

Exhibit No. 41

Empire District Electric Company – Exhibit 41
Testimony of Michael McCuen
True-Up Rebuttal
File No. ER-2024-0261

Exhibit No.: _____
Issue(s): Taxes
Witness: Michael McCuen
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

Michael McCuen

on behalf of

The Empire District Electric Company d/b/a Liberty

September 22, 2025



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THE EMPIRE DISTRICT ELECTRIC COMPANY D/B/A LIBERTY
BEFORE THE MISSOURI PUBLIC SERVICE COMMISSION
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1 **I. INTRODUCTION**

2 **Q. Please state your name and business address.**

3 A. My name is Michael McCuen. My business address is 602 South Joplin Avenue, Joplin,
4 Missouri 64802.

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

8 A. Yes.

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

11 A. I will address Commission Staff witness Matthew R. Young’s true-up direct tax-related
12 statements.

13 **II. REBUTTAL OF STAFF WITNESS MATTHEW R. YOUNG ON TRUE-UP TAX**
14 **ITEMS**

15 **Q. Do you agree with the tax credit calculations recommended by Mr. Young?**

16 A. No. Mr. Young identifies three credits: Alternative Fuel, Wind Production Tax Credit
17 (“PTC”), and General Business. I respond to each in turn below.

18 **Q. Do you agree with the recommendation by Mr. Young regarding alternative fuel**
19 **tax credit as reflected in Staff’s true-up schedules?**

1 A. No. I agree with Mr. Young's overall summary of what generates the alternative fuel
2 tax credit and that customers should get a benefit.¹ However, this tax credit is not the
3 same as other tax credits and should not go directly to the income tax expense line. The
4 benefit of the alternative fuel tax credit should be an above-the-line adjustment. It
5 should be a reduction to the overall fuel costs and not directly to tax expense. When
6 the Company pays a vendor invoice that has an excise tax related to this qualified
7 purchase of kerosene, it is considered a pre-paid against the tax payable, but it never
8 reduces tax expense directly. Just like any other pre-tax item, the impact is then tax
9 affected at the statutory tax rate.

10 **Q. Do you agree that the benefit for production tax credits should be a reduction to**
11 **tax expense as Mr. Young recommends?**²

12 A. No. The Company is in a net operating loss position and has not benefited from the
13 production tax credits ("PTC"). The Company has very minimal EV charging credits
14 (2 homes in 2024) and PTC that should be passed back when they are monetized by the
15 Company.

16 **Q. Do you agree with the General Business tax credit calculation recommended by**
17 **Mr. Young?**

18 A. No. Mr. Young is using a three-year average for credits. However, the amount used
19 for the General Business credit already has the PTC numbers for 2021-2023 in his
20 average and then he includes 2024 as a stand-alone credit. This has the impact of
21 double counting the PTC benefit. In addition, the General Business credit for 2022 has

¹ Case No. ER-2024-0261, Young Surrebuttal & True-Up Direct testimony, p. 6.

² *Id.*, at p. 21.

1 a one-time \$630,000 credit related to Prosperity Solar project that is not recurring and
2 therefore should not be part of an average.

3 **Q. Do you agree with the addition of Account 254100 of \$25.6 million as proposed**
4 **by Mr. Young?³**

5 A. Yes. This balance represents that gross-up of the net Excess Accumulated Deferred
6 Income Taxes (“EADIT”) that is owed to customers. This gross-up would net out with
7 the ADIT side and have net zero impact on overall rate base. Mr. Young shows it as
8 an adjustment to ADIT, however it is properly shown as part of regulatory liabilities
9 and still reduces rate base. Although the presentation is not quite right, I believe he has
10 the overall impact on rate base correct.

11 **Q. Do you agree with Mr. Youngs calculation of the Unprotected EADIT?**

12 A. Partly. Mr. Young shows a tax balance of \$11,407,810 as of March 31, 2025, and I
13 agree with that tax only amount. However, it is the application to the revenue
14 requirement that I disagree. The net income deficiency is always grossed-up within the
15 revenue requirement calculation. This is to account for the fact that the Company has
16 to pay taxes on the net book income. The original Unprotected EADIT refund was \$25
17 million in tax and an additional \$8 million in gross-up for a total of \$33.6 million. As
18 the original amount was over-refunded it was based on the gross amount. Therefore,
19 the amount due back to the Company is both the tax and the gross-up, which is \$15
20 million, not \$11.4 million. If the over-refund went through the tax line, then Mr. Young
21 would be correct. However, this is now a revenue/amortization adjustment above the
22 line and should be the gross amount as it will be subject to income tax. In addition, I

³ *Id.*, p. 6.

1 was not able to identify the exact line that Mr. Young placed this charge to customers
2 in the revenue requirement.

3 **III. CONCLUSION**

4 **Q. What is the Company's recommendation related to Mr. Young's true-up direct**
5 **testimony?**

6 A. The Company respectfully requests that the tax credit section of Mr. Young's schedules
7 be updated to reflect the identified errors.

8 **Q. Does this conclude your true-up rebuttal testimony at this time?**

9 A. Yes.

VERIFICATION

I, Michael McCuen, 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/ Michael McCuen