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Issue(s): Fuel Costs  
Witness: Aaron J. Doll  
Type of Exhibit: Direct Testimony  
Sponsoring Party: The Empire District  
Electric Company  
Case No.: EO-2022-0040  
Date Testimony Prepared: January 2022

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

**Direct Testimony**

**of**

**Aaron J. Doll**

**on behalf of**

**The Empire District Electric Company**

**Case No. EO-2022-0040**



**\*\*DENOTES CONFIDENTIAL\*\***  
20 CSR 4240-2.135(2)(A)3,4

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THE EMPIRE DISTRICT ELECTRIC COMPANY  
BEFORE THE MISSOURI PUBLIC SERVICE COMMISSION  
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DIRECT TESTIMONY OF AARON J DOLL  
THE EMPIRE DISTRICT ELECTRIC COMPANY  
BEFORE THE MISSOURI PUBLIC SERVICE COMMISSION  
CASE NO. EO-2022-0040

1 **I. INTRODUCTION**

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

3 A. My name is Aaron J. Doll. My business address is 602 South 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. (“LUSC”) as Senior Director of  
6 Energy Strategy for the Liberty Central Region, which includes The Empire District  
7 Electric Company (“Liberty” or the “Company”).

8 **Q. On whose behalf are you testifying in this proceeding?**

9 A. I am testifying on behalf of Liberty.

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

11 A. I graduated from Missouri State University in 2003 with a Bachelor of Science degree  
12 in Psychology and a minor in Philosophy. I received my Master of Business  
13 Administration from Missouri State University in 2008.

14 I have worked for Liberty for approximately 14 years. I worked in the Planning  
15 and Regulatory Department for six years as a Planning Analyst and was responsible for  
16 load forecasting, weather normalization, and sales and revenue variance analysis. In  
17 2012, I transferred to the Supply Management Department as the Market Risk Manager  
18 and eventually the Manager of Market Settlements and Systems. In this capacity, I  
19 worked to facilitate the migration of the daily power marketing activities from the  
20 Southwest Power Pool, Inc. (“SPP”) Energy Imbalance Market (“EIS”) to the SPP  
21 Integrated Marketplace (“IM”) and oversaw the procurement of the Transmission

1 Congestion Rights (“TCRs”). Additionally, I provided oversight of the meter  
2 management, market settlements, and market applications.

3 In 2016, I was promoted to Director of Electric Procurement. In this role, I was  
4 responsible for the procurement of fuel for electrical generation, the day-to-day  
5 interfacing, systems, and settlements with SPP as it relates to the IM, the long term and  
6 short term load forecasting, and the production cost modeling. I also provide regulatory  
7 support relating to those responsibilities. In 2019 I was promoted to Senior Director of  
8 Energy Strategy which added strategic planning and regulatory assistance to my  
9 aforementioned responsibilities.

10 **Q. Have you previously testified before the Missouri Public Service Commission**  
11 **(“Commission”) or any other regulatory agency?**

12 A. Yes. I have testified on behalf of the Company before this Commission, the Oklahoma  
13 Corporation Commission, the Kansas Corporation Commission, and the Arkansas  
14 Public Service Commission.

15 **Q. What is the purpose of your Direct Testimony in this proceeding?**

16 A. The purpose of my testimony is to provide detailed information about the fuel costs the  
17 Company incurred during the cold weather event in February 2021 (“Winter Storm Uri”  
18 or “Winter Weather Event”). Specifically, my testimony will provide background on  
19 Liberty’s generation fleet and explain its approach to fuel procurement for its fleet, the  
20 events that occurred during Winter Storm Uri that affected the procurement and  
21 delivery of fuel to our generation fleet, the costs incurred, and efforts undertaken by  
22 Liberty to mitigate those costs.

23  
24

1 **II. EMPIRE’S GENERATION FLEET AND APPROACH TO FUEL**  
2 **PROCUREMENT FOR THE FLEET**  
3

4 **Q. Please describe the Company’s generation fleet.**

5 A. The Company has a generation fleet made up of coal, natural gas, wind, and hydro  
6 resources with a total capability of approximately 2,200 MWs as shown below. I am  
7 responsible for securing the fuel necessary to serve this fleet, submitting offers to sell  
8 the generation of these units into the SPP IM, and purchasing energy to serve the  
9 Company’s native load. Below is a table of the Company’s generation fleet capacity  
10 from the 2021 SPP Summer and Winter Resource Adequacy (“RA”) submission as  
11 well as the Economic Max (total capability) of the unit as currently offered to the  
12 Integrated Marketplace.

Resource Name	Generation Type	2021 RA Summer Rating (MW)	2021 RA Winter Rating (MW)	Economic Max Capacity (MW)
Riverton 10	Natural Gas/Fuel Oil	13	15	15
Riverton 11	Natural Gas/Fuel Oil	16	15	16
Stateline 1	Natural Gas/Fuel Oil	93	113	113
Energy Center 1	Natural Gas/Fuel Oil	81	95	95
Energy Center 2	Natural Gas/Fuel Oil	81	80	81
Energy Center 3	Natural Gas/Fuel Oil	40	55	55
Energy Center 4	Natural Gas/Fuel Oil	43	58	58
Ozark Dam 5	Hydro	4	4	4
Ozark Dam 6	Hydro	4	4	4
Ozark Dam 7	Hydro	4	4	4
Ozark Dam 8	Hydro	4	4	4
Riverton 12	Natural Gas	254	283	283
Stateline CC (EDE share)	Natural Gas	300	329	329
Iatan 1 (12% owner)	Coal	84	84	84
Iatan 2 (12% owner)	Coal	108	108	108
Plum Point (7.5% owner)	Coal	50	50	50
Plum Point (7.5% MW PPA)	Coal	50	50	50
Elk River (PPA)	Wind	33	26	150
Meridian Way (PPA)	Wind	17	18	100
North Fork Ridge	Wind	7.5	7.5	150
Neosho Ridge	Wind	15.1	15.1	300
Kings Point	Wind	7.5	7.5	150
		1,309	1,425	2,203

13

1 **Q. Please describe Liberty's approach to procure the fuel necessary to run its**  
2 **generation fleet.**

3 A. As part of an annual process, Liberty models its electric system using a production cost  
4 model to project an expected fuel burn for its thermal fleet including a total gas burn  
5 and an expected gas burn for native load customers for each of the next six years. My  
6 team continuously assesses conditions that could affect the amount of gas necessary for  
7 our generation fleet and establishes revised or "expected" natural gas burns in order for  
8 our units to be available to generate energy and participate in the market. In order to  
9 manage the various risk aspects relating to fuel procurement, the Company has adopted  
10 an Energy Risk Management Policy ("RMP") to define the approach and internal rules  
11 that it will utilize to manage its power and natural gas commodity risk. The RMP, which  
12 is overseen by the Risk Management Oversight Committee ("RMOC"), governs  
13 execution of the Company's risk management strategy. The RMP's objectives are to:  
14 1) provide an organizational structure to support management goals and budget  
15 performance by mitigating energy price volatility and, hence, limiting fluctuations in  
16 the cost of supplying energy to retail customers; 2) allow utilization of physical and  
17 financial tools to provide a predictably priced reasonable cost gas-supply; and 3) allow  
18 utilization of physical and financial tools to provide a predictably priced reasonable  
19 cost power-supply.

20 The Company's current methodology for procuring fuel to its generation plants  
21 is under the framework of the Advanced Procurement Plan ("APP"). The APP  
22 prescribes guidelines, including a minimum amount and maximum amount, for  
23 procurement of natural gas during the months of December, January, February and  
24 June, July, and August. The APP allows forward procurement in the form of Forward

1 Physical Index Contracts and Forward Physical Fixed Contracts. Forward Physical  
2 Fixed Contracts must show historical pricing levels based on an objective price matrix  
3 that was created and updated by the Company unless my team, the Energy Supply  
4 Services (“ESS”) group, requests and receives a waiver of this or any requirement in  
5 the process. This approach is intended to protect our customers from volatility in the  
6 marketplace and provide the ability to procure natural gas in advance when pricing  
7 indicates economic value.

8 **Q. Has the APP been shared with other parties within the state?**

9 A. Yes. On June 11, 2019, I met with Public Service Commission Staff (“Staff”), Office  
10 of Public Counsel (“OPC”), and the Department of Energy to review the structure of  
11 the APP and solicit any feedback. Further, the Company met with Staff and OPC on  
12 October 23, 2020 and November 4, 2021. The purpose of these meetings was to  
13 provide a review of how the APP performed during the subsequent winter and summer  
14 seasons, and to describe any changes that have been made or requested since the last  
15 annual review meeting for the upcoming winter and summer seasons.

16 **Q. Has the Company been through a prudence review or a general rate case (“GRC”)  
17 since the APP has been in place?**

18 A. Yes. The APP was officially codified into the RMP in December 2019 and the  
19 Company has since had both a GRC (ER-2019-0374) and a fuel prudence review in  
20 Missouri (EO-2021-0281). In ER-2019-0374, Commissioner Rupp requested  
21 additional information from the Company and testimony from Staff, OPC, and the  
22 Company comparing current and past hedging practices.

23 **Q. What was the result of those dockets as it relates the Company’s hedging  
24 practices?**

1 A. In ER-2019-0374, OPC Rebuttal Witness John Riley observed that the Company’s  
2 current hedging strategy demonstrated restraint in hedging out to the full 48-month  
3 timeframe, which has reduced Liberty’s hedging losses in this low-price natural gas  
4 environment. OPC Surrebuttal Witness Lena Mantle stated that historical hedging  
5 losses (before APP) would be a reason to change the Company’s sharing mechanism  
6 from the then-current 95%-5% to the OPC proposed 85%-15%. Ms. Mantle went on  
7 to describe the Company’s current hedging results as more efficient while still  
8 petitioning for an increased sharing mechanism based on historical results. Staff  
9 Rebuttal Witness Brooke Mastrogiannis stated that “[s]imilarly, through its review in  
10 this case, and previous reviews in Empire prudence review cases, Staff has found no  
11 sufficient reason to support a recommendation to change the sharing mechanism at this  
12 time.”<sup>1</sup> The Commission supported no changes to the Company’s FAC sharing  
13 mechanism in its Amended Report and Order.

14 In the Company’s Ninth Fuel Adjustment Clause Prudency Review (EO-2021-  
15 0281), the Company elected to defer the costs associated with Storm Uri to prevent  
16 customers from having a significant increase in their monthly bill, which in-turn  
17 removed the event from Staff’s review. Thus, Staff did not evaluate the prudency of  
18 the costs associated with Winter Storm Uri in that docket. However, Staff did opine on  
19 the APP in their EO-2021-0281 Staff Report. Staff stated that “[e]ven though market  
20 conditions and exposures change, and the sample size is not as large to review since  
21 this new RMP [APP] has only been in place since August 2019, Staff is of the opinion  
22 that Liberty-Empire’s new RMP [APP] does help mitigate risk and volatility for their

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<sup>1</sup> ER-2019-0374, Rebuttal Testimony of Brooke Mastrogiannis, pg. 3.



1 natural gas hedging.”<sup>2</sup> No parties requested a hearing in the EO-2021-0281 docket and  
2 the Commission approved the Staff Report.

3 **Q. Does your team manage the capacity on any natural gas pipelines so that the fuel**  
4 **can reach the power plants?**

5 A. Yes. My department, the ESS, has procured and managed the firm delivery of natural  
6 gas contracts that the Company has with Southern Star Central Gas Pipeline (“SSCGP”  
7 or “Southern Star”). The Company has firm production area and market area transport  
8 capacity on the SSCGP so that the fuel that it procures can be delivered to our gas fired  
9 units.

10 **Q. Has the Company made any changes to its natural gas contracts in the past few**  
11 **years?**

12 A. Yes. In June 2020, the Company added 25,000 DTh/day of market area capacity to its  
13 Energy Center Plant. Further, the Company negotiated a discount agreement for its  
14 capacity and the ability to flex the capacity to its Riverton 12 and State Line Combined  
15 Cycle facilities. This additional capacity was in response to increasing curtailments of  
16 its non-firm capacity at Energy Center plant over the past few years and to meet the  
17 Accredited Net Capacity requirements of the Southwest Power Pool (“SPP”) as stated  
18 in Section 7.1.5 of the SPP Planning Criteria. Since Riverton Unit 12 and State Line  
19 Combined Cycle don’t have a backup fuel source on site, the supply of their primary  
20 fuel source (natural gas) needs to be adequate and reliable and delivered with physical  
21 or contractual arrangements that do not permit curtailment or interruption.

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<sup>2</sup> Staff Report, Ninth Prudence Review, File No. EO-2021-0281, pg. 15.

1 **Q. Have those procurement practices historically been able to provide the Company**  
2 **with sufficient capacity to be compliant with the Company’s Resource Adequacy**  
3 **requirements over the last few years?**

4 A. Yes, Liberty has remained in compliance with the SPP Resource Adequacy (RA)  
5 requirements before the APP was approved and subsequent to the commencement of  
6 the APP.

7 **III. THE COMPANY’S PROCUREMENT OF FUEL FOR FEBRUARY 2021**

8 **Q. Based on Liberty’s production cost modeling, how much fuel did it expect to**  
9 **procure for the February 2021 period for its generation fleet?**

10 A. Approximately 50% of Liberty’s updated budgeted natural gas volumes to serve native  
11 load was approximately 24,650 DTh per day in February 2021. These volumes were  
12 purchased in January 2021 with Forward Physical Index Contracts, otherwise known  
13 as beginning of the month IFERC at a price of \*\* [REDACTED] \*\* and in accordance with  
14 the APP.

15 **Q. Did the Company make any adjustments to its fuel procurement strategy based**  
16 **on changing conditions during that time period?**

17 A. Yes. As the possibility for cold weather increased, Liberty purchased additional natural  
18 gas to secure enough local supply to run our combined cycle units at their economic  
19 max if needed and to minimize the premium on the gas daily delivered (“GDD”) as the  
20 weather forecasts began to predict colder temperatures. The additional quantities were  
21 procured for the period of February 9 – February 19 resulting in a total secured quantity  
22 of approximately 110,000 DTh of natural gas per day. As a result, the total amount of  
23 natural gas available for the period of February 9, 2021 – February 19, 2021, was as  
24 follows:

- 1           ▪ 24,650 DTh/day from IFERC monthly
- 2           ▪ 85,500 DTh/day from Gas Daily Index – SSCGP (includes 30,000 DTh/day
- 3           AMA)

4   **Q.    Can you please explain Liberty’s effort to track the weather forecasts leading up**  
5   **to Winter Storm Uri and what actions the Company took?**

6   A.    Yes. The Company monitors a variety of local and regional forecasts with a focus on  
7   the next 36 hours up to the next 7 days to assist in the fuel procurement and marketing  
8   efforts. The Company currently has access to IBM Weather Company, Dark Sky by  
9   Apple, and the National Oceanic and Atmospheric Administration (NOAA) and  
10   monitors locally produced forecasts through publicly available means. The weather  
11   forecasts were originally showing cold weather, but not extreme cold, to begin around  
12   the second week of February. On February 2<sup>nd</sup>, Southern Star issued a Winter Weather  
13   Watch for February 6-10. However, as the temperatures in the second week of  
14   February moderated and the cold weather front began to get pushed out to the future,  
15   the predicted temperatures also began to drop. The ESS team worked to secure enough  
16   local natural gas supply to be able to offer generators at their economic maximum  
17   throughout the tightening of supply related to the cold weather. This forward  
18   procurement of daily spot natural gas ensured Liberty would have the necessary supply  
19   and would minimize the premium paid to marketers for daily spot natural gas. By the  
20   middle of the second week of February, the ESS team had secured the maximum  
21   volume it could take with firm transport.

22   **Q.    If the APP prescribes a 50% goal for forward procurement, why did only 22.4%**  
23   **of the total amount of natural gas purchased during the height of the Winter**  
24   **Weather Event come from APP purchases?**

1 A. The APP sets a goal for 50% of expected burn associated with native load adjusted for  
2 updated outage information and imbalance. Essentially, the denominator in the APP  
3 goal is considered a normalized amount of fuel burn for the month based on a  
4 production cost model run and doesn't assume that the Company would need the  
5 maximum amount of natural gas that could be delivered with firm transportation for  
6 every day of the operating month. If the Company were to set the denominator in the  
7 APP as the maximum amount of natural gas that could be delivered with firm  
8 transportation every day of the month, the Company would have to carry a tremendous  
9 imbalance from month to month and either be forced to park and loan fuel at a cost or  
10 to cash out the natural gas. Park-and-loan is considered discretionary by the SSCGP  
11 tariff as it requires operational flexibility by the pipeline and thus is not a reliable  
12 market option for managing imbalance. Imbalance cash outs are paid out by reducing  
13 the spot price by a percentage (70%, 60%, 50%) depending on the level of imbalance.  
14 The Company's APP tries to strike a balance between managing operational constraints  
15 and minimizing the volatility of natural gas prices.

16 **Q. Did Liberty receive delivery of all the fuel that it procured?**

17 A. No. Despite the Company's firm capacity on the SSCGP pipeline, the Company did  
18 not receive all the gas that it purchased. On February 9<sup>th</sup>, SSCGP issued a Standard  
19 Operational Flow Order ("OFO"), which required that nominated gas volumes, reduced  
20 for cuts, match consumption. An OFO is issued by a pipeline to alleviate conditions  
21 which could threaten pipeline safety and/or integrity. During the Winter Weather  
22 Event, the Company experienced falling natural gas pressures and over 300 cut notices,  
23 which were at times followed by cut restorations toward the latter end of the gas day.  
24 The combination of falling natural gas pressure that threatened plant operations and the

1 litany of natural gas cuts and subsequent restoration of cuts contributed to the Company  
2 not being able to burn all the natural gas for which it was billed. The Company was  
3 able to cancel some of their natural gas purchases after experiencing insufficient  
4 pipeline pressure to mitigate additional costs to our customers as discussed later in my  
5 testimony.

6 **Q. Did the Company operate within its APP during the Winter Weather Event?**

7 A. Yes.

8 **Q. Has the Company quantified the impact of the APP on the procurement of natural  
9 gas for the Winter Weather Event?**

10 A. Yes. The Company performed a calculation where the 24,650 DTh/day was replaced  
11 with SSCGP GDD, otherwise known as daily spot. The savings as a result of the APP  
12 was approximately \$50 million for the forward procurement of natural gas rather than  
13 daily spot purchases for the same amount.

14 **Q. Did the Company minimize, to the extent possible, the impact of the significant  
15 increase in natural gas and subsequent market prices?**

16 A. Yes. We were extremely disappointed that the Company did not receive all the gas it  
17 procured to serve customers during Winter Storm Uri. Despite our efforts to secure  
18 sufficient gas to keep our generation fleet running during this extreme cold event, much  
19 of the gas did not make it to the Company, which is near the end of the SSCGP system.  
20 While it is impossible to know exactly who consumed the gas, we expected that the  
21 Company would receive some financial remuneration for this loss of use of the pipeline  
22 through Southern Star's imposition of OFO penalties. To our great disappointment,  
23 Southern Star filed a request at FERC seeking a waiver of the penalties required by its  
24 tariff in this very circumstance. The Company filed a protest at FERC against this

1 waiver request given that the Company complied with all OFOs during the event and  
2 stood to receive OFO penalty credits under the General Terms and Conditions of  
3 Southern Star's FERC-approved tariff, which if received, could have substantially  
4 mitigated Liberty's fuel expense. To our great frustration, FERC granted Southern  
5 Star's request, eliminating the Company's opportunity to be remunerated for its own  
6 compliance with Southern Star's tariff requirements.

7           Additionally, the Company worked actively with marketers of natural gas to  
8 attempt a cancellation of some of the spot deals, given the Company's lack of natural  
9 gas pressure to burn all nominated natural gas. The Company was able to cancel  
10 approximately 33,500 DTh/daily of natural gas for February 17-18 and 26,500  
11 DTh/daily of natural gas for February 19. The cancellation of natural gas deals saved  
12 approximately \$22.6 million in natural gas costs that would likely have ended up in  
13 imbalance.

14           Finally, the Company has formally disputed with SPP some of the charges  
15 relating to the Winter Weather Event. Although SPP rejected some of the disputes  
16 filed, in December the Company was able to successfully receive approximately \$13  
17 million in resettlements as a result of the disputes, which when netted with the  
18 Company's share of uplift to other SPP member disputes results in a reduction in storm  
19 costs of approximately \$10 million. At this point in time, the Company is still  
20 evaluating potential recourse of additional disputes with SPP. These resettlements,  
21 when allocated to Missouri retail, result in a reduction of storm costs of approximately  
22 \$9 million.

23 **Q. Will the December resettlements discussed above flow through to customers?**

1 A. Yes. The amount will be included in this filing and will result in a reduction of  
2 expense.

3 **Q. What amount of fuel costs did the Company incur relating to Winter Storm Uri?**

4 A. Liberty incurred approximately \$193 million in extraordinary fuel costs for service  
5 arising out of Winter Storm Uri on behalf of its Missouri retail customers under the  
6 circumstances set forth above. The costs are after the various measures and actions  
7 taken by Liberty that reduced costs from Winter Storm Uri.

8 **Q. Were those costs of an extraordinary nature and prudently incurred by the**  
9 **Company in response to Winter Storm Uri?**

10 A. Yes, the Company incurred all those costs prudently and those costs were of an  
11 extraordinary nature from fuel or purchased power, during an anomalous weather  
12 event.

13 **Q. Has Liberty undertaken any review of its fuel procurement and operations**  
14 **associated with Winter Storm Uri?**

15 A. Yes. Liberty retained a third party, Utilicast, to conduct an independent review of  
16 Liberty's fuel procurement, generation operations, transmission and distribution  
17 operations, communications, and market operations during Winter Storm Uri. A copy  
18 of the report is attached to the Company's Expert Witness John Olsen's Direct  
19 Testimony in this filing. In that report, Utilicast concludes that "EDE operated  
20 proactively, prudently, and in compliance with its emergency operations and winter  
21 preparedness procedures" and that "EDE demonstrated operations proficiency that  
22 meets and at times exceeds prudent utility practices."

23 **Q. Does this conclude your testimony?**

24 A. Yes.

**VERIFICATION**

I, Aaron J. Doll, under penalty of perjury, on this 19<sup>th</sup> day of January, 2022, declare that the foregoing is true and correct to the best of my knowledge and belief.

/s/ Aaron J. Doll