

# Exhibit No. 1

Evergy West – Exhibit 1  
Darrin Ives Testimony  
Direct  
File No. EO-2023-0277

Exhibit No.: \_\_\_\_\_  
Issue(s): Prudence of PPAs  
Witness: Darrin R. Ives  
Type of Exhibit: Direct Testimony  
Sponsoring Party: Evergy Missouri Metro and  
Evergy Missouri West  
Case No.: EO-2023-0276/0277  
Date Testimony Prepared: November 14, 2023

**BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MISSOURI**

**DIRECT TESTIMONY**

**OF**

**DARRIN R. IVES**

**ON BEHALF OF**

**EVERGY MISSOURI METRO AND  
EVERGY MISSOURI WEST**

**Kansas City, MO**

**November 2023**

**DIRECT TESTIMONY**

**OF**

**DARRIN R. IVES**

**CASE NOS. EO-2023-0276/0277**

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, Missouri  
4           64105.

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

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

12    **Q:    On whose behalf are you testifying in this proceeding?**

13    A:    I am testifying on behalf of Evergy Missouri Metro, Inc. d/b/a Evergy Missouri Metro  
14          (“EMM”) and Evergy Missouri West, Inc. d/b/a Evergy Missouri West (“EMW”)  
15          (collectively, the “Company”).

16    **Q:    What are your responsibilities?**

17    A:    I serve as Vice President of Regulatory Affairs for Evergy. My responsibilities include  
18          oversight of the Company’s Regulatory Affairs Department, as well as all aspects of

1 regulatory activities including federal and state regulatory policy, cost of service, rate  
2 design, revenue requirements, regulatory reporting, and tariff administration.

3 **Q: Please briefly describe your education, professional experience and employment**  
4 **history.**

5 A: I graduated from Kansas State University in 1992 with a Bachelor of Science in Business  
6 Administration with majors in Accounting and Marketing. I received my Master of  
7 Business Administration degree from the University of Missouri-Kansas City in 2001. I  
8 am a Certified Public Accountant. From 1992 to 1996, I performed audit services for the  
9 public accounting firm Coopers & Lybrand L.L.P. I was first employed by Kansas City  
10 Power & Light Company in 1996 and held positions of progressive responsibility in  
11 Accounting Services and was named Assistant Controller in 2007. I served as Assistant  
12 Controller until I was named Senior Director – Regulatory Affairs in April 2011. I have  
13 held my current position as Vice President – Regulatory Affairs since August 2013.

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

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

19 **Q: What is the purpose of your direct testimony in this proceeding?**

20 A: The purpose of my testimony is to respond to (1) Staff’s Prudence Review Report of costs  
21 related to the Company’s Fuel Adjustment Clause (“FAC”), and (2) OPC’s Response to  
22 Staff Recommendation and Request for Hearing.

1 **Q: What key conclusions do you reach?**

2 A: The Company is persistently being accosted by Staff and OPC with continued  
3 recommendations for punitive disallowances that dredge up old arguments and old  
4 decisions, particularly as it relates to EMW resource planning issues. The Commission has  
5 already ruled on resource planning issues related to power purchase agreements (“PPAs”)  
6 for wind turbines, finding that the decisions to enter into the Osborne and Rock Creek Wind  
7 Farm PPAs were not imprudent, and the Commission has also made substantial and  
8 continuing disallowances, particularly with regard to other resource planning decisions  
9 (e.g., Crossroads Energy Center (“Crossroads”) disallowances) made by Aquila/UtiliCorp,  
10 EMW’s predecessor company. Such disallowances have been quite damaging to EMW’s  
11 earnings. In fact, EMW is consistently one of the lower earning utilities in the nation, when  
12 evaluating its shortfall in earned ROE in relation to its authorized ROE. It is not productive  
13 to continue to have these recurring resource planning arguments and, frankly, it is  
14 damaging to the utility and its customers. It is time to look forward, not backwards. The  
15 positions being taken by Staff and OPC in this case and in other cases are punitive and  
16 irresponsible and seek to propagate a “heads I win, tails you lose” approach to resource  
17 planning and ratemaking which is dangerous and not in the interest of EMW’s retail  
18 customers. The positions advocated by Staff and OPC are pushing the Company toward  
19 simply purchasing market energy and paying penalties to SPP when market capacity is not  
20 available rather than to execute on our prudent IRP. We are, or should be, seeking the same  
21 outcome for EMW’s customers – to provide safe, reliable, affordable and environmentally  
22 sustainable power to customers – and it is time that we move forward. To do so, we need  
23 constructive support and ratemaking treatment.

1           This FAC proceeding, the Application for a Certificate of Convenience and  
2 Necessity (“CCN”) for the acquisition of the Dogwood facility, and the rate case EMW  
3 will file next year are opportunities to do this and should be an important step in  
4 constructively moving forward. Respectfully, I ask the Commission to please hear the  
5 testimony of the Company’s witnesses, reject the parties proposed disallowances, and put  
6 us collectively on a constructive, forward-looking path.

7 **Q: Please identify the Company’s other witnesses and describe the purpose of their**  
8 **testimony.**

9 A: Evergy’s Vice President of Strategy and Long-Term Planning Kayla Messamore responds  
10 to Staff and OPC’s proposed disallowances related to the PPAs as well as to OPC’s  
11 proposed disallowance related to alleged imprudent resource planning for EMW.

12           Evergy’s Manager of Regulatory Affairs Lisa Starkebaum addresses Staff’s  
13 proposed disallowance related to SPP administrative fees EMW included in its FAC.

14           John J. Reed, Chairman and Chief Executive Officer of Concentric Energy  
15 Advisors, Inc. presents Direct Testimony related to the standard of prudence that should be  
16 applied in the case.

17 **II. RESPONSE TO STAFF AND OPC**

18 **Q: For context, please briefly describe the history of the FAC.**

19 A: The Commission first authorized an FAC for Aquila, Inc., a predecessor company to EMW,  
20 in 2007.<sup>1</sup> The Commission first authorized an FAC for EMM in 2015. Commission Rule  
21 20 CSR 4240-20.090(11) and Missouri Revised Statute Section 386.266.5(4) provide for

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<sup>1</sup> In the Matter of Aquila, Inc. d/b/a Aquila Networks – L&P, for authority to File Tariffs Increasing Electric Rates for the Service provided to Customers in the Aquila Networks-MPS and Aquila Networks-L&P Service Area, Report and Order, File No. ER-2007-0004 (Issued May 17, 2007).

1 prudence reviews of the FAC no less frequently than every 18 months. The Commission  
2 has held that when determining whether a utility's conduct was prudent, it will judge that  
3 conduct by:

4 Asking whether the conduct was reasonable at the time, under all  
5 the circumstances, considering that the company had to solve its  
6 problem prospectively rather than in reliance on hindsight. In effect,  
7 our responsibility is to determine how reasonable people would have  
8 performed the tasks that confronted the company.<sup>2</sup>

9 Company Witness John Reed discusses the prudence standard, and Staff's and  
10 OPC's lack of adherence to and disregard of this standard, in his direct testimony. The  
11 instant proceeding is EMW's eleventh FAC prudence review and EMM's fifth FAC  
12 prudence review.

13 **Q: Please briefly summarize Staff's and OPC's position in this case.**

14 A: Unfortunately, Staff and OPC once again dredge up old history and recommend baseless,  
15 punitive disallowances that are not supported by a reasonable and objective view of the  
16 evidence in this case. As discussed by Company Witness Reed, the parties also abandon  
17 or misapply the prudence standard. In this case, Staff and OPC are seeking to rewrite  
18 history and precedent, and recommend that shareholders absorb costs that have been  
19 prudently incurred to provide safe and reliable service to our customers.

20 In particular, Staff alleges EMW "acted imprudently by not finding a better  
21 solution" to "PPAs it chose to sign approximately ten years ago" that are "halfway through

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<sup>2</sup> In the Matter of the Eight Prudence Review of Costs Subject to the Commission Approved FAC of KCP&L Greater Missouri Operations Company, File No. EO-2019-0067, et al, Report and Order ("8<sup>th</sup> KCP&L GMO FAC Prudence Review Order") at page 19, citing Determination of In-Service Criteria for the Union Electric Company's Callaway Nuclear Plant and Callaway Rate Base and Related Issues and *In the Matter of Union Electric Company of St. Louis Missouri, for Authority to File Tariffs Increasing Rates for Electric Service Provided to Customers in the Missouri Service Area of the Company*, Report and Order, 27 Mo. P.S.C. (N.S.) 183, 194 (March 29, 1985).

1 their contract life” and states that it “has had concerns about all current and future PPAs  
2 for some time now” and recommends a disallowance of more than \$15 million.<sup>3</sup>

3 OPC piles on Staff’s unfounded “analysis” and conclusions and argues, as it has in  
4 other cases which have been resolved, that EMW “neglected to ensure adequate generating  
5 resources to meet the energy requirements” of its customer and recommends the  
6 Commission disallow an additional \$86.4 million.<sup>4</sup>

7 **Q: Has the Commission heard and ruled on “concerns” regarding current PPAs before?**

8 A: Yes. In Case Nos. EO-2019-0067, 0068 and 0199 OPC argued, among other things, that  
9 GMO and KCP&L were imprudent in entering into PPAs with the Rock Creek and Osborn  
10 Wind Projects. The Commission found that “that Rock Creek and Osborn wind power  
11 PPAs were long-term investments made in contemplation of the long-term (20-year) ebb  
12 and flow of market and political forces... The Commission will not replace the companies’  
13 primary supposition at the point of decision that the OAs were being acquired in the context  
14 of a long term, twenty-year investment with the supposition that the investment was short  
15 term, and then apply a hindsight test and pronounce the investments imprudent. It is the  
16 Commission’s decision that when made, the companies’ decisions to acquire the Rock  
17 Creek and Osborn Wind PPAs were not imprudent in light of the factors that they  
18 appropriate considered.”<sup>5</sup> In fact, Staff acknowledges the Commission’s decision but then  
19 inexplicably tries to turn it on its head arguing that “now that some of these PPAs are more

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<sup>3</sup> In the Matter of the Eleventh Prudence Review of Costs Subject to the Commission Approved FAC of Evergy Missouri West, Inc. d/b/a Evergy Missouri West, File No. EO-2023-0277, Staff’s Eleventh Prudence Review Report, at pages 2, 31, and 34-35.

<sup>4</sup> In the Matter of the Eleventh Prudence Review of Costs Subject to the Commission Approved FAC of Evergy Missouri West, Inc. d/b/a Evergy Missouri West, File No. EO-2023-0277, OPC’s Response to Staff Recommendation and Request for Rehearing, at page 2.

<sup>5</sup> Report and Order, p. 26, Re Eighth Prudence Review of Costs Subject to the Commission-Approved Fuel Adjustment Clause of KCP&L Greater Missouri Operations Company (November 6, 20219).



1 than halfway through their contract term” Staff is now “able to review these PPAs in the  
2 context of a long-term, twenty-year investment.”<sup>6</sup> As discussed by Mr. Reed, this is the  
3 very definition of replacing the companies’ decision at the time the PPAs were acquired  
4 with a hindsight test, in violation of the Commission’s order and policies. To raise this  
5 again here in this docket four years later, is unreasonable and unproductive.

6 **Q: Have the costs of the Gray County, Ensign, Cimmaron 2 and Spearville PPAs been**  
7 **recovered in the Company’s FAC?**

8 A: Yes. The EMW FAC was implemented in June 2007 and the EMM FAC was implemented  
9 in October 2015. The Commission has approved the Company’s recovery of these PPA  
10 costs through the FAC since the PPAs were entered into by the Company.

11 **Q: Have Staff and OPC had many opportunities to raise prudence issues related to the**  
12 **Gray County, Ensign, Cimmaron 2 and Spearville PPAs?**

13 A: Yes. As the Staff acknowledged in the Staff Reports in this case,<sup>7</sup> Staff typically reviews  
14 PPAs in the FAC prudence review cases, rate cases, and considers the Company’s  
15 Integrated Resource Plan triennial filings and annual IRP update filings. In the last ten  
16 years, there have been numerous FAC prudence reviews,<sup>8</sup> the Company’s general rate  
17 cases<sup>9</sup>, triennial IRP files<sup>10</sup> and annual IRP update files.<sup>11</sup>

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<sup>6</sup> EMW Staff Report, p. 31.

<sup>7</sup> EMM Staff Report, pp. 26-27; EMW Staff Report, p. 27.

<sup>8</sup> See File Nos. EO-2014-0242 [June 1, 2012 through November 30, 2013]; EO-2016-0053 [December 1, 2013 through May 31, 2015]; EO-2017-0231/0232 [June 1, 2015 through November 30, 2016]; EO-2019-0067/0068 [December 1, 2016 through May 31, 2018]; EO-2020-0262/0263 [June 1, 2018 through November 30, 2019]; EO-2022-0064/0065 [December 1, 2019 through May 31, 2021].

<sup>9</sup> See File Nos. ER-2012-0174/0175); ER-2014-0370; ER-2016-0285; ER-2016-0156; ER-2018-0145/0146; ER-2022-0129/0130.

<sup>10</sup> See File Nos. EO-2012-0324, EO-2015-0252, EO-2018-0269, and EO-2021-0036.

<sup>11</sup> See File Nos. EO-2013--0538, EO-2014-0257, EO-2017-0230, EO-2019-0246, and EO-2020-0281 and EO-2022-0202.

1 **Q: Has Staff previously proposed a prudence disallowance related to Gray County,**  
2 **Ensign, Cimmaron 2 or Spearville 3 PPAs?**

3 A: No. This is the first proceeding in which Staff has proposed a prudence disallowance  
4 related to the Gray County or Ensign Wind Farm PPAs (EMW) or Cimarron 2 and  
5 Spearville 3 (EMM).

6 **Q: Have Staff and/or OPC argued that the Company was imprudent in any recent cases**  
7 **and what did the Commission decide?**

8 A: Yes, Staff and OPC have persistently argued for haircuts and disallowances, many of which  
9 have been rejected by the Commission. As an example, OPC made the same argument it  
10 is making here in File No. EF-2022-0155 where the Company sought a financing order to  
11 allow it to securitize certain extraordinary costs associated with Winter Storm Uri. OPC  
12 asserted that EMW did not have enough generation resources to meet the energy needs of  
13 its customers and EMW’s resource planning was imprudent. The Commission disagreed,  
14 noting that OPC offered “its own previous concerns about Evergy West’s resource  
15 planning as its primary evidence of imprudence.” OPC also made the same argument in  
16 File No. EO-2022-0040. The Commission concluded that EMW “provided sufficient  
17 evidence to determine that its resource planning, including its decision to retire Sibley, was  
18 reasonable at the time those decisions were made.”<sup>12</sup> The Commission reaffirmed this  
19 conclusion in the Company’s last rate case where OPC continued to take issue with the  
20 decision to retire Sibley.<sup>13</sup> These continued arguments are tired and are resource drains for

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<sup>12</sup> *Amended Report and Order*, pp. 33-34, In the Matter of the Application of Evergy Missouri West, Inc. d/b/a Evergy Missouri West for a Financing Order of Extraordinary Storm Costs Through an Issuance of Securitized Utility Tariff Bonds, File No. EF-2022-0155, (issued November 17, 2022).

<sup>13</sup> *Amended Report and Order*, p. 35, In the Matter of the Application of Evergy Metro, Inc. d/b/a Evergy Missouri Metro’s Request for Authority to Implement a General Rate Increase for Electric Service, File Nos. ER-2022-0129/0130, (issued December 8, 2022).

1 the Company and the Commission. I recommend the Commission directly address the  
2 inappropriateness of these repeated tired arguments and set EMW and all parties on a path  
3 for proactive, forward-looking resource planning discussions for the benefit of current and  
4 future EMW customers.

5 **Q: You indicated that Staff and OPC have a history of disputing the Company’s resource**  
6 **planning choices to the detriment of the Company and its customers. Please provide**  
7 **an example.**

8 A: There are two poignant examples I wish to highlight, the Persimmon Creek Wind Farm  
9 (“Persimmon Creek”) and Crossroads.

10 With respect to Persimmon Creek, in File No. EA-2022-0328, the Company sought  
11 a CCN to authorize it to operate, manage, maintain, and control Persimmon Creek, an  
12 approximately 80 MW wind farm which became operational in 2018. While Persimmon  
13 Creek was identified and selected by the Company through its IRP process and an all-  
14 source RFP, Staff and OPC nonetheless argued that Persimmon Creek was not needed.  
15 They also argued that the plant was uneconomic and much like the position they have and  
16 continue to take in other proceedings maintain that wholesale market revenues should  
17 cover the total cost of a generation asset and if they don’t shareholders should share that  
18 cost of market energy to serve the load of customers. As Company Witness Messamore  
19 and Company Witness Reed have discussed, this is not the case and is a misunderstanding  
20 of how wholesale markets function. It is, quite frankly, simply a less than thinly veiled  
21 means of extracting value from the shareholders of the company that is supplying retail  
22 customers with adequate capacity and energy. It, taken in concert with the instant case and  
23 other cases, makes quite clear that Company owned generation and PPAs are under attack.

1 If sustained and supported by the Commission, the Company would have to strongly  
2 consider the choice of relying entirely on market purchases of capacity and energy and  
3 paying penalties to SPP when market capacity is not available.

4 **Q: Is it reasonable to hold the Company to a standard that revenue streams from the SPP  
5 market must offset the entire cost of a resource procured on behalf of customers?**

6 A: No. Adding any resource to serve retail customers' needs comes at a cost. As we have  
7 discussed in other proceedings, the SPP market provides certain revenue streams that help  
8 offset the cost of the Company's resources which benefits customers, but it is not  
9 reasonable to suggest that these revenue streams will offset all costs in all years. Such an  
10 outcome is not supported by the SPP market design and to require a cost-free resource to  
11 meet retail customer needs is unreasonable and non-sensical. Company witnesses Reed  
12 and Messamore discuss this flawed wholesale market theory more fully in their direct  
13 testimony.

14 **Q: Going back to your earlier mention of Crossroads, please summarize what has  
15 happened with respect to Crossroads.**

16 A: As part of its integrated resource planning process in Case No. EO-2007-0298, the  
17 Company identified the need for additional peaking capacity. Crossroads, which is located  
18 in Mississippi, was identified as the least cost and preferred option through a request for  
19 proposal ("RFP") process. In Case No. ER-2009-0090, the Company sought ratemaking  
20 treatment for Crossroads. The Staff took a very aggressive position and argued that it  
21 raised the issue of imprudent resource planning decisions in 2005 (when the Company  
22 presented the three combustion turbine ("CT") South Harper power plant for inclusion in  
23 rates, Staff argued the Company, then Aquila, should have built five CTs) and proposed to

1 remove all costs related to Crossroads from the revenue requirement. This case was  
2 settled.<sup>14</sup>

3 In Case No. ER-2010-0356, Staff continued to oppose including Crossroads in rate  
4 base and instead continued to argue the hypothetical five South Harper CTs should be  
5 reflected in rates. In this litigated case, the Commission found that the decision not to build  
6 five CTs at South Harper was not imprudent. The Commission also found that the decision  
7 to include Cros/sroads in the Company's generation fleet was prudent. The Commission,  
8 however, disallowed a substantial amount of the rate base cost and also did not allow  
9 recovery of the transmission costs necessary to bring power from Crossroads to the  
10 Company's customers which reduced the Company's revenue requirement in that case by  
11 approximately \$11.5 million.<sup>15</sup> In subsequent cases, Staff continued to argue that the  
12 Company should have built five CTs at South Harper and to disallow Crossroad's  
13 transmission costs. Some of these cases were black box settlements.

14 What started as a \$4.8 million transmission cost haircut to revenue requirement  
15 funded by the Company's shareholders, has grown to an approximate \$17 million annual  
16 transmission disallowance and accumulated to an approximately \$137 million transmission  
17 disallowance and overall with the rate base disallowance a \$189 million (detailed in the  
18 table below) shareholder funded resource which has made it impossible for the Company  
19 to earn its allowed return on equity ("ROE").If the Commission believed at some point in  
20 the past that Company shareholders should be penalized for deficiencies in management's

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<sup>14</sup> Order Approving Non-Unanimous Stipulations And Agreements And Authorizing Tariff Filing, Re Application of KCP&L Greater Missouri Operations Company for Approval to Make Changes in its Charges for Electric Service, File No. ER-2009-0090 (issued June 10, 2009).

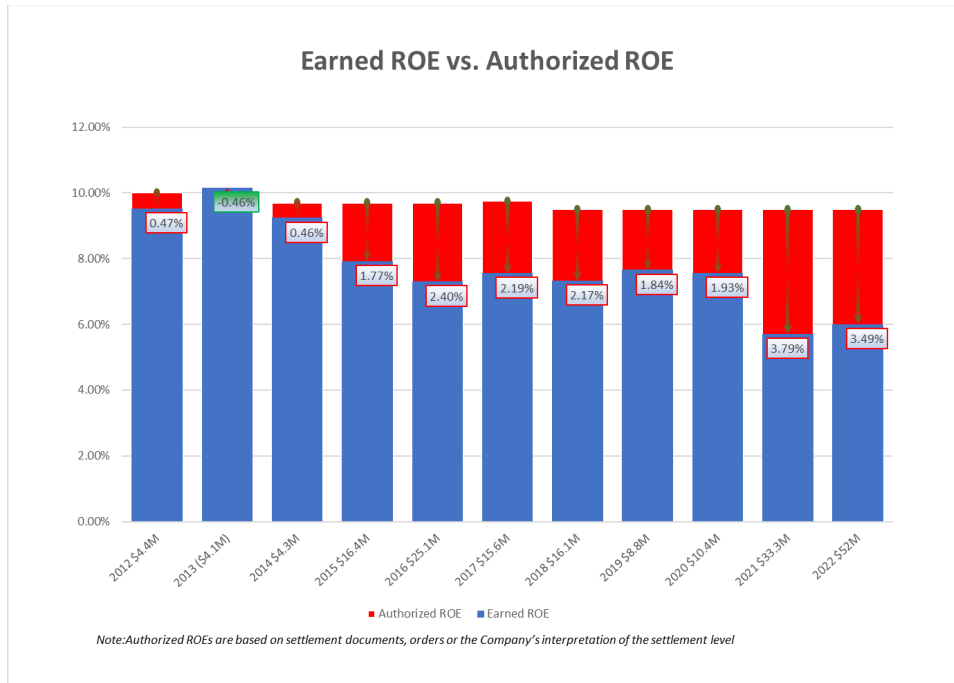
<sup>15</sup> Report and Order, p. 87, Re Application of KCP&L Greater Missouri Operations Company for Approval to Make Changes in its Charges for Electric Service, File No. ER-2010-0356 (issued May 4, 2011).

1 resource planning decision-making, it is clear that shareholders have paid that penalty. It  
 2 is time to move forward in EMW resource planning and in meeting EMW's customers  
 3 supply needs.

<b>Annual Crossroads Disallowance</b>	
<b>Year</b>	<b>Total Disallowed (Millions)</b>
2011 (half)	7.7
2012	9.4
2013	10.0
2014	17.1
2015	17.3
2016	10.4
2017	15.4
2018	14.9
2019	15.3
2020	16.2
2021	18.2
2022	20.2
2023 (est)	16.7
<b>Total</b>	<b>188.8</b>

4 **Q: What has the impact of this massive under-recovery been on the Company?**

5 A: EMW is consistently one of the lower earning utilities in the nation. Under the current  
 6 ratemaking treatment for Crossroads, EMW has absolutely no opportunity to earn remotely  
 7 close to its allowed ROE. As shown below and on Schedule DRI-1, EMW persistently  
 8 underearns relative to its allowed ROE simply because rates are not set to provide the  
 9 Company with the opportunity to recover its cost of service.



1

2 **Q: How does being one of the lower earning utilities in the nation impact EMW and its**  
 3 **customers?**

4 A: It makes running the utility enormously more challenging. EMW's access to capital is  
 5 more challenging and costly. EMW's credit ratings at S&P and Moody's are both a notch  
 6 below EMM credit ratings. The lower credit ratings and increased risk is displayed in  
 7 current higher market cost of debt for EMW's customers. Table 1 below shows first  
 8 mortgage bonds with similar maturity dates between EMW and EMM and EMW and  
 9 Evergy Kansas Central. In both cases, EMW's bonds have a higher yield, since investors  
 10 require a higher return for the higher risk associated with EMW.

1

Table 1

	Yield
Evergy Metro; 2023 FMB 4.95% Coupon; Due 2033	6.19%
Evergy MO West; 2022 FMB 3.75% Coupon; due 2032	6.50%
<b>Everg MO West increased cost of borrowing</b>	<b>0.31%</b>
Evergy KS Central; 2017 FMB 3.10% Coupon; due 2027	5.70%
Evergy MO West; 2022 FMB 5.15% Coupon; due 2027	6.29%
<b>Everg MO West increased cost of borrowing</b>	<b>0.59%</b>

Source: Bloomberg, as of 10/31/2023

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EMW is continually resource constrained, requiring frequent rate cases. Despite rate case orders providing EMW with ROEs that meet the standards of Hope and Bluefield, other ratemaking treatment such as that historic treatment of Crossroads, and Staff and OPC’s relentless opposition to virtually anything the Company pursues from a resource perspective absent shareholders “paying the vig” creates a high stakes and dangerous game where the Company always loses, is denied even the *opportunity* to earn its allowed return, and faces a massive impediment to prudent resource planning.

10 **Q: How are the positions taken by Staff and OPC an impediment to prudent resource**  
 11 **planning and how does that affect the Company’s customers?**

12 A: The positions being put forth by Staff and OPC are pushing the Company to simply  
 13 purchase market energy and pay penalties to SPP when wholesale market capacity is not  
 14 available. That exposes customers to unnecessary volatility, risk and potentially cost.  
 15 Market purchases can play an important role in a prudent resource mix, but on their own  
 16 are not a plan but rather are akin to playing Lotto with customers energy supply. I believe,  
 17 and this is supported by past Commission orders, that a balanced resource portfolio is in  
 18 customers’, Staff’s, OPC’s, shareholders’ and other stakeholders’ best interest. Perhaps I



1 am naïve, but I believe that we should all be on the same side – to provide safe, reliable,  
2 affordable and environmentally sustainable power to customers. We may have legitimate  
3 differences regarding how to do that and that is, in part, what the regulatory process is in  
4 place to hear and address. But the regulatory process should not be manipulated to exact a  
5 larger and larger toll from shareholders.

6 **Q: How do you recommend the parties move forward?**

7 A: We need to stop dancing this dance, put ourselves in a position to work together for the  
8 benefit of current and future customers, and stop penalizing shareholders. When we do  
9 that, we can focus on the upcoming generation supply transition and meeting the evolving  
10 needs of customers.

11 First, the prudence arguments and disallowances asserted by Staff and OPC in this  
12 case should be rejected. The Commission has previously held that the PPAs Staff and OPC  
13 have taken issue with, again, were not imprudent. Please let's stop rehashing history.

14 Second, it is time to turn the page on Crossroads. The Company's shareholders  
15 have absorbed a more than \$189 million since 2010. We have accepted that outcome of  
16 prior Commission decisions and we have continued to take that hit year in, year out in spite  
17 of the simple fact that the transmission costs are necessary to bring that prudent power to  
18 our customers. It is time to recognize that any anticipated price to be paid has more than  
19 been paid by shareholders.

20 Third, the Company has filed a CCN for the Dogwood facility which will include  
21 requested recovery of the full purchase price paid to acquire this plant. The Company's  
22 analysis demonstrates that Dogwood is the best alternative for its customers. If the

1 Commission agrees with the Company that Dogwood is the right resource for customers,  
2 the full purchase price should be recovered and reflected in rates.

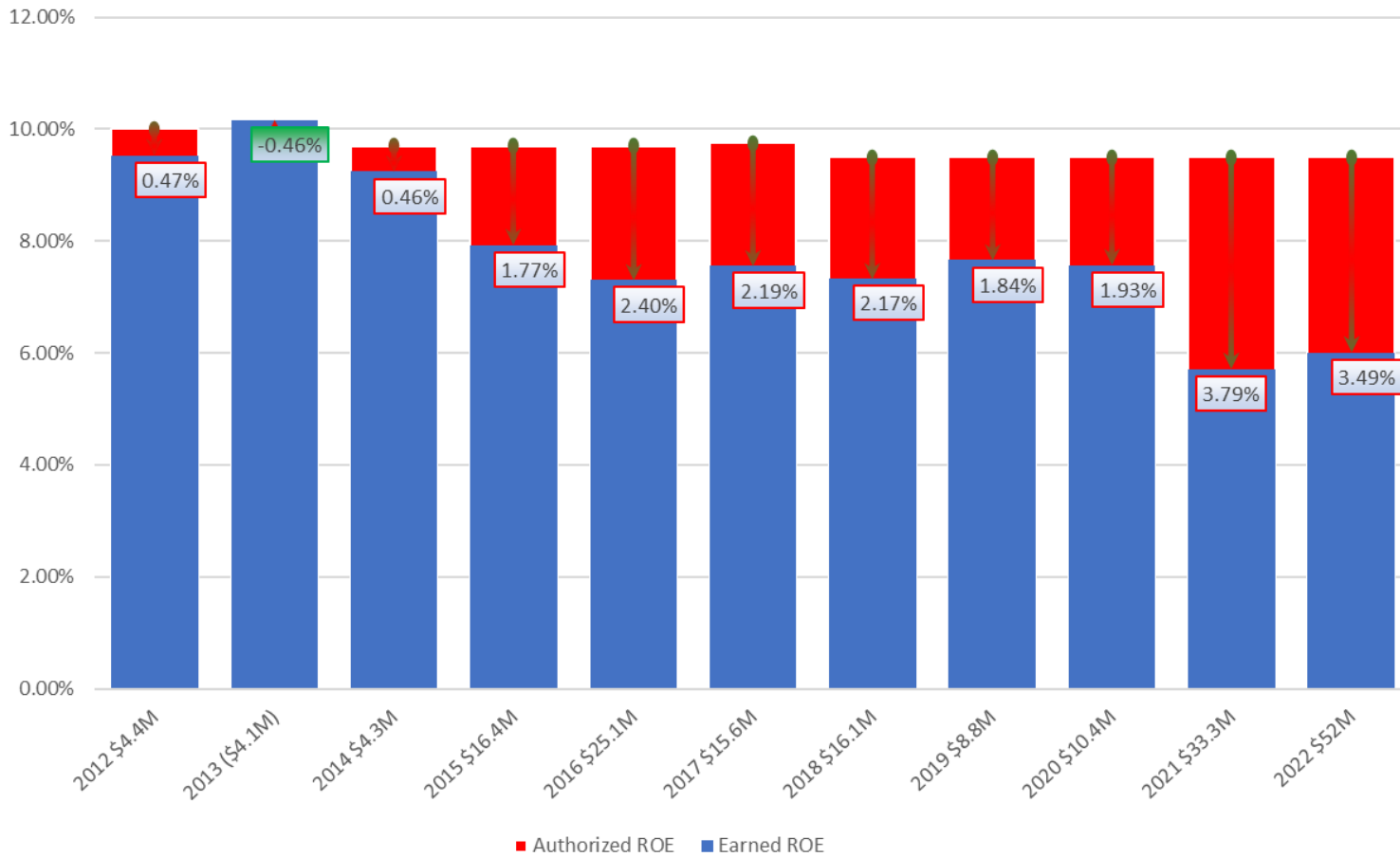
3 Proactive and thoughtful Commission resolution of these issues will set us all on a  
4 path to move forward and meet the future resource needs of EMW's and EMM's  
5 customers. To get there, we need constructive regulatory support and ratemaking  
6 treatment.

7 **Q: Does this conclude your testimony?**

8 A: Yes, it does.



## Earned ROE vs. Authorized ROE



Note: Authorized ROEs are based on settlement documents, orders or the Company's interpretation of the settlement level