

Exhibit No. 104

Staff – Exhibit 104
Testimony of James A. Busch
Direct
File No. ER-2024-0261

Exhibit No.:
Issue(s): *Policy*
Witness: *James A. Busch*
Sponsoring Party: *MoPSC Staff*
Type of Exhibit: *Direct Testimony*
Case No.: *ER-2024-0261*
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MISSOURI PUBLIC SERVICE COMMISSION
INDUSTRY ANALYSIS DIVISION

DIRECT TESTIMONY OF
JAMES A. BUSCH

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

CASE NO. ER-2024-0261

Jefferson City, Missouri
July 2025

1 **DIRECT TESTIMONY**

2 **OF**

3 **JAMES A. BUSCH**

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

6 **CASE NO. ER-2024-0261**

7 Q. Are you the same James A. Busch who provided Cost of Service (“COS”) Direct
8 testimony in this case on July 1, 2025?

9 A. Yes.

10 Q. What is the purpose of your direct testimony?

11 A. The purpose of my direct testimony is to provide Staff’s recommendations for
12 interclass cost of service revenue responsibility for Empire District Electric Company d/b/a
13 Liberty (“Empire”), in recognition of on its ongoing billing issues that have plagued Empire for
14 over the past year related to its Customer First transition.¹

15 **INTERCLASS REVENUE RESPONSIBILITY**

16 Q. What are Staff’s recommended revenue requirement disallowances related to
17 Customer First in this rate proceeding?

18 A. There are several. As discussed in my COS Direct Testimony, Staff
19 recommends that the Commission reduce what would have normally been its authorized
20 revenue requirement by an amount equivalent to a reduction in return on equity (“ROE”) by
21 100 basis points. Staff expert Matthew R. Young also provides testimony sponsoring a further

¹ Generically, Customer First is Liberty’s attempt to transition its old customer information system with a series of business transformations and software programs, etc., to continue providing safe and reliable service to its customers

1 disallowance of various capital costs and operations and maintenance expense that Empire has
2 included in its rate case that should be removed from customer rates at this time. Also, Staff
3 expert Melanie Marek provides testimony regarding a disallowance of executive compensation
4 regarding incentives related to customer billing. Staff expert Charles Tyrone Thomason has
5 extensive testimony on the various billing issues experienced by Liberty's customers.

6 Q. Has Staff performed a Class Cost of Service ("CCOS") Study in this case?

7 A. Yes. Staff expert witnesses Sarah L.K. Lange and Dr. Hari K. Poudel have
8 provided CCOS studies in their CCOS/RD Direct Testimonies.

9 Q. What do those CCOS results generally indicate?

10 A. These study results indicate that some shifts to interclass revenue responsibility
11 would typically be recommended by Staff unless other policy considerations came into play.
12 Staff notes that due to data limitations including concerns related to Customer First, its CCOS
13 Study overstates the revenue responsibility of the Residential and General Service classes, and
14 understates the revenue responsibility of classes consisting of larger customers and customers
15 served above secondary voltage.

16 Q. Are there other policy considerations in play in this case?

17 A. Yes. The magnitude of this case in and of itself would cause rate shock and
18 threaten the ability of customers to pay bills. Reasonable implementation of public policy goals
19 dictates that in a case of this magnitude, as residential customers are still dealing with the
20 impacts of Customer First, the Commission should give special consideration to the
21 Residential Class.

22 Q. How does Staff recommend the Commission allocate revenue responsibility for
23 any increases authorized in this case?

1 A. Staff recommends a two-step process.

2 First, Staff recommends that the authorized cost of service, including the Customer First
3 disallowances recommended by Staff Witnesses Matthew R. Young and Melanie Marek, but
4 not including the disallowance I recommended in my COS Direct Testimony, be allocated to
5 the classes as an equal percentage adjustment to current class retail rate revenue.²

6 Then, the Customer First disallowance recommended in my COS Direct Testimony
7 should be applied entirely to the residential class.³ In the event that the disallowance exceeds
8 the increase applicable to the Residential class, Residential rates should be held constant, with
9 the remaining disallowance being applied against the increase applicable to the General
10 Service class.

11 Q. Why is Staff recommending that the entirety of the disallowance in your direct
12 testimony be applied to the Residential class to meet sound public policy goals?

13 A. There are several reasons to apply the entirety of that disallowance to the
14 Residential class to meet sound public policy goals.

15 First, the vast majority of the issues that Staff has heard regarding Customer First have
16 impacted residential customers. The level of stress and uncertainty that so many of the Liberty
17 residential customers have faced over the past months is unprecedented in Missouri.
18 By applying the disallowance solely to this class is but a small gesture to recognize those
19 problems and to give a bit of relief.

² The retail rate revenue adjustment for this purpose should exclude solar facilities charges, excess facilities charges, and economic development discount adjustments, as discussed by Sarah L.K. Lange and Marina Gonzales.

³ Staff recommends the Commission authorize a lower revenue requirement based on a 100 basis point reduction in ROE than what would normally be authorized. This should be significant enough to get Liberty's attention to fix the issue immediately and should also be seen as a signal to customers that the Commission understands the anger, confusion, and harm that they have experienced and that the Commission is willing and able to address those concerns. Finally, it would be a signal to other utilities to ensure that these types of issues are addressed in a timely manner.

1 Second, the economic conditions faced by most ratepayers over the past few years has
2 been chaotic at best. Consumers have been feeling the impacts of inflationary pressures that
3 are just now starting to subside. Interest rates have increased to combat those pressures and
4 they have remained relatively elevated compared to the previous few years. Combined, these
5 impacts have had a negative impact on consumers.

6 Third, there is real concern that the Federal Government might be limiting assistance to
7 the most vulnerable of ratepayers by eliminating or reducing certain benefits, such as LIHEAP.
8 If those moneys are eliminated, many low-income customers will not be able to afford their
9 electric bills under current rates, let alone increased rates that will result from this rate case.

10 Q. Does the Commission have the ability to deviate from a CCOS study?

11 A. Absolutely. A CCOS study should be interpreted as a guide to the Commission
12 in determining the overall rate design used for determining rates. Factors such as affordability,
13 rate shock, consistency, fairness, etc., should also be considered by the Commission. While
14 most analysts would agree that cost causation is the most appropriate way to allocate cost of
15 service, those factors mentioned above must be considered, especially in unprecedented
16 environments. With the fiasco that has been the Customer First roll out added to the economic
17 uncertainties, there has never been a better time for the Commission to deviate from any CCOS
18 study to ensure that the most vulnerable class has the least increase to their rates in
19 this proceeding.

20 Q. Does this conclude your direct testimony?

21 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 JAMES A. BUSCH

STATE OF MISSOURI)
)
COUNTY OF COLE) ss.

COMES NOW JAMES A. BUSCH and on his oath declares that he is of sound mind and lawful age; that he contributed to the foregoing *Direct Testimony of James A. Busch*; and that the same is true and correct according to his best knowledge and belief.

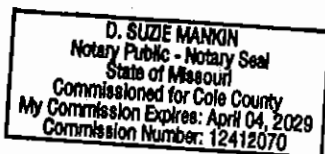
Further the Affiant sayeth not.

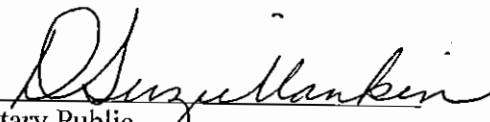


JAMES A. BUSCH

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 17th day of July 2025.





Notary Public