

Exhibit No.:
Issue(s): Advertising Expense,
Customer Payment Fees,
Lease Expense, Low
Income Pilot Program,
Critical Medical Needs
Program
Witness: Sydney Ferguson
Sponsoring Party: MoPSC Staff
Type of Exhibit: Direct Testimony
Case No.: ER-2024-0261
Date Testimony Prepared: July 2, 2025

MISSOURI PUBLIC SERVICE COMMISSION

FINANCIAL & BUSINESS ANALYSIS DIVISION

AUDITING DEPARTMENT

DIRECT TESTIMONY

OF

SYDNEY FERGUSON

**THE EMPIRE DISTRICT ELECTRIC COMPANY,
d/b/a Liberty**

CASE NO. ER-2024-0261

*Jefferson City, Missouri
July 2025*

1 **DIRECT TESTIMONY**

2 **OF**

3 **SYDNEY FERGUSON**

4 **THE EMPIRE DISTRICT ELECTRIC COMPANY,**
5 **d/b/a Liberty**

6 **CASE NO. ER-2024-0261**

7 Q. Please state your name and business address.

8 A. My name is Sydney Ferguson and my business address is 615 East 13th Street,
9 Kansas City, Missouri 64106.

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

11 A. I am employed by the Missouri Public Service Commission (“Commission”)
12 as a Senior Utility Regulatory Auditor.

13 Q. Please describe your education.

14 A. I earned a Bachelor of Arts in Business Administration with a focus in
15 Management from Truman State University in May 2023. I am currently pursuing my
16 Master of Business Administration at University of Central Missouri. I have been employed by
17 the Commission since June 2023.

18 Q. Have you previously filed testimony before this Commission?

19 A. Yes, a list of cases and issues that I have addressed is attached to this testimony
20 as Schedule SF-d1.

1 **EXECUTIVE SUMMARY**

2 Q. What is the purpose of your direct testimony?

3 A. The purpose of my direct testimony is to discuss Staff's positions in the Empire
4 District Electric Company d/b/a Liberty's ("Empire") case regarding: Advertising Expense,
5 Customer Payment (Credit Card) Fees, Lease Expense, Low Income Pilot Program, and Critical
6 Medical Needs Program.

7 **ADVERTISING EXPENSE**

8 Q. What is Staff's approach to advertising expense?

9 A. In forming its recommendation on the allowable level of advertising expense,
10 Staff relied on the principles the Commission set forth in the 1985 Kansas City Power & Light
11 rate case, Case No. EO-85-185: *In Re: Kansas City Power and Light Company*, 28 MO P.S.C.
12 (N.S.) 228 (1986) (the "1985 Kansas City Power & Light Case"), in which the Commission
13 adopted an approach that classifies advertisements into five categories and provides separate
14 rate treatment for each category.

15 Q. Please briefly describe the five advertisement categories.

16 A. The five categories of advertisements recognized by the Commission are:

- 17 1. General: advertising that is useful in the provision of adequate service;
- 18 2. Safety: advertising which conveys the ways to safely use electricity and to avoid
19 accidents;
- 20 3. Promotional: advertising used to encourage or promote the use of electricity;
- 21 4. Institutional: advertising used to improve the company's public image; and
- 22 5. Political: advertising associated with political issues.

Direct Testimony of
Sydney Ferguson

1 The Commission adopted these categories of advertisements because a utility's revenue
2 requirement should: 1) always include the reasonable and necessary cost of general and safety
3 advertisements; 2) never include the cost of institutional or political advertisements;
4 and 3) include the cost of promotional advertisements only to the extent that the utility can
5 provide cost-justification for the advertisement.¹

6 Q. How did Staff develop its recommended level of advertising expense?

7 A. In Staff data requests issued in this case,² Staff asked for all costs and expenses
8 associated with advertising for the test year period of 12 months ending September 30, 2023,
9 along with monthly costs, a list of all advertising in all media forms (TV, social media, radio,
10 billboard, newspaper, etc.), transcripts for each advertisement, and classification of each
11 advertisement (promotional, institutional, etc.). The purpose of Staff's review of Empire's
12 advertising costs is to ensure that only advertising costs for programs necessary for the
13 provision of safe and adequate utility service are included in Empire's cost of service.
14 For example, all direct and indirect costs associated with safety advertising are included, as well
15 as other costs necessary for Empire to communicate with its customers on utility matters
16 (i.e., general advertising).

17 Q. Did Staff identify advertisements that are not necessary for the provision of safe
18 and adequate utility service during its review of Empire's advertising costs?

19 A. Yes. Staff identified several advertisements that are institutional advertisements,
20 which are advertisements that promote Empire's public image.

¹ Report and Order in KCPL Case No. EO-85-185, 28 Mo.P.S.C. (N.S.) 228, 269-271 (April 23, 1986).

² Staff data request Nos. 52 and 53.

1 Q. Is charging ratepayers for the cost of the institutional advertisements addressed
2 above consistent with the principles the Commission set forth in the 1985 Kansas City Power
3 & Light Case?

4 A. No. Advertisements that promote a company's public image are generally not
5 included in a utility's cost of service since there is no benefit to Missouri ratepayers. Staff made
6 an adjustment to remove the costs of institutional advertising from the test year.

7 **CUSTOMER PAYMENT FEES**

8 Q. What adjustments did Staff make to customer payment fees?

9 A. Staff reviewed the test year and update period customer payment fees.
10 Staff made an adjustment to reflect the update period.

11 **LEASE EXPENSE**

12 Q. What are leases?

13 A. A lease is a contractual agreement for the use of items like land, buildings,
14 equipment, and transmission lines in exchange for payment.

15 Q. What did Staff review for lease expense?

16 A. Staff reviewed the lease expenses in the test year 12-months ending
17 September 30, 2023, and through the update period of September 30, 2024. Staff reviewed the
18 effective dates and whether the lease expense amounts included in the test year were planned
19 to remain in effect at the same rate in order to determine an appropriate level of lease expense
20 to include in the cost of service.

21 Q. Was there an adjustment made for lease expense?

22 A. No. All of Empire's current leases are capital in nature, therefore no adjustments
23 were made to expense.

1 **LOW INCOME PILOT PROGRAM**

2 Q. How long has the Low Income Pilot Program (“LIPP”) been active, and what is
3 the current program’s level of funding?

4 A. The Commission approved the LIPP for Empire in Case No. ER-2016-0023 as
5 part of the Order Approving Stipulation and Agreement,³ along with a six-year amortization
6 period for the regulatory asset containing deferred costs. The Commission approved an annual
7 budget of \$500,000, with funding split equally between shareholders and ratepayers, as part of
8 the Order Approving Stipulations and Agreements in Case No. ER-2021-0312. In between rate
9 cases, Empire records LIPP costs to a deferred asset for consideration in the next rate case,
10 where an appropriate recovery of the deferred costs is included in rates. Any unspent funds
11 from this program are to roll over annually to Empire’s low-income weatherization program.

12 Q. What is Staff’s recommended treatment of LIPP?

13 A. Staff reviewed all accounts related to this program to determine the amount of
14 amortization expense and ratepayer expense that is in the test year. Staff used the
15 Commission-approved annual amortization amount in Case No. ER-2021-0312 of \$47,684.82
16 to determine the appropriate amount of rate recovery established in the past rate case for
17 calculation of the current LIPP asset. Staff reviewed this regulatory asset account to determine
18 the appropriate amount of LIPP credits to include in rate base and to determine the remaining
19 balance that needs to be amortized. Staff calculated the asset balance as of September 30, 2024,
20 and amortized it over a six year period.

³ Case No. ER-2016-0023 Item No. 179, Order Approving Stipulation and Agreement, pgs. 5-6.

1 **CRITICAL MEDICAL NEEDS PROGRAM**

2 Q. How long has the Critical Medical Needs Program (“CMNP”) been active,
3 and what is the current program’s level of funding?

4 A. The Commission approved the CMNP for Empire in Case No. ER-2021-0312
5 as part of the Order Approving Stipulations and Agreements.⁴ The Commission-approved
6 budget is \$100,000, split equally between shareholders and ratepayers. Any unspent funds from
7 this program are to roll over annually to Empire’s low-income weatherization program.

8 Q. What is Staff’s recommended treatment of CMNP?

9 A. Staff adjusted Empire’s CMNP test year balance to ensure the recommended
10 amount of ratepayer funding is included in rates. Empire booked \$(33,333) to the test year for
11 ratepayer expense, so this was adjusted to match the Commission-ordered amount. In Empire’s
12 next rate case, Staff will compare actual CMNP expenditures with funds collected
13 from ratepayers.

14 Q. Does this conclude your direct testimony?

15 A. Yes, it does.

⁴ Case No. ER-2021-0312 Item No. 275, Order Approving Stipulations and Agreements, pgs. 4-5.

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

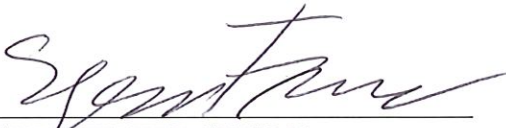
In the Matter of the Request of The Empire)
District Electric Company d/b/a Liberty for) Case No. ER-2024-0261
Authority to File Tariffs Increasing Rates)
for Electric Service Provided to Customers)
in Its Missouri Service Area)

AFFIDAVIT OF SYDNEY FERGUSON

STATE OF MISSOURI)
)
COUNTY OF Jackson) ss.

COMES NOW SYDNEY FERGUSON and on her oath declares that she is of sound mind and lawful age; that she contributed to the foregoing *Direct Testimony of Sydney Ferguson*; and that the same is true and correct according to her best knowledge and belief.

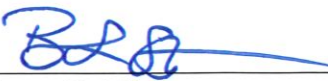
Further the Affiant sayeth not.



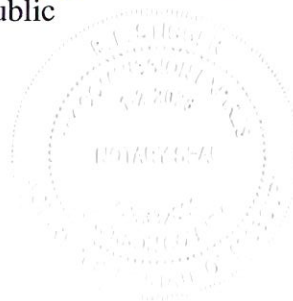
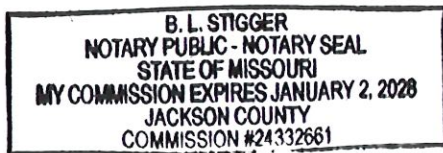
SYDNEY FERGUSON

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Jackson, State of Missouri, at my office in Kansas City, on this 30th day of June 2025.



Notary Public



Sydney Ferguson

Educational and Employment Background and Credentials

I am currently employed as a Senior Utility Regulatory Auditor for the Missouri Public Service Commission (“PSC”). I earned a Bachelor’s of Arts in Business Administration with a focus in Management from Truman State University in May 2023. I am currently pursuing my Master of Business Administration at the University of Central Missouri. I have been employed by the PSC since June 2023.

As a Senior Utility Regulatory Auditor, I perform rate audits and prepare miscellaneous filings for consideration by the Commission. I also review data related to assigned issues, develop adjustments, and issue positions that are supported by work papers and testimony. I am also responsible for preparing Staff Recommendations Memorandums.

Cases in which I have participated and the scope of my contributions are listed below:

Case/Tracking Number	Company Name-Type of Case: Issues
GO-2023-0432	Spire Inc. Infrastructure System Replacement Surcharge (ISRS)
WA-2023-0450	Confluence Rivers Utility Operating Company Inc. Application for Certificate
SA-2023-0451	Confluence Rivers Utility Operating Company Inc. Application for Certificate
SM-2024-0130	Confluence Rivers Utility Operating Company Inc. Acquisition

Case/Tracking Number	Company Name-Type of Case: Issues
GO-2024-0214	Spire Inc. Infrastructure System Replacement Surcharge (ISRS)
ER-2024-0189	Evergy Missouri West Customer advances, customer deposits, Economic Relief Pilot Program, lease expense, payroll and payroll taxes, payroll benefits, prepayments, and dues and donations.
GR-2025-0026	Spire Inc. Infrastructure System Replacement Surcharge (ISRS)
GR-2024-0369	Ameren Missouri Gas Materials and Supplies excluding fuel inventory, prepayments, customer deposits, and customer advances.
ER-2024-0261	Empire Electric Advertising expense, credit card fees, lease expense, low income pilot program, and critical medical needs program.
GR-2025-0107	Spire Gas PSC assessment, non-labor distribution maintenance, rate case expense, and property taxes/Kansas property taxes.