

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: April 2024

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

Direct Testimony

of

Monica K. Gloodt

on behalf of

The Empire District Electric Company

April 1, 2024



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FOR THE DIRECT TESTIMONY OF MONICA K. GLOODT
THE EMPIRE DISTRICT ELECTRIC COMPANY
BEFORE THE MISSOURI PUBLIC SERVICE COMMISSION
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DIRECT TESTIMONY OF MONICA K. GLOODT
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 in 2018 with a Bachelor of Science degree
11 with a major in Finance. I was hired by LUSC in July of 2020 as an Analyst I in the
12 Rates and Regulatory Affairs department and was promoted to an Analyst II in
13 February 2024.

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

16 A. Yes, I have previously testified before this Commission in Docket Nos. ER-2024-0118
17 and EO-2024-0119. I have also submitted Direct Testimony before the Arkansas Public
18 Service Commission in Docket Nos. 18-054-TF, 18-055-TF, 13-111-U, 16-053-U and
19 22-085-U.

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

1 A. The purpose of my testimony is to support the Fuel & Purchased Power Adjustment
2 Clause (“FAC”) rate tariff that has been filed by Liberty-Empire. The FAC rate tariff
3 reflects the actual energy costs incurred by the Company during the six-month period
4 September 2023 through February 2024. The six-month period is an Accumulation
5 Period specified in the Company’s FAC tariff that was approved by the Commission in
6 its Order Approving Stipulations and Agreements issued in Case No. ER-2021-0312.
7 The current Fuel Adjustment Rate (“FAR”) for the Accumulation Period ending
8 February 2024 and the Recovery Period ending November 2024 is \$0.00763.

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

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

- 11 ○ **Direct Schedule MKG-1:** contains the basic tariff filing information and the FAC
12 formula the Company used to calculate the FARs which have been included in the
13 proposed revised FAC rate tariff sheet 17q; and
- 14 ○ **Confidential Schedule MKG-2:** detailed information required by 20 CSR 4240-
15 20.090(8)(A)(2).

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

18 A. Yes. The Company’s FAC and the Commission’s rule governing FACs include two
19 safeguards limiting FAC recovery to actual, prudently incurred energy costs: (1) a true-
20 up process that ensures the FAC collections during the Recovery Period do not exceed
21 actual energy costs incurred during the Accumulation Period; and (2) a requirement
22 that Liberty-Empire’s energy costs be subjected to periodic prudence reviews. On
23 March 4, 2024, Staff provided notice that it started its eleventh prudence review of the
24 costs and revenues associated with Liberty’s Commission approved fuel adjustment

1 clause for the review period September 1, 2022 through February 29, 2024. Previously,
2 Liberty-Empire's operation of the FAC was reviewed in Case No. EO-2023-0087. On
3 February 28, 2023, Staff filed a report in which Staff identified no incidence or
4 evidence of imprudence by the Company in the items that Staff examined for the period
5 March 1, 2021, through August 31, 2022. Additionally, on September 14, 2023, the
6 Commission issued an approval order, effective October 14, 2023, finding Staff's
7 report and recommendation to be reasonable.

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

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

1 **Q. Please provide an overview of your direct testimony in support of the FAC rate**
2 **tariff filed by Liberty-Empire.**

3 A. Since the implementation of the Company's FAC, the variable cost of fuel and
4 purchased power used by the Company's Missouri customers has varied from the base
5 fuel and energy cost established in rates. For the Accumulation Period September 2023
6 through February 2024, Liberty-Empire's actual total energy costs eligible for the FAC
7 have been higher than the base energy cost included in the Company's Missouri rates
8 by approximately \$20,255,385. In accordance with the Commission's FAC rule and
9 Liberty-Empire's approved FAC tariff, the Company has filed a FAC rate tariff that is
10 designed to collect 95 percent of the energy cost differences, or approximately
11 \$19,214,115.

12 As reflected in the rate tariff filed by the Company, Liberty-Empire has
13 developed two FARs designed to recover the FPA, each of which is based on forecasted
14 retail Missouri sales over the next Recovery Period: a FAR of \$0.00796 per kilowatt-
15 hour (kWh) for primary service; and a FAR of \$0.00811 per kWh for secondary service.
16 These FARs will enable Liberty-Empire to recover, over a Recovery Period ending
17 November 2024, the difference between energy costs built into its base rates and the
18 total energy costs actually incurred during the Accumulation Period. In addition,
19 Liberty- Empire will recover the true-up amount of the fuel and energy costs during the
20 Recovery Period ended November 30, 2023.

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

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

23 A. As noted previously, Commission Rule 20 CSR 4240-20.090(8) and Liberty-Empire's
24 FAC tariff require the Company to make periodic FAC filings that enable the

1 Commission to review Liberty-Empire's actual fuel, purchased power, AQCS costs,
2 off-system sales, REC revenue, and net costs of emissions allowances, so that the
3 Company's FAC rates can be adjusted to reflect the actual energy costs the Company
4 incurs to provide electric service to its Missouri customers. Liberty-Empire's Missouri
5 FAC tariff calls for two FAC adjustment filings per year: (1) a filing covering the six-
6 month Accumulation Period running from September through February; and (2) a filing
7 covering the Accumulation Period running from March through August. Liberty-
8 Empire is seeking an increase in its FAC rates to reflect 95% of the difference between
9 the energy costs built into its base Missouri rates and Liberty-Empire's actual Missouri
10 energy costs for the September 2023 through February 2024 Accumulation Period, plus
11 a true-up of the costs recovered during the Recovery Period ending November 30, 2023.
12 This recovery via the FAC rates will be reflected on the Missouri customers' bills over
13 the six-month Recovery Period running from June 2024 through November 2024.

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

16 A. Liberty-Empire's average energy cost per kWh is higher than the level built into its
17 base electric rates, and it is also higher than the average energy cost of \$0.01428 from
18 the previous Accumulation Period ending February 2024 primarily due to Storms Gerri,
19 Heather and Indigo, which will be discussed later in my testimony. More specifically,
20 Liberty-Empire's Missouri base rates included an average cost of energy per kWh of
21 net system production of \$0.00870. Liberty-Empire incurred average energy costs of
22 \$0.01767 per kWh during the Accumulation Period, which is \$0.00897 per kWh, or
23 about 2 times more than the average cost built into current base rates. Pursuant to
24 Liberty-Empire's FAC tariff, the Company is requesting in this proceeding to collect

1 from its Missouri customers the net of 95 percent of this increase plus approximately
2 \$2,010,080 of over-recovered energy cost and \$556,397 of interest income.

3 **Q. Did Liberty-Empire anticipate this increase in fuel and purchase power costs**
4 **when it proposed and later settled on a normal level of fuel and purchase power**
5 **expenses in its most recent rate case¹?**

6 A. No. The Company agreed to a base fuel amount based on the market conditions that
7 were anticipated at that time. The Fuel and Purchased Power (“FPP”) base factor is an
8 estimate and is established in a rate case based on model runs of what the future FPP
9 costs may hold. The base fuel amount in Case No. ER-2021-0312, like many rate case
10 issues, was agreed to following discussions and compromises with other parties to the
11 case. The base factor estimate is based on normalized assumptions (costs, weather,
12 market prices, unit outages, wind production, etc.) at a point in time. However, over
13 time, modeling assumptions can change. There are many variables involved in
14 forecasting future energy costs and market conditions which are subject to many
15 complex interdependencies. It is difficult to estimate the exact amount of future energy
16 cost since it involves many uncertain and uncontrollable factors. Those uncontrollable
17 factors have resulted in underestimated FPP price levels. The confluence of a number
18 of circumstances over the last approximately 2.5 years has caused FPP expenses to be
19 higher than the forecast. When determining its base factor estimate for Case No. ER-
20 2021-0312, the Company could not have reasonably foreseen this outcome.

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

¹ ER-2021-0312.

1 A. For Missouri residential customers using 1,000 kWh per month, the electric bill will
2 increase by approximately \$0.84 per month over the six-month period June 2024
3 through November 2024, when the requested FAC secondary expansion factor of
4 \$0.00811 is applied to their bill and the previous FAC recovery factor of \$0.00727 is
5 eliminated from their bill.

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

7 A. The actual average energy cost eligible for the FAC was \$17.67/MWh. This was
8 roughly two times or 103.12% greater than the average FAC base factor of \$8.70/MWh.
9 However, the actual total FAC eligible energy cost per MWh was relatively close to
10 the Company's 2023 budget for the period. The actual energy cost eligible for the FAC
11 was about 0.01% lower than the \$17.67/MWh budgeted level.

12 The period September through November 2023 experienced actual average
13 energy cost eligible for the FAC of \$8.76/MWh, which was very close to the FAC base
14 factor. However, the last three winter months (December 2023 – February 2024) of
15 the period had an average energy cost eligible for the FAC of \$25.11. This was
16 primarily due to the coldest January in the past decade and winter Storms Gerri,
17 Heather, and Indigo, which were back-to-back-to-back arctic storms that impacted the
18 service territory from January 14th through the 17th by delivering extreme cold
19 temperatures that greatly impacted the demand for electricity, generating unit
20 operations, and market and fuel prices across the SPP region. These winter storms
21 forced the January 2024 actual average energy cost eligible for the FAC to
22 \$36.58/MWh.

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

24 A. No.

1 **Q. Please describe how the Company is proposing to recover the energy cost incurred**
2 **during the September 2023 – February 2024 Accumulation Period.**

3 A. The FAC rate tariff filed by Liberty-Empire will apply a FAR of \$0.00796 for primary
4 and \$0.00811 for secondary service to the actual Missouri retail kWh sales that take
5 place during the Recovery Period of June 1, 2024, to November 30, 2024. The proposed
6 FARs were calculated in accordance with Liberty-Empire’s authorized FAC tariff. I
7 have attached to my testimony, as **Direct Schedule MKG-1**, an exemplar copy of one
8 of the Company’s approved FAC tariff sheets. In addition to the tariff sheet, I have
9 included a monthly analysis of the energy costs and energy cost recovery that has taken
10 place during the Accumulation Period on page 2 of **Direct Schedule MKG-1**. **Direct**
11 **Schedule MKG-1** contains the basic tariff filing information and the FAC formula that
12 the Company used to calculate the FARs which have been included in the proposed
13 revised FAC rate tariff sheet 17q. The Liberty-Empire FAC tariff and the formula
14 included therein were approved by the Commission in Case No. ER-2021-0312.

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

17 A. The data upon which Liberty-Empire based the values for each of the variables in the
18 approved FAR formula are included on the schedule and came from Liberty-Empire’s
19 books and records. **Direct Schedule MKG-1** contains the basic tariff filing information
20 that is required to calculate the proposed change in the FAR. In addition, the detailed
21 information required by 20 CSR 4240-20.090(8)(A)(2) is included in my testimony as
22 **Confidential Direct Schedule MKG-2**. Additional information about the true-up
23 amount is being filed concurrently in a separate docket. Also, as required by 20 CSR

1 4240-20.090, I am separately providing these workpapers to all parties of record in
2 Case No. ER-2021-0312.

3 **Q. Do you expect the average energy costs eligible for the FAC to be higher or lower**
4 **than the base during the next Accumulation Period from March 2024 through**
5 **August 2024?**

6 A. Based upon a review of the Company budget for the period March 2024 through August
7 2024, the average energy costs eligible for the FAC is expected to be about 62% higher
8 than the FAC base factor. This is subject to change based on any upward or downward
9 pressure on the natural gas and market prices, extreme weather or other unforeseen
10 events.

11 **III. NEW CHARGE TYPE**

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

14 A. No.

15 **IV. CONCLUSION**

16 **Q. Does this conclude your direct testimony?**

17 A. Yes.

VERIFICATION

I, Monica K. Gloodt, under penalty of perjury, on this 1st day of April, 2024, declare that the foregoing is true and correct to the best of my knowledge and belief.

/s/ Monica K. Gloodt