Exhibit No.: _____
Issue: Fuel Adjustment Clause
Witness: Monica K. Gloodt
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Sponsoring Party: The Empire District Electric Company
Case No.: ER-2025-_____
Date Testimony Prepared: April 2025

Before the Public Service Commission of the State of Missouri

Direct Testimony

of

Monica K. Gloodt

on behalf of

The Empire District Electric Company

April 1, 2025

Liberty™

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THE EMPIRE DISTRICT ELECTRIC COMPANY
BEFORE THE MISSOURI PUBLIC SERVICE COMMISSION
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I. INTRODUCTION

Q. Please state your name and business address.

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

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

A. I am employed by Liberty Utilities Services Corp. ("LUSC"), and I serve as an Analyst in the Rates and Regulatory Affairs Department for Liberty's Central Region, which includes The Empire District Electric Company d/b/a Liberty ("Liberty" or "Company").

Q. Please describe your educational and professional background.

A. I graduated from Pittsburg State University in 2018 with a Bachelor of Science degree with a major in Finance. I was hired by LUSC in July of 2020 as an Analyst I in the Rates and Regulatory Affairs department and was promoted to an Analyst II in February 2024.

Q. Have you previously testified before the Missouri Public Service Commission ("Commission") or any other regulatory agency?

A. Yes, I testified before this Commission in Case Nos. ER-2024-0118, EO-2024-0119, ER-2024-0274, EO-2024-0276, ER-2025-0125, and EO-2025-0126. I also submitted direct testimony before the Arkansas Public Service Commission in Docket Nos. 18-054-TF,18-055-TF, 13-111-U, 16-053-U and 22-085-U.

Q. What is the purpose of your direct testimony in this matter?

A. The purpose of my testimony is to support the Fuel & Purchased Power Adjustment Clause ("FAC") rate tariff that has been filed by Liberty. The FAC rate tariff reflects the actual energy costs incurred by the Company during the six-month period September 2024 through February 2025. The six-month period is an Accumulation Period specified in the Company's FAC tariff that was approved by the Commission in its Order Approving Stipulations and Agreements issued in Case No. ER-2021-0312. The current Fuel Adjustment Rate ("FAR") for the Accumulation Period ending February 2025 and the Recovery Period ending November 2025 is $0.00533.

Q. Are you sponsoring any schedules with your testimony?

I. Yes. I am sponsoring the following schedules:

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

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

A. Yes. The Company's FAC and the Commission's rule governing FACs include two safeguards limiting FAC recovery to actual, prudently incurred energy costs: (1) a true-up process that ensures the FAC collections during the Recovery Period do not exceed actual energy costs incurred during the Accumulation Period; and (2) a requirement that Liberty's energy costs be subjected to periodic prudence reviews. Liberty's operation of the FAC was reviewed in Case No. EO-2024-0241. On August 26, 2024, Staff filed a report in which Staff identified no incidence or evidence of imprudence by the Company in the items that Staff examined for the period September 1, 2022, through February 29, 2024. Additionally, on September 11, 2024, the Commission issued an approval order, effective October 11, 2024, finding Staff's report and recommendation to be reasonable.

Q. Please describe Liberty's FAC and FAR filing obligations.

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

Q. Please provide an overview of your direct testimony in support of the FAC rate tariff filed by Liberty.

A. Since the implementation of the Company's FAC, the variable cost of fuel and purchased power used by the Company's Missouri customers has varied from the base fuel and energy cost established in rates. For the Accumulation Period September 2024 through February 2025, Liberty's actual total energy costs eligible for the FAC have been higher than the base energy cost included in the Company's Missouri rates by approximately $11,514,709 In accordance with the Commission's FAC rule and Liberty's approved FAC tariff, the Company has filed a FAC rate tariff that is designed to collect 95 percent of the energy cost differences, or approximately $10,938,974.

As reflected in the rate tariff filed by the Company, Liberty developed two FARs designed to recover the FPA, each of which is based on forecasted retail Missouri sales over the next Recovery Period: a FAR of $0.00555 per kilowatt-hour (kWh) for primary service; and a FAR of $0.00566 per kWh for secondary service. These FARs will enable Liberty to recover, over a Recovery Period ending November 2025, the difference between energy costs built into its base rates and the total energy costs actually incurred during the Accumulation Period. In addition, Liberty will recover the true-up amount of the fuel and energy costs during the Recovery Period ended November 30, 2024.

II. THE PROPOSED FAC RATE ADJUSTMENT

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

A. As noted previously, Commission Rule 20 CSR 4240-20.090(8) and Liberty's FAC tariff require the Company to make periodic FAC filings that enable the Commission to review Liberty's actual fuel, purchased power, AQCS costs, off-system sales, REC revenue, and net costs of emissions allowances, so that the Company's FAC rates can be adjusted to reflect the actual energy costs the Company incurs to provide electric service to its Missouri customers. Liberty's Missouri FAC tariff calls for two FAC adjustment filings per year: (1) a filing covering the six-month Accumulation Period running from September through February; and (2) a filing covering the Accumulation Period running from March through August. Liberty is seeking an increase in its FAC rates to reflect 95% of the difference between the energy costs built into its Missouri base rates and Liberty's actual Missouri energy costs for the September 2024 through February 2025 Accumulation Period, plus a true-up of the costs recovered during the Recovery Period ending November 30, 2024. This recovery via the FAC rates will be reflected on the Missouri customers' bills over the six-month Recovery Period running from June 2025 through November 2025.

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

A. Liberty's average energy cost per kWh is higher than the level built into its base electric rates and it is also higher than the average energy cost of $0.01165 from the previous Accumulation Period ending August 2024 primarily due to Winter Storm Cora and a mid-month Arctic Blast that occurred in January 2025. More specifically, Liberty's Missouri base rates included an average cost of energy per kWh of net system production of $0.00870. Liberty incurred average energy costs of $0.01370 per kWh during the Accumulation Period, which is $0.005 per kWh, or about 1.6 times more than the average cost built into current base rates. Pursuant to Liberty's FAC tariff, the Company is requesting in this proceeding to collect from its Missouri customers the net of 95 percent of this increase plus approximately $1,320,509 of under-recovered energy cost and $285,434 of interest income.

Q. Did Liberty anticipate this increase in fuel and purchase power costs when it proposed and later settled on a normal level of fuel and purchase power expenses in the rate case that established the current FAC base factor[1]?

A. No. The Company agreed to a base fuel amount based on the market conditions that were anticipated at that time. The FAC base factor is an estimate and is established in a rate case based on model runs of what normalized Fuel and Purchased Power ("FPP") costs may be during the period it is in effect. The base fuel amount in Case No. ER-2021-0312, like many rate case issues, was agreed to following discussions and compromises with other parties to the case. The base factor estimate is based on normalized assumptions (costs, weather, market prices, unit outages, wind production, transmission congestion, etc.) at a point in time. However, over time, modeling assumptions can change. There are many variables involved in forecasting future energy costs and market conditions which are subject to many complex interdependencies. It is difficult to estimate the exact amount of future energy cost since it involves many uncertain and uncontrollable factors. Those uncontrollable factors have resulted in underestimated costs eligible for the FAC since the last rate case. The confluence of a number of circumstances since the rate case that established the current FAC base factor (ER-2021-0312) has caused FPP expenses eligible for the FAC to be higher than the forecast at that time.

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

A. For a Missouri residential customer using 1,000 kWh per month, the electric bill will increase by approximately $2.24 per month over the six-month period June 2025

[1] ER-2021-0312.

through November 2025, when the requested FAC secondary expansion factor of $0.00566 is applied to their bill and the previous FAC recovery factor of $0.00342 is eliminated from their bill.

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

A. The actual average energy cost eligible for the FAC was $13.70/MWh. This was roughly 57.47 greater than the average FAC base factor of $8.70/MWh. However, the actual total net FAC eligible energy cost per MWh was relatively close to the Company's 2024 and 2025 budget for the period. The actual energy cost eligible for the FAC was about 6.18% lower than the $14.60/MWh budgeted level. Actual natural gas and market prices were lower than budget during the period September 2024 through December 2024. This had a positive impact on net energy costs, but the low market prices led to lower than budgeted revenue from energy sold into the market from the Company's generating resources. January and February 2025 were colder than normal, causing greater customer demand for energy. During this period native load energy costs from the SPP market were higher than budget, but this was more than offset by favorable ARR/TCR revenues. The ARR/TCR revenue for the period January and February 2025 was roughly $12.9 million or 4.1 times greater than budget. The overall net impact for the review period for the energy cost eligible for the FAC was lower than budgeted, but higher than the FAC base factor.

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

A. No.

Q. Please describe how the Company is proposing to recover the energy cost incurred during the September 2024 – February 2025 Accumulation Period.

A. The FAC rate tariff filed by Liberty will apply a FAR of $0.00555 for primary and $0.00566 for secondary service to the actual Missouri retail kWh sales that take place during the Recovery Period of June 1, 2025, to November 30, 2025. The proposed FARs were calculated in accordance with Liberty's authorized FAC tariff. I have attached to my testimony, as **Direct Schedule MKG-1**, an exemplar copy of one of the Company's approved FAC tariff sheets. In addition to the tariff sheet, I have included a monthly analysis of the energy costs and energy cost recovery that has taken place during the Accumulation Period on page 2 of **Direct Schedule MKG-1**. **Direct Schedule MKG-1** contains the basic tariff filing information and the FAC formula that the Company used to calculate the FARs which have been included in the proposed revised FAC rate tariff sheet 17q. The Liberty FAC tariff and the formula included therein were approved by the Commission in Case No. ER-2021-0312.

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

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

Q. Do you expect the average energy costs eligible for the FAC to be higher or lower than the base during the next Accumulation Period from September 2024 through February 2025?

A. Based upon a review of the current natural gas market, we expect average energy costs to be higher than the FAC base during the Accumulation Period of March 2025 – August 2025. This is subject to change based on any changes to the natural gas and market prices, extreme weather, or other unforeseen event.

III. NEW CHARGE TYPES

Q. Is Liberty aware of any changes to charge types from SPP that occurred during the Accumulation Period for this filing or will be adopted in the near future?

A. Yes, Liberty is aware of six new charge types. Inclusion of the new charge types will be requested at least sixty days prior to the next accumulation period filing on October 1, 2025, in Case No. ER-2021-0312.

Q. What are the six new charge types?

A. SPP implemented six new charge types as "URD", "URD Distribution", "Day-Ahead Self-Incremental Energy Make-Whole Payment Amount", "Real-Time Incremental Energy Make-Whole Payment Amount", "Reliability Unit Commitment Self-Incremental Energy Make-Whole Payment Amount", "Local Reliability Distribution Amount Charge Type".

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

A. For "URD" and "URD Distribution", SPP utilized Uninstructed Resource Deviation ("URD") charges to promote reliability by assessing deterrence charges on generators for noncompliance with dispatch instructions. Prior to these new charge types, the charges were an offset to Reliability Unit Commit ("RUC") Make Whole Payments.

However, this approach was not deemed an adequate deterrence; as such, SPP created a new calculation in the tariff and protocols to better deter URD violations. SPP implemented two new charge types, one to assess the charge and one to distribute the revenue. These new charge types are consistent with the practice of the FAC recovery for URD charges and supplements the current MWP charge types by adding two new charge types.

For "Day-Ahead Self-Incremental Energy Make-Whole Payment Amount", "Real-Time Incremental Energy Make-Whole Payment Amount", "Reliability Unit Commitment Self-Incremental Energy Make-Whole Payment Amount", FERC Order 831 revised existing regulations on incremental energy offer caps. The ruling required regional transmission organizations and independent system operators to both cap each resource's incremental energy offer at the higher of $1,000/megawatt-hour (MWh) or that resource's verified cost-based incremental energy offer; and (2) cap verified cost-based incremental energy offers at $2,000/MWh when calculating locational marginal prices ("LMP"). These three new charge types are designed to close a market design gap related to the implementation of FERC Order No. 831 that results in resources not recovering the cost of incremental dispatch in some scenarios. Incremental & Self-Incremental Make-Whole-Payments will allow make whole payments for instructed Real-Time incremental Energy costs for Day-Ahead Market committed and self-committed Resources. These new charge types are consistent with the practice of FAC recovery for Make Whole Payments ("MWP") charge types and supplements the current MWP charge types.

For the final new charge type "Local Reliability Distribution Amount Charge Type", SPP has previously used manual processes to settle make whole payments and collections/distributions that are associated with Local Reliability events, including Out of Merit Energy ("OOMEs"), de-commits and transition cancellations. This process is performed outside normal, automated settlement activities and is run monthly for all Operating Day ("ODs") within the month as of the last Scheduled Settlement Statements ("S120") posting to ensure the use of the final set of Billable Metered Load data in the process but requires the daily exchange of spreadsheets between Settlements and Functional Coordination staff to collect and verify occurrences of Local Reliability events. This new charge type will be part of a new process that will automate the re-distribution of MWPs to the impacted Settlement Area, via Load Ratio Share, when an event is determined to be a local event. This new charge type is consistent with the practice of FAC recovery for MWP charge types and has been created for efficiency and transparency.

Q. Did you include these new charge types in the September 2024 through February 2025 accumulation period?

A. No.

IV. <u>CONCLUSION</u>

Q. Does this conclude your direct testimony?

A. Yes.

VERIFICATION

I, Monica K. Gloodt, under penalty of perjury, on this 1st day of April, 2025, declare that the foregoing is true and correct to the best of my knowledge and belief.

/s/ Monica K. Gloodt