Exhibit No.: _____
Issue: Return on Equity, Capital Structure, and Cost of Debt
Witness: Daniel S. Dane
Type of Exhibit: True-Up Rebuttal Testimony
Sponsoring Party: The Empire District Electric Company d/b/a Liberty
Case No.: ER-2024-0261
Date Testimony Prepared: September 2025

Before the Public Service Commission
of the State of Missouri

True-Up Rebuttal Testimony

of

Daniel S. Dane

on behalf of

The Empire District Electric Company d/b/a Liberty

September 22, 2025

TRUE-UP REBUTTAL TESTIMONY OF DANIEL S. DANE
THE EMPIRE DISTRICT ELECTRIC COMPANY (D/B/A LIBERTY)
BEFORE THE MISSOURI PUBLIC SERVICE COMMISSION
CASE NO. ER-2024-0261

Q. Please state your name and business address.

A. My name is Daniel S. Dane. I am President of Concentric Energy Advisors, Inc. ("Concentric"). My business address is 293 Boston Post Road West, Suite 500, Marlborough, Massachusetts 01752.

Q. Did you also provide direct, rebuttal and surrebuttal and true-up direct testimony in this matter on behalf of The Empire District Electric Company d/b/a Liberty ("Liberty" or the "Company")?

A. Yes.

Q. What is the purpose of your true-up rebuttal testimony in this proceeding before the Missouri Public Service Commission (the "Commission")?

A. The purpose of my true-up rebuttal testimony is to respond to the portions of surrebuttal testimony of Mr. David Murray on behalf of the Missouri Office of Public Counsel ("OPC") where Mr. Murray addresses the Company's true-up capital structure and cost of debt.

Q. What is the true-up period capital structure for the Company in this proceeding?

A. The true-up period capital structure for the Company is comprised of 53.00 percent equity and 47.00 debt. That capital structure reflects the Company's actual capital structure as of March 31, 2025, adjusted to reflect a planned debt issuance.

Q. Mr. Murray disagrees with the inclusion of the planned debt issuance in Liberty's pro forma capital structure and cost of debt. What is your response?

A. The inclusion of the planned debt issuance is reasonable because it reflects Liberty's plans to balance its capital structure and is known and measurable. Further, that rebalancing benefits customers because it reduces the overall rate of return relative to Liberty's unadjusted capital structure as of March 31, 2025. That debt issuance was not included to "manipulate" the capital structure, as Mr. Murray claims, but rather to reflect a more reasonable (and conservative) capital structure reflective of ongoing utility operations.

Q. If the Commission were disinclined to consider the planned debt issuance, would you continue to recommend a capital structure comprised of 53 percent debt and 47 percent debt?

A. Yes. From an end results perspective, Liberty's capital structure and cost of debt are reasonable, consistent with industry benchmarks, and the "most economical." The true up capital structure is highly consistent with the as-filed capital structure I recommended in my direct testimony of 53.1 percent equity and 46.9 percent debt, which Commission Staff witness Christopher C. Walters adopted.. The equity ratio of 53 percent also compares reasonably to the authorized equity ratios at Liberty's peer utilities, as discussed in my direct, rebuttal, and surrebuttal testimonies in this proceeding. Lastly, 53 percent is less than LUCo's and APUC's adjusted March 31, 2025 equity ratios of 57.3 percent and 53.5 percent, respectively (see, Rebuttal Schedule DSD-8), making it "more economical" for ratemaking purposes.

Q. Mr. Murray continues to recommend a 45 percent equity ratio for Liberty. What is your response?

A. As I discussed in my rebuttal testimony, Mr. Murray's recommended 45 percent equity ratio recommendation is not tied to any reasonable, objective, or current benchmark. In his direct testimony, Mr. Murray stated that "APUC's capital structure should be considered in determining a fair and reasonable ratemaking capital structure for Empire,"[1] and, at that time, Mr. Murray estimated that APUC's adjusted equity ratio was 42.95 percent.[2] In Mr. Murray's surrebuttal testimony, however, he performed updated analyses of LUCo's and APUC's capital structures, where he calculated APUC's March 31, 2025 equity ratio to be 50.46 percent, which was the lowest equity ratio among Liberty, LUCo, and APUC. In other words, even accepting Mr. Murray's analyses (which I do not), the lowest and "most economical" equity ratio implied by his analysis is 50.46 percent. As such, I recommend the Commission reject Mr. Murray's 45 percent equity ratio recommendation. While I continue to find that a 53 percent equity ratio is reasonable and consistent with industry benchmarks, the sum total of the evidence in this proceeding indicates that Liberty's equity ratio cannot reasonably be set below 50 percent, as Mr. Murray recommends.

Q. Mr. Murray disagrees with certain adjustments you have made to the capital structures of LUCo and APUC in the analysis you conducted to determine

[1] Direct testimony of David Murray, at p. 4.
[2] *Id*., p. 20.

whether Liberty's capital structure is the "most economical" for ratemaking purposes, consistent with Financing Condition 5.[3] What is your response?

A. I disagree with Mr. Murray's position. Mr. Murray attempts to create a "utility only" capital structure at LUCo and APUC by excluding, for example, tax equity. This demonstrates the issue with looking "upstream" from the operating company (i.e., Liberty) when establishing the capital structure. Almost by definition, parent holding companies will have operations, financing elements, and cash flows that are not purely reflective of utility operations. Even LUCo has diverse holdings in the electric, natural gas, and water segments of the utility industry, as well as operations in Canada. Analyzing parent company capitalizations as Mr. Murray has done also requires subjective and at times incorrect adjustments.[4] The better approach is to consider how Liberty actually capitalizes its regulated electric utility operations in Missouri, as long as that capital structure meets the merger condition of being the "most economical" and is consistent with industry benchmarks. Further, my presentation of APUC's capital structure is highly consistent with the adjusted capital structure analyses considered by ratings agencies, as discussed in my surrebuttal testimony.

Q. Does this conclude your true-up rebuttal testimony?

A. Yes, it does.

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[3] Surrebuttal testimony of David Murray, at pp. 8-11.

[4] For instance, Mr. Murray identified that when preparing his surrebuttal testimony he "realized that [his] original adjustment for preferred stock in the 2019 rate case did not assign the preferred stock to both common equity and long-term debt consistent with rating agencies' methodologies." See, Surrebuttal of David Murray, at p. 11.

VERIFICATION

I, Daniel S. Dane, under penalty of perjury, on this 22nd day of September, 2025, declare that the foregoing is true and correct to the best of my knowledge and belief.

/s/ Daniel S. Dane