Exhibit No.:	______________
Issue(s):	Market Price Protection Mechanism
Witness/Type of Exhibit:	Payne/Direct
Sponsoring Party:	Public Counsel
Case No.:	EO-2026-0101

DIRECT TESTIMONY

OF

MANZELL PAYNE

Submitted on Behalf of the Office of the Public Counsel

THE EMPIRE DISTRICT ELECTRIC COMPANY
D/B/A LIBERTY

FILE NO. EO-2026-0101

September 10, 2026

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DIRECT TESTIMONY

OF

MANZELL M PAYNE

THE EMPIRE DISTRICT ELECTRIC COMPANY D/B/A LIBERTY

CASE NO. EO-2026-0101

Q. Please state your name, title, and business address.

A. My name is Manzell Payne. I am a Senior Utility Regulatory Auditor for the Office of the Public Counsel ("OPC" or "Public Counsel"), P.O. Box 2230, Jefferson City, Missouri 65102.

Q. What are your qualifications and experience?

A. My educational background includes a Bachelor of Arts degree in Accounting from Westminster College in Fulton, Missouri, which I received in 2020. I am currently obtaining my MBA with an emphasis in Accounting.

Prior to joining the Office of Public Counsel in July 2023, I worked as an analyst and auditor in the banking industry for four and half years. The responsibilities during my time as an analyst included risk analysis, tracking/monitoring expenditures, auditing of business financial statements and business plans. Through my various analysis and auditing work in the banking industry, I had the opportunity to review an individual or company's credit worthiness.

Since joining the OPC, I have attended the National Association of Regulatory Utility Commissioners ("NARUC") Rate School, and I have attended other seminars and trainings relating to utility regulation.

Q. Have you previously testified before the Missouri Public Service Commission?

A. Yes, I have previously testified before the Missouri Public Service Commission ("Commission"). Please refer to schedule MMP-D-1 attached hereto for a list of cases in which I have testified.

Q. What is the purpose of your direct testimony?

A. The purpose of my direct testimony is to address The Empire District Electric Company d/b/a Liberty's[1] Market Price Protection Mechanism ("MPPM") and the issue ordered by the

[1] Heretofore "Company", "Empire", or "Liberty."

Commission in Case No. ER-2024-0261 to be addressed in this case, more specifically, to clarify what the Commission ordered in Case No. ER-2021-0312 the appropriate PPA Replacement Value. I recommend that the Commission clarify that until the Liberty's Elk River and Meridian Way wind PPA contracts no longer are in effect the PPA Replacement Value is zero, and order Liberty to calculate the MPPM in the correct manner, by including a zero value for the PPA Replacement Value for the years of the Elk River and Meridian Way wind PPA contracts are still in effect. In doing so, the Company will follow its own original presented position to the Commission. Additionally, the Commission also should clarify that TCR/ARR revenues are not included in the MPPM calculation.

Q. What is the Market Price Protection Mechanism?

A. The Market Price Protection Mechanism is a mechanism designed to share the risk between Liberty's customers and shareholders for Liberty's Wind Projects. The MPPM ultimately was proposed by Liberty as a way to protect customers from risk related to the upfront capital costs and the uncertainty of any benefits to customers during the first ten years of the wind projects.

Q. Can you provide definitions for terminology used in the MPPM that will be discussed in this testimony?

A. Yes. Below is a table that provides the term and working meaning of the terms used in this testimony.[2]

[2] Definitions for terminology obtained from Case No. EA-2019-0010, Non-Unanimous Stipulation and Agreement, Appendix B. Attached as MMP-D-5.

Term	Working meaning for testimony
WRR	Wind Revenue Requirement; the annual revenue requirement for the owned wind portfolio; Calculation is the sum of operation and maintenance expense, labor expense, tax equity payments / (credits), property taxes, return on and of (depreciation) and income taxes for the new Wind Projects
AWV	Annual Wind Value; The annual comparison of eligible wind revenue/benefits and the WRR under the ordered formula in Appendix B.
ASV	Annual Sharing Value; the 50% of AWV, accumulated and tested against the guarantee
ASV_Sum	Sum of all prior years ASV inclusive of current year
PPA Replacement Value	The value associated with replacing the existing wind PPAs during the period of the guarantee, as shown on Exhibit C (row 15 excel) and clarified in ER-2021-0312.
RES	Missouri Renewable Energy Standard; The compliance requirement invoked by the clarification in ER-2021-0312.
RECs/SRECs	Renewable-energy credits and solar renewable energy credits used to demonstrate RES compliance.

HISTORY OF THE MARKET PRICE PROTECTION MECHANISM

Q. Would you provide a brief chronology of the proceedings that involve Liberty's Wind Projects and the MPPM?

A. Yes. Please see the table below.

Case Number	Period	Role of the case
EO-2018-0092	2017-2018	Customer Saving Plan; Where the MPPM was initially contemplated but was not ordered.
EA-2019-0010/EA-2019-0118	2018-2020	CCNs for three wind projects. Adoption of the MPPM formula.
ER-2021-0312	2021-Present	Wind Projects placed in rates. "Clarification only", and annual MPPM submission. Commission deferred the first dispute of the MPPM calculation to Liberty's next general electric rate case.
EO-2023-0358	2023	RES compliance case
ER-2024-0261	2024-2026	Liberty's next general electric rate case. Commission carved out the MPPM issue without a decision and opened EO-2026-0101 to address the MPPM.
EO-2026-0101	2025-Present	Current docket for the MPPM issue.

Q. How did the Market Price Protection Mechanism come to be?

A. In order to fully understand the Market Price Protection Mechanism and how it has gotten to where it is today, it is important to go back multiple cases in which the MPPM has either been contemplated or litigated.

Q. How did the MPPM start?

A. The story of the MPPM starts with Case EO-2018-0092, where Empire filed its Customer Savings Plan ("CSP"), in which the Company proposed acquiring substantial new wind generation, initially around 800 MW, using federal Production Tax Credits ("PTCs") and tax-equity financing while ultimately retiring Asbury, a coal plant. Empire's economic case was that this transformation in their generating portfolio could produce up to approximately $325 million of customer savings over 20 years.[3] Through negotiations, the amount of wind capacity went from 800 MW to 600 MW. Ultimately, the Commission found that the modified plan through the Joint Position, could produce up to $169 million in customer savings over 20 years and $295 over 30 years relative to Empire's then-current resource plan.[4]

The Commission's July 11, 2018, Report and Order authorized Empire to record its capital investment in the wind generation assets as utility plant in service, subject to audit in its next general rate case. The Commission recognized that customer savings and renewable generation associated with the CSP could provide substantial benefits. However, it is important to note that there was already concern in this case as to whether the forecasted customer savings would materialize. Ultimately, the CSP case is where the MPPM was initially conceived in a non-unanimous stipulation and agreement, signed by The Empire District Electric Company ("EDE"), Midwest Energy Consumers Group ("MECG"); Staff of the Missouri Public Service Commission ("Staff"); Renew Missouri Advocates ("Renew Missouri"); and, Missouri Department of Economic Development – Division of Energy ("DE"). The OPC and the City of Joplin objected to this Non-Unanimous Stipulation and agreement. The first mention of the MPPM in the Non-Unanimous Stipulation was under section 17, Customer Protections, subsection C, which stated:

> The Signatories agree that a market price protection mechanism, as further described in Appendix A, shall be implemented. In general terms, that mechanism seeks to provide for the sharing of risk between customers and shareholders associated with the possibility of reduced market prices and wind production. Such mechanism

3 Case No. EO-2018-0092, Application of The Empire District Electric Company for Approval of its Customer Savings Plan and Application for Variance, and Motion for Waiver. Attached as MMP-D-2.
4 Case No. EO-2018-0092, Report and Order. Attached as MMP-D-4.

> reflects the possibility that all Wind Projects may not be included in EDE rates in the same rate case. As such, the mechanism shall go into effect on the first day of the month after the effective date of rates in which a Wind Project is first placed into rates and shall remain in effect for 10 years following the effective date of rates resulting from the first general rate case in which all Wind Projects are included in rates.[5]

Simultaneously, the PPA Replacement Value was also first contemplated in the Non-Unanimous Stipulation and Agreement in Case EO-2018-0092, in Appendix A, which stated:

> PPA_Replacement = value associated with replacing the existing wind PPAs during the period of the guarantee, as shown on Exhibit C (row 15 Excel)[6]

Exhibit C – PPA Replacement Value

				2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Elk River		GWh		560	563	565	566	539	0	0	0	0	0
Meridian Way		GWh		308	311	312	313	311	309	308	304	0	0
Guarantee Period				1	2	3	4	5	6	7	8	9	10
Number of PPA replacement GWh replaced by New Wind during Guarantee Period													
	3,415	GWh											
Allocated Benefit of PPA replacement GWh				0	0	0	0	0	563	564	568	872	872
Reduction in Revenue Requirement from PPA replacement													
				0	0	0	0	0	17,092,657	16,847,739	16,768,478	25,584,936	25,288,474

The snippet from Appendix A, Exhibit C provides an illustration of the value of the PPA Replacement Value for the first ten years of the MPPM. This exhibit shows the first 5 years as zero for the PPA Replacement Value, then in year 6, there is a value due to the Elk River PPA expiring. That value increases in year nine, when the Meridian Way PPA expires.

Ultimately, the Commission did not approve the Non-Unanimous Stipulation in Case No. EO-2018-0092. The Commission did however, grant some of Empire's requests that were included in the application and Joint Position. Also noted in the Report and Order, the Commission did not require Empire to incorporate the customer protections provisions into

5 Case No. EO-2018-0092, Non-Unanimous Stipulation and Agreement and Appendix A. Attached as MMP-D-3.
6 Case No. EO-2018-0092, Non-Unanimous Stipulation and Agreement and Appendix A. Attached as MMP-D-3.

the CSP but that the Company may take into consideration the provisions in a future CSP proceeding.[7]

Q. What is the significance of Case No. EO-2018-0092 for the meaning of "PPA_Replacement Value" as used in the MPPM?

A. Case No. EO-2018-0092 established an underlying premise that the Wind Projects were justified based on customer savings. The MPPM does not just appear out of nowhere in Case No. EA-2019-0010, it evolved from the concern identified during the CSP proceeding that customers needed protection if the economic performance of the Wind Projects did not match the forecasts used to justify their acquisition.

Q. What happened next?

A. The next historical relevant case for the MPPM is Case No. EA-2019-0010 (consolidated with EA-2019-0118). This is the proceeding in which Empire sought certificates of convenience and necessity ("CCN") for the three new Wind Projects— King's Point, North Fork Ridge, and Neosho Ridge—that together represent roughly 600 MW of wind generation nameplate capacity. Ultimately, the Commission authorized Empire's interest in the projects and granted the necessary CCNs.

Q. Were customer protections and the MPPM at issue in Case No. EA-2019-0010?

A. Yes. During this proceeding, the parties again addressed customer protections. A Non-Unanimous Stipulation and Agreement was entered into by Empire, Staff, DE, Renew Missouri, and MECG. The OPC opposed the agreement and proposed its own customer protection approach. Among other things, the OPC questioned giving the Wind Projects a PPA Replacement Value when the Company's existing wind PPAs had not yet expired, i.e., been replaced.

The Commission approved in its Report and Order the MPPM contained in Appendix B of the Non-Unanimous Stipulation. More specifically, in that Report and Order, regarding the MPPM, the Commission said, "In general terms, that mechanism seeks to provide for the sharing of risk between customers and shareholders associated with the possibility of reduced market prices and wind production associated with the Wind Projects"—Liberty's Neosho

[7] Case No. EO-2018-0092, Report and Order. Page 22. Attached as MMP-D-4.

Ridge, North Fork Ridge, and Kings Point wind projects.[8] The Commission also stated that the MPPM balances the interests of the customers and shareholders appropriately.[9] As in Case EO-2018-0092, the Non-Unanimous Stipulation and Agreement in this case, Case No. EA-2019-0010, included an appendix (Appendix) which explained what the MPPM is, and defined and explained the various components of the MPPM. One component was the PPA_Replacement Value, which was again, as it was in EO-2018-0092, defined as:

> PPA_Replacement = value associated with replacing the existing wind PPAs during the period of the guarantee, as shown on Exhibit C (row 15 excel)[10]

Exhibit C – PPA Replacement Value

				2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
1				2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
2	Elk River	GWh		563	566	565	560	563	565	566	539	0	0	0	0	0
3	Meridian	GWh		313	314	310	308	311	312	313	311	309	308	304	0	0
4																
5	Guarantee Period						1	2	3	4	5	6	7	8	9	10
6																
7	Number of PPA replacement GWh replaced by New Wind during Guarantee Period															
8	3,415	GWh														
9																
10	Allocated Benefit of PPA replacement GWh						0	0	0	0	0	563	564	568	872	872
11	Reduction in Revenue Requirement from PPA replacement						0	0	0	0	0	19	18	18	28	27
12																
13																
14																
15																
16																

The snippet from Appendix B, Exhibit C provides an illustration of the values of the PPA_Replacement Value for the first ten years of the MPPM. As it was in Case No. EO-2018-0092, the exhibit shows the first 5 years as zero for the PPA Replacement Value, then in year six, there is a value due to the Elk River PPA expiring. That value increases in year nine, when the Meridian Way PPA expires.

Q. In Case No. EA-2019-0010, aside from the non-unanimous stipulation that Liberty signed, did Liberty advocate that the Commission adopt the MPPM?

A. Yes. In that case Company witness David Holmes asserted that the Market Price Protection Mechanism would be a significant benefit to Empire's customers, and addressed the concerns

[8] ¶6p, p. 59.
[9] P. 29.
[10] Case No. EA-2019-0010, Non-Unanimous Stipulation and Agreement, Appendix B. Attached as MMP-D-5.

about the MPPM raised by both Staff and the OPC. In Mr. Holmes surrebuttal testimony, the following summarization was provided:

> The Market Price Protection manages the cost benefit risk associated with the Wind Project in terms of the capital costs, operating costs, SPP prices and wind production. While it is true that all variables could change over time, the Market Protection Provision includes all of these factors and will update these factors based on actual values so customers do not need to lock in future conditions based on today's assumptions. Again, this is unprecedented in terms of generation additions even in the form proposed by Empire and should provide significant comfort to the Commission.[11]

Q. During Case No. EA-2019-0010, where the PPA Replacement Value was a contested issue, what did Liberty say the value should be?

A. During the live hearing of EA-2019-0010, both Liberty's lawyer and its witness stated the value of the PPA Replacement Value should be zero until the PPA's roll off. More specifically, Company Counsel, Mr. Cooper in his opening stated the following:

> COMPANY OPENING
> BY MR. COOPER:
> We think that it's a – a significant step in that Non-Unanimous Stipulation and Agreement to – again, to provide mitigation for many of the concerns that have been expressed and something that the Commission should adopt as a part of its order in this case. Empire's witness David Holmes can provide greater detail about the Market Protection Provisions if you have further questions.
> Well, let me back up just a little bit before I go any further with that. Let me talk about the MPP[M] just a little bit more. It probably bears mentioning that it operates by assessing wind value in each year, where the wind value is equal to the wind revenue minus the revenue requirement, *plus in later years the value of the Purchase Power Agreements for Elk River and Meridian Way when they go away* (emphasis added).[12]

[11] Empire CCN Case No. EA-2019-0010, Company witness, David Holmes Surrebuttal Testimony, Page 10 & 11, Lines 16-23 & 1-2, respectively.
[12] Case No. EA-2019-0010, Evidentiary Hearing Live Testimony Transcript, Item No. 89. Page 29-30, lines 18-25 & 1-8. Attached as MMP-D-7. Video of hearing can be found at https://psc.mo.gov/VideoDetail.aspx?Id=6122 Timestamp: 37:17

Company witness, David Holmes testified as follows when asked about the PPA_Replacement Value:

CROSS EXAMINATION:
QUESTIONED BY: OPC COUNSEL, CALEB HALL
ANSWERED BY: COMPANY WINTESS, DAVID HOLMES

Q. What -- would you please turn to your work papers actually? I'm looking at the back of -- or sorry. I shouldn't have said these are your work papers. I'm looking at the Non-Unanimous Stipulation and Agreement and I jumped ahead and called these work papers because I see these four worksheets at the back. They look modeled very much off your work papers. Am I correct on that?

A. These are examples of the way the market price protection would work.

Q. Are these modeled off the work papers that you've provided the parties in this case?

A. Yes.

Q. So you -- you -- so you can speak to these worksheets then?

A. Yes.

Q. I'm hoping that you can help explain a little bit of confusion I have. I'm looking at the low market case example. This was a case that Staff highlighted in their opening. Do you have that in front of you now?

A. Is it the P-50 low or the P-95 low? Q. The P-50 low marked case example.

A. Okay.

Q. Where -- row 18, farthest right column has the number 9,776,501.

A. Uh-huh.

Q. Okay. Tell me what this -- the PPA replacement value, row 15, is.

A. <u>*The PPA replacement value is a -- an assigned amount of value from the fact that when the PPAs roll off, that there -- these wind farms will provide support to our [R]PS requirements and other value. And so it's detailed -- if you backed up a bunch of pages in Exhibit C, kind of five pages back, it's essentially doing a proration of the amount of energy that is replaced from those PPAs. So as the PPA rolls off and is replaced by these and we're prorating the amount of energy that's replaced by the PPA over the total revenue requirement of the new projects to create a value stream that went into the MPP calculation.*</u>

Q. Okay. So where is that money coming from?

A. It's a value assigned in -- in lieu of replacing those other PPAs. So again, looking at the portfolio benefits of the project and trying to say what else is contributed onto the wind value.

Q. Why is there value to that?

A. We believe that it has value. Otherwise, we think that, again, when you're looking at a portfolio over this 20-, 30-year period, you're going to have to replace -- if you didn't replace the wind -- the PPAs with this wind, you'd be replacing with some other wind. And so we're just assigning some of that future portfolio value in this document.

Q. *Okay. So years one you have a zero and that's because these wind PP-- the PPAs are still operating then?*

A. *That is correct.*

Q. And you're getting renewable energy credits at that time. Right?

A. That is correct.

Q. And that's the same case for years two through five as well?

A. That is correct.

Q. Five years of getting renewable energy credits?

A. From the -- from the new projects or from the old projects? Because I guess you would be looking at -- you'd come from both at that time period.

Q. Sorry. I didn't mean from these new projects. I mean for five years you've indicated zero values because you're already getting the P-- the PPAs are still active?

A. Correct. You haven't replaced anything.[13]

Q. What did the opening of Empire Counsel, Dean Cooper, and the testimony of Empire witness, David Holmes, represent to the Commission regarding the PPA_Replacement Value?

A. During the evidentiary hearing in Case No. EA-2019-0010, Empire's Counsel explained that the value associated with the Elk River and Meridian Way PPAs would be included in later years when those agreements went away. David Holmes subsequently testified that the PPA_Replacement Value arises when the PPAs roll off and the owned wind projects replace

[13] Case No. EA-2019-0010, Evidentiary Hearing Live Testimony Transcript, Item No. 89. Pages 194-195, lines 18-25. Attached as MMP-D-7. Video of hearing can be found at https://psc.mo.gov/VideoDetail.aspx?Id=6122 Timestamp: 5:51:30

the energy previously obtained through those agreements. When asked why the first five model years contained a zero PPA Replacement Value, Mr. Holmes confirmed that the PPAs were still active and stated, "You haven't replaced anything."[14]

Q. How do the five zero value years in Empire's original model relate to MPPM years 1 through 4?

A. Empire's original model was based on an assumed implementation schedule and showed a zero PPA Replacement Value for the first five modeled years. The Commission's order placing the MPPM into operation occurred approximately one year later than the timing assumed in Empire's model. Consequently, the first four actual years correspond to the remaining four years of the five-year period for which Empire originally showed zero PPA Replacement Vale.[15] This timing difference explains why my recommendation addresses the five modeled years Mr. Holmes discusses.

Q. What conclusion do you reach regarding the PPA Replacement Value for MPPM Years 1 through 4?

A. The PPA Replacement Value should be zero for each of those years. Neither Elk River nor Meridian Way rolled off during MPPM Years 1 through 4. Additionally, the Elk River PPA was extended to 3/31/2030, with a possible additional year through 2031[16], the PPA Replacement values should be zero in the MPPM calculation, at least until the Meridian Way PPA contract expires in 2028. However, it is unknown at this time whether or not the Meridian Way PPA contract will be extended just like the Elk River PPA was, so the PPA Replacement values after 2028 may be appropriate if the Meridian Way PPA contract is not extended. Consistent with Empire's contemporaneous explanation of the mechanism, a forecast expiration date does not create a replacement value when the PPA remains in effect and no replacement has occurred.

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[14] Case No. EA-2019-0010, Evidentiary Hearing Live Testimony Transcript, Item No. 89. Pages 194-195, lines 18-25. Attached as MMP-D-7. Video of hearing can be found at https://psc.mo.gov/VideoDetail.aspx?Id=6122 Timestamp: 5:51:20

[15] Case No. EA-2019-0010, Non-Unanimous Stipulation and Agreement, Appendix B. Attached as MMP-D-5.

[16] Company response to OPC Data Request in Case No. ER-2024-0261. Attached as MMP-D-10.

Q. What was the next case relevant to the MPPM?

A. Liberty's general rate case, Case No. ER-2021-0312, is the second major historical case in which the MPPM came back before the Commission. The Wind Projects had become operational and were being placed into rates. OPC witness, Lena Mantle, raised concerns that the original MPPM was based on estimates, including estimated capital investments, and that actual circumstances had changed. She also identified ambiguities in the mechanism and disagreements among the signatories concerning its interpretation. The MPPM therefore became an issue in the rate case.[17] Subsequently, the Fourth Partial Stipulation and agreement was entered into by the parties, including OPC and Liberty, which addressed and clarified various aspects of the MPPM.

Importantly, as to stated Issue 18.(a), "Is it necessary and appropriate for the Commission to make changes to the MPPM in this case?," the signatories to the Fourth Partial Stipulation and Agreement agreed, and the Commission approved, that the changes to the MPPM were to clarify it: "Clarification only."

The clarification of the PPA_Replacement Value in the Fourth Partial Stipulation and Agreement follows:

> iv. A PPA replacement value will be calculated:
>
> - For any renewable compliance standard not met by the existing wind PPAs through life of the MPPM;
> - Based on the energy from the wind projects being used to meet the renewable standards that is not met by existing solar requirements (e.g., currently 2% of Missouri RES).[18]

Q. Why does the "Clarification only" matter in context of the MPPM and the PPA_Replacement Value?

A. The word clarification matters enormously for the MPPM. The issue raised before the Commission was whether changes to the MPPM were necessary. The settlement which removed that issue from the case characterized what was being done as a clarification of the MPPM. That means what the Commission ordered in Case No. ER-2021-0312 should not be

[17] Case No. ER-2021-0312. OPC Witness, Lena Mantle Rebuttal Testimony, Pages 35-55.

[18] Case No. ER-2021-0312, Fourth Partial Stipulation and Agreement. Attached as MMP-D-6; Case No. ER-2021-0312 Order Approving Stipulation and Agreements. Attached as MMP-D-9.

interpreted as silently rewriting the fundamental meaning of PPA_Replacement Value established in EA-2019-0010.

Q. What position did Staff take during Case No. ER-2021-0312 on the MPPM and the PPA_Replacement Value?

A. Staff witness, J. Luebbert, testified that Elk River and Meridian Way did not expire until December 2025 and December 2028, respectively, and he concluded:

> The PPA RV associated with the MPPM will not be relevant until after the expiration of the respective PPAs and should include actual production values of the new wind projects in the years that follow the expiration dates, which is well beyond the review period that is relevant to this case. To put it simply, unless the existing PPA contracts are altered, the PPA RV as it pertains to the MPPM will not need to be determined until a date much closer to 2026.[19]

Additionally, Mr. Luebbert stated:

> Q. What was Empire's response regarding the purpose of the PPA RV with respect to the MPPM?
>
> A. Empire's response to OPC data request 8090 suggests that "[t]he purpose of the PPA Replacement value in the MPPM is to reflect the value that the new wind farms will have regarding meeting the Renewable Energy Standards as a replacement for the current wind purchase power agreements when they expire (December 2024 for Elk River Wind Farm and December 2028 Meridian Way Wind Farm)."[20]

Q. Why does what happened in Case No. ER-2021-0312 regarding the MPPM matter?

A. This case matters because it contains the controlling "clarification only" language Liberty is relying on in their argument for the incorrect way to calculate the PPA Replacement value. However, the Commission Order approved the settlement, but it did not erase the 2019 definition or the fact that the Company's own Counsel and Witness stated clearly that the PPA Replacement Value is zero until after the expiration of the PPAs. This case is also the docket that contains the MPPM filings for years 1 through 4.

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19 Case No. ER-2021-0312, Staff witness, J Luebbert, Surrebuttal Testimony, Page 3, Lines 6-11.
20 Case No. ER-2021-0312, Staff witness, J Luebbert, Surrebuttal Testimony, Page 5, Lines 4-10.

Q. What is the next case that is relevant to the MPPM?

A. The next important case is Case No. EO-2023-0358, the case that concerned Liberty's 2022 Renewable Energy Standard Compliance Report and 2023 Compliance Plan. This case, while not directly establishing or amending the MPPM, provides important context for evaluating Liberty's PPA_Replacement calculation that has been heavily contested.

Q. What were Liberty's renewable resources in 2022?

A. For 2022, Liberty had the following renewable resources[21]:

- Ozark Beach
- Customer Solar
- Elk River
- Meridian Way
- North Forth Ridge
- Kings Point
- Neosho Ridge

Q. Why are these renewable resources relevant?

A. Staff verified that Liberty retired RECs from several different resources to satisfy its 2022 RES Requirement. Staff explicitly noted that Elk River and Meridian Way were entered into before Missouri RES existed, and therefore Staff did not consider the PPAs themselves to constitute RES compliance costs.[22] This matters because RES Compliance does not equal PPA replacement. This means that while Liberty may use Wind Project RECs for RES compliance doing so does not automatically mean Wind Projects "replaced" either Elk River or Meridian Way PPAs for purposes of the MPPM.

Q. What is the next relevant case for the MPPM and PPA_Replacement Value?

A. The next relevant case is Case No. ER-2024-0261. In response to OPC raising the PPA_Replacement Value issue in response to Liberty's first annual MPPM report filed in Case No. ER-2021-0312 the Commission ultimately ordered the parties to address the issue in Liberty's next general electric rate case. That case is Case No. ER-2024-0261. However,

[21] Case No. EO-2023-0358. Liberty's Revised RES Report, Pages 4-6.

[22] Case No. EO-2023-0358. Staff's Official Case File Memorandum filed with Staff's recommendation. Item No. 20. Page 10.

during the evidentiary hearing in that case, the Commission carved the MPPM issue out and opened this case, Case No. EO-2026-0101, to address it separately.

MPPM PRESENT DAY

Q. Why is the history of the MPPM you just provided relevant to this case?

A. The history of the MPPM is important because it shows that what the MPPM is has been, from the start, contentious for several years and over several cases. The Company's initial contemplation of the MPPM was in Case No. EO-2018-0092, over eight years ago. In that time, the Company's Wind Projects went into rates, the MPPM was established and contested in two different rate cases, and parties are still contesting the Company's disregard for what the Commission ordered for how the PPA_Replacement Value in the MPPM is to be calculated.

Q. OPC witness, Lena Mantle provided context and background for the MPPM that Liberty and other parties had designed and agreed to in her memo for year 1 of the MPPM submission. What did Ms. Mantle identify about the first year of the MPPM in her memo?

A. OPC witness, Lena Mantle, pointed out in her Year 1 MPPM memo that Liberty's Elk River and Meridian Way wind PPAs had not expired; therefore, Liberty did not avoid replacing either of them before the end of the first year of the MPPM ten-year guarantee period. Further, Liberty had enough RECs from these wind PPAs and its other qualifying renewable resources to comply with the Missouri renewable energy standard for calendar year 2022 without any RECs from its Wind Projects. Ms. Mantle went further to point out that in its first MPPM filing to report the costs and benefits of the first year of the ten-year MPPM guarantee period, Liberty incorrectly included a PPA Replacement Value benefit of more than $8.3 million. Because neither Liberty's Elk River wind PPA nor its Meridian Way wind PPA has expired, the appropriate PPA replacement value is zero.[23]

[23] Case No. ER-2021-0312 – Item No. 389 – OPC's Response to Liberty's MPPM Filing - 2023 Memorandum filing - Year 1 Market Price Protection Mechanism value PPA Replacement Value. Attached as MMP-D-8.

Q. Have you reviewed Liberty's MPPM filings for MPPM years 2-4?

A. Yes, and I identified the same issues in them that Ms. Mantle identified in Liberty's Year 1 MPPM filing. Once again, Liberty's Elk River and Meridian Way wind PPAs have not expired: therefore, the Company again did not avoid replacing either wind farm before the end of the second, third, or fourth year of the MPPM ten-year guarantee period. Because neither Liberty's Elk River wind PPA nor its Meridian Way wind PPA have expired, the appropriate PPA replacement value is zero. More information on the calculation of the MPPM will be provided later in this testimony.

Q. What is the purpose of this case, Case No. EO-2026-0101?

A. The Commission opened Case No. EO-2026-0101, on October 14, 2025, specifically to address the appropriate PPA Replacement Values in Liberty's MPPM.

Q. What is the PPA Replacement Value to be used in Liberty's MPPM?

A. After reviewing the history and testimony of the MPPM, the PPA Replacement Value is Zero until the expiration of Liberty's Elk River and Meridian Way PPAs. As stated previously, that value should be zero until at least 2028 when the Meridian Way PPA expires.

Q. With Liberty's incorrect inclusion of PPA Values in the first four years of the MPPM, what can be concluded about Liberty's MPPM filing?

A. Liberty's Meridian Way and Elk River wind PPAs expire at the end of 2028 and 2030, respectively. In year 2 through 4 of the MPPM, Liberty continues to include millions of dollars of value for a PPA replacement value, despite the fact that the Company's Meridian way and Elk River wind PPAs have not expired. In year 2, Liberty incorrectly included $7.7 million for the PPA Replacement value. In year 3, the Company again incorrectly included $6.83 million for the PPA replacement value. And in year 4, the Company again incorrectly included $11.1 million for PPA Replacement Value. Since neither Liberty's Elk River nor its Meridian Way wind PPA have expired, the appropriate PPA replacement value should continue to be zero.[24]

[24] Liberty's filed MPPM year 4. Filed in Case No. ER-2021-0312. Attached as MMP-D-11.

Q. How does Liberty's inclusion of the PPA Replacement values affect the MPPM calculations?

A. Liberty's MPPM workbook presents revenues and claimed benefits as negative, or parenthetical, amounts that offset the positive Wind Revenue Requirement. Therefore, when Liberty enters a negative PPA Replacement Value, the entry reduces the reported Annual Wind Value ("AWV") and Annual Sharing Value("ASV"), making the owned wind projects appear less costly.

Liberty treats the PPA Replacement value as a credit that offsets the Wind Revenue Requirement. As a result, including a negative PPA Replacement Value lowers both the AWV and ASV. The lowers values do not demonstrate that customers actually received additional revenue or that Liberty avoided an actual cost. Instead, the lower values result in Liberty inserting a claimed benefit into the MPPM calculation while the PPAs remain active. Under the corrected proposed calculation, in which OPC and Staff are in agreeance, the PPA Replacement Value is set to zero while all other components are left unchanged for the purposes of the adjustment. Removing the claimed credit increases then reflects the wind costs without an unsupported PPA Replacement benefit. The higher ASV represents a greater amount of net wind cost subject to the MPPM's sharing provision. This however does not mean the corrected calculation harms customers. Rather, Liberty's calculation reduces the amount accumulated for potential customer protection and makes the owned wind projects appear less costly without establishing that customers actually received or realized the claimed benefit.

The MPPM was ordered by the Commission as a way to mitigate the risk to Liberty's Missouri retail customers associated with the upfront capital costs and uncertain benefits of the owned wind projects during the ten-year guarantee period. By setting the PPA Replacement Value to zero while the PPAs remain active, thus correcting the MPPM, it fairly represents the true benefits or lack of that customers will receive over the first ten years of the MPPM. Below is the math explanation to show the difference in AWV and ASV when the PPA Replacement value is zero.

Q. Why does the PPA Replacement Value adjustment not represent an actual saving to customers?

A. For MPPM Year 4, Liberty included a negative PPA Replacement Value of $11,158,599. With that entry, Liberty reported an AWV of $3,955,278 and an ASV of $1,977,639. This results in a cumulative AWV of $7,411,915 and a cumulative ASV of $3,705,957. Under OPC's calculation, the PPA Replacement Value is set to zero with all other components, assuming they are correct, left unchanged. This increases the Year 4 AWV to $15,113,877, the Year 4 ASV to $7,556,939. The result is then, for years 1 through 4, a cumulated AWV of $41,527,340 and the cumulative ASV of $20,763,670. Liberty's incorrect inclusion of a PPA Replacement Value therefore reduced the cumulative ASV by approximately $17,057,713. The corrected cumulative ASV remains below the $52.5 million soft cap. Liberty's PPA Replacement Value entries reduce the wind costs shown by the MPPM and reduce the amount accumulated for potential customer protect, without establishing that customers actually received or realized the claimed benefits.

Q. What are the consequences of changing the PPA Replacement Value to the correct zero value for years 1 through 4 of the MPPM from what Liberty used in its most recent annual report?

A. The following two excerpts show the changes in the AWV and ASV when the PPA Replacement value is made zero. The first table is an excerpt from the Company's filed MPPM Year 4, the second is when the value for the PPA Replacement value is made zero, all other adjustments, assumed correct, remain unchanged.

Excerpt 1[25]:

[25] Liberty's filed MPPM year 4. Filed in Case No. ER-2021-0312. Attached as MMP-D-11.

Years	1	2	3	4	5	6	7	8	9	10
SPP Market Revenue	$ (61,512,216)	$ (38,970,490)	$ (42,019,692)	(43,476,624)						
REC Revenue	(4,103,870)	(4,855,466)	(3,828,231)	(3,948,689)						
TCR/ARR Revenue	(10,944,291)	(5,675,655)	(12,902,353)	(9,923,218)						
PTC Offset	-	-	-	0						
Paygo (Over)/Under	1,963,296	(2,481,890)	(487,632)	1,708,874						
PPA Replacement Value	(8,345,691)	(7,776,432)	(6,834,703)	(11,158,599)						
Wind Revenue Requirement	70,740,556	70,740,556	70,740,556	70,740,556						
Interest @ LTD Rate	(40,285)	35,161	15,408	12,978						
Annual Wind Value (AWV)	$ (12,242,501)	$ 11,015,783	$ 4,683,354	$ 3,955,278						
Accumulative AWV	(12,242,501)	(1,226,717)	3,456,636	7,411,915						
Annual Sharing Value (ASV)	(6,121,250)	5,507,892	2,341,677	1,977,639	-	-	-	-	-	-
ASV_Sum	(6,121,250)	(613,359)	1,728,318	3,705,957	3,705,957	3,705,957	3,705,957	3,705,957	3,705,957	3,705,957
Year of Assessment										4
ASV_Sum										3,705,957

Excerpt 2[26]:

Years	1	2	3	4	5	6	7	8	9	10
SPP Market Revenue	$ (61,512,216)	$ (38,970,490)	$ (42,019,692)	(43,476,624)						
REC Revenue	(4,103,870)	(4,855,466)	(3,828,231)	(3,948,689)						
TCR/ARR Revenue	(10,944,291)	(5,675,655)	(12,902,353)	(9,923,218)						
PTC Offset	-	-	-	0						
Paygo (Over)/Under	1,963,296	(2,481,890)	(487,632)	1,708,874						
PPA Replacement Value	-	-	-	-						
Wind Revenue Requirement	70,740,556	70,740,556	70,740,556	70,740,556						
Interest @ LTD Rate	(40,285)	35,161	15,408	12,978						
Annual Wind Value (AWV)	$ (3,896,810)	$ 18,792,216	$ 11,518,057	$ 15,113,877						
Accumulative AWV	(3,896,810)	14,895,406	26,413,462	41,527,340						
Annual Sharing Value (ASV)	(1,948,405)	9,396,108	5,759,028	7,556,939	-	-	-	-	-	-
ASV_Sum	(1,948,405)	7,447,703	13,206,731	20,763,670	20,763,670	20,763,670	20,763,670	20,763,670	20,763,670	20,763,670
Year of Assessment										4
ASV_Sum										20,763,670

In year one of the MPPM, the inclusion of the PPA Replacement value reduced the AWV from ($3.90) million (if the PPA replacement value was zero) to $(12.24) million. This in turn reduced the Annual Sharing Value from ($1.95) million to ($6.12) million. In year 2 of the MPPM, the inclusion of the PPA Replacement value reduced the AWV from $18.79 million (if the PPA replacement value was zero) to $11.02 million. This in turn reduced the Annual Sharing Value from $9.40 million to $5.51 million. In year 3 of the MPPM, the inclusion of the PPA Replacement value reduced the AWV from $11.52 million (if the PPA replacement value was zero) to $4.68 million. This in turn reduced the Annual Sharing Value from $5.76 million to $2.34 million.

[26] MPPM year 4, with the PPA Replacement value made to go to zero. Attached as MMP-D-12.

In total, for first four years of the MPPM, the inclusion of Liberty's annual PPA Replacement values reduced the accumulative AWV from $41.52 million (if the PPA replacement value was zero) to $7.4 million. This in turn reduced the Annual Sharing Value from $20.76 million to $3.7 million.

Q. Aside from the disagreement over how to determine the PPA Replacement Values in the MPPM, do you disagree with anything else about how Liberty is calculating annual MPPM amounts?

A. Yes. Liberty is including Transmission Congestion Rights ("TCR") and Auction Revenue Rights ("ARR") revenues, but those revenues are not included in the Appendix C illustrative example of how the MPPM works or anywhere else in the MPPM. In addition, I found no place where the Commission has ordered that TCR and ARR revenues are to be included in the MPPM calculations.

Q. What are TCR/ARR revenues?

A. According to the SPP, TCR/ARRs are not part of its Energy Markets but rather a separate market. SPP explains as follows:

> The Southwest Power Pool Transmission Congestion Rights Markets (TCR Markets) provide financial rights that can be used to hedge against the Day-Ahead Market transmission congestion between two settlement locations.
>
> The SPP TCR Markets process uses two forms of rights. First, the TCR is used to distribute the Day-Ahead congestion rents that occur each hour. Second, the Auction Revenue Rights (ARRs) are used for the distribution of the revenue generated in the auctioning and awarding of TCRs. TCRs and ARRs are source-to-sink (point-to-point) instruments that are awarded in 0.1 MW increments.
>
> The SPP TCR Markets process consists of an annual process followed by monthly processes to award Long-Term Congestion Rights (LTCRs) and On-Peak and Off-Peak ARRs and TCRs. The annual ARR and TCR process includes 14 distinct products, one product for each unique combination of On-Peak or Off-Peak Time of

Use across the seven different periods that make up the TCR year (June through the following May). Those seven periods are: June, July, August, September, fall, winter and spring. The seasonal products are separated into monthly products before the applicable SPP TCR Markets monthly process.[27]

Q. How does including TCR and ARR revenues affect the MPPM calculation results?

A. The inclusion of the TCR and ARR revenues are intended to compensate Liberty for congestion on the transmission path between the generation and the load. Including these revenues lowers the Annual Wind Value ("AWV"), which means the Annual Sharing Value ("ASV") is lowered. While Public Counsel does not agree with all of the values in Excerpt 1, the following two excerpts illustrate the effect on the AWV and ASV values when the PPA Replacement and TCR/ARR revenue values are made zero.[28] Excerpt 1 is taken from the Company's filed MPPM year 4; Excerpt 2 shows the impact when the PPA Replacement Value and TCR/ARR revenue values in Excerpt 1 are made zero.

Excerpt 1[29]:

Years	1	2	3	4	5	6	7	8	9	10
SPP Market Revenue	$ (61,512,216)	$ (38,970,490)	$ (42,019,692)	(43,476,624)						
REC Revenue	(4,103,870)	(4,855,466)	(3,828,231)	(3,948,689)						
TCR/ARR Revenue	(10,944,291)	(5,675,655)	(12,902,353)	(9,923,218)						
PTC Offset	-	-	-	0						
Paygo (Over)/Under	1,963,296	(2,481,890)	(487,632)	1,708,874						
PPA Replacement Value	(8,345,691)	(7,776,432)	(6,834,703)	(11,158,599)						
Wind Revenue Requirement	70,740,556	70,740,556	70,740,556	70,740,556						
Interest @ LTD Rate	(40,285)	35,161	15,408	12,978						
Annual Wind Value (AWV)	$ (12,242,501)	$ 11,015,783	$ 4,683,354	$ 3,955,278						
Accumulative AWV	(12,242,501)	(1,226,717)	3,456,636	7,411,915						
Annual Sharing Value (ASV)	(6,121,250)	5,507,892	2,341,677	1,977,639	-	-	-	-	-	-
ASV_Sum	(6,121,250)	(613,359)	1,728,318	3,705,957	3,705,957	3,705,957	3,705,957	3,705,957	3,705,957	3,705,957
Year of Assessment										4
ASV_Sum										3,705,957

[27] https://www.spp.org/engineering/tcr-markets/#:~:text=Quick%20Links,SPP%20TCR%20Markets%20monthly%20process.
[28] Public Counsel does not agree with all of the values in this excerpt.
[29] Liberty's filed MPPM year 4. Filed in Case No. ER-2021-0312. Attached as MMP-D-11.

Excerpt 2[30]:

Years	1	2	3	4	5	6	7	8	9	10
SPP Market Revenue	$ (61,512,216)	$ (38,970,490)	$ (42,019,692)	(43,476,624)						
REC Revenue	(4,103,870)	(4,855,466)	(3,828,231)	(3,948,689)						
TCR/ARR Revenue	-	-	-	-						
PTC Offset	-	-	-	-						
Paygo (Over)/Under	1,963,296	(2,481,890)	(487,632)	1,708,874						
PPA Replacement Value	-	-	-	-						
Wind Revenue Requirement	70,740,556	70,740,556	70,740,556	70,740,556						
Interest @ LTD Rate	(40,285)	35,161	15,408	12,978						
Annual Wind Value (AWV)	$ 7,047,481	$ 24,467,871	$ 24,420,409	$ 25,037,095						
Accumulative AWV	7,047,481	31,515,352	55,935,761	80,972,856						
Annual Sharing Value (ASV)	3,523,740	12,233,935	12,210,205	12,518,548	-	-	-	-	-	-
ASV_Sum	3,523,740	15,757,676	27,967,881	40,486,428	40,486,428	40,486,428	40,486,428	40,486,428	40,486,428	40,486,428
Year of Assessment										4
ASV Sum										40,486,428

By including the PPA Replacement value as Liberty calculates it and the TCR/ARR revenues that were not designated in the MPPM approved by the Commission, the cumulative cost of the wind projects is \$3.7 million. This calculation, as approved by Commission order, shows a cumulative loss for these wind projects of \$40.48 million.

<u>CONCLUSION</u>

Q. Would you please summarize your MPPM testimony?

A. The MPPM is intended to mitigate Liberty's retail customer rate risk from the upfront capital costs of Liberty's wind projects and the uncertainty of the benefits Liberty projected for customers during the first ten years of the wind projects. In review of the Company's annual MPPM filings, it was evident that the MPPM was not being utilized as the Company had previously stated. This testimony provides the history of Liberty's Wind Projects, Customer Savings Plan, the MPPM, and the PPA Replacement Value. Company Lawyer, Dean Cooper, and Company Witness, David Holmes, both stated in Case No. EA-2019-0010, the case that established the MPPM, to the Commission that the PPA Replacement Value is zero until the expirations of Liberty's existing PPAs. The Company has not been completely transparent about the benefits and the costs to customers in its MPPM filings.

[30] MPPM year 4, with the PPA Replacement value and TCR/ARR Revenue made to go to zero. Attached as MMP-D-12.

Overall, the MPPM is a tracking mechanism that is supposed to measure the risk between customers and shareholders. However, that is not the case. The Company has failed to be transparent on numerous issues related to the MPPM, which is detrimental to customers.

Q. What is your recommendation to the Commission as to the MPPM?

A. As I stated before, I recommend that the Commission order Liberty to calculate the MPPM in the correct manner, by including a zero value for the PPA Replacement Value for the years of the Elk River and Meridian Way wind PPA contracts are still in effect. In doing this, if all other calculations are correct, the Commission, Staff, and OPC will be able to determine that Liberty's promise of protecting customers from upfront capital costs and the uncertainty of any benefits to customers has indeed transpired. This demonstration of that protection through the MPPM over the first ten years of the operation of the wind projects needs to be done correctly and how the Company portrayed it the Commission.

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 Clarification of PPA Replacement Values for The Empire District Electric Company's d/b/a Liberty's Market Price Protection Mechanism	)))))	Case No. EO-2026-0101

AFFIDAVIT OF MANZELL PAYNE

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

Manzell Payne, of lawful age and being first duly sworn, deposes and states:

1. My name is Manzell Payne. I am a Senior Utility Regulatory Auditor for the Office of the Public Counsel.

2. Attached hereto and made a part hereof for all purposes is my direct testimony.

3. I hereby swear and affirm that my statements contained in the attached testimony are true and correct to the best of my knowledge and belief.

Manzell Payne
Senior Utility Regulatory Auditor

Subscribed and sworn to me this 9th day of September 2026.

TIFFANY HILDEBRAND
NOTARY PUBLIC - NOTARY SEAL
STATE OF MISSOURI
MY COMMISSION EXPIRES AUGUST 8, 2027
COLE COUNTY
COMMISSION #15637121

Tiffany Hildebrand
Notary Public

My Commission expires August 8, 2027.