

Public Version

Exhibit No.:

Issue: Overview of Request, Compliance
with CCN Requirements, Tartan
Factors, Timing Request

Witness: Darrin R. Ives

Type of Exhibit: Direct Testimony

Sponsoring Party: Evergy Missouri West

Case No.: EA-2023-0291

Date Testimony Prepared: ~~0000~~ November 8, 2023

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO.: EA-2023-0291

DIRECT TESTIMONY

OF

DARRIN R. IVES

ON BEHALF OF

EVERGY MISSOURI WEST

**Kansas City, Missouri
November 2023**

CONTENTS

I. INTRODUCTION.....	1
II. REQUEST FOR AN OPERATING CCN.....	5
III. REQUEST FOR DECISIONAL PRUDENCE UNDER THE CCN RULE.....	14
IV. CONCLUSION	19

1 I. INTRODUCTION

2 Q. Please state your name and business address.

3 A: My name is Darrin R. Ives. My business address is 1200 Main Street, Kansas City,
4 Missouri 64105.

5 Q: By whom and in what capacity are you employed?

6 A: I am employed by Evergy Metro, Inc. and serve as Vice President – Regulatory Affairs for
7 Evergy Metro, Inc. d/b/a as Evergy Missouri Metro (“Evergy Missouri Metro”), Evergy
8 Missouri West, Inc. d/b/a Evergy Missouri West (“Evergy Missouri West”), Evergy Metro,
9 Inc. d/b/a Evergy Kansas Metro (“Evergy Kansas Metro”), and Evergy Kansas Central,
10 Inc. and Evergy South, Inc., collectively d/b/a as Evergy Kansas Central (“Evergy Kansas
11 Central”), the operating utilities of Evergy, Inc. (“Evergy”).

12 Q: On whose behalf are you testifying?

13 A: I am testifying on behalf of Evergy Missouri West (“EMW” or “Company”).

14 Q: What are your responsibilities as the Vice President of Regulatory Affairs?

15 A: I serve as Vice President of Regulatory Affairs for Evergy. My responsibilities include
16 oversight of the Company’s Regulatory Affairs Department, as well as all aspects of
17 regulatory activities including federal and state regulatory policy, cost of service, rate
18 design, revenue requirements, regulatory reporting and tariff administration.

19 Q: Please describe your education, experience and employment history.

20 A: I graduated from Kanas State University in 1992 with a Bachelor of Science in Business
21 Administration with majors in Accounting and Marketing. I received my Master of
22 Business Administration degree from the University of Missouri-Kansas City in 2001. I
23 am a Certified Public Accountant. From 1992 to 1996, I performed audit services for the

1 public accounting firm Coopers & Lybrand L.L.P. I was first employed by Kansas City
2 Power & Light in 1996 and held positions of progressive responsibility in Accounting
3 Services and was named Assistant Controller in 2007. I served as Assistant Controller until
4 I was named position as Senior Director – Regulatory Affairs in April 2011. I have held
5 my current position as Vice – President Regulatory Affairs since August 2013.

6 **Q: Have you previously testified in a proceeding at the Missouri Public Service**
7 **Commission (“MPSC” or “Commission”) or before any other utility regulatory**
8 **agency?**

9 A: Yes, I have testified before the Commission and the Kansas Corporation Commission
10 (“KCC”). I have also provided written testimony to the Federal Energy Regulatory
11 Commission and testified before Missouri and Kansas legislative committees.

12 **Q: Are there other witnesses testifying in support of the Company’s Application?**

13 A: Yes. Evergy’s Senior Manager of Market Operations John Carlson provides in his Direct
14 Testimony a detailed overview of the resource being acquired, describes the competitive
15 all-source capacity and energy Request for Proposal (“RFP”) process and outcome that led
16 to the decision to acquire a portion of the Dogwood Energy Facility (“Dogwood,”
17 “Facility” or “Asset”), and reviews the economics of the Facility and how they compared
18 to alternatives considered in the RFP process. He also describes the transactions that will
19 enable Evergy Missouri West to acquire Dogwood, as well as the operations plan for the
20 Asset.

21 Evergy’s Vice President of Strategy and Long-Term Planning Kayla Messamore
22 describes in her Direct Testimony the Company’s Integrated Resource Planning (“IRP”)
23 process and how it supports this Application, as well as provides a general overview of

1 EMW’s need for capacity and energy and describes how the proposed purchase of a portion
2 of the Dogwood Energy Facility meets these needs.

3 John J. Reed, Chairman and Chief Executive Officer of Concentric Energy
4 Advisors, Inc. presents Direct Testimony related to his independent assessment of the
5 Company’s acquisition, how the economics of the acquisition are shaped by the Asset’s
6 participation in the Southwest Power Pool (“SPP”) wholesale energy markets, and his
7 perspective on potential improvements that the Commission can make to the utility
8 resource planning process by which new resources are identified and added to the utility’s
9 resource portfolio.

10 Direct Testimony is also provided by Christopher Klausner of Black & Veatch who
11 will review the operational history of Dogwood and the due diligence conducted by the
12 Company that supported its decision to acquire and operate the Facility and his assessment
13 of support for the facility’s operational availability for EMW customers upon receipt of an
14 Operating Certificate of Convenience and Necessity (“CCN”) from the MPSC and
15 transaction close.

16 **Q: What is the purpose of your Direct Testimony?**

17 A: The purpose of my Direct Testimony is to provide an overview of EMW’s request for an
18 Operating CCN, explain how the Company’s purchase of Dogwood meets the requirements
19 set forth in the Commission’s CCN rule, as well as the Commission’s traditional standards
20 for evaluating and approving CCN requests. I also state why the Company’s decision to
21 purchase and operate Dogwood is prudent, and provide support for the specific relief
22 requested in a Commission Order approving the CCN and the Company’s request that the
23 Commission issue its decision approving the Application by no later than June 14, 2024 to

1 allow for close of the transaction by June 30, 2024 and inclusion in the expected general
2 rate case true-up in EMW's expected 2024 general rate case.

3 **Q: Will you please summarize the key points of your Direct Testimony?**

4 A: The Company application and supporting exhibits, testimony and schedules clearly show
5 that this request meets the requirements of an Operating CCN. The issuance of a
6 Commission Order by June 14, 2024 granting EMW an Operating CCN, and granting
7 EMW permission to complete the acquisition of its 22.2% ownership in Dogwood to be
8 operated on behalf of and for the benefit of its regulated customers as described in the
9 Application is consistent with the public interest. This is strongly supported by Dogwood's
10 successful operational history and the absence of issues related construction, siting,
11 interconnection, fuel supply, and related land acquisition issues. This Application is a
12 straightforward acquisition of an existing resource which will provide immediate benefits
13 to customers and enhance the Company's generation portfolio, consistent with its
14 Integrated Resource Plan.

15 This Asset has undisputable capacity and energy benefits for EMW and its
16 customers with many attributes which fully support the approval of the Company's
17 Operating CCN application and its request for a finding that its decision to pay the
18 transaction price to acquire and operate Dogwood for the benefit of EMW retail customers
19 is prudent.

1 **II. REQUEST FOR AN OPERATING CCN**

2 **Q: Please provide an overview of the Asset for which the Company is seeking an**
3 **Operating CCN.**

4 A: As described by Company Witness Carlson, Dogwood is a nominal 668 MW combined-
5 cycle generation facility located in Pleasant Hill, MO, about 30 miles southeast of Kansas
6 City in EMW’s service territory on approximately sixty-seven (67) acres. The Plant has
7 been in commercial operation since 2002 and interconnects to the SPP’s regional
8 transmission system at the Pleasant Hill 345 kV substation, owned by the Company. At
9 SPP’s summer rating conditions, Dogwood is expected to generate 643 MW. The
10 Company is purchasing a 22.2% leasehold interest in the Dogwood facility, which
11 corresponds to an undivided interest in the Facility equal to the Acquired Percentage. This
12 equates to approximately 143 MW of SPP-accredited capacity.

13 EMW signed an Asset Purchase Agreement (“APA”) with Dogwood Energy, LLC.,
14 on November 3, 2023 to purchase a 22.2% ownership in the Facility for a purchase price
15 of \$60,667,650, the Base Purchase Price, plus a payment-in-lieu of taxes (PILOT)
16 prepayment amount and working capital adjustments for a total purchase price of
17 approximately \$62,700,000. Company Witness Carlson provides additional details
18 regarding the Asset, as well as an overview of the APA in his Direct Testimony.

19 **Q: Why is the Company seeking an Operating CCN for this Project?**

20 A: The Commission’s rule at 20 CSR 4240-20.045 (“CCN Rule”) requires a CCN for an
21 electric utility to operate an electric generating plant under Section 393.170.2. Such an
22 Operating CCN is required if an “electric generating plant ... is expected to serve Missouri
23 customers and be included in the rate base used to set their retail rates regardless of whether

1 the item(s) to be constructed or operated is located ... inside or outside Missouri;” See
2 20 CSR 4240-20.045(1)(A)1 & (2)(A)3. EMW expects that Dogwood will serve EMW’s
3 customers, all of whom are in Missouri, and that the Asset will be included in rate base
4 used to set their retail rates. Section (5) of the CCN Rule requires that an application for
5 an Operating CCN include four categories of information regarding the Asset.

6 When the transaction closes, a representative of EMW will become a member of
7 the Management Committee. This committee makes all decisions related to operating,
8 maintaining, and administering the Facility pursuant to a Participation Agreement that
9 Dogwood’s owners have signed, and which EMW will sign, regarding the management of
10 the plant. After the APA closes, Dogwood Energy through the services of its subsidiary
11 Dogwood Power Management, LLC (“DPM”) will continue to provide asset management
12 services for the Facility under the joint direction of the Facility’s owners which will include
13 Evergy Missouri West.

14 **Q: What are the four categories of information required in an application for an**
15 **Operating CCN?**

- 16 A: 1. Section (5)(A) requires “A description of the asset(s) to be operated;”
17 2. Section (5)(B) requires “The value of the asset(s) to be operated;”
18 3. Section (5)(C) requires “The purchase price and plans for financing the operation;”
19 4. Section 5(D) requires that an application include “Plans and specifications for the Asset,
20 including as-built drawings.”

1 **Q: How does the Company’s Application comply with Section (5)(A)?**

2 A: Company Witness Carlson provides in his Direct Testimony a description of the Dogwood
3 facility, its operational history to date, and the Company’s plans to operate the Asset.
4 Schedules JC-1 and JC-9 provide additional details regarding the Project.

5 **Q: How does the Company’s Application comply with Section (5)(B)?**

6 A: Company Witness Carlson addresses the value of the asset to be operated. Base Purchase
7 Price for EMW’s 22.2% percent ownership share of Dogwood is \$60,667,540. In addition,
8 EMW will make a payment-in-lieu of taxes (“PILOT”) prepayment of approximately
9 \$975,000 and a working capital deposit of approximately \$950,000 related to its prorated
10 portion of the Asset’s revenue and its ordinary and recurring expenses. The total
11 investment is approximately \$62,700,000. This value was reached through a competitive
12 request-for-proposal (“RFP”) process, including comparative valuations of other similar
13 projects that have been offered for sale. In addition, Dogwood is generating dispatchable
14 energy today and, as a partially-owned resource, EMW will have a say in its operations
15 through its Participation Agreement. In addition, its costs will be recovered through base
16 rates and operations and maintenance expense, as opposed to purchased power costs. The
17 Asset is a low-cost natural gas option in a currently low-priced natural gas market. It is
18 located in EMW’s Missouri service territory. Company Witness Carlson summarizes this
19 RFP process, Dogwood’s competitive levelized cost of energy (“LCOE”), and the Project’s
20 operating history since going into service in 2002.

21 **Q: How does the Company’s Application comply with Section (5)(C)?**

22 A: Company Witness Carlson describes how the Company has agreed to acquire a 22.2%
23 ownership stake in Dogwood. As noted above, the Base Purchase Price for EMW’s 22.2%

1 percent ownership share of Dogwood is \$60,667,540. In addition, EMW will make a
2 payment-in-lieu of taxes (“PILOT”) prepayment of approximately \$975,000 and a working
3 capital deposit of approximately \$950,000 related to its prorated portion of the Asset’s
4 revenue and its ordinary and recurring expenses. The total investment is approximately
5 \$62,700,000. The Company plans to finance the purchase of this Asset through rate base
6 at its authorized weighted average cost of capital (“WACC”).

7 A copy of the Dogwood APA is attached as Confidential Schedule JC-11 to
8 Company Witness Carlson’s Direct Testimony. As he explains, this amount will be
9 financed through EMW’s available utility financing resources with the intent that the Asset
10 will ultimately be included in rate base through the Commission’s traditional ratemaking
11 and cost of capital procedures.

12 **Q: How does the Company’s Application comply with Section (5)(D)?**

13 A: Company Witness Carlson’s Confidential Schedule JC-14 contains a copy of the Asset’s
14 general plans and specifications. The Direct Testimony of Company Witness Klausner of
15 Black & Veatch, provides details regarding the technical due diligence process conducted
16 as part of the review of Dogwood, including its operational history.

17 **Q: What other standards has the Commission traditionally employed in evaluating CCN**
18 **applications?**

19 A: When determining whether a project is necessary or convenient for the public service, the
20 Commission has traditionally applied five criteria, commonly known as the Tartan factors,
21 which are as follows:

- 22 1. Is the service needed?
- 23 2. Is the applicant qualified to provide the service?

- 1 3. Does the applicant have the financial ability to provide the service?
2 4. Is the applicant’s proposal economically feasible?
3 5. Does the service promote the public interest?¹

4 **Q: Will you be addressing the Tartan factors?**

5 A: Yes.

6 **Q: What is the Need for this asset?**

7 A: As Company Witness Messamore describes in her Direct Testimony, EMW’s acquiring a
8 22.2% interest in Dogwood is consistent with and supported by its 2023 IRP Annual
9 Update. Commission Staff has previously interpreted “need” as a requirement for the
10 applicant to demonstrate that there are benefits to the project that justify its cost.² Company
11 Witness Messamore shows how based on the 2023 IRP update, EMW is 164 MW short on
12 capacity starting in 2024 and the forecasted shortfall grows to nearly 500 MW by 2030.
13 EMW customers currently consume approximately 4 million MWh of energy per year
14 more than is produced by EMW generation, demonstrating an energy need for a generating
15 asset like Dogwood which was used as a potential resource option in the capacity expansion
16 modeling used in the 2023 IRP Annual Update. As demonstrated by the IRP results
17 described in Company Witness Messamore’s testimony, the Project is forecasted to reduce
18 the Net Present Value of Revenue Requirement (“NPVRR”) by approximately \$90-110
19 million for EMW customers over the twenty-year planning horizon in scenarios with no
20 carbon restrictions or a “mid” level of carbon restrictions. Dogwood was consistently
21 selected in IRP capacity expansion modeling because it is the least cost capacity available

¹ In re Tartan Energy Co., No. GA-94-127, 1994 WL 762882 (Sept. 16, 1994).

² In re Evergy Metro, Inc. Application for a CCN to Construct and Operate Solar Generation Facilities, No. EA-2022-0043, Memorandum at 7, attached to Staff Recommendation (March 10, 2022).

1 to serve EMW’s near- and long-term capacity needs. The Facility provides a valuable
2 addition to EMW’s portfolio in terms of fuel and ownership structure diversity.

3 The addition of the Asset to the Company’s generation fleet will also reduce
4 EMW’s reliance on purchased power. This is consistent with positions taken by the PSC
5 and other parties that have encouraged EMW and its predecessors to invest in their own
6 generation, especially dispatchable resources, instead of relying on purchased power
7 agreements and the wholesale electricity markets.³ Generally, third-party capacity
8 contracts are offered as a shorter-term product, whereas Dogwood would be a controllable
9 asset for years to come.

10 There is an existing and growing need for Evergy Missouri West to acquire reliable
11 and dispatchable resources that meet the energy and capacity needs of its customers. This
12 need is the result of numerous factors, including the retirement of significant numbers of
13 older thermal generating resources throughout the Midwest, the proliferation of non-
14 dispatchable renewable resources, and the resulting decision by SPP to raise its Planning
15 Reserve Margin to 15% and to review other resource adequacy requirements. In the wake
16 of the COVID-19 pandemic, the U.S. economy has sustained historic levels of inflation
17 that have resulted in significant increases in the cost of electric utility materials and
18 infrastructure. National and global supply chains have also been disrupted. By contrast,
19 EMW’s acquisition of an interest in the fully operational Dogwood plant would avoid

³ See Report & Order at 34 (Public Counsel opposed EMW’s “retiring a dispatchable generating unit”), In re Evergy Mo. West, Inc. General Rate Case, No. ER-2022-0130 (Dec. 8, 2022); Report & Order at 14-15, In re KCP&L Greater Mo. Operations Co. Application for a CCN regarding Solar Generating Facilities in Western Mo., No. EA-2015-0256 (Mar. 2, 2016), aff’d United for Missouri v. PSC, 515 S.W.3d 754, 764-65 (Mo. App. W.D. 2016) (CCN issued for Greenwood solar facility); Report & Order at 81-85, 98-99, In re KCP&L Greater Mo. Operations Co. Rate Case, No. ER-2010-0356 (May 4, 2011), aff’d State ex rel. KCP&L Greater Mo. Operations Co. v. PSC, 408 S.W.3d 153, 161-62 (Mo. App. W.D. 2013) (Crossroads combustion turbine units included in rate base). See also L. Mantle Surrebuttal at 14-16 (“there are still substantial benefits to fossil fuel generation”), In re Evergy Mo. West, Inc. Application for a CCN to Own and Operate an Existing Wind Generation Facility in Okla., No. EA-2022-0328 (Jan. 31, 2023).

1 construction delays, supply chain problems, land acquisition issues, and fuel uncertainty.
2 As described by Company Witness Messamore, Dogwood provides access to an existing
3 combined-cycle resource, which allows it to meet EMW's needs sooner, with costs below
4 that of building a new unit. Not only is the purchase price of the Asset attractive, but the
5 fact that steel is in the ground and the unit is operational means that siting, permitting, and
6 construction risk is eliminated.

7 The Facility's fuel is supplied by a natural gas transmission pipeline owned by the
8 Dogwood Energy Facility that is connected to the systems of both Southern Star Central
9 Gas Pipeline, Inc. and Panhandle Eastern Pipe Line Co., LP. As an operating, dispatchable
10 source of capacity and energy, Dogwood will help to meet the needs of EMW's customers.

11 **Q: Is the Evergy Missouri West qualified to provide the service?**

12 A: Yes. Evergy Missouri West and its affiliate Evergy Metro, Inc. have a long history of
13 operating generation, transmission, and distribution facilities that provide electricity in
14 Missouri through the construction, operation, and ownership of different power generation
15 assets and methods. Company Witness Carlson describes Evergy's history of owning and
16 operating thermal facilities.

17 EMW is one of several utility owners who are parties to a Participation Agreement
18 that contracts with Dogwood Power Management, a subsidiary of Dogwood Energy LLC
19 which owns the Asset, as the project management company acting as the agent on behalf
20 of the ownership group to operate Dogwood. Company Witness Carlson describes in his
21 Direct Testimony the operating structure of Dogwood in detail.

1 **Q: How is this Asset economically feasible?**

2 A: As described in detail by Company Witness Messamore in her Direct Testimony, the 2023
3 IRP Annual Update process for Evergy Missouri West identified a Preferred Plan that
4 results in reduced costs for EMW customers over time compared to alternative resource
5 plans. Company Witness Carlson described in his Direct Testimony how this Asset was
6 chosen as a result of a competitive RFP process for generation resources. Company
7 Witness Carlson also described Dogwood's levelized cost of energy and levelized cost of
8 capacity relative to other options considered. Dogwood is also less risky from a permitting
9 and supply chain perspective because it has been operational for the past 21 years, had the
10 lowest congestion risk for delivery to EMW customers because it is located in the
11 Company's service territory, and offered an extremely well performing facility. As he
12 testified, over the past five years ending 2022, Dogwood has successfully operated and met
13 its obligations when dispatched in SPP. Dogwood's average Net Capacity Factor ("NCF")
14 for this period was 35.7%. The plant's average heat rate from 2018-2022 was 7,725
15 Btu/kWh, and around 7,600 Btu/kWh the last two years. This would be EMW's most
16 efficient natural gas generator, in terms of average and incremental heat rate. Dogwood's
17 five-year average equivalent availability factor and start reliability were 83.2% and 97.1%,
18 respectively. This operational history of the Asset is described in more detail by Company
19 Witnesses Carlson and Klausner.

20 The economic feasibility of EMW's plan to acquire an interest in Dogwood is also
21 demonstrated by a comparison of alternative capacity and energy sources in the context of
22 integrated analysis. As illustrated in Company Witness Messamore's direct testimony,
23 Dogwood is economically feasible due to being selected as a preferred resource in each

1 IRP scenario, and is a better economic choice when compared to current third-party
2 capacity only options or the cost to build new capacity resources.

3 **Q: Does Evergy Missouri West have the ability to finance the purchase and operation of**
4 **this Project?**

5 A: Yes. The Company has experience in financing the purchase and operation of large
6 projects. As noted above, the purchase price for EMW's 22.2% percent ownership share
7 of Dogwood is \$60,667,650, plus a PILOT prepayment of approximately \$975,000 and a
8 working capital deposit of approximately \$950,000. The total investment in the Asset is
9 approximately \$62,700,000. The Company plans to finance this purchase through rate base
10 at its approved weighted average cost of capital ("WACC").

11 **Q: Please describe how the public interest will be served by a grant of the requested**
12 **certificate?**

13 A: In addition to the factors discussed above which demonstrate that approval of this
14 Application is in the public interest, as described by Company Witness Messamore, EMW
15 has a clear capacity and energy need, and Dogwood's dispatchable resource helps meet
16 this need for customers more economically than other available options considered. Its
17 low heat rate and firm natural gas transport, served from both Southern Star Central Gas
18 Pipeline ("SSCG") and Panhandle Eastern Pipeline ("PEPL"), provides an attractive hedge
19 to EMW's existing operations. Granting an Operating CCN to EMW involves none of the
20 risks inherent in a construction or line CCN under Section 393.170.1 which typically
21 involve the acquisition of rights-of-way or other property rights, securing various
22 governmental permits and consents, and managing supply chain, labor, and construction
23 risks that often lead to the delay in a generating unit coming on-line. Given the Asset's

1 strong interconnection to the SPP transmission system and the 345 kV transmission
2 upgrades recently completed in the SPP region, the Company expects that long-term firm
3 network transmission service from Dogwood to EMW's existing system should be
4 available without having to obtain such service at a cost that exceeds standard SPP tariff
5 rates.

6 **III. REQUEST FOR DECISIONAL PRUDENCE UNDER THE CCN RULE**

7 **Q: What does the CCN Rule provide regarding the Commission's authority to make a**
8 **prudence determination regarding an asset that is to be operated so as to serve**
9 **Missouri customers and be included in rate base used to set their retail rates?**

10 A: Section (2)(C) of the CCN Rule states: "In determining whether to grant a certificate of
11 convenience and necessity, the commission may, by its order, make a determination on the
12 prudence of the decision to operate or construct an asset subject to the commission's
13 subsequent review of costs and applicable timelines." The CCN Rule's definition of an
14 "Asset in Section (1)(A) includes "[a]n electric generating plant" which "is expected to
15 serve Missouri customers and be included in the rate base used to set their retail rates"

16 **Q: Does the CCN Rule require an electric utility seeking an Operating CCN to submit**
17 **information regarding the transaction by which it will acquire an asset like Dogwood?**

18 A: Yes. Under Section (5)(B) and (C) of the Rule, an application for a CCN to operate assets
19 under Section 393.170.2 "shall also include" information on "[t]he value of the asset(s) to
20 be operated" and the "purchase price and plans for financing the operation." Based on this
21 language, the CCN Rule contemplates that the Commission will review the terms of the
22 purchase agreement, including the transaction price, and how an electric utility plans to
23 acquire the asset that it proposes to operate. This review would include consideration of

1 the financial obligations the utility will incur related to the acquisition. All of these facts
2 are relevant to an evaluation of whether the decision to acquire and to operate the asset is
3 prudent.

4 **Q: Is it appropriate for the Commission to address decisional prudence in this docket?**

5 A: Yes. There is no reason why the Commission should not address decisional prudence in
6 this docket. The Company application, supporting exhibits, testimony and schedules
7 contain every piece of evidence needed to evaluate and make a determination whether it is
8 prudent for the Company to pay the transaction price for the purpose to operate Dogwood
9 for the benefit of EMW customers. All the information related to the IRP analysis, RFP
10 process and evaluation, technical due diligence, ownership, operational model, and specific
11 final transaction price are included in this filing, Unlike some CCN requests for new
12 construction, a finding of decisional prudence might be determined by the Commission at
13 the time of the CCN docket, but other matters of prudence (such as around construction
14 and final costs) would be reserved for a future rate case after the new resource was
15 constructed and in-service. In this case, there is no additional information to be known and
16 shared with the Commission in a future rate case that is not already known and presented
17 in this CCN docket. This is the appropriate docket and timing for the Commission to make
18 a determination on the prudence of this transaction made to operate a resource for the
19 benefit of EMW customers.

20 **Q: What does Evergy Missouri West recommend that the Commission consider in
21 determining decisional prudence in this case?**

22 A: The Commission should review the operational history of Dogwood, capital improvements
23 that have been made to the Facility, the costs of operating and maintaining the plant, and

1 its financial performance in the SPP day-ahead and real-time energy markets. The terms
2 of the Asset Purchase Agreement should be assessed, including the fair market value of
3 Dogwood, the reasonableness of the purchase price, and other facts discussed in the Direct
4 Testimony of Company Witnesses Carlson, Messamore, Reed, and Klausner. All of these
5 issues and facts are encompassed by the Tartan factors, especially the final factor that
6 analyzes whether the acquisition and operation of the Asset promotes the public interest.

7 Among the key facts that should be assessed by the Commission are Dogwood's
8 record of performance, its strategic location in EMW's service territory where it is
9 interconnected to the SPP transmission system, its access to two independent natural gas
10 pipelines which provides fuel assurance and resiliency, and its value as a combined-cycle
11 unit with an efficient heat rate. Additionally, having been in operation since 2002, the
12 acquisition and operation of Dogwood present none of the risks that building a new plant
13 would present, including construction and supply uncertainties, economic inflation,
14 environmental and zoning approvals, potential landowner opposition, and workforce
15 issues.

16 **Q: Based upon an assessment of these facts, what should the Commission conclude**
17 **regarding EMW's decision to acquire and operate Dogwood?**

18 A: The Commission should find EMW's decision to acquire and operate Dogwood to be
19 prudent given the specific terms and transaction price agreed to in the Asset Purchase
20 Agreement because the overall customer benefits that will result from the Company's
21 acquisition of Dogwood exceed the anticipated costs that customers would be expected to
22 pay. This conclusion is supported by Dogwood's superior operating record, its reliable
23 supply of natural gas fuel, its location in EMW's service territory, and its interconnection

1 to the SPP transmission system, its favorable performance in SPP's energy markets, and
2 the results of EMW's IRP which demonstrates that acquisition of Dogwood results in
3 reduced costs for EMW customers over time compared to alternative plans and that
4 Dogwood is the least cost capacity available to serve EMW's near-term capacity needs.

5 All of these facts are reflected in the APA where the fair market value of Dogwood
6 is appropriately reflected in the Base Purchase Price of \$60,667,650, where the PILOT and
7 working capital expenses are fair, and the total purchase price of approximately
8 \$62,700,000 is reasonable. These facts support the Commission concluding that the
9 Company's decision to acquire a 22.2% interest in Dogwood and to operate the Facility is
10 prudent.

11 **Q: What specific language is the Company requesting the Commission include in its**
12 **Order as it relates to decisional prudence?**

13 A: Given the benefits that I discussed above and the absence of detriments, the Company
14 specifically requests that the Commission find in its Report and Order that Evergy Missouri
15 West's decision (a) to acquire a 22.2% interest in the Facility for the final purchase price
16 of approximately \$62,700,000 and (b) to operate the Facility is prudent because Evergy
17 Missouri West has demonstrated that the final purchase price reflects the fair market value
18 of the acquired percentage interest in Dogwood and that the customer benefits resulting
19 from the Company's acquisition of the acquired percentage interest in Dogwood exceed
20 the customer costs related to the acquisition.

1 **Q: Why is it important to include this specific language in the Commission Order at this**
2 **time?**

3 A: This language is needed in order for the Company to close the agreement to purchase its
4 22.2% interest in Dogwood. Paragraph 2 in Section 4.03(c) (“Purchaser Approvals”) of
5 the Disclosure Schedules to the Asset Purchase Agreement includes a condition precedent
6 with the following language:

7 ******
8 
9
10
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16
17
18 ****⁴**

19 As a result of this condition, the specific language being requested from the
20 Commission is necessary to give the Company a clear finding on decisional prudence so it
21 can determine whether to close this transaction. Staff and OPC have taken positions in
22 past cases that have advocated for findings of decisional imprudence. Therefore, the
23 Company needs an acknowledgement from the Commission that its decision to acquire and
24 operate its interest in Dogwood is prudent because the final purchase price reflects the fair
25 market value of the acquired interest in the Facility and that customer benefits from the
26 acquisition exceed the customer costs related to it. Such an acknowledgment regarding
27 this transaction will make clear that Evergy Missouri West will not bear the risk that in

⁴ See Asset Purchase Agreement, Disclosure Schedules, Schedule 4.03(c) – Purchaser Approvals, Item 2.

1 future rate cases the prudence of its decision to acquire at the transaction price and operate
2 the facility will be challenged.

3 IV. CONCLUSION

4 **Q: What is the timing request and summary of relief requested by the Company in this**
5 **docket?**

6 A: Evergy Missouri West respectfully requests that the Commission issue a final order no later
7 than June 14, 2024. The APA for the acquisition of a 22.2% ownership share in Dogwood
8 was signed by Evergy Missouri West on November 3, 2023, with closing to occur upon
9 certain conditions precedent being met. This includes the approval by this Commission of
10 an Operating Certificate of Convenience and Necessity (“CCN”) in an order which is
11 satisfactory to the Company.

12 Evergy Missouri West seeks the Commission’s timely approval to consummate the
13 purchase of Dogwood and to avoid adverse commercial consequences that could be caused
14 by further delay beyond June 14, 2024. Dogwood is generating dispatchable energy today
15 that can provide benefits to Evergy Missouri West’s customers as soon as the purchase is
16 closed.

17 Dogwood is a fully operational generating facility that does not face the permitting,
18 supply chain, land acquisition, and construction risks present with both early development
19 and build-transfer style projects. Dogwood has a proven track record of operating
20 successfully since it began operations in 2002. Many of the requirements that are reviewed
21 for a Construction CCN under Section 393.170.1 are not applicable to the Operating CCN
22 requested here under Section 393.170.2 and the Commission’s CCN Rule. Company
23 Witness Klausner provides testimony on the technical review of the Dogwood facility and

1 how this resource that has been in operation for 21 years has been evaluated to ensure it
2 meets the traditional operating parameters and in-service capability considered by the
3 Commission in determining whether a resource is used and useful for service to regulated
4 customers.

5 It is also important that the Commission issue an Order by June 14, 2024, that
6 determines the decision to acquire 22.2% interest in the Dogwood facility at the final
7 purchase price is prudent and the Dogwood facility is used and useful and in the public
8 interest upon the closing of the transaction, in order for EMW to complete the transaction
9 to purchase its ownership share of Dogwood. EMW is pursuing the Dogwood transaction
10 for the purpose of serving its regulated customers, and as a result expects to timely recover
11 the transaction price in rates. The Company has previously publicly disclosed that it
12 anticipates filing its next rate case in February 2024⁵, and would expect the true-up date
13 associated with that case to be June 30, 2024. ** [REDACTED]

14 [REDACTED]

15 [REDACTED]

16 [REDACTED]**⁶ For these reasons, it is important for the Company to receive clear direction
17 from the Commission by the requested June 14th date in order to complete the transaction.

18 **Q: Please summarize your testimony.**

19 A: The issuance of a Commission order by June 14, 2024 granting EMW an Operating CCN,
20 and granting EMW permission to complete the acquisition of its 22.2% ownership in
21 Dogwood to be operated on behalf of and for the benefit of its regulated customers as
22 described in the Application is consistent with the public interest. This is particularly true

⁵ Everygy Third Quarter 2023 Earnings Call Presentation, slide 9. November 7, 2023.

⁶ See Confidential Schedule JC-12. Section 7.01 (b)i.

1 given Dogwood’s successful operational history and the absence of issues related
2 construction, siting, interconnection, fuel supply, and related land acquisition issues. This
3 Application is a straightforward acquisition of an existing resource which will provide
4 immediate benefits to customers and enhance the Company’s generation portfolio,
5 consistent with its Integrated Resource Plan.

6 This Asset has undisputable capacity and energy benefits for EMW and its
7 customers with many attributes which fully support the approval of the Company’s
8 Operating CCN application and its request for a finding that its decision to acquire and
9 operate Dogwood is prudent.

10 Therefore, EMW requests the Commission 1) provide an Operating CCN without
11 unreasonable conditions; 2) provide decisional prudence language in the order in the form
12 of “Eversource Missouri West’s decision (a) to acquire a 22.2% interest in the Dogwood
13 Energy Facility for the final purchase price of approximately \$62,700,000 and (b) to
14 operate the Dogwood Energy Facility is prudent because Eversource Missouri West has
15 demonstrated that the final purchase price reflects the fair market value of the acquired
16 percentage interest in the Dogwood Energy Facility and that the customer benefits resulting
17 from the Company’s acquisition of the acquired percentage interest in the Dogwood
18 Energy Facility exceed the customer costs related to the acquisition; 3) determine that the
19 Dogwood Energy Facility is fully operational and 4) provide such Order by June 14, 2024,
20 such that EMW may effect close of the transaction and begin operating the asset for the
21 benefit of EMW customers by June 30, 2024, for inclusion in EMW general rate case
22 expected June 30, 2024, true-up as rate base for inclusion in determination of new rates in
23 the EMW 2024 general rate case

1 Q: Does that conclude your testimony?

2 A: Yes, it does.