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Supplemental Direct Testimony of
Ryan Kind

1 Q. HAVE YOU TESTIFIED PREVIOUSLY BEFORE THIS COMMISSION?

2 A. Yes, prior to this case I submitted written testimony in: numerous gas rate cases, several
3 electric rate design cases and rate cases, as well as other miscellaneous gas, electric, and
4 telephone cases.

5 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

6 A. This testimony will address several of the questions raised in the Commission's June 20,
7 2006 Order Requiring Additional Information or Supplemental Filing. My testimony will
8 address questions 2, 3, 4 and 5. Public Counsel witness Russ Trippensee's Supplemental
9 Direct Testimony will address questions 1, 2, 3 and 4 in the Commission's June 20th
10 order.

11 Q. THE SECOND QUESTION POSED BY THE COMMISSION IN ITS JUNE 20TH ORDER WAS:

12 Based on historical usage patterns and projections of future usage, how
13 much natural gas and purchased power do you anticipate the Empire
14 District Electric Company will use on an annual basis for the next three
15 years? Please note any historical usage patterns and provide evidence,
16 including any assumptions, in support of your position.

17 WHAT IS YOUR RESPONSE TO THIS QUESTION?

18 A. The most common method of projecting fuel use in future years is to use a complex
19 computer model generally referred to as a fuel model or production cost model. Public
20 Counsel does not have access to a fuel model with the appropriate input data (generation
21 unit characteristics, etc.) entered into it that would be needed to make the requested 3
22 year projections. Historical usage patterns for Empire should be used with caution since
23 Empire recently began purchasing energy from a wind farm and that change, along with
24 other uncertainties such as weather and load growth would need to be taken into account
25 when making projections based on historical usage of natural gas and purchased power.

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1 Q. THE THIRD QUESTION POSED BY THE COMMISSION IN ITS JUNE 20TH ORDER WAS:

2 Based on the price of natural gas on July 10, 2006 and assuming average
3 weather based on how a Party responds to Question 1, how much would
4 it cost for Empire to hedge 100% of its estimated natural gas purchases
5 for the next three years on an annualized basis? Please provide a detailed
6 breakdown of costs.

7 WHAT IS YOUR RESPONSE TO THIS QUESTION?

8 A. The above answer to the second question indicated that Public Counsel is unable to
9 provide the requested estimates of fuel and purchased power usage for the next three
10 years. Therefore, it is not possible to provide the requested estimate of hedging costs
11 because this estimate can not be calculated without the fuel and purchased power usage
12 projections requested by the Commission in question 2. I would also note that it would
13 generally not be desirable or prudent to hedge 100% of future fuel costs unless the
14 projected usage amounts are known with near certainty. It is of course impossible to
15 project fuel and purchased power usage amounts with near certainty for a location like
16 Empire's Missouri service territory which contains large amounts of weather sensitive
17 load and experiences significant variations in annual usage due to weather variations
18 from year to year.

19 Q. THE FOURTH QUESTION POSED BY THE COMMISSION IN ITS JUNE 20TH ORDER WAS:

20 What hedging strategy and amounts over the next three years would
21 provide the most benefit to consumers?

22 WHAT IS YOUR RESPONSE TO THIS QUESTION?

23 A. My first response to this question would be to ask "how is hedging defined for the
24 purposes of this question?" Hedging can involve much more than just securing financial
25 instruments that are intended to reduce the volatility of fuel prices. Resource planning
26 choices can also be considered as hedges against fuel cost volatility. The resources in a
27 utility's resource portfolio which either don't require fuel (wind turbines and utility

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1 sponsored energy efficiency programs) or use fuels that have less price volatility than
2 natural gas (coal and nuclear generating plants) can be considered to be important parts of
3 a hedging program. Empire is required to provide a new 20 year resource plan to the
4 signatories in Case No. EO-2005-0262 within the next few weeks pursuant to the
5 Stipulation and Agreement that was approved by the Commission in that case. This
6 resource plan will address sensitivities of various resource options to changes in the price
7 of natural gas and other fuels.

8 Public Counsel would be engaging in a very speculative exercise to make a
9 recommendation on optimal hedging strategies for Empire over the next three years
10 without reviewing the Company's new IRP study. Another factor that prevents OPC
11 from providing useful information in response to this question is the inability to make
12 credible precise recommendations on a three-year hedging strategy without being able to
13 calculate the three-year fuel and purchased power usage projections requested in question
14 number 2.

15 Q. THE FIFTH QUESTION POSED BY THE COMMISSION IN ITS JUNE 20TH ORDER WAS:

16 Is there any other relevant information you wish to provide the
17 Commission in response to this request?

18 WHAT IS YOUR RESPONSE TO THIS QUESTION?

19 A. The only other relevant information that I wish to provide is to direct the Commission's
20 attention to Public Counsel's June 29, 2006 Application For Rehearing which (1) seeks to
21 have the Commission rescind its June 20, 2006 Order Requiring Additional Information
22 or Supplemental Filing and (2) contains OPC's views regarding the relevance, procedural
23 and due process issues raised by that order.

24 Q. DOES THIS CONCLUDE YOUR SUPPLEMENTAL DIRECT TESTIMONY?

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Ryan Kind

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A. Yes.