

Exhibit No.:
Issue: On-System Fuel and Purchased Power
Expense
Witness: Todd W. Tarter
Type of Exhibit: Surrebuttal Testimony
Sponsoring Party: Empire District Electric
Case No. ER-2010-0130
Date Testimony Prepared: April 2010

**Before the Public Service Commission
of the State of Missouri**

Surrebuttal Testimony

of

Todd W. Tarter

April 2010



SURREBUTTAL TESTIMONY
OF
TODD W. TARTER
THE EMPIRE DISTRICT ELECTRIC COMPANY
BEFORE THE
MISSOURI PUBLIC SERVICE COMMISSION
CASE NO. ER-2010-0130

1 **Q. STATE YOUR NAME AND ADDRESS PLEASE.**

2 A. My name is Todd W. Tarter and my business address is 602 Joplin Avenue, Joplin,
3 Missouri.

4 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

5 A. The Empire District Electric Company (“Empire” or “Company”). My title is
6 Manager of Strategic Planning.

7 **Q. ARE YOU THE SAME TODD W. TARTER THAT EARLIER PREPARED**
8 **AND FILED DIRECT AND REBUTTAL TESTIMONY IN THIS RATE**
9 **CASE BEFORE THE MISSOURI PUBLIC SERVICE COMMISSION**
10 **(“COMMISSION”) ON BEHALF OF EMPIRE?**

11 A. Yes.

12 **Q. WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY?**

13 A. My surrebuttal testimony will discuss issues that have been raised by Staff witness
14 Matthew J. Barnes concerning on-system fuel and purchased power (“FPP”)
15 expense used to establish the fuel adjustment clause (“FAC”) base costs in this
16 case.

17 **Q. IS IT A REQUIREMENT TO REESTABLISH THE FPP BASE COSTS**
18 **WHEN THE CONTINUATION OF A FAC IS REQUESTED IN A RATE**

1 **PROCEEDING?**

2 A. No. Based on my review of the Electric Utility Fuel and Purchased Power Cost
3 Recovery Mechanisms Filing and Submission Requirements, it is my
4 understanding that this is not a requirement. In Mr. Barnes Rebuttal Testimony he
5 states that, “Therefore, every rate case requires the reestablishment of the fuel and
6 purchased power base costs to be reflected on Empire’s FAC tariff sheets.” (Barnes
7 Rebuttal; page 2, line 22 and page 3, lines 1-2). It appears that the Staff witness is
8 suggesting that it is a requirement, but Empire does not agree with this assertion.
9 In its direct filing Empire did not change the on-system base FPP costs for the FAC
10 when it requested the continuation of the current FAC.

11 **Q. STAFF WITNESS BARNES STATES ON PAGE 4, LINES 6 AND 7 OF HIS**
12 **REBUTTAL TESTIMONY THAT “EMPIRE SHOULD HAVE FILED TO**
13 **REBASE THE FUEL AND PURCHASED POWER COSTS IN ITS FAC IN**
14 **THIS CASE.” DO YOU AGREE?**

15 A. No. The need to rebase FPP for the FAC depends on the circumstances of a
16 particular case. I do agree that in each case an examination of all costs, revenues
17 and other factors is necessary. In general, a rebasing of the FPP costs in the FAC
18 may be warranted. This, however, is not a typical case. At this time, construction
19 is proceeding on the Iatan 2 and Plum Point coal-fired units of which Empire is a
20 joint owner. Additionally, the 162 megawatt (“MW”) Westar Jeffrey coal
21 purchased power agreement (“PPA”) will be expiring on May 31, 2010. A primary
22 reason for Empire’s decision not to propose rebasing the on-system FPP costs for
23 the FAC with its direct filing is the uncertainty of the generation mix that will

1 ultimately be included in this case. Other contributing factors for not rebasing
2 include: (1) the fact that the current level of on-system FPP costs in the FAC,
3 which has been in place for less than two years, has been very close to the actual
4 costs; and (2) that the Iatan 2 rate case will follow this case. It is Empire's request
5 that the FAC base be adjusted in the Iatan 2 rate case and not at this time, in order
6 to avoid resetting the FAC base multiple times in such a short time span.

7 **Q. SHOULD THE COMMISSION ADOPT STAFF'S FAC**
8 **RECOMMENDATION FOR THE FAC BASE RATES IN THIS CASE?**

9 A. No. If the Commission determines that it is necessary to rebase the FPP costs in
10 the FAC for this case, the on-system FPP cost level proposed in Staff's direct filing
11 still should not be adopted. Staff's proposed FPP cost level is much too low for a
12 variety of reasons, all of which were discussed in my rebuttal testimony. Based on
13 Mr. Barnes' rebuttal testimony, it appears that the Staff will likely change its FPP
14 model run and the result will be different than what Staff has recommended in this
15 case to this point. The FPP model run that Staff made in its direct case appears to
16 have been based on assumptions that are not valid for this case, including Staff's
17 initial assumptions regarding generation mix. This was one of the points raised
18 earlier in this testimony when I explained Empire's decision not to change the FAC
19 base rate for the direct filing due, in part, to the uncertainty of the future generation
20 mix appropriate for this case.

21 **Q. IN ITS REBUTTAL TESTIMONY STAFF STATED THE NEED TO**
22 **INCLUDE COSTS FOR CERTAIN CONSUMABLES IN THE FPP COSTS.**
23 **DO YOU AGREE WITH THIS APPROACH?**

1 A. Yes. As Staff witness Barnes points out, the consumables include ammonia used
2 by a Selective Catalytic Reduction (“SCR”) system, limestone used by scrubbers,
3 and powder activated carbon used to remove mercury.

4 **Q. WHEN THE PLUM POINT COAL-FIRED PLANT IS INCLUDED IN ANY**
5 **UPDATE RUNS, ARE THERE ANY MODELING CONSIDERATIONS**
6 **NECESSARY WITH REGARD TO THIS UNIT?**

7 A. Yes. When the Plum Point unit goes into service, Empire will own 50 MW of
8 Plum Point and have an additional 50 MW from this unit through a PPA. If
9 modeled separately, it is important that they both have the same outages since they
10 are from the same unit. The 50 MW PPA portion should include operation and
11 maintenance (“O&M”) expenses and environmental costs. O&M and
12 environmental costs for the ownership portion and demand charges for the PPA
13 portion should be included in other appropriate areas of this rate case.

14 **Q. STAFF WITNESS BARNES STATES THAT THE VOLUME OF NATURAL**
15 **GAS CONSUMED BY EMPIRE’S NATURAL GAS UNITS HAS DECLINED**
16 **SINCE THE LAST RATE CASE DUE TO LESS DEMAND FOR**
17 **ELECTRICITY (PAGE 7, LINES 10-12). DO YOU AGREE?**

18 A. No. The normalized energy requirement (net system input) in this case is greater
19 than the normalized net system input requirement in the previous rate case.

20 **Q. WILL EMPIRE CONTINUE TO MONITOR FPP COSTS AND**
21 **REEVALUATE THE NEED TO UPDATE THE FAC BASE IN THIS CASE?**

22 A. Yes. However, it is Empire’s current position that the FAC base rate should not be
23 changed at this time, but should be reviewed in the case that follows this case (Iatan

TODD W. TARTER
SURREBUTTAL TESTIMONY

1 2 case). This should result in less confusion for Empire’s customers. If the
2 Commission decides to rebase the FAC base rate in this case, it should be based on
3 an annualized and normalized model run that fairly sets the appropriate level of on-
4 system FPP expense when rates from this proceeding become effective. Staff’s run
5 in their direct filing was not appropriate for this case, and will most likely be
6 updated. If Staff does update their model run for this case there are several
7 modeling assumptions that should be addressed. These issues include: (1) the
8 inclusion of all costs; (2) the use of the correct generation mix; (3) the use of the
9 proper forward looking FPP costs; (4) the use of the correct number of normalized
10 maintenance days for coal units, specifically for Riverton unit 7 and Iatan unit 1;
11 and (5) the use of the correct capacity factor for the Meridian Way Wind Farm
12 PPA.

13 **Q. DOES THIS CONCLUDE YOUR SURREBUTTAL TESTIMONY?**

14 **A. Yes.**

