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Inventories
Witness: Todd W. Tarter
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Sponsoring Party: The Empire District
Electric Company
Case No.: ER-2019-0374
Date Testimony Prepared: March 2020

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

Rebuttal Testimony

of

Todd W. Tarter

on behalf of

**The Empire District Electric Company
a Liberty Utilities Company**

**** Denotes Highly Confidential ****

March 2020



PUBLIC VERSION

TABLE OF CONTENTS
REBUTTAL TESTIMONY OF
TODD W. TARTER
THE EMPIRE DISTRICT ELECTRIC COMPANY
BEFORE THE
MISSOURI PUBLIC SERVICE COMMISSION
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SUBJECT	PAGE
I. INTRODUCTION.....	1
II. THE FAC SHARING MECHANISM.....	2
III. STAFF’S FAC BASE FACTOR CALCULATION.....	7
IV. FUEL INVENTORIES	14

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1 **I. INTRODUCTION**

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

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

4 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

5 A. I am employed by Liberty Utilities Service Corp. as the Senior Manager, Strategic
6 Planning for Liberty Utilities' Central Region which includes The Empire District
7 Electric Company ("Liberty-Empire" or "Company").

8 **Q. ARE YOU THE SAME TODD W. TARTER THAT EARLIER PREPARED**
9 **AND FILED DIRECT TESTIMONY IN THIS RATE CASE BEFORE THE**
10 **MISSOURI PUBLIC SERVICE COMMISSION ("COMMISSION") ON**
11 **BEHALF OF LIBERTY-EMPIRE?**

12 A. Yes.

13 **Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?**

14 A. In my rebuttal testimony, I will comment on the Commission Staff's ("Staff")
15 position on the fuel and purchased power ("FPP") expense level for setting the base
16 FPP cost, the associated fuel adjustment clause ("FAC") base factor and Staff's
17 position on the valuation of fuel inventories, as proposed in the direct testimony of
18 Staff witness Ms. Kimberly K. Bolin and Staff's Rate Design and Cost of Service

1 Report. I will also respond to the Office of the Public Counsel (“OPC”) witness Ms.
2 Lena Mantle regarding the FAC sharing mechanism.

3 **Q. ARE THERE OTHER COMPANY WITNESSES THAT ADDRESS THE FAC**
4 **ISSUES?**

5 A. Yes. For additional information on the FAC, please see the rebuttal testimony of
6 Liberty-Empire witness Aaron J. Doll.

7 **II. THE FAC SHARING MECHANISM**

8 **Q. PLEASE EXPLAIN THE FAC SHARING MECHANISM.**

9 A. Currently, a significant portion of Liberty-Empire’s Missouri electric retail
10 customers’ FAC eligible costs are recovered in base rates. If prudently incurred FAC
11 eligible costs are either higher or lower than the level in base rates on a per unit basis,
12 then a percentage of that difference is either recovered from or returned to customers
13 respectively via the FAC rider. At this time that percentage is 5% of the previously
14 mentioned difference. In other words, the amount of FAC eligible costs recovered in
15 a given period is never equal to 100% of those costs unless it would be *exactly* the
16 amount included in base rates on a per unit basis as established in the last general rate
17 case. If FAC eligible costs are higher than the base amount, then the Company would
18 absorb 5% of the difference; and if the FAC eligible costs are lower than the base
19 amount, the Company would retain 5% of the difference. This is often referred to as
20 a 95%/5% sharing mechanism.

21 **Q. WHAT IS THE COMPANY’S POSTION REGARDING THE FAC SHARING**
22 **MECHANISM?**

1 A. The Company proposes the continuation of the FAC with modifications as described
2 in my direct testimony along with the supplemental direct testimony of Mr. Aaron J.
3 Doll, and to continue with the current 95%/5% sharing mechanism.

4 **Q. DID THE STAFF RECOMMEND CHANGES TO THE FAC SHARING**
5 **MECHANISM IN ITS DIRECT FILING?**

6 A. No. Staff recommended continuing the FAC with modifications as outlined in its
7 direct testimony, but did not recommend a change from the current 95%/5% sharing
8 mechanism.

9 **Q. DOES LIBERTY-EMPIRE HAVE AN ENERGY COST RECOVERY**
10 **MECHANISIM IN THE OTHER STATES THAT IT SERVES?**

11 A. Yes. Liberty-Empire has an energy cost recovery mechanism in all four state
12 jurisdictions that it serves (Arkansas, Kansas, Missouri, and Oklahoma).
13 Additionally, Liberty-Empire has generation and transmission formula rates that are
14 updated annually with a true-up mechanism in its FERC jurisdiction, which regulates
15 Liberty-Empire's on-system wholesale customers.

16 **Q. DO THESE JURISDICTIONS HAVE SHARING MECHANISMS**
17 **ASSOCIATED WITH THE ENERGY COST RECOVERY?**

18 A. No. Liberty-Empire recovers 100% of the eligible prudently incurred energy costs.
19 Therefore, there is no portion of the energy cost in base rates in those jurisdictions.

20 **Q. IS AN FAC IMPORTANT TO A UTILITY SUCH AS LIBERTY-EMPIRE?**

21 A. Yes. An FAC is a very important recovery mechanism for a utility. In past rate cases,
22 Liberty-Empire has stressed the importance of an FAC. The following are some of
23 the factors that have been highlighted as the FAC's importance:

- 1 • The underlying energy costs and revenues are large, can be quite volatile and
2 are largely beyond the utility's control.
- 3 • It is difficult to estimate the exact amount of energy cost for base rate recovery
4 since it involves so many uncertain and uncontrollable factors.
- 5 • With an FAC, the customer will pay for no more than the actual, prudently
6 incurred fuel and energy cost, not an estimate of future energy costs (with the
7 exception of the impact of any sharing mechanisms).
- 8 • With an FAC, the customer will eventually benefit automatically if prices
9 decrease below the base.
- 10 • The FAC should eventually convey the true cost of electric energy to customers,
11 enabling them to make an effort to lower consumption and/or consider energy
12 efficiency measures.
- 13 • It creates the ability for the company to recover the overwhelming majority of
14 actual, prudently incurred fuel and energy costs.
- 15 • It allows the company the opportunity to earn a fair return on equity.
- 16 • It strengthens the company's financial profile and ability to attract the financing
17 necessary to meet its customer needs at the best rates possible.

18 **Q. PLEASE SUMMARIZE THE OPC'S POSITION ON THE FAC SHARING**
19 **MECHANISM IN THIS CASE BASED ON OPC WITNESS LENA MANTLE'S**
20 **DIRECT TESTIMONY.**

21 A. OPC recommends changing the sharing mechanism from the current 95%/5% to
22 85%/15%.

23 **Q. WHAT IS YOUR RESPONSE TO OPC'S RECOMMENDATION TO**
24 **MODIFY LIBERTY-EMPIRE'S FAC SHARING MECHANISM?**

1 A. I do not agree with the OPC recommendation. OPC’s recommendation introduces
2 more risk to both the Company and its customers regarding energy cost recovery. A
3 shift to OPC’s recommended FAC sharing level begins to undermine the fundamental
4 purpose of the FAC and starts to erode the benefits that the FAC provides.

5 **Q. PLEASE CONTINUE.**

6 A. Energy expenses represent a significant portion of the overall costs to operate an
7 electric utility. For the most part, Liberty-Empire is a price taker and not a price
8 setter with regards to variable energy costs. An electric utility should be able to
9 recover prudently incurred energy costs—and in many states this is 100% of the
10 prudently incurred energy costs. In OPC witness Lena Mantle’s direct testimony, she
11 often refers to the sharing mechanism as an “incentive mechanism.” The Company is
12 continually making efforts to lower the FAC eligible costs that it can influence
13 regardless of any FAC sharing mechanism. A proposal to put more of the over/under
14 FAC balance at risk is viewed by the Company as less of an incentive to control
15 costs, and more of a penalty for not being able to accurately forecast future energy
16 costs during a general rate case for the Missouri retail customers. As outlined in each
17 of the Company’s previous FAC filings, there are already provisions in the Missouri
18 FAC to ensure Liberty-Empire passes along only prudently incurred FAC eligible
19 costs to its customers. The current sharing mechanism causes the Company to absorb
20 (in the case of energy costs being above the base), or retain (in the case of energy
21 costs being below the base) a certain percentage (currently 5%) of the over/under
22 balance. Changing to an 85%/15% sharing mechanism would only increase the
23 percentage of energy costs shared above or below the base and would not be equitable
24 for Liberty-Empire or its customers.

1 **Q. IN DIRECT TESTIMONY, OPC WITNESS MANTLE DISCUSSES THE**
2 **PERCENT OF FAC COSTS THAT LIBERTY-EMPIRE RECOVERS WITH**
3 **THE SHARING MECHANISM IN PLACE. HOW DO YOU RESPOND?**

4 A. On page 11 of OPC witness Mantle's direct testimony an illustration is provided that
5 states that a high percentage of FAC costs are recovered by the Company under both
6 the 95%/5% and 85%/15% scenarios based on the conditions in the example. In the
7 OPC example, if actual FAC costs are 10% higher than the FAC base then Liberty-
8 Empire would recover almost 99.6% of actual FAC costs under the 95%/5% case and
9 98.6% under the 85%/15% case. While I have not replicated this exact example, I did
10 look at the actual period 2017-2019 for Liberty-Empire. During that period, FAC
11 costs were about 8% higher than the FAC base overall. Based on my calculations, I
12 show very similar percentages as Ms. Mantle's example. Over the three year period I
13 reviewed, Liberty-Empire collected about 99.6% of the actual FAC costs with the
14 95%/5% sharing mechanism, and had to absorb about \$1.3 million in that period. If
15 the sharing mechanism would have been 85%/15% during that period, Liberty-
16 Empire would have collected about 98.9% of the actual FAC costs and had to absorb
17 nearly \$4 million in that three year period. The point being, even if percentage
18 changes are small due to the change in the sharing mechanism, it can still be a
19 significant dollar amount given the magnitude of the costs involved.

20 **Q. DO YOU HAVE OTHER CONCERNS ABOUT THE OPC FAC SHARING**
21 **MECHANISM RECOMMENDATION?**

22 A. Yes. I have alluded to this point earlier, but as more of the FAC over/under amount is
23 put at risk, much more importance is placed on the equitable establishment of the
24 FAC base factor in a general rate case. That is, an FAC base factor that does not

1 unduly bias either the Company or its customers. Even if all parties work in good
2 faith to establish what they believe is a reasonable FAC base factor at the time, this
3 FAC base factor could be in place for up to four years. And the fact remains; *it is still*
4 *just an estimate*. Even if analysts use production cost models, there are still many
5 assumptions that have to be made, and it is difficult to model the marketplace due to
6 the complex interactions of many factors including resource costs, unit outages and
7 market prices. Moreover, the fact that future FAC eligible costs cannot be forecast
8 with certainty is one of the primary reasons for having an FAC in the first place.

9 **III. STAFF'S FAC BASE FACTOR CALCULATION**

10 **Q. HOW DOES THE STAFF'S DIRECT FILED FAC BASE FACTOR**
11 **PROPOSAL COMPARE TO THE COMPANY'S PROPOSAL?**

12 A. Staff's FAC base factor is much lower. Liberty-Empire's total company base energy
13 cost proposal and associated FAC base factor, as presented in my direct testimony
14 with the amended net transmission costs from Company witness Aaron J. Doll's
15 supplemental direct testimony, is \$132,075,368 or \$24.16/MWh. Staff's direct
16 testimony proposal is \$117,247,087 or \$22.16/MWh. Staff's proposal is lower than
17 the Company's position by about \$14.8 million or \$2.00/MWh.

18 **Q. IS THERE A MAJOR ASSUMPTION DIFFERENCE THAT CONTRIBUTES**
19 **TO THIS DIFFERENCE?**

20 A. Yes. The Staff and Company FAC base factor calculations differ on the assumptions
21 used for the amount of net transmission costs included in the calculation. The
22 Company's proposal is based on including 100% of these costs, while the Staff
23 proposal is based on including 50% of MISO transmission service costs and 32.04%
24 of SPP transmission service costs. Additionally, Staff excluded SPP Schedule 1-A

1 (Tariff Administration Service) and SPP Schedule 12 (FERC Assessment Charge)
2 from its FAC base factor calculation (it is assumed that the portion of these
3 transmission costs that Staff is proposing to exclude from flowing through the FAC
4 rider would be included in the base rates). The difference in the level of net
5 transmission included in the Company and Staff FAC base factor calculations is
6 \$7,963,872. This represents about 53.7% of the overall difference in the FAC base
7 factor proposals.

8 **Q. HAVE YOU PREPARED A COMPARISON WITHOUT THE**
9 **TRANSMISSION RELATED COSTS AND REVENUES?**

10 A. Yes. I have prepared *an example for illustrative purposes only* in order to help
11 compare the Staff and Company FAC base factor proposals without the net
12 transmission costs and the transmission hedging instruments known as net ARR/TCR.
13 The net transmission component was removed from the comparison due to the
14 difference in methodology mentioned earlier, and the net ARR/TCR was removed
15 since I will also use years 2016 through 2019 in this comparison and the net
16 ARR/TCR was not part of the Missouri FAC during that period. This allows for a
17 comparison that focuses more on the production cost model runs and related post
18 processing.

19 **Q. WHY ARE YOU USING YEARS 2016 THROUGH 2019 IN THIS**
20 **COMPARISON?**

21 A. This represents the most recently completed four year period and the current FAC
22 base factor began during 2016. Also, during this period Liberty-Empire's generation
23 resource fleet was much the same as it is currently. The most recent resource change

1 was the Riverton Unit 12 Combined Cycle conversion which became commercially
2 operational in May 2016.

3 **Q. PLEASE DESCRIBE THE COMPARISON WITHOUT THE TRANSMISSION**
4 **COMPONENTS FOR ILLUSTRATIVE PURPOSES.**

5 A. The following table shows the Staff and Company proposals (without the
6 transmission related components) along with the actual values (without the
7 transmission related components) for 2016-2019. In this example, the Staff proposal
8 is \$125,406,244 with the Company proposal of \$133,170,822, nearly a \$7.8 million
9 difference.

Removing Net Transmission and Net ARR/TCR (Total Company Values For Comparison Purposes Only)

	Staff Proposal	Liberty-Empire Proposal	2019	2018	2017	2016	4-Year Average
FAC Eligible \$ (w/o Trans & ARR/TCR)	\$ 125,406,244	\$ 133,170,822	\$ 128,520,567	\$ 140,739,717	\$ 136,032,297	\$ 127,540,397	\$ 133,208,245
MWh	5,291,576	5,465,856	5,444,817	5,576,268	5,156,586	5,290,273	5,366,986
\$/MWh	23.70	24.36	23.60	25.24	26.38	24.11	24.82

11

12

13 **Q. WHAT CONCLUSIONS CAN YOU MAKE BASED ON THIS**
14 **COMPARISON?**

15 A. As shown in the table, Staff's total dollar proposal is lower than any actual year's
16 total in the period 2016-2019. It is about \$2.1 million lower than year 2016 which
17 has the lowest total of any actual year presented. It is also about \$7.8 million lower
18 than the 2016-2019 four year average. On a per unit basis, the Staff proposal is the
19 second lowest behind year 2019, but it is lower than the 2016-2019 four year average.
20 The Company's total dollar proposal on the other hand is very close to the 2016-2019
21 four year average. It is within \$37 thousand or about 0.03% of the 2016-2019 four
22 year average and it is also very close to the 2016-2019 four year average on a per unit

1 basis. It appears that the Staff proposal is lower than what can be reasonably
2 expected for setting base rates, and will not be indicative of Liberty-Empire's
3 ongoing energy costs.

4 **Q. DID THE COMPANY MAKE AN ATTEMPT TO BE CLOSE TO THIS 2016-**
5 **2019 FOUR YEAR AVERAGE WHEN IT DEVELOPED ITS FAC BASE**
6 **FACTOR PROPOSAL?**

7 A. No not purposely, although this result is not surprising since the proposal was
8 designed to be "normalized". The fact that the Company's proposal was close to the
9 2016-2019 four year average (without the transmission related components) was
10 discovered while analyzing the differences in the Staff and Company proposals. The
11 Company considered all eligible FAC cost components and updated all model
12 assumptions so it could develop a normalized estimate of the ongoing level of energy
13 costs appropriate for the purposes of this case based on what the Company believes
14 are the reasonable assumptions that were employed. Also of note, the Company's
15 proposal is based on an assumed average spot natural gas price of \$2.39/MMBtu, and
16 the actual 2016-2019 four year average spot natural gas price is about \$2.40/MMBtu.
17 These natural gas prices are also correlated with the market prices, another important
18 variable in this calculation. The fact that the Company proposal is so close to the
19 2016-2019 four year average when the natural gas prices were also so close adds
20 validity to the Company model's performance given the assumptions being utilized.

21 **Q. PLEASE PROVIDE A REASON WHY STAFF'S PROPOSAL IS LOWER**
22 **THAN THE COMPANY PROPOSAL.**

23 A. As compared to the Company model, Staff's model is making more sales to the
24 market at a higher rate which generates more revenue and lowers the overall cost.

1 Staff's model also shows a higher cost to serve native load from the market which has
2 the effect of raising the overall cost. However, both models show the Company as a
3 net seller, so the sales revenue outpaces the cost to serve native load. The Staff model
4 sells about 20% more energy into the market than it purchases for native load, while
5 the Company's model sells about 14.7% more energy into the market than it
6 purchases for native load (the 2016-2019 four year average is about 13.7%). These
7 volume and price differences may be due to the differences in the market price
8 assumptions between the Company and Staff models.

9 **Q. HOW DOES STAFF'S ANNUAL SALES TO THE MARKET COMPARE TO**
10 **ACTUAL HISTORY?**

11 A. Staff's number is higher than any actual year in the period 2016-2019 and about 4%
12 higher than this period's average. In addition, the Staff model is also showing a
13 higher rate paid for this higher level of sales in all but one year in the past four years.

14 **Q. PLEASE DESCRIBE HOW THE COMPANY AND STAFF MARKET PRICE**
15 **METHODOLOGIES DIFFER.**

16 A. The Company's market prices were developed by Horizons Energy, a consulting firm
17 that was contracted by the Company to provide input data for the EnCompass
18 production cost model. They were developed specifically for creating an annualized
19 and normalized total company production cost model run appropriate for establishing
20 an FAC base factor or annual budgets. These hourly market prices are "calendar
21 correct" meaning they follow a 2019 calendar that considers weekdays, weekends and
22 holidays. And perhaps most importantly, they are correlated with the spot natural gas
23 price that the Company used in the modeling. Based on my review of the Staff work
24 papers, it is my understanding that the Staff hourly market prices are based on the

1 average of the actual locational marginal prices (“LMP”) from October 1 2016, 2017,
2 2018 and through September 30, 2019.

3 **Q. DO YOU HAVE ANY CONCERNS WITH THE MARKET PRICES THAT**
4 **STAFF USED IN ITS MODELING?**

5 A. I do not have access to the Staff model nor do I have visibility to all of the model’s
6 hourly outputs. Therefore it is difficult to say if averaging multiple years of market
7 prices is problematic in and of itself. The Company has never used this approach to
8 creating market prices for use in its production cost model. Yet, possible concerns
9 would be summarized as set forth below.

- 10 • Each of the years in the period 2016-2019 begin on a different day of the
11 week. Unless adjustments were made, Staff may be averaging prices from
12 weekdays with weekends in some cases.
- 13 • Different years have different weather and different weather patterns.
- 14 • The SPP generation mix may have changed in the period 2016-2019.
- 15 • The natural gas price may have changed over time, so Staff may be
16 averaging prices that may have been influenced by different natural gas
17 prices.
- 18 • The spot market natural gas prices that Staff used in the modeling (based on
19 the weighted cost of natural gas for the 12-months ending September 2019)
20 may not be consistent with the natural gas prices that helped to determine the
21 Staff market prices.

22 **Q. DO YOU HAVE CONCERNS ABOUT AVERAGING MULTIPLE YEARS OF**
23 **ACTUAL DATA TO HELP DEVELOP MODEL ASSUMPTIONS?**

1 A. In some cases I think this is fine, and it has been done in past cases for select items.
2 Earlier in this testimony, I averaged four years of actual annual values to use in a
3 comparison, and the Company averaged multiple years of annual data for some inputs
4 into the FAC base factor calculation such as for “undistributed and other costs.”
5 However, Staff is averaging multiple years of 8,760 hourly data to calculate multiple
6 sets of market prices. The market prices are very important inputs into the production
7 cost model and are one of the determining factors in economic dispatch of resources
8 and what those resources are paid in the market. It also helps to determine the cost of
9 the native load energy requirement. Due to the complex interactions of all the
10 variables, the market prices can have a major impact on the overall FAC base factor
11 calculation. Therefore I provided my possible concerns about the Staff market price
12 development.

13 **Q. DO YOU HAVE ANY OTHER CONCERNS ABOUT THE STAFF FAC BASE**
14 **FACTOR CALCULATION?**

15 A. Yes. Some costs are added to the FAC base factor calculation outside of the model.
16 Based on my review of the Staff work papers, it appears that the Staff FAC base
17 factor calculation may be missing some fuel related costs, primarily some of the unit
18 train costs and the ancillary and other costs. For example, for the cost category
19 labeled “Other Fuel Related (Undistributed & Other & Unit Train)” in a Staff work
20 paper, the Staff is supporting a value of \$2,442,595, while the Company is supporting
21 a value of \$4,178,553. The difference of \$1,735,958 just happens to be the unit train
22 costs in the Company’s calculation. The Staff total of \$2,442,595 happens to be the
23 sum of the Company’s undistributed and other costs plus Asbury’s rail maintenance
24 cost. Additionally, in the cost category labeled “50 MW Plum Point O&M Cost –

1 Variable” the Staff is supporting a value of \$3,280,764, while the Company is
2 supporting a value of \$3,927,710. The difference of \$646,946 happens to be the
3 value that the Company used for the 50 MW Plum Point Purchased Power
4 Agreement’s unit train and environmental costs. Finally, the Company used a cost of
5 \$1,500,000 for “Ancillary and Other” costs, representing market charges and
6 revenues not settled at load or a generator. According to the Staff response to data
7 request number 0267, Staff did not include this cost.

8 **Q. PLEASE STATE THE COMPANY RECOMMENDATION CONCERNING**
9 **THE FAC BASE FACTOR AT THIS POINT OF THE PROCEEDING.**

10 A. The FAC base factor resulting from this case should be established at an appropriate
11 level. It should be based on an annualized and normalized forecast with consistent
12 assumptions that represents the best estimate of what energy costs will be when rates
13 from this case become effective. As previously mentioned, these future energy costs
14 cannot be forecast with certainty due in part to the intricacies of the market and the
15 many variables involved. Consequently, there is a range of possible outcomes for the
16 future. The net transmission assumptions notwithstanding, Staff’s FAC base factor
17 proposal is on the lower side of this range, and, therefore, not suitable for setting the
18 rates in this proceeding. The Company proposal is more centered within the range of
19 reasonable outcomes and is a more appropriate estimate of the ongoing energy costs
20 for Liberty-Empire customers.

21 **IV. FUEL INVENTORIES**

22 **Q. DOES THE COMPANY AGREE WITH THE METHODOLOGY THAT**
23 **STAFF USED TO CALCULATE FUEL INVENTORIES?**

1 A. Yes. As mentioned in Company witness Ms. Leigha Palumbo's rebuttal testimony,
2 the Company is able to agree with the overall methodology that Staff used to
3 calculate the coal and fuel oil inventories. However, the Company has identified two
4 issues with the manner in which this methodology was executed. The first issue is in
5 regard to the number of inventory days allowed for Asbury, and the second issue is in
6 regard to the average daily burn calculated for Plum Point.

7 **Q. PLEASE EXPLAIN THE CONCERN WITH THE NUMBER OF INVENTORY**
8 **DAYS THAT STAFF ALLOWED FOR ASBURY.**

9 A. Based on a review of the Staff Cost of Service Report, it does not appear that Staff
10 explicitly states how many days of coal inventory it used for Asbury. However, on
11 page 24, lines 2-4, of its Cost of Service Report, Staff states, "The number of days of
12 inventory of Powder River Basin ("PRB"), or "western" coal, for the Asbury 1 unit
13 was set by Empire at or around 60 days." And in the following paragraph on page 24,
14 lines 6-9, Staff states, "Staff has also used a 60-day calculation to establish Empire's
15 rate base investment in the coal inventory maintained both at KCPL's Iatan
16 Generating Stations (Empire is a 12% owner of Iatan 1 and 2) and Plum Point Energy
17 Associates, LLC's Plum Point Energy Station (Empire is a 7.52% owner of Plum
18 Point)." This seems to infer that Staff was also using 60 days for Asbury. However,
19 based on a review of Staff's work papers, it is my understanding that Staff only used
20 18 days for Asbury's inventory and not 60 days as they did for the other coal units
21 and as has been the practice for Asbury in past cases. The Company does not agree
22 that 18 days is an appropriate number of days of inventory for Asbury in this case,
23 and continues to support the use of 60 days in the inventory calculation. The
24 Company does recognize that in recent years Asbury has not operated as much as it

1 did in the past. However, this lower level of operation is already reflected in the
2 average daily burn (in MMBtu) that Staff used in the calculation.

3 **Q. PLEASE EXPLAIN THE CONCERN WITH THE AVERAGE DAILY BURN**
4 **THAT STAFF CALCULATED FOR PLUM POINT.**

5 A. After reviewing Staff's work papers, it appears that Staff took the MMBtu fuel use
6 for the Company's Plum Point ownership portion and divided it in half for use in its
7 fuel inventory calculation. The Company assumes that this was done in error. It is
8 true that the Company has a 7.52% ownership interest in Plum Point and an
9 additional equal amount of megawatts from a purchased power agreement ("PPA")
10 with Plum Point. Therefore, it is possible that in an effort not to include the
11 MMBtu's associated with the Plum Point PPA portion, Staff divided the MMBtu
12 value in half. However, the MMBtu value that the Staff divided by two was already
13 just the Plum Point ownership portion and not the total of the ownership and PPA
14 portions. Therefore, the entire MMBtu amount of the Plum Point ownership portion
15 must be used in the fuel inventory calculation.

16 **Q. PLEASE SUMMARIZE THE FUEL INVENTORY COST LEVEL THAT THE**
17 **COMPANY IS NOW SUPPORTING BASED ON THIS REBUTTAL**
18 **TESTIMONY.**

19 A. The Company direct filed position for total fuel inventory cost was \$20,353,680, and
20 the Staff direct filed position for total fuel inventory cost was \$13,738,001. The
21 Company rebuttal position is based on the Staff's direct filed level with adjustments
22 made for increasing Asbury's inventory days to 60 and including the entire amount of
23 fuel burn for the Plum Point ownership share. This brings the Company rebuttal
24 position to \$16,993,556. This calculation is included as Rebuttal Schedule TWT-1.

- 1 Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?
- 2 A. Yes.

****HIGHLY CONFIDENTIAL IN ITS ENTIRETY****

AFFIDAVIT OF TODD W. TARTER

STATE OF MISSOURI)
) ss
COUNTY OF JASPER)

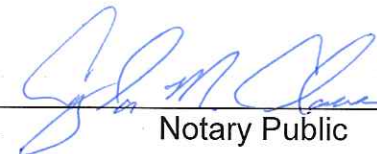
On the 2nd day of March, 2020, before me appeared Todd W. Tarter, to me personally known, who, being by me first duly sworn, states that he is Senior Manager, Strategic Planning of The Empire District Electric Company and acknowledges that he has read the above and foregoing document and believes that the statements therein are true and correct to the best of his information, knowledge and belief.



Todd W. Tarter

Subscribed and sworn to before me this 2nd day of March, 2020.

ANGELA M. CLOVEN
Notary Public - Notary Seal
State of Missouri
Commissioned for Jasper County
My Commission Expires: November 06, 2023
Commission Number: 15262659



Notary Public

My commission expires: 11/06/23.