BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of Evergy Missouri West, Inc. d/b/a Evergy Missouri West's Request for Authority to Implement a General Rate Increase for Electric Service	))))	**File No. ER-2024-0189**

STAFF POSITION STATEMENT

COMES NOW the Staff of the Missouri Public Service Commission ("Staff"), by and through the undersigned counsel, and for its Position Statement respectfully states as follows:

1. **In this case, should the Commission determine it is prudent for Evergy to renew its firm point-to-point transmission service agreement with Entergy Corp. before it expires in February 2029?**

Staff recommends the Commission find that it is prudent for Evergy to renew its firm point-to-point transmission service agreement with Entergy Corp. before it expires in February 2029. Staff recommends the Commission find that the current ratemaking treatment of these transmission costs, that is, no recovery of transmission costs through the cost of service, is proper and should be continued. The inclusion of Crossroads as a generation asset and no recovery of transmission expenses are inextricably linked, as the Commission found in the 2010 (Crossroads I) and 2012 (Crossroads II) rate cases.[1]

While Staff strongly recommends that the Commission maintain the previously ordered status quo regarding transmission expenses and Crossroads, in the alternative, if the Commission finds that it is prudent for Evergy to renew its transmission agreement and that some recovery of transmission expense through the cost of service is warranted, Staff recommends a sharing mechanism of these costs. A form of sharing mechanism

[1] Direct Testimony of Keith Majors, page 4, lines 10-16.

was recommended by Evergy in prior rate cases as “an equitable allocation of costs.”[2] If the Commission were to determine a sharing mechanism is appropriate, then Staff recommends that there be a corresponding review of the rate base investment for Crossroads determined by the Commission in its decisions in Crossroads I and Crossroads II. This rate base amount could be the value of Crossroads at the time of the Aquila[3] acquisition in July 2008, approximately $51.6 million before any depreciation is considered, and would result in a reduction to Crossroads rate base investment as determined by the Commission. Depreciation and related deferred taxes would have to be determined to develop a full rate base value.[4]

However, if the Commission finds that it is not prudent for Evergy to renew its transmission agreement, Staff recommends replacement of Crossroads capacity. Regardless of whether Crossroads is dismantled and relocated, or new capacity is constructed, this capacity should be reflected in cost of service in future rate cases at a value no greater than the current gross plant value of Crossroads as found by the Commission in the 2010 and 2012 rate cases.[5]

The Commission found in Crossroads I and again in Crossroads II that the inclusion of Crossroads as a generating asset for Missouri customers was prudent only at a reduced valuation, and with no transmission cost recovery. If Crossroads is to be sold, relocated, or otherwise disposed, then replacement generation should be at the proper value as found by the Commission in those cases.[6]

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[2] *Id*, lines 17-20.
[3] The parent company of Missouri Public Service, St. Joseph Light & Power, and Aquila Merchant Services prior to July 2008. Ceased substantial operations after acquisition by Great Plains Energy in July 2008.
[4] Direct Testimony of Keith Majors, page 25, lines 4-10.
[5] *Id*, page 4, lines 21-25.
[6] *Id*, page 22, lines 17-21.

In Crossroads I, the Commission found the following in regards to Crossroads transmission expense:

> 245. The cost of transmission to move energy from Crossroads to customers served by MPS is a very significant cost that is far greater than the transmission cost for power plants located in the MPS district. The annual energy transmission cost was estimated as $406,000 per month. This is also substantially higher on an annual basis than the transmission plant costs for the Aries site where the three South Harper Turbines were originally planned to be installed.
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> 246. This higher transmission cost is an ongoing cost that will be paid every year that Crossroads is operating to provide electricity to customers located in and about Kansas City, Missouri. GMO does not incur any transmission costs for its other production facilities that are located in its MPS district that are used to serve its native load customers in that district. This ongoing transmission cost GMO incurs for Crossroads is a cost that it does not incur for South Harper, and is the cause of one of the biggest differences in the on-going operating costs between the two facilities.
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> 247. It is not just and reasonable to require ratepayers to pay for the added transmission costs of electricity generated so far away in a transmission constricted location. Thus, the Commission will exclude the excessive transmission costs from recovery in rates.[7]

In Crossroads II, the Commission found the following regarding Crossroads transmission expense:

> <u>Findings of Fact</u>
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> 1. Crossroads is 500 miles from GMO's MPS territory.
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> 2. Between the territory of MPS and Crossroads are the territories of regional transmission organizations ("RTOs"). RTOs collect payment for the transmission of power through their territories. GMO does not belong to all those RTOs so GMO must pay higher fees for transporting power than to an RTO of which GMO is a member.
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> 3. There are generating facilities closer, including Dogwood's facility and the South Harper plant. Even though Crossroads provides power for GMO only during half of the days in the summer, GMO pays about $5.2 million to transmit power from Crossroads all year round.

[7] *Id*, page 30, lines 19-25 and page 31, lines 1-12.

The high cost of transmission is not outweighed by lower fuel costs in Mississippi.

<u>Discussion, Conclusion of Law, and Ruling</u>

GMO has not carried its burden of proof on transmission costs. GMO alleges that the lower price of fuel in Mississippi outweighs the cost of transmission. The Commission has found that the evidence preponderates otherwise.

GMO also argues that the Commission must include transmission costs because FERC has approved a rate for that service. In support, GMO cites opinions providing that the Commission cannot nullify FERC's rate or any other FERC ruling.

But as Dogwood explains, and Staff and MECG agree, those opinions do not bar the Commission from determining the prudence of buying power from Crossroads. For example:

> Without deciding this issue, we may assume that a particular quantity of power procured by a utility from a particular source could be deemed unreasonably excessive if lower cost power is available elsewhere, even though the higher cost power actually purchased is obtained at a FERC-approved, and therefore reasonable, price. [footnote omitted]

In other words, FERC's rate-setting for a facility requires neither the purchase of power, nor approval of that purchase, from that facility.

Moreover, in the presence of a FERC-approved rate, the courts have opined that review of cost prudence remains within the Commission's jurisdiction.

> Regarding the states' traditional power to consider the prudence of a retailer's purchasing decision in setting retail rates, we find no reason why utilities must be permitted to recover costs that are imprudently incurred; those should be borne by the stockholders, not the rate payers. Although Nantahala underscores that a state cannot independently pass upon the reasonableness of a wholesale rate on file with FERC, it in no way undermines the long-standing notion that a state commission may legitimately inquire into whether the retailer prudently chose to pay the FERC-approved wholesale rate of one source, as opposed to the lower rate of another source. [footnote omitted]

> And to recognize the marginal value of purchased power from Crossroads does not constitute an endorsement of its inflated cost.
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> Therefore, the Commission concludes that including the Crossroads transmission costs does not support safe and adequate service at just and reasonable rates, and the Commission will deny those costs.[8]

Staff's conclusions and recommendations concerning Crossroads are consistent with those identified in testimony in Case No. ER-2012-175, Case No. ER-2016-0156, Case No. ER-2018-0146, Case No. ER-2022-0130, and Case No. ER-2024-0189.[9]

Respectfully Submitted,

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CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been mailed or hand-delivered, transmitted by facsimile or electronically mailed to all parties and/or counsel of record on this 24th day of October, 2025.

/s/ Travis J. Pringle

[8] *Id*, page 31, lines 14-14 and page 32, lines 1-41.
[9] *Id*, page 23, lines 23-26.