

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-2011-0004  
Date Testimony Prepared: April 2011

**Before the Public Service Commission**

**of the State of Missouri**

**Surrebuttal Testimony**

**of**

**Todd W. Tarter**

**April 2011**

SURREBUTTAL TESTIMONY  
OF  
TODD W. TARTER  
THE EMPIRE DISTRICT ELECTRIC COMPANY  
BEFORE THE  
MISSOURI PUBLIC SERVICE COMMISSION  
CASE NO. ER-2011-0004

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. ON PAGE 4, LINE 16 OF HIS REBUTTAL TESTIMONY STAFF WITNESS  
18 BARNES MENTIONS THAT EMPIRE’S FAC DOES NOT ELIMINATE

1           **THE NEED TO EXAMINE FPP COSTS IN EACH RATE CASE. HAS**  
2           **EMPIRE EXAMINED THE FPP COSTS FOR THIS CASE?**

3    A.    Yes. Empire has thoroughly examined the FPP costs for this case. Mr. Barnes  
4           acknowledges that Empire ran a computer simulation model that was presented in  
5           Empire's direct testimony. It was only after this detailed analysis, which  
6           determined that the average FPP costs was slightly higher than the current FAC  
7           base, that Empire made a recommendation in the direct filing to keep the FAC as  
8           approved in the previous rate case in order to limit the number of issues and  
9           streamline the process as much as possible. This is in spite of the fact that rebasing,  
10          based on the results of Empire's direct filing analysis, would have been beneficial  
11          to the Company. Furthermore, Empire has updated the model with more recent  
12          information and the results were presented in my rebuttal testimony.

13   **Q.    DOES EMPIRE NOW PROPOSE TO REBASE THE FAC FOR THIS**  
14   **CASE?**

15   A.    Yes, as outlined in my rebuttal testimony, Empire now proposes to rebase the FAC  
16          in this case. In his rebuttal testimony (page 3, beginning with line 7), Staff witness  
17          Barnes also contends that there is a need to rebase FPP in this case. At this point in  
18          the case, when it appears that streamlining the process has not worked out, Empire  
19          and Staff now appear to be in agreement on the FPP rebasing issue, provided that  
20          the FAC base is set correctly with the most updated information.

21   **Q.    ON PAGE 2, BEGINNING AT LINE 3 OF HIS REBUTTAL TESTIMONY**  
22   **STAFF WITNESS BARNES MENTIONS CHANGES IN SUPPLY-SIDE**

1           **RESOURCES AND FUEL COSTS THAT WERE REFLECTED IN STAFF'S**  
2           **FUEL MODEL RUN. DID EMPIRE REFLECT THESE CHANGES IN ITS**  
3           **FUEL MODEL RUN?**

4       A.     Yes. In fact, at this point in the process, Empire has made more of the appropriate  
5           changes to properly set the rates and FAC base than Staff has made in its fuel  
6           model run. In addition to the appropriate supply-side and fuel cost changes that Mr.  
7           Barnes mentioned in his rebuttal testimony, Empire has also updated the Elk River  
8           Wind Farm purchased power energy cost and has included the cost associated with  
9           the storage of natural gas and operation and maintenance costs that is associated  
10          with the Plum Point PPA. These are all issues that Staff has omitted from its fuel  
11          model run. As compared to Staff's FPP cost models presented in this case thus far,  
12          Empire has presented the most complete and accurate analysis of fuel costs and new  
13          FAC base.

14       **Q.     IN HIS REBUTTAL TESTIMONY STAFF WITNESS BARNES**  
15       **RECOMMENDS ELIMINATING THE SUMMER AND NON-SUMMER**  
16       **BASE ENERGY COST. DOES EMPIRE AGREE WITH THIS**  
17       **APPROACH?**

18       A.     Yes. Mr. Barnes makes this recommendation on page 5 beginning with line 17 of  
19           his rebuttal testimony. Empire agrees that a single base energy cost should be  
20           approved in this case.

21       **Q.     WILL THERE BE TRUE-UP FPP MODEL RUNS IN THIS CASE?**

22       A.     Yes. A Commission Order dated April 19, 2011, has ordered that a True-Up direct

1 filing is due by May 6, 2011. Empire will file a True-Up FPP model run on that  
2 date. Based on Staff witness Barnes' rebuttal testimony (page 5, beginning a line  
3 9), it appears that Staff plans to provide a True-Up FPP model run as well.

4 **Q. CAN YOU COMPARE THE STAFF AND EMPIRE FPP MODEL RUNS IN**  
5 **THIS CASE TO DATE?**

6 A. Yes, but I do not think it is productive to compare numbers at this point. In rebuttal  
7 testimony, Staff did present some dollar figures "based on Staff's fuel run models  
8 in its direct case" (Barnes' rebuttal, page 4, line 4), but the numbers that Staff  
9 presented do not match Staff's direct filing. Thus, it would be confusing to make a  
10 comparison in terms of dollar figures. In addition, the parties' aforementioned  
11 True-Up FPP model runs will essentially replace the model runs presented to date  
12 in this case. In the True-Up for this case, Empire will update its FPP model for  
13 customer growth. As a comparison of major factors to date for this case, I would  
14 say that Staff and Empire are in agreement on: (1) the need to rebase the FPP costs;  
15 (2) the supply-side resources; (3) the weighted average natural gas price; (4) fuel  
16 related costs (e.g., unit train and fuel handling etc.); and (5) the elimination of the  
17 summer and non-summer base energy cost. In general, the differences in Empire  
18 and Staff's FPP modeling for this case seem to stem from Staff basing its direct and  
19 rebuttal fuel model runs on fuel price and energy price information that is backward  
20 looking, while Empire's model runs have been based on year 2011 known and  
21 measurable fuel and energy prices. The 2011 prices are of particular importance  
22 since that is the period of time when rates from this case will first become effective.

1    **Q.    PLEASE STATE EMPIRE’S RECOMMENDATIONS FOR THE TRUE-UP**  
2    **FPP MODEL RUNS IN THIS CASE.**

3           In general, the true-up fuel model runs should include all of the costs updated per  
4           the true-up period and reflect known and measurable costs/prices that Empire will  
5           incur when rates from this case becomes effective. If Staff updates its fuel model  
6           run for this case, there are several modeling assumptions that Staff should address.  
7           The Staff assumptions that need to be addressed include: (1) updating all of the  
8           solid fuel costs (coal and petroleum coke initial and freight); (2) updating the Elk  
9           River Wind Farm PPA energy price; (3) the inclusion the Southern Star natural gas  
10          storage costs; (4) the inclusion of the O&M costs associated with the Plum Point  
11          PPA as an on-system FPP cost component; and (5) the exclusion of any Southwest  
12          Power Administration (SWPA) credits as an off-set to FPP costs.

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

14    A.    Yes.

