

# Crossroads Power Plant Discussion

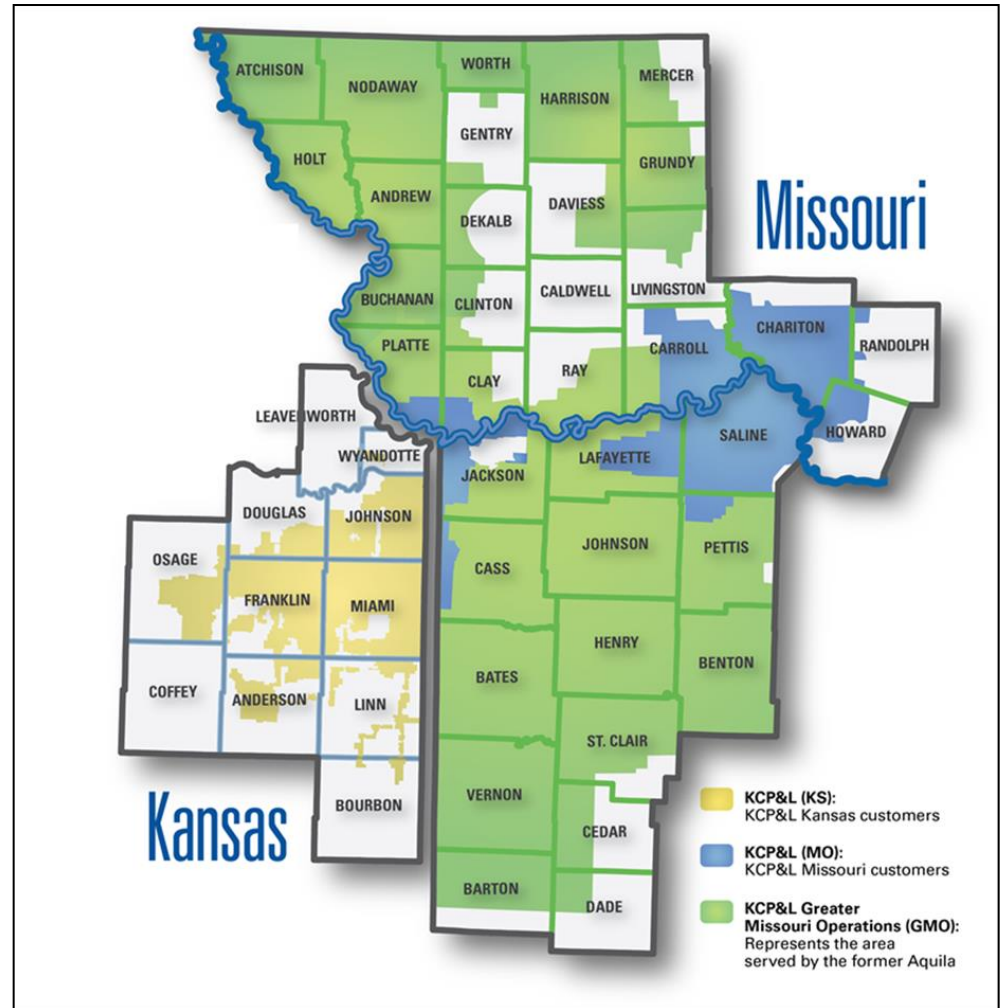
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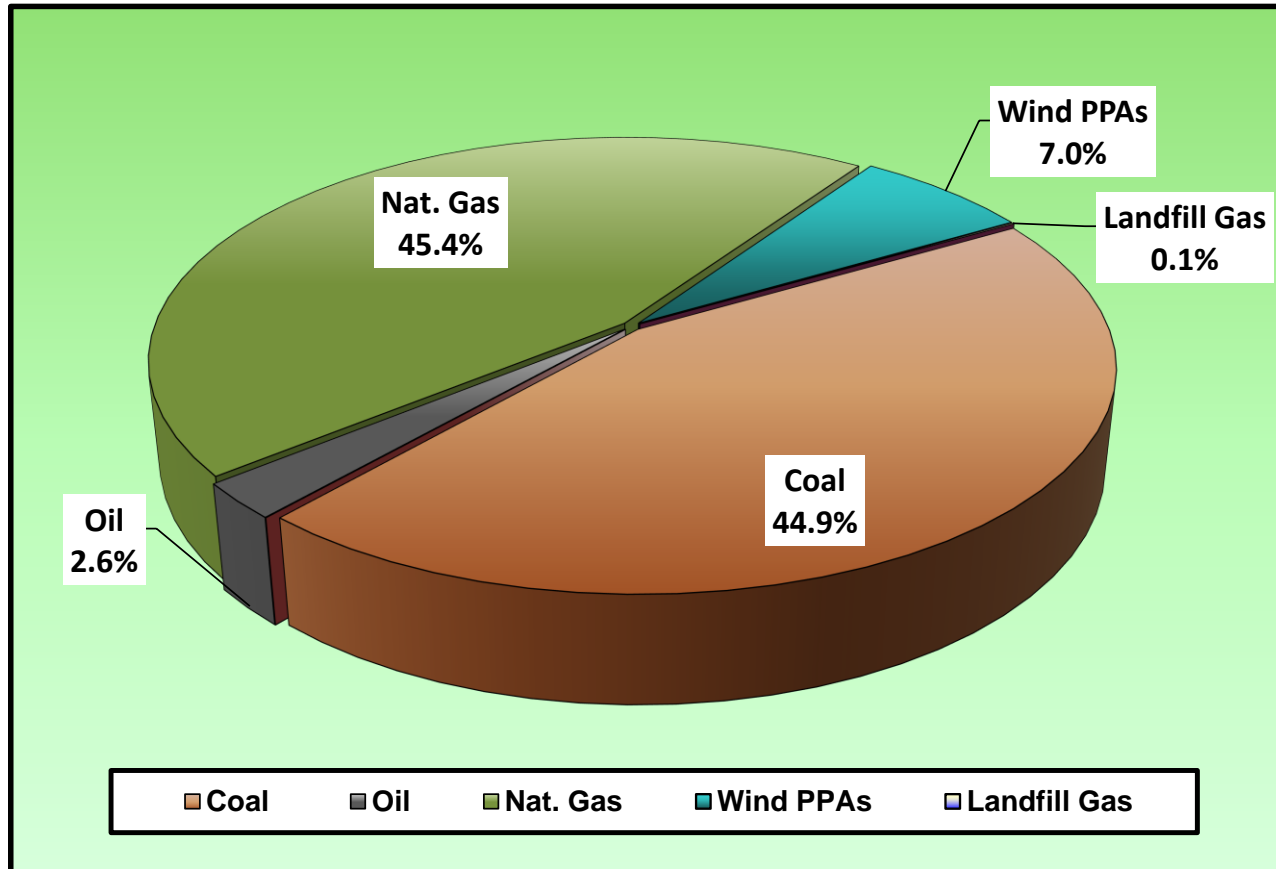


# KCP&L and KCP&L GMO

- KCP&L History
  - 1882 Incorporated as Kawsmouth Electric Light Company
  - 1922 Final name change to Kansas City Power & Light Company
  - 2001 Formed Great Plains Energy Inc.
  - 2008 Merged with Aquila, which is now called KCP&L Greater Missouri Operations Company



# 2015 GMO Current Capacity Portfolio Mix



Capacity By Fuel Type	Capacity (MW)
Coal	1017
Oil	59
Nat. Gas	1029
Wind PPAs	159
Landfill Gas	2
Total	2266

# What is Crossroads?

- KCP&L GMO generating facility
  - Completed construction in 2002
  - Total capacity of 300 MW (4 units at 75 MW each)
  - Unit type: General Electric 7EA combustion turbines
  - Fuel supply: natural gas – Texas Gas Transmission
  - Location: Clarksdale, MS (70 miles south of Memphis, TN) in Entergy's service territory (within MISO footprint effective 2013)
- Features
  - Diversified fuel supply
    - Not dependent on same gas supply as Missouri generators
    - On several days during the 2014 Polar Vortex when gas was unavailable for local GMO gas-fired generation, gas was available at Crossroads
  - In 2015, Crossroads was the second most utilized of the KCP&L GMO gas assets.
  - Low-cost accredited capacity
    - Equal to 16% of KCP&L GMO customer peak load in 2015
    - MPSC approved cost in KCP&L GMO rates: \$185/kW
    - When evaluated in 2007 for use by KCP&L GMO, equivalent new capacity would have cost over \$600/kW

# Background: Crossroads the Lowest-cost Option

- In the early 2000's, Aquila Merchant Services had stranded/uneconomic` assets.
  - Discussions with Staff led to their questioning why we couldn't just leave assets in place and use transmission to deliver the power to Missouri customers.
- On numerous occasions, the Company and Staff discussed Crossroads as well as other supply options:
  - October 2007
    - Study showing Crossroads was the low cost option for Missouri customers even with transmission costs included
    - Ownership issue (issue resolved in 2008)
    - Transmission issue (issue resolved in 2009, as the Company signed a 20-year transmission agreement with Entergy)
  - August 2008 – Discussed decision to move Crossroads to GMO books and include in upcoming rate case filing
  - December 2008 – Discussed prior Crossroads evaluation and provided transmission service request update
- **The Company was able to solve both the ownership and transmission challenges and:**
  - Transmission recovery is not unprecedented (Empire's Plum Point Plant is also in Entergy/MISO and pays the same transmission rate as GMO does for Crossroads).
  - It is not unprecedented for generation resources to be located outside of Missouri, Wolf Creek, Jeffrey and Spearville are all owned assets outside of Missouri.

## **Current Status – KCP&L GMO is delivering generation to Missouri customers with no recovery of associated transmission costs.**

- In prior rate orders (Case Nos. ER-2010-0356 and ER-2012-0175) Commission set rate base value of plant below level requested by KCP&L GMO and disallowed transmission cost recovery of approximately \$4 million/year.
  - Legal avenues for those rate orders exhausted.
- After the rate orders, Entergy joined MISO in 2013, increasing the cost of transmission for Crossroads.
  - Unrecovered transmission costs now approximately \$12 million/year (approximately \$7-8 million of which is due to Entergy joining MISO – this represents incremental transmission costs beyond the costs addressed in the rate orders).
  - The Commission has considered MISO/SPP Seams Issues previously in dockets (EO-2013-0431 and EW-2014-0156).

# So why doesn't KCP&L GMO recover Crossroads transmission costs today?

- The Commission, at time of ER-2010-0356 rate order, was not happy with Aquila's handling of its previous Merchant Services and South Harper.
- It became clear in the ER-2010-0356 case that there was a push for a disallowance of Crossroads
  - The Staff had signaled that they would push for a rate base reduction based on previous Staff positions regarding capacity – and this did occur.
  - The Company did not even conceive of a transmission disallowance – which did occur as well.
  - The result of the order was an inclusion of Crossroads in rate base (at a level less than cost for KCP&L GMO) with no recovery of transmission to transport energy from the asset included in rate base to KCP&L GMO load.
- At the time of the original decision the cost to KCP&L of the transmission disallowance was approximately \$4 million/year:
  - Prevalent thought at the time was that in a few years Entergy would join SPP and then the cost would be \$0.
  - Instead Entergy joined MISO in 2013 and the cost jumped to now approximately \$12 million/year.

# Options for Optimizing Value of Crossroads

- Subsequent to the 2012 Order, a cross-functional team of Company employees identified and evaluated options for maximizing the value of Crossroads for both customers and shareholders.
- The only option to status quo that remains potentially feasible (move Crossroads and equivalent KCP&L GMO load into MISO) would be cumbersome and difficult to achieve.
  - If pursued, Missouri Commission's support would be essential
- The Company continues to try to minimize the financial impacts of the price of transmission service from Entergy after it joined MISO in various FERC and court proceedings.



# So Why Are We Here?

- 1) KCP&L GMO should not be negatively impacted because of Entergy's decision to join MISO.
- 2) This is an incredibly good asset for Missouri customers:
  - Crossroads was the low-cost option in the 2007 IRP.
  - With Entergy-related transmission costs, Crossroads remains the low-cost option.
  - Crossroads continues to provide operational benefits for the Company and Missouri customers as discussed earlier.
- 3) We are here to make the Commission aware of continuing issues related to Crossroads transmission.

In informing the Commission of the above points, we felt it was important to discuss the Crossroads history with the Commission at this time.

- We will not be asking this Commission to revisit the Crossroads rate base disallowance.
- We will not be asking this Commission to revisit the prior decision to disallow the \$4 million of transmission costs from the original 20-year transmission agreement with Entergy.
- We will be asking this Commission to consider the new circumstances since its prior decisions and the incremental transmission costs in light of the value of the Crossroads asset for Missouri customers.