

Exhibit No.
Issue: Annual ECA-ACA Filing
Witness: Todd W. Tarter
Type of Exhibit: Direct Testimony
Sponsoring Party: Empire District Electric
Docket No. 20-EPDE-242-ACA
Date Testimony Prepared: January 2020

Before the Kansas Corporation Commission

Direct Testimony

of

Todd W. Tarter

**In Support of the
Annual Energy Cost Adjustment ACA Filing**

January 20, 2020

****Denotes Confidential****

TABLE OF CONTENTS
OF
TODD W TARTER
THE EMPIRE DISTRICT ELECTRIC COMPANY
BEFORE THE
KANSAS CORPORATION COMMISSION
DOCKET NO. 20-EPDE-242-ACA

<u>SUBJECT</u>	<u>PAGE</u>
I. INTRODUCTION	1
II. FUEL AND PURCHASED POWER PROCUREMENT PRACTICE SUMMARY	6
III. EXISTING SUPPLY-SIDE RESOURCES	9

**DIRECT TESTIMONY
OF
TODD W. TARTER
THE EMPIRE DISTRICT ELECTRIC COMPANY
BEFORE THE
KANSAS CORPORATION COMMISSION
DOCKET NO. 20-EPDE-242-ACA**

1 **I. INTRODUCTION**

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

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

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

6 A. I am employed by Liberty Utilities Service Corp. as the Manager of Market Settlements
7 and Systems for Liberty Utilities' Central Region, which includes The Empire District
8 Electric Company ("Liberty-Empire" or "Company").

9 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL AND PROFESSIONAL**
10 **BACKGROUND.**

11 A. I graduated from Pittsburg State University in 1986, with a Bachelor of Science Degree
12 in Computer Science. After graduation, I received a mathematics education certification.
13 I began my employment with Liberty-Empire in May 1989. During my tenure with
14 Liberty-Empire, I have worked in the Corporate Planning, Strategic Planning,
15 Information Technology ("IT"), Planning and Regulatory and the Electrical Procurement
16 departments. My primary responsibilities during the early parts of my career included
17 work with the Company's construction budget, load forecasts, sales and revenue budgets,
18 financial forecasts, fuel and purchased power projections, and IT projects among others.
19 In 2004, I was promoted to Manager of Strategic Planning where I primarily worked with

1 fuel and purchased power projections, energy efficiency and integrated resource planning
2 (“IRP”). In October 2016, I assumed my current position where I am primarily
3 responsible for market settlements; the computer systems used by the Electrical
4 Procurement department; load forecasting; load research; transmission congestion
5 hedging; and fuel and purchased power projections. I have worked for Liberty-Empire
6 for over 30 years.

7 **Q. HAVE YOU PREVIOUSLY PRESENTED TESTIMONY BEFORE THE KANSAS**
8 **CORPORATION COMMISSION (“COMMISSION”) OR ANY OTHER STATE**
9 **COMMISSION?**

10 A. Yes, I have presented testimony in Kansas under the following dockets: 05-EPDE-980-
11 RTS, 12-EPDE-392-ACA, 13-EPDE-385-ACA, 14-EPDE-270-ACA, 15-EPDE-228-
12 ACA, 16-EPDE-260-ACA, and 17-EPDE-101-RTS. I have also presented testimony
13 before the Arkansas Public Service Commission, the Missouri Public Service
14 Commission (“MoPSC”), and the Oklahoma Corporation Commission.

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

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

20 **Q. PLEASE DESCRIBE HOW THE SOUTHWEST POWER POOL (“SPP”)**
21 **INTEGRATED MARKETPLACE (“IM”) IMPACTS LIBERTY-EMPIRE’S**
22 **OPERATIONS.**

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

10 **Q. PLEASE GENERALLY DESCRIBE LIBERTY-EMPIRE'S ELECTRIC SYSTEM**
11 **OPERATING CHARACTERISTICS.**

12 A. Liberty-Empire generally has dual (winter/summer) system peaks almost equal to each
13 other. Liberty-Empire's all-time system peak was recorded in January 2018 at 1,211
14 megawatts ("MW"). The all-time summer peak occurred in August 2011 at 1,198 MW.
15 The system peak in 2019 occurred in March at 1,111 MW. This was also the system peak
16 demand during the ACA period as shown in the table below. The table also shows that
17 the summer peak during the ACA period was about 98% of the system peak. During the
18 past ten calendar years (2010 through 2019), Liberty-Empire has recorded its annual peak
19 during the winter season six times and during the summer season four times. The
20 following table displays the actual Liberty-Empire peak demands by month for the
21 twelve-months ending October 2019 along with the native load in megawatt-hours
22 ("MWh") for each month.

Month	Peak - MW	Percent of Annual Peak	Native Load - MWh
Nov-18	969	87%	448,421
Dec-18	941	85%	481,518
Jan-19	1,053	95%	524,950
Feb-19	1,048	94%	459,173
Mar-19	1,111	100%	453,539
Apr-19	771	69%	366,298
May-19	815	73%	398,732
Jun-19	960	86%	443,243
Jul-19	1,066	96%	520,168
Aug-19	1,085	98%	504,884
Sep-19	1,028	93%	486,928
Oct-19	943	85%	392,094
Total			5,479,948

1 This winter/summer peak relationship also affects fuel procurement and power plant
2 operation because Liberty-Empire must be able to offer in enough resources into the SPP
3 IM in order to cover its load.

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

6 A With the advent of the SPP IM, Liberty-Empire purchases energy from the market to
7 serve native load, sells generation into the market, and receives revenue from selling its
8 generation into the market. Liberty-Empire's supply-side resources for the ACA true-up
9 period ending October 2019 are illustrated in the table below.

TODD W. TARTER
DIRECT TESTIMONY

Unit/Purchase	Rated Capacity	Actual Generation MWh	Energy Cost TME October 2019 (\$000) (A)	Average Cost/MWh (\$)	Fuel Type
Asbury	200	743,292	21,174	28.49	Coal
Iatan 1-2	190	980,615	15,235	15.54	Coal
Plum Point (own)	51	268,025	6,549	24.43	Coal
Riverton 10-12	275	1,151,838	22,146	19.23	Natural Gas
Energy Center 1-4	242	112,655	6,451	57.26	Natural Gas
State Line	387	1,625,224	31,706	19.51	Natural Gas
Ozark Beach	16	52,403	-	-	Hydro
Plum Point PPA	50	291,294	9,151	31.41	Coal
Wind Farms	31	669,528	27,318	40.80	Wind
Total	1,442	5,894,874	139,729	23.70	

*Rated Capacity based on summer ratings submitted to SPP in the 2019 Resource Adequacy submission

**Wind Farms Rated Capacity based on month of August

(A) This is the cost of Liberty-Empire's resource generation for November 2018 through October 2019 and excludes: the cost of fixed gas transportation, WR auxiliary charges, 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)

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

A. All three states use historical test years to establish base electric rates in a manner similar to the process used in Kansas. In addition, Arkansas, Oklahoma and Missouri 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 over 82 percent of total sales made by Liberty-Empire during the twelve months ended October 31, 2019. The following table displays the actual sales levels in each of the jurisdictions.

Jurisdiction	MWh Sales	Ratio
Wholesale	335,904	7%
Kansas	234,289	5%
Arkansas	179,908	3%
Oklahoma	162,872	3%
Missouri	4,233,616	82%
Total	5,146,589	100%

*Based on TME October 2019 calendar sales

II. FUEL AND PURCHASED POWER PROCUREMENT PRACTICE SUMMARY

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 factors such as risk, resource diversity, energy policy, legal mandates and rate impacts. 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-

1 Empire filed its most recent triennial IRP in Missouri on June 28, 2019 and submitted it
2 in Arkansas on July 24, 2019. In accordance with the established IRP filing schedule,
3 Liberty-Empire plans to submit the 2019 IRP in Oklahoma in May, 2020. Liberty-
4 Empire plans its resources on a system-wide basis. The IRP process Liberty-Empire uses
5 results in a target list of future resources designed to serve Liberty-Empire's projected
6 customer needs in all jurisdictions. The resource plan selected by Liberty-Empire as a
7 result of this process includes a diverse set of resources. The fundamental objective of the
8 IRP process requires the utility to consider demand-side, supply-side and renewable
9 resources on an equivalent basis and utilize the minimization of long-run utility costs as a
10 primary criterion while also considering other factors such as risk, legal mandates, energy
11 policy and rate impacts.

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

14 A. The most recent addition would be the Riverton 12 Combined Cycle, which began
15 commercial operation on May 1, 2016.

16 **Q. DOES LIBERTY-EMPIRE HAVE PLANS FOR ANY CAPACITY ADDITIONS**
17 **AND/OR RETIREMENTS IN THE NEAR FUTURE?**

18 A. Yes. Liberty-Empire has entered into three Purchase and Sale Agreements for the
19 acquisition of 600 MW of wind generation. This acquisition arises out of Liberty-
20 Empire's Customer Savings Plan docket which resulted in an order from the MoPSC to
21 proceed with the acquisition of 600 MW of wind. As a result of the order of the MoPSC,
22 Liberty-Empire updated its preferred plan under its 2019 IRP to reflect the addition of
23 600 MW of wind. A copy of Liberty-Empire's Executive Summary contained in Liberty-

1 Empire's Missouri 2019 Integrated Resource Plan (IRP) was provided to the KCC Staff
2 as part of Docket 19-EPDE-223-RTS, which includes information relating to Liberty-
3 Empire's existing generation facilities and when those plants are set to retire (if at all)
4 during the period of time covered by said plan¹. In addition to the IRP, an informational
5 notice was filed on August 22, 2019 as a result of a definitive decision to retire Asbury
6 generation plant no later than June 2020. More recently, outside the ACA period in this
7 case, on November 13, 2019 the Company filed its Updated Asbury Informational Notice
8 stating that, although the exact retirement date was unknown, based on current coal
9 supplies and other factors, the Company believed the plant would be retired no later than
10 March of 2020.

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

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

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

21 A. Yes. The annual and six-year business plans are periodically refined to take into account
22 changes since the plans were initially developed. Liberty-Empire considers changes in

¹ Table 4-1 shows Empire Generation (Existing and Committed). Figure 4-1 shows Empire Generation by Fuel Type for 2018. Table 4-2 shows Empire Generation by Fuel Type for 2018. Table 6-6 shows Plant Retirement Assumptions under Preferred Plan in IRP.

1 such things as weather, number of customers, fuel prices, purchased power prices, plant
2 outages, and fuel availability. As these refinements are made to the near term forecasts,
3 Liberty-Empire adjusts its fuel procurement plans as necessary.

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

6 A. Liberty-Empire utilizes a production cost model to simulate a least cost hourly dispatch
7 to serve its customers. Liberty-Empire utilizes this model under a perpetual license
8 agreement it has with the model's owner. The production cost model takes into account
9 coal prices, natural gas prices, market power prices, generating plant efficiencies,
10 generating plant outages and many of the other characteristics of the Liberty-Empire's
11 generation resources and develops a least cost dispatch using price curves to simulate the
12 SPP IM. The model output includes the projected MWh generation from each generating
13 resource, projected fuel usage, revenues from sales into the SPP IM, and the cost to
14 purchase Liberty-Empire's native load requirements. Monthly reports are generated from
15 this output and are used to develop plans for the acquisition of the fuel required to operate
16 the generating units.

17 **III. EXISTING SUPPLY-SIDE RESOURCES**

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

20 **BASE LOAD FACILITIES**

21 A. During the ACA period, Liberty-Empire owned coal-fired generation resources at three
22 locations: (1) the Asbury generating station located near Asbury, Missouri; (2) the
23 jointly-owned Iatan generating station located near Weston, Missouri (12 percent

1 ownership share); and (3) the jointly-owned Plum Point generating station located near
2 Osceola, Arkansas (7.52 percent ownership share).

3 Liberty-Empire's Asbury unit is a 200 MW primarily coal-fired plant which became
4 operational in 1970. As mentioned earlier, this unit is planned to retire in 2020. During
5 its nearly fifty years of distinguished service, it evolved from a mine-mouth plant that
6 burned a high Btu coal from a mine located near the unit to burning a blend of
7 approximately 90 to 95 percent lower Btu western coal from Wyoming and 5 to 10
8 percent of a higher Btu bituminous coal since the early 1990s. Recently, the coal for the
9 Asbury coal unit has been purchased under a mixture of coal contracts of varying terms
10 and conditions. For the purposes of the production cost model run used to calculate the
11 Kansas ECA for 2020, Asbury was assumed to retire on June 1, 2020.

12 Iatan 1 is a large 708 MW coal unit operated by Evergy, Inc., formerly known as
13 Kansas City Power & Light ("KCPL"). Liberty-Empire owns 12 percent or 85 MW of
14 this unit. The Iatan 1 unit is a base load resource, and Liberty-Empire does not have the
15 primary responsibility for fuel procurement for this generating unit. Iatan 2, which was
16 declared to be in commercial service at the end of December 2010, is a large coal unit.
17 Liberty-Empire owns 12 percent or around 105 MW of this unit. Like Iatan 1, Liberty-
18 Empire is not directly responsible for fuel procurement for this unit.

19 Plum Point is a large approximately 665 MW base load coal unit located in
20 Northeastern Arkansas. Liberty-Empire owns 7.52 percent or around 51 MW of Plum
21 Point. In addition, Liberty-Empire has entered into a long-term purchased power contract
22 for 50 MW from this unit. This unit went into commercial operation in August 2010.
23 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: (1) the Riverton generating station located in Riverton, Kansas; (2) the Energy Center facility located near La Russell, Missouri; and (3) the State Line generating plant facility located in Jasper County, Missouri near the Kansas state line.

During the ACA period, there were two small gas turbines and a combined cycle unit at Riverton with a total summer capacity of about 275 MW. The Riverton 12 Combined Cycle unit is a summer-rated 247 MW 1x1 (one by one) unit consisting of one gas turbine and one steam turbine. The other two gas units at the Riverton plant are small units, approximately 14 MW each, and typically only run during extreme peak conditions.

Liberty-Empire has four gas-fired turbines at the Energy Center generation facility. Two of these units have a combined capacity rating of 162 MW that were completed in 1978 and 1981 and are known as Energy Center 1-2. They tend to operate for reliability purposes. They have the ability to burn fuel oil as a back-up fuel when natural gas is not available. Liberty-Empire also has two 40 MW FT8 twin pack aero-derivative units known as Energy Center 3-4. The FT8 units also have the ability to start quickly and are typically on line at full load in less than 10 minutes. These units are often used for peaking purposes and they are also committed for reliability purposes as determined by SPP.

The State Line facility consists of State Line Unit 1 and the jointly-owned State Line combined cycle ("SLCC"). State Line Unit 1 is a 95 MW 1995 vintage combustion turbine. Liberty-Empire operates the SLCC at its State Line Facility. This unit is jointly owned with Evergy, Inc., formerly Westar Generation Inc. Liberty-Empire has a 60

1 percent ownership share in the combined cycle unit, or about 292 MW, while Evergy's
2 ownership share is 40 percent. It is a 2X1 (two by one) unit consisting of two gas
3 turbines and one steam turbine. The unit has the ability to operate in 1X1 mode (one gas
4 turbine and the steam turbine) or 2X1 mode (two gas turbines and the steam turbine).

5 **OTHER RESOURCES**

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

11 At the end of 2005, Liberty-Empire began receiving output from the 150 MW Elk
12 River Wind Project located in Butler County, Kansas via a purchased power agreement
13 ("PPA"). Liberty-Empire has a contractual commitment to purchase 100 percent of the
14 output from this project for 20 years. Near the end of 2008, Liberty-Empire began
15 receiving output from 105 MWs of the Meridian Way Wind Project located in Cloud
16 County, Kansas. This is also a 20-year PPA. The energy from both of these wind farms
17 are purchased at a cost per MWh established by contract.

18 **COAL AND FREIGHT**

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

21 **A.** During the ACA period, Liberty-Empire conducted a competitive coal acquisition
22 process and selected several suppliers to meet the majority of its western coal
23 requirements for Asbury. Liberty-Empire's western coal was delivered under

1 transportation contracts with Burlington Northern and Kansas City Southern. Liberty-
2 Empire also had a train lease to supplement deliveries and additional lease trains could
3 have been obtained as needed. Liberty-Empire also has a train lease to supply its portion
4 of the Plum Point railcars. All of the western coal used at the Asbury site was delivered
5 to Liberty-Empire's Asbury facility. Liberty-Empire procured a majority of its
6 bituminous coal (higher Btu) requirements on a competitive basis. As previously
7 mentioned, Liberty-Empire is not directly responsible for the coal procurement at the
8 Iatan and Plum Point facilities, and the Asbury generating resource will be retired in
9 2020.

10 **NATURAL GAS AND RELATED TRANSPORTATION**

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

13 A. All of Liberty-Empire's natural gas-fired generation resources are located on the
14 Southern Star Central Gas Pipeline ("SSCGP"). Liberty-Empire currently has
15 approximately 75,000 MMBtu/day firm production zone capacity and more than 85,000
16 MMBtu/day firm market zone capacity. If natural gas transportation is not available,
17 most of Liberty-Empire's simple cycle gas turbines have the ability to operate on fuel oil.
18 Liberty-Empire acquires physical natural gas on a long-term, monthly, and daily basis.
19 Typically these physical purchases are competitively bid when possible. If a particular
20 long term physical gas request is very limited in terms of responding suppliers, the price
21 quoted by the supplier may be compared to the prices available on the NYMEX as
22 adjusted for delivery on SSCGP to ensure that the price quoted by the physical supplier is
23 competitive.

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. Liberty-Empire developed and implemented a Risk Management Policy (RMP) during 2001 to manage this volatility. The RMP outlines the instruments available for use to help manage volatility. In the past, the RMP included a minimum annual quantity of natural gas whose price must be established in advance through either a financial instrument and/or physical gas contract. This strategy was modified through a stakeholder process in 2019 to create additional flexibility without sacrificing risk mitigation.

Q IS THERE ANY UPDATE TO THE MINIMUM HEDGING REQUIREMENTS AT THIS TIME?

A. Yes. As of September 19, 2018, Liberty-Empire's Risk Management Oversight Committee (RMOC) voted to suspend the hedging requirements until it had completed discussions with stakeholders in Liberty-Empire's four retail jurisdictions regarding changes to Liberty-Empire's current natural gas hedging practices. Liberty-Empire has met with all four retail jurisdictions and has developed changes to the natural gas hedging parameters and plans. As of January 2020, the RMP has been updated to incorporate the new natural gas hedging policy. This document is awaiting final RMOC approval.

2018 PROCUREMENT PLAN FOR 2019

Q. PLEASE DESCRIBE THE STATUS OF THE NATURAL GAS PROCUREMENT PROCESS AT THE BEGINNING OF THE 2019 ACA PERIOD.

1 A. Liberty-Empire's RMP called for a minimum of 60% of its expected 2019 natural gas
2 usage to be established by December 31, 2018. However, as mentioned earlier, during
3 2018, the RMOC suspended adherence to the hedging requirements while the strategy
4 was being reviewed. As of December 31, 2018, Liberty-Empire had **_____**
5 MMBtu of its estimated 2019 calendar year natural gas requirements for native load
6 either physically purchased at a fixed price or financially hedged out of a total expected
7 natural gas requirement for native load customers of **_____** MMBtu. The
8 **_____** MMBtu represented about 50% of Liberty-Empire's anticipated 2019
9 natural gas requirement, and carried an average cost of \$**_____/MMBtu. Of the
10 **_____** MMBtu, a total of **_____** MMBtu was purchased under physical
11 contracts and **_____** MMBtu was hedged using financial instruments. The
12 financial instruments used were a combination of NYMEX contracts and associated basis
13 swaps or swap transactions with Over the Counter ("OTC") counterparties. After
14 burning the natural gas it has physically purchased, Liberty-Empire will buy its additional
15 physical gas requirements on an intra-month, daily or weekly basis on a competitive basis
16 to balance the system natural gas requirements.

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

19 A. Yes. The results of Liberty-Empire's risk management policies, including the settlement
20 of financial hedges, are reflected in the fuel expense accounts on the general ledger,
21 namely accounts 501 and 547 in accordance with Generally Accepted Accounting
22 Principles ("GAAP"). The gains/losses arising from the periodic settlement of the
23 financial instruments have been eliminated from the Kansas ECA filing as have the

1 gains/losses that arose from the periodic sale of financial instruments related to excess
2 natural gas during the ACA period. This is in accordance with an agreement reached
3 with the Staff and approved by the Commission in Docket No. 07-EPDE-712-ACA ("712
4 Docket").

5 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

6 **A. Yes.**

AFFIDAVIT OF TODD W. TARTER

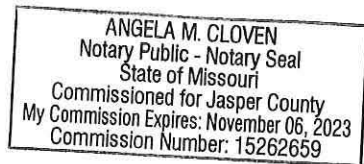
STATE OF MISSOURI)
) ss
COUNTY OF JASPER)

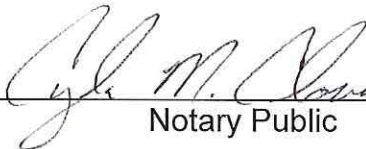
On the 20th day of January, 2020, before me appeared Todd W. Tarter, to me personally known, who, being by me first duly sworn, states that he is Manager of Market Settlements and Systems of The Empire District Electric Company and acknowledges that he has read the above and foregoing document and believes 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 20th day of January, 2020.




Notary Public

My commission expires: 11/06/23.

CERTIFICATE OF SERVICE

I hereby certify that a copy of the Direct Testimony of Todd W. Tarter was sent via electronic mail, this 20th day of January, 2020, addressed to:

James G. Flaherty
jflaherty@andersonbyrd.com

Joseph R. Astrab
j.astrab@curb.kansas.gov

Todd E. Love
t.love@curb.kansas.gov

David W. Nickel
D.NICKEL@CURB.KANSAS.GOV

Shonda Rabb
s.rabb@curb.kansas.gov

Della Smith
d.smith@curb.kansas.gov

Cole Bailey
c.bailey@kcc.ks.gov

/s/ Angela Cloven

Angela Cloven