

Exhibit No.:
Issue: Fuel Adjustment
Witness: Todd W. Tarter
Type of Exhibit: Supplemental Direct
Testimony
Sponsoring Party: Empire District Electric
Case No. ER-2012-0326
Date Testimony Prepared: April 2012

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

Supplemental Direct Testimony

of

Todd W. Tarter

April 2012

SUPPLEMENTAL DIRECT TESTIMONY
OF
TODD W. TARTER
THE EMPIRE DISTRICT ELECTRIC COMPANY
BEFORE THE
PUBLIC SERVICE COMMISSION OF THE STATE OF MISSOURI
CASE NO. ER-2012-0326

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

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

4 **Q. ARE YOU THE SAME TODD W. TARTER THAT FILED DIRECT**
5 **TESTIMONY IN THIS CASE NO. ER-2012-0326 ON MARCH 30, 2012?**

6 A. Yes I am.

7 **Q. WHAT IS THE PURPOSE OF YOUR SUPPLEMENTAL DIRECT**
8 **TESTIMONY?**

9 A. My supplemental direct testimony will describe revisions to the interest calculation,
10 recovery period sales forecast and the resulting change of the Cost Adjustment
11 Factor ("CAF") for the Empire Fuel Adjustment Clause ("FAC") that made it
12 necessary for Empire to withdraw its originally-filed tariff sheet 17K and to file a
13 new tariff sheet that reflects these revisions. Empire requests that, following
14 Staff's review of the new tariff sheet, the Commission approve the revised FAC
15 sheet 17k to be effective as of June 1, 2012, which is the first day of the Recovery
16 Period prescribed in Empire's FAC tariff. As stated in my previously filed direct
17 testimony, these revised rate schedules reflect the actual energy costs that Empire
18 has incurred during the six-month period September 2011 through February 2012.

1 This six-month period is an Accumulation Period specified in Empire's FAC tariff
2 that was approved by the Missouri Public Service Commission ("Commission") in
3 its Report and Order issued in Case No. ER-2011-0004.

4 **Q. PLEASE EXPLAIN THE REVISION TO THE INTEREST CALCULATION**
5 **THAT IS CONTAINED ON REVISED TARIFF SHEET 17K.**

6 A. It has come to my attention that there were errors in the interest calculation
7 associated with the Empire FAC that was filed on March 30, 2012. There was an
8 error in the over/under recovery balance to which the interest was applied, and there
9 was an interest formula error for the period April 2011 through February 2012.
10 Both of these issues have now been corrected and are reflected in Empire's revised
11 FAC tariff sheet.

12 **Q. WHAT WAS THE MAGNITUDE OF THE INTEREST CALCULATION**
13 **REVISION?**

14 A. The interest calculation is a relatively small component of the overall FAC
15 calculation. The interest revision raised the amount of interest owed by Empire's
16 customers by approximately \$16,564. This revision, alone, would make only a very
17 slight change to the CAF designed to provide a rebate to customers beginning with
18 the next recovery period which begins June 1, 2012. It would change the CAF for
19 primary service from \$(0.00173) kilowatt-hour (kWh) in the original filing to about
20 \$(0.00172) per kWh after the interest calculation revision.

21 **Q. PLEASE EXPLAIN THE REVISION TO THE RECOVERY PERIOD**
22 **SALES FORECAST.**

23 A. As stated in my previously filed direct testimony, Empire is seeking a decrease in

1 its FAC rates to reflect 95% of the difference between the base energy costs built
2 into its base Missouri rates and Empire's actual Missouri energy costs for the
3 Accumulation Period September 2011 through February 2012, plus a true-up of the
4 costs recovered during the Recovery Period ending November 30, 2011. This
5 refund via FAC rates will be reflected on Missouri customers' bills over the six-
6 month Recovery Period running from June 2012 through November 2012. The
7 CAF that is designed to provide this refund over the next Recovery Period is
8 volumetric in nature. It is based on a cost per kWh used by Missouri retail
9 customers. Thus, the calculation of the CAF is based on a forecast of future sales in
10 the Recovery Period. Since Empire made the original filing in March 2012,
11 Empire's Fuel Accountants have discovered that the most recent sales forecast of
12 the Recovery Period, June through November of 2012, was not utilized in the
13 original calculation. Empire's revised FAC tariff sheets reflect the updating of the
14 recovery period sales forecast, which lowers the level of expected recovery period
15 sales.

16 **Q. PLEASE EXPLAIN THE OVERALL PROPOSED CHANGE TO THE CAF**
17 **FOLLOWING THE REVISIONS TO THE INTEREST CALCULATION**
18 **AND THE RECOVERY SALES FORECAST.**

19 **A.** As originally filed on March 30, 2012, the CAF for primary service was \$(0.00173)
20 per kWh and the CAF for secondary service was \$(0.00176) per kWh. Following
21 the revisions to interest and recovery period sales, the CAF for primary service has
22 changed to \$(0.00180) per kWh and the CAF for secondary service has changed to
23 \$(0.00183) per kWh.

1 **Q. PLEASE CONTINUE.**

2 A. Due to the revised interest calculation, the customers owe about \$16,564 more in
3 interest charges, making the FAC rebate slightly lower than originally filed on
4 March 30, 2012. However, since the future Recovery Period sales forecast has
5 declined, the proposed CAF will provide a slightly larger rebate on a \$/kWh basis
6 than was anticipated in the March 30, 2012 filing. In other words, while the
7 amount of the rebate is slightly lower, it will be returned to Empire's Missouri retail
8 customers in the form of a larger credit per kWh of use.

9 **Q. HOW DOES THE MONTHLY FAC CHANGE FOR A TYPICAL**
10 **RESIDENTIAL CUSTOMER?**

11 A. For Missouri residential customers using 1,000 kWh per month, the electric bill
12 will decrease by approximately \$6.00 per month over the six-month period June
13 2012 through November 2012, when the current revised FAC credit factor of
14 \$(0.00183) is applied to their bill and the previous positive FAC factor of \$0.00417
15 is eliminated from their bill. In the March 2012 filing, prior to the previously
16 described revisions, Empire reported that a residential customer using 1,000 KWH
17 per month would see a decrease in their electric bills of approximately \$5.93 per
18 month.

19 **Q. IS THE COMMISSION STAFF ("STAFF") AWARE OF THE REVISIONS**
20 **THAT YOU HAVE DESCRIBED?**

21 A. Yes. Staff requested a phone conference to discuss the interest calculation in the
22 FAC filing. During a phone call on April 24, 2012, Empire's Fuel Accountants
23 informed Staff about the errors in the interest calculation. It was decided that

1 Empire should make the corrections and file a revised tariff sheet and supplemental
2 direct testimony. Empire made the aforementioned corrections and provided
3 updated workpapers to the Staff. Empire and Staff also exchanged some follow-up
4 emails and phone calls to check on the status of the filing. Empire also informed
5 Staff about the change to the Recovery Period sales forecast. The revised CAF
6 calculations have also been provided to Staff.

7 **Q. PLEASE EXPLAIN THE SCHEDULE ATTACHED TO YOUR**
8 **SUPPLEMENTAL DIRECT TESTIMONY?**

9 A. Attached to my supplemental direct testimony is a schedule that I am referring to as
10 Revised Schedule TWT-1. Page 1 contains the revised tariff sheet and page 2
11 contains the revised CAF calculation and the monthly analysis of the energy costs
12 and energy cost recovery that has taken place during the Accumulation Period.

13 **Q. WHAT ACTION IS EMPIRE REQUESTING FROM THE COMMISSION**
14 **WITH RESPECT TO THE FAC RATE SCHEDULE THAT THE**
15 **COMPANY HAS FILED?**

16 A. Empire believes its FAC filing, which includes the previously described revisions,
17 satisfies all of the requirements of applicable statutes, the Commission's rules, and
18 Empire's approved FAC. Empire requests that, following Staff's review, the
19 Commission approve revised FAC sheet 17k to be effective as of June 1, 2012,
20 which is the first day of the Recovery Period prescribed in Empire's FAC tariff.

21 **Q. DOES THIS CONCLUDE YOUR SUPPLEMENTAL DIRECT TESTIMONY**
22 **AT THIS TIME?**

23 A. Yes, it does.

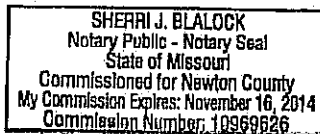
AFFIDAVIT OF TODD W. TARTER

STATE OF MISSOURI)
) ss
COUNTY OF JASPER)

On the 27th day of April, 2012, before me appeared Todd W. Tarter, to me personally known, who, being by me first duly sworn, states that he is Manager of Strategic Planning of The Empire District Electric Company and acknowledges that he has read the above and foregoing document and believes that the statements therein are true and correct to the best of his information, knowledge and belief.

Todd W. Tarter
Todd W. Tarter

Subscribed and sworn to before me this 27th day of April, 2012.



Sherri J. Blalock
Notary Public

My commission expires: Nov. 16, 2014.

THE EMPIRE DISTRICT ELECTRIC COMPANY

P.S.C. Mo. No. 5 Sec. 4 2nd Sheet No. 17k

Canceling P.S.C. Mo. No. 5 Sec. 4 1st Sheet No. 17k

For ALL TERRITORY

FUEL ADJUSTMENT CLAUSE SCHEDULE FAC For service on and after June 15, 2011.	
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ACCUMULATION PERIOD ENDING, (Feb 29, 2012)

1. Total energy cost (F + P + E - O - R)	\$65,773,548
2. Base energy cost (B)	\$70,393,679
3. Missouri energy ratio (J)	0.8188
4. Fuel cost recovery $[(F + P + E - O - R) - B] * J * 0.95$	\$(3,608,949)
5. Adj for over/under recovery for the recovery period ending 11-30-2011 (C)	\$(230,875)
6. Interest (I)	\$29,016
7. Fuel Adjustment Clause (FAC)	\$(3,810,809)
8. Forecasted Missouri NSI for the recovery period (S)	2,230,199,532
9. Cost Adjustment Factor (CAF) to be applied to bills beginning 06-01-2012	\$(0.00171) / kWh
10. CAF - Primary and above (Line 9 x Primary Expansion Factor)	\$(0.00180) / kWh
11. CAF - Secondary (Line 9 x Secondary Expansion Factor)	\$(0.00183) / kWh

Primary Expansion Factor = 1.0502
Secondary Expansion Factor = 1.0686

The Empire District Electric Company
Fuel Adjustment Clause
Cost Adjustment Factor Calculation
For Accumulation Period Ending February 2012

REVISED

		Accumulation Period						Prior Period Adj	Total
		Sept 11	Oct 11	Nov 11	Dec 11	Jan 12	Feb 12		
[F]	Fuel	\$ 7,599,359.78	\$ 6,632,364.64	\$ 7,181,752.66	\$ 8,059,293.14	\$ 8,573,679.13	\$ 7,902,465.56	\$	\$ 45,950,914.91
[F]	Fuel - AQCS	\$ 172,519.01	\$ 57,181.80	\$ 116,395.00	\$ 147,257.71	\$ 130,102.71	\$ 144,356.89	\$	\$ 767,814.12
[P]	Purchased Power	\$ 4,927,034.69	\$ 5,326,502.76	\$ 4,800,218.08	\$ 4,152,647.12	\$ 5,082,770.06	\$ 3,450,643.97	\$	\$ 27,739,816.68
[O]	Off-System Sales Revenue	\$ 1,435,092.19	\$ 2,551,241.20	\$ 889,627.06	\$ 998,279.72	\$ 802,968.72	\$ 1,348,767.65	\$	\$ 8,025,976.54
[E]	Net of Emission Allow.	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$	\$ -
[R]	Renewable Energy Credit Revenues	\$ 76,145.90	\$ 140,247.27	\$ 154,813.77	\$ (911.78)	\$ 172,659.54	\$ 124,066.36	\$	\$ 667,021.06
	Total Energy Cost	\$ 11,187,675.39	\$ 9,324,560.73	\$ 11,053,925.91	\$ 11,371,830.03	\$ 12,810,923.64	\$ 10,024,632.41	\$	\$ 65,773,548.11
	Base Rate per kwh								
	NSI kwh	\$ 0.02823	\$ 0.02823	\$ 0.02823	\$ 0.02823	\$ 0.02823	\$ 0.02823		
	Base Energy Cost	\$ 386,130,000	\$ 367,781,000	\$ 392,192,000	\$ 467,640,000	\$ 464,266,000	\$ 415,568,000		\$ 2,493,577,000
(B)		\$ 10,900,449.90	\$ 10,382,457.63	\$ 11,071,580.16	\$ 13,201,477.20	\$ 13,106,229.18	\$ 11,731,484.64	\$	\$ 70,393,678.71
	Missouri Retail kwh Sales	290,771,489	276,675,647	300,334,943	361,583,415	356,469,896	318,851,890		1,904,691,280
	Total System kwh Sales	359,834,547	342,735,115	365,915,136	436,635,467	433,624,439	387,475,608		2,326,220,312
(J)	Missouri Energy Ratio	0.8081	0.8073	0.8208	0.8281	0.8221	0.8229		0.8188
	Fuel Cost Recovery (Over)/Under [(F + P + E - O - R - B) * J] * 0.95}	\$ 220,501.57	\$ (811,338.16)	\$ (13,766.08)	\$ (1,439,374.28)	\$ (230,632.15)	\$ (1,334,340.27)	\$	\$ (3,608,949.37)
(C)	Over/Under Adjustment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (230,875.35)	\$	\$ (230,875.35)
(I)	Interest (Expense)/Income	\$ 4,323.93	\$ 2,531.20	\$ 2,081.49	\$ 1,963.78	\$ 1,271.44	\$ 280.02	\$	\$ 29,015.90
(FAC)	Fuel Adjustment Clause [(F+P+O+E)-B]*J + C + I	\$ 224,825.50	\$ (808,806.96)	\$ (11,684.59)	\$ (1,437,410.50)	\$ (229,360.71)	\$ (1,564,935.60)	\$	\$ (3,810,808.82)
a	For Recovery Period								2,734,938,935
b	Forecasted NSI kwh								2,076,284,760
c	Forecasted Missouri Retail kwh Sales								2,546,190,128
	Forecasted Total System kwh Sales								81.54%
	Forecasted Missouri Ratio								
(S)	Forecasted Missouri NSI kwh (S)=a*(b/c)								2,230,199,532
(CAF)	Cost Adjustment Factor (CAF=FAC/S)								-0.00171
	CAF - Primary and above								-0.00180
1.0502	Primary Expansion Factor								-0.00183
1.0686	Secondary Expansion Factor								