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Witness: Talha A. Sheikh
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Electric Company d/b/a Liberty
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**Before the Public Service Commission
of the State of Missouri**

Direct Testimony

of

Talha A. Sheikh

on behalf of

The Empire District Electric Company d/b/a Liberty

September 11, 2026



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THE EMPIRE DISTRICT ELECTRIC COMPANY D/B/A LIBERTY
BEFORE THE MISSOURI PUBLIC SERVICE COMMISSION
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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 Talha A. Sheikh. My business address is 2626 Glenwood Ave # 480,
4 Raleigh, North Carolina 27608.

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

6 A. I am employed by ScottMadden, Inc. (“ScottMadden”) as a Director.

7 **Q. On whose behalf are you testifying in this proceeding?**

8 A. I am testifying on behalf of The Empire District Electric Company d/b/a Liberty
9 (“Liberty” or “Company”).

10 **Q. Please describe your educational and professional background.**

11 A. I have over ten years of consulting experience in the energy utility industry. I joined
12 ScottMadden in 2015 as an Associate Consultant and was eventually promoted to
13 Director in 2022. I have sponsored as well as supported the development of numerous
14 studies for electric, gas, water, and wastewater utilities related to revenue requirements,
15 rate design, class cost of service, and cash working capital / lead-lag. These studies
16 have been filed before several jurisdictions in the U.S. and Canada.

17 I hold a bachelor’s degree in business administration from the Institute of
18 Business Administration, Karachi, and a master’s degree in business administration
19 from the University of South Carolina.

1 **Q. Have you previously testified before any utility regulatory commissions?**

2 A. Yes. I have sponsored testimony before utility regulatory commissions in California,
3 Colorado, Connecticut, Hawaii, Kansas, and Kentucky. My qualifications and
4 testimony experience are included in **Direct Schedule TAS-1**.

5 **Q. What is the purpose of your direct testimony in this proceeding?**

6 A. The purpose of my direct testimony is to sponsor the proposed rate components for the
7 Company’s proposed Large Load tariff, referred to as Schedule Transmission Service
8 Large Load or “Schedule TS-LL.”¹ My testimony describes development of the rate
9 components and their consistency with the design principles outlined in Senate Bill 4
10 (“SB4”). In particular, my testimony describes how the rate components are designed
11 to support rates that appropriately recover the cost of serving Large Load customers,
12 while protecting other customer classes from bearing unjust or unreasonable costs that
13 may arise from service to these Large Load customers.

14 **Q. Are there any direct exhibits to your testimony?**

15 A. Yes, the following table summarizes the direct exhibits to my testimony:

Direct Schedule TAS-1	Qualifications and Experience
Direct Schedule TAS-2	Derivation of Schedule TS-LL Charges

16 **II. OVERVIEW OF RATE COMPONENTS**

17 **Q. Please summarize the guiding principles considered in the development of the rate**
18 **components for the Schedule TS-LL tariff.**

¹ Throughout this testimony, the term “Large Load customers” refers to any customers who qualify under the Company’s proposed Large Load tariff provisions. As discussed by Company witness Charlotte T. Emery, Large Load customers are any customers projected to have an annual incremental peak demand of twenty-five megawatts or more.

1 A. As explained in more detail by Company witness Ms. Charlotte T. Emery, the rate
2 components of the tariff were developed to comply with the requirements of SB4 and
3 to reflect the unique characteristics of Liberty's system. Under SB4, Missouri's
4 regulated electric utilities are required to file tariffs with the Commission applicable to
5 Large Load customers that are designed to reflect two guiding principles (outlined
6 below). These principles are particularly important in Liberty's case since Large Load
7 customers may represent significant additional loads relative to the size of the
8 Company's existing system. Accordingly, the Company designed Schedule TS-LL to
9 directly assign costs incurred to serve the Large Load customers and to minimize the
10 potential for any costs, risks, or financial obligations associated with serving these
11 customers to be borne by Non-Large Load customers. As Ms. Emery discusses in more
12 detail, this was a fundamental objective in developing the Company's proposal and is
13 intended to enable Liberty to pursue Large Load development opportunities while
14 maintaining strong protections for existing customers.

15 Importantly, SB4 states that Large Load customer rates should reflect the
16 customers' representative share of the costs incurred to serve those customers.² Second,
17 SB4 states that Large Load customer rates should protect other customer classes from
18 unjust or unreasonable cost shifts.³ The rate components of the Company's proposed
19 Large Load tariff are consistent with these design principles.

20 In addition, the Company developed its rate proposal in consideration of
21 characteristics that are unique to its system. First, the Company operates an integrated
22 four-state jurisdictional electric system. Large Load customers will receive the benefits

² SB4 is codified at MO Rev Stat § 393.130.7.

³ *Id.*

1 of that integrated system, including access to existing generation, transmission,
2 operations, planning, and administrative facilities.⁴ Second, Large Load customers are
3 likely to represent a material increase in load relative to the Company's current system
4 load, which will likely require the Company to procure or construct additional
5 generation, transmission, or other system resources to serve such customers. The
6 relatively large size of these customers creates the potential for costs associated with
7 serving a Large Load customer to be shifted to the Company's existing customers,
8 particularly if the Large Load customer leaves the system before the end of the term of
9 its Electric Service Agreement ("ESA"). Consistent with the requirements and policy
10 objectives reflected in SB4, the rate components of Schedule TS-LL have been
11 designed to appropriately account for this risk and establish cost recovery from the
12 Large Load customers causing those costs, thereby reducing the potential for unjust or
13 unreasonable costs to be borne by other customer classes.⁵

14 **Q. How do the rate components of the Company's proposed Schedule TS-LL**
15 **incorporate these principles?**

16 A. Consistent with the design principles outlined above, the Company designed the rate
17 components of Schedule TS-LL to recover: 1) the directly assignable costs associated
18 with serving the Large Load customers, and 2) an appropriate allocation of the
19 integrated system costs.

20 **Q. Please summarize the Company's proposed categories of charges to be collected**
21 **through Schedule TS-LL.**

⁴ As discussed in the Direct Testimony of Company witness Aaron J. Doll.

⁵ As discussed in the Direct Testimony of Company witness Charlotte T. Emery.

- 1 A. The Company proposes four categories of charges for Schedule TS-LL: 1) Base Service
- 2 Charges, 2) Existing Generation Charges, and 3) Incremental Facility Charges, and 4)
- 3 Other Charges. Figure 1 below summarizes the various charges.

1

Figure 1: Summary of Schedule TS-LL Charges

Charge Category	Name of Charge	Description of Charge
Base Service Charges	Customer Access Charge	A monthly fixed charge to recover customer-related costs.
	Transmission Demand Charge	A per kW charge designed to recover the portion of Schedule Transmission Service (“Schedule TS”) authorized revenue requirements related to transmission-related costs.
Existing Generation Charges	Existing Generation Demand Charge	A per kW charge designed to recover the portion of Schedule TS authorized revenue requirements related to generation demand-related costs for Liberty’s existing system.
	Existing Generation Energy Charge	A set of per kWh charges designed to recover the portion of Schedule TS authorized revenue requirements related to generation energy-related costs of Liberty’s existing system.
Incremental Facilities Charges	Capacity Support Charge (“CSC”)	A per kW charge designed to reflect the Large Load customer’s contribution to Liberty’s existing generation system, which provides reliability, operational flexibility, and other system benefits that support service to the customer’s facility.
	Incremental Energy Charge	A charge designed to recover the applicable fuel and purchased-power costs, less market revenues, attributable to incremental resources procured to serve the customer’s load. The Incremental Energy Charge is customer-specific and will be detailed in the customer’s ESA.
	Incremental Generation Cost of Service Charge (“GCS”)	A charge designed to recover the Company’s revenue requirement associated with any new, modified, incremental, or accelerated generation resources, capacity resources, purchased power resources, or other supply-side resources required or procured by Liberty to serve the Large Load customer. The GCS Charge is customer-specific and will be detailed in the customer’s ESA.
	Incremental Transmission Cost of Service Charge (“TCS”)	A charge applicable if the Company incurs, becomes obligated to incur, or is allocated new, modified, or incremental transmission, network upgrade, delivery, or related costs to serve a Large Load customer. The TCS Charge is customer-specific and will be detailed in the customer’s ESA.
	Allocated 4-State Cost Adjustment Charge	An adjustment designed to recover the incremental allocated costs to Liberty’s Missouri jurisdiction as a result of the inclusion of the Large Load customer’s load in the Company’s four-state allocation model.
Other Charges	Large Load customers will be subject to other charges that apply to Liberty customers, such as the Securitized Utility Tariff Charge (“SUTC”).	

Figure 2 below shows each of these charges with the associated rate included in Schedule TS-LL. The derivation of the rates in Figure 2 is presented in **Direct Schedule TAS-2**. As outlined in Figure 1 (above), various Incremental Facility Charges are customer-specific and will be determined as part of the customer-specific ESA.

Figure 2: Schedule TS-LL Charges⁶

Schedule TS-LL Summary of Charges (RATE SET 3)	
1. Base Service Charges	
Customer Access Charge	\$1,660.00
Transmission Demand Charge (\$/kW)	\$13.41
2. Existing Generation Charges	
Existing Generation Demand Charge (\$/kW)	\$26.41
Existing Generation Energy Charge (\$/kWh)	
Summer - On-Peak	\$0.03688
Summer - Shoulder	\$0.02945
Summer - Off-Peak	\$0.02233
Winter - On-Peak	\$0.02565
Winter - Off-Peak	\$0.02097
3. Incremental Facility Charges	
New Generation Cost of Service Charge	As Specified in Customer ESA
Incremental Energy Charge	As Specified in Customer ESA
New Transmission Cost of Service Charge	As Specified in Customer ESA
Capacity Support Charge (\$/kW)	\$9.24
Allocated 4-State Adjustment Charge	As Specified in Customer ESA
4. Other Charges	
Securitized Utility Tariff Charge (SUTC)	Per Schedule SUTC

Each of the individual charges included in Schedule TS-LL are discussed in further detail below.

⁶ Base Service Charges, Existing Generation Charges, and the Capacity Support Charge presented in the Figure reflect Rate Set 3.

1 **III. BASE SERVICE CHARGES AND EXISTING GENERATION CHARGES**

2 **Q. Please summarize the Company's proposed Base Service Charges and Existing**
3 **Generation Charges.**

4 A. The Base Service Charges include the Customer Access Charge and Transmission
5 Demand Charge. These charges will recover the costs of establishing and maintaining
6 a Large Load customer's access to the Company's electric system and transmission
7 network, regardless of the generation resources used to meet the customer's energy and
8 demand requirements.

9 The Existing Generation Charges include the Existing Generation Demand
10 Charge and Existing Generation Energy Charge that recover the costs associated with
11 the Company's existing generation portfolio. These charges are applicable to the extent
12 that a Large Load customer is served through the existing generation resources. These
13 charges support the concept that any Large Load customers benefiting from the
14 Company's existing generation resources contribute an appropriate share of these
15 resources' associated costs.

16 The methodology used to calculate the Base Service Charges and Existing
17 Generation Charges is generally based on the Company's current, Commission-
18 approved Schedule TS rates, with targeted modifications designed to address the
19 unique nature of serving Large Load customers. The resulting rate, Schedule TS-LL,
20 preserves the foundation of the Commission-approved Schedule TS rate design while
21 incorporating provisions specific to Large Load service.

22 Specifically, the rates in Schedule TS-LL reflect modifications designed to
23 unbundle and separately price the various services provided to Large Load customers.
24 This approach promotes cost-based rate design by aligning the charges paid by Large

1 Load customers with the costs associated with facilities and services used to serve
2 them, while reducing the potential for these costs to be shifted to Non-Large Load
3 customer classes.

4 To maintain consistency with Commission-authorized Schedule TS rates over
5 time, the Schedule TS-LL charges will be reviewed, reevaluated, and reset in each
6 general rate case based on the Schedule TS rates, or an applicable future Large Load
7 rate schedule, approved by the Commission in that proceeding. This approach allows
8 the charges to continue reflecting the Company's most recent cost of providing service
9 and allocation of these costs to Large Load customers over time.

10 **Q. Why is the Company proposing Schedule TS rates to be the basis for Base Service**
11 **Charges and Existing Generation Charges?**

12 A. Schedule TS provides an appropriate starting point for establishing the Base Service
13 Charges and Existing Generation Charges because it is the Company's existing
14 Commission-approved rate schedule for customers receiving transmission and
15 substation-level service. Large Load customers are expected to receive service under
16 similar operating characteristics and voltage levels. Accordingly, using the Schedule
17 TS rate design provides a reasonable framework for serving Large Load customers.

18 **Q. Why did the Company modify the existing Schedule TS rate structure for**
19 **purposes of developing the proposed Schedule TS-LL rates?**

20 A. The Company's existing Schedule TS tariff is a traditional embedded cost-of-service
21 rate that recovers a broad mix of generation, transmission, customer, and other costs
22 through a combination of customer, demand, and energy charges. While that rate
23 design is appropriate for the existing Schedule TS class, the Company concluded that
24 a more granular rate structure is appropriate for Large Load customers. Specifically,

1 the Company sought to develop rate components that more directly align with the
2 underlying costs incurred to serve Large Load customers. A more granular rate design
3 promotes transparency regarding the costs recovered through each charge, better aligns
4 charges with their respective cost drivers, and provides a framework for recovery of
5 costs associated with specific facilities and resources that may be required to serve
6 Large Load customers.

7 **Q. How did the Company develop the proposed Schedule TS-LL rate components?**

8 A. The Company developed the proposed Schedule TS-LL rate components in three steps.

9 First, the Company utilized the Commission-authorized Schedule TS revenue
10 requirement as the starting point for the development of the Schedule TS-LL charges
11 on a revenue-neutral basis. As such, the Company did not alter the underlying level of
12 Commission-authorized revenues associated with Schedule TS service.⁷ Rather, the
13 Company used those revenues as the basis for developing a more granular rate structure
14 for Large Load customers.

15 Second, the Company utilized the Company's class cost of service ("CCOS")
16 study from its most recent general rate case⁸ proceeding to identify the portions of the
17 Schedule TS revenue requirement attributable to production demand-related costs,
18 production energy-related costs, transmission-related costs, and customer-related
19 costs.⁹

⁷ 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, File No. ER-2024-0261 Supplemental Stipulation and Agreement, Exhibit 1 (filed December 12, 2025).

⁸ See 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, File No. ER-2024-0261, True-Up Rebuttal Testimony and Exhibits of Timothy S. Lyons, Schedule TSL-1 (filed Oct. 23, 2025).

⁹ The customer-related costs include an adjustment in the CCOS to reflect a correction to Account 908 allocation factor for Schedule TS. The customer-related costs considered for Schedule TS-LL rate-setting purposes also include a limited amount of distribution-related costs allocated to Schedule TS in the CCOS study.

1 Third, the Company designed individual rate components to recover the
2 identified cost categories. Specifically, (i) the Customer Access Charge; (ii) the
3 Transmission Demand Charge; (iii) the Existing Generation Demand Charge, and (iv)
4 the Existing Generation Energy Charge. After assigning the authorized revenue
5 requirement to the appropriate cost categories, the Company calculated the individual
6 charges using the applicable Commission-authorized Schedule TS billing
7 determinants. This approach allowed the Company to separate the embedded costs
8 currently recovered through Schedule TS into distinct rate components that more
9 directly reflect the nature of underlying costs associated with providing service to Large
10 Load customers.

11 Figure 2 above illustrates the resulting Base Service Charges and Existing
12 Generation Charges developed using this methodology.¹⁰ The derivation of these rates
13 is presented in **Direct Schedule TAS-2**.

14 **Q. Please further explain the modifications that the Company has proposed to the**
15 **currently authorized Schedule TS rates.**

16 A. The proposed modifications to the Schedule TS rates better align the charges with the
17 nature of the underlying costs. Specifically, the Company proposes the following
18 modifications to the current Schedule TS rates:¹¹

- 19 **1. Customer Charge:** Modify the customer access charge to better align with the
20 portion of Schedule TS authorized revenue requirements associated with
21 customer-related costs.

¹⁰ Charges presented in the Figure reflect Rate Set 3.

¹¹ These modified rates would only be applicable to Large Load customers. The current Schedule TS customers' rates remain unchanged.

- 1 **2. Transmission Demand Charge:** Add a new transmission demand charge
2 designed to recover the portion of Company’s authorized Schedule TS revenue
3 requirements associated with transmission costs (such as transmission plant,
4 O&M expenses, and any other transmission-related costs). The transmission
5 demand charge would be applied to the customer’s total kW demands.
- 6 **3. Existing Generation Demand Charge:** Add a new generation demand charge
7 designed to recover the portion of Company’s authorized Schedule TS revenue
8 requirement associated with the existing generation system’s demand-related
9 costs (such as plant, fixed operations and maintenance (“O&M”) expenses, and
10 related costs). The generation demand rate will be charged to a Large Load
11 customer to the extent the customer utilizes the Company’s existing generation
12 resources.
- 13 **4. Existing Generation Energy Charge:** Revise energy charges to recover the
14 portion of Company’s authorized Schedule TS revenue requirement associated
15 with energy-related production costs (such as fuel, purchased power, and any
16 offsets related to market revenues). The generation energy rates will be charged
17 to a Large Load customer based on the extent the customer utilizes the
18 Company’s existing generation resources. The Existing Generation Energy
19 Charge includes the Large Load customer’s share of base level of fuel and
20 purchased power costs reflected in rates. Any subsequent recovery or refund
21 of fuel and purchased power cost variances will continue to occur through the
22 Company’s Fuel and Purchase Power Adjustment Clause (“Rider FAC”) in
23 accordance with the applicable Rider FAC tariff provisions.

1 **Q. What are the benefits of the Company's proposed modifications to the Schedule**
2 **TS rate components?**

3 A. The Company's proposed modifications to Schedule TS rates have two primary
4 benefits. First, the modifications better align the rate structure with the underlying cost
5 components. For example, under the current Schedule TS rate structure, generation and
6 transmission demand-related costs are recovered through combined on-peak demand
7 charges, and a portion of demand-related costs may be recovered through energy
8 charges. The proposed Schedule TS-LL structure unbundles cost recovery into distinct
9 Existing Generation Demand, Existing Generation Energy, and Transmission Demand
10 Charges. By aligning each charge more directly with the nature of the costs being
11 recovered, the proposed design improves pricing transparency and reduces the
12 likelihood of over-or-under-recovery of specific cost components.

13 Second, the unbundled structure provides the Company with flexibility to
14 charge the Large Load customers based on how they are served. For example, the
15 Existing Generation Charges will be charged to the customer only to the extent the
16 customer utilizes the Company's existing generation resources. The Base Service
17 Charges will be charged to the customer regardless of whether the customer is served
18 through the existing generation resources or incremental generation resources.

19 **Q. Can you provide an example of how the Base Service Charges and Existing**
20 **Generation Charges may change over the term of service to a customer?**

21 A. Yes. As discussed in the direct testimony of Company witness Ms. Emery, Large Load
22 customers may implement an optional Load Ramp Term during which peak load is
23 below the peak specified in the ESA for the Fixed Term of the ESA. During the Load
24 Ramp Term, when a Large Load customer has not yet reached its full contracted

1 capacity, charges will be based on the Contract Capacity specified for the Load Ramp
2 Term. During the Load Ramp Term, the customer may be served partially or entirely
3 by the Company's existing generation resources. Under this scenario, the customer
4 will be subject to the Existing Generation Demand Charges and Existing Generation
5 Energy Charges based on the amount of load served by the Company's existing
6 generation system. In addition, the Base Service Charges, including the Transmission
7 Demand Charge, will be calculated based on the customer's total Contract Capacity
8 specified in the ESA for the applicable period of the Load Ramp Term.

9 As the Large Load customer's load continues to increase and incremental
10 generation resources are constructed to serve that load, a greater portion of the
11 customer's service will be supplied from incremental facilities paid for through the
12 Incremental Facility Charges. During the Fixed Term, when the customer's capacity
13 requirements are met largely or entirely by such incremental facilities, the customer
14 will continue to pay the applicable Base Service Charges, including the Transmission
15 Demand Charge, based on the total Contract Capacity for the Fixed Term of the ESA.
16 However, the Existing Generation Demand and Existing Generation Energy Charges
17 will decline commensurate with the reduction in service provided by the Company's
18 existing generation resources and in most cases will become relatively *de minimis* once
19 incremental facilities are fully energized and available to serve the customer's load.

20 **Q. How do you expect the Base Service Charges and Existing Generation Charges**
21 **will be impacted by future rate cases?**

22 A. As discussed in the direct testimony of Company witness Ms. Emery, the Company
23 intends to create a separate Large Load customer class in a future rate case proceeding
24 for purposes of cost allocation and rate design. The establishment of a distinct rate

1 class will recognize the unique characteristics of Large Load customers and provide a
2 framework for evaluating the costs and revenues associated with serving those
3 customers. Consistent with traditional ratemaking principles, a separate class will
4 support the allocation of costs based on cost-causation, facilitate the development of
5 rates that reasonably reflect the costs incurred to serve the class, and promote
6 transparency regarding the extent to which Large Load customers contribute to system
7 costs. The use of a separate class will also assist in evaluating and mitigating the
8 potential for cost shifts among customer classes.

9 **IV. INCREMENTAL FACILITY CHARGES**

10 **Q. Please summarize the Company's proposed Incremental Facility Charges.**

11 A. The Incremental Facility Charges consist of five separate charges to support the
12 concept that incremental costs of serving a Large Load customer should be paid directly
13 by the Large Load customer, and to avoid unreasonable cost shifts to the Company's
14 Non-Large Load customers. The five charges include: 1) Capacity Support Charge, 2)
15 Incremental Energy Charge, 3) Incremental Generation Cost of Service Charge, 4)
16 Incremental Transmission Cost of Service Charge, and 5) Allocated 4-State Cost
17 Adjustment Charge. The Incremental Facility Charges are described in greater detail
18 below.

19 **Q. Please describe the Company's proposed Capacity Support Charge.**

20 A. The Company proposes that Large Load customers be charged a CSC equivalent to
21 35% of the applicable Existing Generation Demand Charge. The CSC represents the
22 portion of the Existing Generation Demand Charge associated with the benefits
23 provided by the Company's existing generation system and is designed to recover the
24 customer's contribution toward embedded system costs, including administrative costs

1 expected to be incurred to support reliable service to the customer. The CSC will be
2 updated in conjunction with any changes to the Existing Generation Demand Charge.

3 **Q. What is the Company's rationale for the proposed CSC?**

4 A. As explained in more detail by Company witness Mr. Doll, the CSC is intended to
5 reflect the Large Load customer's contribution toward the benefits it receives as part
6 of Liberty's integrated electric system while supporting the Company's objective that
7 Large Load customers bear the costs and obligations associated with serving their load.
8 The CSC recognizes that even where a customer is served largely or entirely through
9 incremental resources, the customer continues to receive benefits associated with
10 Liberty's existing system, including system support, operational flexibility, planning,
11 and other integrated-system capabilities.

12 **Q. Please describe the Company's proposed Incremental Generation Cost of Service**
13 **Charge.**

14 A. The Company proposes a monthly GCS Charge to recover the actual revenue
15 requirement associated with any new, incremental, accelerated, or otherwise dedicated
16 generation, capacity, purchased power, or other supply-side resources required by the
17 Company to serve a Large Load customer. The GCS Charge will be calculated using
18 traditional revenue requirement components, including the applicable investment in
19 utility plant, operation and maintenance expenses, depreciation expense, taxes, and an
20 authorized rate of return. The GCS Charge is intended to recover the costs associated
21 with providing the incremental resources necessary to serve the Large Load customer.
22 Costs recovered through the separate Incremental Energy Charge, including applicable
23 fuel and purchased power energy costs, would not be included in the calculation of the
24 GCS Charge in order to avoid duplicative cost recovery.

1 **Q. How would the GCS Charge be calculated and billed to the customer?**

2 A. The GCS Charge will be established annually based on the Company's projected
3 revenue requirement associated with the incremental generation resources for the
4 applicable contract year. The projected revenue requirement will include the
5 Company's Commission-authorized rate of return¹² on net plant investment, as well as
6 all operating costs, such as fixed O&M and variable O&M costs. The revenue
7 requirement will also include depreciation expense and property taxes associated with
8 the incremental generation resources. The revenue requirement would be adjusted as
9 needed to reflect any applicable up-front or Contribution-in-Aid-of-Construction
10 ("CIAC") payments by the customer associated with the incremental generation
11 resources.

12 The annual projected revenue requirement will be charged to the customer as
13 levelized monthly charges. At the end of each year of the customer's ESA Term, the
14 Company will perform a true-up comparing the projected revenue requirement costs to
15 the actual revenue requirement costs incurred over the year, with any over- or under-
16 recovery reflected in the GCS Charge for the following year of the ESA Term.

17 **Q. Is the Company proposing an accelerated depreciation schedule for the**
18 **incremental generation resources?**

19 A. Yes. The Company is proposing a depreciation schedule for the incremental generation
20 resources to align with the Term of the ESA with the Large Load customer to mitigate

¹² Or Rate of Return to be Used for Applicable Mechanisms if a Commission-authorized rate of return is not specifically ordered.

1 the risk of stranded assets.¹³ Company witness Ms. Emery explains the policy basis for
2 the proposed accelerated depreciation in her direct testimony.

3 **Q. Please describe the Company's proposed Incremental Energy Charge.**

4 A. The Company proposes a monthly Incremental Energy Charge designed to recover the
5 variable energy-related costs incurred to serve a Large Load customer. These costs
6 include directly assignable fuel, purchased power, and other energy costs associated
7 with incremental generation, purchased power, or other supply-side resources
8 dedicated to serving the customer, less any market revenues attributable to the
9 resources. The amount charged to the Large Load customer is based on the portion of
10 the customer's load served by incremental generation resources and specified as
11 Incremental Contract Capacity in the customer's ESA. This approach supports that the
12 energy costs associated with incremental resources are recovered from the customer
13 causing the need for those resources rather than from other customer classes. The
14 Incremental Energy Charge is intended to recover only variable energy-related costs.
15 Costs recovered through the separate GCS Charge, including the fixed revenue
16 requirement associated with generation and other supply-side resources, would not be
17 included in the Incremental Energy Charge, thereby avoiding duplicative cost recovery.

18 To the extent a Large Load customer receives service from the Company's
19 existing generation resources, the Incremental Energy Charge will include the
20 customer's applicable share of fuel and purchased power costs associated with those
21 resources that are not otherwise recovered through the Existing Generation Energy
22 Charge. Together, these charges support that the Large Load customer is responsible

¹³ To the extent the customer agrees to a longer ESA Term, the depreciation and amortization schedules would or could align with the longer ESA Term as well.

1 for 100% of the fuel and purchased power costs attributable to serving its load, without
2 resulting in over-recovery of those costs.

3 **Q. How will the Incremental Energy Charge be calculated and billed to the**
4 **customer?**

5 A. The Incremental Energy Charge recovers the net fuel and purchased-power costs
6 incurred by the Company to serve the Large Load customer through incremental
7 facilities, including applicable fuel costs, purchased-power costs, market charges,
8 congestion, losses, ancillary-service costs, and other energy-related costs, less
9 applicable market revenues and credits attributable to the resources or transactions used
10 to serve the Large Load customer. The Incremental Energy Charge will also include
11 the remaining 5% portion of fuel and purchased power costs not recovered through
12 Rider FAC. The charge will be based on projected net energy costs, actual net energy
13 costs, or a combination of projected and actual costs each year. Details on the
14 calculation of the charge will be specified in the Large Load customer's ESA. The
15 Company will then track the difference between amounts billed through the
16 Incremental Energy Charge and the actual net energy costs incurred to serve the Large
17 Load customer. Any over- or under-recovery determined at the end of the year of
18 projected costs will be reflected in a subsequent update to the Incremental Energy
19 Charge or otherwise addressed through the true-up provisions of the Large Load
20 customer's ESA. Unless otherwise provided in the ESA, the Incremental Energy
21 Charge will be reviewed no less frequently than annually, but may be reviewed more
22 frequently, including monthly, if necessary, to avoid a material over- or under-recovery
23 for a particular month. However, the Company will not be required to update the
24 Incremental Energy Charge in a given month if the Company determines that the

1 existing charge is reasonably expected to recover net energy costs without creating a
2 material over- or under-recovery.

3 **Q. Please describe the Company's proposed Incremental Transmission Cost of**
4 **Service Charge.**

5 A. The Company proposes a monthly TCS Charge to recover the actual revenue
6 requirement associated with any new, incremental, modified, accelerated, or otherwise
7 dedicated transmission, network upgrade, delivery, or related transmission costs
8 required to serve a Large Load customer. The charge will apply when the Company
9 incurs, becomes obligated to incur, or is allocated such costs as a result of providing
10 service to the customer. The TCS Charge will reflect the applicable investment and
11 expenses associated with those facilities and services, including operation and
12 maintenance expense, depreciation, taxes, and an authorized rate of return on
13 investment, less any applicable pre-payment, up-front payment, or CIAC.

14 **Q. How will the TCS Charge be calculated and billed to the customer?**

15 A. The TCS Charge will be established annually based on the Company's projected
16 revenue requirement associated with the incremental transmission facilities built for
17 the Large Load customer, or if the costs of such facilities are allocated to the Company
18 from Southwest Power Pool ("SPP"). The projected revenue requirement will include
19 the Company's Commission-authorized rate of return¹⁴ on net plant investment, as well
20 as all operating costs, such as transmission O&M expenses, depreciation expenses, and
21 property taxes. Like the GCS Charge, the revenue requirement will be adjusted as

¹⁴ Or Rate of Return to be Used for Applicable Mechanisms if a Commission-authorized rate of return is not specifically ordered.

1 needed to reflect any customer upfront or CIAC payments associated with the
2 incremental transmission facilities.

3 The annual projected revenue requirement will be charged to the customer as
4 levelized monthly charges. At the end of each contract year, the Company will perform
5 a true-up comparing projected revenue requirement to actual revenue requirement, with
6 any over- or under-recovery reflected in the TCS Charge for the following year of the
7 ESA Term.

8 **Q. Is the Company proposing an accelerated depreciation schedule for the**
9 **incremental transmission facilities?**

10 A. Yes. Similar to the incremental generation resources, the depreciation schedule for
11 incremental transmission facilities would be accelerated to a 15-year period (or a longer
12 period of applicable) to align with the Large Load customer's ESA Term. Company
13 witness Ms. Emery explains the basis for the accelerated depreciation in her direct
14 testimony.

15 **Q. Please describe the Company's proposed Allocated 4-State Cost Adjustment**
16 **Charge.**

17 A. The Company proposes that Large Load customers pay a monthly Allocated 4-State
18 Cost Adjustment Charge to recover incremental system costs allocated to the
19 Company's Missouri operations under the Company's four-state allocation
20 methodology.

21 As part of its cost allocation procedures and practices, the Company maintains
22 a four-state cost allocation model on a monthly basis that is designed to allocate the
23 Company's total system costs (including plant, depreciation, O&M, and other

1 operating expenses) to each of its jurisdictions (Missouri, Arkansas, Oklahoma,
2 Kansas, and FERC).

3 The four-state cost allocation model allocates total system costs among the
4 different jurisdictions using allocators consistently used to develop Commission-
5 approved tariff rates, such as each jurisdiction's 12-month coincident peak demand.
6 Because a Large Load customer would increase the Missouri jurisdiction's demand
7 contribution to the integrated system, Missouri's allocation percentage under the four-
8 state allocation model would increase. Consequently, the Missouri jurisdiction would
9 be assigned an incremental share of system costs attributable to the additional demand
10 created by the Large Load customer.

11 The Company will modify the four-state allocation model, as necessary, to
12 identify the incremental costs attributable to serving the Large Load customer and
13 assign those costs directly to the customer through the Allocated 4-State Cost
14 Adjustment Charge. By separately recovering these costs from the Large Load
15 customer, the Company can support that the Large Load customer bears the costs it
16 causes to be incurred on the integrated system. Without this adjustment, those
17 incremental costs would otherwise be allocated through the Company's existing cost
18 allocation processes and ultimately recovered from other customers. The proposed
19 adjustment is therefore consistent with SB4 requirement that rates for Large Load
20 customers be designed to avoid unjust or unreasonable costs shifts to other customer
21 classes.

22 **Q. How will the Allocated 4-State Cost Adjustment Charge be calculated and billed**
23 **to the customer?**

1 A. The Allocated 4-State Cost Adjustment Charge will be established at the beginning of
2 the ESA Term and updated annually to reflect the projected increase in system costs
3 allocated to Missouri as a result of the Large Load customer's load. The charge will
4 be determined using the Company's then-current jurisdictional allocation
5 methodologies, including allocators such as 12-CP demand and energy sales, as
6 applicable to the underlying components. The projected Allocated 4-State Cost
7 Adjustment Charge will be billed to the customer as levelized monthly charges. At the
8 end of each year of the ESA Term, the Company will perform a true-up comparing
9 projected incremental allocated costs to actual incremental allocated costs, with any
10 over- or under-recovery reflected in the Allocated 4-State Cost Adjustment Charge for
11 the following year of the ESA Term.

12 **V. OTHER CHARGES**

13 **Q. Please summarize the Other Charges that comprise the Schedule TS-LL rate.**

14 A. Other Charges consist of any other costs recovered through other Commission-
15 approved tariffs that are applicable to the Large Load customer. At a minimum the
16 Large Load customer will be responsible for the Securitized Utility Tariff Charge,
17 which applies to applicable energy usage regardless of whether such usage is served
18 through the Company's existing generation resources or incremental generation
19 facilities. Additional charges may be included in the Other Charges on the Large Load
20 customer's bill to the extent such charges are approved by the Commission and
21 applicable to Large Load customers.

22 **VI. ILLUSTRATIVE SCENARIOS**

23 **Q. Can you provide an illustrative example of how the charges in Schedule TS-LL**
24 **will be applied based on variations in Large Load customers' nature of service?**

- 1 A. Yes. Figure 3 (below) illustrates two Large Load service hypothetical scenarios and the
2 applicability of the charges in each scenario.

3 **Figure 3: Applicable Charges Under Illustrative Scenarios**

Illustrative Large Load Customer Scenarios		
Nature of Service	Scenario A	Scenario B
Total Demand	100 MW	100 MW
Demand Served Through Existing Generation System	40 MW	0 MW
Demand Served Through Incremental Facilities	60 MW	100 MW
Applicable Charges by Scenario		
Charge	Scenario A	Scenario B
Base Service Charges: Customer Access Charge	Full charge	Full charge
Base Service Charges: Transmission Demand Charge	Applied based on total demand (100 MW)	Applied based on total demand (100 MW)
Existing Generation Charges	Applied based on demand served through existing generation system (40 MW)	Not applicable (zero demand served through existing generation system)
Incremental Facility Charges: Capacity Support Charge	Applied based on demand served through incremental facilities (60 MW)	Applied based on demand served through incremental facilities (100 MW)
Incremental Facility Charges: Incremental Energy Charge	Customer-specific; detailed in ESA. Determined based on demands served through incremental facilities (60 MW)	Customer-specific; detailed in ESA. Determined based on demands served through incremental facilities (100 MW)
Incremental Facility Charges: GCS Charge, TCS Charge	Customer-specific; detailed in ESA	Customer-specific; detailed in ESA
Incremental Facility Charges: Allocated 4-State Cost Adjustment Charge	Customer-specific; detailed in ESA. Determined based on total demand (100 MW)	Customer-specific; detailed in ESA. Determined based on total demand (100 MW)
Other Charges: Securitized Utility Tariff Charge (Rider SUTC)	Applied to customer energy usage based on total demand (100 MW)	Applied to customer energy usage based on total demand (100 MW)

4

1 **Q. Schedule TS-LL includes Minimum Monthly Bill and Exit Fee concepts. How will**
2 **those apply to these scenarios?**

3 A. As discussed in the direct testimony of Company witness Ms. Emery, Large Load
4 customers will be subject to a Minimum Monthly Bill applicable to each of the charges
5 under Schedule TS-LL. In general, Large Load customers will pay a monthly bill based
6 on actual demand and energy for the relevant billing period. However, in cases where
7 actual demand and energy fall below certain minimum levels, the Large Load customer
8 will instead pay a Minimum Monthly Bill.

9 Additionally, and as discussed in the direct testimony of Company witness Ms.
10 Emery, Large Load customers will be subject to an Exit Fee in the event of an early
11 termination of the Large Load customer's ESA.

12 Figure 4 below shows how the Minimum Monthly Bill and Exit Fee would be
13 calculated in Scenario A where the effective date of termination is at least 36 months
14 before the end of the ESA Term.

1 **Figure 4: Minimum Monthly Bill and Exit Fee (Illustrative Scenario A)**

Charge	Minimum Monthly Bill	Exit Fee
Customer Access Charge	100% of charge	36 months of Minimum Monthly Bill charges
Transmission Demand Charge	Charge based on 80 MW (i.e. 80% of total contract capacity)	36 months of Minimum Monthly Bill charges
Existing Generation Demand Charge	Charge based on 32 MW (i.e. 80% of 40 MW System Contract Capacity ¹⁵)	36 months of Minimum Monthly Bill charges
Existing Generation Energy Charge	Charge based on 40 MW (i.e. 100% of System Contract Capacity) and 85% load factor	36 months of Minimum Monthly Bill charges
Capacity Support Charge	Charge based on 48 MW (i.e. 80% of 60 MW Incremental Contract Capacity ¹⁶)	36 months of Minimum Monthly Bill charges
Incremental Energy Charge	Charge based on 60 MW (i.e. 100% Incremental Contract Capacity) and 85% load factor	36 months of Minimum Monthly Bill charges
Incremental Generation Cost of Service Charge	100% of charge specified in ESA	The balance of projected charges for the remainder of the ESA Term as of date of termination
Incremental Transmission Cost of Service Charge	100% of charge specified in ESA	The balance of projected charges for the remainder of the ESA Term as of date of termination
Allocated 4-State Cost Adjustment Charge	100% of charge specified in ESA	36 months of Minimum Monthly Bill charges
Securitized Utility Tariff Charge (Rider SUTC)	100% of charge calculated at one hundred percent (100%) of the “Projected Usage for Annual Period” as that term is defined and calculated in the Securitized Utility Tariff Charge compliance filings	36 months of Minimum Monthly Bill charges

2 **VII. CONCLUSION**

3 **Q. Does this conclude your direct testimony at this time?**

4 **A. Yes.**

¹⁵ Capacity served by the Company’s existing generation resources.

¹⁶ Capacity served by generation resources paid for through the Incremental Facility Charges.

VERIFICATION

I, Talha A. Sheikh, under penalty of perjury, on this 11th day of September, 2026,
declare that the foregoing is true and correct to the best of my knowledge and belief.

/s/ Talha A. Sheikh