Exhibit No. 20
Issues: Asbury, Fuel Adjustment Clause, Wind Hedge
Witness: Aaron J. Doll
Type of Exhibit: Rebuttal Testimony
Sponsoring Party: The Empire District Electric Company
Case No. ER-2019-0374
Date Testimony Prepared: March 2020

Before the Missouri Public Service Commission

Rebuttal Testimony

of

Aaron J. Doll

on behalf of

The Empire District Electric Company
A Liberty Utilities Company

March 2020

Liberty Utilities
EMPIRE DISTRICT

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I. INTRODUCTION

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Aaron J. Doll. My business address is 602 South Joplin Avenue, Joplin, Missouri.

Q. ARE YOU THE SAME AARON J. DOLL THAT FILED DIRECT TESTIMONY IN THIS CASE?

A. Yes. I filed Direct Testimony and Supplemental Direct Testimony in this case on behalf of The Empire District Electric Company ("Liberty-Empire" or "Company").

Q. WHAT ISSUES DO YOU ADDRESS IN YOUR REBUTTAL TESTIMONY?

A. I briefly address the Asbury plant as it relates to some of the issues brought forward by Office of Public Counsel ("OPC") witness Geoff Marke in his Direct Testimony. I also address the fuel impact of the term deal with the Missouri Joint Municipal Electric Utility Commission ("MJMEUC"). Finally, I address concerns raised by OPC witness Lena Mantle in her Direct Testimony filed in this case with regard to the inclusion of transmission revenue and expense inside of the fuel adjustment clause ("FAC") and costs related to the Company's proposed wind hedge activities.

II. ASBURY

Q. IS THE MONETARY IMPACT OF THE RETIREMENT OF THE ASBURY PLANT AT ISSUE IN THIS PROCEEDING?

A. No. The impact of Asbury's retirement on the Company's revenue requirement is not yet ripe for a ratemaking determination, because all of the facts surrounding Asbury's retirement are not yet known and are very much under development at this time. Although Asbury was retired on March 1, 2020, the cost and expense impacts of the retirement of Asbury will not be known and measurable in time to be adequately addressed in this case. In this regard, on January 28, 2020, the Commission issued its *Order Denying Public Counsel's Motion to Modify the Test Year*. The order provides that "Asbury's retirement is best addressed in Empire's next rate proceeding" and directs the parties to submit a list of items to be included in an accounting authority order ("AAO") to address the impacts resulting from Asbury's retirement. The Commission further held that it "will not modify the test year, nor allow isolated adjustments for Asbury's retirement to be addressed in this general rate proceeding." *Order Denying Motion for Reconsideration*, issued February 19, 2020.

Q. IN HIS DIRECT TESTIMONY, OPC WITNESS GEOFF MARKE MAKES CERTAIN STATEMENTS REGARDING THE ECONOMICS OF THE OPERATION OF ASBURY. WILL YOU RESPOND TO THOSE STATEMENTS?

A. Yes. Although the monetary impact of the retirement of Asbury is not at issue in this proceeding, I believe it is important for the Commission to be presented with a complete and accurate picture on the issues raised by Dr. Marke.

Q. DO YOU AGREE WITH THE CONCLUSION MADE BY DR. MARKE THAT ASBURY IS UNECONOMICAL BECAUSE OF LIBERTY-EMPIRE'S WIND INVESTMENTS?

A. No. Asbury was rendered uneconomic due to changing market conditions. The primary contributors to the market changes are historically low natural gas prices and increased access to low cost wind generation in the SPP footprint. One needs only to look at Asbury's historical capacity factor, which is set forth below, as an indicator of its declining economic value in the market.

Year	Asbury Net Capacity Factor
2012	70.3%
2013	78.2%
2014	64.1%
2015	63.5%
2016	62.7%
2017	56.9%
2018	48.0%
2019	47.7%

The proliferation of solar generation and battery storage will further strain the market economics of Asbury. Below is the SPP Generation Interconnection queue for active requests with 99.7% of the future requests involving additional wind, solar or battery storage.

Active SPP Generation Interconnection Requests							
Year	Battery	Combustion	CT	Gas	Gas Turbine	Solar	Wind
2020	2,790				38	10,853	20,592
2021	577					5,916	10,204
2022	719					2,970	1,127
2023	1,916	40		120		5,803	3,210
2024	600					73	

As of February 28, 2020

Q. DO YOU BELIEVE THAT OPERATING THE UNITS LESS, AS SUGGESTED IN THE DIRECT TESTIMONY OF OPC WITNESS MARKE, WOULD IMPROVE ITS ECONOMICS?

A. No. Asbury is a baseload coal generating facility and continued cycling of the unit or seasonal operation of the unit would only serve to exacerbate the declining economics of the unit. It is difficult to understand how operating the plant less, while still having to pay for fuel delivery costs and plant personnel, could improve the economics of Asbury. Dr. Marke asserts that Liberty-Empire should operate Asbury seasonably during months of high demand, and points to Xcel Energy's plant in Minnesota as an example. Although not much detail was provided in Dr. Marke's single sentence dedicated to Xcel's plan to seasonally operate its Allen S. King Generating Station ("King Plant") or Sherburne County Generating Station ("Sherco 2"), a review of Xcel's Integrated Resource Plan ("IRP") filed in July 2019 made a few things clear. As illustrated below, Xcel's plan does not support Dr. Marke's assertion that Asbury should be operated seasonably to improve its economics.

- Xcel plans to early retire its existing coal fleet by 2030.
- The King Plant is planned for retirement in 2028, which is 9 years earlier than anticipated.
- Sherco 2 is scheduled to retire in 2023, which is 7 years earlier than indicated in Xcel's 2015 IRP Preferred Plan[1]
- Sherco 2 will still need to clear some regulatory hurdles for seasonal operation in the Midcontinent Independent System Operator ("MISO").

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1 https://www.edockets.state.mn.us/EFiling/edockets/searchDocuments.do?method=showPoup&documentId={129FAC82-D66E-46B6-86B7-D12E5028E1DF}&documentTitle=20151-105858-04

- Sherco 2 has staff on-site from Sherco 3 and Sherco 1 which are both due to be retired after Sherco 2. Asbury has no sister units to share costs with during seasonal operations.
- The early retirement of Xcel's coal facilities will pave the way for substantial investments in renewable energy culminating in a system that is "approaching 60% renewable in 2034.[2]"
- Sherco 2 and King Plant operate in MISO. MISO is different from the Southwestern Power Pool ("SPP") in that SPP does not have a capacity market which determines which units are considered must-offer. SPP only excludes units from must offer requirement if they are on outage or qualify for a Reserve Shutdown
- Xcel still has not determined the viability of its strategy as it relates to physical withholding penalties. Liberty-Empire would have those same issues regarding physical withholding if it were to consider this strategy.
- Xcel's own analysis shows that while these units have traditionally been self-committed in the MISO market, a production cost model run resulted in "little impact on total fuel costs" when offering these units seasonally as "economic" offers or year-round as "economic" offers. For reference sake, an "economic" offer is tantamount to a "market" offer in SPP and Asbury has been offered exclusively as "market" since October 2016 with the exception of discrete testing periods. Therefore, the studies supporting seasonal operation with

[2] Xcel Energy 2020-2034 Upper-Midwest Integrated Resource Plan. Chapter 4. Section II. Page 72 https://www.edockets.state.mn.us/EFiling/edockets/searchDocuments.do?method=showPoup&documentId={00FBAE6B-0000-C414-89F0-2FD05A36F568}&documentTitle=20197-154051-01

> "economic" offers don't show any significant benefit from annual "economic" offers which is akin to how Asbury is offered and therefore would not support offering Asbury any differently than how it has been offered for the past three and a half years.

Finally, the continued operations of Asbury will require an investment in surface impoundments for coal combustion residuals as described in the Direct Testimony of Liberty-Empire witness Timothy Wilson. The continued investment in a plant that is suffering from progressive economic viability is not in the best interest of our customers.

Q. DO YOU AGREE WITH DR. MARKE THAT LIBERTY-EMPIRE OUGHT TO INVESTIGATE SELLING ASBURY?

A. Yes. The Company believes it should explore all reasonable options to mitigate costs and make the best use of its facilities. On July 18, 2019, Liberty-Empire engaged Black and Veatch, an engineering, procurement, consulting, and construction company, to perform a decommissioning study. The operations and maintenance for the future wind farms will be based at the Asbury facility, but the final plan for the Asbury facility and other structures on the property is not known at this time. The Company is actively exploring multiple opportunities to reuse the existing facility to support ongoing customer and Company needs. For example, some large pieces of equipment may be sold, rather than scrapped for salvage, there has been interest expressed in repurposing the turbine deck and structure for the placement of flow batteries, and the cooling tower and some associated pumps may also be reused. The Company has been exploring all opportunities related to the closure of the Asbury plant, including the sale of the plant. However, the estimate on the financial worth of

Asbury is still being calculated by Black and Veatch as a part of the decommissioning study. The study is expected to be complete by mid-2020.

III. CAPACITY AND ENERGY SALE IMPACT ON FUEL

Q. PLEASE DESCRIBE THE MJMEUC CAPACITY AND ENERGY SALE.

A. The capacity and energy sale is a 5-year term agreement with MJMEUC for Liberty-Empire to sell energy and capacity to the cities of Monett, Missouri and Mount Vernon, Missouri.

Q. HOW DOES THIS AGREEMENT AFFECT FUEL COSTS?

A. First of all, Liberty-Empire will only be purchasing energy to serve load from the SPP Integrated Marketplace ("IM") associated with its retail customers and the City of Lockwood. Second, energy purchased (fuel-related expense and additional energy margin) from Liberty-Empire related to MJMEUC's agreement will be billed to the cities via MJMEUC resulting in a reduced portion of fuel expense allocated and billed to Liberty-Empire's retail customers. Third, Liberty-Empire will sell energy into the SPP IM on behalf of MJMEUC and receive revenue which will be returned to the cities either through the use of bilateral settlement schedules ("BSS") or new SPP settlement logic which is expected to be live in August 2020 as part of its new Settlement System Replacement Project ("SSRP") process.

Q. WILL LIBERTY-EMPIRE BE ABLE TO FLOW BACK THE NET PROCEEDS FROM THE MJMEUC SALE OF ENERGY TO ITS RETAIL CUSTOMERS?

A. It is Liberty-Empire's understanding that the language contained in the Off-System Sales Revenue ("OSSR") portion of its FAC tariff would not allow the revenue collected from the MJMEUC contract to flow through the FAC. Liberty-Empire's current FAC defines OSSR as "Revenue from Off-System Sales (Excluding revenue from full and partial requirements sales to municipalities)".

Q. IS LIBERTY-EMPIRE OPPOSED TO RETURNING ANY NET PROCEEEDS FROM THE SALE OF ENERGY TO ITS RETAIL CUSTOMERS?

A. Liberty-Empire is not opposed to modifying the FAC tariff to allow revenues from the MJMEUC contract to flow through the FAC, so long as any such tariff modification is tethered to the establishment of an AAO or some other sort of vehicle that would allow the Company to create a regulatory asset for the difference in jurisdictional allocations as a result of the contract. The tariff change and the establishment of an AAO would need to occur simultaneously, in order to ensure that both Liberty-Empire and its customers are treated fairly and that rates continue to be just and reasonable. This issue was brought forward in the Direct Testimony of Liberty-Empire witness Sheri Richard on pages 26-28.

Q. HOW ELSE DOES THE MJMEUC TRANSACTION AFFECT THE COST OF SERVICE USED TO SET CUSTOMERS RATES?

A. The Company has historically allocated many components of its cost of service to its retail jurisdictions based on a 12-month average Coincidental Peak allocator. Once the MJMEUC contract becomes effective the Company would anticipate an allocation factor increase for numerous rate base and expense balances. However, because Monett and Mount Vernon have their own distribution network the Company would not anticipate any changes related to Distribution Plant and/or Distribution expenses.

IV. TRANSMISSION EXPENSE AND REVENUE IN FUEL

Q. DO YOU AGREE WITH OPC WITNESS MS. MANTLE AND STAFF'S PROPOSAL THAT SOME PORTION OF BOTH TRANSMISSION EXPENSE

AND TRANSMISSION REVENUE OUGHT TO BE REFLECTED IN THE FAC BASE?

A. Yes, as explained in my direct testimony filed in this proceeding the relationship between investment in the transmission system and the impact these investments have on improved reliability and economic operations is clear. The benefits our customers receive in part as a result of those efforts include adjusted production cost savings, lower resource adequacy requirements, and the ability to reliably accommodate lower generation delivery with increasing efficiency. Due to linkage between improved transmission delivery and the positive impact on production expenses I continue to recommend 100% of transmission expense and transmission revenue, with the exceptions as indicated in my Supplemental Direct Testimony, should be reflected in the FAC base.

V. <u>REBUTTAL OF OPC WITNESS LENA MANTLE'S DIRECT TESTIMONY</u>

Q. MS. MANTLE RAISES A CONCERN REGARDING THE PASS THROUGH OF COSTS RELATING TO THE PROPOSED WIND HEDGE ACTIVITIES THROUGH THE FAC PRIOR TO LIBERTY-EMPIRE'S NEXT RATE CASE. WILL LIBERTY-EMPIRE FLOW THROUGH COSTS RELATING TO THE WIND HEDGE PRIOR TO ITS NEXT GENERAL RATE CASE?

A. No. The Commission, however, does not need to address how hedge costs and revenues will flow through the FAC in this proceeding, as no wind project costs are at issue in this case, and the intended effective date of the hedges is July 1, 2021.

Q. DOES THE COMPANY HAVE ANY COMMENTS ON THE FOUR RECOMMENDATIONS PROVIDED ON PAGE 21 OF THE DIRECT TESTIMONY OF OPC WITNESS LENA MANTLE?

A. Yes. The Company does not object to Ms. Mantle's first recommendation, as the Company agrees that the Commission will need to determine the proper treatment of the wind projects' costs with regard to the FAC. Liberty-Empire will make a proposal in this regard in its next rate case. The Company opposes recommendations two, three, and four, as these recommendations are unnecessary and premature. As noted above, the Commission should address how hedge costs and revenues will flow through the FAC in the Company's next rate case.

Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?

A. Yes.

AFFIDAVIT OF AARON J. DOLL

STATE OF MISSOURI)
) ss
COUNTY OF JASPER)

On the 2nd day of March, 2020, before me appeared Aaron J. Doll, to me personally known, who, being by me first duly sworn, states that he is the Director Electric Procurement of The Empire District Electric Company – Liberty Utilities Central 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.

Aaron J. Doll

Subscribed and sworn to before me this 2nd day of March, 2020.

ANGELA M. CLOVEN
Notary Public - Notary Seal
State of Missouri
Commissioned for Jasper County
My Commission Expires: November 06, 2023
Commission Number: 15262659

Notary Public

My commission expires: 11/06/23.