Exhibit:	
Issue(s):	*Fuel Adjustment Clause*
Witness:	*Brooke Mastrogiannis*
Sponsoring Party:	*MoPSC Staff*
Type of Exhibit:	*Rebuttal Testimony*
Case No.:	*ER-2024-0261*
Date Testimony Prepared:	*August 18, 2025*

MISSOURI PUBLIC SERVICE COMMISSION

INDUSTRY ANALYSIS DIVISION

ENERGY RESOURCES DEPARTMENT

REBUTTAL TESTIMONY

OF

BROOKE MASTROGIANNIS

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

CASE NO. ER-2024-0261

Jefferson City, Missouri
August 2025

** Denotes Confidential Information **

TABLE OF CONTENTS OF

REBUTTAL TESTIMONY OF

BROOKE MASTROGIANNIS

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

CASE NO. ER-2024-0261

REBUTTAL TESTIMONY

OF

BROOKE MASTROGIANNIS

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

CASE NO. ER-2024-0261

Q. Please state your name and business address.

A. My name is Brooke Mastrogiannis, and my business address is Missouri Public Service Commission, 200 Madison Street, Jefferson City, Missouri 65102.

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

A. I am employed by the Missouri Public Service Commission ("Commission") as a Utility Regulatory Audit Supervisor.

Q. Are you the same Brooke Mastrogiannis who previously provided testimony in this case?

A. Yes. I provided direct testimony in this case regarding cost of service on July 2, 2025.

EXECUTIVE SUMMARY

Q. What is the purpose of your rebuttal testimony?

A. The purpose of my rebuttal testimony is to address The Empire District Electric Company, d/b/a Liberty ("Empire") witness Aaron Doll, Leigha Palumbo, and John Reed's Fuel Adjustment Clause ("FAC") direct testimony proposing:

1) including 100% of Southwest Power Pool ("SPP") and Mid-Continent Independent System Operator ("MISO") transmission costs and revenues in the FAC;

2) including SPP Schedules 1a and 12 into the Base Factor calculation and tariff language;

3) including account 409115- Prov Fed Inc. for production tax credits ("PTC") in Empire's FAC tariff sheets and subaccount listing; and

4) changing the FAC sharing mechanism from 95%/5% to 100%/0%.

I will also address the Office of the Public Counsel ("OPC") witness Lena Mantle's direct testimony proposing:

1) the Commission should terminate Liberty's FAC or as an alternative, change its FAC sharing mechanism from a 95%/5% sharing to a 50%/50% sharing.

FAC TRANSMISSION EXPENSES AND REVENUES

Q. Please explain why Staff is opposed to Empire's proposal to include 100% of both SPP and MISO transmission expenses and revenues in the FAC.

A. Staff's position is that changing the percentage of transmission costs and revenues Empire includes in its FAC is inconsistent with prior Commission rulings and is inconsistent with the transmission percentage used by other Missouri investor-owned electric utilities with FACs. The Commission stated in its *Report and Order*, filed on June 24, 2015, in Case No. ER-2014-0351, on page 29:

> Based on the Commission interpretation of § 386.266, its discretion under the Commission's rules to determine what rates will be recovered in an FAC, and the facts presented, the Commission finds it appropriate to exclude those transmission expenses that do not fall within the two categories described above.
>
> Empire's transmission costs to be included in the FAC are:
>
> 1) costs to transmit electric power it did not generate to its own load (true purchased power); and,
>
> 2) costs to transmit excess electric power it is selling to third parties to locations outside of SPP (off-system sales).

Further, the Commission stated in its Amended Report and Order, filed on July 23, 2020, in File No. ER-2019-0374, on page 72:

> Regarding transmission costs, the Commission is not changing the costs that flow through the FAC. The percentage of transmission costs included in the FAC will remain the same as they are now, which is 34 percent of SPP costs, 50 percent for MISO transmission costs, and no allowance for transmission revenues. This is consistent with Missouri law and prior Commission rulings, which allow only transportation costs related to purchased power to flow through the FAC.

It is Staff's position that only transmission costs that the Commission approved in the orders quoted from above should be in the FAC.

Q. What has Empire provided in testimony to support including 100% of transmission costs in the FAC?

A. Empire witness Aaron Doll, responding to whether all transmission costs incurred by Empire due to its SPP participation are prudent, states the following on page 12, line 18 of his direct testimony:

> Absolutely. As I explained above, Liberty's SPP participation has produced significant transmission, reliability, and efficiency benefits. SPP's transmission charges are a necessary cost of achieving and continuing to receive those benefits and savings. Moreover, Liberty has not incurred any SPP transmission costs that it could avoid. Therefore, it is accurate to say that 100% of the transmission cost Liberty incurs as an SPP participant is reasonable and prudent.

Q. What is your response to Mr. Doll's statement?

A. Staff has not stated the transmission costs Empire incurs as an SPP participant are imprudent or unreasonable. Staff's position is simply staying consistent with recent Commission rulings, which only permit including transmission costs related to purchased power for recovery through the FAC. In addition, Staff wants to point out that there is still an annualized amount of transmission costs that is included for recovery in base rates.

Q. Has any other Commission-regulated utility company also argued to the Commission that 100% of SPP and MISO transmission costs and revenues should be included in the FAC? If so, how did the Commission rule?

Q. Yes. Evergy Missouri Metro, formerly known as Kansas City Power and Light Company ("KCPL"), argued this in Case No. ER-2014-0370. KCPL requested that transmission costs associated with the charges and revenues from SPP billings, and transmission costs to buy and sell energy, be recovered in rates through the FAC mechanism.[1] In that same docket KCPL stated that transmission costs were rising, and projections showed that these expenses would continue to increase at a significant rate from 2014 through 2019.[2]

The Commission stated in its Report and Order in that case,

> KCPL argues that all of its SPP transmission fees should be included in the FAC because those fees are mandatory, increasing in amount, and volatile. In addition, KCPL states that since all of its power generation is sold into the SPP market and purchased from that market, all SPP expenses and revenues related to those individual sales and purchases of transmission service must be included in the FAC.[3]

The Commission further stated:

> The Commission has addressed this issue in recent rate cases. In the Report and Order issued in File No. ER-2014-0258 for Ameren Missouri, the Commission stated:
>
> The evidence demonstrated that for purposes of operation of the MISO tariff, Ameren Missouri sells all the power it generates into the MISO market and buys back whatever power its needs to serve its native load. From that fact, Ameren Missouri leaps to its conclusion that since it sells all the power to MISO and buys all that power back, all such transactions are off-system sales and purchased power within the

[1] _In the Matter of Kansas City Power & Light Company's Request for Authority to Implement a General Rate Increase for Electric Service_, Case No. ER-2014-0370, Hearing Ex. No. 134, EFIS No. 344, Direct Testimony of Tim M. Rush, pgs. 17, 22.
[2] *Id*. at 20.
[3] *Report and Order*, ER-2014-0370, Pg. 34 (Sept., 2, 2015).

> meaning of the FAC statute. **The Commission does not accept this point of view**.
>
> The drafters of the FAC statute likely did not envision a situation where a utility would consider all of its generation purchased power or off-system sales. In fact, the policy underlying the FAC statute is clear on its face. The statute is meant to insulate the utility from unexpected and uncontrollable fluctuations in transportation costs of purchased power. At the time the statute was drafted, and even in our more complex present-day system, the costs of transporting energy in addition to the energy generated by the utility or energy in excess of what the utility needs to serve it load are the costs that are unexpected and out of the utility's control to such an extent that a deviation from traditional rate making is justified.
>
> Therefore, of the three reasons Ameren Missouri incurs transmission costs cited earlier, the costs that should be included in the FAC are 1) costs to transmit electric power it did not generate to its own load (true purchased power) and 2) costs to transmit excess electric power it is selling to third parties to locations out of MISO (off-system sales). **Any other interpretation would expand the reach of the FAC beyond its intent**.[4]

Lastly, the Commission summarized its decision:

> The evidence shows in this case that on a daily basis, KCPL sells all of the power it generates into the SPP market and purchases from SPP 100% of the electricity it sells to its retail customers. However, based on the Commission's analysis in the two cases cited above, it would not be lawful for KCPL to recover all of its SPP transmission fees through the FAC. In addition, while KCPL's transmission costs are increasing, those costs are known, measurable, and not unpredictable, so the costs are not volatile. The Commission concludes that the appropriate transmission costs to be included in the FAC are 1) costs to transmit electric power it did not generate to its own load (true purchased power); and 2) costs to transmit excess electric power it is selling to third parties to locations outside of SPP (off-system sales).[5]

Staff notes that KCPL (or Evergy Missouri Metro for that matter) has not requested to include 100% of transmission costs since that case.

---

[4] *Id*. (emphasis added) (quoting *Report and Order*, ER-2014-0258 (Apr. 29, 2015)).

[5] *Report and Order*, ER-2014-0370, Pg. 35 (Sept. 2, 2015).

In this rate case, Empire makes a similar argument as raised by KCPL in ER-2014-0370. Therefore, Staff's position is to continue including in the FAC only transmission costs that the Commission approved in ER-2014-0370 and in other orders quoted above.

Q. When the Commission has ordered transmission costs be included in the FAC, has it ever approved also including transmission revenues?

A. No. The Commission has approved including only transmission costs – and no transmission revenues – in the FACs of Empire, Evergy Missouri West, and Evergy Missouri Metro.[6] Therefore, Staff opposes Empire's proposal to include 100% of transmission revenues in the FAC.

Q. Does Empire's position to include 100% of transmission revenues result in an offset to its proposal to include 100% of transmission costs?

A. No. Empire's total for transmission costs and revenue, if the Commission approves 100% transmission costs and revenue to be included in the FAC, is an overall net expense of ** [redacted] **. Staff's total, if the Commission approves the 21.39%[7] transmission costs and no transmission revenues to be included in the FAC, is only ** [redacted] **. Thus, Empire's proposal to include 100% of both transmission revenues and costs results in a higher amount of costs included in the FAC than Staff's proposal to include only transmission costs, and does not offset, or balance the two items.

Q. Please explain why Staff is opposed to Empire's proposed inclusion of SPP Schedules 1A and 12 in the base factor calculation and tariff revisions.

---

[6] In the Ameren 2016, 2019, 2021, 2022, and 2024 rate cases a small percentage of transmission revenues was included as part of settlement agreements.

[7] The 21.39% is derived from a calculation in the production cost model of the total number of purchased power MWhs over the total market load.

A. Staff's position is that the costs in SPP Schedule 1A-1, 1A-2, 1A-3 and 1A-4 (Tariff Administration Service) and SPP Schedule 12 (FERC Assessment) are not fluctuating fuel and purchased power costs, but instead are administrative costs, and should not flow through the FAC. This is consistent with the Commission's treatment of SPP Schedule 1A and Schedule 12 costs in recent past Empire[8] rate cases, as well as in the Evergy Missouri West[9] and Evergy Missouri Metro[10] cases. OPC witness Angela Schaben also continues to support the position that no SPP or other regional transmission organization administrative costs recoverable through the FAC.[11]

<u>FAC SUBACCOUNT LISTING PROPOSED BY EMPIRE</u>

Q. Empire witness Leigha Palumbo provides a new FAC subaccount listing attached to her direct testimony as Direct Schedule LP-7. Do you agree to include account 456230 PTC revenue wind?

A. No. Empire has stated in response to Staff DR 136 that the original proposed account 456230 will actually be updated in its rebuttal testimony to account 409115 Prov Fed Inc., PTC. In response to Staff DR 136.1, Empire explained that "Prov Fed Inc., PTC" stands for Provision Federal Income Tax- Production Tax Credits, and this account reflects the amount of the credit on Empire's federal income tax return for the value of the PTCs as permitted per IRS regulations. Although including these PTCs could potentially reduce total energy costs and provide a benefit to customers faster in the FAC as compared to including them in

[8] Case No's ER-2019-0374 and ER-2021-0312.
[9] Case No's ER-2022-0130 and ER-2024-0189.
[10] Case No. ER-2022-0129.
[11] OPC witness Angela Schaben Direct Testimony filed on July 2, 2025, page 14 line 21 through page 15 line 16.

base rates, Staff does not see how these PTCs are related to a fuel and purchased power expense. Therefore, Staff opposes including this subaccount in the FAC.

FAC SHARING MECHANISM

Q. What is Empire's recommendation for its FAC sharing mechanism?

A. Empire has proposed to change the FAC sharing mechanism from 95%/5% to 100%/0%. Currently, when Empire under-recovers, customers have to pay back 95%, but when Empire over-recovers, Empire gets to keep the 5%. However, if Empire's proposal is accepted by the Commission, customers will have to pay back 100% of any under-recovery, and Empire will return 100% of any over-recovery.

Q. Does Staff support Empire's recommended change in the FAC sharing mechanism?

A. No.

Q. Why is Staff opposed to the 100%/0% sharing mechanism?

A. FAC Commission Rule 20 CSR 4240-20.090(14)(B) states: "Any incentive mechanism or performance-based program shall be structured to align the interest of the electric utility's customers and shareholders." It is very clear to Staff that if the FAC sharing mechanism was set at 100%/0% that would not align the interest of the customers at all.

Q. Please explain further.

A. Empire would have little or no risk at all to make any conscious decisions about any of the costs or revenues that are included for recovery in the FAC, because 100% would be passed through regardless if they made good or bad decisions. Without a sharing mechanism, there is no incentive for Empire, or any electric utility, to work hard to hedge fuel costs against price movements that could be detrimental to the consumers. With the 95%/5% in place, Staff believes that forces the utility to be more cognizant of their decisions and have more skin in the game.

Q. What has OPC recommended for the FAC sharing mechanism?

A. OPC witness Lena Mantle has recommended the Commission should terminate Empire's FAC, or at a minimum, change its FAC sharing mechanism from a 95%/5% sharing to a 50%/50% sharing.

Q. Does Staff support the OPC's position?

A. Staff does not support the OPC's position to terminate Empire's FAC. As stated in my direct cost of service testimony,[12] Empire's total energy costs ("TEC") show that Empire's TEC's have continued to be large and volatile. While Empire has the ability to control some FAC costs, there are certain levels of costs that become prohibitively more costly to hedge or control.

To add context, in its Fuel Adjustment Rate ("FAR") filing in Case No. ER-2023-0122, which is the first FAR filing Empire had after the change of its base factor from its last general rate case, the actual average energy cost was $30.90/MWh, which is roughly 1.9 times greater than the average FAC base factor of $16.04/MWh. The central driver of this result was the higher than budgeted SPP market prices that were primarily the result of natural gas prices being consistently greater than the budget during the period. Additionally, there was a high demand for electricity in the region as the summer period May through August was much warmer than normal.[13]

---

[12] Direct Testimony of Brooke Mastrogiannis, page 6, lines 20 through 22, filed on July 2, 2025.
[13] Case No. ER-2023-0122, Direct Testimony of Brooke Prier, pg. 6 lines 15 through 23.

In Empire's FAR filing in Case No. ER-2023-0342, the actual average energy cost was $17.33/MWh, roughly double the average FAC base factor of $8.70/MWh. The primary event that occurred during the review period contributing to this result was Winter Storm Elliot. As a result, Empire set an all-time record peak demand of 1,249 MW on the evening of December 22, 2022, with a temperature of minus 6 degrees Fahrenheit.[14] In general, this weather event affected the service territory by delivering extreme cold temperatures that greatly impacted the demand for electricity, generating unit operations, and market and fuel prices across the SPP region. During December 2022, high natural gas prices negatively impacted native load cost purchased from the market.[15]

Q. What has Staff recommended for the FAC sharing mechanism?

A. Staff recommends continuing the 95%/5% sharing mechanism. However, since Empire has chosen to re-evaluate the sharing mechanism, Staff believes now could be the time for the Commission to re-evaluate and consider other options.

Q. Has the Commission approved any other option other than 95%/5% that you are aware of?

A. I am not aware of the Commission approving any other sharing mechanism, but the Commission discussed its discretion to alter the FAC sharing mechanism in a recent Evergy Missouri West rate case, File No. ER-2024-0189. The Commission noted there could be an argument for a 90/10 split in the Evergy Missouri West rate case.[16]

[14] The average statewide temperature for the 6-day period, December 22-27, 2022, was 13.7 degrees Fahrenheit. The last time a similar period was colder occurred on Dec 22-27, 2000, or 22 years ago. (This was noted in an article by the Missouri Climate Center, from the University of Missouri).
[15] Case No. ER-2023-0342, Direct Testimony of Brooke Prier, pg. 6 line 22 through page 7 line 9.
[16] Commission Agenda December 4, 2024.

Q. Does Staff suggest keeping the FAC sharing mechanism at 95%/5% or something similar to OPC's proposal of 50%/50%?

A. Staff is comfortable in maintaining the traditional 95%/5% split sharing mechanism. However, because of the most recent winter storms, and the potential load growth from data centers in the near future, Staff would like to see the electric utilities to be more proactive in trying to limit fuel costs that can be passed along to consumers. Therefore, if the Commission is interested in looking at ways to prompt Empire to take a more proactive approach in controlling its fuel costs, Staff would recommend the Commission consider a 90%/10% sharing mechanism.

Q. Why does Staff recommend a 90%/10% sharing mechanism for the Commission's consideration as an alternative?

A. Empire has been operating for years with a 95%/5% sharing mechanism. Any change in the sharing mechanism will require the utility to put more effort into its ability to control or hedge against adverse price movements. In recognition that this effort will take time for the utility to implement, a more modest move in the sharing mechanism would allow for this to take place without putting the financial integrity of Empire at risk. Any moves that would increase the sharing mechanism beyond 90%/10% at this time would be more extreme.

Q. Do any states with FAC-type mechanisms have a sharing mechanism near 50%/50%?

A. Research from other states suggest that there may not be as many states out there with that big of a shift; there are only two that I have found that have more extreme sharing mechanisms than the 95%/5%, those are Wyoming and Washington. The details are as follows:

- Wyoming has the Energy Cost Adjustment Mechanism ("ECAM") that features an 80% pass through.[17]
- Washington has a fuel-cost sharing policy called the Power Cost Adjustment Mechanism ("PCAM") for Pacific Power. The PCAM includes purchased power, relies on forecasts, and employs an asymmetrical banded design. The design features a dead band of $4 million on either side of the forecast within which no true-up is made. If actual costs exceed this amount, there are two sharing bands: within the first (up to $10 million), 50% of the difference is trued up; and within the second (over $10 million), 90% is trued up. If actual costs are less than expected, there are also two sharing bands; within the first (down to -$10 million), 75% of the difference is trued up; and within the second (less than -$10 million), 90% is trued up.[18]

Q. Do any states with FAC-type mechanisms have a sharing mechanism near 90%/10%?

A. In addition to the two states explained above, there are other states that have 90%/10% or something similar. Those are Colorado, Montana, and Oregon; Oregon has an asymmetrical dead band. The details are as follows:

- Black Hills Colorado Electric LLC's Energy Cost Adjustment tariff states: "For calendar years 2014 through 2024, sharing shall be at ninety percent (90%) to retail customers / ten percent (10%) to the Company."[19]

---

[17] Strategies for Encouraging Good Fuel-Cost Management - RMI; page 13.
[18] Strategies for Encouraging Good Fuel-Cost Management - RMI; page 13.
[19] See Rebuttal Schedule BMM-d1

- Montana's Dakota Utilities Co. Adjustment's tariff states: "The fuel and Power Cost tracking Adjustment shall be the difference between the base cost of fuel and purchased power and the calculated cost in 4(C) multiplied by ninety (90) percent."[20]
- Oregon- Oregon employs a fuel-cost sharing, subject to an earnings test. For example, Portland General Electric has an Annual Power Cost Variance Mechanism, which shares 10% of the difference between expected and actual costs outside of a dead band. However, this occurs only if sharing does not cause the utility's earnings to deviate by more than 100 basis points from its commission approved return on equity. The dead band is asymmetrical (no sharing occurs if actual costs are between $15 million less than forecast and $30 million more than forecast).[21]

Q. Does Staff believe moving the sharing mechanism to 90%/10% would be a disadvantage to Empire?

A. No. It is simply a mechanism that is used to incentivize the utility to keep its actual fuel and purchased power costs lower than what is set for the base fuel recovered through base rates established in a general rate case. The most important thing is to try and set the base fuel as close to what the future actual costs will be; this was further explained in my direct testimony.[22]

In addition, changing the sharing mechanism could potentially motivate Empire to make different, and maybe even better, management decisions going forward. For example,

[20] See Rebuttal Schedule BMM-d2
[21] Strategies for Encouraging Good Fuel-Cost Management - RMI; page 14.
[22] Direct Testimony of Brooke Mastrogiannis, page 7 line 8, through page 9 line 11, filed on July 2, 2025.

Empire could competitively bid different fuel contracts. Staff does not have specifics, but it is up to Empire and its management team to make those decisions. If the Commission wants to see if this leads Empire to making better decisions, the Commission could order a new sharing mechanism to see if there is any different outcome.

Q. Do you have an example of how changing the sharing mechanism to 100%/0% would not align the interest of the customers?

A. Yes. An example to compare this to is simply going to the grocery store. If you only have $90 and you are used to spending $95, you might possibly choose to shop somewhere else or not buy some of the wanted items, but instead only the things you need, in order to save a little bit of money because you know you have a budget. This is another reason why shifting the mechanism to 100%/0% does not align the interests of the customers at all, because if there is no budget to stick to, then you might spend $100 or even $150, since you don't have any risk or incentive to make any different decisions.

<u>FAC UPDATES FROM DIRECT</u>

Q. Is there anything else you want to address in your rebuttal testimony?

A. Yes. After Direct Cost of Service ("COS") testimony was filed on July 2, 2025, I had a small update to the base factor calculation workpaper that has since been provided to the parties. For Direct COS, I changed the Renewable Energy Credit ("REC") values to the correct sign, to demonstrate the REC values as revenues and not costs. Therefore, Staff's proposed base factor is now $0.01535 per kWh. This base factor number will be updated again with true-up testimony on September 15, 2025.

CONCLUSION

Q. Please provide a brief conclusion of your testimony.

A. In conclusion, my testimony:

1. Opposes Empire's proposal to change the FAC includable transmission costs and revenues to 100%;
2. Opposes Empire's proposal to include SPP Schedules 1A and 12 in the FAC for administrative costs;
3. Opposes Empire's proposal to include subaccount 456430 (which was really meant to be 409115);
4. Opposes Empire's proposal to change the FAC sharing mechanism to 100%/0% and OPCs proposal to change the FAC sharing mechanism to 50%/50%;
5. If the Commission is interested in changing the FAC sharing mechanism, change it to 90%/10%; and
6. Updated Staff's proposed base factor from Direct COS, which was due to an error.

Q. Does this conclude your rebuttal testimony?

A. Yes it does.

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 Authority to File Tariffs Increasing Rates for Electric Service Provided to Customers in Its Missouri Service Area	)))))	Case No. ER-2024-0261

AFFIDAVIT OF BROOKE MASTROGIANNIS

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

COMES NOW BROOKE MASTROGIANNIS and on her oath declares that she is of sound mind and lawful age; that she contributed to the foregoing *Rebuttal Testimony of Brooke Mastrogiannis*; and that the same is true and correct according to her best knowledge and belief.

Further the Affiant sayeth not.

Brooke Mastrogiannis
BROOKE MASTROGIANNIS

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 11th day of August 2025.

D. SUZIE MANKIN
Notary Public - Notary Seal
State of Missouri
Commissioned for Cole County
My Commission Expires: April 04, 2029
Commission Number: 12412070

D. Suzie Mankin
Notary Public