

Exhibit No.: _____
Issue(s): Fuel Adjustment Base Factor, Non-
FAC Fuel & Purchased Power Costs
Witness: Todd W. Tarter
Type of Exhibit: True-Up Rebuttal
Testimony
Sponsoring Party: The Empire District
Electric Company d/b/a Liberty
Case No.: ER-2024-0261
Date Testimony Prepared: September 2025

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

True-Up Rebuttal Testimony

of

Todd W. Tarter

on behalf of

The Empire District Electric Company d/b/a Liberty

September 22, 2025



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FOR THE TRUE-UP REBUTTAL TESTIMONY OF TODD W. TARTER
THE EMPIRE DISTRICT ELECTRIC COMPANY D/B/A LIBERTY
BEFORE THE MISSOURI PUBLIC SERVICE COMMISSION
CASE NO. ER-2024-0261

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1 **I. INTRODUCTION**

2 **Q. Please state your name and business address.**

3 A. My name is Todd W. Tarter. My business address is 602 South Joplin Avenue, Joplin,
4 Missouri.

5 **Q. Are you the same Todd W. Tarter who provided direct, rebuttal, surrebuttal and**
6 **true-up direct testimony in this matter on behalf of The Empire District Electric**
7 **Company d/b/a Liberty (“Liberty” or the “Company”)?**

8 A. Yes.

9 **Q. What is the purpose of your true-up rebuttal testimony in this proceeding before**
10 **the Missouri Public Service Commission (“Commission”)?**

11 A. In my true-up rebuttal testimony, I address the Commission Staff’s (“Staff”) position
12 on the level for re-setting the fuel adjustment clause (“FAC”) base factor, as jointly
13 proposed in the true-up direct testimony of Staff witnesses Brooke Mastrogiannis,
14 Antonija Nieto, Justin Tevie, and Shawn Lange. I also address Office of Public Counsel
15 (“OPC”) witness Angela Schaben’s true-up direct testimony regarding the appropriate
16 amount of transmission congestion right (“TCR”) revenues received from the
17 Southwest Power Pool (“SPP”) for calculating the FAC base factor. Finally, I address
18 Staff witness Antonija Nieto’s true-up direct testimony regarding natural gas
19 transportation costs.

1 **II. FAC BASE FACTOR**

2 **Q. Please summarize the FAC base factor proposals in this case.**

3 A. Initially, the Company filed an FAC base factor proposal of \$16.59/MWh. In true-up
4 direct, after revising several inputs as described in my true-up direct, this was raised to
5 \$17.85/MWh. Staff initially proposed a base factor of \$15.35/MWh, after correcting a
6 sign error. In true-up direct, Staff lowered its proposal to \$11.11/MWh.

7 **Q. Do the Staff and Company FAC base factors directly compare to one another?**

8 A. No. As I have previously mentioned in this case, the two proposals have assumed
9 different levels of transmission cost recovery. The Company is requesting 100%
10 recovery of transmission costs in the FAC, while the Staff is proposing that about
11 21.33% be included in the FAC base representing select accounts that would be eligible
12 to flow through the FAC with the remainder in base rates.

13 **Q. Solely for comparison purposes, can you provide what the Company FAC base**
14 **factor proposal would be if it used the same percentage of transmission cost as**
15 **Staff's proposal?**

16 A. Yes. It would be reduced from \$17.85/MWh to about \$15.28/MWh. The \$15.28/MWh
17 would be close to the Staff's original proposal of \$15.35/MWh.

18 **Q. Do you have any concerns with the level to which Staff lowered its FAC base factor**
19 **proposal in true-up direct testimony?**

20 A. Yes. As I have mentioned before in this case, natural gas prices and correlated market
21 prices are important inputs into the FAC base factor calculations. I was very surprised
22 to see the Staff true-up direct proposal move this low, as compared to its direct
23 proposal, given the modest change in the natural gas price. Staff supported a weighted
24 average natural gas price of \$3.43/MMBtu in its direct testimony and \$3.31/MMBtu in

1 its true-up direct testimony. Yet, the Staff FAC base factor proposal dropped from
2 \$15.35/MWh to \$11.11/MWh. This is a significant decrease. Even understanding that
3 there are many other factors to consider in the calculation of the FAC base factor, it is
4 still odd that the natural gas price lowered by about 3.5% and the FAC base factor
5 lowered by about 27.6% since most of the other fuel related components did not change
6 much.

7 **Q. It appears that in its true-up direct proposal Staff had a large decrease in**
8 **purchased power energy. Can you explain this?**

9 A. No, I cannot explain why this happened. As mentioned in my rebuttal testimony, I
10 noted a discrepancy within total purchased power expenses between Staff witness
11 Mastrogiannis and Nieto. In Staff witness Mastrogiannis' workpaper supplied with her
12 direct testimony, the FAC category "Purchase Power Energy costs" was comprised of
13 two components: "Total Contract Purchases" of approximately \$27 million and
14 "Purchase Costs" of approximately \$11.8 million. However, in Staff witness
15 Mastrogiannis' true-up direct calculation workpaper the \$11.8 million "Purchase
16 Costs" is removed from the calculation and the Excel worksheet tab containing the data
17 that was present in the direct workpaper, is missing from the true-up direct workpaper
18 altogether. No mention of this change, however, was provided by Staff in true-up direct
19 testimony.

20 **Q. Is this large decrease in Staff's purchase power energy significant to its FAC base**
21 **factor calculation?**

22 A. Yes. This unexplained change in methodology accounts for an \$11.8 million or a
23 \$2.28/MWh reduction in Staff's FAC base factor calculation.

1 **Q. Is it important to have natural gas prices and market prices correlated when**
2 **modeling the SPP Integrated Marketplace?**

3 A. Yes.

4 **Q. How did the Company accomplish this?**

5 A. As mentioned in my earlier prepared testimony, the Company engaged a consultant,
6 Horizons Energy, to develop both fuel and market prices using a consistent and
7 integrated approach for fuel modeling. Horizons Energy specializes in modeling energy
8 markets and provides hourly locational marginal prices (“LMPs”) that reflect
9 congestion, transmission losses, and other market dynamics. Horizons Energy
10 develops hourly LMPs and natural gas prices using a consistent set of underlying
11 modeling assumptions.

12 **Q. Could there be issues with Staff’s methodology when it comes to correlating**
13 **natural gas and market prices?**

14 A. Yes. This was discussed in my rebuttal testimony when I addressed Staff witness Nieto
15 who developed the natural gas prices and Staff witness Tevie who developed the market
16 prices. In his true-up direct testimony, Staff witness Tevie is still excluding year 2022
17 data due to perceived abnormally high prices. This creates a disconnect between the
18 Staff natural gas and market price assumptions, as they are based on different
19 timeframes and methodologies. The Company approach avoids the need to arbitrarily
20 omit data and the other potential risks of using historical data for the development of
21 multiple sets of hourly market data to be used as key inputs in the modeling process.

22 **Q. What TCR revenue offset did Staff reflect in its true-up direct testimony?**

1 A. As reflected in Staff witness Mastrogiannis' surrebuttal/true-up direct testimony work
2 paper, Staff used a TCR revenue offset of \$40,317,269, within its updated FAC base
3 factor calculation.

4 **Q. Do you agree with Staff's true-up direct level for the TCR revenue offset?**

5 A. No. The Company supports the TCR revenue offset as proposed in my true-up direct
6 testimony. As I pointed out in rebuttal testimony, the Company considered historical
7 experience but also applied an understanding of the complexity of transmission
8 congestion in the electricity markets and accounted for critical factors such as changes
9 in grid topology, shifts in generation mix and evolving market conditions. Specifically,
10 I discussed a recent FERC filing made by SPP and a transmission project known as the
11 Neosho-Riverton 161 kV upgrade, which is expected to alleviate congestion in the area
12 served by the Company.

13 **Q. Do you agree with the updated true-up value as it relates to TCR revenue**
14 **proposed by OPC witness Schaben?**

15 A. No. As discussed in my rebuttal testimony, Ms. Schaben is relying on an overly
16 simplistic calculation of TCR revenues. I have provided an updated production cost run
17 in my surrebuttal and true-up direct testimony, which incorporates revised inputs and
18 produces an updated recommendation for TCR revenue. The TCR revenue estimate
19 increased from \$23,533,318 in the Company's direct filing to \$38,179,084, as
20 presented in my surrebuttal/true-up direct testimony.

21 **Q. What is the basis of this increase?**

22 A. This increase reflects two key factors. First, higher fuel costs drive higher congestion
23 costs. Congestion represents the cost of re-dispatching the system away from the least-
24 cost economic dispatch in order to respect transmission constraints and maintain the

1 reliability of the bulk electric system (“BES”). When the market operator must move
2 generation from a lower-cost unit that cannot serve a constrained area to a higher-cost
3 unit that can, the fuel cost difference shows up directly in congestion. Therefore, as
4 underlying fuel prices rise, the redispatch required to manage congestion becomes more
5 expensive, which translates into higher congestion charges. Because TCRs are the
6 financial instruments designed to hedge or capture the revenues associated with these
7 congestion charges, higher congestion generally results in higher TCR revenues
8 (assuming one holds the appropriate TCR positions). In this case, the updated
9 production cost modeling, which reflects higher fuel cost assumptions, contributed to
10 the increase in TCR revenues.

11 Second, TCR revenues also increased as a result of the Elk River Wind PPA
12 extension, which allowed the Company to maintain the associated Long-Term
13 Transmission Congestion Rights (“LTCRs”). Retaining that long-term TCR position
14 directly enhances the Company’s expected congestion revenues relative to the
15 assumptions relied on in my direct testimony.

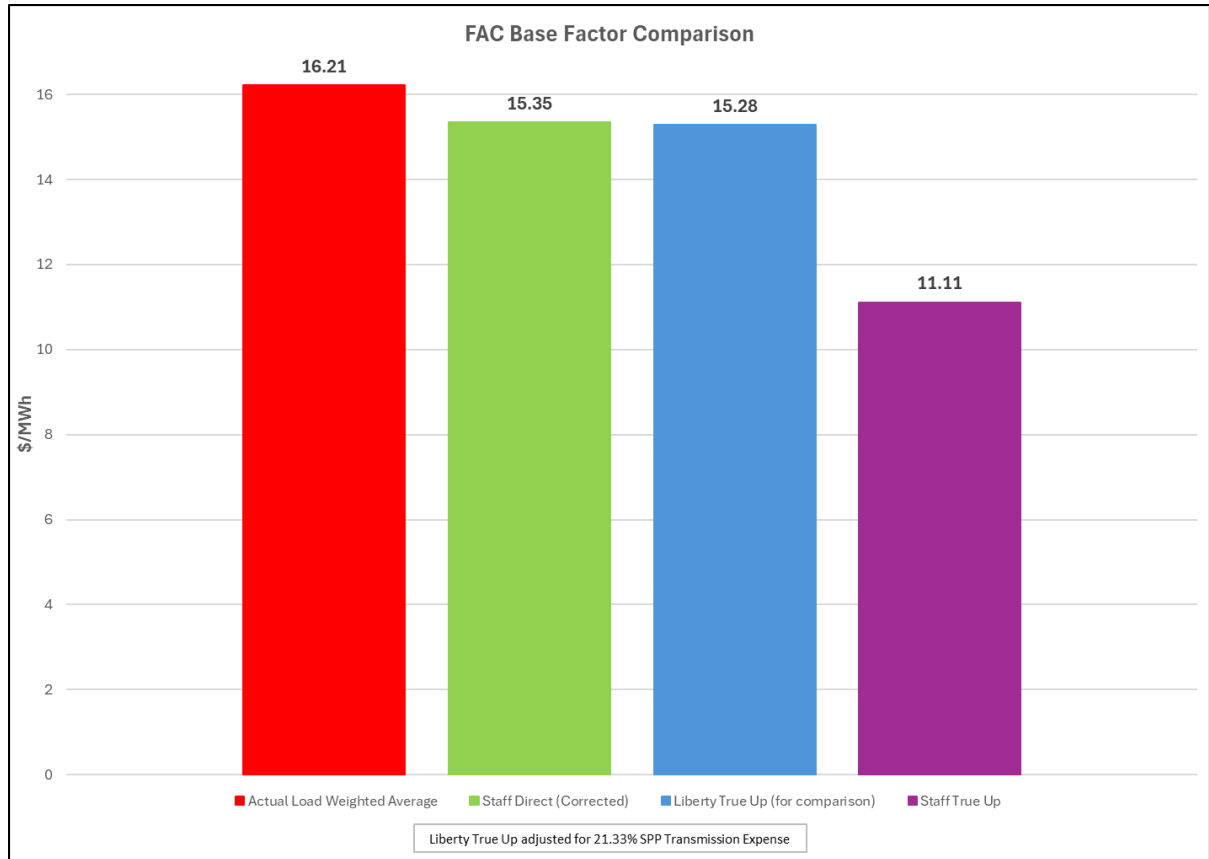
16 **Q. Do you have any other concerns about the Staff approach to calculating the FAC**
17 **base factor in this case?**

18 A. Yes. It appears that Staff takes a bit of a siloed approach to developing the FAC base
19 factor proposal, with different analysts addressing different FAC components. For
20 example, as mentioned earlier, Staff’s market prices were developed without
21 coordination with natural gas prices. It is not clear if the Staff TCR revenue value was
22 developed with any input or knowledge of other interrelated factors. When market
23 prices were developed, Staff removed year 2022 since it was judged by a Staff analyst
24 to be abnormally high. However, given the Staff’s TCR revenue assumption, it appears

1 that Staff did not remove year 2020 from the TCR revenue calculation, even though
2 the TCR revenues were abnormally high in that year. Both of these decisions work to
3 lower the Staff's FAC base factor proposal.

4 **Q. Can you please provide a comparison of FAC base factor proposals as compared**
5 **to the actual FAC eligible costs?**

6 A. Yes. The following graph shows a comparison of the FAC base factor proposals in
7 \$/MWh in this case as compared to the actual FAC eligible costs in those same units.
8 The actual value of \$16.21/MWh shown in the graph, is a weighted average from May
9 2022 through August 2025, a period that the Company has had a similar generation
10 mix. The \$15.35 shown in the graph represents the Staff's initial proposal from direct
11 testimony. In order to be an "apples to apples" comparison, the \$15.28/MWh
12 represents the Company true-up direct proposal using the same percentage of
13 transmission cost as Staff's proposal for comparison purposes only. The \$11.11/MWh
14 represents the Staff true-up direct position.



Q. What is your recommendation regarding the re-setting of the FAC base factor?

A. I recommend that the Staff true-up direct FAC proposal of \$11.11/MWh be rejected. The purpose of re-setting the FAC base factor is to set a reasonable and fair level. It appears Staff is proposing a level that is on the low end of the range of normalized possible outcomes during the true-up direct phase of this proceeding.

III. NATURAL GAS FIRM TRANSPORTATION

Q. Do you agree with Staff witness Nieto regarding the Staff proposed level for natural gas firm transportation?

A. No, I do not agree. Staff witness Nieto takes the position that because this rate proceeding has a true-up date of March 31, 2025, and the new natural gas transportation contract (which was executed in May 2024) took effect in June 2025, including the new natural transportation contract would be considered an out-of-period adjustment.

1 **Q. What is the Company's position?**

2 A. The Company believes that the FAC base should be the best estimate available of what
3 fuel costs will be experienced by the Company, reflecting known and measurable
4 changes. Staff's calculation for the natural gas firm transportation relies on rates from
5 contracts that expired in May 2025 and are no longer active. It is true the new contracts
6 took effect as of June 2025, after the March 31, 2025, true-up date. However, the
7 updated rates have been known and measurable since the referenced contract was
8 executed in May 2024, well before the true-up date. The total amount of \$14,088,261
9 presented in my direct testimony reflects the most current contracted pricing and
10 pricing that has been known for almost fifteen months.

11 **IV. CONCLUSION**

12 **Q. Does this conclude your true-up rebuttal testimony at this time?**

13 A. Yes.

VERIFICATION

I, Todd W. Tarter, under penalty of perjury, on this 22nd day of September, 2025,
declare that the foregoing is true and correct to the best of my knowledge and belief.

/s/ Todd W. Tarter