

Exhibit No. 12

Exhibit No.: _____
Issues: Resource Adequacy, MPPM, Fuel
Adjustment Clause
Witness: Aaron J. Doll
Type of Exhibit: Surrebuttal Testimony
Sponsoring Party: The Empire District
Electric Company
Case No.: ER-2021-0312
Date Testimony Prepared: January 2022

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

Surrebuttal Testimony

of

Aaron J. Doll

on behalf of

The Empire District Electric Company

January 2022



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FOR THE SURREBUTTAL TESTIMONY OF AARON J. DOLL
THE EMPIRE DISTRICT ELECTRIC COMPANY
BEFORE THE MISSOURI PUBLIC SERVICE COMMISSION
CASE NO. ER-2021-0312

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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,
4 Missouri.

5 **Q. Are you the same Aaron J. Doll who provided Direct and Rebuttal Testimony in**
6 **this matter on behalf of The Empire District Electric Company (“Empire” or the**
7 **“Company”)?**

8 A. Yes.

9 **Q. What is the purpose of your Surrebuttal Testimony in this proceeding before the**
10 **Missouri Public Service Commission (“Commission”)?**

11 A. With my Surrebuttal Testimony, I address claims made by Office of the Public Counsel
12 (“OPC”) witness Lena Mantle regarding the Company’s resource adequacy. This issue
13 is also addressed in the Surrebuttal Testimony of Empire witness Todd Tarter. Next,
14 my Surrebuttal Testimony addresses OPC witness Mantle’s rebuttal on the wind
15 projects’ Market Price Protection Mechanism. Lastly, I address the Rebuttal Testimony
16 of Commission Staff (“Staff”) witness Brooke Mastrogiannis regarding transmission
17 expense and the Fuel Adjustment Clause (“FAC”).

18 **II. RESOURCE ADEQUACY**

19 **Q. Do you agree with Ms. Mantle’s claim that Empire changed its objective of**
20 **resource planning from ensuring that it has enough resources to serve native load**
21 **to maximizing market revenue?**

1 A. No, and Ms. Mantle provides zero support to substantiate that claim. She instead
2 attempts to use as support February’s Winter Weather Event (Storm Uri), which
3 presented extreme weather-related challenges to all generation types.

4 **Q. What has been Empire’s Resource Adequacy status with the Southwest Power
5 Pool?**

6 A. Empire has continued to maintain compliance with the Southwest Power Pool’s
7 (“SPP”) Resource Adequacy (“RA”). Ms. Mantle ignores this fact.

8 **Q. Does Ms. Mantle give a reason why she believes that Empire has focused on
9 market economics and ignored reliability?**

10 A. No. Please see the Surrebuttal Testimony of Empire witness Todd Tarter for comments
11 on the Company’s resource planning.

12 **Q. Did Empire retire Asbury on March 1, 2019, as stated on page 18 of Ms. Mantle’s
13 testimony?**

14 A. No. Asbury was de-designated from the SPP marketplace and retired on March 1, 2020.

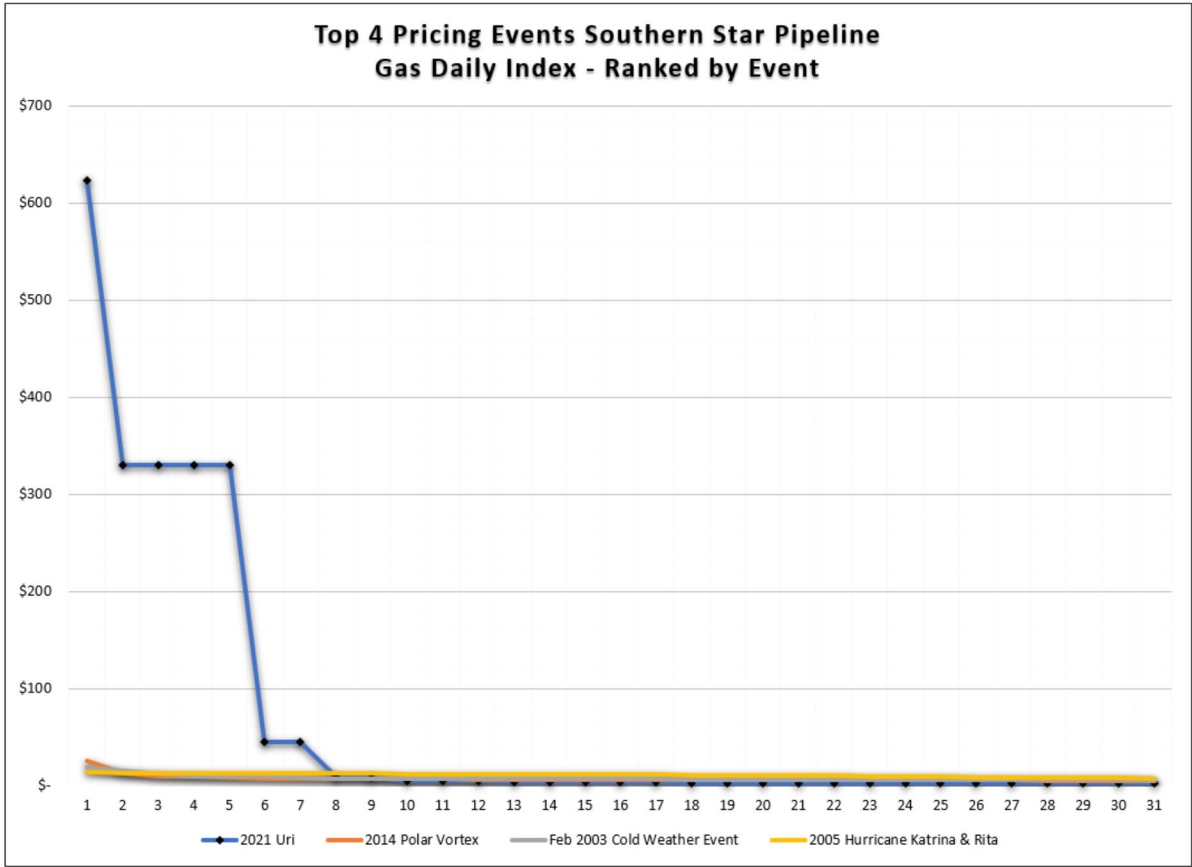
15 **Q. Do you agree with Ms. Mantle’s contention that the extreme costs in February
16 2021 (Storm Uri) exposed the weakness of Empire’s portfolio?**

17 A. No. It is not reasonable to assume that an appropriate stress test of Empire’s generation
18 portfolio (or any other generation portfolio) includes natural gas prices that, at their
19 peak, were 24 to 46 times greater than the last 3 significant events based on historical
20 Southern Star Central (“SSC”) gas daily prices.

21 **Q. How do those prior events compare to Storm Uri?**

22 A. Below is a graph comparing approximately one-month of SSC daily gas prices for the
23 following extraordinary events ranked from high to low by event: February 2021
24 Winter Weather Event (Storm Uri), 2014 Polar Vortex, 2005 Natural Gas disruption as

1 a result of Hurricane Katrina and Hurricane Rita, and the February 2003 cold weather
2 event.



3
4 **Q. Is this type of generation portfolio test/planning something you expected from**
5 **OPC?**

6 A. No. It would have been hard to imagine OPC, in particular, supporting such an
7 aberration as a reasonable test of a resource portfolio's efficacy. For example, in
8 Commission Case No. EO-2017-0065 (the sixth prudence review of Empire's fuel
9 costs), OPC made many assertions as to the stability of natural gas prices and the
10 imprudence of hedging to protect customers against price spikes, and OPC suggested
11 that any gas price increases would be predictable. The following is a sample of OPC's
12 assertions in this regard:

1 • Generally speaking, the market behavior since 2011 has not supported hedging
2 natural gas to protect against price spikes in the price of natural gas.¹

3 • The natural gas market has had minimal volatility for years and the U.S. Energy
4 Information Administration (“EIA”) predicted more of the same for years to
5 come.²

6 EIA did not predict record natural gas prices across the Midcontinent on the February
7 2021 Short Term Energy Outlook (“STEO”) which was issued February 9th, 2021, just
8 prior to Storm Uri.

9 **Q. What was the purpose of the above referenced OPC assertions?**

10 A. In the same docket, OPC was adamant that the Company was imprudent because in
11 December 2011 Empire secured natural gas at close to \$5.50/MMBTu for 2015 while
12 the then current spot price was approximately \$3.15. Just a few years later, OPC seems
13 to suggest that the Company should have realistically tested its resource portfolio
14 against \$300/MMBTu to \$600/MMBTu prices. Based on their statements about natural
15 gas prices over the past few years, it is disingenuous for OPC to assert that it would
16 have been reasonable for the Company to test its portfolio against \$300/MMBTu to
17 \$600/MMBTu prices.

18 **Q. Is the prudence of the fuel and purchased power costs incurred by the Company**
19 **on behalf of its customers during Storm Uri at issue in this proceeding?**

20 A. No. As explained in the surrebuttal testimonies of Empire witnesses Charlotte T. Emery
21 and Timothy N. Wilson, pursuant to RSMo. §393.1700, the Company has elected to
22 submit a verified petition for a financing order for authorization of the issuance of

¹ Direct Testimony of John Riley p. 6, lines 1-2.

² Rebuttal Testimony of John Riley p. 3, lines 12-14.

1 securitized utility tariff bonds regarding the extraordinary costs incurred during the
2 anomalous weather event of February 2021 (Storm Uri). The prudence of the
3 Company's actions with regard to Storm Uri costs will be addressed in that proceeding
4 (Case No. EO-2022-0040).

5 **III. MARKET PRICE PROTECTION MECHANISM**

6 **Q. On pages 53-55 of her Rebuttal Testimony, Ms. Mantle laments the inclusion of**
7 **the Purchased Power Agreement (“PPA”) replacement in the Market Price**
8 **Protection Mechanism (“MPPM”) calculation and suggests that if the PPA**
9 **replacement is included it should only reflect the amount of resources needed to**
10 **meet Empire’s RES requirement. Do you agree with Ms. Mantle?**

11 A. I disagree with Ms. Mantle’s recommendation that the PPA replacement ought to be
12 removed from the MPPM calculation altogether as the MPPM was approved by the
13 Commission in Case No. EA-2019-0010. As of now, we have not had any experience
14 with how the MPPM will react to actual operations and circumstances. Therefore, it is
15 not appropriate to re-litigate the construct of the MPPM.

16 **Q. Do you think any clarification of the PPA replacement value is necessary?**

17 A. Somewhat. My understanding of the PPA replacement in the MPPM is that it is
18 designed to recognize the value provided by the new wind projects related to Empire’s
19 renewable requirements. However, knowing that the renewable requirement for the
20 Company may change over the course of the next decade, the Company does agree that
21 some additional specificity may be beneficial. As such, the Company foresees that the
22 PPA replacement would reflect the greater of the generation replacement for the PPA
23 wind farms or the amount of MWh needed for compliance of Missouri’s retail load to
24 any renewable standards over the duration of the MPPM.

1 **IV. RESPONSE TO STAFF REBUTTAL TESTIMONY**

2 **Q. Ms. Mastrogiannis states at page 7 of her Rebuttal Testimony that the FAC base**
3 **factor is based on actual test year and updated period expenses and revenues and**
4 **therefore significant transmission expense increases in the near future are not**
5 **appropriate to include in the FAC. Do you agree that this is a reason to exclude**
6 **transmission expense increases?**

7 A. No. Currently, many of the outputs included in a production cost run are based on future
8 or anticipated costs. For example, in this case, both Staff and the Company estimate
9 the off-system sales revenues of the wind farms in production cost runs even though
10 some of the plants were in construction during the test year and update period. Even
11 Staff's calculation of transmission expense related to purchased power uses simulated
12 generation totals from plants that were not fully commissioned during the test year.
13 This calculation directly impacts transmission expense as it drops the Company's
14 allocation of transmission expense related to purchased power from 34% to 19%. It is
15 inconsistent to look beyond test year dollars for the purpose of calculating certain
16 components of the FAC and not others.

17 **Q. Does the Company believe that a forward-looking forecast of the new wind farms**
18 **should be eliminated from the calculation of the FAC base factor?**

19 A. No. It is reasonable to include forward-looking costs and revenues when they are
20 known and can be quantified. Since the transmission expense related to the balanced
21 portfolio transfers is known and available in the form of public information from SPP,
22 it ought to be included in the FAC base in this case.

23 **Q. Does this conclude your Surrebuttal Testimony?**

24 A. Yes, at this time.

VERIFICATION

I, Aaron J. Doll, under penalty of perjury, on this 20th day of January, 2022, declare that the foregoing is true and correct to the best of my knowledge and belief.

/s/ Aaron J. Doll