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Witness: Todd W. Tarter
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Docket No. 25-EPDE-245-ACA
Date Testimony Prepared: January 17, 2025

Before the State Corporation Commission of the State of Kansas

Direct Testimony

of

Todd W. Tarter

In Support of the
Annual Energy Cost Adjustment ACA Filing

January 17, 2025

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CONFIDENTIAL VERSION

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OF
TODD W TARTER
THE EMPIRE DISTRICT ELECTRIC COMPANY
BEFORE THE
KANSAS CORPORATION COMMISSION
DOCKET NO. 25-EPDE-245-ACA

DIRECT TESTIMONY
OF
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THE EMPIRE DISTRICT ELECTRIC COMPANY
BEFORE THE STATE
CORPORATION COMMISSION OF THE STATE OF KANSAS
DOCKET NO. 25-EPDE-245-ACA

I. INTRODUCTION

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS?

A. My name is Todd W. Tarter, and my business address is 602 South Joplin Avenue, Joplin, Missouri, 64801.

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

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

Q. PLEASE DESCRIBE YOUR EDUCATIONAL AND PROFESSIONAL BACKGROUND.

A. I graduated from Pittsburg State University in 1986, with a Bachelor of Science Degree in Computer Science. After graduation, I received a mathematics education certification. I began my employment with Liberty-Empire in May 1989. During my tenure with the Company, I have worked in the Corporate Planning, Strategic Planning, Information Technology ("IT"), Planning and Regulatory, Electrical Procurement and Energy Supply Services departments. My primary responsibilities during the early parts of my career included work with the Company's construction budget, load forecasts, sales and revenue budgets, financial forecasts, fuel and purchased power projections, and IT projects among others. In 2004, I was promoted to Manager of Strategic Planning where I primarily worked with fuel and purchased power projections, energy efficiency and integrated resource planning ("IRP"). In October 2016, I assumed the position Manager of Systems and Settlements where I was primarily responsible for market settlements; the computer systems used by the Electrical Procurement department; load forecasting; load research; transmission congestion hedging; and fuel and purchased power projections. I was promoted to Senior Manager, Strategic Planning in December 2019 where I continue to work with load forecasting, transmission congestion hedging, fuel and purchased power projections, and integrated resource planning. I have worked for the Company for over 35 years.

Q. HAVE YOU PREVIOUSLY PRESENTED TESTIMONY BEFORE THE KANSAS CORPORATION COMISSION ("COMMISSION") OR ANY OTHER STATE COMMISSION?

A. Yes, I have presented testimony in Kansas under the following dockets: 05-EPDE-980-RTS, 12-EPDE-392-ACA, 13-EPDE-385-ACA, 14-EPDE-270-ACA, 15-EPDE-228-ACA, 16-EPDE-260-ACA, 17-EPDE-101-RTS, 20-EPDE-242-ACA, 21-EPDE-198-ACA, 22-EPDE-261-ACA, 23-EPDE-547-ACA, and 24-EPDE-471-ACA. I have also presented testimony before the Arkansas Public Service Commission, the Missouri Public Service Commission ("MoPSC"), and the Oklahoma Corporation Commission.

Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY IN THIS CASE?

A. My testimony will support Liberty-Empire's request to the Commission for an order approving the Annual Cost Adjustment ("ACA") factor submitted to the Commission as part of Liberty-Empire's approved Energy Cost Adjustment ("ECA") tariff. In addition, my testimony supports and describes the costs and revenues that flow through the ECA.

Q. PLEASE DESCRIBE HOW THE SOUTHWEST POWER POOL ("SPP") INTEGRATED MARKETPLACE ("IM") IMPACTS LIBERTY-EMPIRE'S OPERATIONS.

A. Since March 1, 2014, Liberty-Empire submits its generation into the SPP market on a daily basis, and the SPP market determines the most economical and reliable solution for providing energy to customers. When the SPP IM went live, it created one consolidated balancing authority in SPP. Prior to the SPP IM, there were several balancing authorities within SPP. In the past, Liberty-Empire functioned as a balancing authority and dispatched its generators to serve its native load, while buying and selling energy when it was economical to do so, mostly through bilateral contracts. Since the SPP IM began, Liberty-Empire purchases energy from the market to serve native load, sells generation into the market, and receives revenue from selling its generation into the market.

Q. PLEASE GENERALLY DESCRIBE LIBETY-EMPIRE'S ELECTRIC SYSTEM OPERATING CHARACTERISTICS.

A. Liberty-Empire generally has dual (winter/summer) system peaks almost equal to each other. The system peak in the twelve-month ending period October 31, 2024 was 1,239 megawatts ("MW"), which occurred in January, 2024. The following table shows that the summer peak during the ACA period was about 87% of the winter peak. In the period 2010 through 2024, Liberty-Empire recorded its annual peak during the winter season ten times and during the summer season five times. The following table displays the actual Liberty-Empire peak demands by month for the twelve-months ending ("TME") October 31, 2024 along with the native load in megawatt-hours ("MWh") for each month.

Month	Peak - MW	Percent of Annual Peak	Native Load - MWh
Nov-23	829	67%	381,351
Dec-23	839	68%	435,746
Jan-24	1,239	100%	563,245
Feb-24	804	65%	387,901
Mar-24	784	63%	373,253
Apr-24	670	54%	345,363
May-24	787	64%	383,696
Jun-24	1,074	87%	471,317
Jul-24	1,061	86%	501,605
Aug-24	1,039	84%	500,808
Sep-24	926	75%	402,611
Oct-24	791	64%	369,140
Total	[redacted]		5,116,036

This summer/winter relationship can affect fuel procurement and power plant operation because Liberty-Empire must have sufficient fuel procured to cover the resources offered into the SPP IM.

Q. PLEASE DESCRIBE THE MAKEUP OF LIBERTY-EMPIRE'S SUPPLY-SIDE RESOURCES.

A With the advent of the SPP IM, Liberty-Empire purchases energy from the market to serve native load, sells generation into the market, and receives revenue from selling its generation into the market. Liberty-Empire's supply-side resources for the ACA true-up period ending October 31, 2024 are illustrated in the table below. This table includes total Company values and the operations of about 600 MW of new wind resources that began commercial operation in early to mid-2021. However, these wind facilities have been excluded from the 2025 Kansas ECA/ACA calculation of rates in accordance with the Company's Motion to Withdraw its Request to Recover Acquisition and Operating Costs of Wind Projects in Rates filed in Docket No. 21-EPDE-444-RTS. All unit ratings in this testimony are for the summer season unless specified otherwise.

Unit/Purchase	Summer 2024 Rated Capacity[1] (MW)	Actual Generation (MWh)	Energy Cost TME Oct-2024 ($000)[2]	Average Cost ($/MWh)	Primary Fuel Type
Iatan 1-2	189.3	468,381	12,300	26.26	Coal
Plum Point (own)	50	212,528	4,066	19.13	Coal
Riverton 10-12	260.3	1,160,274	24,211	20.87	Natural Gas
Energy Center 1-4	206	140,849	7,818	55.51	Natural Gas
State Line	133	1,523,294	33,386	21.92	Natural Gas
Ozark Beach	316	52,661	0	0	Hydro
Plum Point PPA	50	256,152	8,990	35.10	Coal
North Fork Ridge	21	521,854	0	0	Wind
Kings Point	12	570,428	0	0	Wind
Neosho Ridge	47	1,266,404	0	0	Wind
Wind PPA[3]	24	471,445	25,897	54.93	Wind
Load Adjustment[4]	N/A	-1,038	0	0	N/A
Total	1,308	6,643,232	116,669	17.56	

[1] Rated Capacity based on summer ratings submitted to SPP in the 2024 Resource Adequacy submission. This chart does not recognize a capacity sale of 78 MW that began in June 2020.

[2] This is the cost of Liberty-Empire's resource generation for November 1, 2023 through October 31, 2024 and excludes: the cost of fixed gas transportation, resettlements and adjustments, purchased power agreement ("PPA") demand charges, environmental costs, the cost of consumables, SPP IM costs and revenues and generation plant O&M (except the PPA's)

[3] Wind PPA Rated Capacity based on the month of July.

[4] Meter adjustment at former Asbury site to match reported load. Includes maintenance shop, office buildings, fire pump for ash pond closure project, and other auxiliaries at the former Asbury Power Station. The Asbury unit was de-designated in the SPP market as of the end of March 1, 2020.

Q. PLEASE DESCRIBE THE RATE BASIS LIBERTY-EMPIRE OPERATES UNDER IN ARKANSAS, OKLAHOMA AND MISSOURI.

A. All three states use historical test years to establish electric base rates in a manner similar to the process used in Kansas. In addition, Arkansas, Oklahoma, and Missouri also use adjustment mechanisms to pass on changes in fuel and energy costs to retail customers.

Q. WHAT IS THE RELATIONSHIP OF THE SALES LEVELS WITHIN EACH OF THE JURISDICTIONS?

A. Missouri is by far the largest jurisdiction with 88.1 percent of total sales made by Liberty-Empire during the twelve months ended October 31, 2024. The following table displays the actual sales levels in each of the jurisdictions.

Jurisdiction	MWh Sales	Ratio
Wholesale	10,587	0.2%
Kansas	228,803	4.8%
Arkansas	175,713	3.7%
Oklahoma	155,585	3.2%
Missouri	4,218,052	88.1%
Total	4,788,740	100%

Based on TME October 2024 calendar sales

<u>II. FUEL AND PURCHASED POWER PROCUREMENT PRACTICE SUMMARY</u>

Q. HOW DOES LIBERTY-EMPIRE ACQUIRE THE FUEL AND PURCHASED POWER USED TO SUPPLY ELECTRICITY TO ITS CUSTOMERS?

A. Liberty-Empire's fuel and purchased power acquisition planning is performed using a three-step process. The steps in this process are:

- Long-term Integrated Resource Plan ("IRP")
- An annual and six-year business plan
- Updates to the annual and six-year business plans as conditions change.

Q. PLEASE DESCRIBE THE IRP PROCESS.

A. Liberty-Empire utilizes the IRP process to develop a long-term strategy to reliably serve its customers at the lowest reasonable cost while considering other relevant factors. This planning process uses Liberty-Empire's entire load in all five of its jurisdictions. This formal IRP process has been in place since the early 1990's when the MoPSC implemented a formal IRP rule. Since that time Oklahoma and Arkansas have implemented IRP rules. Liberty-Empire filed its most recent triennial IRP in Missouri on April 1, 2022, submitted it in Arkansas on July 1, 2022 and in Oklahoma in June 2023, all based on a three-year cycle. Liberty-Empire plans its resources on a system-wide basis. The IRP process Liberty-Empire uses results in a target list of future resources designed to serve Liberty-Empire's projected customer needs in all jurisdictions. The fundamental objective of the IRP process requires the utility to consider demand-side, traditional supply-side and renewable resources on an equivalent basis and utilize the minimization of long-run utility costs as a primary criterion while also considering other factors such as risk mitigation, reliability, environmental sustainability, legal mandates, energy policy, safety and rate impacts. The Company is currently developing its next triennial IRP which is planned to be filed in Missouri in April, 2025. In accordance with past practices, Liberty-Empire will provide the Commission Staff the Executive Summary of the next triennial IRP when it is filed with the MoPSC.

Q. PLEASE DESCRIBE ANY RECENT CAPACITY ADDITIONS TO LIBERTY-EMPIRE'S GENERATING FLEET.

A. The most recent additions were a total of approximately 600 megawatts of wind resources from three wind farm sites. These wind farms are known as North Fork Ridge (located in southwest Missouri and nominally rated at 149.4 MW), Kings Point (located in southwest Missouri and nominally rated at 149.4 MW) and Neosho Ridge (located in Southeast Kansas and nominally rated at 301 MW). These wind resources became commercially operational during the first and second quarters of 2021. However, as previously mentioned, these resources were not included in the model run that calculated the 2025 Kansas ECA rates. This approach is consistent with the Company's Motion to Withdraw its Request to Recover Acquisition and Operating Costs of Wind Projects in Rates filed in Docket No. 21-EPDE-444-RTS.

Q. DID LIBERTY-EMPIRE HAVE ANY RECENT CAPACITY RETIREMENTS?

A. No, there have not been any recent retirements since the last Kansas ACA filing. The most recent unit to retire was the Asbury coal-fired generation plant ("Asbury"). Asbury was de-designated in the SPP market as of the end of March 1, 2020.

Q. HAS THE COMPANY MADE ANY RECENT CAPACITY SALES?

A. Yes. Consistent with what was reported in last year's Kansas ACA filing, following the loss of some on-system wholesale load, Liberty-Empire entered into a five-year power purchase agreement with the Missouri Joint Municipal Utility Commission ("MJMEUC") on behalf of the Southwest Missouri Power Electric Pool ("SWMPEP") for a capacity and energy sale beginning June 1, 2020 and ending May 31, 2025 for two Missouri municipals (the cities of Monett and Mount Vernon). The capacity sale is based on a "slice of Liberty-Empire system" approach, with a total capacity sale of 78 MW during the agreement period. The MJMEUC agreement also enables MJMEUC to receive payment from SPP for energy sold into the market from Liberty-Empire resources that are allocated to MJMEUC by this agreement. MJMEUC will pay Liberty-Empire for the capacity and for their allocated portion of the fuel costs, startup costs, an additional amount per unit of energy and some transmission costs as described by the agreement. In February 2024, this contract was amended and extended through May 31, 2027. The net energy benefits from this sale have been included in the model run used to calculate the 2025 Kansas ECA rates.

Q. HOW DOES THE SECOND STEP OF THE PLANNING PROCESS WORK?

A. In addition to the long-range planning, Liberty-Empire conducts annual financial and operational planning, which is used to develop a six-year business forecast. This planning process includes a detailed load forecast, detailed generation unit modeling, detailed O&M and capital budget planning, and a revenue forecast. The detailed generation unit modeling developed in this phase of the planning process is used as the primary source of information for the development of the fuel and purchased power procurement plan.

Q. ARE THE ANNUAL AND SIX-YEAR BUSINESS PLANS ADJUSTED TO REFLECT CHANGES IN THE BUSINESS ENVIRONMENT?

A. Yes. The annual and six-year business plans are periodically refined to consider changes since the plans were initially developed. Liberty-Empire considers changes in such things as weather, number of customers, fuel prices, purchased power prices, plant outages, and fuel availability. As these refinements are made to the near-term forecasts, Liberty-Empire adjusts its fuel procurement plans as necessary.

Q. HOW ARE THE NEAR TERM, ONE AND SIX-YEAR FUEL REQUIREMENTS DETERMINED?

A. Liberty-Empire utilizes a chronological dispatch model known as EnCompass to develop an hourly dispatch of its units in the SPP market. Liberty-Empire uses this model under a license agreement it has with the model's owner, Anchor Power Solutions, which was recently acquired by Yes Energy. The EnCompass model considers fuel prices, market prices, wind profiles, generating plant efficiencies, generating plant outages and many of the other characteristics of Liberty-Empire's generation resources and develops a dispatch versus a market price curve to determine sales into the market. Liberty-Empire's native load cost is based on projected market prices and a weather normal forecast of Liberty-Empire's native load. The model output includes the projected MWh generation from each generation unit, projected fuel usage, hours of operation, number of unit starts, unit margin and native load costs. Monthly reports are generated from this output and are used to develop plans for the acquisition of the fuel required to operate the generating units.

III. EXISTING SUPPLY-SIDE RESOURCES

Q. PLEASE DESCRIBE LIBERTY-EMPIRE'S SUPPLY-SIDE RESOURCES IN GREATER DETAIL.

BASE LOAD FACILITIES

A. The Company is currently a joint owner at two coal-fired generation facilities. This includes Iatan (12% ownership of Units 1 and 2) and Plum Point (7.52% ownership). Iatan Unit 1 is approximately a 700 MW coal-fired unit operated by Evergy Metro, Inc. ("Evergy"), formerly Kansas City Power & Light ("KCPL"). Liberty-Empire owns 12% or about 84 MW of this unit. Iatan Unit 2, which went into service in late 2010, is approximately an 877 MW unit. Liberty-Empire owns 12% or around 105 MW of this unit. Like Unit 1, Iatan Unit 2 is a base load resource and Liberty-Empire is not directly responsible for fuel procurement at the Iatan facility. Plum Point is approximately a 665 MW base load coal-fired unit located in Northeastern Arkansas. Liberty-Empire owns 7.52% or approximately 50 MW of Plum Point. In addition, Liberty-Empire has entered into a long-term purchased power agreement ("PPA") contract for approximately 50 MW from this unit. This unit went into commercial operation in August 2010. As with the Iatan facility, Liberty-Empire is not directly responsible for the coal procurement at Plum Point.

INTERMEDIATE AND PEAKING RESOURCES

Liberty-Empire owns natural gas-fired resources at three locations: the Riverton, Energy Center and State Line generation facilities. The Riverton generating station is located in Kansas and the other two natural gas/fuel oil facilities are located in Missouri. The Riverton facility consists of a combined cycle unit and two small simple cycle natural gas-fired units. Riverton Unit 12 is the newest unit at this location. It is a natural gas-fired combined cycle unit that is currently rated at 247 MW for the summer season. The original simple cycle combustion turbine was installed in 2007 and the unit was converted to a combined cycle in 2016. As mentioned, the Riverton site also has two relatively small simple cycle natural gas units (Riverton Units 10 and 11[1]) that are rated a combined 13 MW. Liberty-Empire has four natural gas-fired turbines at the Energy Center generation facility. Two of these units (Energy Center Units 1 and 2) have combined summer capacity rating of approximately 162 MW. They went into service in 1978 and 1981. They tend to operate for reliability purposes. Due to their ability to burn fuel oil as a back-up fuel, they can also operate for economic or natural gas transportation curtailment reasons. Energy Center Units 1 and 2 were modeled to be offered into the SPP market on a natural gas with fuel

[1] Riverton Unit 11 was on outage from August 1, 2023, throughout the period twelve months ending October 31, 2024 (the period described in this testimony)

oil backup for this ECA filing. Liberty-Empire also has two FT8 Twin Pac aero-derivative units known as Energy Center Units 3 and 4 at the Energy Center facility, with a combined summer rating of about 87 MW. These units have quick start capability and are typically on-line at full load in less than 10 minutes. With their quick start characteristics, these units can be utilized for reliability, economics, and for load balancing. The State Line facility consists of State Line Unit 1 and the jointly owned State Line combined cycle. State Line Unit 1 is a 90 MW 1995 vintage combustion turbine. Liberty-Empire operates a combined cycle unit at its State Line facility (Liberty-Empire's 60% share is about 316 MW). This unit is jointly owned with Westar Generation Inc. ("Westar")[2], which holds a 40% ownership share. It is a 2X1 (two by one) unit consisting of two gas turbines and one steam turbine. The unit has the ability to operate in 1X1 (one by one) mode or 2X1 mode.

OTHER RESOURCES

Liberty-Empire also owns and operates the Ozark Beach hydro facility located near Forsyth, Missouri. It has a capacity of about 16 MW. The output of this unit is limited by the water released upstream from Table Rock Lake by the Corp of Engineers and the level of water maintained by the Corp of Engineers on Bull Shoals Lake, which is downstream from the Ozark Beach facility.

At the end of 2005, Liberty-Empire began receiving output from the 150 MW Elk River Wind Project located in Butler County, Kansas via a purchased power agreement ("PPA"). Liberty-Empire has a contractual commitment to purchase 100 percent of the output from this project for 20 years. Near the end of 2008, Liberty-Empire began receiving output from 105 MWs of the Meridian Way Wind Project located in Cloud County, Kansas. This

[2] Westar Energy, Inc. merged with Kansas City Power & Light to form Evergy, Inc.

is also a 20-year PPA. The energy from both of these wind farms is purchased at a cost per MWh established by contract.

Finally, as introduced earlier in this testimony, the Company has three additional wind resources that began commercial operation in 2021. The Company purchased the North Fork Ridge wind project on January 27, 2021, and purchased the Kings Point and Neosho Ridge projects on May 5, 2021. The North Fork Ridge Wind Project, which was constructed by Mortenson Construction, has a capacity of approximately 149.4 MW and interconnects at Liberty-Empire's substation at Asbury. This wind project consists of sixty-nine wind turbine generators. The Kings Point Wind Project was also constructed by Mortenson Construction and also has a capacity of approximately 149.4 MW. It interconnects at the substation at Liberty-Empire's La Russell Energy Center and it consists of sixty-nine wind turbine generators. Neosho Ridge, the largest of the three new wind projects, was constructed by IEA Constructors, LLC. It has a capacity of approximately 301 MW and interconnects to a new substation on Evergy Kansas Central, Inc.'s Neosho-to-Caney River 345 kV transmission line. Neosho Ridge consists of 139 wind turbine generators. Again, these wind resources were not included in the model run that calculated the 2025 Kansas ECA rates, in accord with the Company's Motion to Withdraw its Request to Recover Acquisition and Operating Costs of Wind Projects in Rates filed in Docket No. 21-EPDE-444-RTS.

COAL AND FREIGHT

Q. WHAT APPROACH DOES LIBERTY-EMPIRE USE TO PURCHASE ITS COAL REQUIREMENTS?

A. As previously mentioned, Liberty-Empire is not directly responsible for the coal procurement at the jointly owned Iatan and Plum Point facilities.

NATURAL GAS AND RELATED TRANSPORTATION

Q. PLEASE DESCRIBE HOW LIBERTY-EMPIRE ACQUIRES ITS NATURAL GAS REQUIREMENTS.

A. All of Liberty-Empire's natural gas-fired generation resources are located on the Southern Star Central Gas Pipeline ("SSCGP"). Liberty-Empire currently has approximately 75,000 MMBtu/day firm production zone capacity and more than 110,000 MMBtu/day firm market zone capacity. If natural gas transportation is not available, most of Liberty-Empire's simple cycle natural gas turbines have the ability to operate on fuel oil. Liberty-Empire acquires physical natural gas on a long-term, monthly, and daily basis. Typically, these physical purchases are competitively bid when possible. Additionally, in May 2024, the Company extended its natural gas firm transportation contracts with SSCGP through May 1, 2035 to help ensure the reliability of its natural gas generation fleet into the future.

MANAGING PRICE VOLATILITY OF NATURAL GAS

Q. HOW HAS LIBERTY-EMPIRE'S MANAGEMENT CHOSEN TO MANAGE NATURAL GAS PRICE VOLATILITY?

A. Liberty-Empire works diligently to mitigate the price volatility associated with changes in natural gas pricing. From an historical perspective, Liberty-Empire developed and implemented a Risk Management Policy ("RMP") in 2001 to help manage fuel price volatility. The RMP outlines the instruments that may be used to help manage volatility. The current RMP was revised and formally adopted on July 19, 2019 by the Company's Risk Management Oversight Committee ("RMOC"). Under the current policy, the only fixed price instruments used are forward contracts unless the Energy Supply Services department petitions for and receives a waiver from the RMOC. However, some financial hedges may be in place as a result of the legacy natural gas hedging policy. Under the new policy, allowable advance procurement vehicles include Forward Physical Index Contracts and Forward Physical Fixed Contracts triggered by historical pricing levels. The natural gas hedging policy also addresses how far in the future advanced procurement may take place and for which months the hedging is required. This approach is intended to protect customers from volatility in the marketplace and provide the ability to procure natural gas in advance when pricing indicates economic value as defined by the price matrices described in the RMP. In addition, the approach protects against volatility in local natural gas supply, ensuring the supply management group will have the required natural gas available to meet budgeted native load targets.

<u>2023 PROCUREMENT PLAN FOR 2024</u>

Q. PLEASE DESCRIBE THE STATUS OF THE NATURAL GAS PROCUREMENT PROCESS AT THE BEGINNING OF CALENDAR YEAR 2024.

A. As of December 31, 2023, Liberty-Empire had **[redacted]** MMBtu of its estimated 2024 calendar year natural gas requirements for native load either physically purchased at a fixed price or financially hedged out of a total expected natural gas requirement for native load customers of **[redacted]** MMBtu. The **[redacted]** MMBtu represented about 28% of Liberty-Empire's anticipated 2024 natural gas requirement for native load and carried an average cost of $**[redacted]**/MMBtu. All of the **[redacted]** MMBtu were physical hedges. As previously mentioned, in 2019 Liberty-Empire, with stakeholder input, updated the Company's hedging policy to continue to protect customers from volatility in the natural gas market while providing the ability to procure fuel supply in advance to mitigate risk associated with local natural gas supply volatility. The updated policy focuses on the utilization of a historical price matrix to trigger fixed physical forward purchases, rather than requiring a timely hedge percentage consisting of financial instruments. Additional physical gas requirements are purchased daily or weekly on a competitive basis to balance the system natural gas requirements.

Q. PLEASE DESCRIBE HOW THE UPDATED NATURAL GAS ADVANCED PROCUREMENT PROCESS CHANGES THE DISCUSSION OF THE STATUS OF AMOUNT OF NATURAL GAS HEDGED AT THE BEGINNING OF A REVIEW PERIOD.

A. In the past, the Company discussed the percentage of natural gas hedged at the beginning of a review period since that value was relevant to the legacy hedging policy. For example, the legacy policy required a specific amount of the expected annual natural gas requirement hedged at the beginning of the calendar year. That is no longer the case. Additionally, the new policy only requires hedging for the summer (June-August) and winter (December-February) months. As mentioned, the Company had about 28% of its 2024 calendar year natural gas requirements hedged at the beginning of 2024. However, this would be about 38.4% of its 2024 summer and winter season requirements hedged at the beginning of 2024 (the months the new policy allows natural gas hedging). While these beginning of the calendar year values are informative, they no longer translate to how well the advanced procurement policy is being met. The RMP sets forth an Advanced Procurement Plan, which outlines the timing and volume for purchases associated with the expected natural gas burn. The summer and winter months subject to the Advanced Procurement Plan, must have 50% of the expected natural gas burn procured for the next month via forward monthly index and/or fixed physical pricing. Therefore, the percentage of natural gas hedged at the beginning of the year is not as pertinent as it once was. While the target hedge amount is 50% for the required summer and winter months, the timeframe to meet the target is any time prior to the operating month. Because the Company is using an historical pricing matrix to determine fixed price hedging triggers, requiring a fixed percentage of hedged volumes more than a month in advance of the operating month would shrink the window of time for natural gas forward prices to fall within the price matrix.

Q. ARE THE BENEFITS AND COSTS OF LIBERTY-EMPIRE'S ENERGY RISK MANAGEMENT POLICY RECORDED ON THE GENERAL LEDGER?

A. Yes. The results of Liberty-Empire's risk management policies, including the settlement of financial hedges, are reflected in the fuel expense accounts on the general ledger, namely accounts 501 and 547 in accordance with Generally Accepted Accounting Principles ("GAAP"). The gains/losses arising from the periodic settlement of the financial instruments have been eliminated from the Kansas ECA filing as have the gains/losses that arose from the periodic sale of financial instruments related to excess natural gas during the ACA period. This is in accordance with an agreement reached with the Staff and approved by the Commission in Docket No. 07-EPDE-712-ACA ("712 Docket"). The Company continues to discuss the possibility of inclusion of these financial instruments with Stakeholders.

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes.

AFFIDAVIT OF TODD W. TARTER

STATE OF MISSOURI)
) ss
COUNTY OF JASPER)

On the 17th day of January, 2025, 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

Todd W. Tarter

Subscribed and sworn to before me this 17th day of January, 2025.

ANGELA M. CLOVEN
Notary Public - Notary Seal
State of Missouri
Commissioned for Jasper County
My Commission Expires: November 06, 2027
Commission Number: 15262659

Angela M. Cloven

Notary Public

My commission expires: 11/06/2027.

CERTIFICATE OF SERVICE

I hereby certify that a copy of the above and foregoing was sent via electronic mail, this 17th day of January, 2025, addressed to:

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