

Exhibit No.:
Issue: On-System Fuel and Purchased Power
Expense, FAC Base
Witness: Todd W. Tarter
Type of Exhibit: Surrebuttal Testimony
Sponsoring Party: Empire District Electric
Case No. ER-2012-0345
Date Testimony Prepared: February 2013

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

Surrebuttal Testimony

of

Todd W. Tarter

February 2013



SURREBUTTAL TESTIMONY
OF
TODD W. TARTER
THE EMPIRE DISTRICT ELECTRIC COMPANY
BEFORE THE
MISSOURI PUBLIC SERVICE COMMISSION
CASE NO. ER-2012-0345

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

2 A. My name is Todd W. Tarter and my business address is 602 South Joplin Avenue,
3 Joplin, 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 Staff witness Matthew J. Barnes’ rebuttal
14 testimony concerning on-system fuel and purchased power (“FPP”) expense and
15 other energy charges used to establish the fuel adjustment clause (“FAC”) base
16 costs in this case.

17 **Q. BASED ON STAFF WITNESS BARNES’ REBUTTAL TESTIMONY, DID**
18 **STAFF INADVERTANTLY EXCLUDE ANY COSTS FROM THE DIRECT**

1 **FILING THAT SHOULD HAVE BEEN INCLUDED IN ITS**
2 **CALCULATION OF NET BASE ENERGY COSTS PER KWH?**

3 A. Yes. On page 2, lines 8-11 of his rebuttal testimony, Mr. Barnes acknowledges that
4 Staff inadvertently excluded operation and maintenance (“O&M”) costs for
5 Empire’s 50 MW Plum Point purchased power contract.

6 **Q. DID STAFF REPORT A CHANGED POSITION FOR THE NET BASE**
7 **ENERGY COSTS IN MR. BARNES’ REBUTTAL TESTIMONY?**

8 A. Yes. On page 2, lines 12-13 of his rebuttal testimony, Mr. Barnes states that Staff’s
9 rebuttal proposal for net base energy costs is \$0.02786 per kWh or \$27.86 per
10 MWh.

11 **Q. DOES STAFF’S PROPOSED \$27.86 PER MWH NET BASE ENERGY COST**
12 **INCLUDE ANY O&M COSTS FOR THE 50 MW PLUM POINT**
13 **PURCHASED POWER CONTRACT?**

14 A. No. Even though the Staff witness stated in his rebuttal testimony that the Plum
15 Point purchased power O&M cost was inadvertently excluded, an examination of
16 the Staff workpapers used to develop the \$27.86 per MWH shows that the
17 purchased power energy charge total is the same in Staff’s rebuttal position as it
18 was in its direct filing. Staff’s purchased power energy costs is the sum of the
19 energy costs for the two wind farm contracts, spot market purchases, and the
20 portion of the Plum Point energy costs attributed to the 50 MW purchased power
21 contract. It appears that, even though the work paper has re-categorized some
22 costs, nothing was added for the Plum Point purchase power O&M costs in Staff’s
23 rebuttal testimony position. Similar to other fuel related costs, Empire adds these

1 Plum Point purchase power O&M costs outside the production cost model.

2 **Q. WHAT CHANGES DID STAFF MAKE IN ITS REBUTTAL POSITION**
3 **FOR NET BASE ENERGY COSTS FOR THIS CASE?**

4 A. The Staff proposal for net base energy costs changed from \$32.23 per MWh to the
5 aforementioned \$27.86 per MWh. According to Mr. Barnes' rebuttal testimony
6 (page 2, lines 1-7), Staff removed costs related to natural gas transportation, natural
7 gas storage, Plum Point purchased power demand charges and transmission costs.
8 An examination of Staff's work papers confirms that these costs were removed.
9 Further, based on an examination of the Staff's work papers, it appears that a few
10 other changes were made, the most significant being a revision to the net renewable
11 energy costs.

12 **Q. HOW WOULD STAFF'S PROPOSED BASE ENERGY COST IN THE FAC**
13 **OF \$27.86 PER MWH CHANGE IF THE PLUM POINT PURCHASED**
14 **POWER O&M WERE INCLUDED IN THE CALCULATION?**

15 A. It would increase. It is difficult to calculate the impact with certainty since Staff
16 inadvertently excluded the Plum Point purchase O&M component from its FAC
17 base energy cost, and Mr. Barnes' rebuttal testimony did not disclose a value for
18 the Plum Point purchase O&M component that Staff excluded. Empire's existing
19 FAC base energy cost includes a value of \$2,978,039 for the Plum Point purchased
20 power O&M cost, and Empire is recommending an updated value of \$3,365,823 for
21 this cost factor in this proceeding. In order to assess the magnitude of this omission
22 in Staff's proposed rate, these numbers can be used as a proxy for the amount Staff
23 should have included. Using these values for the Plum Point purchased power

1 O&M component, the Staff's FAC base energy cost of \$27.86 per MWH would
2 increase to a range of \$28.42 to \$28.50 per MWH.

3 **Q. DID STAFF REMOVE SOME COST CATEGORIES FROM THE NET**
4 **BASE ENERGY COST IN ITS REBUTTAL TESTIMONY?**

5 A. Yes. According to Mr. Barnes' rebuttal testimony (page 2, beginning at line 1),
6 Staff removed fixed costs that were inadvertently included in its direct filing. Mr.
7 Barnes provides the reason for Staff removing these cost categories on page 2, line
8 2 when he states "since fixed costs should not be included in the FAC." The
9 testimony listed the fixed cost categories that were removed as: natural gas
10 transportation; natural gas storage; Plum Point purchased power agreement demand
11 charges; and transmission costs.

12 **Q. WERE ALL OF THE COST CATEGORIES THAT STAFF REMOVED**
13 **FIXED COSTS?**

14 A. No. I would not categorize transmission costs as a fixed cost since transmission
15 costs will vary as Empire's load and usage varies, as well as with changes in FERC
16 approved rates. As such, transmission costs are valid costs for recovery in the
17 FAC. Staff's proposed FAC tariff sheets attached to Mr. Barnes' rebuttal
18 testimony includes a transmission costs component and it is Empire's position that
19 transmission costs in FERC account 565 should flow through the FAC. Therefore,
20 transmission costs should be included as a component of the FAC base energy cost.

21 **Q. DO YOU AGREE WITH STAFF'S REMOVAL OF THE OTHER COST**
22 **CATEGORIES FROM THE CALCULATION OF THE BASE ENERGY**
23 **COST (I.E., OTHER THAN TRANSMISSION COSTS WHICH YOU**

1 **ALREADY ADDRESSED)?**

2 A. As mentioned in my rebuttal testimony, the FAC rules prohibit the inclusion of
3 long-term purchased power demand costs in the FAC, so I agree with Staff's
4 removal of the Plum Point purchased power demand charges. Staff also proposed
5 the removal of the natural gas transportation and natural gas storage costs from the
6 calculation of the base energy cost. To reiterate Empire's position from my
7 rebuttal testimony, while these costs do not flow through Empire's existing FAC, I
8 could agree that they could be eligible for the FAC. They are related to the delivery
9 of fuel and the natural gas transportation costs were included in an earlier version
10 of Empire's Missouri FAC.

11 **Q. WILL THERE BE TRUE-UP IN THIS CASE?**

12 A. Yes. The Order setting procedural schedule for this case dated August 6, 2012, has
13 established that True-Up direct testimony, if required, is due by March 14, 2013.
14 Parties will have the opportunity at that time to update the net base energy costs for
15 the FAC.

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

17 A. Yes.

