

Exhibit No. 154

Evergy Missouri West – Exhibit 154
Cody VandeVelde
Direct
File No. ER-2024-0189

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the Ground Discussion
Witness: Cody VandeVelde
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MISSOURI PUBLIC SERVICE COMMISSION

CASE NOS.: ER-2024-0189

DIRECT TESTIMONY

OF

CODY VANDELDELDE

ON BEHALF OF

EVERGY MISSOURI WEST

**Kansas City, Missouri
February 2024**

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DIRECT TESTIMONY

OF

CODY VANDEVELDE

Case No. ER-2024-0189

1

I. INTRODUCTION

2 **Q: Please state your name and business address.**

3 A: My name is Cody VandeVelde. My business address is 818 S. Kansas Avenue,
4 Topeka, Kansas.

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

6 A: I am employed by Evergy Metro, Inc. and serve as Senior Director, Strategy and
7 Long-Term Planning - Energy Resource Management for Evergy Metro, Inc. d/b/a
8 as Evergy Missouri Metro (“Evergy Missouri Metro”), Evergy Missouri West, Inc.
9 d/b/a Evergy Missouri West (“Evergy Missouri West”), Evergy Metro, Inc. d/b/a
10 Evergy Kansas Metro (“Evergy Kansas Metro”), and Evergy Kansas Central, Inc.
11 and Evergy South, Inc., collectively d/b/a as Evergy Kansas Central (“Evergy
12 Kansas Central”) the operating utilities of Evergy, Inc.

13 **Q: Who are you testifying for?**

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

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

16 A: My responsibilities include development of Evergy’s corporate strategy.
17 Specifically related to this testimony, corporate strategy monitors the execution of
18 Evergy’s strategic initiatives, one of which is the advancement of ongoing changes
19 to Evergy’s generation portfolio, including new resource development and

1 preparation for future retirements. This work is done in partnership with Energy
2 Resource Management, which is responsible for the Company's Integrated
3 Resource Planning.

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

5 A: I hold a Bachelor of Business Administration from Washburn University. Since
6 joining Evergy in 2007, I have worked in leadership roles across power marketing,
7 investor relations, and corporate strategy departments.

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

11 A: Yes. I have previously testified at the Federal Energy Regulatory Commission
12 ("FERC").

13 **Q: What is the purpose of your direct testimony?**

14 A: The purpose of my direct testimony is to describe the current state of affairs related
15 to the 300 MW simple-cycle, gas-fired Crossroads Energy Center ("Crossroads")
16 generating plant in Clarksdale, Mississippi. I will discuss the reliable service that
17 it provides at critical times to EMW's customers, its strategic role in EMW's
18 resource planning, and the decisions that EMW needs from the Commission related
19 to Crossroads to continue to effectively plan and serve customer demand and
20 Southwest Power Pool obligations going forward. I also discuss the Company's
21 proposed acquisition of an interest in the Dogwood Energy Center and its request
22 that the Commission grant an operating certificate of convenience and necessity
23 ("CCN") in Case No. EA-2023-0291.

1 **Q: Please summarize your testimony, including what is being asked of the**
2 **Commission?**

3 A: Over the next few years EMW is facing critical decisions regarding the continued
4 operation of Crossroads. The result of these decisions will have significant
5 implications to EMW’s capacity portfolio and its ability to reliably serve customers.
6 If the required firm point-to-point Midcontinent Independent System Operator, Inc.
7 (“MISO”) transmission path is not renewed beyond 2029, EMW will lose
8 Crossroads’ 300 MW of Southwest Power Pool accredited capacity and its
9 accompanying energy. In order to allow EMW customers to retain the option to
10 continue receiving the benefits of the Crossroads facility beyond 2029, the MISO
11 transmission costs that have been set by a tariff approved by FERC need to be
12 included in rates by the Commission, as these transmission costs are an integral part
13 of Crossroads’ cost of service. If the Commission denies recovery of the MISO
14 transmission costs, the Company will not be able to absorb the future cost of this
15 service and will decline to renew the firm point-to-point transmission path
16 agreements beyond 2029, which will require the Company to seek alternative
17 resources to replace the capacity and energy of Crossroads.

18 Regarding the Dogwood Energy Center, I explain why the Commission
19 should grant EMW an operating CCN and find that the Company’s decision to
20 purchase an interest in the plant is prudent. In this case the Commission should
21 include the full amount of the purchase price in rate base and reflect that amount in
22 rates.

1 **II. THE VALUE OF CROSSROADS TO CUSTOMERS**

2 **Q: Has the MPSC found that EMW’s decision to add the 300 MW of Crossroads**
3 **was prudent?**

4 A: Yes. In its May 4, 2011 Report and Order in ER-2010-0356 the MPSC concluded:
5 “After a thorough analysis of available options, the Company determined the 300
6 MW Crossroads Energy Center was the lowest cost option for meeting its
7 requirements.”¹ The MPSC also concluded that under a 2010 stipulation in a
8 previous rate case, the Company’s 20-year analysis to determine its preferred
9 integrated resource plan, based on 2007 Request For Proposal (“RFP”) responses,
10 “showed that Crossroads would result in the lowest 20-year net present value of
11 revenue requirements (‘NVPRR’).”²

12 **Q: Why is NPVRR (Net Present Value of Revenue Requirement) used to**
13 **determine the value to customers?**

14 A: NPVRR is used in accordance with the Commission’s regulations regarding Utility
15 Resource Planning Policy, 20 CSR 4240-22.010, et seq. Section 22.010(2)(B)
16 states that “the utility shall – ... “(B) Use minimization of the present worth of long-
17 run utility costs as the primary selection criterion in choosing the preferred resource
18 plan”

19 **Q: What value do customers receive from Crossroads today?**

20 A: Customers receive the full value of capacity and energy produced from Crossroads
21 via a long-term power agreement. This arrangement has allowed these benefits to
22 flow to customers since 2010 when the Crossroads plant was included in rate base

¹ ER-2010-0356 Missouri Public Service Commission Report & Order; pg. 85; item 239.
² ER-2010-0356 Missouri Public Service Commission Report & Order; pg. 85; item 239.

1 and reflected in rates as a prudent investment decision. Currently, EMW customers
2 receive 300 MW of capacity accreditation from the Southwest Power Pool (“SPP”),
3 which is required to fulfill a portion of EMW’s reserve margin requirement. Evergy
4 Missouri West, Evergy Metro, Inc. and Evergy Kansas Central are members of
5 SPP, a FERC-approved regional transmission organization (“RTO”). The
6 Crossroads plant is in the footprint of MISO, the FERC-approved RTO that is
7 located immediately to the east of SPP.

8 **Q: What were the capacity implications for EMW had Crossroads not been a part**
9 **of its portfolio for the past 14 years?**

10 A: Crossroads has been an integral resource to meeting EMW’s capacity obligation.
11 Without it EMW would have been short on capacity. To fulfill EMW’s load
12 obligation, it would have needed to procure capacity through other means to make
13 up for Crossroad’s 300 MW of capacity. This would have required incremental
14 investment to build new generation sources, the procurement of wholesale capacity
15 contracts, or a combination of the two. Had EMW not procured capacity in one of
16 these two forms, it would have been subject to capacity deficiency payments to the
17 SPP. These deficiency payments are calculated based on a range of 125% to 200%
18 of SPP’s Cost of New Entry (“CONE”) which approximates the cost to build new
19 generation. At SPP’s current CONE, \$85.61/kW-year, the loss of Crossroads
20 would equate to deficiency payments anywhere from \$32 million to over \$50
21 million annually for EMW to cover the 300 MWs of capacity that is provided. As
22 discussed below, this cost is far in excess of the annual all-in cost of Crossroads,
23 inclusive of the cost of rate base, operating costs, and the cost to secure firm point-

1 to-point transmission service from Crossroads to EMW’s service territory under the
2 FERC-approved tariff.

3 **Q: Do retail rates reflect the full cost of service of providing these capacity and**
4 **energy benefits to customers?**

5 A: No. A portion of Crossroads generation plant and the full cost of the MISO
6 transmission path is currently excluded from rates. Company witness Darrin Ives’
7 direct testimony in this case explains in more detail the historical events that have
8 resulted in only a portion of Crossroads’ cost of service being allowed to be
9 recovered by EMW customers. The current disallowed costs include capital costs
10 associated with a portion of the Crossroads plant’s rate base and the annual MISO
11 transmission path expense needed to move power from Mississippi to EMW’s
12 customers in Missouri.

13 **Q: Does Crossroads provide energy value to EMW customers?**

14 A: Yes. Crossroads provides energy to the SPP market, typically in peak conditions
15 when customer demand for power is high. Over the past three summers (June
16 through August 2021–2023) Crossroads was dispatched 555 times, with 100% start
17 reliability, and operated 4,258 hours. Moreover, Crossroads was a reliable resource
18 that was critical in meeting peak SPP demand and generating market revenues
19 during Winter Storm Uri in February 2021 and Winter Storm Elliott in December
20 2022 to help offset extremely high market load costs that EMW customers were
21 facing. For example, in February 2021 Crossroads generated over \$25 million of
22 revenue by being available and selling into SPP’s day-ahead energy market. Given
23 that Crossroads is supplied by a natural gas pipeline in Mississippi, which was less

1 impacted by the constraints and price spikes caused by Winter Storm Uri, its total
2 natural gas costs for February 2021 were only \$2.9 million to produce the
3 approximately 26,000 MWhs that Crossroads supplied to SPP. This equates to an
4 average day-ahead market revenue of \$974 per megawatt-hour (“MWh”)
5 generated, compared to a natural gas cost of \$111/MWh³.

6 **Q: How do EMW customers receive these benefits given that Crossroads is**
7 **located in Mississippi?**

8 A: Because the resource is located outside of SPP’s transmission network, a long-term
9 firm MISO transmission path is required to ensure deliverability of both capacity
10 and energy into SPP. Crossroads’ units are therefore directed into SPP’s market,
11 which allows them to be economically dispatched by SPP. Customers also receive
12 the benefit of energy market revenues, which lowers the cost to serve their load.

13 **Q: How long does EMW have rights to the MISO transmission path that allows**
14 **for its customers to receive full capacity and energy benefits?**

15 A: There are currently four separate 75 MW firm point-to-point MISO transmission
16 paths that were granted on December 18, 2013. The agreements for these paths
17 are set to expire on February 28, 2029. The MISO transmission paths are firm
18 point-to-point reservations, which allow the capacity and energy to be delivered to
19 SPP. The costs associated with these reservations are determined by MISO
20 transmission rates which have been approved by FERC. A non-firm point-to-point
21 MISO transmission reservation would neither allow for capacity accreditation in

³ Equivalent to natural gas cost of approximately \$8.09/MMBtu.

1 SPP, nor the market registration that allows Crossroads to participate in SPP's
2 wholesale energy markets.

3 Unless approved for inclusion in rates and subsequently renewed, upon the
4 expiration of these agreements in February 2029, EMW customers will lose the
5 option to continue receiving Crossroads' capacity and energy benefits as there will
6 be no firm MISO transmission path reservation to allow for the flow of power from
7 Mississippi to Missouri.

8 **Q: What is the current cost of the MISO transmission?**

9 A: The MISO transmission path cost for the twelve months ending December 31,
10 2023, was approximately \$16 million under the FERC-approved transmission
11 service tariff.

12 **Q: Do EMW's customers receive any benefit from Crossroads being in
13 Mississippi?**

14 A: Yes. Crossroads is supplied by the Texas Gas Transmission ("TGT") pipeline
15 which provides geographic and fuel diversity compared to other natural gas plants
16 located within EMW's service territory. The portion of the TGT pipeline in
17 Mississippi that supplies Crossroads is closer to natural gas production zones than
18 other pipelines within EMW's service territory in western Missouri. Historically,
19 this has usually resulted in cheaper all-in natural gas costs due to lower gas
20 transportation fees. Importantly, the TGT pipeline has less congestion and lower
21 reservation fees when scheduling the natural gas to the plant. Since the TGT
22 pipeline has less congestion, EMW customers are not required to pay for firm
23 transport like they are for plants located on pipelines closer to the EMW customer

1 base. Instead, EMW can purchase firm delivered gas call options. So rather than
2 paying for firm transport, which is an incurred expense regardless of whether or not
3 the commodity is purchased and flowed to the plant, EMW pays to receive gas
4 supplied by TGT only when the firm delivered gas call option is exercised. This
5 means the cost of firm transport is only incurred at the time the commodity is
6 flowed to the plant and the full costs (transport plus natural gas fees) are included
7 in the commodity charge.

8 As evidenced during Winter Storm Uri in February 2021, the geographic
9 diversity of Crossroads' gas supply allows the plant to sell power into SPP in times
10 of peak conditions when SPP prices reflect elevated natural gas costs. When
11 Crossroads is dispatched by the SPP and is able to capture its market opportunity
12 potential, the margins benefit EMW customers by partially offsetting other fuel and
13 load costs.

14 **Q: What are the expected on-going benefits of Crossroads?**

15 A: As the utility industry plans for the energy transition from traditional fossil
16 resources to cleaner renewables, natural gas units like Crossroads are a critical
17 bridge technology to enable decarbonization over time. The broader electrification
18 trends and increasing economic development activities will compound the
19 difficulty of this energy transition as load is expected to grow at a higher pace in
20 the next decade due to the adoption of electric vehicles and other electric
21 technologies. SPP will need dispatchable units like Crossroads to maintain a
22 diverse generation portfolio as more intermittent renewable resources are

1 interconnected to the system over time⁴. Crossroads’ ability to burn readily
2 available natural gas will play a critical role in maintaining reliable operations while
3 new technologies like hydrogen generation, battery storage, and small modular
4 nuclear reactors become commercially available at scale and economically viable.

5 **Q: How is Crossroads evaluated in EMW’s Integrated Resource Plan (“IRP”)?**

6 A: Historically, the Crossroads facility was assumed to be available to meet capacity
7 and energy needs throughout the 20-year planning period. This is consistent with
8 historical IRP treatment of other peaking facilities which are typically not evaluated
9 for retirement unless there is a large near-term cost expected or, as is the case with
10 Crossroads, some other near-term decision-point which impacts the plant (e.g.,
11 expiring agreements or potential environmental regulations). The IRP does not
12 apply SPP transmission costs to the individual assets, rather the SPP Network
13 Transmission Service is charged directly to load-serving entities based on demand,
14 not resources. The SPP transmission associated with Crossroads is treated the same
15 as all other resources, but because Crossroads is uniquely located outside of SPP,
16 the IRP model includes the MISO transmission expense in order for the model to
17 appropriately evaluate its all-in cost of service.

18 **Q: What is EMW’s future capacity position?**

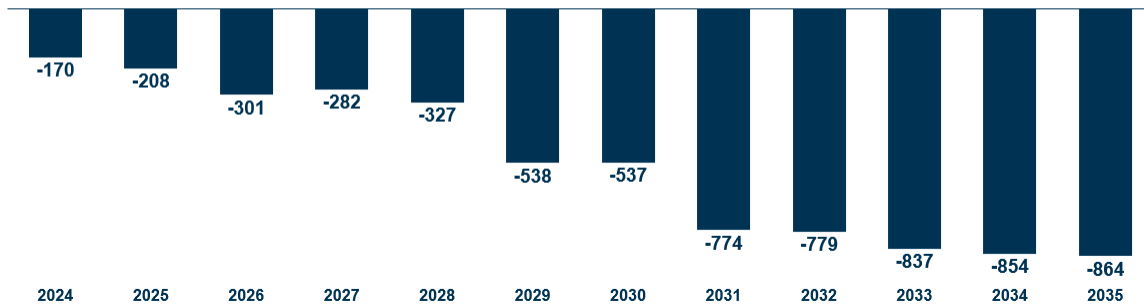
19 A: EMW has a near-term capacity need. As seen in Figure 1 below, which reflects the
20 capacity position of EMW from the 2023 IRP Annual Update, EMW’s capacity
21 need in 2026 is approximately 300 MW and is forecasted to grow to over 850 MW

⁴ According to SPP’s Commercial Operating Date Forecast, as of January 2024, between 2024 and 2030 there are approximately 109 GW of Active Study Future Generation within SPP. Of that, wind and solar comprise 65 GWs or 60%, whereas there is only 6 GW of traditional thermal, less than 6%.

1 by the mid-2030s. Of note, this analysis assumes that the Crossroads plant
2 continues as a 300-MW capacity resource.

3 **FIGURE 1**

**Evergy Missouri West (EMW) Capacity Balance
(MW)**



4 * Assumes SPP's Effective Load Carrying Capability (ELCC) accreditation in all years.

5 **Q: How has EMW fulfilled its previous capacity needs?**

6 **A:** In recent years, EMW has relied upon market capacity to meet a portion of its
7 capacity needs. Much of EMW's market capacity has been supplied by its capacity
8 purchases from Evergy Metro. Looking forward, EMW's future capacity purchases
9 from Metro range from 200-275 MW annually from 2024 through 2028. In 2029,
10 the year the Crossroad's MISO transmission path agreement expires, Metro's net
11 capacity position is challenging. Looking beyond 2030, Metro faces capacity needs
12 of its own, given the planned retirement of the coal-fired La Cygne 1 generating
13 plant in 2032. Metro's needs could accelerate as economic development,
14 combined with increasing Resource Adequacy Requirements or more stringent
15 environmental rules impacting the viability of coal-fired plants, impact Metro's
16 capacity position.

1 The SPP capacity market in general is tightening and will not likely be as
 2 dependable to meet capacity obligations in the future as it has been for EMW in the
 3 past. SPP’s 2023 Resource Adequacy Report filed in June 2023 states: “The SPP
 4 Balancing Authority Area Planning Reserve Margin is 20.1% for the 2023 Summer
 5 Season and decreases to 9.7% by planning year 2028”.⁵

6 **Q: How does EMW expect to meet its future capacity requirements given its
 7 forecasted short net position?**

8 A: EMW’s Preferred Plan filed in the 2023 IRP includes a mix of solar, wind, and
 9 natural gas to meet these needs. Figure 2 represents the fuel type and sequence
 10 expected to be added 2024-2030.

11 **FIGURE 2**

Gross New MWs In-Service								
EMW	2023	2024	2025	2026	2027	2028	2029	2030
Wind	-	-	-	-	-	-	150	150
Solar	-	-	-	150	-	150	-	-
Combined Cycle	-	143	-	-	260	-	-	-
Total	-	143	-	150	260	150	150	150

12
 13 **Q: What are the implications of the Commission continuing to deny cost recovery
 14 of the MISO transmission path expense that is required to bring Crossroads
 15 capacity and energy to EMW?**

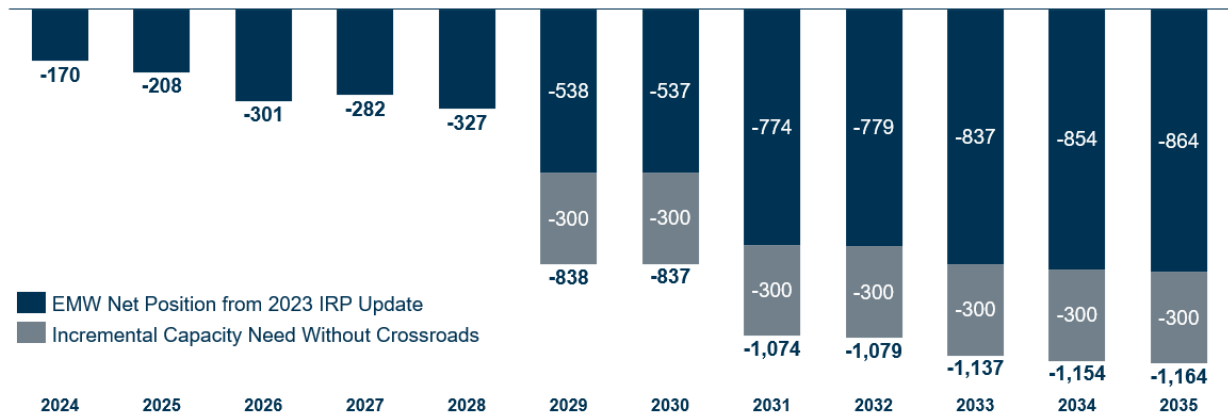
16 A: Without preapproval of different rate treatment for the MISO transmission expense
 17 starting in this rate case, Evergy does not plan to renew or extend the four 75 MW
 18 firm point-to-point MISO transmission path agreements beyond February 2029.
 19 This would effectively render the Crossroads generating plant useless as far as its
 20 capacity value to EMW customers. Without the firm MISO transmission path,

⁵ <https://www.spp.org/documents/69529/2023%20spp%20june%20resource%20adequacy%20report.pdf>

1 Crossroads energy cannot be delivered into SPP on a firm basis and, more
 2 specifically, into EMW’s service territory. Because the energy would no longer be
 3 deliverable from Crossroads and could not be claimed as capacity for the reserve
 4 margin requirements of SPP, EMW’s accredited capacity would be reduced. The
 5 net position reflected in Figure 1 above would effectively be decreased by 300 MW
 6 starting in 2029 and beyond, as reflected in Figure 3.

7 **FIGURE 3**

Energy Missouri West (EMW) Capacity Balance (MW)



* Assumes SPP’s Effective Load Carrying Capability (ELCC) accreditation in all years.

8

9 **III. IRP OVERVIEW AND TREATMENT OF CROSSROADS**

10 **Q: Please describe the IRP process in Missouri.**

11 A: The IRP process is completed under the Commission’s Electric Utility Resource
 12 Planning Rules found in 20 CSR 4240-22. The IRP process results in the selection
 13 of a Preferred Plan, which reflects the combination of supply-side and demand-
 14 side resources that EMW will use to meet forecasted customer requirements for the
 15 next twenty years.

1 **Q: What is Evergy’s objective in the IRP process?**

2 A: Evergy is guided by the Commission’s Rule at 20 CSR 4240-22.010(2) which
3 states: “The fundamental objective of the resource planning process at electric
4 utilities shall be to provide the public with energy services that are safe, reliable,
5 and efficient, at just and reasonable rates, in compliance with all legal mandates,
6 and in a manner that serves the public interest and is consistent with state energy
7 and environmental policies.” To achieve this objective, the IRP is performed using
8 minimization of net present value of revenue requirements (“NPVRR”) as the
9 primary objective function. The IRP also considers potential risks and uncertainties
10 which could impact the economics of a resource plan (“critical uncertain factors”),
11 and compares demand-side and supply-side resources on an equivalent basis.

12 **Q: Why is the IRP process relevant to the discussion of Crossroads transmission
13 costs in this case?**

14 A: As described above, unless the Commission deems the MISO transmission path
15 costs recoverable, thus allowing the transmission agreement to be extended beyond
16 2029, the 300 MW Crossroads asset will no longer be available as capacity in the
17 IRP to meet EMW customers’ needs. –The IRP process is the appropriate
18 mechanism through which alternative capacity options are assessed and ultimately
19 selected as part of EMW’s updated Preferred Plan if the Crossroads transmission
20 agreement is not extended.

1 **Q: Why is the IRP the appropriate mechanism to assess EMW’s needs and what**
2 **resources are most effective in meeting those needs?**

3 A: The IRP is built with EMW’s long-term load forecast as its foundation and starting
4 point. This load forecast represents EMW customers’ need for energy over the next
5 20 years, and the peak in each year establishes EMW’s capacity requirement (i.e.,
6 the amount of accredited capacity required to meet SPP resource adequacy
7 requirements). Within the IRP, every evaluated plan is built in order to meet these
8 customer needs, meaning that every plan includes sufficient capacity and energy to
9 meet EMW needs. From there, the IRP process determines which of those plans is
10 lowest-cost on a risk-adjusted basis.

11 As a result, a Preferred Plan selected from the IRP is the combination of
12 resources which most effectively and economically meet EMW customer needs
13 over the long-term, based on integrated risk analysis in a wide variety of potential
14 scenarios. This integrated, long-term analysis is the appropriate way to assess
15 customer needs and different resources because no resource decision can be made
16 in a vacuum. Any decision made regarding a resource at a point in time will impact
17 the decisions that need to be made in the future. The IRP assesses those trade-offs
18 over time through the construction of lowest-cost resource plans over a 20-year
19 period.

20 **Q: How will the potential expiration of the Crossroads transmission agreement**
21 **be evaluated in the upcoming 2024 Triennial IRP?**

22 A: The 2024 Triennial IRP is planned to be filed on April 1, 2024. In that filing, the
23 Preferred Plan will be constructed assuming that Crossroads transmission costs are

1 recovered from customers, as requested in this case, and that the agreement is
2 ultimately extended beyond 2029 to keep the asset available to EMW customers. A
3 contingency plan will be evaluated that assumes the transmission agreement is not
4 extended because the costs are not deemed recoverable in this case, and that
5 identifies the next lowest-cost plan which replaces the capacity and energy
6 currently provided by Crossroads. If the Commission decides that the transmission
7 costs should not be recovered by EMW in this case, that contingency plan will
8 become the new Preferred Plan and EMW will begin executing on it. The
9 comparison of this contingency plan and the Preferred Plan selected through the
10 2024 IRP process will be available to support future rounds of testimony in this
11 case.

12 **IV. FUTURE DECISIONS REGARDING ALTERNATIVE**
13 **CAPACITY COSTS AND TIMING**

14 **Q: What are the implications for EMW and its customers if Crossroads is lost as**
15 **a capacity resource in 2029?**

16 A: EMW's current and future capacity obligations, as well as SPP's reserve margin
17 requirements, will not change regardless of the Commission's decision on the
18 recovery of the MISO transmission path expense. Thus, EMW will need to replace
19 Crossroads with another resource, ideally with a resource of similar dispatch
20 characteristics. While this resource will very likely be situated in the Southwest
21 Power Pool and thereby avoid the equivalent transmission costs of Crossroads, it is
22 likely to be more expensive overall. The IRP may select to build new dispatchable
23 resource options like simple-cycle natural gas turbines, comparable to the
24 Crossroads plant. With EMW's 2023 IRP Preferred Plan having projected a new

1 260 MW combined-cycle resource in 2027, the long-term integrated planning
2 analysis may suggest increasing the size of this resource to cover the 300 MW of
3 Crossroads.

4 **Q: What are the current cost projections to build new dispatchable generation**
5 **similar to Crossroads?**

6 A: The U.S. Energy Information Administration’s (“EIA”) Southwest Power
7 Pool/Central forecast from March 2023 estimates the overnight costs for an
8 industrial frame combustion turbine at \$857/kW. This could be considered a
9 conservative cost assumption for new construction combustion turbines as
10 numerous Midwest U.S. utilities have filed recent IRPs that project the cost to be
11 \$1,000/kW or more. The same EIA report estimates overnight costs for a
12 combined-cycle gas turbine in the range of \$1,163 to \$1,309/kW.⁶

13 **Q: How do the annual revenue requirements of Crossroads compare to that of**
14 **new dispatchable generation?**

15 A: The currently allowed annual revenue requirement for Crossroads is approximately
16 \$5 million.⁷ When combined with the current annual MISO transmission path
17 expense of \$16 million under the FERC-approved transmission service tariff, the
18 all-in annual revenue requirement would be approximately \$21 million. Assuming
19 the plant runs for another twenty years, and the MISO transmission expense

⁶ https://www.eia.gov/outlooks/aeo/assumptions/pdf/elec_cost_perf.pdf. The EIA is the statistical and analytical agency within the U.S. Department of Energy. Evergy uses EIA’s generation resource costs as inputs for IRP modeling and Preferred Plan analysis.

⁷ Includes return on generation rate base, depreciation, non-fuel operations and maintenance, property tax, and property insurance expenses. Excludes fuel-related expenses.

1 continues to increase at the same pace as it has since 2014, the twenty-year NPVRR
2 of Crossroads is estimated to be approximately \$281 million.⁸

3 For comparison purposes, if Crossroads were replaced by 300 MWs of
4 newly-built simple-cycle combustion turbines built in SPP in 2024, the estimated
5 annual revenue requirement, excluding fuel, in year one is around \$39 million. The
6 twenty-year NPVRR of the new turbines would be approximately \$366 million.

7 **Q: Why does EMW need an answer from the Commission on the Crossroads**
8 **issues in this case?**

9 A: As EMW is currently planning to file its 2024 Triennial IRP, now is the right time.
10 The Commission's decision in this case has significant implications on capacity
11 needs starting in 2029. If the Commission denies the Company's request and the
12 MISO transmission path expires, EMW must develop a contingency plan in the
13 2024 Triennial IRP and begin executing on that contingency plan. Because the next
14 Triennial IRP will not occur until 2027 and considering the long lead times
15 associated with the potential construction of new generation, it would be too late
16 for the Company to properly evaluate the options and for EMW to complete the
17 construction of new generation to replace Crossroad's capacity and energy.

18 **Q: Is EMW requesting the recovery of any other new Crossroads cost in addition**
19 **to the MISO transmission path expense?**

20 A: No. EMW requests full recovery of future MISO firm point-to-point transmission
21 path expenses to allow EMW customers to continue to benefit from energy being
22 delivered from Crossroads in Mississippi to Missouri. EMW is not requesting

⁸ The Crossroads MISO transmission expense has increased at a 3.0 % compound annual growth rate 2014 – 2023.

1 future rate base recovery of any of the disallowed portion of generation rate base.
2 The Company is also not requesting recovery of any past disallowed costs of either
3 MISO transmission expenses or past amounts of disallowed Crossroads' generation
4 rate base.

5 **Q: Is EMW requesting full recovery of the MISO transmission path expense in**
6 **this case?**

7 A: Yes. EMW requests full recovery of the cost of future MISO firm point-to-point
8 transmission path expense to allow EMW customers to continue to benefit from
9 energy being delivered from Crossroads to Missouri. The annual retail revenue
10 requirement expense attributable to the MISO transmission path in this case is
11 approximately \$16.5 million. This equates to an estimated increase of \$0.002/KWh
12 for EMW's total retail customer rate, or a 1.9% increase to EMW's existing revenue
13 requirement.

14 **V. INCLUSION OF DOGWOOD ENERGY CENTER PURCHASE IN RATE**
15 **BASE**

16 **Q: Please describe the Dogwood purchase.**

17 A: The purchase of 22.2% of the 668 MW natural gas, combined cycle Dogwood
18 Energy Center was identified as part of the lowest-cost resource plan to meet
19 EMW's near- and long-term needs for capacity and energy. This purchase will be
20 completed in June if a CCN is granted along with an order indicating that the
21 acquisition of Dogwood at the purchase price is prudent. Following the completion
22 of the purchase, this asset will be included in EMW's rate base at the time of the
23 true-up filing in this case. A much more fulsome description of the asset, the
24 process by which it was selected, and the requirements for closing the transaction

1 has been provided in testimony in the Dogwood CCN case, No. EA-2023-0291 that
2 was filed on November 8, 2023.

3 **Q: Why do you believe that the CCN should be granted and the purchase deemed**
4 **prudent?**

5 A: As described in Kayla Messamore’s testimony in EA-2023-0291, EMW has both
6 near-term and long-term needs for physical capacity, physical energy, and a hedge
7 against the SPP energy market. Dogwood was selected in the 2023 IRP as part of
8 the lowest-cost plan to meet EMW needs in every modeled scenario and produces
9 \$90 million to \$110 million in NPVRR savings in low-carbon and mid-carbon
10 restriction scenarios. The purchase price that was negotiated for Dogwood was the
11 product of a request for proposal from alternative capacity providers, followed by
12 extensive arms-length negotiations with the current Dogwood owners. Dogwood
13 compares favorably to market capacity and new build alternatives and provides
14 additional benefits: (1) efficient, low-cost energy production which can produce net
15 SPP revenues to partially offset fixed costs; (2) eliminated construction risk because
16 it is an operating asset; (3) favorable transmission location in EMW’s service
17 territory; (4) resilient natural gas supply from two pipelines; and (5) additional
18 dispatchable capacity to support reliability. While Dogwood does not meet all of
19 EMW’s needs for capacity, energy, or a market hedge, it is a valuable first step
20 toward meeting those needs through a low-cost, reduced-risk operating asset. For
21 these reasons, the full amount of the Dogwood purchase price should be reflected
22 in rate base.

1 **VI. SUMMARY**

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

3 A: Continuing the MISO transmission path that allows Crossroads to serve EMW
4 customers beyond February 2029 is in the best interest of EMW’s customers. The
5 Company would prefer to exercise this option to extend the MISO firm
6 transmission path beyond February 2029 so that its customers will continue to
7 receive the benefits of Crossroads and to avoid the replacement cost of new
8 generation. However, the renewal of the transmission path and the option to retain
9 Crossroads are dependent on the Commission allowing MISO transmission path
10 expenses to be recovered in EMW’s retail rates going forward. If the Commission
11 does not allow for the full recovery of future MISO transmission expenses, EMW
12 will need to pursue alternative contingency resources, which will be informed by
13 EMW’s 2024 Triennial IRP filing, in order to replace the 300 MW of Crossroads
14 capacity beyond February 2029.

15 As noted above, the full amount of the Dogwood purchase price should be
16 included in rate base and reflected in the Company’s rates.

17 **Q: Does that conclude your testimony?**

18 A: Yes, it does.

