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Customer First Disallowance, DSIM,
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Witness: Charlotte T. Emery
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Sponsoring Party: The Empire District
Electric Company d/b/a Liberty
Case No.: ER-2024-0261
Date Testimony Prepared: August 2025

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

Rebuttal Testimony

of

Charlotte T. Emery

on behalf of

The Empire District Electric Company d/b/a Liberty

August 18, 2025



Liberty™

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THE EMPIRE DISTRICT ELECTRIC COMPANY D/B/A LIBERTY
BEFORE THE MISSOURI PUBLIC SERVICE COMMISSION
CASE NO. ER-2024-0261

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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, Missouri 64802.

5 **Q. Are you the same Charlotte T. Emery who provided direct testimony in this**
6 **matter on behalf of The Empire District Electric Company d/b/a Liberty**
7 **(“Liberty” or the “Company”)?**

8 A. Yes.

9 **Q. What is the purpose of your rebuttal testimony in this proceeding before the**
10 **Missouri Public Service Commission (“Commission”)?**

11 A. My rebuttal testimony supports the Company’s overall revenue requirement calculation
12 and responds to various adjustments, balances and methodologies proposed by the Staff
13 of the Commission (“Staff”) and the Office of the Public Counsel (“OPC”). These
14 proposals include alternative treatment of rate base and expense items and
15 modifications to regulatory mechanisms and proposals related to disallowances
16 associated with Customer First. I specifically address concerns raised by OPC witness
17 Lena Mantle regarding management practices and bill impact representations, as well
18 as the Company’s approach to discontinue the Demand-Side Investment Mechanism
19 tariff following the decision not to pursue a Cycle II MEEIA program. I also address
20 the direct testimony of EDRA. My testimony is intended to provide regulatory context
21 and support a balanced, principled approach to ratemaking – one that ensures recovery

1 of known and measurable costs, reflects sound policy, and maintains consistency with
2 Missouri regulatory standards

3 **II. STAFF'S CALCULATIONS**

4 **Q. Were there any errors and/or omissions the Company discovered or of which Staff**
5 **notified the Company regarding the Staff Accounting Schedules filed on July 2,**
6 **2025?**

7 A. Yes. Following collaborative discussions, the Company and Staff identified several
8 updates to the Staff Accounting Schedules. While the Company may not fully agree
9 with the methodologies or final balances proposed by Staff for certain items, we
10 acknowledge that adjustments were necessary to improve the accuracy of Staff's cost
11 of service calculation. These corrections reflect a shared commitment to transparency
12 and precision. While we do not currently anticipate concerns with the revised
13 schedules, the Company reserves the right to revisit these items during the surrebuttal
14 phase.

15 **III. RATE BASE COMPONENTS**

16 **Q. What are the specific rate base issues being addressed by your rebuttal testimony?**

17 A. The table below outlines the rate base topics I address, along with the sponsoring party
18 for each. It also includes Company adjustments not addressed by other parties. To the
19 extent I do not respond to a specific issue, that should not be interpreted as agreement
20 with the position of other stakeholders. Rather, the Company continues to support the
21 balances reflected with its updated revenue requirement,¹ except for isolated
22 modifications addressed throughout my rebuttal testimony. These balances represent

¹ Filed on January 17, 2025 in Case No. ER-2024-0261.

1 the most accurate and appropriate foundation for calculating the revenue requirement²
2 – one that reflects the true cost of service necessary to serve our customers reliably and
3 responsibly

Rate Base	
Sponsoring Party	Description
Staff	Plant in Service/Accumulated Depreciation
Staff	Common Property
Staff	Customer First Disallowance (Net Plant)
OPC	Meter Disallowance
OPC	Isolated Accumulated Depreciation
Staff	Cash Working Capital
Staff	Materials and Supplies
Staff	Capitalized Severance
Staff	Excess Accumulated Deferred Income Taxes (“EADIT”)
Staff	Solar Rebate Regulatory Assets
Staff	PAYGO Tracker Regulatory Asset
Staff	Long-Term Maintenance Deferred Assets
Staff/OPC	Accumulated Deferred Income Taxes (“ADIT”)
Staff	Pension/OPEB Regulatory Assets/Liabilities
Staff	Demand Side Management Regulatory Asset
Staff	Property Tax Tracker Regulatory Asset
Liberty	SBEDR Regulatory Asset
Liberty	Iatan/PCB Environmental Costs
Liberty	EADIT Gross-up Regulatory Liability

4 **Q. Does the Company agree with Staff’s balance of plant in service and accumulated**
5 **depreciation?**

6 A. No. Staff made adjustments including a common plant removal and Customer First
7 plant disallowances with which the Company does not agree.

8 **Q. Does the Company agree with Staff’s adjustment to remove certain common plant**
9 **assets from the Company’s plant in service and accumulated depreciation pro**
10 **forma balances?**

² As appropriate amounts should be trued up to March 31, 2025, balances.

1 A. Not entirely. The Company has concerns regarding the methodology used to calculate
2 the mass rate applied to determine the portion of common plant associated with non-
3 Empire electric companies. Specifically, Staff's calculation only includes Empire
4 Electric, Empire Gas, and Empire Fiber, but excludes other Liberty Central Region
5 companies that also benefit from the adjusted common plant assets as shown in the
6 Company's adjustment workpaper for its mass rate calculation.

7 The common plant assets identified in the Company's general ledger support
8 operations across multiple entities within the Central Region. By limiting the mass rate
9 calculation to just the Empire companies, Staff's approach fails to account for the
10 broader usage and benefit of these assets. As a result, the adjustment overstates the
11 amount of plant allocated to Empire Electric, leading to an inaccurate representation of
12 plant in service and accumulated depreciation.

13 **Q. Please describe the plant in service and accumulated depreciation adjustment**
14 **made by Staff regarding Customer First.**

15 A. In addition to the common plant asset adjustment, Staff proposed a disallowance
16 related to the Company's Customer First billing software due to the billing issues
17 experienced as a result of the Company's Customer Information System ("CIS")
18 transition that occurred in April 2024. Staff removed \$52,667,937 of Missouri
19 jurisdictional plant assets and \$1,080,646 of Missouri jurisdictional accumulated
20 depreciation associated with Customer First. In addition to those disallowances, Staff
21 also removed \$401,535 (Missouri jurisdictional) related to capitalized incentive
22 compensation related to Customer First.

23 **Q. Does the Company agree with the disallowances proposed by Staff?**

1 A. No. The Company does not agree with Staff’s proposed rate base disallowance related
2 to Customer First nor the associated capitalized incentive compensation. As detailed in
3 the rebuttal testimony of Liberty witnesses Timothy Wilson and Amy Walt, and also
4 supported by the Company’s direct testimony, Customer First is fully operational and
5 demonstrably used and useful in the provision of regulated utility service. As such, it
6 meets the standard for inclusion in rate base under proper ratemaking principles. For
7 further discussion of the disallowances proposed by other parties, please refer to the
8 rebuttal testimony of Company witness John J. Reed. Ultimately, excluding used and
9 useful plant from rate base undermines the integrity of the cost-of-service framework
10 and fails to recognize the value these investments deliver to customers.

11 **Q. Did OPC make any adjustments to disallow meter costs?**

12 A. Yes. OPC witness Marke disallowed the return on the September 2024 Missouri
13 jurisdictional net plant balances for both the Company’s meter and Advanced Metering
14 Infrastructure (“AMI”) meter accounts. This disallowance was based on his opinion
15 that the meters were contributing to the billing issues some of the Company’s customers
16 experienced after the implementation of Customer First.

17 **Q. Does the Company agree with this disallowance?**

18 A. No. The Company does not agree with OPC’s proposed disallowance. The meters in
19 question – including AMI meters – are fully installed, operational, and actively serving
20 customers. As such, they meet the standard of being used and useful in the provision
21 of utility service. Excluding these assets from rate base would be inconsistent with
22 sound ratemaking principles and would fail to recognize the value these investments
23 provide in the process of billing complex rate design (Time-of-Use rates), improved

1 customer service, and long-term operational efficiency. For further discussion, please
2 refer to the rebuttal testimony of Company witness Jeffery Westfall.

3 **Q. What is OPC proposing related to an isolated accumulated depreciation**
4 **adjustment?**

5 A. OPC asserts that the Company should include an isolated accumulated depreciation
6 adjustment of \$185,775,070 at the Missouri jurisdictional level. OPC indicates this
7 adjustment is being proposed to reflect a projected balance of accumulated depreciation
8 in the cost of service as of January 2, 2026, which is the operation of law date for this
9 rate case.

10 **Q. Does the Company take issue with OPC's isolated accumulated depreciation**
11 **adjustment?**

12 A. Yes. The Company does not agree with the proposed adjustment. It selectively
13 modifies accumulated depreciation without making corresponding updates to plant
14 balances or expenses. This creates an incomplete and unbalanced view of the
15 Company's cost of service. From a ratemaking perspective, this raises a matching
16 principal concern – adjustments should be applied consistently across interrelated
17 components to ensure the revenue requirement reflects the true cost of providing
18 service. Additionally, no party has proposed including plant balances beyond the
19 approved true-up period, making this adjustment unsupported and inconsistent with
20 sound regulatory practice.

21 **Q. Do you agree with Staff's approach for Cash Working Capital?**

22 A. No. Staff is updating the lead days associated with income tax expense to include a
23 365-day expense lead. As discussed in Company witness Timothy S. Lyons' rebuttal
24 testimony in Case No. ER-2021-0312, it would be inappropriate to include a 365-day

1 lead expense as this approach would imply the Company receives money on the first
2 day of the year for its annual income tax expense. This is not accurate, as the Company
3 does not receive money on the first day of the year for its annual income tax expenses.
4 Rather, the Company receives money over the course of the year consistent with its
5 billing practices. Therefore, the Company believes the originally requested 39.38 lead
6 days is more accurate and thus appropriate.

7 **Q. Does the Company agree with the balance of materials and supplies included in**
8 **Staff's rate base calculation?**

9 A. No. The Company includes a 13-month average of its FERC 184 clearing accounts,
10 which are an integral component of the Company's inventory accounting structure.
11 Staff's cost of service model excludes all clearing accounts entirely.

12 **Q. Why should clearing accounts be included in the balance of materials and**
13 **supplies?**

14 A. Clearing accounts should be included in Staff's rate base because they represent
15 prudently incurred costs by the Company. Clearing accounts temporarily hold costs
16 before they are reclassified to their appropriate functional accounts. The purpose of a
17 clearing account is to ensure accurate allocation of expenses across various operational
18 categories, supporting proper cost tracking. The temporary nature of this accounting
19 treatment should not preclude the Company from recovering these legitimate costs.

20 **Q. Did Staff include any accounts in their balance of materials and supplies that were**
21 **not considered by the Company?**

22 A. Yes. Staff included a 13-month average balance of FERC 163 stores expense accounts.

23 **Q. What is the Company's position on inclusion of store expense accounts?**

1 A. After further review, the Company agrees that these accounts should be included in the
2 rate base calculation for materials and supplies. The Company's revised workpaper for
3 this item results in a September 2024 Total Company and Missouri jurisdictional pro
4 forma balance of \$72,091,608 and \$62,182,236, respectively.

5 **Q. Does the Company agree with Staff's adjustment to remove capitalized**
6 **severance?**

7 A. Within the context of this case, the Company agrees in principle with Staff's position
8 that severance costs should not be recovered from customers and should be excluded
9 from the revenue requirement. However, Staff's adjustment was applied at the Total
10 Company level. For accuracy and consistency, this adjustment should be allocated to
11 Missouri's jurisdictional share of capitalized expenses. When properly allocated, the
12 adjustment results in a \$349,177 reduction to the Company's rate base.

13 **Q. Has the Company updated its revenue deficiency calculation to reflect the**
14 **reduction related to severance?**

15 A. Yes. The Company has incorporated this adjustment through RB ADJ 12, which
16 removes the \$349,177 discussed above. In addition, section IV of my testimony
17 provides further detail regarding the removal of severance-related expenses from the
18 income statement portion of the revenue requirement.

19 **Q. Does the Company agree with Staff's proposed adjustment for excess ADIT?**

20 A. No. Please refer to Company witness Michael McCuen's rebuttal testimony for further
21 discussion.

22 **Q. Does Liberty agree with the methodology proposed by Staff for the solar rebate**
23 **adjustment?**

1 A. No, Staff's proposed disallowances for rebates on systems operational after December
2 31, 2023 are not justified. Many rebate commitments were made between the initial
3 discussions about ending the program and the effective date of the new tariffs, and
4 those commitments were honored and paid. Liberty believes its decision to involve
5 solar advocates and installation contractors early in stakeholder conversations may
6 have triggered a "doorbuster effect," prompting a surge of applications as customers
7 rushed to secure rebates before the tariff change. However, at the update period, Staff's
8 proposed regulatory asset balance compared to the Company's has a minor difference.
9 In order to reduce contested issues, the Company is willing to accept Staff's balance
10 for this regulatory asset once incorporating the rebates paid after December 31, 2023,
11 contingent on the opportunity to review the balances Staff proposes at the conclusion
12 of the true-up period.

13 **Q. Please explain Staff's position on the PAYGO Tracker regulatory asset.**

14 A. Staff does not agree with the balance of the PAYGO Tracker regulatory asset and did
15 not include the respective balance incurred through the September 2024 update period,
16 nor the related amortization expense proposed by the Company, in its cost of service.
17 Staff has suggested no recovery of the regulatory asset and amortization expense.

18 **Q. Does the Company agree with Staff's position on the PAYGO Tracker regulatory**
19 **asset?**

20 A. No. The Company does not agree with Staff's position. The PAYGO tracker was
21 explicitly authorized by the Commission in the Company's last rate case, and its
22 purpose is to account for the volatility and unpredictability of PAYGO related
23 transactions³. Since that time, the Company has properly tracked and recorded the

³ Case No.ER-2021-0312, Order Approving Stipulations and Agreements.

1 revenue impacts in accordance with the Commission's directive. Including the
2 regulatory asset in rate base and amortizing over a three-year period is consistent with
3 sound ratemaking principles and accounts for the financial impacts of revenue volatility
4 in a fair and transparent manner. Excluding the tracker would disregard the established
5 framework and result in an incomplete view of the Company's cost to serve.

6 **Q. Please explain Staff's position regarding the treatment of the Company's**
7 **Generation Long Term Maintenance ("LTM") costs.**

8 A. Staff does not agree with the Company's accounting approach to capitalize a portion of
9 the Company's LTM contract costs associated with its Riverton, State Line, and Wind
10 generation assets. Instead, Staff believes Liberty should continue using the expense-
11 based treatment applied by the Company in Case No. ER-2021-0312, where all costs
12 were recorded as operating expenses rather than deferred and included in rate base.

13 Staff's position is based on the view that capitalizing these maintenance
14 contracts does not provide a demonstrable increased benefit to customers that would
15 justify rate base treatment. In Staff's opinion, continuing to expense the contract costs
16 is consistent with prior regulatory treatment and avoids increasing rate base without a
17 corresponding improvement in service or efficiency.

18 **Q. Does the Company agree with Staff's position on the treatment of its LTM costs?**

19 A. No. The Company does not agree with Staff's position and continues to support the
20 Company's deferred accounting treatment of its long-term maintenance costs. The
21 Company has entered LTM contracts for several of its generation facilities to provide
22 for sustained operational reliability, cost predictability, and long-term asset
23 performance. A portion of these contracts represent work extending beyond routine
24 maintenance and are designed to preserve the value and functionality of major

1 generation assets. The Company's treatment of costs is in alignment with GAAP and
2 FERC guidance and more closely aligns the treatment of costs with the associated work
3 performed on the generation assets.

4 The accounting approach being applied by the Company aligns costs with the
5 long-term benefits of the maintenance work, which reduces the risk of unplanned
6 outages, and can lead to costly emergency repairs and market purchases. Additionally,
7 it provides cost stability, allowing for better long-term planning, benefiting customers
8 by avoiding volatility in annual expense levels. The costs are similar to a prepaid
9 expense, which Staff has no concerns with the inclusion in rate base.

10 This was an accounting change made by the Company. Regulatory treatment
11 should evolve to reflect best practices in asset management, especially when long-term
12 contracts are used to optimize capital assets. Moreover, the Company has also proposed
13 the same accounting treatment in its Arkansas electric jurisdiction, in Docket No. 22-
14 085-U, where the Arkansas Public Service Commission Staff⁴ and ultimately the
15 Arkansas Commission were in agreement with the Company's methodology. This
16 regulatory precedent supports the reasonableness and consistency of the Company's
17 proposal.

18 **Q. Are there any corrections you need to make to the balance at the update period**
19 **related the Wind Service Maintenance, and Warranty Agreements ("SMWA")**
20 **deferred costs regulatory asset?**

21 A. Yes. As of the update period, I unintentionally recorded the balance for the Wind
22 SMWA deferred costs regulatory asset as a credit rather than the appropriate debit

⁴ Docket No. 22-085-U, APSC Surrebuttal Testimony – Middleton Ray, p. 10.

1 balance. This error has since been corrected, and the revenue deficiency has been
2 updated accordingly to reflect the proper treatment of the asset.

3 **Q. Does the Company agree with OPC's and Staff's proposed ADIT adjustments or**
4 **balances?**

5 A. No. Please refer to Company witness Michael McCuen's rebuttal testimony for an
6 explanation of the Company's position on this topic.

7 **Q. Does the Company agree with Staff's proposed Customer First disallowance to**
8 **ADIT?**

9 A. No. Please refer to Company witness John Reed's rebuttal testimony for an explanation
10 of the Company's position on this topic

11 **Q. Does the Company agree with Staff's proposed pension and OPEB rate base**
12 **balances?**

13 A. No. Please refer to Company witness James A. Fallert's rebuttal testimony for an
14 explanation of the Company's position on this topic.

15 **Q. Does the Company agree with Staff's proposed Demand Side Management**
16 **("DSM") regulatory asset balance?**

17 A. No. The Company does not agree with Staff's proposed balance. Staff has
18 incorrectly included amortization related to one of the Company's interruptible service
19 credits, despite the fact that the underlying correction was not recorded until calendar
20 year 2024. As explained in my direct testimony, the Company identified and corrected
21 an error in the recording of the monthly interruptible credits for a specific customer.
22 Because this correction occurred after the Company's last rate case, the balance
23 associated with the error was not reflected in the regulatory asset until 2024, and
24 amortization would not begin until 2025. Including amortization in the test year –

1 before the asset was recorded – misrepresents the timing of cost recovery and violates
2 the matching principles fundamental to regulatory accounting. The Company’s
3 corrected balance properly aligns recognition and amortization with the actual
4 accounting treatment, ensuring that recovery is based on costs incurred within the
5 appropriate period. This approach reflects sound ratemaking and supports an accurate
6 revenue requirement.

7 **Q. Did Staff also propose that going forward the unamortized balance be offset with**
8 **the revenues collected from customers through the Energy Efficiency Cost**
9 **Recovery (“EECR”) charge?**

10 A. Yes.

11 **Q. Does the Company agree with this proposal?**

12 A. No. As outlined in the tariffs submitted with the Company’s direct filing in this docket,
13 the Company proposed to eliminate this line item from its tariffs. Any remaining
14 charges in the Customer Program Collaborative account would instead be recovered
15 through the base rate line item charges.

16 The Customer Program Collaborative account was originally established to
17 track pre-MEEIA demand-side management costs, along with monthly interruptible
18 service credits provided to customers. Since the Company began its MEEIA program
19 in 2022, the only activity remaining in the account relates to interruptible service credits
20 and the remaining amortization of pre-MEEIA vintage year costs.

21 Therefore, if the Commission approves the removal of this line item, there will
22 be no EECR revenues to offset the unamortized balance.

23 **Q. Did any other party address the Company’s proposal to start separately tracking**
24 **the interruptible service credits in a new regulatory asset with a three-year**

1 **amortization rather than continuing to track in the customer program**
2 **collaborative ledger account?**

3 A. No, this was not explicitly addressed by any of the other parties in their direct
4 testimony. The Company continues to believe its proposal should be approved by the
5 Commission. However, if the Commission does not agree with the Company's
6 proposal, then the treatment of the interruptible service credits should continue to be
7 tracked and amortized under the current methodology that was approved.

8 **Q. What amortization period did Staff propose for their unamortized DSM balance?**

9 A. Staff proposed a new six-year amortization for the September 2024 unamortized
10 balance.

11 **Q. Is the Company in agreement?**

12 A. No. Pursuant to the Commission's Order in Case No. ER-2014-0351, each year of
13 vintage costs were to be amortized over a six-year period, beginning in the year
14 following the year in which the costs were incurred. For example, costs incurred in
15 2018 were fully amortized by the end of 2024, while 2019 costs would be fully
16 amortized by the end of 2025, and so forth.

17 Under Staff's proposal, however, costs that are nearing the end of their
18 approved amortization period would effectively be restarted and re-amortized over a
19 new six-year term. This approach not only contradicts the long standing Commission
20 approved methodology, but also results in an understatement of amortization expense
21 associated with the regulatory asset. It artificially extends the recovery period for costs
22 that should already be nearing full amortization, thereby delaying cost recovery.

1 The Company disagrees with Staff's proposal and maintains the amortization
2 should continue in accordance with the methodology approved by the Commission in
3 Case No. ER-2014-0351.

4 **Q. Please summarize Staff's position on the new property tax tracker statute.**

5 A. Staff's position appears to be that the Company should not have initiated deferral or
6 tracking of property tax expense under the new statutory mechanism as of the effective
7 date of the statute. Instead, Staff believes the Company should begin applying the
8 tracker only after new general rates are established and become effective in this rate
9 case.

10 In essence, Staff contends that the tracker mechanism should be prospective
11 from the date of new rates, rather than retroactive to the statute's enactment. This
12 interpretation affects the timing and scope of property tax expense recovery under the
13 new framework.

14 **Q. Do you agree with Staff's position?**

15 A. No. The tracking requirement became effective August 28, 2022. Section 393.400.2,
16 RSMo., states (emphasis added):

17 [E]lectrical corporations ... *shall defer* to a regulatory asset or liability
18 account any difference in state or local property tax expense actually incurred,
19 and those on which the revenue requirement used to set rates in the
20 corporation's most recently completed general rate proceeding was based. The
21 regulatory asset or liability account *balances shall be included* in the revenue
22 requirement used to set rates through an amortization over a reasonable period
23 of time in such corporation's subsequent general rate proceedings. The
24 commission shall also adjust the rate base used to establish the revenue
25 requirement of such corporation to reflect the unamortized regulatory asset or
26 liability account balances in such general rate proceedings. Such expenditures
27 deferred under the provisions of this section are subject to commission prudence
28 review in the next general rate proceeding after deferral.

29
30 While I am not an attorney, the plain language of the law requires deferral
31 (using "shall defer" language) of any differences in state or local property tax expenses

1 an electrical corporation, like Liberty, incurs and the expenses on which Liberty's most
2 recently completed general rate case was based. If the Missouri Legislature intended
3 for the deferral to begin only after a future general rate proceeding, then the Legislature
4 would have said so. It did not.

5 The law also plainly directs the resulting regulatory asset or liability account
6 balances to be included in the revenue requirement in the utility's subsequent general
7 rate case. Since this is the Company's first general rate case since the effective date of
8 the statute, this is the first time the regulatory account balance must be reflected in the
9 Company's revenue requirement.

10 **Q. Have other public utilities been allowed to begin employing the statutory**
11 **mechanism when the statute became effective instead of being required to wait**
12 **until after a subsequent general rate proceeding?**

13 A. Yes, the largest gas, water, and electric public utilities in the state have been allowed
14 to employ the statutory mechanism around the time the statute became effective instead
15 of being required to wait until after a subsequent general rate proceeding.

16 • In Case No. GR-2022-0179, via approval of a Full Unanimous Stipulation and
17 Agreement with Staff and other parties, the Commission authorized Spire Missouri
18 to reflect the property tax deferral from January 1, 2022 through the effective date
19 of rates in the case, which was over \$22 million for Spire East and approximately
20 \$18.9 million for Spire West. Case No. GR-2022-0179, filed November 4, 2022,
21 pp. 2-3.

22 • In Case No. WR-2022-0303, via approval of a Stipulation and Agreement with
23 Staff and other parties, the Commission authorized Missouri American Water, who
24 did not have a stated property tax amount ordered by the Commission in its

1 immediately preceding general rate case, to reflect the property tax deferral from
2 September 1, 2022 (which was the first day of the month following the effective
3 date of the statute). Case No. WR-2022-0303, Stipulation and Agreement, filed
4 March 3, 2023, p.3. Staff's agreement in Case No. WR-2022-0303 is nearly
5 identical with the Company's position to track and record property tax deferrals
6 beginning the effective date of the statute and demonstrates that there is no need for
7 the Commission to have explicitly set a property tax base in its last rate case order
8 for the Company.

- 9 • Identically to resolving the issue in Case No. WR-2022-0303, in Case No. ER-
10 2022-0337, via approval of a Stipulation and Agreement with Staff and other
11 parties, the Commission authorized Ameren Missouri, who also did not have a
12 stated property tax amount ordered by the Commission in its immediately preceding
13 general rate case, to reflect the property tax deferral from September 1, 2022. Case
14 No. ER-2022-0337, Stipulation and Agreement filed April 7, 2023, Exhibit C.
- 15 • In Liberty Utilities (Midstates Natural Gas) Corp.'s most recent general rate case,
16 Case No. GR-2024-0106, the Company received approval via Order Approving
17 Amended Stipulation and Agreement, p. 8, issued on January 2, 2025, effective
18 January 8, 2025.
- 19 • In Liberty Utilities (Missouri Water) LLC's most recent general rate case, Case No.
20 WR-2024-0126, the Company received approval via Order Approving Stipulation
21 and Agreement, p. 3, issued January 23, 2025, effective February 2, 2025.

22 **Q. Should Liberty be treated differently than the largest gas, water, and electric**
23 **public utilities or its affiliates, and prevented from receiving the benefit of the**

1 **statutory mechanism under Section 393.400.2, RSMo. until after its next general**
2 **rate case?**

3 A. No. There is no language in Section 393.400.2 that supports any form of disparate
4 treatment between Liberty and Missouri's other largest public utilities or the
5 Company's Missouri affiliates. The statute provides a uniform mechanism for tracking
6 and recovering property tax expense, and Liberty is entitled to the same regulatory
7 treatment as other qualifying utilities.

8 The Company's calculation of the property tax regulatory asset balance in this
9 case is reasonable, consistent with the statute's intent, and should be approved by the
10 Commission for amortization over a three-year period.

11 **Q. Did the Company propose any rate base adjustments that Staff and other parties**
12 **did not address in their direct testimony?**

13 A. Yes. The Company proposed a rate base adjustment to reflect its Schedule SBEDR
14 (Limited Large Customer Economic Development Rider) regulatory asset discounts.
15 However, neither Staff nor any other intervenor addressed or acknowledged this
16 adjustment in their respective direct testimonies.

17 **Q. What is the basis for the Company's position that its cost of service should include**
18 **a rate base adjustment for SBEDR?**

19 A. As stated in my direct testimony⁵ in this case, the SBEDR regulatory asset was
20 established pursuant to the provision of Senate Bill 564, codified at Section 393.1640,
21 RSMo. This asset reflects the cumulative discounts provided to qualifying customers
22 under the SBEDR tariff, in accordance with the provision of Senate Bill 564. The
23 regulatory asset was created to ensure the Company could recover the revenue shortfall

⁵ Direct Testimony of Charlotte Emery, p. 20.

1 associated with these economic development incentives, consistent with the legislative
2 intent and Commission-approved ratemaking principles.

3 **Q. What is the amount of SBEDR discounts that should be included in the**
4 **Company's rate base for recovery?**

5 A. The Company's cost of service should include \$1,726,280 in rate base to reflect the
6 SBEDR regulatory asset. This amount represents the actual discounts provided to
7 eligible customers under Schedule SBEDR as of the end of the update period,
8 September 30, 2024. The inclusion of this asset in rate base is consistent with its
9 regulatory classification and ensures appropriate recovery of deferred economic
10 development costs. Further discussion of Staff's treatment of economic development
11 rider ("EDR") discounts and the Company's rationale for rate base inclusion is
12 provided later in my testimony.

13 **Q. Did Staff include an adjustment to its Accumulated Depreciation balance for**
14 **Iatan/PCB Transformer environmental costs?**

15 A. No.

16 **Q. Do you agree with Staff's approach?**

17 A. No. The Company's proposed adjustment reflects the total amount of capital
18 expenditures related to Iatan and PCB Transformer/Sub Transformer environmental
19 activities that have been settled and paid by the Company through the end of the
20 September 2024 update period. These expenditures are being offset against the
21 applicable accumulated depreciation accounts based on the language approved by the
22 Commission in the Amended Report and Order in Case No. ER-2019-0374⁶.

⁶ Case No. ER-2019-0374, Amended Report and Order, pp. 149-150.

1 **Q. Do you agree with Staff’s exclusion of Account 254100, which reflects the gross-**
2 **up of the excess ADIT regulatory liability, from the cost of service?**

3 A. No. The exclusion of Account 254100 fails to recognize the full amount of regulatory
4 liability owed to customers as a result of the Tax Cuts and Jobs Act of 2017 (“TCJA”).

5 The Company collected rates from customers based on a 35% federal income
6 tax rate prior to the TCJA. Following the reduction to a 21% rate, the excess ADIT
7 represents an overcollection that must be returned to customers. The gross-up
8 component reflects the pre-tax equivalent of this liability and is essential to ensure
9 customers receive the full benefit of the TCJA-related tax savings.

10 **Q. Are there rate base balances/adjustments Staff has recommended that the**
11 **Company does not oppose at this time?**

12 A. Yes. While the Company may not fully agree with the methodologies used by Staff to
13 derive certain September 30, 2024 balances, we find the resulting figures to be
14 reasonable and acceptable for purposes of this rate case. It is important to emphasize
15 that this assessment applies solely to the September 30, 2024, update period. The
16 Company intends to conduct a thorough review of the March 2025 true-up balances
17 once they are presented and will address any concerns or necessary adjustments in its
18 surrebuttal and/or true-up testimony. This approach will provide for the accurate
19 reflection of the final requirement and properly support rate base balances consistent
20 with sound ratemaking principles.

- 21 • Fuel Oil Inventories,
- 22 • Prepayments,
- 23 • Customer Advances,
- 24 • Customer Deposits,

- Plant in Service Accounting (“PISA”),
- Low Income Pilot Program,
- Critical Medical Needs,
- Iatan and Plum Point Carry Costs,
- Asbury Environmental Costs,
- Riverton Environmental Costs, and
- Asbury Retirement Accounting Authority Order.

Q. Are there any rate base balances/adjustments Staff has recommended that the Company agrees with entirely?

A. Yes.

Q. Please explain Staff’s adjustment related to the Riverton 12 tracker regulatory asset.

A. Staff proposes that the regulatory asset balance be excluded from rate base, based on their determination that the asset will be fully amortized by August 2025 – prior to the effective date of rates in this proceeding.

Q. Does the Company agree with Staff’s approach?

A. Yes. After reviewing Staff’s workpapers and calculation regarding the Riverton 12 tracker balance and for the purposes of this rate case, the Company agrees with the exclusion of this regulatory asset from rate base, along with any amortization expense associated with the tracker.

Q. Has the Company updated its revenue deficiency calculation to reflect the exclusion of the Riverton 12 tracker from rate base?

A. Yes. The Company has incorporated this adjustment through RB ADJ 9, which removes the test year balance of \$5,424,767.

1 **IV. INCOME STATEMENT COMPONENTS**

2 **Q. Which specific income statement issues will you be addressing in your rebuttal**
3 **testimony?**

4 A. The table below outlines the income statement topics I address, along with the
5 sponsoring party for each. It also includes Company adjustments that were not
6 addressed by other parties. To the extent that I do not respond to a specific issue, that
7 should not be interrupted as agreement with the position of other stakeholders. Instead,
8 the Company continues to support the income statement balances reflected in its
9 updated revenue requirement filing⁷, revised for certain items addressed throughout my
10 rebuttal testimony. These balances represent the most accurate and appropriate
11 foundation for calculating the allowed revenue requirement⁸ and should be relied upon
12 unless compelling evidence supports an alternative approach.

Income Statement	
Sponsoring Party	Description
Staff	EDR Revenues
Staff	REC Revenues
Staff	PAYGO Revenues
Staff	SPP IM Transmission Revenues
Staff	Interest on Customer Deposits
Staff	Intangible Plant Amortization Expense
Staff	Solar Rebate Amortization
Staff	Property Tax Expense
Staff	Dues and Donations
Staff	Edison Electric Institute Dues
Staff	Advertising Expense
Staff	Payroll and Payroll Taxes
Staff	Employee Benefits
Staff	Incentive Compensation
Staff	Riverton & State Line LTM Expense
Staff	Non-Fuel Wind Expense

⁷ Filed January 17, 2025, in Case No. ER-2024-0261.

⁸ As appropriate amounts should be trued up to March 31, 2025 balances.

Staff	Generation O&M Expense
Staff	State Line Water Expense
Staff	EADIT Amortization Expense
Staff	Bad Debt Expense
Staff	Pension/OPEB/SERP Expense
OPC/Staff	A&G Expense Disallowance
Staff	Rate Case Expense
Staff	Wind O&M Normalization
Staff	Customer First O&M Expense
Staff	Fuel and Purchased Power
Staff	Severance Expense
OPC	Neosho Ridge Wind Outage
OPC	Lawsuits and Damages
Staff	Purchased Power Energy
Staff	Income Tax Expenses
Liberty	Customer Facilities
Liberty	Cybersecurity Expense
Liberty	Vegetation Management Expense
Staff	Jurisdictional Allocations

1 **Q. Please explain Staff’s adjustment for EDR revenues.**

2 A. Staff proposed an adjustment to remove EDR discounts from recorded revenues. The
3 balance removed by Staff represents the Company’s Schedule SBEDR tariff discounts.
4 Pursuant to Senate Bill 564, “any reduced revenues arising from the discounted rate
5 shall be borne by all of the electrical corporations’ customer classes.” Based on this
6 legislation, the Company has included these discounts in a regulatory asset as
7 previously described in my testimony. This regulatory treatment was established to
8 isolate the financial impact of SBEDR related discounts from operating revenues,
9 thereby preserving revenue neutrality and enabling recovery through future rate
10 proceedings.

11 **Q. Does the Company agree with Staff’s proposed treatment of EDR discounts?**

1 A. No. The Company does not agree with Staff's adjustment. Staff's removal of EDR
2 discounts from revenue is unwarranted and inconsistent with the Company's regulatory
3 account treatment. Instead, the SBEDR discount amount – recorded in a regulatory
4 asset – should be included in rate base consistent with the Senate Bill 564 legislation.

5 **Q. Does the Company agree with Staff's approach for adjusting Renewable Energy**
6 **Credits ("RECs")?**

7 A. No. Please refer to Company witness Todd W. Tarter's rebuttal testimony for further
8 discussion.

9 **Q. Please explain Staff's position on PAYGO revenues.**

10 A. Staff is proposing a new baseline amount of revenues be included in the Company's
11 cost of service, along with the discontinuation of the PAYGO Tracker. To derive the
12 base amount of revenues, Staff took the total PAYGO payments for the most recent
13 year ending December 31, 2024, and included 95% of the PAYGO revenues instead of
14 100% to provide potential for additional upside incentive to Liberty to capture PAYGO
15 amounts over the amount in cost of service not being tracked and then allocated to
16 Missouri by utilizing a Missouri Energy Ratio (MER) allocator, which usually hovers
17 around 88% by month. The total baseline amount proposed by Staff is \$7,705,708.

18 **Q. Does the Company agree with Staff's position on the PAYGO revenue baseline?**

19 A. No. The Company disagrees with Staff's position and maintains that the PAYGO
20 revenue baseline should remain at zero and maintains the PAYGO tracker should
21 remain in place. The tracker was authorized by the Commission in the Fourth Partial
22 Stipulation and Agreement in Case No. ER-2021-0312 set a \$4 million base PAYGO
23 revenue to address the inherent volatility of PAYGO related revenues. That volatility
24 has only intensified: in 2022, the Company received \$0 in PAYGO-related revenues;

1 in 2023, \$1.95 million; and in 2024, \$9.18 million. This level of fluctuation
2 underscores the need for a mechanism that smooths revenue impacts over time. Staff's
3 proposal to include the highest year of PAYGO revenue – without a tracker – would
4 expose the Company to significant under-recovery risk in future years when revenues
5 decline. This approach not only disregards the volatility the tracker was designed to
6 manage, but also jeopardizes the Company's ability to recover its authorized revenue
7 requirement. If the Commission chooses to include PAYGO revenues in base rates,
8 the Company strongly recommends using a three-year average of \$3.71 million, which
9 more accurately reflects the variability and avoids overstatement of expected revenues.

10 **Q. What does Staff propose related to the PAYGO tracker going forward?**

11 A Staff proposes this tracker be discontinued.

12 **Q. Does the Company agree with the discontinuation of the PAYGO tracker?**

13 A. No. The Company strongly opposes discontinuing the PAYGO tracker. The tracker
14 was authorized by the Commission to address the significant year-over-year volatility
15 in PAYGO-related revenues, which have ranged from \$0 in 2022 to over \$9 million in
16 2024. This level of fluctuation makes it impractical and inappropriate to rely on a
17 single year's revenue – particularly the highest – when setting rates. Doing so would
18 overstate expected revenues and risk chronic under-recovery in future years. The
19 tracker provides a necessary mechanism to normalize these unpredictable revenues
20 over time, ensuring that the Company can recover its authorized revenue requirement
21 without exposing customers to the utility to undue financial risk. Eliminating the
22 tracker while incorporating peak-year revenues into the revenue requirement would
23 undermine the integrity of the ratemaking process and contradict the Commission's
24 prior recognition of PAYGO volatility. For these reasons, the tracker should remain in

1 place, and if a baseline revenue is to be used, a multi-year average is the most
2 reasonable and equitable approach.

3 **Q. Do you have any other concerns with Staff witness Nieto's workpapers related to**
4 **SPP IM Revenues?**

5 A. Yes. After reviewing Staff witness Nieto's workpaper related to SPP IM Revenues, a
6 calculation error was identified affecting the balances from April through September
7 2024. Specifically, the values for each of these months were unintentionally double
8 counted. The Company has brought this issue to Staff's attention, and Staff has
9 acknowledged the error and agreed to make the necessary corrections in their next round
10 of testimony.

11 **Q. Does the Company take issue with Staff's customer deposit interest expense?**

12 A. Yes. While Staff's methodology for calculating customer deposit interest expense is
13 generally consistent with the Company's approach, the Company does not agree with
14 Staff's use of the 2023 interest rate rather than the 2024 interest rate, which results in a
15 variance of \$157,845 (Missouri jurisdictional). The applicable interest rate for 2024
16 was known and measurable at the time of the update filing period and should be used
17 to reflect an appropriate balance of normalized interest expense for customer deposits.

18 **Q. Does the Company agree with the intangible plant amortization expense and**
19 **proposed Customer First disallowance included within Staff's cost of service?**

20 A. No. While the Company generally supports Staff's methodology for calculating
21 amortization expense, it disagrees with the disallowance of Customer First costs. As
22 detailed in the rebuttal testimony of Mr. Wilson and Ms. Walt, Customer First is clearly
23 used and useful in delivering regulated utility service – supporting billing, finance,
24 outage response and customer engagement, among other things. Under established

1 regulatory principles, investments that actively serve customers should be reflected in
2 the revenue requirement. Mr. Reed's rebuttal testimony also provides further
3 explanation for the regulatory principles underlying why Customer First is used and
4 useful and should not be disallowed.

5 **Q. Does the Company have any concerns with updating the amortization period**
6 **associated with the solar rebate regulatory assets from a ten-year to a five-year**
7 **amortization?**

8 A. No. The Company has no concerns with updating the amortization period, especially
9 in light of the recent amendment to Section 393.1030, RSMo., which supports this
10 change.

11 **Q. Does Staff's adjustment to property tax expense reflect the expected level of**
12 **property tax the Company will incur when new rates are established?**

13 A. No. Staff's methodology does not reasonably reflect the anticipated property tax
14 expense at the time new rates will become effective in 2026. Staff's calculation of
15 normalized property tax is based on the actual amounts paid for the 2024 property tax
16 returns, which are based on assessed property values as of December 31, 2023, which
17 fails to account for the evolving asset base. The Company took the property values as
18 of the September 2024 update period and applied a projected tax rate. The Company
19 believes this projected value of property tax expense is more appropriate to calculate a
20 normalized amount of expense going forward. For this reason, the Company
21 recommends the Commission approve the Company's methodology to calculate
22 property tax expense.

23 **Q. Does the Company currently track pending property tax appeals and apply any**
24 **favorable outcomes as an offset to its property tax expense?**

1 A. Yes. The Company actively tracks all pending property tax appeals and applies any
2 refunds or favorable adjustments directly against its actual property tax expense. These
3 outcomes reduce the recorded expense and are also reflected in the property tax tracker,
4 providing customers the benefit from successful appeals.

5 **Q. Please describe Staff's proposed adjustment to exclude certain dues and donations**
6 **from its cost of service.**

7 A. Staff witness Smith's proposed adjustment reduces test year expenses by \$28,945. Staff
8 states the exclusion of these dues and donations are related to the following four
9 criteria.

10 (1) The expenses are involuntary customer contributions of a charitable nature.

11 (2) The expenses are supportive of activities that are duplicative of those
12 performed by other organizations to which the Company belongs or pays dues.

13 (3) The expenses are associated with active lobbying activities which have not
14 been demonstrated to provide any direct benefit to customers; or

15 (4) The expenses represent costs of other activities that provide no benefit or
16 increase service quality to the customers.

17 Staff states in testimony that they recognize the importance of good corporate
18 citizenship in the communities served by utilities, however, Staff suggests dues and
19 donations do not provide any benefit to customers and are not necessary for the
20 provision of safe and adequate service and should be excluded from Liberty's revenue
21 requirement.

22 **Q. Does the Company agree with Staff's recommendation regarding dues and**
23 **donations?**

1 A. No. Liberty opposes Staff witness Smith's proposed \$28,945 adjustment to exclude
2 dues and donations from the Company's cost of service. While Liberty supports the
3 principle of ensuring that only prudent and customer-beneficial costs are recovered
4 through rates, the proposed disallowance applies overly broad criteria and fails to
5 account for the operational relevance and strategic value of certain expenditures. The
6 Company makes a variety of contributions to service area entities in a continuing effort
7 to uphold and increase the well-being of our customers by aiding the communities,
8 educational institutions, civic organizations and service groups like the Chamber of
9 Commerce who works to promote the local economy, which is beneficial to customers.

10 **Q. Please describe Staff's proposed adjustment to remove Edison Electric Institute**
11 **("EEI") dues.**

12 A. Staff witness Smith's proposed adjustment shows an additional decrease in expenses
13 of \$194,669 related to EEI dues. Staff states Liberty did not identify direct quantifiable
14 benefits to customers in its direct testimony, and consistent with prior Commission
15 Report and Orders, Staff removed the amount of EEI dues and fees included in the test
16 year expense from Liberty's cost of service.

17 **Q. Please describe how the Company's participation in EEI benefits customers.**

18 A. EEI membership provides direct value to customers by supporting the Company's
19 ability to deliver safe, reliable, and affordable service. Through EEI's Restoration,
20 Operations, and Crisis Management Program, the Company gains access to industry-
21 wide best practices for outage response and emergency coordination – tools that
22 enhance service continuity and resilience. EEI also facilitates collaboration on
23 emerging technologies that strengthen the grid and improve operational efficiency.
24 These benefits translate into better service outcomes and long-term cost savings for

1 customers. As with other industry organizations like NARUC, EEI's research and
2 policy work help ensure the Company remains informed and proactive in a rapidly
3 evolving energy landscape.

4 **Q. Does the Company agree with Staff's recommendation regarding EEI dues?**

5 A. No. The Company disagrees with Staff's proposed disallowance of EEI dues related to
6 regulatory advocacy, public relations, marketing, and advertising. The Company has
7 already taken care to exclude any non-recoverable portions and has included only the
8 prudent, customer-benefiting share of EEI dues in its cost of service. These remaining
9 dues support regulatory engagement, technical collaboration, and industry
10 benchmarking – activities that directly enhance the Company's ability to provide safe,
11 reliable, and cost-effective service.

12 **Q. Does the Company agree with Staff's advertising expense adjustment?**

13 A. No. The Company disagrees with Staff's adjustment, which incorrectly removes the
14 total Company advertising expense rather than just the Missouri jurisdictional share.
15 Advertising costs should be evaluated based on their relevance to the jurisdiction in
16 question. To narrow contested issues, the Company is willing to accept Staff's
17 adjustment if revised to disallow only the Missouri-jurisdictional portion of advertising
18 expense, consistent with standard ratemaking practices.

19 **Q. Please describe Staff's approach to annualizing payroll and payroll taxes.**

20 A. Staff witness Smith employs a multi-step methodology to annualize payroll and payroll
21 tax expenses, beginning with the Company's base salary data as of September 30, 2024,
22 and applying a series of adjustments to derive Missouri jurisdictional expense levels.
23 The approach is outlined as follows:

- 1 1. Base Salary Reference Point – Staff uses the actual base salary for each
2 employee as of September 30, 2024, as the starting point for annualization.
- 3 2. Cost Allocation Adjustment – Staff incorporates both the 2023 Cost
4 Allocation Manual (“CAM”) allocations and the Mass Empire allocation,
5 consistent with the methodology presented in the Company’s direct filing.
6 These allocations ensure proper distribution of labor costs across functional
7 areas and jurisdictions.
- 8 3. Operation and Maintenance (“O&M”) Ratio Application – To determine the
9 expensed portion of annualized salaries, Staff applies an O&M ratio, which
10 reflects the proportion of labor costs charged to expense accounts versus
11 capital accounts.
- 12 4. Overtime Adjustment – Staff includes an overtime percentage derived from
13 actual overtime payroll data for the twelve-month period ending September
14 30, 2024.
- 15 5. Exclusion of Open Positions – Staff excludes vacant or unfilled positions
16 from its annualized payroll and payroll tax calculation, thereby limiting the
17 expense recognition to active employees only.
- 18 6. Jurisdictional Allocations – Staff applied a jurisdictional allocation factor
19 to determine the Missouri jurisdiction level of payroll and payroll tax
20 expense.

21 **Q. Does the Company agree with Staff’s approach to annualize payroll and payroll**
22 **taxes?**

1 A. No. While the Company does not object to the overall methodology used by Staff, there
2 are several aspects of Staff's methodology that warrant clarification and correction for
3 accuracy and consistency with actual payroll data and operational requirements:

- 4 1. CAM and Mass Empire Allocation – Staff has inappropriately applied the
5 2023 CAM and Mass rate to 2024 base salary balances. This misalignment
6 introduces inconsistency between the allocation methodology and the
7 underlying payroll base, potentially distorting jurisdictional expense levels.
- 8 2. Overtime Percentage Calculation – The Company disagrees with Staff's
9 reliance on a single-year overtime percentage derived from the twelve-
10 month period ending September 30, 2024. Given the inherent volatility of
11 overtime, the Company recommends using a two-year average to normalize
12 fluctuations and better reflect long-term labor utilization trends.
- 13 3. Exclusion of Open Positions – The Company does not support Staff's
14 exclusion of open or vacant positions from the annualized payroll and
15 payroll tax calculation. These positions are budgeted and necessary to
16 maintain adequate staffing levels and for continued service reliability and
17 obligations; the Company should not be penalized for temporary vacancies
18 that are part of normal workforce turnover. The open positions that are
19 included are essential to operations and are expected to be filled in the near
20 term. Their exclusion understates the true cost of service and fails to account
21 for the Company's ongoing recruitment efforts.

22 The Company urges the Commission to adopt a more representative approach
23 to annualizing payroll and payroll taxes – one that aligns with actual staffing needs,
24 normalized labor trends, and accurate labor allocation. These adjustments are essential

1 for the revenue requirement to reflect the true cost of providing safe and reliable service
2 to Missouri customers.

3 **Q. Does the Company agree with Staff's proposed balance of employee benefits**
4 **expense?**

5 A. No. The Company does not agree with Staff's proposed adjustment for similar reasons
6 as described in response to the calculation of Staff's payroll expense normalization
7 calculation. Staff used 2023 CAM and Mass Rate allocations for 2024 benefit amounts,
8 used the twelve months ended September 2024 overtime actuals to calculate a
9 normalized level of payroll to determine the amount of Company 401k match expense,
10 and excluded employee benefits expense associated with open positions.

11 For the reasons previously discussed, the Company disagrees with Staff's
12 calculation of employee benefit expense and believes the Commission should approve
13 the balance proposed by the Company.

14 **Q. Please explain Staff's adjustment for incentive compensation.**

15 A. Staff witness Marek made several adjustments to remove certain test year incentive
16 compensation amounts from the cost of service. The adjustment is designed to exclude
17 portions of incentive pay that Staff deems non-recoverable for ratemaking purposes:

18 1. Staff eliminates the cost of stock options awarded under the Company's
19 long-term incentive compensation plan ("LTIP"). Staff excludes these on
20 the basis that there are no specific goals required to be met to be granted
21 these awards and provide no benefits to customers; only Liberty
22 shareholders.

23 2. Staff disallows 42% of the parent scorecard metrics that are ultimately paid
24 out as part of the Company's short-term ("STIP") and shared bonus

1 incentive (“SBP”) compensation plans. This disallowed percentage from
2 the Company’s parent scorecard reflects two components:

- 3 • 34.5 percent for financial performance metrics (e.g., earnings per share,
4 return on equity), and
- 5 • 7.5 percent related to Customer First initiatives in Liberty’s East, West,
6 and Central Regions.

7 Staff states the awards based on financial metrics are awarded for increasing
8 shareholder value and are not a benefit to customers. Additionally, Staff recommends
9 disallowance of incentive compensation related to the Customer First implementation
10 because they assert a benefit has not yet been fully realized by customers from the
11 Customer First program.

12 **Q. Does the Company disagree with the position taken by Staff as it relates to**
13 **incentive compensation?**

14 A. Yes. Incentive compensation is a core component of Liberty’s total compensation
15 philosophy. It is not discretionary or supplemental—it is embedded in the
16 compensation structure and treated as deferred salary contingent on performance. This
17 approach is consistent with industry norms and necessary to attract and retain qualified
18 employees in a competitive labor market, especially for technical and operational roles.

19 The Company’s incentive pay is performance-based and tied to metrics such as
20 safety, reliability, customer satisfaction, and cost control. These metrics directly impact
21 the quality of service delivered to customers. By motivating employees to meet or
22 exceed these standards, incentive compensation enhances operational efficiency and
23 service outcomes, which are tangible benefits to customers.

1 Liberty's customers benefit from a workforce that is motivated to perform at a
2 high level. Without competitive compensation, including performance-based pay,
3 Liberty would face challenges in hiring and retaining the talent necessary to deliver
4 safe, reliable, and efficient service. Therefore, the full inclusion of incentive
5 compensation in the Company's cost of service is just, reasonable, and in the public
6 interest.

7 **Q. How do customers benefit from financial metrics being included in employee**
8 **performance-based pay?**

9 A. Customers benefit directly and indirectly from the inclusion of financial metrics in
10 employee incentive compensation.

11 These metrics are designed to promote disciplined budgeting, cost control, and
12 financial efficiency across the organization. When employees are incentivized to
13 manage resources prudently, the result is more efficient operations, reduced waste, and
14 lower overall costs. These outcomes contribute to the financial health of the utility,
15 which is essential for maintaining safe, reliable service and investing in infrastructure
16 improvements.

17 A financially sound utility is better positioned to deliver service at just and
18 reasonable rates, absorb unexpected costs, and avoid volatility that could negatively
19 impact customers. Incentive compensation tied to financial performance provides
20 additional encouragement to employees to remain focused on cost-effective service
21 delivery, which ultimately benefits customers.

22 The Company is seeking recovery of actual incentive compensation expenses
23 incurred during the test year. These costs are part of Liberty's normal salaries and
24 wages—reasonable and necessary expenses required to provide utility service.

1 Disallowing these costs would ignore the integrated nature of total compensation and
2 penalize Liberty for adopting performance-based practices that align employee
3 behavior with customer and operational outcomes.

4 For these reasons, Staff's position on disallowing incentive compensation tied
5 to financial metrics should be rejected.

6 **Q. Are there any errors in Staff's disallowance calculation of incentive**
7 **compensation?**

8 A. Yes. Staff derived the 42% disallowance from the 2023 Corporate Parent Scorecard,
9 which governs incentive payouts for calendar year 2024. The Company's test year does
10 not include 2024 payouts, but rather includes the payouts that occurred in April of 2023.
11 Therefore, the 2022 Corporate Parent Scorecard used for 2023 incentive compensation
12 payouts, should have been used, as it aligns with the actual incentive compensation
13 expenses incurred during the test year.

14 Additionally, Staff's disallowance calculation implies that 100% of the parent
15 scorecard achievement score is used to calculate incentive compensation. The
16 Company's parent scorecard achieved metrics are weighted. As provided in response
17 to MPSC data request 0241⁹, for the short-term incentive plan calculation, a weighting
18 is applied to the parent scorecard achievement based on the level of each employee.
19 For the shared bonus plan, it is weighted by a flat percent. This weighting was not
20 applied by Staff and the full scorecard achievement percentage for the specific metrics
21 disallowed by Staff were applied.

⁹ Attachment "0241.2-3- DR 0027 EE Incentive Tab with incentive details CONFIDENTIAL.xlsx", tab Supporting Details 2022.

1 Next, in addition to the metrics not being weighted, the percentage used by Staff
2 to disallow incentive compensation related to Customer First is overstated based on the
3 methodology used by Staff throughout the rest of their direct testimonies. For incentive
4 compensation, Staff disallowed the full metric score, while in other adjustments made
5 to disallow Customer First, Staff applied a percentage representing the portion of
6 Customer First related to the billing system.

7 Lastly, the Company does not agree with Staff's proposed removal of long-term
8 incentive plan costs. Staff's methodology results in a duplicative adjustment of LTIP
9 costs. In Marek's supporting workpaper, there is a line item identified as "EDE Direct
10 Expensed LTIP". Marek is removing the 42% disallowance described above from this
11 balance for the metrics she thought should be disallowed from the Company's STIP
12 and SBP balances. It is inappropriate to apply that disallowance to this line item
13 because that balance is representative of LTIP, which would already have been
14 included as part of her full LTIP disallowance, resulting in a duplication of
15 disallowances.

16 In conclusion, the Company respectfully requests that the Commission reject
17 Staff witness Marek's incentive compensation disallowance in total for the above
18 reasons.

19 **Q. Does the Company agree with Staff's position for the Riverton & State Line LTM**
20 **expenses?**

21 A. No. The Company disagrees with Staff's treatment of these expenses. As outlined in
22 the rate base section of my testimony, Staff's approach results in overstatement of
23 expense by treating prepayments for long-term maintenance as immediate costs. These
24 expenditures should be recorded as deferred debits until maintenance work is

1 performed, at which point they may be capitalized if appropriate. This treatment is
2 consistent with FERC accounting guidance, which recognizes that prepayments for
3 future services should not be expensed until the benefit is realized. Staff's
4 methodology misrepresents the timing and nature of these costs and does not reflect
5 proper regulatory accounting.

6 **Q. Does the Company agree with Staff's position for the Non-Fuel Wind expenses?**

7 A. Yes, the Company generally agrees with Staff's position. However, there appears to be
8 an inconsistency in Staff's approach related to the LTM agreements.

9 As outlined in my direct testimony, Liberty reached an agreement with Vestas
10 on December 28, 2023, to amend each of the SMWAs for the Company's wind farms.
11 These amendments started in January 2024 and are reflected in the Company's
12 adjustment, which includes lower deferral amounts beginning in that month.

13 Staff's adjustment uses a four-month average of actual expenses, which
14 incorporates the reduced expense amounts starting in January 2024. If Staff accepts
15 these lower expense amounts as appropriate for recovery, then the Company should
16 also be allowed to recover the deferred asset balance associated with the Wind
17 SMWAs, as proposed.

18 Furthermore, the Company notes that Staff did not apply similar reductions to
19 the Riverton/Stateline LTM deferrals. This inconsistency in treatment between the
20 Wind SMWA and Riverton/Stateline LTM expenses should be addressed to ensure a
21 fair and uniform application of Staff's methodology.

22 **Q. Does the Company agree with Staff's adjustment for Generation O&M?**

23 A. No. The Company disagrees with Staff's treatment of the account related to the State
24 Line LTM contract in its Generation O&M adjustment. Staff incorrectly includes the

1 full twelve-month ending balance of the account in calculating the six-year average,
2 despite a portion of the balance relating to deferred LTM costs.

3 The Company recently updated its FERC accounting treatment to more accurately
4 reflect the nature of these costs, recording them as deferred debits until the maintenance
5 work is performed. This change is consistent with FERC guidance and improves the
6 transparency of cost recovery. The portion of the account related to deferred LTM
7 costs is separately captured in Company adjustment EXP ADJ 23 and should not be
8 included in the O&M adjustment. Staff's approach overstates expense and
9 misrepresents the proper accounting treatment. For further detail, please refer to the
10 rate base section of my testimony.

11 **Q. Please explain Staff's adjustment for State Line water usage.**

12 A. Staff's adjustment is based on a comparison between the actual invoiced amounts for
13 State Line water usage during the test year and those incurred during the update period.
14 Using this comparison, Staff determined that an appropriate normalized annual expense
15 level for State Line water usage is \$1,059,796.

16 This adjustment reflects Staff's view that the update period costs are more
17 representative of ongoing expense levels than those observed in the test year. The
18 adjustment is intended to align the revenue requirement with a more accurate forecast
19 of water usage costs at the State Line facility.

20 **Q. Does the Company agree with Staff's proposed State Line water usage**
21 **adjustment?**

22 A. No. The Company does not agree with Staff's proposed adjustment. Staff's calculation
23 is based solely on twelve months of data from the update period, which reflects

1 relatively low consumption at the State Line facility. This limited snapshot does not
2 accurately represent ongoing or expected usage levels.

3 If the Commission were to adopt Staff's methodology, the Company
4 recommends a more representative approach: (1) use a two-year average of
5 consumption from September 2022 through September 2024, which better captures
6 seasonal and operational variability and reflects anticipated monthly usage going
7 forward and (2) apply the updated water rates that took effect on May 28, 2025,¹⁰ which
8 replaced the prior flat rate of \$0.32754 per 100 gallons with a two-block structure:

- 9 • Up to 450,000 gallons: \$0.74719 per 100 gallons; and
- 10 • Over 450,000 gallons: \$0.34625 per 100 gallons.

11 This recommendation would increase the annualized amount to \$2,601,953.
12 Because both the consumption data and the new rate structure are known and
13 measurable, the Company believes this approach provides a more accurate and
14 forward-looking estimate of State Line water usage costs.

15 **Q. Does the Company agree with Staff's proposed excess ADIT tracker amortization**
16 **balance?**

17 A. No. Please refer to Company witness Michael McCuen's rebuttal testimony for an
18 explanation of the Company's position on this topic.

19 **Q. Does the Company agree with Staff's adjustment to bad debt expense?**

20 A. No. While the Company does not agree with Staff's use of a five-year average to
21 calculate bad debt expense, it is willing to accept this approach to help narrow the
22 contested issues in this case. However, if the Commission adopts Staff's methodology,

¹⁰ WR-2024-0320-JW-2025-0157, Rate J – Rate for Manufacturers and Large Quantity Users of Water, p. 35,
[missouri-amwater-water-rates-schedule.pdf](#)

1 the Company believes the normalized bad debt expense should also include an
2 additional component to account for the expected increase in bad debt expense resulting
3 from the proposed rate increase. This adjustment would more accurately reflect the
4 anticipated cost level and is consistent with sound ratemaking principles.

5 **Q. Does the Company agree with Staff's proposed Pension/OPEB/SERP expense**
6 **balances?**

7 A. No. Please refer to Company witness James A. Fallert's rebuttal testimony for further
8 explanation.

9 **Q. Does the Company agree with OPC witness Schaben's proposed A&G expense**
10 **adjustment?**

11 A. No. Please refer to Company witness Peter Eichler's rebuttal testimony for further
12 discussion.

13 **Q. Does Staff make any adjustments to remove certain allocated A&G test year**
14 **costs?**

15 A. Yes. Staff witness Angela Niemeier proposed an adjustment to reduce expenses
16 associated with items such as car and housing allowances, advertising, gifts and
17 bonuses.

18 **Q. Does the Company agree with the adjustment proposed by Staff regarding these**
19 **expenses?**

20 A. The Company has concerns with the accuracy of Staff's calculation. Specifically, Staff
21 reduces certain test year expenses – such as car and housing allowances and bonuses –
22 but then applies an additional adjustment to reflect updated jurisdictional allocation
23 factors. This results in a mismatch between the level of expenses being removed and
24 the allocation factors applied. Additionally, Staff includes a reduction related to

1 severance expense; however, Staff witness Jared Giacone also proposes a separate
2 adjustment to remove severance, effectively duplicating the reduction. Despite the
3 concerns, in the interest of narrowing contested issues in this case, the Company is
4 open to supporting the removal of these expenses – provided the errors are corrected.

5 **Q. Does the Company agree with Staff witness Bailey’s proposed balance of rate case**
6 **expense?**

7 A. While the Company does not oppose the specific balance proposed by Staff for this rate
8 case, it fundamentally disagrees with the methodology used – particularly the inclusion
9 of a sharing mechanism. Rate case expenses, when prudently incurred, are necessary
10 and legitimate costs of doing business as a regulated utility. These expenses are
11 incurred to meet statutory obligations, support transparency in the ratemaking process,
12 and ensure regulatory compliance. The proposed sharing mechanism, however
13 arbitrarily shifts a portion of these costs away from inclusion in rates, penalizing the
14 Company for relying on external experts to perform critical functions such as rate
15 design and cost-of-service analysis – functions that some utilities perform in-house and
16 recover in full. This creates inequitable treatment and undermines the principles that
17 recovery should be based on prudence, not staffing structure. The Commission already
18 has full authority to review rate case expenses for reasonableness and disallow any
19 excessive or unsupported costs. That oversight makes the sharing mechanism
20 unnecessary and counterproductive to sound ratemaking.

21 **Q. Does the Company agree with Staff’s adjustment for wind O&M normalization?**

22 A. The Company also believes the test year wind O&M balances do not represent
23 expected ongoing costs and therefore an adjustment is necessary. The Company
24 proposed to use its 2024 budget to normalize these costs. Staff’s methodology utilized

1 an average of actual cost data. The Company believes its approach is most reasonable.
2 However, if the Commission were to use Staff's methodology the Company believes
3 incorporating available 2024 cost data – alongside the 2022-2023 data – provides a
4 more accurate representation of cost activity and better normalizes year-over-year
5 fluctuations inherent in operation and maintenance expenses. Applying a three-year
6 average based on 2022 through 2024 actuals yields a Missouri jurisdictional pro forma
7 ending balance of \$469,447 which the Company believes would more appropriately
8 reflect the normalized level of wind O&M costs.

9 **Q. Does the Company agree with Staff's approach to the Customer First O&M**
10 **normalization?**

11 A. No. The Company disagrees with Staff's approach to normalizing Customer First O&M
12 expenses. While both Staff and the Company aim to reflect twelve months of data,
13 Staff's methodology relies on annualizing the first six months of actuals after the
14 implementation of Customer First took effect, which risks misrepresenting the true cost
15 profile. This approach overlooks seasonable variations, implementation ramp-up, and
16 other cost dynamics that occurred outside the six-month window. In contrast, the
17 Company's annualization is based on projected data once the Customer First program
18 is fully implemented, providing a more accurate and representative view of ongoing
19 expenses. For ratemaking purposes, it is essential that normalized expense levels
20 reflect the full scope of costs required to sustain programs that are used and useful. If
21 the Commission adopts Staff's methodology, the Company recommends that the
22 adjustment be revised to properly annualize a full year of Customer First O&M costs
23 to ensure a fair and accurate outcome. For further discussion on the used and useful

1 nature of Customer First, please refer to the rebuttal testimony of Company witnesses
2 Timothy Wilson and Amy Walt.

3 **Q. Does the Company agree with Staff's amount of fuel and purchased power related**
4 **revenues and expenses?**

5 A. No. Please refer to Company witness Todd W. Tarter's rebuttal testimony for the
6 Company's position on fuel and purchased power related items.

7 **Q. Does the Company agree with Staff's adjustment to remove severance expense?**

8 A. As described above, for purposes of this case the Company agrees with Staff's position
9 that severance costs should not be recovered from customers and should be excluded
10 from the revenue requirement. However, like Staff's adjustment for capitalized
11 severance, their adjustment for expensed severance was applied at the Total Company
12 level. When properly allocated, the adjustment results in a \$750,107 reduction to
13 Missouri's expenses.

14 **Q. Has the Company updated its revenue deficiency calculation to reflect the**
15 **reduction related to severance expense?**

16 A. Yes. The Company has incorporated this adjustment through EXP ADJ 29, which
17 removes the \$750,170 discussed above.

18 **Q. Does the Company agree with OPC's position related to the Neosho Ridge wind**
19 **farm outage?**

20 A. No. While OPC witness Riley did not specify the basis of his position, the Company
21 believes he may be referring to insurance proceeds related to the Neosho Ridge wind
22 farm outage. If so, the Company notes that a balance of \$4,362,329 in insurance
23 proceeds were appropriately included in the update period and reflected in the test year
24 revenue requirement.

1 However, the Company does not agree with OPC's position that revenues
2 associated with the insurance proceeds should remain in the revenue calculation for
3 ratemaking purposes. These revenues are non-recurring and tied to an abnormal
4 operational event.

5 Including these revenues in the revenue calculation would overstate ongoing
6 revenue levels and distort the normalization of test year data. The Company maintains
7 that excluding these revenues is consistent with sound ratemaking principles, which
8 require test year adjustments to reflect typical operating conditions and avoid the
9 influence of one-time anomalies.

10 Therefore, the Company respectfully recommends that the revenues associated
11 with the Neosho Ridge outage be excluded from the revenue calculation used to set
12 rates in this case.

13 **Q. Does the Company have concerns with OPC's position related to lawsuits and**
14 **damages?**

15 A. Yes. Utilities are legally obligated to provide safe and reliable service to all customers
16 within their service territory. In fulfilling this obligation, utilities may face legal
17 challenges or damages that arise not from negligence or misconduct, but from the
18 inherent risks of operating complex infrastructure. This is a cost of operating the
19 business just like other costs. Utilities operate under a regulated return model. There
20 is no rationale, under that model, for categorically excluding these costs. Forcing a
21 utility to absorb these costs without any inclusion in rates erodes a utility's ability to
22 earn its authorized return and increases financial risk to the Company, in turn, arguably
23 supporting higher returns given the categorical exclusion of such costs.

1 **Q. Do you have any concerns with Staff witness Nieto's workpapers regarding**
2 **purchased power energy costs?**

3 A. Yes, I have some concerns. Upon reviewing workpapers, it appears that Staff witness
4 Nieto excluded \$2,272,516 from the total purchased power costs reflected in the Fuel
5 Outputs Model. This adjustment differs from the model's indicated total of \$27,346,778
6 and results in a revised figure of \$24,624,262. While there may be a rationale for this
7 adjustment, it was not accompanied by supporting documentation, which makes it
8 difficult to fully understand the basis for the change. Clarifying this discrepancy would
9 help ensure that purposed power expenses are accurately represented and that
10 recoverable fuel costs are appropriately reflected.

11 **Q. Does the Company agree with Staff's proposed adjustment for Income Taxes?**

12 A. No. Please refer to Company witness Michael McCuen's rebuttal testimony for further
13 discussion.

14 **Q. Did any party propose an adjustment for customer facilities expense**
15 **normalization?**

16 A. No.

17 **Q. Do you agree with this approach?**

18 A. No. As stated in my direct testimony, the purpose of the Company's proposed
19 adjustment is to correct an inventory-related accounting error that occurred during the
20 test year, which resulted in an abnormally large credit balance in an account that is
21 utilized for customer facilities expense.

22 To establish a representative expense level, the Company calculated a three-
23 year average, explicitly excluding the test year due to the anomaly. This methodology

1 provides a more accurate reflection of normal operating conditions and avoids
2 distorting the revenue requirement with an irregular test year entry.

3 The Company asserts that this adjustment is necessary and appropriate, and
4 respectfully recommends that it be included in the final cost of service determination.

5 **Q. Did any party propose an adjustment for cybersecurity operational expenses?**

6 A. No.

7 **Q. Do you agree with this approach?**

8 A. No. As stated in the direct testimony of Shawn Eck, the purpose of the Company's
9 proposed adjustment is to annualize non-labor O&M costs associated with the
10 Cybersecurity Program and with additional ongoing costs expected through 2027.

11 **Q. Did any other party include an adjustment for vegetation management?**

12 A. No.

13 **Q. Do you believe the test year balances for vegetation management reflect normal**
14 **on-going level of costs?**

15 A. No. As explained in my direct testimony, the test year does not reflect a representative
16 level of on-going vegetation management costs. To develop rates that reflect the actual
17 cost of providing safe and reliable service, the Company proposed an adjustment based
18 on its 2024 budget – an amount that captures the expected, recurring level of activity.
19 This adjustment is necessary to align the revenue requirement with the utility's
20 obligation to maintain system reliability and manage vegetation risk effectively.

21 **Q. Are there any other revenue requirement items with which you disagree?**

22 A. Yes, the Company disagrees with the calculations of Staff's jurisdiction allocations and
23 believes the Commission should approve the allocations factors proposed by the
24 Company, which are on a more detailed general ledger account level.

1 **Q. Are there Income Statement adjustments Staff has recommended that the**
2 **Company does not oppose?**

3 A. Yes. While the Company may not fully agree with Staff's methodology in deriving
4 certain balances, it finds the proposed September 2024 figures reasonable and
5 acceptable for purposes of this case. However, this acceptance applies only to the
6 September 2024 balances. The Company will closely review any March 2025 true-up
7 adjustments and address any concerns in its surrebuttal and/or true-up testimony to
8 ensure the revenue requirement reflects accurate and supportable levels.

- 9 • Removal of FAC Revenues,
- 10 • Removal of Unbilled Revenues,
- 11 • Retail Rate Revenues which include¹¹:
 - 12 ○ Rate Switcher and LP Customer Annualization
 - 13 ○ Adj to Dec 19 Data
 - 14 ○ Community Solar Facility Charge
 - 15 ○ Community Solar Grid Charge
 - 16 ○ Customer Growth
 - 17 ○ Manual Adjustments
 - 18 ○ Update Period Adjustments
 - 19 ○ Weather Norm and Days
 - 20 ○ Weatherization Adjustment
 - 21 ○ Excess Facilities Charge
- 22 • EECR Revenues,
- 23 • Removal of MEEIA Revenues,

¹¹ See Company witness Timothy Lyons' rebuttal testimony for further discussion.

- 1 • Miscellaneous Revenues – Rent Revenues,
- 2 • Miscellaneous Revenues – Forfeited Discounts,
- 3 • Miscellaneous Revenues – Transmission Credits for Plum Point,
- 4 • Miscellaneous Revenues – Other Electric Revenues,
- 5 • Miscellaneous Revenues – Reconnect Charges and Returned Check
- 6 Charges,
- 7 • Wind non-fuel Revenues,
- 8 • Removal of Franchise Tax Revenues,
- 9 • Injuries and Damages,
- 10 • PSC Assessment,
- 11 • Removal of Franchise Tax Expense,
- 12 • Rating Agency Fees,
- 13 • Insurance Expense,
- 14 • Lease Expense,
- 15 • Software Maintenance Expense,
- 16 • Customer Payment Fees,
- 17 • Depreciation Expense,
- 18 • Depreciation Clearing,
- 19 • PISA Amortization Expense,
- 20 • LIPP Amortization Expense,
- 21 • Iatan and Plum Point Carry Costs Amortization Expense,
- 22 • Riverton Environmental Amortization Expense,
- 23 • Asbury Retirement Accounting Authority Order Amortization Expense,

- Amortization of PeopleSoft Intangible Asset, and
- Annualize Amortization of Deferred ITC.

Q. Are there any income statement balances/adjustments Staff has recommended that the Company agrees with entirely?

A. Yes. As mentioned in the rate base section above, I agree with Staff's approach of excluding amortization expense associated with the Riverton 12 tracker and incorporating a reduction to expenses of \$1,571,163.

Q. Please explain Staff's adjustment related to the stub period amortization associated with the tax reform for Excess ADIT.

A. Based on Staff's Accounting Schedules, the amortization expense associated with the stub period regulatory liability is set to zero. This reflects the fact that the liability will be fully amortized prior to the effective date of new rates within this proceeding.

Q. Is the Company in agreement with this approach?

A. Yes. Although this treatment differs from the approach typically applied to other regulatory assets and liabilities, the Company agrees with this isolated adjustment for this case. Given that the liability will be fully extinguished before the new rates take effect, the Company considers Staff's approach appropriate in this instance.

Q. Does the Company agree with Staff's position as it relates to the Company's Kansas ice storm amortization expense account 593599?

A. Yes. The Company agrees with Staff's decision not to propose an adjustment for the Kansas ice storm amortization expense. This account was excluded from the test year and the Company's requested revenue requirement. Since it was not part of the test year, no adjustment is warranted.

1 **Q. Does the Company agree with Staff’s proposed depreciation rate of 5% for AMI**
2 **meters, Account 370.1?**

3 A. Yes. The Company agrees with Staff’s proposed depreciation rate of 5% for AMI
4 meters, as it is consistent with the rate the Company originally proposed in its revenue
5 requirement. This alignment reflects a shared understanding of the appropriate service
6 life and depreciation methodology for the assets in this account.

7 **V. OTHER AGREED UPON CALCULATIONS AND UPDATED REVENUE**
8 **REQUIREMENT**

9 **Q. Has the Company revised its capital structure and cost of debt included in its**
10 **updated revenue requirement calculation it provided to the parties in January**
11 **2025?**

12 A. Yes. The Company revised its capital structure and cost of debt to reflect its filed direct
13 position which aligns with Staff’s proposal. This change replaces the actual balances
14 provided in January 2025.

15 **Q. Is the Company including a revised revenue requirement as of the September 2024**
16 **update period based on the items fully accepted by the Company and any**
17 **corrections that were identified by the Company in rebuttal testimony?**

18 A. Yes, the Company’s updated revenue requirement can be seen in **Rebuttal Schedule**
19 **CTE-1**. The Company’s new annual revenue requirement amount is \$672,624,955 with
20 a revenue deficiency of \$152,642,970 as shown in Chart 1 below.

1

Chart 1

Line No.	Revenue Requirement Component	Reference Schedule	Dollar Amount
1	Total Rate Base	Rebuttal Schedule CTE-1	\$ 2,641,531,478
2	Required Rate of Return	Rebuttal Schedule CTE-1	7.29%
3	Required Net Operating Income	Line 1 x Line 2	192,601,671
4	Operating Income Deficiency	Rebuttal Schedule CTE-1	116,252,734
5	Gross Revenue Conversion Factor	Rebuttal Schedule CTE-1	<u>1.3130</u>
6	Total Revenue Deficiency	Line 4 x Line 5	\$ 152,642,970

2 This amount is based on updated balances for the following items:

- 3
- Removal of capitalized and expensed severance compensation,
 - 4 • Agreement on FAS 88 amortization balance and corrected prepaid pension asset
 - 5 balance,
 - 6 • Inclusion of 163 Stores Expense in Materials and Supplies
 - 7 • Staff's removal of Riverton 12 tracker regulatory asset and amortization expense
 - 8 • Staff's removal of excess ADIT stub period amortization expense,
 - 9 • Corrected wind LTM deferred asset balance,
 - 10 • Corrected ADIT balances, and
 - 11 • Staff's capital structure.

12 **VI. STAFF AND OPC CUSTOMER FIRST DISALLOWANCE PROPOSALS**

13 **Q. Why are you providing rebuttal testimony on the Customer First disallowance**
14 **issue as proposed by Staff and OPC?**

15 A. I am providing testimony for regulatory context and support for a more balanced and
16 constructive approach to addressing the concerns raised by Staff and OPC regarding
17 the Company's Customer First implementation. Staff and OPC have proposed
18 significant and punitive financial penalties based on the billing and customer service

1 issues that occurred for some of our customers following the system's rollout. While
2 the Company acknowledges these issues and the need for accountability, the proposed
3 remedies are disproportionate to the actual customer harm and inconsistent with
4 established regulatory principles. In this case, the Commission should approve the full
5 inclusion of Customer First within the Company's revenue requirement calculation
6 because it is used and useful. However, if the Commission decides remedial action is
7 necessary in the context of this case, I support the alternative proposal offered by Mr.
8 John Reed, who recommends a performance-based remedy that ties financial recovery
9 to measurable improvements in service quality. This approach provides accountability,
10 protects customers, and promotes continued investment in customer service
11 enhancements, without imposing punitive measures that could undermine the
12 Company's financial stability or long-term ability to serve customers effectively.

13 **Q. Do you support Mr. Reed's proposed alternative to the disallowances**
14 **recommended by Staff and OPC?**

15 A. Yes, I do. Mr. Reed's proposal strikes an appropriate balance between accountability
16 and fairness. It acknowledges the seriousness of the billing issues some of our
17 customers experienced during the Customer First rollout, while also recognizing the
18 Company's ongoing efforts to correct those issues and improve customer service. His
19 performance-based approach provides a clear path for the Company to earn back
20 foregone returns by meeting measurable service quality standards, which aligns with
21 sound regulatory principles and encourages continuous improvement.

22 **Q. Why is a performance-based remedy more appropriate than the disallowance**
23 **proposed by Staff and OPC?**

1 A. The disallowances proposed by Staff and OPC are punitive in nature and
2 disproportionate to the actual customer harm experienced. They also risk undermining
3 the Company's ability to invest in system improvements and customer service
4 enhancements. In contrast, a performance-based remedy ties financial recovery to
5 demonstrated improvements in billing accuracy, timeliness, and customer experience.
6 This approach protects customers, promotes accountability, and avoids the long-term
7 financial harm that could result from the sweeping disallowances being proposed by
8 Staff and OPC.

9 **Q. How does the Company plan to demonstrate compliance with the proposed**
10 **performance metrics?**

11 A. The Company is committed to accountability and collaboration. We support the
12 development of clear, Commission-approved performance metrics through the separate
13 investigation docket. Once these metrics are established, the Company will track and
14 report its performance regularly. Only after meeting those targets would the Company
15 begin recording the foregone return in a regulatory asset account, subject to review and
16 recovery in a future rate case. This requires that any recovery is earned – not assumed.

17 **Q. What message does this alternative proposal send to customers and regulators?**

18 A. It sends a strong and constructive message: that Liberty takes its service obligations
19 seriously, acknowledges where it fell short, and is committed to earning back trust
20 through performance. It also demonstrates that the Commission can hold utilities
21 accountable without resorting to punitive measures that may ultimately harm customers
22 by weakening the utility's financial position.

23 **Q. How does this proposal align with regulatory precedent?**

1 A. As Mr. Reed noted, performance-based remedies have been used in other jurisdictions
2 facing similar billing system challenges. These approaches typically involve
3 temporary Return on Equity adjustments or one-time disallowances – not permanent
4 exclusions from rate base. The Commission has a long-standing practice of
5 establishing rates that are just and reasonable, and that utilities are given a fair
6 opportunity to recover prudently incurred costs. This proposal is consistent with that
7 tradition.

8 **VII. OPC ASSERTIONS RELATED TO BILL IMPACT & FUEL COST**
9 **PRESENTATION, FILING ERROR AND MANAGEMENT PRACTICES**

10 **Q. Does the Company wish to respond to various positions raised by OPC witness**
11 **Mantle regarding Liberty’s bill impact and fuel cost presentation, filing error, and**
12 **management practices?**

13 A. Yes. The Company respectfully disagrees with several characterizations made by OPC
14 witness Mantle but does not believe these matters require Commission resolution.

15 • **Bill Impact Presentation:** The Company recognizes that stakeholders may
16 interpret residential bill impacts differently, particularly regarding which
17 components should be included. These differences reflect varying perspectives
18 on what customers care about most. The Company’s intent was to present the
19 bill as customers experience it – holistically – including the impact the proposal
20 would ultimately have on the Fuel Adjustment Clause (“FAC”), while
21 acknowledging the complexities around the timing of FAC updates outside of
22 a general rate case. Although the Company’s presentation may differ from
23 OPC’s view, it was designed to offer a practical and customer-focused
24 representation of bill impacts. Ultimately, because all parties agreed to the bill

1 impact comparison included in the Local Public Hearing notices, the Company
2 does not believe the differing views raised by OPC warrant Commission
3 intervention.

- 4 • **Fuel Costs Treatment:** The Company understands that reconciling fuel and
5 purchase power cost figures can be complex, particularly when modifications
6 to the fuel cost treatment are under consideration. To promote transparency,
7 the Company submitted comprehensive data request responses and supporting
8 documentation that clearly outline the purpose and calculation methodology for
9 each cited figure. These figures are not contradictory; rather, they represent
10 distinct elements of the FAC: corrected amounts and the amounts as authorized
11 under the current framework and as proposed. The Company believes the
12 record is complete and clear, and therefore does not warrant intervention by the
13 Commission.

- 14 • **Filing Error:** The Company acknowledges that the filing error created
15 confusion and sincerely appreciates the challenges it may have caused for
16 stakeholders reviewing the request. As soon as the tariff error was identified,
17 the Company acted promptly to correct it in its revised filing. While the tariff
18 correction was significant, the comprehensive annual cost-of-service analysis
19 remained the same between the Company's original and revised filing. Rate
20 cases are inherently complex, and while mistakes can occur – sometimes large
21 ones – they reflect human error, not a misunderstanding of ratemaking
22 principles. The Company remains committed to accuracy and collaboration
23 throughout the process.

- 1 • **Management Practices:** The Company disagrees with OPC’s comments on
2 Liberty’s management. The rate request is based on thorough and transparent
3 analysis of known and measurable costs, consistent with Missouri regulatory
4 practices. Differences in methodology are expected in complex proceedings
5 and do not indicate imprudence. In all cases, the Company believes the record
6 is clear and sufficient, and these matters do not rise to the level of issues
7 requiring Commission adjudication.

8 **VIII. TARIFF CHANGES**

9 **Q. Did Staff propose any tariff revision in its direct testimony that you will be**
10 **addressing?**

11 A. Yes. Staff witnesses discuss the following tariff revisions that I will address in turn:

- 12 • “Clean up” tariff revisions proposed by Staff witness Jennings;
13 • Termination of the Company’s solar rebate tariff proposed by Staff witness
14 Arandia; and
15 • Non-standard metering tariff revisions proposed by Staff witness King.

16 **Q. What is the Company’s position regarding the proposed tariff changes made by**
17 **Staff witnesses Jennings and Arandia?**

18 A. The Company is in agreement with those changes.

19 **Q. Please describe the non-standard metering tariffs revisions proposed by Staff**
20 **witness King.**

21 A. Currently, the Company’s tariff allows for an initial one-time meter charge of \$150 for
22 customers who choose to opt out of having an AMI meter and would like it exchanged
23 for a traditional meter. There is also an additional monthly recurring non-standard
24 meter charge of \$45. Staff is proposing the one-time setup charge be updated to \$125

1 and the monthly recurring fee be revised to \$15, which is based on the maximum
2 amount allowed under Senate Bill 4 (2025), until the Company has fully evaluated the
3 change or until the any necessary rules the Commission may establish are effective.

4 **Q. Please describe your position on the proposed changes.**

5 A. The Company appreciates Staff's intent to align regulatory practices with the
6 anticipated provisions of Senate Bill 4. We understand the desire to proactively address
7 future statutory changes and recognize the importance of preparing for transition.
8 However, we believe it is premature to implement caps or modify the opt-out
9 framework before the law takes effect and the Commission has completed its
10 rulemaking process. Senate Bill 4 explicitly states that its provisions—including fee
11 caps and opt-out eligibility—do not become effective until July 1, 2026. The
12 Commission has until June 30, 2026 to promulgate rules governing the opt-out process.
13 Until those rules are finalized, the Company's current opt-out program remains the
14 legally authorized framework. Applying future provisions ahead of their effective date
15 would not only preempt the Commission's authority but also disrupt the legislative
16 timeline.

17 Staff's recommendation does not cite evidence that the Company's current opt-
18 out fees are unjust, unreasonable, or inconsistent with Commission precedent. Rather,
19 the proposal is based on anticipated statutory changes. While we respect Staff's
20 forward-looking approach, regulatory decisions should be based on current law and
21 cost data – not projections of future policy.

22 The Company is fully committed to complying with Senate Bill 4 once it
23 becomes effective. We will revise our opt-out program and fee structure in accordance
24 with the Commission's forthcoming rules. In the meantime, the Company believes

1 maintaining the existing, Commission-approved fee structure is appropriate and
2 consistent with current regulatory standards.

3 **Q. Did Staff make any recommendations regarding the Senate Bill 4 requirement to**
4 **allow customers the ability to read their own meters?**

5 A. Yes. Staff recommends Liberty offer a self-read option for AMI-opt out customers,
6 provided certain conditions are included similar to Evergy Missouri West's. Staff
7 recommends that any allowance for self-reads should include a provision for Liberty
8 to return to monthly reads, with applicable charges, if a customer fails to provide
9 accurate and timely self-reads.

10 **Q. What is the Company's response to this proposal?**

11 A. The Company's current billing practices provides a procedure for customers to
12 manually read and report their electric usage. If a customer does not report usage, the
13 Company will obtain a meter reading at least annually. Customers are notified if usage
14 is not reported regularly, and if access to the meter is denied after a written request,
15 service may be discontinued in accordance with 20 CSR 4240-13.050. While the
16 existing tariff language appears sufficient for manual reads for opt-out customers, the
17 Company acknowledges that additional changes may be necessary to align with SB 4.
18 At this time, the Company recommends deferring any tariff modifications until the
19 rules governing opt-out provisions are finalized.

20 **Q. How does the Company propose to address the current DSIM tariff following its**
21 **decision not to pursue MEEIA Cycle II?**

22 A. The Company appreciates Staff's request for clarity regarding the future of the Demand
23 Side Investment Mechanism Rider ("Schedule DSIM"). Following the decision not to
24 pursue a Cycle II MEEIA program, the Company proposes that the existing Schedule

DSIM not be updated again and be allowed to expire upon the filing of revised tariffs resulting from this rate case. This approach reflects the absence of an active demand-side management portfolio and avoids maintaining a tariff structure that no longer serves its intended purpose. The Company believes this is a practical and transparent path forward, consistent with regulatory principles and customer expectations. Any remaining balances associated with Cycle I and Schedule DSIM – whether recoverable or refundable – should be addressed as ordered by the Commission. This will allow for a clear and orderly reconciliation of all outstanding amounts, ensuring customers are treated fairly and the record remains complete. The Company remains committed to evaluating future DSM opportunities and looks forward to engaging with Staff and other stakeholders to explore new approaches that align with evolving customer needs and policy objectives.

IX. STAFF PROPOSED REGULATORY MECHANISMS

Q. Did Staff propose any new regulatory tracker mechanisms within their direct testimony?

A. Yes. Staff witness Bailey proposed a new regulatory tracker mechanism to track the amortization expense related to regulatory liabilities and assets based on when they were recognized in rate base to the case following their expiration.

Q. How does the Company respond to this proposal?

A. The Company appreciates Staff's objective of ensuring efficiencies and transparent, equitable recovery or refund of regulatory mechanisms for both customers and the Company. However, currently, the proposal lacks sufficient detail for the Company to take a definitive position. The mechanics of the proposed tracker have not been fully articulated, and without a clear understanding of how it would operate in practice –

1 including how costs would be tracked, reconciled, and reported – the Company is
2 unable to support its implementation. We believe that any new mechanism should be
3 carefully evaluated to ensure it is administratively feasible, consistent with existing
4 regulatory frameworks, and based on a shared understanding of its design and impact.
5 We remain open to dialogue with Staff and other stakeholders to explore this concept
6 further and to better understand its potential implications.

7 **Q. What concerns does the Company have regarding the proposed mechanism?**

8 A. The Company acknowledges the principle of ensuring accurate recovery and refunding
9 of regulatory balances. However, Liberty has concerns about the administrative
10 complexity and long-term implications of the proposed mechanism.

11 Based on the Company's understanding, the tracker would require ongoing
12 monitoring of amortization schedules tied to regulatory assets and liabilities beyond
13 their initial recognition in rate base—potentially extending across multiple rate cases.
14 This could result in a perpetual cycle of tracking balances that shift between asset and
15 liability status depending on timing, creating unnecessary complexity.

16 For example, if a regulatory asset approved in this case fully amortizes before
17 the effective date of the Company's next rate case, the resulting overcollection would
18 create a regulatory liability. If that liability then fully amortizes before the subsequent
19 rate case, the Company could again be seeking recovery of a new regulatory asset.
20 Unless amortization periods align precisely with the effective dates of new rates, these
21 balances could continue to flip between asset and liability status indefinitely.

22 This scenario presents a substantial administrative burden—not only for the
23 Company, but also for Staff and the Commission. It would require continuous tracking,

1 reconciliation, and justification of balances that may be immaterial or short-lived,
2 diverting resources from more impactful regulatory oversight.

3 While the Company appreciates Staff’s objective of precision in cost recovery,
4 we respectfully request further clarification and evaluation of the proposed
5 mechanism’s structure, scope, and long-term feasibility before any implementation is
6 considered.

7 **X. RETIREE BENEFITS**

8 **Q. Did any of the parties address concerns related to the Company’s retiree benefits?**

9 A. Yes. Mr. Gipson filed direct testimony representing The Empire District Electric
10 Retirees and Spouses Association, LLC (“EDRA”).

11 **Q. What are the concerns stated by EDRA?**

12 A. EDRA states there are concerns that Liberty or its parent company may consider a
13 pension risk transfer scheme and that the retirees may be left with significantly more
14 risk than before the transfer and retirees might not get their full earned benefit. They
15 also believe a pension risk transfer agreement would be in direct conflict with
16 stipulation and agreements the Company has agreed to in previous rate cases.

17 **Q. How does the Company respond to this concern?**

18 A. As referenced in Mr. Gipson’s testimony, the Company has confirmed in multiple data
19 request responses throughout this proceeding that it has not evaluated or pursued any
20 pension risk transfer agreements. Furthermore, the Company remains committed to full
21 compliance with the stipulations and agreements outlined in Case Nos. EM-2016-0213
22 and ER-2021-0312.

1 **XI. CONCLUSION**

2 **Q. Does this conclude your rebuttal testimony at this time?**

3 **A. Yes.**

VERIFICATION

I, Charlotte T. Emery, under penalty of perjury, on this 18th day of August, 2025,
declare that the foregoing is true and correct to the best of my knowledge and belief.

/s/ Charlotte T. Emery