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Witness: Todd W. Tarter  
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Electric Company  
Docket No. 23-EPDE-547-ACA  
Date Testimony Prepared: January 24, 2023

**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 24, 2023**



**\*\*DENOTES CONFIDENTIAL\*\***

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THE EMPIRE DISTRICT ELECTRIC COMPANY  
BEFORE THE STATE CORPORATION OF THE STATE OF KANSAS  
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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 Senior Manager, Strategic  
7 Planning for Liberty's Central Region, which includes The Empire District Electric  
8 Company ("Liberty-Empire" or "Company").

9 **Q. Please describe your educational and professional background.**

10 A. I graduated from Pittsburg State University in 1986, with a Bachelor of Science Degree  
11 in Computer Science. After graduation, I received a mathematics education  
12 certification. I began my employment with Liberty-Empire in May 1989. During my  
13 tenure with the Company, I have worked in the Corporate Planning, Strategic Planning,  
14 Information Technology ("IT"), Planning and Regulatory, Electrical Procurement and  
15 Energy Supply Services departments. My primary responsibilities during the early  
16 parts of my career included work with the Company's construction budget, load  
17 forecasts, sales and revenue budgets, financial forecasts, fuel and purchased power  
18 projections, and IT projects among others. In 2004, I was promoted to Manager of  
19 Strategic Planning where I primarily worked with fuel and purchased power  
20 projections, energy efficiency and integrated resource planning ("IRP"). In October  
21 2016, I assumed the position Manager of Systems and Settlements where I was

1 primarily responsible for market settlements; the computer systems used by the  
2 Electrical Procurement department; load forecasting; load research; transmission  
3 congestion hedging; and fuel and purchased power projections. I was promoted to  
4 Senior Manager, Strategic Planning in December 2019 where I continue to work with  
5 load forecasting, transmission congestion hedging, fuel and purchased power  
6 projections, and integrated resource planning. I have worked for the Company for over  
7 33 years.

8 **Q. Have you previously presented testimony before the Kansas Corporation**  
9 **Commission (“Commission”) or any other state 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, 17-EPDE-101-RTS, 20-EPDE-242-ACA, 21-EPDE-198-  
13 ACA and 22-EPDE-261-ACA. I have also presented testimony before the Arkansas  
14 Public Service Commission, the Missouri Public Service Commission (“MoPSC”), and  
15 the Oklahoma Corporation Commission.

16 **Q. What is the purpose of your Direct Testimony in this case?**

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

22 **Q. Please briefly describe how the Southwest Power Pool (“SPP”) Integrated**  
23 **Marketplace (“IM”) impacts Liberty-Empire’s 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  
3 for providing energy to customers. When the SPP IM went live, it created one  
4 consolidated balancing authority in SPP. Prior to the SPP IM, there were several  
5 balancing authorities within SPP. In the past, Liberty-Empire functioned as a balancing  
6 authority and dispatched its generators to serve its native load, while buying and selling  
7 energy when it was economical to do so, mostly through bilateral contracts. Since the  
8 SPP IM began, Liberty-Empire purchases energy from the market to serve native load,  
9 sells generation into the market, and receives revenue from selling its generation into  
10 the market.

11 **Q. Please generally describe Liberty-Empire’s electric system operating**  
12 **characteristics.**

13 A. Liberty-Empire generally has dual (winter/summer) system peaks almost equal to each  
14 other. The system peak in the twelve-month ending period October 2022 was 1,124  
15 megawatts (“MW”), which occurred in July, 2022. For comparison, the all-time  
16 summer peak occurred in August 2011 at 1,198 MW and the all-time winter peak  
17 occurred in December 2022 at 1,249 MW<sup>1</sup>. The following table shows that the winter  
18 peak during the ACA period was nearly 97% of the summer peak. In the period 2010  
19 through 2022, Liberty-Empire recorded its annual peak during the winter season nine  
20 times and during the summer season four times. However, through the end of 2022, the  
21 last five annual peaks have occurred in the winter. The following table displays the

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<sup>1</sup> The table presented below is for the period twelve months ending October 2022, which does not show the new winter peak of 1,249 MW that occurred in December 2022.

1 actual Liberty-Empire peak demands by month for the twelve-months ending (“TME”)  
2 October 2022 along with the native load in megawatt-hours (“MWh”) for each month.

3

Month	Peak - MW	Percent of Annual Peak	Native Load - MWh
Nov-21	747	66%	372,095
Dec-21	788	70%	391,072
Jan-22	1,086	97%	512,987
Feb-22	996	89%	451,072
Mar-22	840	75%	407,069
Apr-22	765	68%	350,260
May-22	887	79%	392,092
Jun-22	1,038	92%	474,566
Jul-22	1,124	100%	556,949
Aug-22	1,076	96%	508,340
Sep-22	977	87%	407,289
Oct-22	738	66%	350,029
Total			5,173,820

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

7 **Q. Please describe the makeup of Liberty-Empire’s supply-side resources.**

8 A With the advent of the SPP IM, Liberty-Empire purchases energy from the market to  
9 serve native load, sells generation into the market, and receives revenue from selling  
10 its generation into the market. Liberty-Empire’s supply-side resources for the ACA  
11 true-up period ending October 2022 are illustrated in the table below. This table  
12 includes total Company values and the operations of about 600 MW of new wind  
13 resources that began commercial operation in early to mid-2021. However, these new  
14 wind facilities have been excluded from the 2023 Kansas ECA/ACA calculation of

1 rates in accordance with the Company’s Motion to Withdraw its Request to Recover  
2 Acquisition and Operating Costs of Wind Projects in Rates filed in Docket No. 21-  
3 EPDE-444-RTS.

Unit/Purchase	Summer 2022 Rated Capacity <sup>A</sup> (MW)	Actual Generation (MWh)	Energy Cost TME Oct-2022 (\$000) <sup>B</sup>	Average Cost (\$/MWh)	Primary Fuel Type
Iatan 1-2	189.3	735,658	16,528	22.47	Coal
Plum Point (own)	50	281,845	4,321	15.33	Coal
Riverton 10-12	259.7	1,417,208	66,105	46.64	Natural Gas
Energy Center 1-4	240	254,135	23,033	90.63	Natural Gas
State Line	400.9	1,403,723	72,412	51.59	Natural Gas
Ozark Beach	16	58,817	0	0.00	Hydro
Plum Point PPA	50	288,413	7,829	27.14	Coal
North Fork Ridge	39	175,145	0	0.00	Wind
Kings Point	34	200,972	0	0.00	Wind
Neosho Ridge	39.7	183,216	0	0.00	Wind
Wind PPA <sup>C</sup>	50	494,475	29,552	59.76	Wind
Load Adjustment <sup>D</sup>	N/A	-3,390	0	0.00	N/A
Total	1,369	5,490,217	219,780	40.03	

<sup>A</sup> Rated Capacity based on summer ratings submitted to SPP in the 2022 Resource Adequacy submission. This chart does not recognize a capacity sale of 78 MW that began in June 2020.

<sup>B</sup> This is the cost of Liberty-Empire’s resource generation for November 2021 through October 2022 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)

<sup>C</sup> Wind PPA Rated Capacity based on the month of July.

<sup>D</sup> 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.

4 **Q. Please describe the rate basis Liberty-Empire operates under in Arkansas,**  
5 **Oklahoma and Missouri.**

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

1 **Q. What is the relationship of the sales levels within each of the jurisdictions?**

2 A. Missouri is by far the largest jurisdiction with 88.6 percent of total sales made by  
3 Liberty-Empire during the twelve months ended October 31, 2022. The following table  
4 displays the actual sales levels in each of the jurisdictions.

Jurisdiction	MWh Sales	Ratio
Wholesale	10,785	0.2%
Kansas	228,650	4.7%
Arkansas	167,656	3.5%
Oklahoma	145,065	3.0%
Missouri	4,271,092	88.6%
Total	4,823,248	100%

5

6

Based on TME October 2022 calendar sales

7 **II. FUEL AND PURCHASED POWER PROCUREMENT PRACTICE SUMMARY**

8 **Q. How does Liberty-Empire acquire the fuel and purchased power used to supply**  
9 **electricity to its customers?**

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

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

15 **Q. Please briefly describe the IRP process.**

16 A. Liberty-Empire utilizes the IRP process to develop a long-term strategy to reliably  
17 serve its customers at the lowest reasonable cost while considering other relevant  
18 factors. This planning process uses Liberty-Empire's entire load in all five of its  
19 jurisdictions. This formal IRP process has been in place since the early 1990's when  
20 the MoPSC implemented a formal IRP rule. Since that time Oklahoma and Arkansas



1 have implemented IRP rules. Kansas has not implemented IRP rules applicable to  
2 Liberty-Empire. However, the Company informally provides an executive summary  
3 of its Missouri IRP filing to the Kansas Staff. Liberty-Empire filed its most recent  
4 triennial IRP in Missouri on April 1, 2022 and submitted it in Arkansas on July 1, 2022.  
5 This IRP is planned to be submitted in Oklahoma in June 2023 based on a three-year  
6 cycle. Liberty-Empire plans its resources on a system-wide basis. The IRP process  
7 Liberty-Empire uses results in a target list of future resources designed to serve Liberty-  
8 Empire's projected customer needs in all jurisdictions. The fundamental objective of  
9 the IRP process requires the utility to consider demand-side, traditional supply-side and  
10 renewable resources on an equivalent basis and utilize the minimization of long-run  
11 utility costs as a primary criterion while also considering other factors such as risk  
12 mitigation, reliability, environmental sustainability, legal mandates, energy policy,  
13 safety and rate impacts.

14 **Q. Please describe any recent capacity additions to Liberty-Empire's generating**  
15 **fleet.**

16 A. The most recent additions were a total of approximately 600 megawatts of wind  
17 resources from three wind farm sites. These wind farms are known as North Fork Ridge  
18 (located in southwest Missouri and nominally rated at 149.4 MW), Kings Point (located  
19 in southwest Missouri and nominally rated at 149.4 MW) and Neosho Ridge (located  
20 in Southeast Kansas and nominally rated at 301 MW). These wind resources became  
21 commercially operational during the first and second quarters of 2021. However, as  
22 previously mentioned, these resources were not included in the model run that  
23 calculated the 2023 Kansas ECA rates. This approach is consistent with the Company's

1 Motion to Withdraw its Request to Recover Acquisition and Operating Costs of Wind  
2 Projects in Rates filed in Docket No. 21-EPDE-444-RTS.

3 **Q. Did Liberty-Empire have any recent capacity retirements?**

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

7 **Q. Has the Company made any recent capacity sales?**

8 A. Yes. Consistent with what was reported in last year’s Kansas ACA filing, following  
9 the loss of some on-system wholesale load, Liberty-Empire entered into a five-year  
10 power purchase agreement with the Missouri Joint Municipal Utility Commission  
11 (“MJMEUC”), now doing business as the Missouri Electric Commission (“MEC”), on  
12 behalf of the Southwest Missouri Power Electric Pool (“SWMPEP”) for a capacity and  
13 energy sale beginning June 1, 2020 and ending May 31, 2025 for two Missouri  
14 municipals (the cities of Monett and Mount Vernon). The capacity sale is based on a  
15 “slice of Liberty-Empire system” approach, with a total capacity sale of 78 MW during  
16 the agreement period. The MJMEUC agreement also enables MJMEUC to receive  
17 payment from SPP for energy sold into the market from Liberty-Empire resources that  
18 are allocated to MJMEUC by this agreement. MJMEUC will pay Liberty-Empire for  
19 the capacity and for their allocated portion of the fuel costs, startup costs, an additional  
20 amount per unit of energy and some transmission costs as described by the agreement.  
21 The net energy benefits from this sale have been included in the model run used to  
22 calculate the 2023 Kansas ECA rates.

23 **Q. How does the second step of the planning process work?**

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

8 **Q. Are the annual and six-year business plans adjusted to reflect changes in the**  
9 **business environment?**

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

15 **Q. How are the near term, one and six-year fuel requirements determined?**

16 A. Liberty-Empire utilizes a chronological dispatch model known as EnCompass to  
17 develop an hourly dispatch of its units in the SPP market. Liberty-Empire uses this  
18 model under a license agreement it has with the model's owner, Anchor Power  
19 Solutions. The EnCompass model considers coal prices, natural gas prices, market  
20 prices, wind profiles, generating plant efficiencies, generating plant outages and many  
21 of the other characteristics of Liberty-Empire's generation resources and develops a  
22 dispatch versus a market price curve to determine sales into the market. Liberty-  
23 Empire's native load cost is based on projected market prices and a weather normal  
24 forecast of Liberty-Empire's native load. The model output includes the projected

1 MWh generation from each generation unit, projected fuel usage, hours of operation,  
2 number of unit starts, unit margin and native load costs. Monthly reports are generated  
3 from this output and are used to develop plans for the acquisition of the fuel required  
4 to operate the generating units.

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

6 **Q. Please describe liberty-empire's supply-side resources in greater detail.**

7 **Base Load Facilities**

8 A. The Company is currently a joint owner at two coal-fired generation facilities. This  
9 includes Iatan (12% ownership of Units 1 and 2) and Plum Point (7.52% ownership).  
10 Iatan Unit 1 is approximately a 700 MW coal-fired unit operated by Evergy Metro, Inc.  
11 ("Evergy"), formerly Kansas City Power & Light ("KCPL"). Liberty-Empire owns  
12 12% or about 84 MW of this unit. Iatan Unit 2, which went into service in late 2010, is  
13 approximately an 877 MW unit. Liberty-Empire owns 12% or around 105 MW of this  
14 unit. Like Unit 1, Iatan Unit 2 is a base load resource and Liberty-Empire is not directly  
15 responsible for fuel procurement at the Iatan facility. Plum Point is approximately a  
16 665 MW base load coal-fired unit located in Northeastern Arkansas. Liberty-Empire  
17 owns 7.52% or approximately 50 MW of Plum Point. In addition, Liberty-Empire has  
18 entered into a long-term purchased power agreement ("PPA") contract for  
19 approximately 50 MW from this unit. This unit went into commercial operation in  
20 August 2010. As with the Iatan facility, Liberty-Empire is not directly responsible for  
21 the coal procurement at Plum Point.

22 **Intermediate And Peaking Resources**

23 Liberty-Empire owns natural gas-fired resources at three locations: the Riverton,  
24 Energy Center and State Line generation facilities. The Riverton facility consists of a

1 combined cycle unit and two small simple cycle natural gas-fired units. Riverton Unit  
2 12 is the newest unit at this location. It is a natural gas-fired combined cycle unit that  
3 is currently rated at 246 MW for the summer season. The original simple cycle  
4 combustion turbine was installed in 2007 and the unit was converted to a combined  
5 cycle in 2016. As mentioned, the Riverton site also has two relatively small simple  
6 cycle natural gas units (Riverton Units 10<sup>2</sup> and 11) that are rated a combined 29 MW.  
7 Liberty-Empire has four natural gas-fired turbines at the Energy Center generation  
8 facility. Two of these units (Energy Center Units 1 and 2) have combined summer  
9 capacity rating of approximately 160 MW. They went into service in 1978 and 1981.  
10 They tend to operate for reliability purposes. Due to their ability to burn fuel oil as a  
11 back-up fuel, they can also operate for economic or natural gas transportation  
12 curtailment reasons. Energy Center Units 1 and 2 were modeled to be offered into the  
13 SPP market on a natural gas with fuel oil backup for this ECA filing. Liberty-Empire  
14 also has two FT8 Twin Pac aero-derivative units known as Energy Center Units 3 and  
15 4 at the Energy Center facility, with a combined summer rating of about 80 MW. These  
16 units have quick start capability and are typically on-line at full load in less than 10  
17 minutes. With their quick start characteristics, these units can be utilized for reliability,  
18 economics and for load balancing. The State Line facility consists of State Line Unit  
19 1 and the jointly-owned State Line combined cycle. State Line Unit 1 is a 93 MW 1995  
20 vintage combustion turbine. Liberty-Empire operates a combined cycle unit at its State  
21 Line facility (Liberty-Empire's 60% share is about 308 MW). This unit is jointly  
22 owned with Westar Generation Inc. ("Westar")<sup>3</sup>, which holds a 40% ownership share.

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<sup>2</sup> Riverton Unit 10 has been on outage since February 8, 2021.

<sup>3</sup> Westar Energy, Inc. merged with Kansas City Power & Light to form Evergy, Inc.

1 It is a 2X1 (two by one) unit consisting of two gas turbines and one steam turbine. The  
2 unit has the ability to operate in 1X1 (one by one) mode or 2X1 mode.

3 **Other Resources**

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

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

16 Finally, as introduced earlier in this testimony, the Company has three new wind  
17 resources that began commercial operation in 2021. The Company purchased the North  
18 Fork Ridge wind project on January 27, 2021, and purchased the Kings Point and  
19 Neosho Ridge projects on May 5, 2021. The North Fork Ridge Wind Project, which  
20 was constructed by Mortenson Construction, has a capacity of approximately 149.4  
21 MW and interconnects at Liberty-Empire’s substation at Asbury. This wind project  
22 consists of sixty-nine wind turbine generators. The Kings Point Wind Project was also  
23 constructed by Mortenson Construction and also has a capacity of approximately 149.4  
24 MW. It interconnects at the substation at Liberty-Empire’s La Russell Energy Center

1 and it consists of sixty-nine wind turbine generators. Neosho Ridge, the largest of the  
2 three new wind projects, was constructed by IEA Constructors, LLC. It has a capacity  
3 of approximately 301 MW and interconnects to a new substation on Evergy Kansas  
4 Central, Inc.'s Neosho-to-Caney River 345 kV transmission line. Neosho Ridge  
5 consists of 139 wind turbine generators. Again, these new wind resources were not  
6 included in the model run that calculated the 2023 Kansas ECA rates, in accord with  
7 the Company's Motion to Withdraw its Request to Recover Acquisition and Operating  
8 Costs of Wind Projects in Rates filed in Docket No. 21-EPDE-444-RTS and the order  
9 granting the same.

10 **Coal And Freight**

11 **Q. What approach does Liberty-Empire use to purchase its coal requirements?**

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

14 **Natural Gas And Related Transportation**

15 **Q. Please describe how Liberty-Empire acquires its natural gas requirements.**

16 A. All of Liberty-Empire's natural gas-fired generation resources are located on the  
17 Southern Star Central Gas Pipeline ("SSCGP"). Liberty-Empire currently has  
18 approximately 75,000 MMBtu/day firm production zone capacity and more than  
19 110,000 MMBtu/day firm market zone capacity. This firm market zone capacity  
20 includes a recent contract with Southern Star Central Pipeline for 25,000 dekatherms  
21 ("Dth") of firm natural gas transportation that became effective June 1, 2020. The  
22 primary delivery location for this recent capacity is at the Energy Center generating  
23 facility which did not have any firm natural gas transport capacity prior to this contract.  
24 However, the recent natural gas transport contract can also be used to supplement the

1 firm transportation to the State Line and Riverton Combined Cycle plants. If natural  
2 gas transportation is not available, most of Liberty-Empire’s simple cycle natural gas  
3 turbines have the ability to operate on fuel oil. Liberty-Empire acquires physical  
4 natural gas on a long-term, monthly, and daily basis. Typically, these physical  
5 purchases are competitively bid when possible.

6 **Managing Price Volatility Of Natural Gas**

7 **Q. How has Liberty-Empire’s management chosen to manage natural gas price**  
8 **volatility?**

9 A. Liberty-Empire works diligently to mitigate the price volatility associated with changes  
10 in natural gas pricing. From an historical perspective, Liberty-Empire developed and  
11 implemented a Risk Management Policy (“RMP”) in 2001 to help manage fuel price  
12 volatility. The RMP outlines the instruments that may be used to help manage  
13 volatility. The current RMP was revised and formally adopted on July 19, 2019 by the  
14 Company’s Risk Management Oversight Committee (“RMOC”). Under the current  
15 policy, the only fixed price instruments used are forward contracts unless the Energy  
16 Supply Services department petitions for and receives a waiver from the RMOC.  
17 However, some financial hedges may be in place as a result of the legacy natural gas  
18 hedging policy. Under the new policy, allowable advance procurement vehicles  
19 include Forward Physical Index Contracts and Forward Physical Fixed Contracts  
20 triggered by historical pricing levels. The natural gas hedging policy also addresses  
21 how far in the future advanced procurement may take place and for which months the  
22 hedging is required. This approach is intended to protect customers from volatility in  
23 the marketplace and provide the ability to procure natural gas in advance when pricing  
24 indicates economic value as defined by the price matrices described in the RMP. In



1 addition, the approach protects against volatility in local natural gas supply, ensuring  
2 the supply management group will have the required natural gas available to meet  
3 budgeted native load targets.

4 **2021 Procurement Plan For 2022**

5 **Q. Please describe the status of the natural gas procurement process at the beginning**  
6 **of calendar year 2022.**

7 A. As of December 31, 2021, Liberty-Empire had \*\*[REDACTED]\*\* MMBtu of its estimated  
8 2022 calendar year natural gas requirements for native load either physically purchased  
9 at a fixed price or financially hedged out of a total expected natural gas requirement for  
10 native load customers of \*\*[REDACTED]\*\* MMBtu. The \*\*[REDACTED]\*\* MMBtu  
11 represented about 11% of Liberty-Empire's anticipated 2022 natural gas requirement  
12 for native load and carried an average cost of \$\*\*[REDACTED]\*\*/MMBtu. All of the  
13 \*\*[REDACTED]\*\* MMBtu were physical hedges. As previously mentioned, in 2019  
14 Liberty-Empire, with stakeholder input, updated the Company's hedging policy to  
15 continue to protect customers from volatility in the natural gas market while providing  
16 the ability to procure fuel supply in advance to mitigate risk associated with local  
17 natural gas supply volatility. The updated policy focuses on the utilization of a  
18 historical price matrix to trigger fixed physical forward purchases, rather than requiring  
19 a timely hedge percentage consisting of financial instruments. Additional physical gas  
20 requirements are purchased daily or weekly on a competitive basis to balance the  
21 system natural gas requirements.

22 **Q. Please describe how the updated natural gas advanced procurement process**  
23 **changes the discussion of the status of amount of natural gas hedged at the**  
24 **beginning of a review period.**

1 A. In the past, the Company discussed the percentage of natural gas hedged at the  
2 beginning of a review period since that value was relevant to the legacy hedging policy.  
3 For example, the legacy policy required a specific amount of the expected annual  
4 natural gas requirement hedged at the beginning of the calendar year. That is no longer  
5 the case. Additionally, the new policy only requires hedging for the summer (June-  
6 August) and winter (December-February) months. As mentioned, the Company had  
7 about 11% of its 2022 calendar year natural gas requirements hedged at the beginning  
8 of 2022. However, this would be about 21.3% of its 2022 summer and winter season  
9 requirements hedged at the beginning of 2022 (the months the new policy allows  
10 natural gas hedging). While these beginning of the calendar year values are  
11 informative, they no longer translate to how well the advanced procurement policy is  
12 being met. The RMP sets forth an Advanced Procurement Plan, which outlines the  
13 timing and volume for purchases associated with the expected natural gas burn. The  
14 summer and winter months subject to the Advanced Procurement Plan, must have 50%  
15 of the expected natural gas burn procured for the next month via forward monthly index  
16 and/or fixed physical pricing. Therefore, the percentage of natural gas hedged at the  
17 beginning of the year is not as pertinent as it once was. While the target hedge amount  
18 is 50% for the required summer and winter months, the timeframe to meet the target is  
19 any time prior to the operating month. Because the Company is using an historical  
20 pricing matrix to determine fixed price hedging triggers, requiring a fixed percentage  
21 of hedged volumes more than a month in advance of the operating month would shrink  
22 the window of time for natural gas forward prices to fall within the price matrix.

23 **Q. Are the benefits and costs of Liberty-Empire's energy risk management policy**  
24 **recorded on the general ledger?**

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

11 **Q. Does this conclude your Direct Testimony?**

12 A. Yes.



CERTIFICATE OF SERVICE

This is to certify that the undersigned has served a copy of the foregoing instrument via email, to the parties listed below on this 24th day of January, 2023.

/s/ Angela Cloven  
Angela Cloven

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