

Exhibit No.:
Issue: On-System Fuel and Purchased Power
Expense
Witness: Todd W. Tarter
Type of Exhibit: True-up Direct Testimony
Sponsoring Party: Empire District Electric
Case No. ER-2011-0004
Date Testimony Prepared: May 2011

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

True-Up Direct Testimony

of

Todd W. Tarter

May 2011

TRUE-UP DIRECT 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, REBUTTAL AND SURREBUTTAL TESTIMONY IN**
9 **THIS RATE CASE BEFORE THE MISSOURI PUBLIC SERVICE**
10 **COMMISSION (“COMMISSION”) ON BEHALF OF EMPIRE?**

11 A. Yes.

12 **Q. WHAT IS THE PURPOSE OF YOUR TRUE-UP DIRECT TESTIMONY?**

13 A. My True-up Direct testimony will discuss Empire’s true-up fuel model run for the
14 on-system fuel and purchased power (“FPP”) expense used to establish the fuel
15 adjustment clause (“FAC”) base costs and the fuel and energy costs included in
16 base electric rates in this case.

17 **Q. DID THE COMMISSION ORDER A TRUE-UP DIRECT FILING FOR**
18 **THIS CASE?**

1 A. Yes. The Commission issued an order dated April 19, 2011, directing that a True-
2 up Direct filing be made by May 6, 2011. In my Surrebuttal testimony, I stated that
3 in the True-up for this case, Empire will update its fuel model for customer growth.

4 **Q. PLEASE LIST THE ITEMS THAT WERE ORDERED TO BE**
5 **CONSIDERED IN THIS TRUE-UP PROCEEDING RELATED TO FPP**
6 **EXPENSE.**

7 A. The true-up items that are related to the fuel model runs for this case include:
8 customer growth (e.g., the hourly loads also referred to as the net system input
9 (“NSI”) and peak demands), fuel and purchased power expense, to include, but not
10 limited to, updated contract prices for coal, wind power, fuel transportation and fuel
11 storage.

12 **Q. IN YOUR SURREBUTTAL TESTIMONY IN THIS CASE, YOU STATED**
13 **RECOMMENDATIONS FOR THE TRUE-UP FUEL MODEL RUNS IN**
14 **THIS CASE. PLEASE RESTATE THOSE RECOMMENDATIONS.**

15 A. In surrebuttal, Empire stated that in general, the true-up fuel model runs should
16 include all of the costs updated per the true-up period and reflect known and
17 measurable costs/prices that Empire will incur when rates resulting from this case
18 become effective. Fuel model run updates for this case should address: (1)
19 updating all of the solid fuel costs (coal and petroleum coke initial and freight); (2)
20 updating the Elk River Wind Farm PPA energy price; (3) the inclusion of the
21 Southern Star natural gas storage costs; (4) the inclusion of the O&M costs
22 associated with the Plum Point PPA as an on-system FPP cost component; and (5)

1 the exclusion of any Southwest Power Administration (“SWPA”) credits as an off-
2 set to FPP costs.

3 **Q. PLEASE LIST THE CHANGES THAT EMPIRE HAS MADE TO THE**
4 **FUEL MODEL FOR THE TRUE-UP IN THIS CASE.**

5 A. Since the fuel model run that Empire presented in my rebuttal testimony, the only
6 change that has been made for this true-up is a change in hourly loads due to
7 customer growth. All other items, such as fuel and energy contract pricing and the
8 inclusion of natural gas storage costs, have already been updated in Empire’s prior
9 fuel runs. In other words, all of the recommendations for true-up model runs that
10 Empire presented in surrebuttal testimony have been addressed in Empire’s true-up
11 fuel model run.

12 **Q. PLEASE EXPLAIN THE CUSTOMER GROWTH UPDATE THAT WAS**
13 **MADE FOR THE TRUE-UP FUEL MODEL RUN.**

14 A. In Empire’s direct and rebuttal case, the loads in the fuel model were based on the
15 customer count as of June 2010. For this true-up run, the customer count has been
16 updated to March 2011. This update resulted in the addition of about 264 more
17 customers. The NSI increased from 5,400,342 megawatt hours (“MWH”) to
18 5,408,801 MWH for the true-up run, or only about a 0.16% increase.

19 **Q. PLEASE SUMMARIZE THE RESULTS OF EMPIRE’S TRUE-UP FUEL**
20 **MODEL RUN.**

21 A. With the modest increase in load due to updating the customer count, the total on-
22 system FPP cost (excluding purchase demand charges and other non-fuel items,

1 such the sale of renewable energy credits (“REC”), air quality control consumables,
2 etc.) equals \$161,593,897 or \$29.88 /MWH.

3 **Q. PLEASE COMPARE EMPIRE’S TRUE-UP FUEL MODEL RUN WITH**
4 **THE PREVIOUS RUN THAT WAS PRESENTED IN REBUTTAL**
5 **TESTIMONY.**

6 A. The following table compares the Empire true-up fuel model run with the previous
7 fuel model run presented in rebuttal testimony. As previously mentioned, the only
8 input change in the model was the hourly loads or NSI (MWH). The true-up FAC
9 worksheet is attached to this testimony as Schedule TWT-1.

Fuel Model Run Comparison

Description	Empire Rebuttal	Empire True-Up	Change	%
Customers	168,531	168,795	264	0.16%
NSI (MWH)	5,400,342	5,408,801	8,459	0.16%
On-System FPP Cost w/o Demand (\$)	161,268,205	161,593,897	325,692	0.20%
On-System FPP Cost w/o Demand (\$/MWH)	29.86	29.88	0.02	0.07%
Total Energy Cost for FAC (\$) ¹	161,760,861	162,086,553	325,692	0.20%
Base Energy Cost for FAC (\$/MWH) ¹	29.95	29.97	0.02	0.07%

11 ¹ Includes the on-system FPP cost without demand, consumables and renewable energy credit (REC) offset

12 **Q. PLEASE SUMMARIZE YOUR TRUE-UP DIRECT TESTIMONY.**

13 A. For the true-up fuel model run presented in this testimony, Empire updated hourly
14 loads due to customer growth. This was the only change made since all other
15 updates for fuel and energy prices had been made and presented in Empire’s
16 rebuttal testimony. Since the hourly load/customer growth update was relatively
17 minor, the overall change to the proposed energy cost for this case was very small
18 as compared to Empire’s position in rebuttal testimony. In fact, the change in the

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1 base energy cost for the FAC—which includes the on-system FPP expense without
2 purchase power demand charges, AQCS consumables and an offset by the sale of
3 REC—changed from \$29.95 /MWH to \$29.97 /MWH or about a 0.07% increase.
4 In comparison, the current base cost per MWH in Empire’s rates and FAC base is
5 \$29.75 /MWH. Empire recommends rebasing the energy cost in Empire’s FAC at
6 \$29.97 /MWH which is based upon the true-up run presented in this testimony.
7 This calculation is also shown in Schedule TWT-1.

8 **Q. DOES THIS CONCLUDE YOUR TRUE-UP DIRECT TESTIMONY?**

9 **A. Yes.**

