page 18, lines 10-11, Mr. Byrne suggests that meals in St. Louis do not necessarily violate the Company's policies, and there is no basis for my disallowance. Do you agree?

A. Ameren's policy states when practical, all internal meetings should avoid being scheduled over the meal period, and if it is, the convener must provide justification. Since Ameren did not provide records of any justification for scheduling an internal meeting over a mealtime, I disallowed all such meals. Mr. Byrne suggested an example of a situation that might meet Ameren's policy, but the policy requires justification. Mr. Byrne failed to include any of the policy's required documentation stating the justification.

In my testimony, I explain that OPC's policy is to disallow expenses for local meals. There are two reasons for this. The first is that, on any regular workday Ameren doesn't pay for employees meals. Just because there is a meeting does not change the fact that it is a regular

work day. If there is justification for paying for such meals, Ameren's policy allows an exception to its rule. Secondly, Ameren provided nothing to explain why the same meetings could not have occurred in Ameren's nearby corporate headquarters without the added expenses of customer-paid lunches.

Q. On page 18, lines 18-21, Mr. Byrne challenges your disallowance of meals in St. Louis because Ameren Missouri's gas operations are located in Central Missouri, do you agree with his argument?

A. No. Ameren's main offices are in St. Louis, so the majority of Ameren's officers and managers are in the St. Louis offices.

Q. Have you adjusted the management expense disallowance since your direct testimony?

A. Yes.

Q. What is the amount of adjustment you are making?

A. The amount of management expenses I have removed is $762,285. The basis of my adjustment is that the Company's natural gas customers should not reimburse Ameren for expenses that do not ratepayer benefits. These charges include, for example, costs for trips to Canada and to Europe, charges for the Company's lobbying activities both in Missouri and at the federal level, and tickets and meals to professional league sporting events. I have also removed excessive expenses for meals in St. Louis where the Company is headquartered; due to the lack of proof that these meals were business related or that there was a reasonable basis for not conducting the meeting at Ameren's nearby corporate headquarters. I also removed charges to events and memberships that **might** benefit electric customers but do not benefit the Company's natural gas customers.

Q. Does this conclude your Surrebuttal testimony?

A. Yes, it does.