

Exhibit No.: \_\_\_\_\_  
Issue: Fuel Adjustment Clause  
Witness: Monica K. Gloodt  
Type of Exhibit: Direct  
Testimony  
Sponsoring Party: The Empire District  
Electric Company  
Case No.: ER-2024-\_\_\_\_\_  
Date Testimony Prepared: September 2023

**Before the Public Service Commission  
of the State of Missouri**

**Direct Testimony**

**of**

**Monica K. Gloodt**

**on behalf of**

**The Empire District Electric Company**

**September 29, 2023**



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THE EMPIRE DISTRICT ELECTRIC COMPANY  
BEFORE THE MISSOURI PUBLIC SERVICE COMMISSION  
CASE NO. ER-2024-\_\_\_\_\_

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THE EMPIRE DISTRICT ELECTRIC COMPANY  
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1 **I. INTRODUCTION**

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

3 A. My name is Monica K. Gloodt, and my business address is 602 South Joplin Avenue,  
4 in Joplin, Missouri.

5 **Q. By whom are you employed and in what capacity?**

6 A. I am employed by Liberty Utilities Services Corp. (“LUSC”), and I serve as an Analyst  
7 in the Rates and Regulatory Affairs Department for Liberty’s Central Region, which  
8 includes The Empire District Electric Company (“Liberty-Empire” or “Company”).

9 **Q. Please describe your educational and professional background.**

10 A. I graduated from Pittsburg State University, Pittsburg, Kansas, in 2018, with a Bachelor  
11 of Science degree with a major in Finance. In July of 2020, I assumed my current role  
12 as Analyst I, Rates and Regulatory Affairs for LUSC. Prior to joining the Company, I  
13 was employed with Maneval Inc, where I assisted in grain contracting.

14 **Q. Have you previously testified before the Missouri Public Service Commission  
15 (“Commission”) or any other regulatory agency?**

16 A. I have not previously testified before this Commission. However, I have submitted  
17 Direct Testimony before the Arkansas Public Service Commission in Docket Nos. 18-  
18 054-TF, 18-055-TF, 13-111-U, and 16-053-U.

19 **Q. What is the purpose of your testimony?**

20 A. The purpose of my testimony is to support the Fuel & Purchased Power Adjustment  
21 Clause (“FAC”) rate tariff that has been filed by Liberty-Empire. The FAC rate tariff

1 reflects the actual energy costs incurred by the Company during the six-month period  
2 March 2023 through August 2023. The six-month period is an Accumulation Period  
3 specified in the Company's FAC tariff that was approved by the Commission in its  
4 Order Approving Stipulations and Agreements issued in Case No. ER-2021-0312. The  
5 current Fuel Adjustment Rate ("FAR") for the Accumulation Period ending August  
6 2023 and the Recovery Period ending May 2024 is \$0.00684.

7 **Q. Are you sponsoring any schedules with your testimony?**

8 A. Yes. I am sponsoring the following schedules:

- 9 ○ **Direct Schedule MKG-1:** contains the basic tariff filing information and the FAC  
10 formula the Company used to calculate the FARs which have been included in the  
11 proposed revised FAC rate tariff sheet 17q; and  
12 ○ **Confidential Direct Schedule MKG-2:** detailed information required by 20 CSR  
13 4240-20.090(8)(A)(2).

14 **Q. Does the Company's FAC tariff include provisions that are designed to limit  
15 Liberty-Empire's FAC recovery to the actual cost of energy?**

16 A. Yes. The Company's FAC and the Commission's rule governing FACs include two  
17 safeguards limiting FAC recovery to actual, prudently incurred energy costs: (1) a true-  
18 up process that ensures the FAC collections during the Recovery Period do not exceed  
19 actual energy costs incurred during the Accumulation Period; and (2) a requirement  
20 that Liberty-Empire's energy costs be subjected to periodic prudence reviews. Liberty-  
21 Empire's operation of the FAC was reviewed in Case No. EO-2023-0087. On February  
22 28, 2023, Staff filed a report in which Staff identified no incidence or evidence of  
23 imprudence by the Company in the items that Staff examined for the period of March  
24 1, 2021, through August 31, 2022. Additionally, on September 14, 2023, the

1 Commission issued an approval order, effective October 14, 2023, finding Staff's  
2 report and recommendation to be reasonable.

3 **Q. Please describe Liberty-Empire's FAC and FAR filing obligations.**

4 A. The Commission's rule governing fuel and purchased power cost recovery mechanisms  
5 for electric utilities – specifically 20 CSR 4240-20.090(8) – requires the Company to  
6 make periodic FAC filings that are designed to enable Commission review of the actual  
7 fuel costs, purchased power costs, cost of consumables associated with the power  
8 plants' air quality control system ("AQCS"), net cost of emission allowances, revenue  
9 from the sale of renewable energy credits ("REC"), and off-system sales margins  
10 (collectively referred to as total energy costs) that the Company has incurred during an  
11 Accumulation Period. In addition, these periodic filings are designed to adjust the FAC  
12 rates up or down, to reflect the actual energy costs incurred during the Accumulation  
13 Period. Liberty-Empire's FAC tariff calls for two annual filings: a filing covering the  
14 six-month Accumulation Period running from September through February and a  
15 second filing covering the Accumulation Period running from March through August.  
16 Any increases or decreases in rates approved by the Commission, or that take effect by  
17 operation of law, are then collected from, or refunded to customers over two six-month  
18 Recovery Periods: June through November and December through May.

19 **Q. Please provide an overview of your Direct Testimony in support of the FAC rate  
20 tariff filed by Liberty-Empire.**

21 A. Since the implementation of the Company's FAC, the variable cost of fuel and  
22 purchased power used by the Company's Missouri customers has varied from the base  
23 fuel and energy cost established in rates. For the Accumulation Period March 2023  
24 through August 2023, Liberty-Empire's actual total energy costs eligible for the FAC

1 have been higher than the base energy cost included in the Company's Missouri rates  
2 by approximately \$12,814,303. In accordance with the Commission's FAC rule and  
3 Liberty-Empire's approved FAC tariff, the Company has filed a FAC rate tariff that is  
4 designed to collect 95 percent of the energy cost differences, or approximately  
5 \$12,173,588.

6 As reflected in the rate tariff filed by the Company, Liberty-Empire has  
7 developed two FARs designed to recover the FPA, each of which is based on forecasted  
8 retail Missouri sales over the next Recovery Period: a FAR of \$0.00714 per kilowatt-  
9 hour (kWh) for primary service; and a FAR of \$0.00727 per kWh for secondary service.  
10 These FARs will enable Liberty-Empire to recover, over a Recovery Period ending  
11 May 2024, the difference between energy costs built into its base rates and the total  
12 energy costs actually incurred during the Accumulation Period. In addition, Liberty-  
13 Empire will recover the true-up amount of the fuel and energy costs during the  
14 Recovery Period ended May 31, 2023.

15 **II. THE PROPOSED FAC RATE ADJUSTMENT**

16 **Q. Why has Liberty-Empire filed a FAC-related rate tariff at this time?**

17 A. As noted previously, Commission Rule 20 CSR 4240-20.090(8) and Liberty-Empire's  
18 FAC tariff require the Company to make periodic FAC filings that enable the  
19 Commission to review Liberty-Empire's actual fuel, purchased power, AQCS costs,  
20 off-system sales, REC revenue, and net costs of emissions allowances, so that the  
21 Company's FAC rates can be adjusted to reflect the actual energy costs the Company  
22 incurs to provide electric service to its Missouri customers. Liberty-Empire's Missouri  
23 FAC tariff calls for two FAC adjustment filings per year: (1) a filing covering the six-  
24 month Accumulation Period running from September through February; and (2) a filing

1 covering the Accumulation Period running from March through August. Liberty-  
2 Empire is seeking a decrease in its FAC rates to reflect 95% of the difference between  
3 the energy costs built into its base Missouri rates and Liberty-Empire's actual Missouri  
4 energy costs for the March 2023 through August 2023 Accumulation Period, plus a  
5 true-up of the costs recovered during the Recovery Period ending May 31, 2023. This  
6 recovery via the FAC rates will be reflected on the Missouri customers' bills over the  
7 six-month Recovery Period running from December 2023 through May 2024.

8 **Q. How did Liberty-Empire's average energy costs for the Accumulation Period**  
9 **compare to the costs included in base rates?**

10 A. While Liberty-Empire's average energy cost per kWh is higher than the level built into  
11 its base electric rates, it is lower than the average energy cost of \$0.01733 from the  
12 previous Accumulation Period ending February 2023, which is why the FAC rate tariff  
13 filed by the Company seeks a decrease in the rates to be charged to its Missouri  
14 customers. More specifically, Liberty-Empire's Missouri base rates included an  
15 average cost of energy per kWh of net system production of \$0.00870. Liberty-Empire  
16 incurred average energy costs of \$0.01428 per kWh during the Accumulation Period,  
17 which is \$0.00558 per kWh, or about 1.6 times more than the average cost built into  
18 current base rates. Pursuant to Liberty-Empire's FAC tariff, the Company is requesting  
19 in this proceeding to collect from its Missouri customers the net of 95 percent of this  
20 increase plus approximately \$3,013,909 of under-recovered energy cost and \$751,953  
21 of interest income.

1 **Q. Did Liberty-Empire anticipate this increase in fuel and purchase power costs**  
2 **when it proposed and later settled on a normal level of fuel and purchase power**  
3 **expenses in its most recent rate case<sup>1</sup>?**

4 A. No. The Company agreed to a base fuel amount based on the market conditions that  
5 were anticipated at that time. The Fuel and Purchased Power (“FPP”) base factor is an  
6 estimate and is established in a rate case based on model runs of what the future FPP  
7 costs may hold. The base fuel amount in Case No. ER-2021-0312, like many rate case  
8 issues, was agreed to following discussions and compromises with other parties to the  
9 case. The base factor estimate is based on normalized assumptions (costs, weather,  
10 market prices, unit outages, wind production, etc.) at a point in time. However, over  
11 time, modeling assumptions can change. There are many variables involved in  
12 forecasting future energy costs and market conditions which are subject to many  
13 complex interdependencies. It is difficult to estimate the exact amount of future energy  
14 cost since it involves many uncertain and uncontrollable factors. Those uncontrollable  
15 factors have resulted in underestimated FPP price levels. The confluence of a number  
16 of circumstances over the last approximately 2.5 years has caused FPP expenses to be  
17 higher than the forecast. When determining its base factor estimate for Case No. ER-  
18 2021-0312, the Company could not have reasonably foreseen this outcome.

19 **Q. How will the proposed FAC change impact the monthly bill for a typical**  
20 **residential customer?**

21 A. For Missouri residential customers using 1,000 kWh per month, the electric bill will  
22 decrease by approximately \$2.17 per month over the six-month period December 2023  
23 through May 2024, when the requested FAC secondary expansion factor of \$0.00727

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<sup>1</sup> ER-2021-0312.



1 is applied to their bill and the previous FAC recovery factor of \$0.00944 is eliminated  
2 from their bill.

3 **Q. Please explain further how the average energy cost varied from expectations.**

4 A. The actual average energy cost eligible for the FAC was \$14.28/MWh. This was  
5 roughly 1.6 times or 64.1% greater than the average FAC base factor of \$8.70/MWh.  
6 However, the actual total FAC eligible energy cost per MWh was relatively close to  
7 the Company's 2023 budget for the period. The actual energy cost eligible for the FAC  
8 was about 0.9% lower than the \$14.40/MWh budgeted level.

9 **Q. Were there any Prior Period Adjustments included in this Accumulation Period?**

10 A. Yes. In April of 2023, it was noted the Missouri and Total Company kWhs were  
11 inadvertently reported in the February FAC calculation. As a result, the Company  
12 corrected the April Accumulation Period under-recovery balance, which resulted in a  
13 decrease of \$47, 200, a benefit to customers.

14 **Q. Please describe how the Company is proposing to recover the energy cost incurred  
15 during the March 2023 – August 2023 Accumulation Period.**

16 A. The FAC rate tariff filed by Liberty-Empire will apply a FAR of \$0.00714 for primary  
17 and \$0.00727 for secondary service to the actual Missouri retail kWh sales that take  
18 place during the Recovery Period of December 1, 2023, to May 31, 2024. The proposed  
19 FARs were calculated in accordance with Liberty-Empire's authorized FAC tariff. I  
20 have attached to my testimony, as **Direct Schedule MKG-1**, an exemplar copy of one  
21 of the Company's approved FAC tariff sheets. In addition to the tariff sheet, I have  
22 included a monthly analysis of the energy costs and energy cost recovery that has taken  
23 place during the Accumulation Period on page 2 of **Direct Schedule MKG-1**. **Direct**  
24 **Schedule MKG-1** contains the basic tariff filing information and the FAC formula that

1 the Company used to calculate the FARs which have been included in the proposed  
2 revised FAC rate tariff sheet 17q. The Liberty-Empire FAC tariff and the formula  
3 included therein were approved by the Commission in Case No. ER-2021-0312.

4 **Q. How were the various values used to determine the proposed FARs shown on**  
5 **Direct Schedule MKG-1 developed?**

6 A. The data upon which Liberty-Empire based the values for each of the variables in the  
7 approved FAR formula are included on the schedule and came from Liberty-Empire's  
8 books and records. **Direct Schedule MKG-1** contains the basic tariff filing  
9 information that is required to calculate the proposed change in the FAR. In addition,  
10 the detailed information required by 20 CSR 4240-20.090(8)(A)(2) is included in my  
11 testimony as **Confidential Direct Schedule MKG-2**. Additional information about the  
12 true-up amount is being filed concurrently in a separate docket. Also, as required by 20  
13 CSR 4240-20.090, I am separately providing these workpapers to all parties of record  
14 in Case No. ER-2021-0312.

15 **Q. Do you expect the average energy costs eligible for the FAC to be higher or lower**  
16 **than the base during the next Accumulation Period from September 2023 through**  
17 **February 2024?**

18 A. Based upon a review of the current natural gas market, we expect average energy costs  
19 to be higher than the FAC base during the Accumulation Period of September 2023 –  
20 February 2024. This is subject to change based on any changes to natural gas and  
21 market prices, extreme weather or other unforeseen events.

22 **III. NEW CHARGE TYPE**

23 **Q. Is Liberty-Empire aware of any changes to charge types from SPP that occurred**  
24 **during the Accumulation Period for this filing?**

1 A. Yes. On March 1, 2023, Liberty-Empire filed notice of new charge types in Case No.  
2 ER-2021-0312. The new charge types being implemented by SPP went into effect on  
3 July 6, 2023.

4 **Q. What are the six new charge types?**

5 A. SPP implemented six new charge types referenced as “Day-Ahead Uncertainty Reserve  
6 Amount,” “Day-Ahead Uncertainty Reserve Distribution Amount,” “Real-Time  
7 Uncertainty Reserve Amount,” “Real-Time Uncertainty Reserve Distribution  
8 Amount,” “Real-Time Uncertainty Non-Performance Amount,” and “Real-Time  
9 Uncertainty Non-Performance Distribution Amount”.

10 **Q. Please explain the intent for these new charge types.**

11 A. In Revision Request 449, SPP added six new uncertainty products to the Market  
12 Protocols in the sections covering regulation and ancillary services. The intent of the  
13 new uncertainty products is to supplement the existing regulation and ancillary services  
14 products and is described in 4.1.3.4 of the Market Protocols thus: “The Uncertainty  
15 Reserve requirement represents the need for Resources with the ability to adjust their  
16 power outputs consistent with the Resource limit and ramping constraints to respond  
17 to planned and/or unplanned obligation changes.” Given their characteristics and that  
18 they are similar in their inclusion in the Regulation and Ancillary Services sections of  
19 the Market Protocols, the Company believes it is appropriate for the new uncertainty  
20 products to be included in the Fuel Adjustment Clause. Regulation and Ancillary  
21 Services are currently captured in accounts 555800-555880 for DA, 555900-555980  
22 for RT, and included in the FAC. The impact to customers will be similar to the current  
23 Regulation and Ancillary Services products in that Liberty-Empire owned and  
24 contracted plants will receive revenue from these services if qualified and cleared by

1 the market. Conversely, as with the current Regulation and Ancillary Services products,  
2 costs may be incurred for uplift purposes.

3 **IV. NEOSHO WIND OUTAGE INSURANCE PROCEEDS**

4 **Q. Please provide a description of when the Neosho Wind outage occurred.**

5 A. An outage occurred with two main step-up substation transformers, namely, Main  
6 Power Transformer MPT-1 and MPT-2. The failure associated with transformer MPT-  
7 1 occurred on March 21, 2022, and the failure associated with transformer MPT-2  
8 occurred on March 24, 2022.

9 **Q. Has the Company received insurance proceeds related to the failure of MPT-1  
10 and MPT-2?**

11 A. Yes.

12 **Q. Have customers received the benefit of these insurance proceeds?**

13 A. Yes, customers have received the insurance proceeds as a credit through the Missouri  
14 FAC. The insurance proceeds credit has served to reduce the overall FPP costs.

15 **Q. Are there any insurance proceeds included in the current Accumulation Period of  
16 March 2023 – August 2023?**

17 A. No. The current Accumulation Period of March 2023 through August 2023 does not  
18 include insurance proceeds because no insurance proceeds were received by the  
19 Company during this specific time frame.

20 **Q. Please provide the total amount of insurance proceeds customers have received  
21 related to the Neosho Wind outage.**

22 A. Customers have received proceeds of \$11,148,736 as a credit through the Missouri  
23 FAC. The below table outlines the specifics related to the insurance proceeds.

1

**Breakdown of Insurance Proceeds**

<b>Missouri FAC Prudency Review – NR Wind Insurance Proceeds 2022</b>			
<b>Time Period</b>	<b>SPP Market Revenue (Insurance)</b>	<b>REC Revenue (Insurance)</b>	<b>Total</b>
June 2022	(4,594,308)	(339,988)	(4,934,296)
July 2022	-	-	-
August 2022	-	-	-
September 2022	-	-	-
October 2022	-	-	-
November 2022	(3,563,344)	(52,464)	(3,615,808)
December 2022	(2,517,762)	(80,870)	(2,598,632)
<b>Total</b>	<b>(10,675,414)</b>	<b>(473,322)</b>	<b>(11,148,736)</b>

2 **V. FAC RULE COMPLIANCE**

3 **Q. Is Liberty-Empire in compliance with the provisions of the Commission’s FAC**  
4 **rule concerning periodic reporting and surveillance?**

5 A. Yes. Liberty-Empire has complied with all provisions of Commission Rules 20 CSR  
6 4240-20.090(5) and (7) governing periodic reports and surveillance using the  
7 Commission’s electronic filing system and by providing copies of the periodic  
8 compliance reports and copies of surveillance reports to the other parties at the same  
9 time they were filed with the Commission.

10 **Q. What action is Liberty-Empire requesting from the Commission with respect to**  
11 **the FAC rate tariff that the Company filed on September 29, 2023?**

12 A. As provided by 20 CSR 4240-20.090(8), Staff has thirty days from the date the FAC  
13 rate tariff is filed to conduct a review and to make a recommendation to the  
14 Commission as to whether the rate tariff complies with the Commission’s FAC rules,  
15 the requirements of Section 386.266, RSMo, and Empire’s approved FAC. The  
16 Commission has sixty days from the date of the Company’s filing to either approve the  
17 rate tariff or to allow it to take effect by operation of law. The Company’s FAC filing

1 satisfies all the requirements of applicable statutes, the Commission's rules, and its  
2 approved FAC. As such, the Company requests that the Commission approve or allow  
3 revised FAC sheet 17q to take effect by operation of law, effective December 1, 2023.

4 **Q. Does this conclude your Direct Testimony?**

5 A. Yes.

**VERIFICATION**

I, Monica K. Gloodt, under penalty of perjury, on this 29th day of September, 2023,  
declare that the foregoing is true and correct to the best of my knowledge and belief.

/s/ Monica K. Gloodt