

Exhibit No. 100

Staff – Exhibit 100
Testimony of Nathan Bailey, CPA
Direct
File No. ER-2024-0261

Exhibit No.:

*Issue(s): Amortization of Ice Storm
Costs, Amortization of
PeopleSoft Intangible
Asset, DSM Cost Recovery,
Iatan and Plum Point
Carrying Costs
Amortization, Ongoing
Amortization Tracker, Rate
Case Expense, Rate Case
Sharing, and Cost Benefit
Analysis*

Witness: Nathan Bailey, CPA

Sponsoring Party: MoPSC Staff

Type of Exhibit: Direct Testimony

Case No.: ER-2024-0261

Date Testimony Prepared: July 2, 2025

MISSOURI PUBLIC SERVICE COMMISSION

FINANCIAL AND BUSINESS ANALYSIS DIVISION

AUDITING DEPARTMENT

DIRECT TESTIMONY

OF

NATHAN BAILEY, CPA

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

CASE NO. ER-2024-0261

*Jefferson City, Missouri
July 2025*

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DIRECT TESTIMONY OF

NATHAN BAILEY, CPA

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

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DIRECT TESTIMONY

OF

NATHAN BAILEY, CPA

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

CASE NO. ER-2024-0261

Q. Please state your name and business address.

A. My name is Nathan Bailey. My business address is Fletcher Daniels State Office Building, Room 201, 615 East 13th Street, Kansas City, Missouri 64106.

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

A. I am a Senior Utility Regulatory Auditor with the Missouri Public Service Commission ("Commission").

Q. Please describe your education.

A. I earned a Bachelor of Accounting from College of the Ozarks in December 2017.

Q. Do you have any professional certifications?

A. Yes. I am a licensed Certified Public Accountant in the state of Missouri.

Q. Have you previously filed testimony before this Commission?

A. Yes. I have contributed to Staff memorandums and testimony in various cases before the Commission. Please refer to Schedule NB-d1, attached to this direct testimony, for a list of the audits on which I have assisted and a more detailed account of my educational background and occupational experience.

EXECUTIVE SUMMARY

Q. What is the purpose of your direct testimony?

A. The purpose of my direct testimony is to provide an explanation for adjustments made to Empire District Electric Company d/b/a Liberty's ("Empire") test year expenses to be included in cost of service ("COS") related to Amortization of Ice Storm Costs, Amortization of PeopleSoft Intangible Asset, DSM Cost Recovery, Iatan and Plum Point Carrying Costs Amortization, Ongoing Amortization Tracker, Rate Case Expense, Rate Case Expense Sharing, and Cost/Benefit Analysis study.

RATE CASE EXPENSE

Q. What is rate case expense?

A. Rate case expense is a sum of the incremental costs a utility incurs in preparing and filing a rate case. In the present case, Empire has incurred expenses in conjunction with payments to outside consultants.

Q. What is Empire's proposed approach to calculating rate case expense?

A. Empire proposed an adjustment to reflect the sum of projected costs associated with the current case amortized over a three-year period, plus accumulated residual costs for 2019- and 2021-line loss study and depreciation study respectively, plus the 2024-line loss study costs. This adjustment calculation amortizes the 2024-line loss study over a four-year period and the 2021 depreciation study over a five-year period.

Q. What approach does Staff propose for calculating rate case expense?

A. Staff proposes including in rate case expense the amortizations of the line loss studies from 2021 and 2024 the depreciation study, plus 50% of normalized incremental discretionary rate case expense which reflects the Staff's recommended rate case sharing

1 mechanism. The components of incremental discretionary rate case expense and the rate case
2 sharing mechanism are discussed herein under the title, "Rate Case Sharing".

3 Q. How did Staff normalize rate case expense?

4 A. Staff normalized the incremental discretionary rate case expense by averaging
5 the total cost of Empire's rate case expense from ER-2019-0374 and ER-2021-0312 and
6 spreading the average over a three-year normalization period; the cost of the depreciation study,
7 normalized over five years; the line loss study, normalized over four years.

8 **RATE CASE EXPENSE SHARING**

9 Q. What is rate case sharing?

10 A. Rate case expense sharing is the allocation, or sharing, of incremental
11 discretionary rate case expense, between the beneficiaries of a rate case: ratepayers and
12 Empire's investors. Generally, utility management controls rate case expense including the
13 hiring of attorneys, consultants, and outside services in addition to internal personnel.

14 Q. Why is it appropriate to recognize some portion of rate case expense as a
15 shareholder benefit?

16 A. Rate case expense sharing is appropriate because:

- 17 1) Rate case expense sharing creates an incentive and eliminates a disincentive on
18 the utility's part to keep rate case expenses to reasonable levels;
- 19 2) Both ratepayers and shareholders benefit from the rate case process.
20 The ratepayer is receiving the opportunity to be provided safe and adequate
21 service at a just and reasonable rate and the shareholder is receiving an
22 opportunity to receive an adequate return on investment;

1 3) It is fair and equitable to expect shareholders to carry a reasonable portion of the
2 rate case burden; and

3 4) There is a high probability that some recommendations advocated by utilities
4 through the rate case process will ultimately be found by the Commission to not
5 be in the public interest.

6 Q. Why has Staff advocated for a portion of this expense to be paid by ratepayers?

7 A. Ratepayers have an interest in the ratemaking process. The ratepayer is receiving
8 the opportunity to be provided safe and adequate service at a just and reasonable rate and should
9 bear some portion of this cost. This is what the Commission previously ordered in its
10 Report and Order for Kansas City Power & Light's¹ ("KCPL") rate case expense,
11 Case No. ER-2014-0370:

12 The Commission finds that in order to set just and reasonable rates under
13 the facts of this case, the Commission will require KCPL shareholders to
14 cover a portion of KCPL's rate case expense. One method to encourage
15 KCPL to limit its rate case expenditures would be to link KCPL's
16 percentage recovery of rate case expense to the percentage of its rate
17 increase request the Commission finds just and reasonable.
18 The Commission determines that this approach would directly link
19 KCPL's recovery of rate case expense to both the reasonableness of its
20 issue positions and the dollar value sought from customers in this
21 rate case.

22 The Commission concludes that KCPL should receive rate recovery of
23 its rate case expenses in proportion to the amount of revenue requirement
24 it is granted as a result of this Report and Order, compared to the amount
25 of its revenue requirement rate increase originally requested. This
26 amount should be normalized over three years. The Commission also
27 finds that it is appropriate to require a full allocation to ratepayers of the
28 expenses for KCPL's depreciation study, recovered over five years,
29 because this study is required under Commission rules to be conducted
30 every five years. [Footnotes omitted]²
31

¹ KCPL has changed names since this case, and is now doing business as Evergy Missouri Metro, Inc.

² *Report and Order*, Case No. ER-2014-0370 page 72.

1 Q. What portion of this expense does Staff recommend be included in
2 cost of service?

3 A. Staff recommends allocating Empire's incremental discretionary rate case
4 expense to both ratepayers and shareholders using a 50/50 split of these costs.

5 Q. Has the Commission approved rate case expense sharing in other cases?

6 A. Yes. Staff's recommendation is consistent with The Commission's
7 recommended 50/50 split used in other cases.³ The Missouri Supreme Court in 2021 upheld the
8 Commission's use of the 50/50 sharing mechanism in that case.⁴

9 Q. How did Staff calculate normalized incremental discretionary rate case expense
10 to include in the cost of service?

11 A. Staff intends to utilize 50% of the average rate expense from Empire's two most
12 recent rate cases⁵ and spread the total over three years. This normalized amount would not be
13 subject to true-up.

14 **COST/BENEFIT ANALYSIS**

15 Q. What is the history and purpose of the Cost/Benefit analysis Staff is including
16 in rates?

17 A. OPC witness Dr. Geoff Marke recommended this analysis in
18 Case No. ER-2019 -0379 to better understand the value of updating AMI meters to enable time
19 of use rates.⁶ This cost was recognized and included in cost of service in ER-2021-0312. In that
20 case, Staff allocated the analysis' cost to Missouri based on the number of AMI meters placed

³ *Report and Order*, Case Nos. GR-2017-0215, page 55 and GR-2017-0216, page 52.

⁴ *Spire Missouri, Inc. v Pub. Serv. Comm'n*, 618 S.W.3d 225, 233 (Mo. Banc 2021).

⁵ Case Nos. ER-2021-0312 & ER-2019-0374

⁶ Direct Testimony of Geoff Marke File No. ER-2019-0374, Page 44 line 19-20.

1 in Missouri for electric use as of June 30, 2021, compared to the number of total company
2 meters placed in the entirety of Empire's four-state service territory. The Cost/Benefit Analysis,
3 a one-time cost, was amortized over five years.

4 Q. What does Staff recommend regarding the ER-2021-0312 Cost/Benefit
5 Analysis?

6 A. Staff maintains its position and amount from 2021. However, the Cost/Benefit
7 Analysis is considered a separate amortization and is no longer included in Staff's rate case
8 expense. Staff plans to continue recovery of this one-time cost from case ER-2021-0312 with
9 any potential over-recovery addressed in a future rate case.

10 **AMORTIZATION OF ICE STORM COSTS**

11 Q. What is amortization of ice storm costs?

12 A. In the previous case, ER-2021-0132, Empire booked ice storm amortizations
13 from Kansas in account 593599 that are not allowed for recovery in Missouri. Staff determined
14 during its review of Empire's cost of service that these costs were not allocated to Missouri in
15 the present case; therefore, there is no adjustment necessary to this account.

16 **AMORTIZATION OF PEOPLESOFT INTANGIBLE ASSET**

17 Q. What is Peoplesoft intangible asset?

18 A. Peoplesoft intangible asset is a regulatory asset that was expensed over
19 a 10-year life, which was fully recovered in September 30, 2022. Empire is allowed to recover
20 this expense from ratepayers in rates.

21 Q. What is the monthly amortization of PeopleSoft intangible asset?

22 A. The monthly amortization is \$2,609.

1 Q. What is the significance of this for cost of service and ratepayers?

2 A. This amount has been collected by Empire in rates beyond the end of the
3 amortization period, September 30, 2022, which means ratepayers have overpaid and should
4 recover the overpayment.

5 Q. How much did Empire over recover for these costs?

6 A. Since the beginning of the test year, Empire over-recovered \$62,606, as of the
7 end of the update period, September 30, 2024.

8 Q. How does Staff propose to return this amount to Empire's ratepayers?

9 A. Staff proposes that this amount be combined into other amortization amounts for
10 recovery over time. Please see the "Ongoing Amortization Tracker" section in my testimony
11 for further details.

12 **IATAN AND PLUM POINT CARRYING COSTS AMORTIZATION**

13 Q. Why are there carrying cost amortizations for Iatan I and Iatan II power plants?

14 A. Pursuant to Empire's regulatory plan approved by the Commission in
15 Case No. EO-2005-0263, Empire deferred certain "carrying costs" associated with the Iatan I
16 Air Quality Control System ("AQCS") investment past its in-service date into Account 182308,
17 Iatan Deferred Carrying Costs.⁷

18 **Iatan I**

19 Q. What adjustments have Staff or the Commission implemented related to Iatan I?

20 A. In the *Report and Order* in KCPL's Case No. ER-2010-0355, the Commission
21 disallowed certain costs that had been booked to the Iatan accounts. The effect of these

⁷ The deferral of carrying costs after a project's in-service date is also known as "construction accounting."

1 disallowances reduced the balance of the Iatan I AQCS plant balance. In Empire's
2 Case No. ER-2012-0345, Staff removed any construction accounting allowances associated
3 with the portion of Iatan I AQCS-approved disallowances that were allocated to Empire from
4 its rate base and expense amortization calculations.

5 Q. How has Staff calculated the Iatan I unamortized balance as of
6 September 30, 2024, the update period in this case?

7 A. In the current case, Staff used the June 30, 2021, balance from the Empire's most
8 recent rate case, File Case No. ER-2021-0312. Staff verified the original balance of the deferred
9 asset and the annual amortization expense included in Staff's Accounting Schedules in
10 Case No. ER-2012-0345. Staff used this balance to determine the unamortized balance as of
11 September 30, 2024, to include in rate base.

12 **Iatan II**

13 Q. What adjustments have Staff or the Commission implemented related to
14 Iatan II?

15 A. Pursuant to Empire's regulatory plan, approved by the Commission in
16 Case No. EO-2005-0263, Empire deferred certain "carrying costs" associated with the Iatan II
17 generation unit investment past its in-service date into Account 182332, "MO Iatan II Df Chr
18 ER-2010-0130".

19 Q. How has Staff calculated the Iatan II unamortized balance as of
20 September 30, 2024, the update period in this case?

21 A. Staff used the June 30, 2021, balance from Empire's most recent rate case,
22 Case No. ER-2021-0312, and the original balance of the deferred asset and the annual
23 amortization expense included in Staff's Accounting Schedules in Case No. ER-2012-0345,

1 to determine the unamortized balance as of September 30, 2024, to include in rate base.
2 Similar to Case No. ER-2010-0355, Staff disallowed certain costs that had been booked to the
3 Iatan accounts. Staff removed any construction accounting allowances associated with the
4 portion of Iatan II disallowances that were allocated to Empire from its rate base and expense
5 amortization calculations. The balance of Iatan II carrying costs was also reduced by Empire's
6 deferral of fuel and purchased power expense savings it had incurred due to the addition of
7 Iatan II to its generating system from the unit's in-service date through June 30, 2012.

8 **Plum Point**

9 Q. Please describe the amortizations related to the Plum Point power plant?

10 A. Pursuant to Commission approval of the *Non-Unanimous Stipulation and*
11 *Agreement and Joint Proposal Regarding Certain Procedural Matters* dated February 25, 2010,
12 in Case No. ER-2010-0130, Empire deferred certain "carrying costs" associated with the Plum
13 Point generating unit investment past its in-service date into Account 182331, MO PlumPT Df
14 Chgs ER-2010-0130.

15 Q. How has Staff calculated the Plum Point unamortized balance as of
16 September 30, 2024, the update period in this case?

17 A. Staff used the June 30, 2021, balance from Empire's most recent rate case,
18 Case No. ER-2021-0312, and the original balance of the deferred asset and the annual
19 amortization expense included in Staff's Accounting Schedules in Case No. ER-2012-0345,
20 to determine the unamortized balance as of September 30, 2024, to include in rate base.

DEMAND SIDE MANAGEMENT COST RECOVERY

Q. What are Demand Side Management (“DSM”) expenditures?

A. DSM Program expenditures represent Empire’s costs to implement active utility control over some portion of demand for electricity. Some examples of these costs are expenditures for the “interruptible program,” industrial rebates, Low-Income Weatherization, and the associated administrative costs. This ability to reduce or increase demand through these programs is a benefit for ratepayers.

Q. What is DSM cost recovery?

A. DSM cost recovery is the process of amortizing these costs over time to match expense with the benefits of the program.

Q. How is rate base calculated for DSM?

A. In prior Empire rate cases, the rate base amount represents the program costs incurred – less amortizations recorded as of the cut-off period. This is also referred to as the unamortized balance. In the current case, Staff recommends including a rate base calculated as of the update period, September 30, 2024.

Q. What does Staff recommend for the recovery of the DSM asset in the current case?

A. Staff recommends the DSM asset balance should be recovered through an amortization to expense in the current case. Further, Staff recommends an amortization period of six years. Lastly, Staff recommends that going forward, the unamortized balance should incorporate amounts collected from ratepayers through the amortization of the DSM asset.

ONGOING AMORTIZATION TRACKER

Q. What is Staff's recommendation concerning tracking of fully amortized regulatory assets and liabilities?

A. Staff recommends the establishment of a regulatory accounting methodology to track regulatory assets and liabilities, including those that expire between rate cases or in some cases during the time frame of the rate case. The mechanism would track the amortization expense related to regulatory liabilities and assets between the time the liabilities and assets are recognized in rate base to the case following their expiration.

Q. Is this accounting methodology substantially the same as other tracking mechanisms established for Ameren Missouri, Evergy Metro, Evergy West, and Missouri American Water?

A. It is similar. The overall goal of this tracking mechanism is dollar for dollar recovery from, or return to, ratepayers.

Q. Does this conclude your direct testimony?

A. Yes, it does.

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of the Request of The Empire)
District Electric Company d/b/a Liberty for)
Authority to File Tariffs Increasing Rates)
for Electric Service Provided to Customers)
in Its Missouri Service Area)

Case No. ER-2024-0261

AFFIDAVIT OF NATHAN BAILEY, CPA

STATE OF MISSOURI)
COUNTY OF Jackson) ss.

COMES NOW NATHAN BAILEY, CPA and on his oath declares that he is of sound mind and lawful age; that he contributed to the foregoing *Direct Testimony of Nathan Bailey, CPA*; and that the same is true and correct according to his best knowledge and belief.

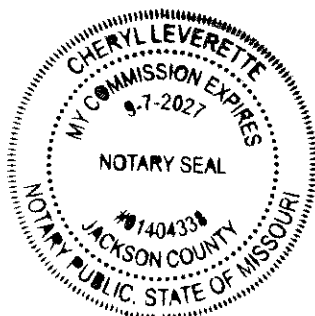
Further the Affiant sayeth not.

NATHAN BAILEY, CPA

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Jackson, State of Missouri, at my office in Kansas City, on this 26th day of June 2025.





Notary Public

Nathan Bailey, CPA

I am currently employed as a Senior Utility Auditor and have been employed by the Missouri Public Service Commission since January 2023. Previously I was employed by Myers and Stauffer LC as an auditor specializing in government medical provider reimbursement. I completed my undergraduate degree in Accounting at the College of the Ozarks in 2018 and graduated Cum Laude. Having met the licensure requirements under section 326.280 RSMo, I am currently qualified to practice as a CPA in the state of Missouri and have maintained this qualification since 2021.

As a Senior Utility Regulatory Auditor, I perform audits and prepare filings for the Commission in conjunction with member of the Commission Staff. This includes professional review of current and prior testimony, documents, files and exhibits as necessary to produce workpapers and documentation supporting the staff position.

Year	Case/Tracking Number	Company Name	Type of Testimony/Issue
2025	GR-2025-0107	Spire Missouri Inc. d/b/a Spire's	Advertising, Plant In Service and Depreciation Reserve, Payroll, Payroll Taxes, Overtime, Bonuses, Payroll Lobbying Removal, Severance, Employee Benefits (Medical, Dental, Vision, 401k), Dues and Donations
2024	ER-2024-0261	Empire District Electric Company d/b/a Liberty	Training and Travel Expenses, Tornado AAO Amortization, Amortization of Ice Storm Costs, Amortization of PeopleSoft Intangible Asset, Amortization of Stock Issuance Costs, Iatan and Plum Point Carrying Costs Amortization, SWPA Amortization, SWPA Hydro Reimbursement, Rate Case Expense, Vegetation Management Tracker Regulatory Asset, EMS Run, DSM Cost Recovery, COVID AAO, Winter Storm Uri Amortization, Rate Case Sharing Ongoing Amortization Tracker
2024	GR-2024-0369	Union Electric Company d/b/a Ameren Missouri	Customer Convenience Fees (Credit Card Fees), Injuries & Damages - Possible Non-Issue, Corporate Franchise Tax
2025	WM-2025-0065	Confluence Rivers Utility Operating Company, Inc.	Staff Memorandum

Year	Case/Tracking Number	Company Name	Type of Testimony/Issue
2024	ER-2024-0189	Evergy Missouri West	Account Receivable Fees, Cash Working Capital, Injuries and Damages, Insurance, Lobbying, Maintenance (Generation, Transmission, Nuclear, Distribution, General and Major), Material and Supplies, PSC and FERC Assessment
2024	SM-2024-0130	Confluence Rivers Utility Operating Company, Inc.	Staff Memorandum
2024	GA-2024-0100	Spire Missouri Inc. d/b/a Spire's	Staff Memorandum
2024	WR-2024-0014	Gascony Water Company, Inc.	Staff Memorandum
2023	GA-2023-0389	Spire Missouri Inc. d/b/a Spire's	Staff Memorandum
2023	GA-2023-0374	Spire Missouri Inc. d/b/a Spire's	Staff Memorandum
2023	GT-2023-0229	Liberty Utilities (Midstates Natural Gas) Corp. d/b/a Liberty (MNG)	Staff Recommended ISRS Revenues Calculation