EXHIBIT

Exhibit No.:
Issue(s): Response to Questions Raised In The Commission's June 20, 2006 Order
Witness/Type of Exhibit: Kind/Supplemental Direct
Sponsoring Party: Public Counsel
Case No.: ER-2006-0315

SUPPLEMENTAL DIRECT TESTIMONY

OF

RYAN KIND

Submitted on Behalf of
the Office of the Public Counsel

THE EMPIRE DISTRICT ELECTRIC COMPANY

Case No. ER-2006-0315

July 17, 2006

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of the Empire District Electric Company of Joplin, Missouri for Authority to File Tariffs Increasing Rates for Electric Service Provided to Customers in the Missouri Service Area of the Company	)))))	**Case No. ER-2006-0315**

AFFIDAVIT OF RYAN KIND

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

Ryan Kind, of lawful age and being first duly sworn, deposes and states:

1. My name is Ryan Kind. I am Chief Utility Economist for the Office of the Public Counsel.

2. Attached hereto and made a part hereof for all purposes is my supplemental direct testimony consisting of pages 1 through 5.

3. I hereby swear and affirm that my statements contained in the attached testimony are true and correct to the best of my knowledge and belief.

Ryan Kind

Subscribed and sworn to me this 17th day of July 2006.

NOTARY PUBLIC NOTARY SEAL STATE OF MISSOURI

JERENE A. BUCKMAN
My Commission Expires
August 10, 2009
Cole County
Commission #05754036

Jerene A. Buckman
Notary Public

My commission expires August 10, 2009.

SUPPLEMENTAL DIRECT TESTIMONY

OF

RYAN KIND

EMPIRE DISTRICT ELECTRIC COMPANY

CASE NO. ER-2006-0315

Q. PLEASE STATE YOUR NAME, TITLE, AND BUSINESS ADDRESS.

A. Ryan Kind, Chief Public Utility Economist, Office of the Public Counsel, P.O. Box 2230, Jefferson City, Missouri 65102.

Q. PLEASE SUMMARIZE YOUR EDUCATIONAL AND EMPLOYMENT BACKGROUND.

A. I have a B.S.B.A. in Economics and a M.A. in Economics from the University of Missouri-Columbia (UMC). While I was a graduate student at UMC, I was employed as a Teaching Assistant with the Department of Economics, and taught classes in Introductory Economics, and Money and Banking, in which I served as a Lab Instructor for Discussion Sections.

My previous work experience includes three and one-half years of employment with the Missouri Division of Transportation as a Financial Analyst. My responsibilities at the Division of Transportation included preparing transportation rate proposals and testimony for rate cases involving various segments of the trucking industry. I have been employed as an economist at the Office of the Public Counsel (Public Counsel or OPC) since April 1991.

Q. HAVE YOU TESTIFIED PREVIOUSLY BEFORE THIS COMMISSION?

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

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

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

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

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

WHAT IS YOUR RESPONSE TO THIS QUESTION?

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

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

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

WHAT IS YOUR RESPONSE TO THIS QUESTION?

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

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

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

WHAT IS YOUR RESPONSE TO THIS QUESTION?

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

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

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

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

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

WHAT IS YOUR RESPONSE TO THIS QUESTION?

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

Q. DOES THIS CONCLUDE YOUR SUPPLEMENTAL DIRECT TESTIMONY?

A. Yes.