

Exhibit No.:
Issue(s): *Class Cost of Service*
Witness: *Marina Gonzales*
Sponsoring Party: *MoPSC Staff*
Type of Exhibit: *Direct Testimony*
Case No.: *ER-2024-0261*
Date Testimony Prepared: *July 21, 2025*

MISSOURI PUBLIC SERVICE COMMISSION

INDUSTRY ANALYSIS DIVISION

TARIFF/RATE DESIGN DEPARTMENT

DIRECT TESTIMONY

OF

MARINA GONZALES

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

CASE NO. ER-2024-0261

Jefferson City, Missouri
July 2025

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Staff witness Sarah L.K. Lange discusses Staff's preparation of its independently calculated production sub-functionalization and allocation, and distribution classification. Additionally, Staff witness Dr. Hari K. Poudel discusses a comparison study that uses Average and Excess production allocation and uses the distribution classification calculated by Empire, as applied to Staff's direct-filed accounting schedules.

Q. What does Staff recommend regarding non-residential rates?

A. Staff recommends an equal percent adjustment to each rate element within each of the non-residential rate classes; this includes the rates associated with the electric vehicle pilot programs. Additionally, Staff recommends the implementation of an on-peak demand charge as described in further detail in Staff witness Sarah L.K. Lange's direct testimony.

FUNCTIONALIZED COST OF SERVICE RESULTS

Q. Did Staff include any disallowances in the functionalized CCOS?

A. Yes. Various disallowances related to Customer First that were determined by Staff witnesses Matthew R. Young and Melanie Marek were included in the functionalized CCOS. However, the disallowance included in Staff witness James A. Busch's testimony is not reflected in this functionalized CCOS.

Q. What functions did Staff use in the CCOS?

A. As shown in Table 1 below, Staff distributed costs across 11 different functions in the CCOS. Production was further functionalized by plant operation. Production 1 generation are those plants that vary with energy production. The Production 1 function in this testimony reflects revenue requirements of plants that have varying operating costs. The variable revenue requirement associated with Production 1 generation is functionalized as Energy. Production 2 generation are those plants that do not vary with energy production.

Direct Testimony of
Marina Gonzales

The Production 2 generation value is also included under the Energy function, along with the wholesale energy cost to serve load.

For example, the capital, depreciation, and fixed operation and maintenance (“O&M”) costs of the State Line generation facility are functionalized as Production 1. The variable and fuel costs to operate State Line are functionalized as Energy, along with the value received for that energy through the wholesale market. The capital, depreciation, and O&M costs for Elk River are functionalized as Production 2, and the value received for the energy generated at Elk River is functionalized as Energy.

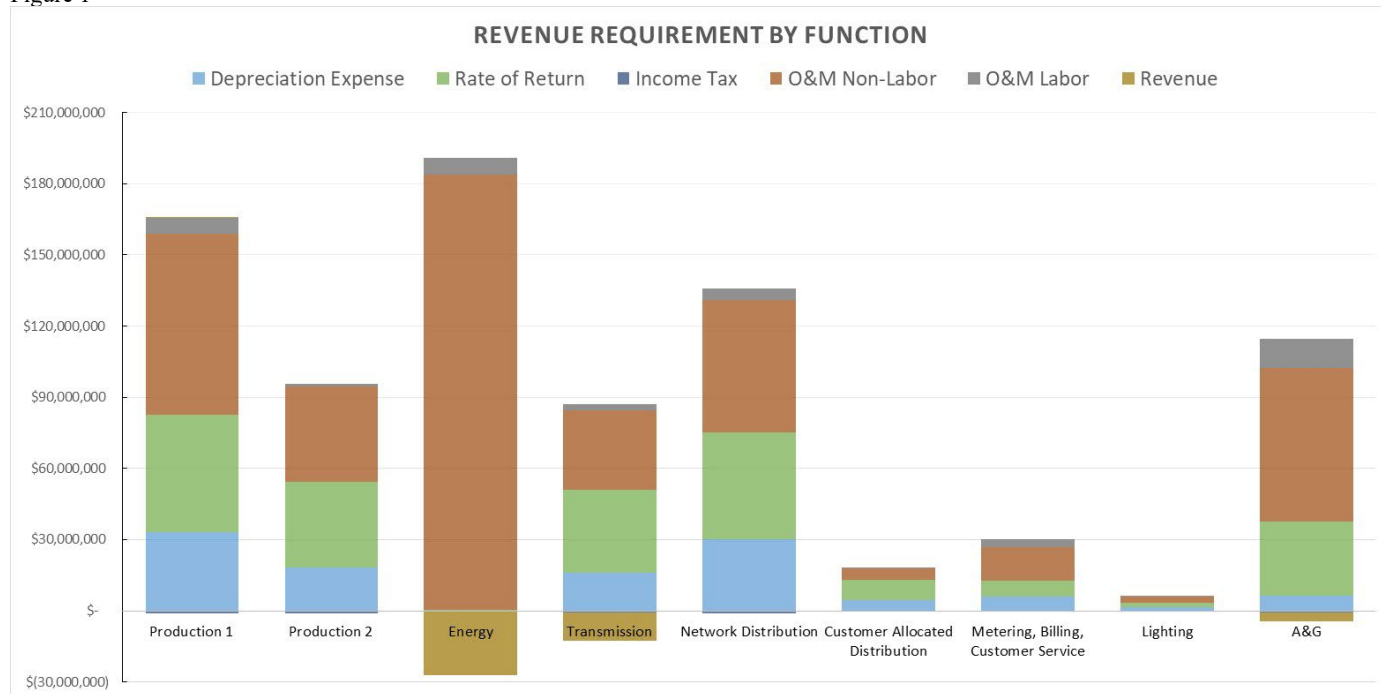
Table 1

| | Production 1 | Production 2 | Energy | Transmission | Network Distribution | Customer Allocated Distribution | Metering, Billing, Customer Service | Lighting | A&G | Income Tax Related | Revenue | Total |
|---------------------------|----------------|---------------|-----------------|-----------------|----------------------|---------------------------------|-------------------------------------|--------------|----------------|--------------------|------------------|------------------|
| Depreciation Expense | \$ 33,047,536 | \$ 18,270,428 | \$ - | \$ 16,007,764 | \$ 30,198,708 | \$ 4,349,669 | \$ 6,032,761 | \$ 1,549,476 | \$ 6,188,144 | \$ - | \$ - | \$ 115,644,486 |
| Rate of Return | \$ 49,405,221 | \$ 36,262,175 | \$ 249,139 | \$ 34,847,404 | \$ 44,848,206 | \$ 8,602,927 | \$ 6,613,608 | \$ 1,866,275 | \$ 31,342,464 | \$ (32,521,905) | \$ 20,401 | \$ 181,535,915 |
| Income Tax | \$ (1,262,596) | \$ (926,713) | \$ (6,367) | \$ (890,557) | \$ (1,146,137) | \$ (219,856) | \$ (169,017) | \$ (47,694) | \$ (800,985) | | | \$ (5,469,922) |
| O&M Non-Labor | \$ 76,436,790 | \$ 39,992,747 | \$ 183,656,230 | \$ 33,608,769 | \$ 55,959,295 | \$ 4,830,096 | \$ 14,065,565 | \$ 2,425,864 | \$ 64,969,892 | \$ - | \$ - | \$ 475,945,248 |
| O&M Labor | \$ 6,632,971 | \$ 1,112,220 | \$ 6,854,211 | \$ 2,612,707 | \$ 4,892,655 | \$ 553,445 | \$ 3,489,735 | \$ 282,162 | \$ 12,242,108 | \$ - | \$ - | \$ 38,672,214 |
| Gross Revenue Requirement | \$ 164,259,923 | \$ 94,710,857 | \$ 190,753,213 | \$ 86,186,087 | \$ 134,752,727 | \$ 18,116,281 | \$ 30,032,652 | \$ 6,076,083 | \$ 113,941,622 | | | \$ 838,829,445 |
| Revenue | \$ 177,160 | \$ - | \$ (27,248,183) | \$ (11,880,257) | \$ - | \$ - | \$ - | \$ - | \$ (3,805,301) | \$ - | \$ (513,187,004) | \$ (555,943,585) |
| Net Revenue Requirement | \$ 164,437,083 | \$ 94,710,857 | \$ 163,505,030 | \$ 74,305,830 | \$ 134,752,727 | \$ 18,116,281 | \$ 30,032,652 | \$ 6,076,083 | \$ 110,136,321 | \$ - | | \$ 796,072,864 |

Q. What is the total revenue requirement for each of the functions?

A. Figure 1 illustrates the total revenue requirement by function. A further breakdown of each function’s total revenue requirement is shown with the use of waterfall charts (Figures 2-10) and is included in the attached Schedule MG-d1.

Figure 1



Q. What are the key takeaways from this figure above?

A. As illustrated in Figure 1, the largest components of the gross revenue requirement are cost of fuel and energy (Energy) (22.7%), Production 1 (19.6%), and network distribution (16.1%). Notably, costs associated with administrative and general costs (“A&G”) - a function that does not necessarily tie to the quantity of customers, energy sold, or total demand - make up about 13.6% as determined by Staff.¹ Costs related to customer allocated distribution and customer service, metering, and billing make up roughly 2.2% and 3.6% of the total gross revenue requirement respectively.

Q. What are the total revenues reflected in Staff’s direct filing?

A. Table 2 provides the total revenues in Staff’s direct filing broken down by each rate class.²

¹ Staff witness Matthew R. Young has removed all revenue associated with Customer First. If this cost of service was included, the percentage of A&G would be higher.

² Discussed in further detail within the direct testimony of Staff Witnesses Kim Cox and Hari K. Poudel PhD.

Table 2

| Rate Class | Revenue |
|--------------|-----------------------|
| Residential | \$ 248,403,164 |
| GS | \$ 61,281,370 |
| LGS | \$ 113,773,518 |
| SPS | \$ 10,520,058 |
| LPS | \$ 66,407,104 |
| Transmisison | \$ 4,674,852 |
| Lighting | \$ 6,537,778 |
| Total | \$ 511,597,842 |

Q. What is the amount of revenue that ratepayers pay through charges like their customer charge, energy charges, and demand charges?

A. Table 3 provides Staff's direct testimony total revenues by class and the revenues comprised of only retail rates that are subject to adjustment in this case. Retail rates that are subject to adjustment include rates such as the customer charge, energy charges, and demand charges. Revenues associated with the Economic Development Rider ("EDR"), net metering, and solar facilities are not subject to adjustment.

Table 3

| Retail Rate Revenue Subject to Adjustment by Rate Class | | | | | | | | |
|---|----------------|---------------|----------------|---------------|----------------|--------------|--------------|----------------|
| | Residential | GS | LGS | SPS | LPS | Transmisison | Lighting | Total |
| Staff Revenues | \$ 248,403,164 | \$ 61,281,370 | \$ 113,773,518 | \$ 10,520,058 | \$ 66,407,104 | \$ 4,674,852 | \$ 6,537,778 | \$ 511,597,842 |
| Solar Facilities | \$ 28,494 | \$ 386 | | \$ 257,280 | | | | \$ 286,160 |
| Net Metering @ QF Rate | \$ (349,184) | \$ (67,846) | \$ (30,250) | | | | | \$ (447,280) |
| EDR | | | - | \$ (136,183) | \$ (1,607,165) | | | \$ (1,743,348) |
| Retail Rates Subject to Adjustment | \$ 248,723,854 | \$ 61,348,830 | \$ 113,803,768 | \$ 10,398,961 | \$ 68,014,268 | \$ 4,674,852 | \$ 6,537,778 | \$ 513,502,310 |

Q. Does this conclude your direct testimony?

A. Yes, it does.

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

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

Case No. ER-2024-0261

AFFIDAVIT OF MARINA GONZALES

STATE OF MISSOURI)
)
COUNTY OF COLE) ss.

COMES NOW MARINA GONZALES and on her oath declares that she is of sound mind and lawful age; that she contributed to the foregoing *Direct Testimony of Marina Gonzales*; and that the same is true and correct according to her best knowledge and belief.

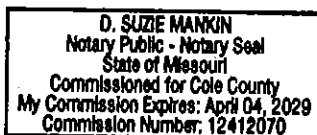
Further the Affiant sayeth not.

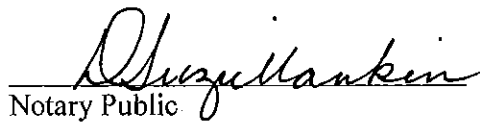


MARINA GONZALES

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 14th day of July 2025.





Notary Public

Figure 1

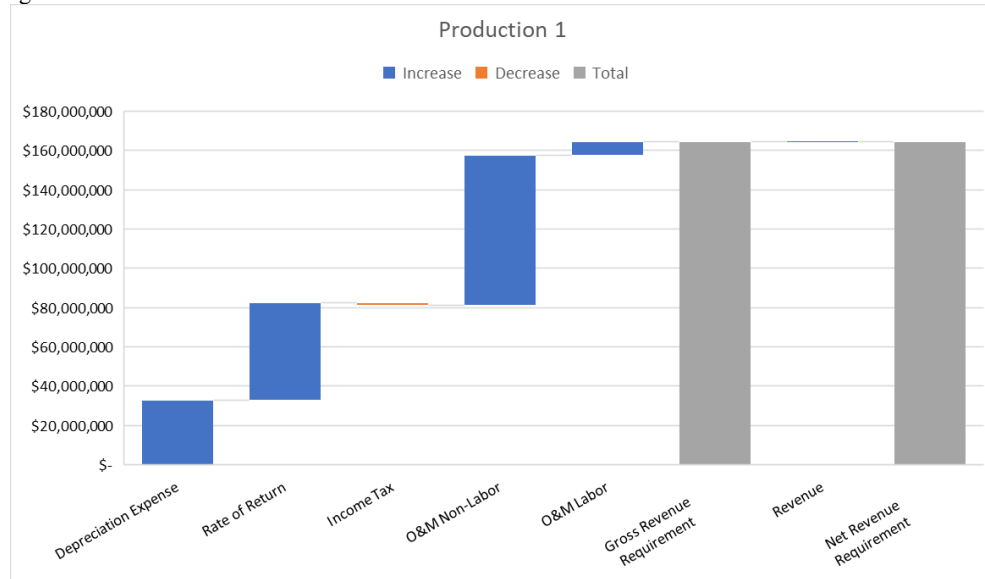


Figure 2

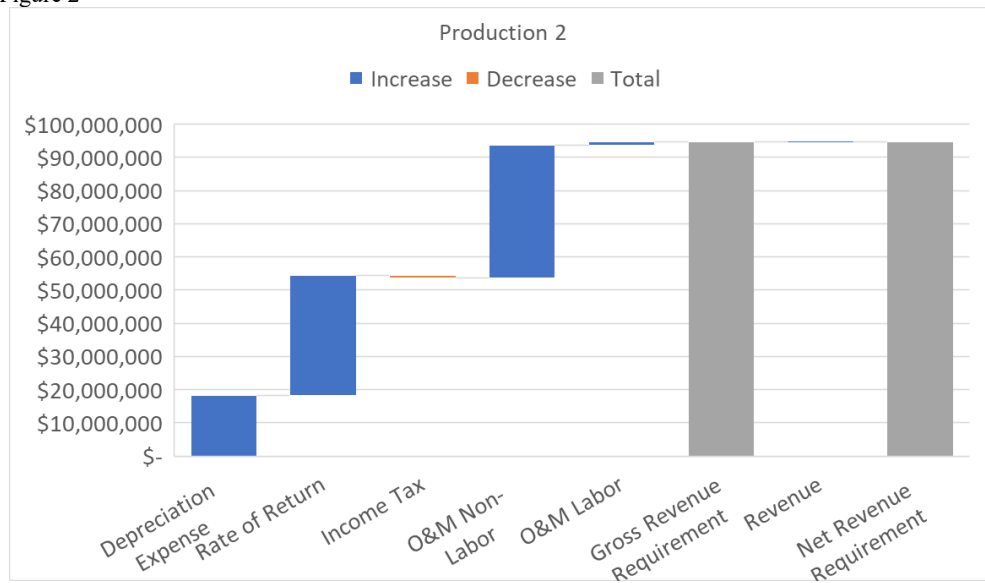


Figure 3

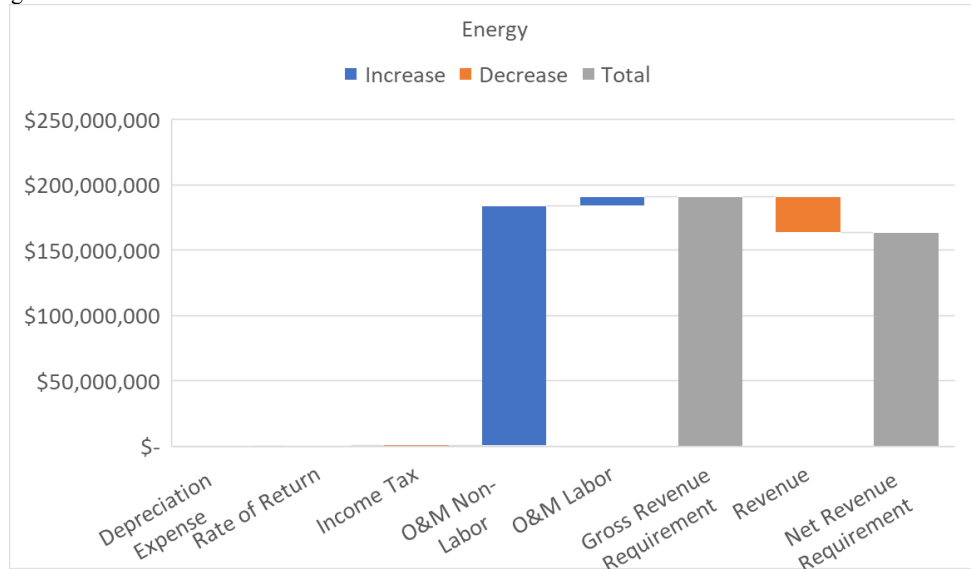


Figure 4

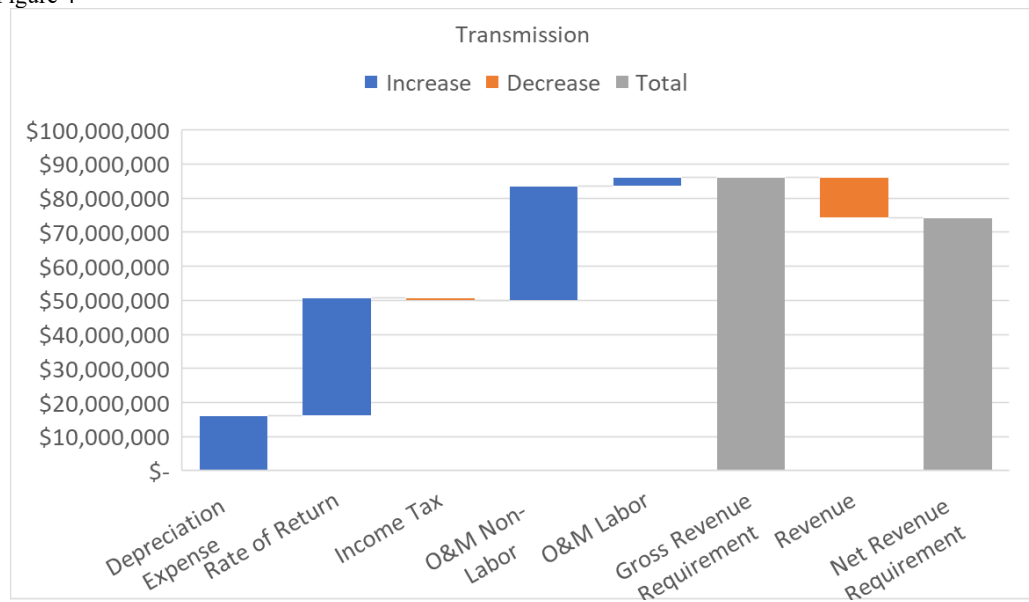


Figure 5

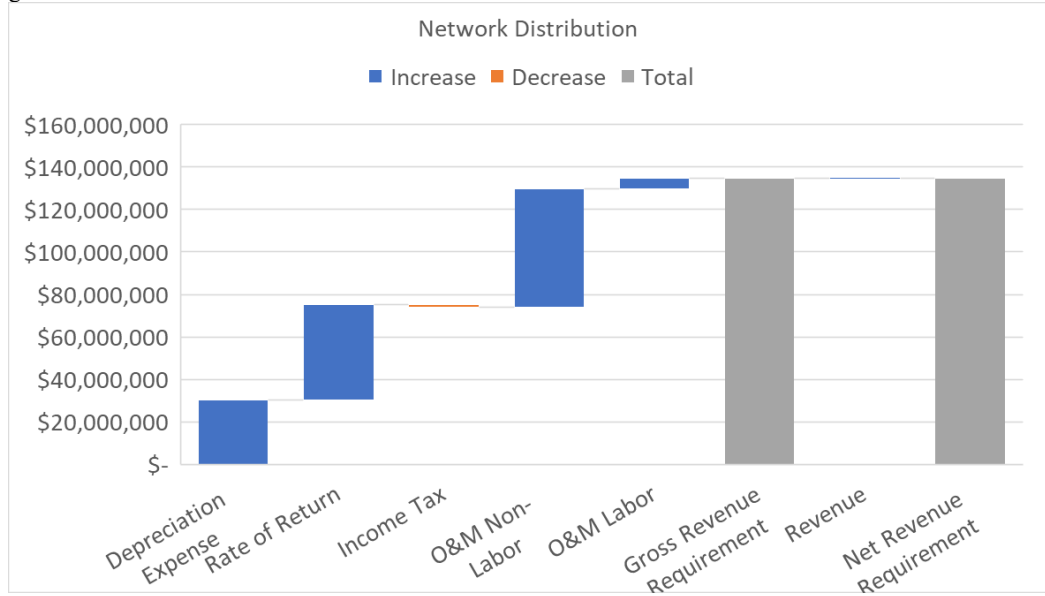


Figure 6

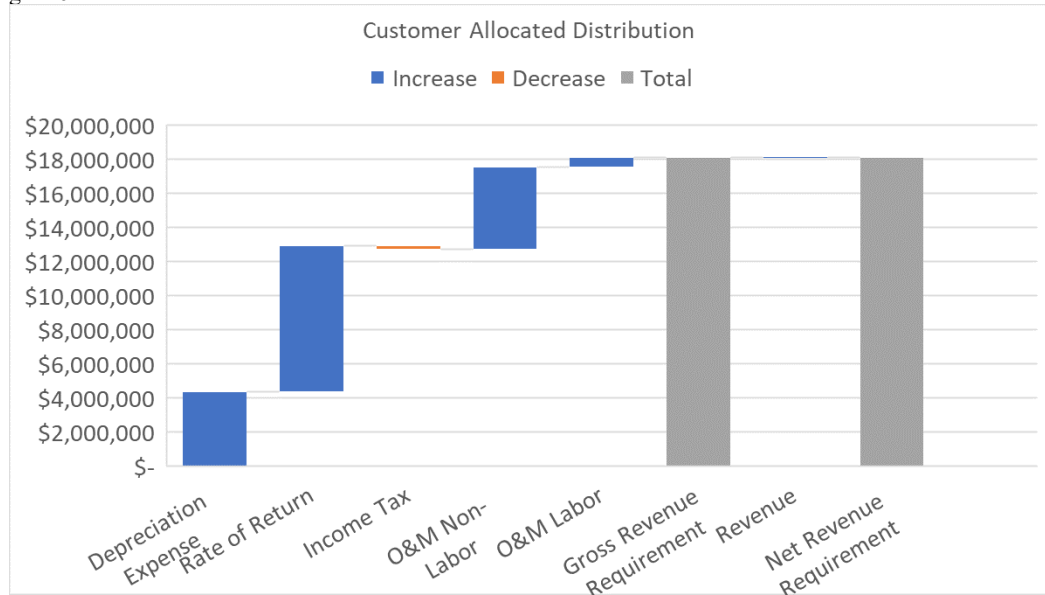


Figure 7

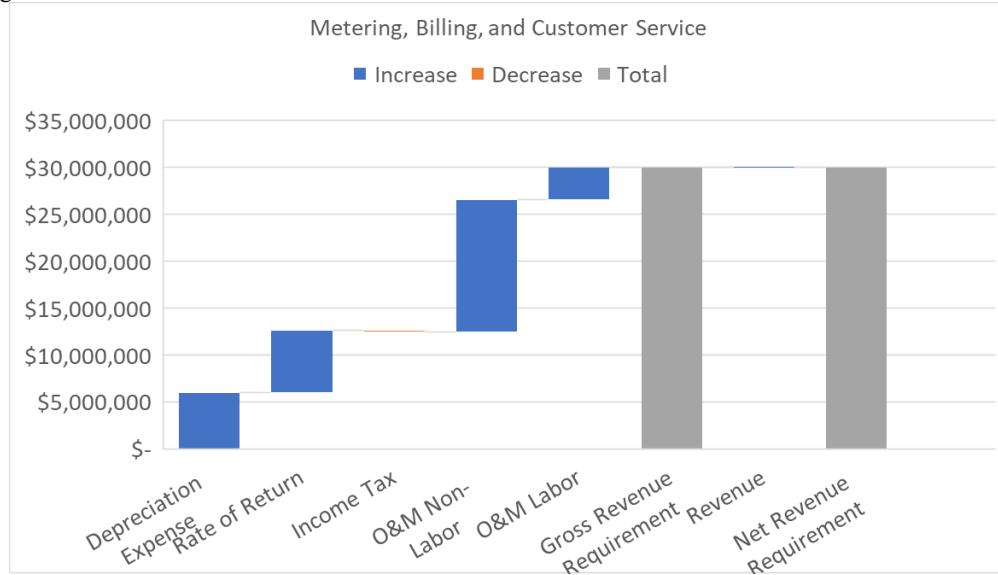


Figure 8

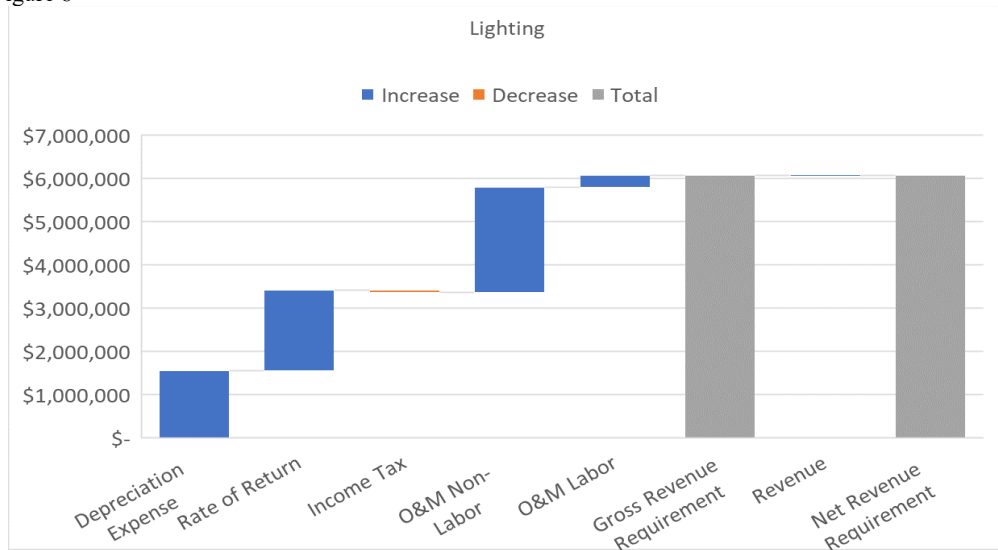


Figure 9

