Exhibit No.: _____
Issue(s): Revenue Requirement, Rate Base, Income and Expense Adjustments, Environmental Tracker, New Natural Gas Generation AAO
Witness: Charlotte T. Emery
Type of Exhibit: Direct Testimony
Sponsoring Party: The Empire District Electric Company d/b/a Liberty
Docket No.: ER-2024-0261
Date Testimony Prepared: November 2024

Before the Public Service Commission of the State of Missouri

Direct Testimony

of

Charlotte T. Emery

on behalf of

The Empire District Electric Company d/b/a Liberty

November 6, 2024

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THE EMPIRE DISTRICT ELECTRIC COMPANY D/B/A LIBERTY
BEFORE THE MISSOURI PUBLIC SERVICE COMMISSION
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1 **I. INTRODUCTION**

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

3 A. My name is Charlotte T. Emery. My business address is 602 South Joplin Avenue,
4 Joplin, MO, 64802.

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

6 A. I am employed by Liberty Utilities Service Corp. ("LUSC") as a Senior Director of
7 Rates and Regulatory Affairs for the Liberty Central Region, which includes The
8 Empire District Electric Company d/b/a Liberty ("Liberty" or "Company").

9 **Q. On whose behalf are you testifying in this proceeding?**

10 A. I am testifying on behalf of Liberty.

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

12 A. I graduated from College of the Ozarks, Point Lookout, Missouri, in 2000 with a
13 Bachelor of Science degree with a major in Accounting. I have been a Certified Public
14 Accountant ("CPA") in the State of Missouri since 2006. I was hired by Liberty in July
15 2016 as a Rates Analyst and promoted to my current position as a Senior Director in
16 the Rates and Regulatory Affairs Department in 2022. In my current role, I am
17 responsible for all regulatory matters involving electric, natural gas, and
18 water/wastewater utilities in Arkansas, Illinois, Iowa, Kansas, Missouri and Oklahoma.
19 In addition to managing the Central Region Rates and Regulatory Affairs Department,
20 I am responsible for the development of regulatory strategy, interacting with regulators
21 and other parties on behalf of all the utilities within the Central Region footprint,

1 reviewing and preparing other aspects of regulatory filings, and internal approval of
2 rates and changes, among other duties.
3 Prior to joining the Company, I worked for six years in the regulated insurance
4 industry in Springfield, Missouri as a Director of Accounting. In addition, I have nine
5 years of public accounting experience working for both a national and "Big Four"
6 accounting firms. My primary roles at these organizations included serving as a
7 supervisor for financial statement audits and a tax consultant.
8 **Q. Have you previously testified before the Missouri Public Service Commission**
9 **("Commission") or any other regulatory agency?**
10 A. Yes. I have testified on behalf of Liberty and/or its affiliates before this Commission,
11 as well as before the Kansas Corporation Commission, the Arkansas Public Service
12 Commission, and the Oklahoma Corporation Commission. The case references are
13 attached to this testimony as **Direct Schedule CTE-16**.
14 **Q. What is the purpose of your direct testimony in this proceeding?**
15 A. My direct testimony serves many purposes. First, I provide and explain the basis for
16 the Company's overall revenue requirement and cost to serve its retail electric
17 customers in Missouri. I support the rate base and income statement pro-forma
18 adjustments. In addition, I provide testimony requesting establishment of a regulatory
19 mechanism to track environmental compliance costs, seeking authorization for an
20 Accounting Authority Order ("AAO") to defer certain accounting items as it relates to
21 new natural gas generation units, as well as requesting termination of the Company's
22 Asbury AAO liability. Lastly, I provide support for the allocation factors utilized in
23 allocating the revenue requirement components among Liberty's four electric retail and
24 Federal Energy Regulatory Commission ("FERC") jurisdictions.

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

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

Schedule	Description
Direct Schedule CTE-1	Revenue Requirement Summary
Direct Schedule CTE-2	Rate Base Summary
Direct Schedule CTE-3	Rate Base Adjustment Summary
Direct Schedule CTE-3.1	Plant in Service
Direct Schedule CTE-3.2	Accumulated Depreciation/Amortization
Direct Schedule CTE-3.3	Cash Working Capital
Direct Schedule CTE-3.4	Prepayments
Direct Schedule CTE-3.5	Materials, Supplies & Inventory
Direct Schedule CTE-3.6	Customer Deposits
Direct Schedule CTE-3.7	Customer Advances
Direct Schedule CTE-3.8	Regulatory Assets
Direct Schedule CTE-3.9	Regulatory Liabilities
Direct Schedule CTE-3.10	Accumulated Deferred Income Taxes
Direct Schedule CTE-4	Explanation of Rate Base Adjustments
Direct Schedule CTE-5	Income Statement Summary
Direct Schedule CTE-6	Income Statement Adjustment Summary
Direct Schedule CTE-6.1	Revenues
Direct Schedule CTE-6.2	Operation and Maintenance Expenses
Direct Schedule CTE-6.3	Depreciation Expense
Direct Schedule CTE-6.4	Amortization Expense
Direct Schedule CTE-6.5	Taxes Other Than Income Taxes
Direct Schedule CTE-6.6	Interest on Customer Deposits
Direct Schedule CTE-7	Explanation of Income Statement Adjustments
Direct Schedule CTE-8	Weighted Average Cost of Capital
Direct Schedule CTE-9	Weighted Average Cost of Debt
Direct Schedule CTE-10	Income Taxes
Direct Schedule CTE-11	Pro Forma Income Taxes
Direct Schedule CTE-12	Interest Synchronization

Direct Schedule CTE-13	Gross Revenue Conversion Factor
Direct Schedule CTE-14	Composite Tax Rate
Direct Schedule CTE-15	Basis of Jurisdictional Allocations
Direct Schedule CTE-16	Case Reference Listing
Direct Schedule CTE-17	Interruptible Service, Rider IR Tariff

1 **Q. Was the information contained in the Schedules obtained or derived from the**
2 **books and records of the Company?**
3 A. Yes.
4 **Q. Did Liberty provide the Commission timely notice of the Company's intent to file**
5 **a general rate case?**
6 A. Yes. Pursuant to Commission Rule 20 CSR 4240-4.017, a utility is required to provide
7 at least 60 days' notice to the Commission of its intent to file a case. On March 25,
8 2024, Liberty filed its Notice of Intended Case Filing, which was assigned Case No.
9 ER-2024-0261, satisfying the requirements of Commission Rule 20 CSR 4240-4.017.
10 Additionally, on August 30, 2024, the Company requested a waiver from the Rule to
11 not have the docket close at the end of the one hundred eighty (180) day timeframe.
12 The Commission approved the Company's waiver request on September 19, 2024,
13 stating the file shall remain open until January 1, 2025.

14 **II. GENERAL RATE CHANGE BACKGROUND**

15 **Q. Please describe the Company's recent history of general rate case filings.**
16 A. The Company filed its last general rate case in Missouri in Case No. ER-2021-0312 on
17 May 28, 2021. The Commission issued its Order Approving Stipulations and
18 Agreements effective March 19, 2022. The Commission issued its Report and Order
19 with an effective date of April 16, 2022, and approved compliance tariffs with an

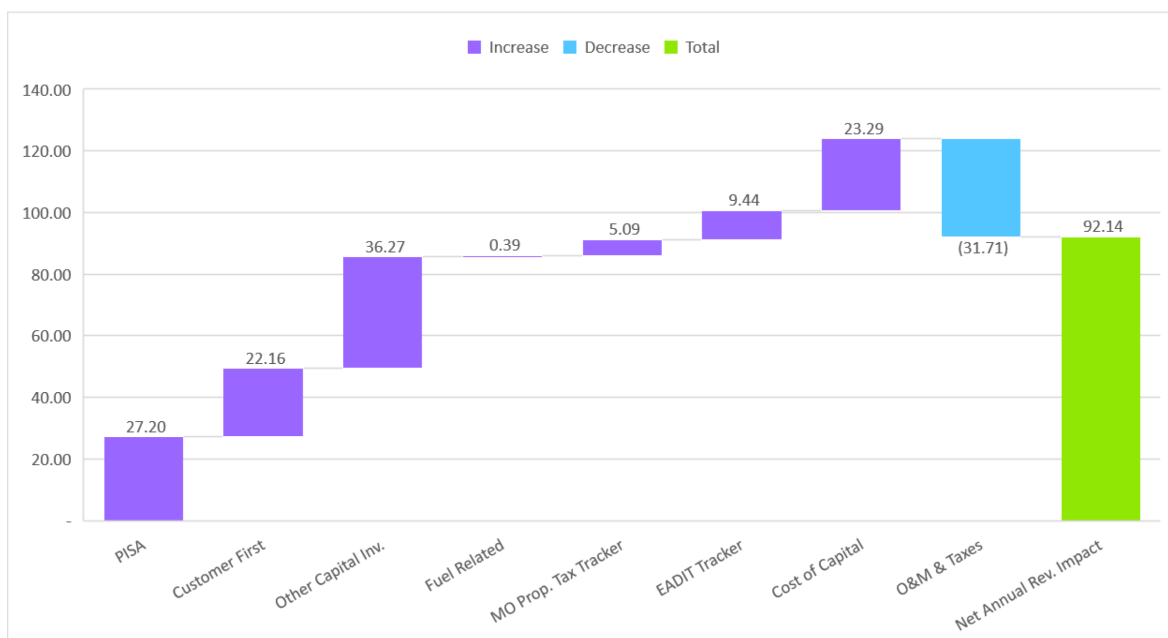
1 effective date of June 1, 2022. The Company was authorized to increase tariff revenues
2 annually by $35,515,913.

3 **Q. What is the amount of the annual revenue deficiency requested in this case?**

4 A. The Company is seeking to recover an annual revenue deficiency of $92,136,624 based
5 on a rate base of $2,563,858,141. This represents a 15.99% increase in total base rate
6 operating revenue. Chart 1 below reflects the major drivers of the Company's
7 proposed rate increase. My direct testimony will address these specific revenue
8 requirement drivers.

9 **Chart 1**

10 **Revenue Increase Drivers ($Millions)**



11 **Q. How did Liberty determine its annual revenue deficiency and its need for a**
12 **general rate change?**

13 A. This request is based on a test year ending September 30, 2023. Adjustments have been
14 proposed for known and measurable changes to the test year and to normalize operating

1 results. The direct schedules, as presented, contain all expense items, and Chart 2
2 below shows a calculation of the annual revenue deficiency.

3 **Chart 2**

Line No.	Revenue Requirement Component	Reference Schedule	Dollar Amount
1	Total Rate Base	Direct Schedule CTE-1	$ 2,563,858,141
2	Required Rate of Return	Direct Schedule CTE-1	7.29%
3	Required Net Operating Income	Line 1 x Line 2	186,938,447
5	Operating Income Deficiency	Direct Schedule CTE-1	70,171,161
6	Gross Revenue Conversion Factor	Direct Schedule CTE-1	1.3130
7	Total Revenue Deficiency	Line 5 x Line 6	92,136,624

4

5 **III. <u>REVENUE REQUIREMENT</u>**

6 **Q. What is meant by the term "revenue requirement"?**

7 A. A utility's "revenue requirement" is the sum of its Operation and Maintenance
8 ("O&M") expenses, depreciation/amortization expense, income and other taxes, and a
9 fair return on the utility's rate base. The revenue requirement is often determined based
10 on a historical test year with pro forma adjustments reflecting reasonably known and
11 measurable changes to revenues, expenses, and rate base items. When the revenue
12 requirement exceeds the utility's normalized test year revenues, a revenue deficiency
13 exists, which is the case here, and a rate increase is required. The calculation presented
14 in this case is made specific to the Company's Missouri retail jurisdiction.

15 **Q. What are the general categories of pro forma adjustments proposed by the**
16 **Company?**

17 A. *Pro forma* adjustments generally fall into one of the following categories:

18 1) Normalization Adjustments - made to rate base and expenses to offset unusual levels
19 of operations recorded during the test year. An example of such an adjustment would

1 be the use of a 13-month average for materials and supplies to address the variable
2 nature of the expense.
3 2) Annualization Adjustments - made to recognize a cost incurred during the test year
4 that will be ongoing and must be captured on a prospective basis. An example of
5 such an adjustment would be the adjustment to payroll to account for salary increases
6 during the update period. This annualization is necessary to adjust payroll costs to a
7 level reflecting the *pro forma* salary for the entire year.
8 3) Out of Period Adjustments - reflect known and measurable changes that occur
9 outside the end of the test year. An example of such an adjustment would be
10 increases in Plant in Service based on Construction Work that is expected to be
11 complete, and used and useful by the end of the update period.
12 4) Costs that are not necessary to provide electric service - An example of such an
13 adjustment would be to remove the common plant utilized by Liberty's gas or water
14 utility affiliates.
15 5) Costs recovered elsewhere - reflect any cost recovery that occurs outside of base
16 rates. An example of such an adjustment would be to remove franchise fees. This
17 adjustment is necessary to ensure that customers are not double charged for costs
18 recovered or passed through a separate mechanism or tariff.
19 **Q. What test year is the Company proposing in this case?**
20 A. The Company is proposing a historical test year based on twelve months ended
21 September 30, 2023.
22 **Q. Is Liberty requesting the test year be updated?**
23 A. Yes. Liberty is proposing the test year be updated through September 30, 2024. The
24 impact of the update process has been included in the Company's revenue requirement

1 and presented in direct testimony. However, because certain pro forma adjustments
2 are based on anticipated September 30, 2024, balances it is appropriate for the
3 Company to provide an update with actual update period financial information during
4 the pendency of the case.

5 **Q. Is Liberty requesting a "true-up" process at this time?**

6 A. No.

7 **Q. What is Liberty's calculated overall Rate of Return ("ROR")?**

8 A. Liberty's adjusted update period ROR is 4.55%. The adjusted update period ROR is
9 calculated by dividing adjusted test year operating income by the adjusted test year rate
10 base. Liberty's last authorized rate of return is 6.77%, thus reflecting that the Company
11 is significantly underearning.

12 **Q. Please summarize the rate relief the Company is seeking in this proceeding.**

13 A. As stated above, the Company is seeking to recover an annual revenue deficiency of
14 approximately $92.1 million based on a rate base of approximately $2,563,858,141.

15 **Q. What is the revenue requirement model?**

16 A. A revenue requirement model is the analysis that calculates the various components of
17 the revenue requirement which was mentioned previously in my testimony and
18 provides a determination of whether a utility is earning its authorized ROR.

19 **Q. Please describe the direct schedules of the revenue requirement model.**

20 A. **Direct Schedule CTE-1**, Revenue Requirement Summary, presents the Company's
21 proposed revenue requirement and the overall revenue requirement calculation. **Direct**
22 **Schedule CTE-2**, Rate Base Summary, reflects the Company's test year rate base,
23 including pro forma adjustments and the resulting pro forma update period rate base.
24 Rate base is the value of property upon which a public utility can earn a specified ROR.

1 **Direct Schedule CTE-3**, Rate Base Adjustment Summary, and **Direct Schedule CTE-**
2 **6**, Income Statement Adjustment Summary, provides the known and measurable
3 adjustments to rate base and operating income that the Company expects through the
4 update period. **Direct Schedule CTE-5**, Income Statement Summary, provides the test
5 year statement of operating income with pro forma adjustments and the resulting pro
6 forma update period operating income. **Direct Schedule CTE-8**, Weight Average Cost
7 of Capital, presents the overall cost of capital used in the calculation of the revenue
8 requirement, which will be addressed in detail by Company witness Daniel S. Dane's
9 direct testimony. **Direct Schedule CTE-11**, Pro Forma Income Taxes, calculates
10 income taxes based on state and federal effective tax rates. **Direct Schedule CTE-12**,
11 Interest Synchronization, calculates the synchronized interest expense based on the
12 Company's pro-forma rate base and weighted cost of debt. The Interest
13 Synchronization calculation is necessary to properly calculate the amount of income
14 taxes to be recovered through rates as the Company receives a tax deduction for interest
15 expense which reduces the Company's taxable income.
16 **Q. Does Liberty allocate its revenue requirement components across the retail states**
17 **in which it operates, as well as, for its FERC jurisdictional operations?**
18 A. Yes. Liberty operates in four retail jurisdictions: Missouri, Arkansas, Kansas, and
19 Oklahoma. The Company also has two FERC formula rates used for transmission and
20 wholesale generation customers. Because Liberty's financial information is reported
21 on a total Company basis for many rate making components (i.e., rate base, production
22 expenses, transmission expenses, and customer expenses), it is necessary to determine
23 a method to allocate costs between the various jurisdictions in which Liberty operates.

1 **Q. Please describe the allocations used to populate the Missouri jurisdictional**
2 **balances in the Company's revenue requirement.**
3 A. The basis of the Missouri jurisdictional allocations used by the Company to populate
4 its Missouri balances is determined either directly or indirectly by the allocation of the
5 Company's demand (12-month average coincidental peak) and energy consumption
6 (12-month ending kWh sales) at the test year end among each of its five jurisdictions
7 (four state retail and FERC). In addition, the Company also directly assigns accounts
8 as appropriate. When assigning allocations to its costs, the Company looks at each
9 individual general ledger account to determine the appropriate method of allocation.
10 This helps ensure that accounts that may be jurisdictional specific are either allocated
11 100% to Missouri, or if it is unrelated to Missouri, then Missouri customers are
12 assigned none of the costs. **Direct Schedule CTE-15** provides a detailed listing of the
13 basis for allocation of each of the revenue requirement categories, and where applicable
14 direct assignments within those categories.
15 **Direct Schedule CTE-15** reflects that the jurisdictional demand drives the
16 allocation of the production and transmission plant; the distribution plant is direct
17 assigned to each jurisdiction; and the allocation of intangible and general plant is based
18 off the allocation of total production, transmission, and distribution plant combined.
19 Many of the other categories are then allocated utilizing the allocation of electric plant
20 (by the demand allocation factor indirectly). Variable expenses, such as fuel inventory
21 and other production expenses, are allocated based on each jurisdiction's 12-month
22 ending energy consumption which occurred at the test year. The Company uses its
23 distribution of labor and 12-month average customer count to allocate the
24 Administrative and General ("A&G") general ledger accounts and Customer

1 Accounts/Assistance categories, respectively. It should be noted some accounts may
2 contain balances that are retail specific or wholesale specific, whereas for example, the
3 Company will create an allocation of its 12-month average coincidental peak based
4 solely on retail demand. Assigning an allocation basis for each specific general ledger
5 account helps to ensure that the Company is including the appropriate amount of each
6 of the components of the revenue requirement for its Missouri customers and prevents
7 subsidization of costs among its five jurisdictions.

8 **IV. RATE BASE**

9 **Q. What is the Company's proposed rate base in this case?**

10 A. As shown in **Direct Schedule CTE-2**, Rate Base Summary, the Company's pro forma
11 update period rate base is $2,563,858,141. It is comprised of the test year rate base of
12 $2,759,266,603, with pro forma adjustments totaling ($195,408,461).

13 **Q. Please explain Rate Base ("RB") Adjustment ("ADJ") 1 for Plant Additions**.

14 A. RB ADJ 1 is an Out of Period Adjustment that increases plant in service and
15 accumulated depreciation for projects reasonably expected to be placed in service and
16 used and useful by the end of the update period, September 30, 2024. This adjustment
17 consists of three distinct categories of additions: Cybersecurity, Customer First, and all
18 other capital investments. The Missouri jurisdictional increase for Cybersecurity
19 additions is $6,421,895, for Customer First is $146,424,668, and for all other
20 investments is $87,427,246. In total, this results in a Missouri jurisdictional pro forma
21 plant in service balance of $240,273,809.

22 The accumulated depreciation is split in a similar way as the plant in service.
23 The Missouri jurisdictional increase to accumulated depreciation for Cybersecurity is
24 $474,395, Customer First is $3,062,922, and for all other investments is $1,868,283.

1 This results in an increase for total Missouri jurisdictional accumulated depreciation of
2 $5,405,600. Since this pro forma adjustment is currently based on anticipated update
3 period plant and accumulated depreciation balances it would be appropriate to revise
4 this adjustment with actual September 30, 2024, balances during the pendency of this
5 case.

6 **Q. Was there any remaining book value of assets being replaced by the Customer**
7 **First Project?**

8 A. The assets replaced by Customer First were nearing the end of their respective lives.
9 Therefore, the undepreciated balance as of March 31, 2024, was $1,016,271. These
10 assets will be fully or almost fully depreciated by the time new rates take effect as a
11 result of this case.

12 **Q. Please explain RB ADJ 2 for Common Plant Removal**.

13 A. Certain general plant assets recorded on Liberty's books are shared between Liberty
14 electric and other non-electric affiliated business entities; therefore, a portion must be
15 removed from the cost of service to avoid subsidization by Missouri electric customers.
16 In this adjustment, the Company calculated a "mass rate" to remove a percentage of
17 common plant utilized by other businesses, which includes certain buildings such as
18 the Joplin Corporate Office, the Joplin Kodiak Operations Office, and the Ozark Call
19 Center. The adjustment results in a decrease to Total Company and Missouri
20 jurisdictional plant by $8,056,129 and $7,007,466, respectively, and reduces the
21 associated accumulated depreciation reserve by $4,135,243 for Total Company and
22 $3,596,960 for Missouri jurisdictional. Since this pro forma adjustment is currently
23 based on anticipated plant and accumulated depreciation update period balances it

1 would be appropriate to revise this adjustment with actual September 30, 2024 balances
2 during the pendency of this case.

3 **Q. Please explain RB ADJ 3 for Additional Accumulated Depreciation.**

4 A. RB ADJ 3 is an Out of Period adjustment that decreases the Company's rate base by
5 $107,371,596 for the Missouri jurisdiction to account for the additional accumulated
6 depreciation related to the test year plant in service (less the test year balance of
7 common plant removed) which is expected to be incurred by the end of the update
8 period. Since this pro forma adjustment is currently based on anticipated additional
9 accumulated depreciation update period balances it would be appropriate to revise this
10 adjustment with actual September 30, 2024, balances during the pendency of this case.

11 **Q. Please explain RB ADJ 4 for Additional Accumulated Amortization.**

12 A. RB ADJ 4 is an Out of Period adjustment that decreases the Company's rate base by
13 $(9,009,366) on a Total Company and by $(7,860,276) on a Missouri jurisdictional
14 basis to account for the additional accumulated amortization amounts related to the test
15 year plant in service which is expected to be incurred by the end of the update period.
16 Since this pro forma adjustment is currently based on anticipated additional
17 accumulated amortization update period balances it would be appropriate to revise this
18 adjustment with actual September 30, 2024, balances during the pendency of this case.

19 **Q. Please explain RB ADJ 5 for Cash Working Capital.**

20 A. RB ADJ 5 decreases the Company's rate base by $(9,650,939) on a Missouri
21 jurisdictional basis to account for the appropriate level of cash working capital. Please
22 refer to Company witness Timothy S. Lyons' direct testimony, which supports the
23 Company's lead-lag study. Since Cash Work Capital is dependent upon the various
24 revenue requirement income statement balances it is appropriate to update this

1 adjustment if any of the income statement components are adjusted during the
2 pendency of this case.

3 **Q. Please explain RB ADJ 6 for the 13-Month Average Adjustments.**

4 A. RB ADJ 6 is a normalization adjustment that utilizes a 13-month average to reduce
5 fluctuations in certain costs and is used to provide a more representative measure of
6 costs for inclusion in rate base. Applying this methodology results in a decrease to
7 materials and supplies test year balance of $(3,781,386) on a Total Company basis and
8 a decrease of $(3,294,458) on a Missouri jurisdictional basis. Using a 13-month average
9 for Prepayments results in a decrease of the test year balances of $(1,070,731) for Total
10 Company and a decrease of $(931,538) for Missouri. Similarly, a 13-month average
11 increases test year customer deposit balances by $465,288 for Total Company and
12 $454,984 for Missouri. Additionally, a 13-month average for customer advances
13 increases its test year balance by $881,990 on a Total Company basis and $883,503 on
14 a Missouri jurisdictional basis. Since this pro forma adjustment is currently based on
15 the 13-month average at the end of the test year it would be appropriate to revise this
16 adjustment utilizing a 13-month average as of September 30, 2024, during the
17 pendency of this case.

18 **Q. Please explain RB ADJ 7 for Fuel Inventory Normalization.**

19 A. The Company calculated coal inventories by determining the average daily burn and
20 multiplying it by the appropriate number of days for inventory for each applicable
21 generating plant, resulting in a decrease to Total Company test year coal inventories of
22 $(1,961,848) or a decrease of $(1,731,821) on a Missouri level. For fuel oil, the
23 Company utilized a September 30, 2023 balance of fuel inventory (in gallons) and
24 multiplied it by the weighted average price per gallon. This resulted in a decrease to

1 test year fuel oil inventory of $(5,341) for Total Company and of $(4,715) for Missouri.
2 For all other fuel inventories, the Company utilized a 13-month average, which results
3 in a decrease to the test year balances of $(173,857) for Total Company and a decrease
4 of $(153,472) for Missouri. This results in a Total Company decrease to fuel inventories
5 by $(1,782,650) and a decrease to Missouri by $(1,573,635). This pro forma
6 adjustment is utilizing calculation inputs and is also utilizing amounts currently based
7 on the 13-month average at the end of the test year. It would be appropriate to revise
8 this adjustment utilizing September 30, 2024 inputs during the pendency of this case.

9 **Q. Please explain RB ADJ 8 to Update Accumulated Deferred Income Taxes**
10 **("ADIT").**

11 A. RB ADJ 8 is an Out of Period adjustment that increases the amount of accumulated
12 deferred income taxes included in rate base by $58,171,957 on a Total Company level
13 and by $50,609,687 for Missouri jurisdictional to reflect the expected balance at
14 September 30, 2024. Since this pro forma adjustment is currently based on anticipated
15 ADIT update period balances it would be appropriate to revise this adjustment with
16 actual September 30, 2024, balances during the pendency of this case.

17 **Q. Please explain RB ADJ 9 to Update the Regulatory Assets.**

18 A. RB ADJ 9 is an Out of Period adjustment that decreases the current authorized
19 Regulatory Asset balances at the test year to the expected balances at the end of the
20 September 2024 update period. Additionally, the Company is reflecting the projected
21 September 2024 balance of any new Regulatory Assets being requested for recovery in
22 this case. RB ADJ 9 indicates a total test year decrease to Regulatory Asset balances in
23 the amount of $(293,684,948) for the Missouri jurisdiction, inclusive of adjustments to
24 the below items. Since this pro forma adjustment is currently based on anticipated

1 Regulatory Asset update period balances it would be appropriate to revise this
2 adjustment with actual September 30, 2024, balances during the pendency of this case.

3 - **Iatan 1, Iatan 2, and Plum Point Deferred Carrying Costs:**

4 The Company adjusted its general ledger balances for the deferred carrying costs
5 to comply with the Report and Order in Case No. ER-2019-0374. The purpose of
6 the adjustment is to calculate the balance of the Regulatory Assets for Iatan 1, Iatan
7 2, and Plum Point Carrying Costs at the end of the update period. This is done by
8 reducing the asset balances at the test year by twelve months of the authorized
9 amortization expense from Case No. ER-2019-0374. This results in a Missouri
10 jurisdictional pro forma adjustment of ($84,729) for Iatan 1, ($44,828) for Iatan 2,
11 and ($1,987) for Plum Point. After these adjustments, the Missouri jurisdictional
12 pro forma ending balances for Iatan I is $ 3,544,376, for Iatan II is $1,938,944, and
13 for Plum Point is $91,650.

14 - **Customer Programs Collaborative:**

15 In accordance with the Report and Order from Case No. ER-2021-0312, the
16 Company adjusted its general ledger balances for its Customer Demand Program
17 and the related amortization expense. The adjustment captures the costs related to
18 Liberty's demand-side management programs and includes the payments to
19 Liberty's participating customers. Any amounts incurred prior to the end of the
20 Company's Regulatory Plan (June 15, 2011) are being amortized over ten years.
21 For any Pre-MEEIA amounts that were incurred after the end of the Regulatory
22 Plan, but before the January 2022 implementation of the Company's Missouri
23 Energy Efficiency Investment Act ("MEEIA") program are being amortized over a
24 period of six years, as approved in the Commission's Report and Order in Case No.

1 ER-2014-0351. The costs incurred starting in 2010 through 2017 will be fully
2 amortized by the end of the update period of this case; therefore, this adjustment
3 reduces the Regulatory Asset to a zero balance. The costs incurred from 2018 to
4 2021 have been adjusted to reflect the additional months of amortization that will
5 be incurred from the end of the test year through the update period. The proposed
6 adjustment reduces the Regulatory Asset by $(701,488) which indicates an
7 anticipated Missouri pro forma ending balance of $889,764.

8 • **Low-Income Pilot Program (“LIPP”):**

9 The purpose of this adjustment is to update the balance of the low-income pilot
10 program Regulatory Asset to its anticipated balance at the end of the update period.
11 This adjustment includes an increase in the Regulatory Asset based on projections
12 of anticipated participation, as well as a reduction in the approved amortization
13 expense by an additional twelve months. As a result, the Regulatory Asset
14 increases by $16,780, bringing the anticipated pro forma Missouri balance to
15 $345,807. The Company is also proposing to make several modifications to its
16 current low-income pilot program, which are discussed in the direct testimony of
17 Company witness Nathaniel W. Hackney filed in this proceeding. In addition to the
18 changes described by Mr. Hackney, the Company continues to request the tracking
19 of its proposed low-income program in a Regulatory Asset for recovery in a future
20 rate case.

21 • **Pension/OPEB/Prepaid Pension Regulatory Assets:**

22 The Company is adjusting its pension, Other Post-Employment Benefits (“OPEB”),
23 and prepaid pension Regulatory Assets for the projected balances at the end of its

1 September 2024 update period. For further discussion of these adjustments refer to
2 the direct testimony of Company witness James A. Fallert.

3 - **Missouri Solar Initiative:**

4 This adjustment is reflective of the projected balance of Missouri solar initiatives
5 at the end of the September 2024 update period. This results in an increase to rate
6 base of $727,268, bringing the solar initiative Missouri pro forma ending balance
7 to $6,101,902.

8 - **Riverton 12 Long Term Maintenance ("LTM") Tracker:**

9 Per the Order Approving the Stipulations and Agreements in Case No. ER-2021-
10 0312, this tracker ceased on June 1, 2022. To reflect the projected balance at the
11 end of the update period for the Riverton 12 Tracker, an adjustment was made using
12 the approved amortization expense from the prior rate case. This results in a pro
13 forma adjustment of ($1,969,212), making the update period pro forma Missouri
14 ending balance for this tracker equal to $3,455,555.

15 - **Solar Rebate:**

16 In Case Nos. ER-2016-0023, ER-2019-0374, and ER-2021-0312, the Company
17 was authorized amortization of the solar rebate balances. As such, each of the
18 balances have been amortizing over their respective ten-year amortization period.
19 The solar rebate Regulatory Asset is a direct assigned account to Missouri retail
20 customers; therefore, all balances are assigned to the Missouri retail jurisdiction.
21 This adjustment reduces the Regulatory Asset for the additional twelve months
22 (October 2023 to September 2024) of amortization incurred through the update
23 period. The Company calculated the pro forma update period balance of the solar
24 rebate Regulatory Asset to be $11,198,497; therefore, an adjustment of

1 ($2,244,915) was made to reduce the test year balance to the anticipated balance on
2 September 30, 2024.

3 • **Asbury Stranded Assets:**

4 The Company retired its Asbury coal plant in March 2020, and in March 2024, the
5 Company began recovering its Asbury plant costs from its customers through its
6 Securitized Utility Tariff Charge ("Rider SUTC") which was approved in Case No.
7 EO-2022-0193. Therefore, this adjustment is being made to remove the test year
8 Asbury Regulatory Asset balance from the rate base since this balance is being
9 recovered through a different mechanism. This adjustment, results in a rate base
10 reduction of $(176,234,553). For further discussion regarding the status of the
11 Company's Asbury plant and the successful decommissioning of the plant, please
12 refer to the direct testimony of Company witness Shaen T. Rooney.

13 • **Plant-In-Service Accounting ("PISA") Regulatory Asset:**

14 On August 12, 2020, Liberty filed its notice of election for PISA in Case No. EO-
15 2019-0046. Pursuant to RSMo. §393.1400, the Company may defer 85% of the
16 depreciation and return associated with qualifying plant additions in the Missouri
17 jurisdiction for the time period between when those plant additions are placed into
18 service and when they are included in the Company's base rates (so long as the
19 Company meets the provisions of the statute). Liberty started receiving recovery of
20 its first tranche of PISA costs in base rates starting June 1, 2022 within Case No.
21 ER-2021-0312. To account for the additional monthly amortization that will be
22 incurred through the update period for the first tranche the Company made a rate
23 base adjustment to decrease the test year PISA Regulatory Asset balance by
24 $(629,868). Since this is a Regulatory Asset specifically established by Missouri

1 statute, it is 100% direct assigned to Missouri retail customers. This results in a
2 Missouri pro forma update period ending balance of $11,127,673 for the first
3 tranche of PISA costs.
4 Since the update period in the Company's last rate, Liberty has been recording
5 additional deferred balances related to its second tranche of PISA assets. To account
6 for the second tranche of PISA eligible project deferrals through the end of the
7 September 2024 update period, the Company has incorporated an adjustment of
8 $55,628,949 to increase the Company's proposed rate base balance on a Missouri
9 jurisdictional basis. This results in a Missouri pro forma update period ending
10 balance of $162,391,450 for the second tranche of PISA deferrals.

11 • **<u>Missouri Electric Rate Case Expense:</u>**

12 The deferred debit for rate case expense does not meet the standards for an
13 Accounting Authority Order, therefore, the Company is not seeking rate base
14 recovery of its rate case expense. As a result of removing this item from rate base
15 an adjustment was made to decrease rate base by $949,689 at a Missouri
16 jurisdictional level. Please note, however, the Company is seeking recovery of its
17 projected annual rate case expense within its EXP ADJ 8, which will be discussed
18 later in my testimony.

19 • **<u>SB-EDR:</u>**

20 This Regulatory Asset was established during the prior rate case (ER-2021-0312)
21 to reflect the discounts given to customers in accordance with the provisions of
22 Senate Bill 564 related to economic development (Section 393.1640, RSMo.). This
23 adjustment results in an increase to rate base of $1,767,579, which produces a pro
24 forma update period ending balance of $7,069,690. Since this Regulatory Asset is

1 created by a Missouri statute this balance has been direct assigned to Missouri retail
2 customers.

3 • **Storm Uri Regulatory Assets:**

4 The Commission authorized the Company to recover its Storm Uri extraordinary
5 costs through its Rider SUTC starting in March 2024, therefore the Company is
6 proposing an adjustment to remove this balance from the revenue requirement
7 calculation for this rate case since the costs are being recovered through a separate
8 mechanism. The Missouri jurisdictional pro forma adjustment results in a decrease
9 to rate base of $(216,896,455).

10 • **Missouri Property Tax Tracker:**

11 In accordance with Senate Bill No. 745, which is codified as Section 393.1275,
12 RSMo., the Company began tracking the difference in any state and local property
13 tax expenses it actually incurred and the baseline level of property tax expense
14 included in its most recently approved revenue requirement in Case No. ER-2021-
15 0312, which was used to set current base rates. Any differences in the actual
16 expense incurred for the Company compared to the baseline amount set in the base
17 rates of its last rate case is being deferred and included in a Regulatory Asset or
18 Liability for future recovery or refund. Since the approval of the Senate Bill, the
19 Company has incurred more property tax expense than authorized in its last case
20 and, the Company is including the projected September 2024 balance of that tracker
21 balance in its revenue requirement calculation. This results in a pro forma
22 adjustment of $6,029,415, which makes the Missouri pro forma update period
23 ending balance for the Regulatory Asset equal to $11,263,155.

1 • **Riverton & State Line LTM Deferred Assets:**

2 Based on an accounting treatment evaluation in 2022, the Company's long-term
3 maintenance contracts for its Riverton Unit 12-1 and State Line Units 2-1 and 2-2,
4 changed which is in accordance with FERC resulted in the Company establishing
5 two long-term prepaid/deferred asset accounts. Additionally, a third
6 prepaid/deferred asset was established for Riverton 12-2 in the Company's pro
7 forma period. These prepaid/deferred debits were created because the accounting
8 treatment for these contract costs were previously entirely expensed and the
9 accounting treatment now is to defer these contract costs to a prepaid/deferred asset
10 accounts until the scheduled outages are performed (any portion of the contract
11 associated with ongoing maintenance continues to be expensed to FERC Account
12 553). When the long-term maintenance work is performed, a portion of the
13 prepaid/deferred asset will be relieved and either capitalized and charged to plant-
14 in-service or expensed in accordance with an outage analysis. This adjustment
15 results in a Missouri pro forma adjustment of $6,482,694 and a Missouri pro forma
16 ending balance of $15,878,161.

17 • **MEEIA Energy Efficiency Costs:**

18 This adjustment removes the balance of the Regulatory Asset account which tracks
19 activity related to the MEEIA program, since this balance is recoverable under a
20 different mechanism it is appropriate to remove this balance from rate base in this
21 case. Refer to Case No. EO-2022-0078 for more specifics on the MEEIA program.
22 This results in a decrease to Missouri rate base by $(3,756,314).

1 • **Transportation Electrification Pilot Program ("TEPP"):**

2 This adjustment removes the balance of the Regulatory Asset account, which tracks
3 activity related to the Company's TEPP program. Per Case No. ET-2020-0390[1],
4 the recovery of the Company's TEPP program costs will be requested in the
5 Company's next rate case following the conclusion of the electrification pilot
6 program. Because the electrification pilot program has not concluded it is
7 appropriate to remove these costs from the revenue requirement calculation. This
8 adjustment results in a decrease to Missouri rate base by $(186,330). For further
9 discussion regarding the Company's TEPP, please refer to the direct testimony of
10 Company witness Dmitry Balashov.

11 • **HLBV Paygo:**

12 In the Fourth Partial Stipulation and Agreement in Case No. ER-2021-0312, the
13 Signatories agreed that a base amount of $4 million in Paygo revenue would be
14 included in Liberty's overall revenue requirement. Additionally, the Signatories
15 agreed that Liberty would track its actual Paygo revenue amounts against the base
16 amount of $4 million and record any variances in a regulatory tracker account. The
17 adjustment being proposed by Liberty is to project the pro forma update period
18 balance for this authorized regulatory tracking account. The Missouri pro forma
19 adjustment decreases rate base by $(2,028,720), which results in a Missouri pro
20 forma ending balance of $1,244,987.

21 • **Interruptible Service Credits:**

22 The Company's Interruptible Service ("Rider IR") tariff states the Company will
23 include the monthly interruptible service participation credits in the Customer

[1] Case No. ET-2020-0390, Item No. 50, Order Approving Stipulation and Agreement, Section I.3.c, page 4.

1 Programs Collaborative Account. With the goal of properly tracking the balances
2 for the interruptible service participation credits separately from the Customer
3 Programs Collaborative regulatory account, the Company is proposing to reclass
4 the interruptible credits provided to customers from the effective date of MEEIA
5 through the update period in a new Regulatory Asset for rate base treatment. The
6 Company has also revised the language in its current Rider IR to account for this
7 change which has been reflected in the proposed tariff change as outlined in **Direct**
8 **Schedule CTE-17.** Additionally, the Company has made a correction to the
9 Regulatory Asset balance to reflect the appropriate total amount of interruptible
10 credits provided to customers since the last rate case. Therefore, this adjustment
11 results in a Missouri pro forma update period ending balance of $1,219,528.

12 • **Wind Service, Maintenance, and Warranty Agreements ("SMWA") Deferral:**
13 On December 28, 2023, Liberty reached an agreement with Vestas to amend each
14 of the SMWAs for the Company's windfarms. Of particular note is that one of the
15 amended terms extended the length of the agreements from 10 years to 20 years.
16 This amendment was made to further establish the relationship with Vestas and to
17 provide stability for both parties. Vestas's long-term contract provides for the
18 replacement of parts and components of the Liberty wind turbines and the contract
19 term of 20 years now exceeds many of the major wind turbine components.
20 Therefore, to align the accounting treatment of this long-term contract to match that
21 of State Line Combined Cycle and Riverton agreements with Siemens, mentioned
22 earlier in my testimony, the SMWA with Vestas, is being recorded in a long-term
23 prepaid/deferred debit until the work has been performed. Once the contract work
24 is performed the appropriate amount of costs is moved out of the prepaid/deferred

1 debit account and is either capitalized as part of plant in service or expensed, based
2 upon the specific work performed. This adjustment reflects the September 2024
3 projected update period balance for the Wind SMWA Regulatory Asset; resulting
4 in a total Missouri pro forma adjustment of $6,053,181.

5 • **Riverton Environmental Costs:**

6 In the Company's last rate case, the Commission approved a Regulatory Asset
7 balance and amortization for the environmental Regulatory Asset costs incurred for
8 the Riverton asbestos. In this adjustment, the Company is projecting out the
9 additional amortization incurred through the Company's September 2024 update
10 period. The adjustment amount for this additional amortization results in a
11 reduction to rate base of ($1,133,276) at the Missouri jurisdictional level. This
12 results in a Missouri pro forma ending balance of $755,515.

13 • **COVID 19:**

14 The Covid-19 deferred debit is not authorized for rate base treatment and is being
15 removed from the revenue requirement calculation; therefore the pro forma
16 adjustment for Missouri reduces rate base in the amount of ($14,798).

17 • **Missouri Securitization Deferred Asset:**

18 This account includes upfront and ongoing legal and consulting transaction costs
19 related to the Company's bond issuance for the securitization balances approved in
20 Case Nos. EO-2022-0040/EO-2022-0193. These securitization costs are currently
21 being recovered through the Company's Rider SUTC. Therefore, this adjustment
22 removes the test year balance of that account from the revenue requirement
23 calculation resulting in a total Missouri pro forma adjustment of ($4,121,334).

1 • **<u>Excess Accumulated Deferred Income Tax ("EADIT") Tracker:</u>**
2 Within Case No. ER-2021-0312, a tax tracker was authorized to capture the
3 differences between the protected EADIT returned to customers and the actual
4 amortization recorded by the Company using the Average Rate Assumption
5 Method ("ARAM"), as well as any over-refund of the Company's unprotected
6 EADIT ordered to be given back to customers since the Company's last rate case
7 until new rates are set in the current rate case. The Company has projected that it
8 will have over-refunded customers $20,886,328 in unprotected EADIT by the time
9 new rates go into effect as a result of this case. Accordingly, that balance is being
10 included as an increase to the Company's Missouri rate base. Please see the direct
11 testimony of Company witness Michael McCuen for further discussion of the
12 Company's EADIT Tracker.
13 **Q. Please explain RB ADJ 10 to update the Regulatory Liabilities.**
14 A. RB ADJ 10 is an Out of Period adjustment that decreases the various Regulatory
15 Liability account balances at the test year, to the anticipated balance at the end of the
16 update period. The total decrease to Missouri Regulatory Liabilities is ($39,368,821)
17 and is inclusive of adjustments to the below accounts. Since this pro forma adjustment
18 is currently based on anticipated Regulatory Liability update period balances it would
19 be appropriate to revise this adjustment with actual September 30, 2024, balances
20 during the pendency of this case.
21 • **<u>Pension/OPEB Regulatory Liabilities:</u>**
22 The Company is adjusting its pension and OPEB Regulatory Liabilities for the
23 projected balances at its September 2024 update period. Please see the direct

1 testimony of Company witness James A. Fallert regarding the rate base adjustments
2 made for Pension and OPEB.

3 - **<u>Tax Cuts and Jobs Act ("TCJA") EADIT:</u>**

4 This adjustment is to reflect the balance of the tax reform EADIT Regulatory
5 Liability at the end of the update period. This is accomplished by removing twelve
6 months of amortization expense from the balance of the Regulatory Liability at the
7 test year. This results in a Missouri pro forma adjustment reducing the liability in
8 the amount of ($2,739,109) and a Missouri pro forma ending balance of
9 $79,435,623.

10 - **<u>ADIT Gross Up:</u>**

11 This adjustment is to reflect the anticipated deferred tax liability account 254100 at
12 the end of the update period. This results in Missouri jurisdictional pro forma
13 adjustment and pro forma balance of $35,728,787.

14 - **<u>Asbury Environmental Costs:</u>**

15 Per the Order in Case No. EO-2022-0193 the Commission allowed a projected
16 amount of Asbury environmental costs to be included in the securitized bond
17 balance, however, the Company was directed to true-up its actual Asbury
18 environmental costs incurred to the amount being recovered from customers
19 through the Rider SUTC charge and any difference is to be included in the
20 Company's next general rate case filing. The total amount of Missouri jurisdictional
21 Asbury environmental costs authorized in the securitization case was $22,926,042
22 and the total Missouri jurisdictional amount of actual environmental costs settled
23 and paid out through September 2024 is $21,919,890. Since the amount of
24 estimated Asbury environmental costs included in the securitization bond is higher

1 than actual costs, in the amount of $1,006,152, it is appropriate to refund this
2 difference back to customers. The Missouri jurisdictional adjustment reduces the
3 Company's rate base.

4 - **Asbury EADIT:**

5 The retired Asbury portion of EADIT was included as part of the securitized costs
6 authorized in Case No. EO-2022-0193 and is being refunded to customers through
7 the Company's Rider SUTC. Because this balance is being recovery through a
8 separate mechanism it is appropriate to remove the September 2023 test year
9 balance of the Asbury excess ADIT account from the revenue requirement
10 calculation. This results in a Missouri pro forma adjustment of $(12,173,188), and
11 a Missouri jurisdictional pro forma ending balance of zero, which ultimately
12 increases the Company's rate base balance.

13 - **Asbury AAO Liability:**

14 Per the Order in Case No. EO-2022-0193, the Commission allowed a projected
15 amount of Asbury decommissioning costs to be included in the securitized bond
16 balance, however, the Company was directed to true-up its actual Asbury
17 decommissioning costs incurred to the amount being recovered from customers
18 through the Rider SUTC charge. The Company has recorded these differences in
19 the Asbury AAO liability account and in accordance with the Order is including
20 this balance within the case (it's next general rate case filing). The total amount of
21 Missouri jurisdictional Asbury decommissioning costs authorized in the
22 securitization case was $8,212,438 and the total Missouri jurisdictional amount of
23 actual decommissioning costs projected through September 2024 is $5,701,806.

1 This results in an overcollection of $2,510,632 (Missouri jurisdictional) from
2 customers that needs to be refunded to them for the Asbury decommissioning costs.
3 Furthermore, in the Company's last rate case, the Company was also authorized
4 to continue its Asbury AAO liability and the baseline amounts were set to zero. In
5 addition to the decommissioning costs, the Company also incurred several months
6 of actual non-fuel/non-labor Asbury operating and maintenance expenses, grossed
7 up for taxes. Since the baseline of rates included zero amounts for Asbury costs
8 the difference between zero and actual costs have been tracked as part of the Asbury
9 AAO liability. Finally, this adjustment reflects the removal of the Asbury AAO
10 liability costs balance that are included as part of the securitized bond costs being
11 recovered from customers through the Rider SUTC. In total, the Company is
12 proposing a Missouri pro forma ending balance for its Asbury AAO liability in the
13 amount of $3,250,192 to refund to customers, resulting in a pro forma adjustment
14 to reduce the test year liability balance by $(70,362,731).

15 **Q. Does the Company project any additional costs for Asbury in the future that will**
16 **need to be tracked through the Company's AAO liability?**

17 A. No, the Company does not expect any additional costs to be incurred for Asbury past
18 the update period in this case. Therefore, the Company is proposing the termination of
19 the Asbury AAO. For additional information regarding the retirement and
20 decommissioning of the Asbury plant, please refer to the direct testimony of Company
21 witness Shaen T. Rooney.

22 **Q. Please explain RB ADJ 11 for the Iatan and PCB Environmental Costs Regulatory**
23 **Assets.**

1 A. The Company has currently incurred various environmental capital expenditures at its
2 plants that have been identified as part of the legal obligations associated with the
3 retirement of those tangible long-lived assets, which have yet to be recovered in rates.
4 Therefore, based on the guidance from the Commission in the Amended Report and
5 Order in Case No. ER-2019-0374, the Company is offsetting the projected September
6 2024 Iatan environmental costs settled and paid against its remaining accumulated
7 reserve accounts. The Company has also offset the accumulated reserve accounts for
8 its environment capital expenditures costs related to PCB Transformers/Sub
9 Transformers Equipment. The net adjustment amount for the Iatan and PCB
10 transformer/Sub Transformer related environmental costs that will offset Accumulated
11 Depreciation results in a Missouri jurisdictional increase to rate base in the amount of
12 $7,403,604.

13 **V. <u>OPERATING INCOME</u>**

14 **Q. Has the Company proposed any adjustments to its test year operating income?**
15 A. Yes, the Company has proposed multiple adjustments to normalize and annualize
16 balances to arrive at what it deems is a normal test year. The various operating income
17 adjustments will be discussed in further detail later in my testimony.

18 **Q. Do any of the proposed adjustments relate to revenue?**
19 A. Yes. The Company proposes the following adjustments to test year revenue ("REV
20 ADJ"):

21 • REV ADJ 1 to reclass Fuel Adjustment Clause ("FAC") related revenues;
22 • REV ADJ 2 to remove unbilled revenues;
23 • REV ADJ 3 to annualize customer counts;
24 • REV ADJ 4 to weather normalize test year revenues;

1 • REV ADJ 5 to annualize for customer load growth and loss;
2 • REV ADJ 6 to remove the test year accounting revenue entries pertaining to the
3 Asbury AAO;
4 • REV ADJ 7 to remove franchise fees collected during the test year;
5 • REV ADJ 8 to remove revenues related to MEEIA;
6 • REV ADJ 9 to annualize Non-FAC wind operating revenues in the Company's
7 revenue requirement;
8 • REV ADJ 10 to remove revenues for the Missouri Property Tax Tracker;
9 • REV ADJ 11 to determine the normalized balances related to the fuel and
10 purchased power revenue accounts at the end of the update period; and
11 • REV ADJ 12 to remove customer interruptible credits that were inappropriately
12 offsetting the Company's revenues during the test year.
13 **Q. Do any of the proposed adjustments relate to expense?**
14 A. Yes. The Company proposes the following adjustments to test year expenses ("EXP
15 ADJ"):
16 • EXP ADJ 1 to normalize fuel and purchased power expenses;
17 • EXP ADJ 2 to normalize non-labor O&M generation expenses;
18 • EXP ADJ 3 to normalize vegetation management expenses;
19 • EXP ADJ 4 to normalize customer facilities expense;
20 • EXP ADJ 5 to increase test year depreciation expense for the amount that
21 recorded related to the PISA Regulatory Asset;
22 • EXP ADJ 6 to annualize the uncollectible expense account;
23 • EXP ADJ 7 to reflect the annual amortization of the Company's Regulatory
24 Assets and Liabilities;

1 • EXP ADJ 8 to annualize rate case expense;
2 • EXP ADJ 9 to normalize the level of expected insurance premium expense;
3 • EXP ADJ 10 to normalize the amount of injuries and damages and worker's
4 compensation claims paid out;
5 • EXP ADJ 11 to remove non-recoverable expenses from the test year;
6 • EXP ADJ 12 to annualize payroll and payroll tax expense;
7 • EXP ADJ 13 to annualize expenses for employee benefits;
8 • EXP ADJ 14 to annualize the MPSC assessment for 2024;
9 • EXP ADJ 15 to annualize depreciation expense;
10 • EXP ADJ 16 to annualize amortization expense;
11 • EXP ADJ 17 to annualize property tax related to non-wind plant;
12 • EXP ADJ 18 to remove franchise fees expenses from the test year;
13 • EXP ADJ 19 to include interest on customer deposits as an operating expense;
14 • EXP ADJ 20 to annualize the non-fuel expenses incurred from the Company's
15 investment in the Wind Projects;
16 • EXP ADJ 21 to include refunds for the Moody's Investor invoices;
17 • EXP ADJ 22 to normalize the pension and OPEB expenses;
18 • EXP ADJ 23 to normalize the long-term maintenance contracts for Stateline
19 and Riverton;
20 • EXP ADJ 24 to annualize the expenses incurred for water usage at the Stateline
21 Plant;
22 • EXP ADJ 25 to normalize Department 115 O&M;
23 • EXP ADJ 26 to normalize expected Customer First expenses; and

1 • EXP ADJ 27 to true-up income tax.

2 **Q. Please explain REV ADJ 1 to reclass FAC Related Revenues.**

3 A. REV ADJ 1 is being made to reclass FAC related revenues from the FAC specific
4 revenue general ledger accounts to the tariffed general ledger revenue accounts within
5 the revenue requirement. These revenues represent the amount recovered
6 from/refunded to customers via the FAC tariff. The FAC rider collects the under- or
7 over-collection of fuel costs. Since base rates include fuel costs, it is appropriate to
8 reclass these FAC revenues into normal tariff revenue accounts as the Company will
9 be requesting a new fuel base amount within this case. This reclass adjustment does not
10 impact the revenue requirement as these balances were simply reclassed within the
11 revenue general ledger account.

12 **Q. Please explain REV ADJ 2 to remove Unbilled Revenues.**

13 A. This adjustment removes $(3,043,488) of Missouri revenues from the test year that
14 were not billed to or received from customers and which the respective billing
15 determinants have not been used to calculate a normalized level of revenue. This
16 adjustment is required to avoid a double counting of revenue.

17 **Q. Please explain REV ADJ 3 for Customer Annualization and REV ADJ 4 for**
18 **Revenue Normalization.**

19 A. REV ADJ 3 adjusts revenues based on an annualized count of customers, resulting in
20 a Missouri adjustment amount of $861,041. REV ADJ 4 also incorporates an
21 adjustment to normalize revenues for weather. The total revenue normalization
22 adjustment (customer annualization and weather) for Missouri is $1,689,042. Please
23 see the direct testimony of Company witnesses Timothy S. Lyons and Eric Fox
24 regarding the details pertaining to the revenue customer annualization and weather

1 normalization adjustments. Since this pro forma adjustment is based on billing
2 determinants from the test year it would be appropriate to revise this adjustment with
3 actual update period data during the pendency of this case.

4 **Q. Please explain REV ADJ 5 for Customer Load Growth/Loss.**

5 A. REV ADJ 5 adjusts revenues based on expected customer load growth and loss. During
6 the update period the Company lost a large industrial customer because of this loss the
7 Company is reducing revenue by $(3,916,514). Additionally, the Company has
8 experienced industrial customer load growth. Therefore, the Company is increasing
9 revenue in the amount of $1,573,618 to properly reflect this additional revenue. For
10 both Total Company and Missouri jurisdictional REV ADJ 5 results in a net decrease
11 of revenue in the amount of ($2,342,896) and a pro forma ending revenue balance of
12 $6,666,679. Since this pro forma adjustment is based partially on anticipated load
13 growth it would be appropriate to revise this adjustment with actual update period data
14 during the pendency of this case.

15 **Q. Please explain REV ADJ 6 for the reversal of Revenues Related to the Asbury**
16 **Retirement AAO.**

17 A. REV ADJ 6 eliminates the test year revenue recorded as the offset for the Asbury AAO
18 liability. This adjustment results in a Missouri jurisdictional reduction in revenue of
19 ($14,789,877) and a pro forma ending balance of zero.

20 **Q. Please explain REV ADJ 7 for Franchise Fees Revenues.**

21 A. REV ADJ 7 reduces Missouri test year revenues by ($11,321,242) to ensure the
22 revenues from franchise fees are not included in the Company's base rates. Since
23 franchise fees are collected by the Company on behalf of local governments and then
24 remitted to those governments it is not appropriate to include these balances in the

1 Company's revenue requirement calculation. It should be noted an additional
2 adjustment is made to test year O&M expenses (EXP ADJ 18) to ensure franchise fee
3 expenses are also being removed from base rates.

4 **Q. Please explain REV ADJ 8 to remove MEEIA Revenues.**

5 A. REV ADJ 8 removes MEEIA related revenues from the revenue requirement. As
6 mentioned above, these revenues are recovered from customers per the Commission's
7 order in Case No. EO-2022-0078 in the Demand-Side Investment Mechanism Rider
8 ("Schedule DSIM") tariff and therefore should not be included within the revenue
9 requirement calculation of base rates. This results in a pro forma adjustment to
10 decrease revenues by ($3,314,624).

11 **Q. Please explain REV ADJ 9 for the Non-Fuel Wind Revenues.**

12 A. REV ADJ 9 calculates an annualized amount of non-fuel wind revenues associated
13 with the Company's Wind Projects as it relates to the following agreements:

14 - Asset Management and Administrative Services Agreement ("AMA")
15 - Energy Management Services Agreement ("EMSA")
16 - Operations and Maintenance Agreement ("OMA")
17 - Transmission Easement Agreement

18 Additionally, the test year revenue balances contained amounts associated with the
19 Neosho Ridge Wind outage. Since the Neosho Ridge Wind outage was a one-time
20 occurrence, any amounts associated with this outage should be removed from the
21 revenue requirement. The net result is a decrease in the Total Company revenues of
22 ($4,871,823) and a decrease in Missouri jurisdictional revenues in the amount of
23 ($4,316,661).

24 **Q. Please explain REV ADJ 10 for the Missouri Property Tax Tracker.**

1 A. The Company established a Regulatory Asset to account for the impacts of the Missouri
2 Property Tax Tracker as stated in Senate Bill No. 745, codified as Section 393.1275
3 RSMo, and booked a correlating revenue account for the tax tracker amounts. This
4 adjustment removes the test year revenues related to the property tax tracker, resulting
5 in a Missouri pro forma adjustment to reduce revenues by ($5,233,740) and a Missouri
6 pro forma balance of zero.

7 **Q. Please explain REV ADJ 11 for Fuel and Purchased Power Revenues.**

8 A. See EXP ADJ 1 below for both the revenue and expense impacts related to the
9 Company's proposed fuel and purchased power balances.

10 **Q. Please explain REV ADJ 12 for Interruptible Service Credits.**

11 A. REV ADJ 12 removes the interruptible credits from the revenue requirement that were
12 inadvertently reflected in the balance of retail revenue during the test year. These
13 credits should have been reclassed to the Customer Programs Collaborative Regulatory
14 Asset. This correcting adjustment results in a Missouri pro forma adjustment to increase
15 revenues of $365,712.

16 **VI. <u>EXPENSE ADJUSTMENTS</u>**

17 **Q. Please explain REV ADJ 11 and EXP ADJ 1 for Fuel and Purchased Power**
18 **Expenses.**

19 A. REV ADJ 11 and EXP ADJ 1 adjustments normalize the applicable Fuel and Purchase
20 Power account balances based on the Company's production cost model. The purpose
21 of the adjustment is to reflect an expected level of Fuel and Purchase Power balances
22 in base rates. The net adjustment of REV ADJ 11 and EXP ADJ 1 results in a Total
23 Company pro forma ending balance of Fuel and Purchase Power accounts of
24 $105,724,391 and a Missouri jurisdictional pro forma ending balance of $98,689,854.

1 The direct testimony of Company witness Todd W. Tarter further discusses the
2 production model and base fuel calculations.

3 **Q. Please explain EXP ADJ 2 to normalize the Generation O&M Expenses.**

4 A. EXP ADJ 2 increases test year expenses by $3,768,678 on a Total Company basis and
5 $3,331,146 on a Missouri jurisdictional basis to reflect the appropriate amount of non-
6 labor O&M expense for Liberty's generation facilities. This adjustment results in a
7 Missouri pro forma ending balance of $15,932,554. To capture the major maintenance
8 overhaul cycles, Liberty utilized a five-year average for most of its generating units.
9 The Company utilized a six-year average for its State Line Combined Cycle unit to
10 capture its major maintenance overhaul cycle as the last steam turbine outage began in
11 February of 2021. The six-year average will allow the Company to ensure adequate
12 maintenance expense is captured in base rates going forward.

13 **Q. Please explain EXP ADJ 3 for Vegetation Management normalization.**

14 A. Since the Company's test year did not reflect a normal on-going level of anticipated
15 vegetation management costs, the Company utilized its 2024 budget to reflect a
16 normalized amount of vegetation management expenses that the Company expects to
17 incur. This results in a $563,276 Total Company or a $484,198 Missouri jurisdictional
18 increase to the vegetation management expense accounts. This adjustment results in a
19 Total Company pro forma balance of $10,876,004 and Missouri pro forma ending
20 balance of $9,349,127.

21 **Q. Please explain EXP ADJ 4 for Customer Facilities Expense normalization.**

22 A. EXP ADJ 4 normalizes the Company's Customer Facilities expense. An inventory
23 adjustment was incorrectly made in the test year causing the account to have a large
24 credit balance. To determine a normal test year amount, the Company utilized a three-

1 year average, excluding the test year. This results in a Total Company pro forma
2 adjustment of $591,904 and a pro forma ending balance of $15,354, or a Missouri pro
3 forma adjustment of $512,080 and a pro forma ending balance of $13,283.

4 **Q. Please explain EXP ADJ 5 for PISA Depreciation.**

5 A. Since the Company is seeking full recovery under PISA, this adjustment is necessary
6 to remove the depreciation expense offset balance in the amount of $10,564,101. This
7 adjustment is appropriate to ensure the annualized amount of depreciation expense is
8 not impacted by the PISA depreciation offset entry made in the Company's general
9 ledger. Therefore, the purpose of this adjustment is to reflect a pro forma update period
10 balance of zero.

11 **Q. Please explain EXP ADJ 6 for Uncollectible Expense.**

12 A. EXP ADJ 6 increases Missouri uncollectible expenses by $1,185,143 by normalizing
13 the expense based on a three-year historical uncollectible percentage. In addition, the
14 adjustment amount above also reflects the incremental increase in uncollectible
15 expense anticipated for the requested revenue deficiency. Since this pro forma
16 adjustment is impacted by the overall revenue deficiency it would be appropriate to
17 revise this adjustment during the pendency of this case.

18 **Q. Please explain EXP ADJ 7 to annualize amortization expense for the Regulatory**
19 **Assets and Regulatory Liabilities.**

20 A. EXP ADJ 7 reflects the adjustment to amortization expense for certain Regulatory
21 Assets and Regulatory Liabilities in order to annualize the expense at the update period.
22 The total increase to amortization expense is $27,403,521 (Missouri jurisdictional) and
23 is inclusive of adjustments to the below accounts. Since this pro forma adjustment is
24 currently based on anticipated Regulatory Asset and Regulatory Liability update period

1 balances it would be appropriate to revise this adjustment, where applicable, with actual
2 September 30, 2024, balances during the pendency of this case.

3 • **<u>Iatan 1, Iatan 2, Plum Point Deferred Carrying Costs Amortization:</u>**
4 This adjustment reflects the annual amortization that was approved in ER-2019-
5 0374, which is $84,729 for Iatan 1, $44,828 for Iatan 2, and $1,987 for Plum
6 Point. Due to the test year reflecting a full year of these amortization expenses,
7 there was no additional pro forma adjustment needed in this case.

8 • **<u>Protected and Unprotected Excess ADIT Amortization:</u>**
9 This adjustment reflects a total annual amortization of $8,388,389 of Protected
10 and Unprotected EADIT. Please refer to the direct testimony of Michael
11 McCuen who provides additional discussion on Protected and Unprotected
12 EADIT amortization.

13 Additionally, and as mentioned above, the Company was authorized an
14 EADIT tracker. The annual amount of amortization for the proposed
15 Unprotected tracker balance is $6,962,109, which aligns with the amortization
16 period ordered in Case No. ER-2021-0312. The test year includes annual
17 amortization of $2,345,691 for the Stub Period Regulatory Liability. Since this
18 represents a full year worth of amortization within the test year, there is no
19 additional adjustment needed.

20 • **<u>Riverton 12 Tracker Amortization:</u>**
21 The Company is seeking an annual amortization amount of $691,111 related to
22 the Riverton 12 Tracker Regulatory Asset. This amount represents both Total
23 Company and Missouri jurisdictional as these expense accounts are 100% direct
24 assigned to Missouri and were setup specifically to amortize the Riverton 12

1 Tracker Regulatory Asset. The adjustment results in a decrease to expenses of
2 ($880,052).

3 • **LIPP Amortization:**

4 Per the Stipulation and Agreement in Case No. ER-2016-0023, if the
5 Commission ordered a Low-Income Pilot Program, the program's expenses
6 were to receive the same Regulatory Asset/rate base treatment as the Demand
7 Side Management ("DSM") costs. As such, the Company is proposing a six-
8 year amortization period consistent with the treatment of DSM costs based on
9 the pro forma ending balance of the Regulatory Asset amortization. This results
10 in a new proposed Missouri annual amortization of $57,634, which causes a
11 decrease to Missouri expenses of ($5,499).

12 • **SB-EDR Amortization:**

13 The amortization of the economic development discounts through the update
14 period results in an increase to Missouri operating expenses of $1,413,938
15 annually, based on a proposed five-year amortization of the SB-EDR
16 Regulatory Asset.

17 • **Missouri Solar Initiative Amortization:**

18 The Company is continuing the ten-year amortization of the Missouri solar
19 initiative balance projected for September 2024. This adjustment increases the
20 Missouri electric revenue requirement calculation by $610,190, for the annual
21 amount of amortization expense related to this Regulatory Asset.

22 • **Customer Programs Collaborative Amortization:**

23 This adjustment annualizes the amortization expense related to the projected
24 balance of the Regulatory Asset as of September 2024, reducing the amount of

1 operating expenses by ($362,235) at the Missouri jurisdictional level. This
2 adjustment accounts for vintage costs that will become fully amortized by the
3 update period, as well as additional vintage costs that were incurred through the
4 update period. A six-year amortization period is utilized for the additional
5 vintage costs which is consistent with approval obtained in Case No. ER-2014-
6 0351.

7 - **Missouri Solar Rebate Amortization:**
8 This adjustment reflects an annual amortization of the Missouri Solar Rebate
9 amounts approved in Case Nos. ER-2016-0023, ER-2019-0374, and ER-2021-
10 0312. The annual amount of amortization for the solar rebates based on the
11 approved ten-year amortization is $2,244,915 at the Total Company and
12 Missouri jurisdictional levels, since the test year contains this level of
13 amortization no additional adjustment is needed to the test year.

14 - **Riverton Environmental Cost Regulatory Assets Amortization**:
15 This adjustment reflects an annual amount of amortization expense related to
16 the environmental cost Regulatory Asset for the Riverton asbestos and ash
17 pond. The annual amount of amortization at a Missouri level is $1,133,275. Due
18 to the test year already including a full year of this amortization, there is no
19 additional adjustment needed.

20 - **PISA Asset Amortization:**
21 Liberty is utilizing a 20-year amortization period for the PISA Regulatory
22 Assets. As mentioned above, this amortization period is authorized pursuant to
23 Section 393.1400.4, RSMo. The annual amortization expense for both tranches
24 of the Missouri direct assigned PISA Regulatory Assets is $8,749,441. This

1 results in a pro forma adjustment of $8,119,573 being added to the Company's
2 Missouri operating expenses.

3 - **Missouri Property Tracker Amortization:**

4 The Company is seeking a Missouri annual amortization amount of $3,754,385
5 related to the Missouri Property Tax Tracker Regulatory Asset. The Company
6 is proposing a three-year amortization period.

7 - **HLBV Paygo:**

8 The Company is proposing an amortization period of three years for the under-
9 recovered balance of Paygo revenue Regulatory Asset. As a result, the
10 Company is seeking to recover from customers approximately $414,996 in
11 Missouri annual amortization expense.

12 - **Asbury Environmental Costs Amortization:**

13 The Company is proposing an amortization period of three years for the over-
14 recovered balance of Asbury environmental asset costs. This over-collection is
15 related to the true-up of actual settled and paid environmental costs incurred
16 compared to the amount being recovered through the Company's Rider SUTC.
17 As a result, the Company is reducing its annual Missouri amortization expense
18 by ($335,384).

19 - **Asbury AAO Liability Amortization:**

20 The Company is proposing an amortization period of three years for the over-
21 recovered balance of the Asbury AAO liability. This over-collection of costs is
22 largely related to the true-up of actual decommissioning costs incurred
23 compared to the amount being recovered through the Company's Rider SUTC.

1 As a result, the Company is reducing its annual Missouri amortization expense
2 by ($1,083,397).

3 - **<u>Interruptible Service Credit Amortization:</u>**
4 The Company is proposing an amortization period of three years for the
5 unrecovered balance of interruptible service credits. As a result, the Company
6 is seeking to recover $406,509 in annual Missouri amortization expense.

7 **Q. Please explain EXP ADJ 8 for Rate Case Expense.**

8 A. Rate case expense is defined as the incremental costs incurred by a utility for the
9 preparation and filing of its application to change its general rates and proceeding
10 thereafter. These costs normally include charges incurred from outside witnesses,
11 consultants, and external attorneys hired by the utility to participate in the various
12 stages of the rate case process. The pro forma amount of Missouri rate case expense
13 being proposed in the current case is $446,135, which results in an adjustment of
14 ($894,055) to the Missouri test year balance. The pro forma balance includes the
15 following costs: 1) the total line loss study costs from Case No. ER-2019-0374, that is
16 remaining outside of our update period of $667; 2) the remaining depreciation study
17 costs from Case No. ER-2021-0312 being amortized over five years which totals
18 $19,213; 3) the costs related to the Company's current Line Loss Study, which the
19 Company is proposing over a four-year period in the amount of $3,849; and 4)
20 projected general rate case costs in the amount of $422,406 expected to be incurred for
21 the current case amortized over three years.

22 **Q. Does the Company believe its costs incurred for rate case expense are**
23 **discretionary?**

1 A. No. The costs represent expenses related to consultants and outside legal counsel that
2 are utilized by the Company to conduct a rate case proceeding. Due to the relatively
3 small size of Liberty, these services are not performed in-house; however, that does not
4 deem the costs incurred discretionary.

5 **Q. Does the Company believe a sharing mechanism should be applied to rate case**
6 **expense?**

7 A. No. The Company believes the costs included in its cost of service are prudent, and
8 because rate case expense is a cost of supplying service to our customers, the entire
9 costs should be included in the Company's base rates. Applying a sharing mechanism
10 to the Company's consulting and legal costs harms Liberty inappropriately, as the
11 Company does not have in-house rate design or a cost of service department; therefore,
12 the Company must contract for expertise when it does not have that expertise in-house.
13 Other larger utilities have these personnel in-house and are allowed to fully recover
14 those costs through internal labor included in rates. It is inappropriate to effectively
15 penalize and require the Company to absorb a portion of these costs just because it
16 chooses to use outside personnel for expertise in its rate case proceedings.

17 **Q. Please explain EXP ADJ 9 to annualize Insurance Premium Expense.**

18 A. This adjustment is being proposed to reflect an annualized amount for its upcoming
19 insurance policy premiums that will be renewed by September 2024. Additionally, the
20 adjustment also reflects other known and measurable insurance expenses at the time of
21 the update period. As a result of this adjustment, the Company has added $1,460,012
22 to its insurance premium expenses on a Total Company level and $1,289,207 on a
23 Missouri jurisdictional level. This adjustment results in a pro forma balance of
24 $6,575,152 (Total Company) or $5,805,957 (Missouri jurisdictional).

1 **Q. Please explain EXP ADJ 10 related to Injuries and Damages.**

2 A. EXP ADJ 10 normalizes the amount of expenses within the test year that relate to
3 injuries and damages. The Company compares test year expenses to a five-year average
4 of public liability and property damage payouts, as well as a five-year average of
5 workers compensation payouts. The Total Company balance at the end of the test year
6 was ($234,223). The five-year average for public liability, property damage, and
7 workers compensation is $6,861. Therefore, the Total Company adjustment is
8 $241,084, and total Missouri adjustment is $6,056.

9 **Q. Please explain EXP ADJ 11 for Non-Recoverable Expenses.**

10 A. Certain expenses included in the Company's test year expense would not be appropriate
11 to include in its revenue requirement calculation. Therefore, an adjustment has been
12 made to remove these costs from the Company's revenue requirement. Please refer to
13 the direct testimony of Company witness Jill Schwartz regarding the details of the
14 expense adjustment made for Non-Recoverable Expenses.

15 **Q. Please explain EXP ADJ 12 for Payroll Annualization.**

16 A. This adjustment is to include in the revenue requirement calculation an annualized level
17 of payroll and payroll taxes expected at the end of the update period. To calculate this,
18 the Company obtained the annual salary amount for each active employee at the end of
19 the test year and applied a projected 3.50% merit increase which was effective in March
20 2024. This approach allows the Company to project an annual salary amount to include
21 at the Company's September 2024 update period. The Company also included in its
22 adjustment a portion of annualized payroll related to overtime. This annualized amount
23 of overtime was determined by using an overtime percentage computed for the non-
24 union and union employees based upon a two-year average of overtime hours actually

1 incurred and the overtime rate as of September 30, 2023. This rate was then applied to
2 the Company's pro forma update period base payroll amounts as previously described.
3 In addition to annualizing the base salaries and overtime, the Company also included
4 in its revenue requirement calculation, payroll related to open positions the Company
5 anticipates hiring by the end of the update period. These amounts were then compared
6 back to the test year amounts and an adjustment was made for the difference.

7 The annualized level of Missouri jurisdictional payroll related to the base
8 salaries with the incorporated merit increase mentioned above is $27,875,868. The
9 annualized level of payroll related to overtime is $5,085,358, and the annualized level
10 of payroll related to the open positions anticipated to be hired by the update period is
11 $1,133,631, resulting in a total Missouri pro forma balance of payroll of $41,611,186
12 or a Total Company pro forma balance of payroll of $47,370,593. To adjust the test
13 year to this pro forma update period balance an adjustment of $14,945,839 on a Total
14 Company or $13,160,650 on a Missouri jurisdictional level was necessary. Since this
15 pro forma adjustment is based on employees at a certain point in time it would be
16 appropriate to revise this adjustment with actual payroll information as of September
17 30, 2024 during the pendency of this case.

18 **Q. Was an adjustment made for payroll taxes?**

19 A. Yes, the Company made an adjustment to its test year level of payroll taxes based on
20 the pro forma update period level of payroll included in the revenue requirement
21 calculation and applying the 2023 tax rates. The pro forma update period amount of
22 payroll taxes included in the revenue requirement calculation is $3,291,627 Total
23 Company or $2,905,658 on a Missouri jurisdictional basis, resulting in a pro forma
24 adjustment to increase the test year balances by $1,048,842 Total Company or

1 $925,857 Missouri jurisdictional. Since this pro forma adjustment is based on
2 employees at a certain point in time it would be appropriate to revise this adjustment
3 with actual payroll information as of September 30, 2024 during the pendency of this
4 case.

5 **Q. Please explain EXP ADJ 13 for Employee Benefits.**

6 A. Liberty currently offers a variety of benefits, such as, Medical, Dental, Vision, Life
7 Insurance, Accidental Death and Dismemberment, Accident Insurance, Short and
8 Long-Term Disability, and a 401k match, to its employees. For EXP ADJ 13, the
9 Company obtained the annualized amounts it was incurring for each employee at the
10 test year end and included benefit amounts for any open positions that the Company
11 anticipates being hired by the end of the update period. To determine an annualized
12 401k expense, the actual 401k match rates that each employee was receiving at the test
13 year end was used and then the Company match rate was used for the open positions.
14 These rates were then applied to the pro forma update period salary amounts calculated
15 in EXP ADJ 12 and then compared back to the test year amounts included in the
16 revenue requirement calculation. The annualized pro forma update period balance of
17 benefits related to active employees at the test year end is $7,228,261 (Total Company)
18 and an annualized pro forma update period balance of benefits for open positions that
19 are anticipated to be hired by the end of the update period is $275,668 Total Company,
20 resulting in a Total Company pro forma update period balance of total employee benefit
21 costs of $7,503,929 or $6,624,035 on a Missouri jurisdictional level. To adjust the test
22 year to this pro forma update period balance an adjustment of $184,016 on a Total
23 Company or $162,439 on a Missouri jurisdictional level was made. Since this pro
24 forma adjustment is based on employees at a certain point in time it would be

1 appropriate to revise this adjustment with actual payroll information as of September
2 30, 2024 during the pendency of this case.

3 **Q. Please explain EXP ADJ 14 to annualize MPSC assessment costs.**

4 A. EXP ADJ 14 represents an annualized amount of Missouri Public Service Commission
5 Assessment costs, which became effective July 1, 2023. This decreases Missouri
6 operating expenses by ($91,085), and results in a Missouri jurisdictional pro forma
7 balance of $3,342,624. The Company will update this adjustment to the annual
8 assessment effective July 1, 2024 during the update period.

9 **Q. Please explain EXP ADJ 15 to annualize Depreciation Expense.**

10 A. EXP ADJ 15 represents an annual depreciation expense based on plant in service at the
11 end of the update period including plant additions in RB ADJ 1. Since the Company
12 is not proposing a new depreciation study, this adjustment is annualizing the
13 depreciation expense based on current depreciation rates. This results in a total increase
14 in operating expenses of $5,673,084, and a pro forma ending balance of $110,534,068
15 for annual depreciation expense on a Missouri jurisdictional level. Since this pro forma
16 adjustment is currently based on anticipated plant in service update period balances it
17 would be appropriate to revise this adjustment with actual September 30, 2024
18 information during the pendency of this case.

19 **Q. Please explain EXP ADJ 16 to annualize Amortization Expense.**

20 A. EXP ADJ 16 reflects a net increase in Missouri jurisdictional operating expenses of
21 $10,983,122 for annual amortization expense and a pro forma update period ending
22 balance of $17,983,360. This adjustment consists of removing annual amortization
23 expense for assets that will be fully amortized during the update period, as well as,
24 including the additional amortization expense for the increase in intangible plant

1 included in plant in service from RB ADJ 1. Since this pro forma adjustment is
2 currently based on anticipated plant in service update period balances it would be
3 appropriate to revise this adjustment with actual September 30, 2024 information
4 during the pendency of this case.

5 **Q. Please explain EXP ADJ 17 to annualize Non-Wind Property Tax Expense.**

6 A. This adjustment represents the annualized amount of non-wind property tax expense
7 expected to be incurred for the Company's pro forma plant that is included in its
8 revenue requirement calculation. The property tax rate utilized by the Company in this
9 adjustment is based on its estimated 2024 property tax liability. This results in a
10 Missouri pro forma balance of property tax expense of $28,465,799 and a Missouri pro
11 forma adjustment to increase expenses by $3,683,037. Since this pro forma adjustment
12 is currently based on anticipated plant in service update period balances it would be
13 appropriate to revise this adjustment with actual September 30, 2024 information
14 during the pendency of this case.

15 **Q. Please explain EXP ADJ 18 to remove Franchise Tax Expense.**

16 A. In conjunction with REV ADJ 7 discussed above, EXP ADJ 18 removes franchise tax
17 expenses from its revenue requirement calculation. EXP ADJ 18 removes
18 ($12,383,980) on a Total Company basis or ($11,321,145) on a Missouri jurisdictional
19 basis.

20 **Q. Please explain EXP ADJ 19 for Interest on Customer Deposits.**

21 A. EXP ADJ 19 increases Missouri operating expense by $1,465,043 to include interest
22 paid to Missouri customers on their deposit accounts, as the test year revenue
23 requirement does not reflect an account balance for customer deposit interest expense.

1 The Company utilized the interest rate set by the Commission, which went into effect
2 in January 2024, which is an annual rate of 9.5%.

3 **Q. Please explain EXP ADJ 20 for Non-Fuel Wind related Expenses.**

4 A. EXP ADJ 20 decreases Missouri jurisdictional operating expenses by ($261,074) and
5 ($295,089) for Total Company for expenses related to the Wind Projects not eligible to
6 be included in the Company's FAC. This adjustment includes the annualization of
7 expenses associated with the AMA, EMSA, OMA, and Transmission Easement
8 Agreement. Additionally, this adjustment removes the expenses associated with the
9 Neosho Ridge Wind Outage, annualizes the amount of insurance expense expected to
10 be incurred based on updated premium costs, and accounts for the deferral of expenses
11 associated with the Vestas O&M Service Fee. For more detail regarding the O&M
12 deferral, please refer to the explanation above pertaining to RB ADJ 9, Wind SMWA
13 Deferral.

14 **Q. Please explain EXP ADJ 21 for Rating Agency Fees normalization.**

15 A. A refund was issued and recorded in the test year for the Moody's Investor invoices
16 causing an abnormal credit balance in account 903150 when comparing to previous
17 years. This pro forma adjustment reflects the expected amount of fees to be paid in
18 2024 related to rating agency fees. This results in a Total Company pro forma
19 adjustment of $236,538 and a pro forma ending balance of $112,350 or a Missouri pro
20 forma adjustment of $210,700 and a Missouri pro forma ending balance of $100,078.

21 **Q. Please explain EXP ADJ 22 for Pension and OPEB Expense.**

22 A. The Company has adjusted to test year pension and OPEB expense based on the
23 Company's projected 2024 actuarial costs. For further discussion of these adjustments,
24 please see the direct testimony of Company witness James A. Fallert.

1 **Q. Please explain EXP ADJ 23 for Riverton and State Line Long-Term Maintenance**
2 **Expense normalization.**
3 A. As previously mentioned, the Company changed its accounting treatment related to its
4 long-term maintenance contracts. Therefore, EXP ADJ 23 is to normalize the annual
5 level of expense within these accounts going forward resulting in an increase of
6 expenses of $3,714,158 on a Missouri jurisdictional level.
7 **Q. Please explain EXP ADJ 24 to annualize the Company's Missouri American**
8 **Water Expenses.**
9 A. As discussed in Company witness Brian Berkstresser's direct testimony, the State Line
10 power plant utilizes water provided from Missouri American Water ("MAW"). In May
11 of 2023, rates from MAW increased, therefore, EXP ADJ 24 annualizes the water costs
12 to operate the State Line power plant. This results in a Total Company pro forma
13 adjustment of $613,338 and a total Missouri pro forma adjustment of $542,343.
14 **Q. Please explain EXP ADJ 25 for Department 115 O&M Normalization.**
15 A. EXP ADJ 25 adjusts and normalizes test year balances for the Company's department
16 115 non-labor O&M costs. Department 115 captures costs to support services for many
17 of Liberty's generating facilities, including the Company's wind farms. In this
18 adjustment, the Company adjusted its test year balances of costs to a normalized
19 amount of expense based on the Company's 2024 budget, less those costs specifically
20 accounted for in EXP ADJ 20 for Wind non-fuel O&M costs. This adjustment results
21 in a Total Company pro forma adjustment of $243,978 and a total Missouri pro forma
22 adjustment of $215,715 to increase operating expense in the Company's revenue
23 requirement calculation.
24 **Q. Please explain EXP ADJ 26 for the Customer First Expenses.**

1 A. EXP ADJ 26 is to annualize the Company's projected level of on-going operating costs
2 related to its Customer First project. This adjustment results in a Missouri pro forma
3 adjustment to increase operating expenses in the amount of $5,165,203. Please refer
4 to the direct testimony of Company witness Colin Penny for further discussion on the
5 Customer First investment.

6 **Q. Please explain EXP ADJ 27 for the Income Tax True-Up.**

7 A. EXP ADJ 27 is being proposed to include an annualized amount of income taxes
8 projected at the end of the update period. Therefore, the total Missouri pro forma update
9 period ending balance for income taxes is $13,812,052, resulting in a total Missouri pro
10 forma adjustment of $12,308,870. Since this pro forma adjustment is dependent on the
11 various inputs of the revenue requirement calculation it would be appropriate to revise
12 this adjustment during the pendency of this case.

13 **VII. <u>ALTERNATIVE RATEMAKING REQUESTS</u>**

14 **Q. Is Liberty requesting any new regulatory mechanisms in this proceeding?**

15 A. Yes. Liberty is requesting a tracker for expected increases in environmental compliance
16 costs related to its Neosho Ridge, North Fork, and King's Point wind farms
17 (collectively referred to as the "Wind Projects"), as well as an AAO for new natural
18 gas generation investments.

19 **Q. Please explain the purpose of the Wind Environmental Compliance tracker.**

20 A. As described in the direct testimony of Mr. Rooney, Liberty currently incurs costs
21 related to the environmental monitoring related to its Wind Projects to comply with the
22 Endangered Species Act ("ESA") and the Bald and Golden Eagle Protection Act. These
23 costs include obtaining permits, costs for generation curtailment, and monitoring costs
24 which include costs for mowing vegetation around the turbines, crop damage payments,

1 contractor costs for carcass searches, as well as contractor costs related to acoustic
2 monitoring.

3 In the near future, the Company is expecting additional environmental
4 monitoring required by the United States Fish and Wildlife Service ("USFWS") to
5 include the tricolored bat, which will result in an increase in monitoring costs, which
6 can be material. The Company also expects to continue to see increases in these costs
7 as other species of bats meet the criteria of the Endangered Species list. Because these
8 requirements are mandated, can be material in nature, and the timing and types of
9 monitoring required is outside of Liberty's control, the Company is proposing a tracker
10 mechanism for these costs in this proceeding.

11 **Q. Please describe the mechanics of the tracker.**

12 A. If approved, the Company would track the actual monthly amount of incurred
13 environmental monitoring compliance costs incurred for its Wind Projects compared
14 to the amount approved in base rates for recovery in this proceeding and defer the
15 difference in a Regulatory Asset or Liability account.

16 **Q. What amount of environmental monitoring costs are included in the Company's**
17 **revenue requirement calculation that would serve as the baseline of this tracker?**

18 A. The Company's revenue requirement calculation is inclusive of $2,079,241 of Missouri
19 jurisdictional environment compliance monitoring costs related to the Company's
20 Wind Projects. Of that total, $153,418 is for the crop damage payments paid out to
21 landowners during the Company's test year and the remaining $1,925,823 is related to
22 the various other monitoring costs the Company incurs, as I previously described.

23 **Q. If the Commission were to approve this tracker, what would ensure the Company**
24 **is making prudent decisions regarding its environmental compliance costs?**

1 A. While the Company always strives to keeps its costs as low as possible, the costs related
2 to the environmental compliance are in large part outside of the Company's control as
3 previously mentioned. The costs, however, would be subject to a prudence review in a
4 subsequent rate case for stakeholder review. If any imprudent costs were to be found,
5 they would be excluded from the Regulatory Asset/Liability tracker balance
6 calculation.

7 **Q. Please describe the special deferral accounting treatment via an AAO related to**
8 **new natural gas generation unit investments the Company is seeking.**

9 A. The Company is requesting that it be allowed to establish and seek recovery of a
10 Regulatory Asset which would defer Missouri's allocated portion of the "return on"
11 and "return of", along with applicable federal and state taxes, of any natural gas
12 generating unit that are placed in service in between general rate cases. This special
13 deferral accounting treatment would remain in effect until such time as new base rates
14 reflecting the investment in such natural gas facility take effect. Additionally, the
15 Company would propose to offset this Regulatory Asset with Missouri's allocated
16 portion of Southwest Power Pool ("SPP") revenue that it receives from selling the
17 power to SPP. The purpose of this AAO request will be for the Company to reduce the
18 Company's regulatory lag related to capital investments of new natural gas generation
19 needed for increased reliability. As discussed in the direct testimony of Aaron J. Doll,
20 the Company needs to invest in generation to comply with SPP Resource Adequacy
21 goal, which would be to "ensure there is enough capacity available to meet the needs
22 of the end-use customers in SPP."[2]

23 **Q. Further explain the specifics related to the Company's proposal of its AAO.**

[2] https://www.spp.org/engineering/resource-adequacy.

1 A. As mentioned above, the Company is proposing to defer depreciation expense and a
2 weighted average cost of capital ("WACC") on its investments of new natural gas
3 generation, including but not limited to Riverton Units 10 & 11 replacements, to a
4 Regulatory Asset commencing on the date these projects are placed in service on the
5 Company's books ("Construction Accounting"), subject to the following terms:
6 I. If the PISA statute is amended so that it applies to the Riverton Units or any
7 other statute applies to the Units that results in deferral and recovery of
8 return on and of investments from the in-service date to the effective date
9 of new rates, then no Constructive Accounting will be applied.
10 II. A WACC approved by the Commission for purposes of PISA within this
11 docket.
12 III. The Company will provide surveillance reporting, consistent with its
13 current practices, during the Construction Accounting Period;
14 IV. Once these projects are reflected in new base rates, no additional dollars
15 will be added to the Construction accounting balance; and
16 V. This Regulatory Asset will be offset with Missouri's allocated portion of
17 SPP revenue that it receives from selling the natural gas generation power
18 to SPP.
19 **Q. Does Missouri currently have a similar mechanism that electric corporations can**
20 **utilize related to special deferral accounting?**
21 A. Yes. Electrical corporations who have elected to utilize PISA may defer 85% of the
22 depreciation and return associated with qualifying plant additions in the Missouri
23 jurisdiction for the time period between when those plant additions are placed into

1 service and when they are included in the Company's base rates (so long as the
2 Company meets the provisions of the Section 393.1400, RSMo.).

3 **Q. Why does the Company need to request the establishment of an AAO if Missouri**
4 **Statutes allow for similar treatment?**

5 A. As mentioned above, Missouri Statutes allow for PISA deferral accounting for certain
6 qualifying plant. Unfortunately, new natural gas generating units do not qualify for the
7 special deferral accounting treatment. Therefore, the Company must seek authorization
8 from the Commission to establish such accounting treatment.

9 **Q. Has the Company started the process of a filing a Certificate of Convenience and**
10 **Necessity ("CCN") related to enhance system reliability?**

11 A. Yes. The Company has filed and since received Commission approval to construct,
12 install, own, operate, maintain, and otherwise control and manage two combustion
13 turbine generators to replace existing combustion turbine generators Riverton Unit 10
14 and Riverton Unit 11.[3]

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

16 A. Yes.

[3] Case No. EA-2023-0131, Order Approving Stipulation and Agreement Granting Certification of Convenience and Necessity.

VERIFICATION

I, Charlotte T. Emery, under penalty of perjury, on this 6th day of November, 2024, declare that the foregoing is true and correct to the best of my knowledge and belief.

/s/ Charlotte T. Emery