Exhibit No. 280

Staff – Exhibit 280
Testimony of Ketih Majors
Direct
File No. ER-2024-0189

Exhibit No.:	
Issue(s):	*Crossroads*
Witness:	*Keith Majors*
Sponsoring Party:	*MoPSC Staff*
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Case No.:	*ER-2024-0189*
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MISSOURI PUBLIC SERVICE COMMISSION

FINANCIAL AND BUSINESS ANALYSIS DIVISION

AUDITING DEPARTMENT

DIRECT TESTIMONY

OF

KEITH MAJORS

EVERGY MISSOURI WEST, INC.,

d/b/a Evergy Missouri West

CASE NO. ER-2024-0189

Jefferson City, Missouri
September 2025

****** Denotes Confidential Information ******

TABLE OF CONTENTS OF

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CASE NO. ER-2024-0189

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d/b/a Evergy Missouri West

CASE NO. ER-2024-0189

Q. Please state your name and business address.

A. Keith Majors, Fletcher Daniels Office Building, 615 East 13th Street, Room 201, Kansas City, Missouri, 64106.

Q. By whom are you employed and in what capacity?

A. I am a Utility Regulatory Audit Supervisor employed by the Staff ("Staff") of the Missouri Public Service Commission ("Commission").

Q. What is your educational background and work experience?

A. I attended Truman State University in Kirksville, Missouri, where I earned a Bachelor of Science degree in Accounting in 2007. I have been employed by the Commission since June 2007 within the Auditing Department.

Q. Have you previously filed testimony before this Commission?

A. Yes. A listing of the cases in which I have previously testified, or authored a Staff recommendation or memorandum, and the issues which I addressed in those filings, is attached as Schedule KM-d1 to this direct testimony.

Q. What knowledge, skills, experience, training and education do you have in the areas of which you are testifying here?

A. I have acquired knowledge of the ratemaking and regulatory process through my employment with the Commission and through my experience and analyses in numerous prior rate cases. I have assisted, conducted, and supervised audits and examinations of the books and

records of public utility companies operating within the state of Missouri. I have participated in examinations of electric, industrial steam, natural gas, water, and sewer utilities, and participated in in-house and outside training and seminars on technical and general ratemaking matters while employed by the Commission.

I have been assigned to several Evergy Missouri Metro ("EMM"), formerly known as Kansas City Power & Light Company ("KCPL") and Evergy Missouri West ("EMW"), formerly known as KCP&L Greater Missouri Operations Company ("GMO"), general rate cases during my employment at the Commission:

Utility	**Case No.**
KCPL – Electric	ER-2009-0089
GMO – MPS and L&P[1]	ER-2009-0090
GMO – L&P Steam[2]	HR-2009-0092
KCPL – Electric	ER-2010-0355
GMO – MPS and L&P	ER-2010-0356
KCPL – Electric	ER-2012-0174
GMO – MPS and L&P	ER-2012-0175
KCPL – Electric	ER-2014-0370
GMO – MPS and L&P	ER-2016-0156
KCPL – Electric	ER-2016-0285
KCPL – Electric	ER-2018-0145
GMO – Electric	ER-2018-0146
EMM – Electric	ER-2022-0129
EMW – Electric	ER-2022-0130
EMW – Electric	ER-2024-0189

Q. Are you the same Keith Majors who previously provided testimony in Case No. ER-2024-0189?

A. Yes. Pursuant to the Commission's *Order Granting Applications to Intervene and Order Setting Procedural Schedule*, I provided direct testimony on June 27, 2024, rebuttal testimony on August 6, 2024, and surrebuttal/true-up direct testimony on September 10, 2024.

[1] Prior to the rate consolidation in Case No. ER-2016-0156, EMW (then GMO) consisted of two rate districts, Missouri Public Service ("MPS") and St. Joseph Light and Power ("L&P").
[2] L&P serves separately tariffed steam customers. Rates for steam customers are set in steam-specific rate cases.

EXECUTIVE SUMMARY

Q. What is the purpose of your direct testimony?

A. I will provide direct testimony concerning Issue 5.C. from the list of issues filed in this docket on September 19, 2024, as well as other Crossroads issues that remain unresolved as described in item 5.F. of the Unanimous Stipulation and Agreement filed on October 2, 2024, and quoted later in this testimony. A stipulation among the parties resolving the Crossroads issues was not able to be agreed upon.

Q. What are the Crossroads issues that are unresolved at this time?

A. There are key decisions that must be made by EMW and require guidance from the Commission:

- Issue 5.C. from the List of Issues: 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?

- If the Commission determines it is prudent to renew the firm transmission service, EMW has indicated in testimony in this case that if the Commission continues to deny recovery of these costs, EMW will decline to renew the firm transmission agreement beyond 2029. In other words, EMW will not renew the transmission agreement without express Commission approval of recovery of these costs.[3]

- If the Commission determines it is not prudent to renew the firm transmission service, EMW has indicated in testimony in this case that EMW will be required to seek alternative resources to replace the capacity and energy of Crossroads.[4] Sale or other disposition of Crossroads would require Commission approval. Presumably, EMW requests express Commission approval of recovery of any costs of replacement capacity and energy.

- If the Commission determines it is not prudent to renew the firm transmission service, EMW has completed a study that determined cost estimations for the relocation and reinstallation of the

[3] Direct testimony of EMW witness Cody VanDeVelde, Case No. ER-2024-0189, pages 3 and 8.
[4] Ibid, page 3.

Crossroads facility at three distinct locations within the Southwest Power Pool ("SPP") thus obviating firm transmission service from Entergy Corp. This study also determined cost estimations to procure and install new replacement equipment. Presumably, EMW requests express Commission approval of recovery of any costs of relocation and replacement capacity and energy during the relocation, if the relocation option is selected.

Q. What are Staff's recommendations concerning the unresolved Crossroads issues?

A. Staff recommends the Commission find that it is prudent for EMW 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 and 2012 rate cases.

In the alternative, if the Commission finds that it is prudent for EMW 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 was recommended by EMW in prior rate cases as "an equitable allocation of costs."

In the alternative, if the Commission finds that it is not prudent for EMW 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.

Q. How is your direct testimony organized?

A. In the first section of my testimony, I address the relocation study and the proceedings following the conclusion of the original procedural schedule in this case. In the second section of my testimony, I address the history of the Crossroads issue, the history of EMW's capacity planning, and missed opportunities to replace Crossroads capacity. This history is necessary to support Staff's conclusions and recommendations.

Q. Briefly explain the procedural history of this docket.

A. EMW filed direct testimony supporting an increase of electric base rate annual revenues of $108.9 million, or 13.99%, including the rebasing of fuel for the fuel adjustment clause, on February 2, 2024. On October 2, 2024, EMW and the Staff of the Commission (Staff) filed a *Non-Unanimous Stipulation and Agreement Regarding Pensions and Other Post-Employment Benefits* ("Non-Unanimous Stipulation"). On October 2, 2024, EMW, Staff, the Office of the Public Counsel ("OPC"), Midwest Energy Consumers Group ("MECG"), and Renew Missouri filed a *Unanimous Stipulation and Agreement* ("Stipulation") (collectively, "the Stipulations"). The Stipulations resolved all revenue requirement and rate design issues except for the Fuel Adjustment Clause ("FAC") Incentive Mechanism and the renewal of EMW's point-to-point service agreement with Entergy Corp. for the Crossroads Energy Center. For purposes of this rate case, the Signatories agreed to an extension of Issue 5.C. from the Commission's List of Issues regarding the renewal of the firm point-to-point transmission service agreement between EMW and Entergy Corp. that permitted a Demobilization Study ("Study") related to the Crossroads Energy Center. The Commission approved the Stipulations in its *Report and Order* dated December 4, 2024.

Q. What is Issue 5.C. from the List of Issues in this case?

A. Issue 5.C. is as follows:

> C. 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?

Q. What are the terms of the Stipulation that are relevant to the extension of the proceedings in Case No. ER-2024-0189?

A. The relevant terms are on pages 2-4 of the Stipulation:

> 5. **Crossroads**:
>
> a. For purposes of this rate case, the Signatories agree to an extension of Issue 5.C. from the Commission's List of Issues regarding the renewal of the firm point-to-point transmission service agreement between EMW and Entergy Corp. that will permit a Demobilization Study ("Study") related to the Crossroads Energy Center ("Crossroads" or "plant") to be performed by a qualified independent engineering firm (e.g., Burns & McDonnell or Black & Veatch) to evaluate the cost, procedures, and schedule of relocating Crossroads to a site in the Southwest Power Pool ("SPP") footprint.
>
> b. Staff and OPC will be directly involved in the Request for Proposal ("RFP") process to determine the scope of the Study such that the results of the RFP can be viewed as an impartial analysis from the prospective bidders / evaluators who respond to the RFP which covers the issues and information that Staff, OPC, and Company require to be studied. The Study of sites in SPP will include consideration of the sites being presently considered by Evergy for future capacity additions fueled by natural gas in SPP. The Study will also evaluate estimated costs based on the scope of work described within the RFP.
>
> c. The Signatories agree to the following timeline for the Study:
>
> - July 15, 2025: Study to be completed. If the Study is completed before this date, all subsequent deadlines will be moved relative to the completion date of the Study.
> - August 15, 2025 (30 days): Negotiation deadline for settlement.
> - September 15, 2025 (60 days): Direct testimony (filed by all Signatories if no settlement)
> - October 15, 2025 (90 days): Rebuttal testimony (filed by all Signatories)
> - November 3-7, 2025 (105 days): Evidentiary hearing.

- December 31, 2025 (160 days): Recommended decision date by the Commission

d. Discovery with a twenty calendar-day response time related to the Crossroads studies is available during the pendency of this docket.

e. Once the Study is received by the Company, it will provide copies of the Study to all Signatories. The Signatories will promptly meet to determine if a workable solution regarding Issue 5.C. and any other issues related to the relocation or sale of Crossroads can be reached with a stipulation and agreement ("stipulation"). Such a stipulation will be filed with the Commission by August 15, 2025.

f. If a stipulation cannot be reached, Issue 5.C. and any other issues related to the relocation or sale of Crossroads will be heard at a separate hearing in this docket no later than November 3, 2025. The hearing will be completed by November 7, 2025. The Signatories request that the Commission issue its decision by December 31, 2025. At the time of such hearing the Signatories will not be limited in presenting their arguments on the Crossroads issues.

g. If the Signatories agree by stipulation and agreement that Crossroads should be moved, such agreement shall contain a provision that it is decisionally prudent for EMW to procure replacement capacity, as necessary to meet EMW's SPP capacity requirements and energy demand requirements while Crossroads is offline. While the procurement of additional capacity shall be agreed to by the Signatories, the cost of such capacity and energy would still be subject to a subsequent prudence review.

h. The cost of Study shall be recovered from customers with a cap of $500,000.

i. Signatories agree that EMW will perform a market valuation study to evaluate the indicative value of the Crossroads assets. The market valuation study would include both indicative third-party asset sale bids as well as indicative MISO capacity sale valuation. Market valuation study to be completed by December 1, 2024.

CROSSROADS DEMOBILIZATION AND RELOCATION STUDY

Q. Please describe your involvement in regards to the Crossroads Demobilization and Relocation Study ("Study").

A. Pursuant to the Stipulations resolving Case No. ER-2024-0189, I, along with other members of Staff, the Office of the Public Counsel ("OPC"), and Evergy, participated in the development of the Request for Proposals ("RFP") for the Study. I assisted in the evaluation of the responses to the RFP. After the contract was awarded to Black and Veatch, I participated in the initial kick-off meeting, various bi-weekly meetings, the workshop to discuss the preliminary findings, and the review and feedback to the final draft of the Study. I have attached the final draft Study as submitted to the parties to the Stipulation to this testimony as Confidential Schedule KM-d2.

I accompanied other Staff members, Black and Veatch personnel, and Evergy personnel on a site visit in January 2025 to Crossroads in Clarksdale, Mississippi.

Q. What was the purpose and scope of the Study?

A. The purpose of the Study was to evaluate the cost, procedures, and schedule of relocating Crossroads to a site in the SPP footprint. The scope of the Study was to be a high-level screening and evaluation assessment for the following aspects of the relocation:[5]

- Relocation Options & Site Screening
    - Natural gas infrastructure
    - Transmission infrastructure
    - Land considerations
    - Constructability
    - Permitting
    - Operational considerations

[5] Source: RFP dated November 15, 2024.

- Cost Estimates
    - Dis-assembly of Crossroads Generation Equipment
    - Site Remediation and Restoration
    - Transportation
    - Site Development Costs
    - New site-constructed infrastructure
    - Obsolescent/Short service life Equipment Replacements
    - Required/Recommended Changes for Air Permit
    - Required/Recommended Changes for Safety Systems

- Schedule & Procedures

Q. You described the Study as a high-level screening and evaluation assessment. What can this Study be used for?

A. This Study is a tool to be used to determine whether or not it is economically and logistically feasible to relocate Crossroads. The cost estimate is considered a Class V estimate for use in a feasibility study. The accuracy range is considered -50% to 100% with engineering completion of 2%. This level study is a "rough order of magnitude".

Q. What sites were determined to be appropriate for a potential relocation?

A. From an initial longer list, the sites were pared down to a list of three:

- ** [redacted]
- [redacted]
- [redacted] **

Q. From a cost estimate perspective, what were the results of the Study?

A. Using the three locations, here are the cost estimates:

**

[redacted]	[redacted]	[redacted]	[redacted]
[redacted][6]	[redacted]	[redacted]	[redacted]
[redacted][7]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted][8] **

Q. Did the Study identify the cost estimate of a new build for a plant similar to Crossroads?

[6] Engineer, Procure, Construct. Also referred to as "turn-key".
[7] Estimate based on $102/kW, the value assumed in Evergy's latest IRP. SPP Network Upgrades were not studied in detail.
[8] Study, page 16.

A. ** [redacted][9] [redacted]

[redacted]

[redacted]	[redacted]
[redacted]	[redacted]
[redacted]	[redacted]
[redacted]	[redacted]
[redacted]	[redacted]
[redacted]	[redacted]
[redacted]	[redacted]
[redacted]	[redacted]
[redacted]	[redacted]

**

Q. Does the report indicate that Crossroads can be successfully relocated?

A. Yes, at substantial cost. Depending on the site, a relocation would be projected to take ** [redacted]. **

Turbines, generators, transformers, and related equipment are heavy pieces of machinery requiring special transportation and hauling, but they are moved from the manufacturer and from different locations. Moving such equipment in the electric industry is not particularly unique. I have identified several examples of the actual or planned relocation of generating facilities:

[9] Ibid, page A-6.

- Greenwood turbine potential relocation
- Offer from Rolls Royce to Aquila for turbines in Houston and Germany
- South Harper equipment move from Ralph Green and Richards-Gebauer Air Station
- ** [redacted] **
- Turbine relocation from Grand Avenue Station in Kansas City to Lake Road in St. Joseph
- ** [redacted] **

Q. What is the Greenwood turbine potential relocation?

A. Greenwood is a four-unit site with four GE 7B dual fuel combustion turbines and associated equipment. MPS initially had a sale-leaseback agreement after the units were constructed starting in 1975. The lease agreement required MPS to disconnect and prepare for shipping, at its expense, and ship the generating units at the end of the lease to a destination designated by the owner of Greenwood, which at that time was an unaffiliated entity.

Below is the relevant language from the lease agreement for Greenwood 1 and 2:

> SECTION 16. DISPOSITION OF UNITS.
>
> (a) Condition Upon Return. Except in the case of Units with respect to which a Casualty Occurrence has occurred, Lessee will return each Unit to Lessor at the end of the term of this Restated Lease for such Unit by delivering such Unit to Lessor at a place of storage selected by Lessee pursuant to Section 16(b)(i) hereof or at such other place as may be designated by Lessor for delivery thereof in accordance with the provisions of this Section 16. At the time of such return such Unit shall be free and clear of all liens and rights of others (except the rights of Lessor) and shall be in the condition and repair required to be maintained for such Unit hereunder. Delivery of any Unit to Lessor at a place of storage shall be deemed complete as soon as such Unit shall be physically located in such place and Lessee shall have given Lessor at least five business days' notice of the return thereof, specifying the place of storage.
>
> (b) Units Located on Lessee's Premises. If any Unit to be so returned is located on the Lessee's premises within the State of Missouri,

> at the end of the term of this Restated Lease for such Unit, Lessee will promptly at its expense and risk completely disconnect such Unit from Lessee's system and, to the extent requested in writing by Lessor, will (i) provide free storage for such Unit for a period of not exceeding ninety days on Lessee's premises within the State of Missouri selected by Lessee for the purpose, (ii) at its expense disassemble and prepare such Unit for shipment, or permit persons designated by Lessor to do so, and (iii) at Lessor's expense deliver such disassembled Unit to a carrier for shipment at any point of shipment reasonable designated by Lessor, provided that Lessee shall not be liable for any damage or loss to such Unit in connection with such storage, disassemble, preparation for shipment or delivery except damages or loss cause by the willful misconduct of Lessee, its employees or its agents.

Q. Did EMW (then MPS) plan on moving the Greenwood turbines?

A. No. MPS did not evaluate the cost or schedule. It did hire an engineering firm for an appraisal as MPS sought to transfer the turbines to an affiliate and continue to lease instead of own them. I have attached the engineering report as Schedule KM-d3.[10] The appraisal is noteworthy as it did note that the market value of used turbines was inflated due to the shortage of generating capacity at the time (1999) and used turbine suppliers were procuring equipment as far flung as Korea. The engineer's findings would suggest that moving and reinstalling used equipment, albeit expensive, can be done successfully and is not uncommon. Ultimately, MPS purchased the turbines from the lessor so the turbines remain in their original location.

Q. What is the Rolls-Royce turbine offer?

A. In 2004, Rolls-Royce Power Ventures (Rolls-Royce) offered to sell EMW (then Aquila) two new Siemens 501D5A natural gas-fired turbines that were manufactured

[10] Response to Staff Data Request No. 0236, Case No. ER-2001-672.

in 2001 and placed in storage in Houston and Germany.[11] Although transportation costs would be significant, this is yet another example of turbines potentially being moved long distances.

Q. What is the South Harper equipment relocation?

A. Aquila Merchant owned three Siemens 501D 105 MW turbines that were being stored at MPS's Ralph Green Generating Facility and at the former Richards-Gebauer Air Station near Belton, Missouri. Aquila Merchant transferred those turbines to Aquila to be constructed at South Harper. This required a move of roughly 18 miles.

Q. What is the ** [redacted] ? **

A. ** [redacted] [12] [redacted] **

Q. What is the Grand Avenue Station turbine relocation?

A. Lake Road Turbine 3 was relocated from Grand Avenue Station in downtown Kansas City and installed at Lake Road in St. Joseph, Missouri. The installation was complete in 1963 and its accredited net capacity is 7.3 MW.

Q. What is the ** [redacted] ?**

[11] Response to Staff Data Request No. 0005, Case No. EO-2005-0156.
[12] Response to Staff Data Request No. 0483, Case No. ER-2005-0436.

A. ** [redacted] **

Q. What are the potential sites where these turbines could be relocated and reinstalled?

A. Aside from the sites listed in the Study, Staff has identified several sites that have been explored by EMW or its predecessor utilities in the distant past,:

- Sedalia, Missouri
- South Harper
- ** [redacted] **
- ** [redacted] **
- ** [redacted] **
- ** [redacted] **

Q. Please describe the Sedalia location.

A. The Sedalia location was a planned $180 million 300 MW generating station publicly announced on April 18, 2007. ** [redacted] [13] [redacted]

[13] Attached to EMW witness Burton Crawford Rebuttal Testimony, Case No. ER-2010-0356.

[redacted]

[redacted] **

Q. Does Staff have any other information concerning the Sedalia site?

A. Staff received a document titled ** [redacted] ** on April 12, 2007 from Denny Williams of Aquila. I have attached this document as Confidential Schedule KM-d6. The document lists several aspects of the project:

**

- [redacted]
- [redacted]
- [redacted]
- [redacted]

**

Q. Has EMW invested any money into developing this site?

A. Yes. EMW has invested at least $2 million in engineering, preliminary land purchases, and legal costs. This has never been included in the cost of service as is recorded to Account 105 – Plant Held for Future Use.[14]

EMW has acquired 327 acres of property in Sedalia that is buffered by 236 acres of land owned by the City of Sedalia.[15] It is interesting to note that 123 of the acres was purchased by Aquila, Inc. prior to being acquired by GPE, which would indicate Aquila was acting in earnest to develop the site. The remaining acreage was purchased as KCPL-GMO, indicating it was purchased 2018 or earlier.

[14] Source: Staff Data Request No. 0246, Case No. ER-2009-0090.
[15] Publicly available real estate parcel data, Pettis County, Missouri.

Q. The document you attached refers to a ** [redacted] ** that would have to be built to supply natural gas to the facility. Is it normal to have to construct miles of gas infrastructure to a generating station?

A. It is not uncommon, and EMW has acted as constructor and owner of that infrastructure. In 1996, EMW (then MPS) constructed a 5-mile 12-inch diameter natural gas pipeline to connect the Greenwood Generating Station to an interconnection with Williams Natural Gas Company ("WNG"). This pipeline was integral to the conversion of Greenwood to dual-fuel capability. MPS constructed the pipeline due to Spire Missouri West's (then Missouri Gas Energy's) labor dispute and inability to construct the pipeline in a timely fashion. MPS subsequently sold the pipeline to WNG as it desired to avoid additional investment and operations expense associated with the pipeline. At that time, MPS had some firm and interruptible transportation for natural gas. The Commission authorized the sale in Case No. GM-97-435.

Q. The Sedalia site would also have ** [redacted] ? **

A. Fuel Oil (#2 Diesel) and dual fuel capability partially or completely obviates the need for firm natural gas transportation capacity.[16] Although the initial investment and inventory balances are expensive, firm natural gas capacity can be even more expensive.

Q. Please describe the South Harper location.

A. South Harper is a three-unit 315 MW natural gas generating facility. The Commission discussed South Harper at length in the 2010 *Report and Order* that I quoted earlier in this testimony. South Harper has three Siemens 501D turbines and can accommodate

[16] EMW witness WM. Edward Blunk Surrebuttal testimony, Case No. ER-2012-0175.

three additional units for a total of six. It is served by both the Southern Star Central Gas Pipeline and Panhandle Eastern Pipeline.

Q. Has EMW estimated the cost of expanding pipeline capacity to serve additional units at South Harper?

A. Yes. EMW obtained an "informal" estimate in 2012 of additional capacity, depending on the nature of the service and the supplier of a range of ** [redacted] **[17] on an annual basis. These were informal estimates that were 12 years ago; it is unknown to Staff what an estimate would be today.

Q. Please describe the ** [redacted] ** location.

A. This location was identified in the response to Staff Data Request No. 0038 in Case No. EO-2005-0156. This case was initiated by EMW (then Aquila) to transfer three Siemens 501D 105 MW turbines from Aquila Equipment, LLC an unregulated Aquila, Inc. subsidiary to be installed at South Harper. The turbines were under control of Aquila Merchant prior to the filing of the transfer case. Aquila Merchant had attempted to market these turbines to Evergy Metro (then KCPL). ** [redacted] **

[17] EMW witness WM. Edward Blunk Direct testimony, Case No. ER-2012-0175.

Q. Please describe the ** [redacted] ** location.

A. This location was identified in a November 14, 2003 meeting with Terry Hedrick, then Aquila Generation Services Manager and Denny Williams who worked in the Aquila Regulatory affairs department. I have attached notes from the meeting that were verified in response to Staff Data Request No. 0616.1, Case No. ER-2004-0034 as Confidential Schedule KM-d8. The relevant portion of the notes identify the site:

** [redacted] **

Q. Please describe the ** [redacted] ** location.

A. ** [redacted]

[redacted] **

Q. Please describe the ** [redacted] ** location.

A. ** [redacted][18] [redacted]

[redacted] **

Q. Prior to the current proceedings, has EMW considered moving Crossroads?

A. Yes, but the Study is the most comprehensive evaluation of relocation. In 2007, the rough estimate for moving the turbines at that time was ** [redacted]

[redacted]

[18] EMW witness Burton Crawford Rebuttal Testimony, Case No. ER-2010-0356.

[redacted]. ** Since at least the 2016 Rate Case, Staff has recommended that EMW consider relocating Crossroads to within EMW's service territory.

Q. Did Aquila consider moving Crossroads?

A. Other than the ** [redacted], ** I am not aware of any specific study or estimate to move Crossroads. Aquila did consider moving the Racoon and Goose Creek turbines, which were already installed, in December of 2005. I have attached a memorandum which has a high-level analysis of moving the Racoon and Goose Creek turbines to Missouri versus purchasing new turbines and with installation, as Confidential Schedule KM-d10. This is the response to Staff Data Request No. 0355 in Case No. ER-2007-0004. This analysis noted estimated site removal costs per the South Harper dismantlement study[19] of ** [redacted] **. Goose Creek is in Piatt County, Illinois, roughly 375 miles from EMW headquarters. Raccoon Creek is in Clay County, Illinois, roughly 350 miles from EMW headquarters compared to Crossroads which is 525 miles away.

Q. Are there any other potential sites that could accommodate the Crossroads turbines?

A. Yes. I have attached as Confidential Schedule KM-d11 the response to Staff Data Request No. 0002 in Case No. EA-2005-0248. This document lists additional alternate sites that were considered for the three Siemens 501D turbines that were installed at South Harper. These additional sites may still be viable, but this document is nearly 20 years old.

[19] This study is attached to my rebuttal testimony.

Q. If Crossroads is dismantled and relocated, who should pay for the cost?

A. That would depend on the magnitude of the expenditures and the analyses, facts, and circumstances to be evaluated in the near future. There is a strong argument that EMW should be responsible for the costs given the fact that Crossroads was transferred to EMW by GPE with the knowledge that transmission would be a significant barrier given Crossroads' location in Mississippi, which I will discuss later in this testimony. Regardless of whether EMW chooses to relocate Crossroads or construct replacement generation, it should be at a cost in rates no greater than the current gross plant value as found by the Commission in the 2010 and 2012 rate cases.

CROSSROADS RECOMMENDATIONS IN CASE NO. ER-2024-0189

Q. The extension of the proceedings following the main portion of Case No. ER-2024-0189 deal specifically with Issue 5.C., the renewal of the firm point-to-point transmission service agreement with Entergy. Why is any of Staff's testimony in the main portion of the rate case relevant to the renewal?

A. As I previously noted, EMW will not renew the transmission agreement absent express Commission approval of rate recovery of the incremental transmission costs. The Commission found in the 2010 Rate Case and again in the 2012 Rate Case, 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. My testimony in the main portion of the rate case describes the lengthy history of how Crossroads came to be part of EMW's rate base, and why

the Commission's valuation of Crossroads and approach to rate recovery of transmission expenses should be supported and maintained by this Commission.

Q. What was Staff's testimony concerning Crossroads in the main portion of this rate case?

A. I filed direct, rebuttal, and surrebuttal testimony concerning Crossroads during the main portion of this rate case stating the following:

- Crossroads was built as a merchant plant in Mississippi, 525 miles away from EMW.[20] Crossroads was never intended to provide EMW customers capacity on a permanent basis.
- Crossroads was a distressed property prior to being transferred to EMW and was never considered by EMW's prior management to provide EMW customers capacity on a permanent basis.
- The closing and dismantlement of Crossroads is without precedent.
- If EMW's intention was to dismantle and scrap Crossroads at the expiration of the transmission agreement, it should have been preparing to replace the capacity and has failed to take advantage of opportunities to replace the capacity since the 2012 Rate Case.
- If EMW chooses to not renew the transmission service enabling Crossroads capacity, EMW has options to replace the capacity. EMW could also dismantle and relocate the plant.

I will discuss and provide further support for the above in this testimony. I supported both the valuation of Crossroads and the removal of the test year level of transmission costs in my direct testimony filed in the first phase of this case. 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. Staff continues to support the Commission's decision in EMW's 2010 and 2012 general rate cases to exclude all transmission costs

[20] The approximate distance in driving miles from 1200 Main Street, Kansas City, Missouri to 240 Hicks Street, Clarksdale, Mississippi is 525 miles. The approximate absolute distance (straight-line distance) is 405 miles.

related to the power generated from Crossroads and inclusion of Crossroads in rate base at a proper valuation.

Q. What were the Commission's decisions in EMW's 2010 and 2012 general rate cases regarding Crossroads?

A. In Case No. ER-2010-0355 ("2010 Rate Case") and Case No. ER-2012-0175 ("2012 Rate Case"), the Commission determined that transmission costs incurred to transmit power generated by Crossroads should not be recovered in rates. While EMW's customers are located primarily in the metropolitan Kansas City, Missouri area and surrounding communities, and in many areas in western Missouri, Crossroads is located in Clarksdale, Mississippi. More importantly, Crossroads is located outside the SPP, of which EMW is a member, and is located in another Regional Transmission Organization ("RTO"), the Midcontinent Independent System Operator ("MISO"). The Commission's rate decisions in both the 2010 and 2012 Rate Cases effectively assume the cost levels as though Crossroads was built within SPP, just like every other generating unit operated by EMW and its affiliate, EMM.

While EMW states in its direct testimonies filed in the current and prior rate cases that it accepts the rate base valuation disallowances ordered by the Commission in the 2010 and 2012 Rate Cases,[21] it requests recovery in future rate cases of all Crossroads transmission costs incurred if the firm transmission agreement is renewed. Staff disagrees with EMW's position. The Commission excluded all transmission costs related to Crossroads in both the 2010 and 2012 Rate Cases resulting in no recovery of any of this power plant's transmission costs.

[21] EMW Case No. ER-2018-0146 - EFIS #16 - Rush direct at page 26; EFIS #12 - Klote direct at pages 9 and 25-26 and EFIS #9 - Crawford direct at pages 16-17. Case No. ER-2024-0189 – VandeVelde Direct at page 18.

A somewhat condensed version of the "full recital of Aquila's tortured history"[22] is necessary to provide context on why the Commission made these decisions.

To the extent the Commission determines some amount of the Crossroads transmission costs should be allowed rate recovery, then Staff recommends that there be a corresponding review of the rate base investment for Crossroads determined by the Commission in its original decision in the 2010 Rate Case, as reaffirmed in the 2012 Rate Case. This rate base amount could be the value of Crossroads at the time of the Aquila 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.

HISTORY OF CROSSROADS

Q. Why is the history of how Crossroads came to be part of EMW's generating fleet relevant to the current issues at hand?

A. This history is vital to understanding why the Commission has denied recovery of Crossroads transmission expense. EMW's capacity problems reach back nearly 30 years.

Q. Can you identify and describe the historic corporate entities and utilities that you discuss in this testimony?

A. Yes.

- **Aquila, Inc. ("Aquila")** – 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.
- **Aquila Merchant Services ("Aquila Merchant")** – constructor, owner and operator of Crossroads until sale to

[22] 2012 Rate Case *Report & Order* at 57.

Aquila, Inc. on March 31, 2007. Most, if not all of Aquila's non-regulated operations were a subsidiary or affiliate of Aquila Merchant.

- **Missouri Public Service ("MPS")** – the legacy utility properties surrounding Kansas City, now operating as Evergy Missouri West. Also referred to as "Aquila Networks – MPS".

- **St. Joseph Light and Power ("L&P")** – the legacy utility properties surrounding St. Joseph, now operating as Evergy Missouri West. Also referred to as "Aquila Networks – L&P".

- **Kansas City Power & Light ("KCPL")** – the legacy Missouri utility properties, now operating as Evergy Missouri Metro.

- **Kansas City Power & Light – Greater Missouri Operations ("KCPL-GMO", or "GMO")** – the combined operations of Missouri Public Service and St. Joseph Light and Power after the acquisition of Aquila by Great Plains Energy, now operating as Evergy Missouri West.

- **Great Plains Energy ("GPE")** – Parent company of Kansas City Power & Light. Purchased Aquila Inc. and all subsidiaries in July 2008. Now known as Evergy, Inc.

Q. In this testimony, how do you refer to prior iterations of EMW?

A. For clarity, I refer to EMW, EMM, and Evergy, Inc. as the name used at the time frame to which the testimony references. For example, if I were commenting on EMW's activities in 2005, I would refer to "Aquila", or "MPS", or for EMM in that time frame, "KCPL".

Q. What is the Crossroads Energy Center?

A. Crossroads Energy Center consists of four 75 megawatt ("MW") natural gas fired combustion turbines with a total capacity of approximately 300 MW (currently

accredited 302 MW[23]) located in Clarksdale, Mississippi. These four units are General Electric ("GE") model number 7EA,[24] and were constructed in 2002 as a merchant plant by and for the former Aquila Merchant, a non-regulated wholly-owned subsidiary of Aquila. The generating facility is owned and operated by the City of Clarksdale, Mississippi under an agreement entered into at the time of plant completion in 2002 for property tax abatement and preferential financing purposes. This arrangement continues today. This plant is included as a generating asset providing service to Evergy Missouri West's customers and is included in rate base as a capital lease net of a valuation adjustment established in the 2010 Rate Case and confirmed by the Commission in the 2012 Rate Case.

A non-regulated affiliate of Aquila, Aquila Merchant, constructed Crossroads in 2002 as a non-regulated merchant independent power plant ("IPP"), originally built to serve the constrained transmission area in and around Clarksdale, Mississippi as an Exempt Wholesale Generator ("EWG"). Aquila Merchant made a deliberate decision and calculated risk to construct Crossroads in that part of the country to take advantage of the area's transmission constraints at the time of the construction. When the merchant power market collapsed in 2002 after the Enron bankruptcy, Aquila, Inc. and its affiliates decided to exit the non-regulated energy market and concentrate on traditional regulated operations, primarily the generation, transmission and distribution of electricity in Missouri.

Q. Did Crossroads operate as a merchant plant?

A. In a very limited capacity. The 2002 decision by Aquila to exit the non-regulated energy markets as a result of the decline of the power markets coincided with Crossroads'

[23] Evergy, Inc., 2023 Form 10-K, page 32.
[24] Generally, the same technology and type of combustion turbine that would be a new installation as described in the relocation Study.

completion. From the time of the completion of Crossroads in 2002 and throughout Aquila's down-sizing to when GPE acquired Aquila's Missouri electric assets, Aquila Merchant attempted to sell Crossroads and other non-regulated assets because they were not considered necessary, nor strategic to Aquila's regulated operations. While Aquila Merchant sold other non-regulated assets, it found no buyers interested in Crossroads even when Aquila offered Crossroads at distressed and deeply discounted plant values. Aquila, Inc. never operated Crossroads to sell electricity into the non-regulated energy power markets. Crossroads did not generate any power in 2003, 2004 or 2006, with the only power generated in 2005 as result of a short-term summer purchased power agreement with Aquila, Inc.'s Missouri regulated operation, MPS.

Q. How did GPE come to own[25] Crossroads?

A. GPE acquired Aquila, Inc. and its remaining affiliates including MPS and L&P in July 2008. When GPE acquired Aquila Inc., it also acquired the non-regulated Crossroads. Because of the unsuccessful attempts to sell Crossroads prior to the acquisition, the rights and obligations of Crossroads had been transferred from Aquila Merchant to a non-regulated subsidiary of Aquila, Inc., and then ultimately to Aquila, Inc. in March 2007. After GPE acquired Aquila, Inc., it transferred Crossroads to its plant records for MPS in August 2008 with the intent for Crossroads to exclusively serve Missouri customers.

Q. How did the Commission value Crossroads?

[25] EMW (then GPE) does not own Crossroads. As discussed in this testimony, the facility is owned and operated by the City of Clarksdale, Mississippi. EMW holds a purchase option that provides the opportunity for EMW to purchase the plant from the City of Clarksdale at any time for $1,000. This purchase would eliminate the property tax abatement treatment of the plant. The Crossroads Energy Center is controlled by EMW through a long-term tolling agreement. The plant is recorded as a capital lease on the books and records of EMW.

A. GMO included Crossroads in Case No. ER-2009-0090 ("2009 Rate Case") and the 2010 Rate Case at its book value on transfer from Aquila Merchant. The Commission ultimately found the appropriate value was the market-based transactions of the sales of two Aquila Merchant generating facilities in Illinois to Ameren – Union Electric (AmerenUE).[26] These facilities are Goose Creek and Raccoon Creek.

Q. Would you describe these facilities?

A. Aquila Merchant installed ten GE Model 7EA, 75 MW combustion turbines at two locations in Illinois. Six GE 7EA turbines were installed at Goose Creek Energy Center having a combined capacity of 510 MW. Four 7EAs were installed at Raccoon Creek Energy Center having a combined capacity of 340 MW. Aquila Merchant responded to a RFP to supply turbine capacity issued by AmerenUE in the summer of 2005. The final sale price for both Raccoon Creek and Goose Creek was $175 million for all the generating equipment, substation and transmission costs. The total capacity of these two generating stations is 850 MW resulting in an installed capacity of $205.88 per kW ($175 million divided by 850,000 kW).[27]

Q. Did Aquila Merchant lose money on the sale of these units?

A. Yes. Because of the distressed nature of the merchant business at the time, Aquila incurred a pre-tax non-cash impairment charge of approximately $93.6 million for Goose Creek and $65.9 million for Raccoon Creek, or a total after-tax loss of $99.7 million ($58.5 million and $41.2 million).[28]

Q. Did the Commission use those transactions to find the proper value of Crossroads to include in GMO's cost of service?

[26] Now operating as Ameren Missouri.
[27] Aquila, Inc. SEC Form 8-K filed December 16, 2006.
[28] Ibid.

A. Yes. The Commission stated the following on page 100 of the 2010 Rate Case *Report and Order*:

> …The Commission also rejects GMO's inclusion of Crossroads in rate base at its net book value. The Commission determines that given Great Plains' statements to the Securities Exchange Commission shortly before the transfer of the Crossroads unit to the Missouri regulated operations, as well as the arm-length sale of other General Electric combustion turbines by Aquila, that the fair market value of Crossroads at the time of transfer (August 2008) was $61.8 million.

The Commission arrived at that valuation using the $205.88 per kW proxy sale value of Goose Creek and Racoon Creek multiplied by Crossroads' 300 MW capacity.

Q. The primary issue in the 2024 Rate Case, and in prior rate cases, is recovery of Crossroads transmission expense. What has the Commission determined concerning rate recovery of these expenses?

A. On page 86 of its *Report and Order* in GMO's 2010 Rate Case, the Commission disallowed transmission costs relating to Crossroads, recognizing they were ongoing and indicating that it would not allow them in rate cases, as follows:

> 244. Staff argues that the cost of transmission to move energy from Crossroads in Mississippi to GMO's service territory justifies, in part, removing Crossroads from GMO's cost of service. The Company argues that the cost of transmission is offset by the lower gas reservation costs.
>
> 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.
>
> 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.
>
> 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. [footnotes omitted]

More recently, the Commission noted at pages 58-59 of the Order in the 2012 Rate Case:

> Findings of Fact
>
> 1. Crossroads is 500 miles from GMO's MPS territory.
>
> 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.
>
> 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. The high cost of transmission is not outweighed by lower fuel costs in Mississippi.
>
> Discussion, Conclusion of Law, and Ruling
>
> 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.

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.

The Commission's Order in both the 2010 and 2012 Rate Cases prohibited Evergy Missouri West from any recovery of transmission costs related to Crossroads.

The exclusion extends to the FAC. The Commission stated at page 64 of its 2012 Order with respect to the recovery of Crossroads transmission costs:

> **Crossroads Transmission**. Several parties ask the Commission to order that GMO's FAC tariff sheets state expressly that GMO's FAC excludes transmission costs related to Crossroads. Insofar as the Commission has determined that no transmission costs from Crossroads will enter GMO's MPS rates, there is no further dispute, and no further findings of fact and conclusion of law are required. The Commission will order GMO's FAC clarified to state that GMO's FAC excludes transmission costs related to Crossroads.

EMW CAPACITY HISTORY

Q. At the time Crossroads was included in GMO's generating fleet in 2008, did GMO have a need for capacity?

A. Yes. GMO had not entirely replaced the capacity from the 500 MW purchase power agreement ("PPA") with the Aries Combined Cycle Generating Station ("Aries") that expired May 31, 2005.

Q. Please provide a brief history of EMW capacity planning prior to the Aquila, Inc. acquisition.

A. In my opinion, the Commission detailed clearly and concisely in the 2010 Rate Case *Report and Order* concerning EMW's capacity planning, so I will quote the relevant sections here starting on page 78:

> **History and Prudence**
>
> 220. The Crossroads issues have their genesis from GMO's (then known as Aquila, Inc.) anticipation in the late 1990's and early 2000's of the deregulation and decoupling of generation from regulated electric utility operations in Missouri and its participation in the energy market in Missouri and other states through a non-regulated subsidiary, Aquila Merchant Services, Inc.

221. As part of its merchant generation activities, in 2000, Aquila Merchant, with Calpine, built the Aries Plant (now known as Dogwood). The Aries Plant is a natural gas-fired, 585 MW, combined-cycle, intermediate generating facility within Aquila, Inc.'s MPS service area. A five-year PPA with Aquila, Inc. that expired in May 2005 was used as an anchor for building the facility. [footnote omitted]

222. Aquila Merchant also purchased eighteen 75 MW model 7EA combustion turbines from General Electric and, in 2002, at least three 105 MW model 501D combustion turbines from Siemens-Westinghouse. [footnote omitted]

223. Aquila Merchant used four of the 75 MW combustion turbines at the facility it built near Clarksdale, Mississippi in 2002—Crossroads. [footnote omitted] Aquila Merchant sold, at substantial discounts from its cost, three of the 75 MW combustion turbines to unaffiliated entities in 2003. Aquila Merchant released one of the 75 MW combustion turbines back to the manufacturer, and in 2003 installed six of them at the Goose Creek Energy Center and the other four at the Raccoon Creek Energy Center, both in Illinois. [footnote omitted] Aquila Merchant kept the three 105 MW Siemens-Westinghouse combustion turbines it purchased in 2002 intending to install them at the 585 MW, combined-cycle generating facility for a purchased power agreement with GMO after the 5-year purchased power agreement with GMO expired in May 2005. When it could not sell them, they were stored until 2005 when they were installed as regulated units at South Harper to be used for the MPS service area. [footnote omitted]

224. Aquila Merchant sold both its Goose Creek Energy Center and its Raccoon Creek Energy Center to Union Electric Company d/b/a AmerenUE (now d/b/a Ameren Missouri) at substantially below book value in 2006. [footnote omitted]

***

226. Although every other investor-owned electric utility in Missouri built generation, Aquila, Inc. had a corporate policy not to build regulated generating units that it followed until it built South Harper in 2005. [footnote omitted] Instead, Aquila, Inc. relied exclusively on purchased power to meet its retail customers' increasing demands for electricity.

227. In 2000, Aquila, Inc. entered into the five-year purchased power agreement for power from the Aries Plant. That agreement,

which expired in May 2005, provided for 500 MW of capacity in the summer and 320 MW in the winter. [footnote omitted]

228. Aquila, Inc. knew in 2000 when it began taking power under the five-year purchased power agreement that it would have to replace that capacity by June of 2005. [footnote omitted]

229. In 2001, Aquila, Inc. began exploring what options might be available in 2005 to replace the 500 MW of capacity. It did so by issuing a request for proposals ("RFPs") in the spring of 2001 for delivery of energy beginning in June of 2005. Because of changes in the industry, Aquila, Inc. reissued those RFPs in early 2003. [footnote omitted]

230. Staff has criticized and challenged GMO's [footnote omitted] capacity planning in rate cases over the past decade. It did so in File Nos. ER-2001-672 and ER-2004-0034, criticizing Aquila, Inc. for entering into the five-year purchased power agreement for power from a 585 MW natural gas-fired combined cycle generating unit built by Calpine and Aquila, Inc.'s affiliate Aquila Merchant Services, Inc., instead of building generation it owned. Staff also criticized Aquila, Inc. in File No. ER-2005-0436, challenging the prudency of how Aquila, Inc. built South Harper in the face of opposition to the siting of that facility and its decision to only install three 105 MW combustion turbines instead of five. And Staff had criticism again in File Nos. ER-2007-0004 and ER-2009-0090, taking issue with the prudency of Aquila, Inc./GMO for installing three 105 MW combustion turbines in 2005 instead of five.

231. At Aquila, Inc.'s June 26, 2003, resource planning update meeting with Staff and the Office of the Public Counsel, it presented the results of its analysis of the proposals it received. With the exception of one proposal, the proposals were for purchased power agreements, with the source of the capacity and energy varying among wind, coal, combustion turbines, and combined-cycle units. Aquila, Inc. also disclosed then that one bid for 600 MW of capacity which Aquila, Inc. considered to be "excellent" had been made. By September 10, 2003, however, the bid had been withdrawn and not replaced. [footnote omitted]

232. On January 27, 2004, only sixteen months before its 500 MW capacity agreement would expire, Aquila, Inc. met with and informed Staff of Aquila, Inc.'s power acquisition process for the following five years. In that meeting GMO presented its preferred/proposed resource plan to build what became South Harper, and enter into three-to-five year purchased power

agreements for the balance of its resource needs based on the responses to the spring 2003 request for proposals. Staff responded it was concerned that Aquila, Inc. would become overly dependent on short-term purchased power agreements and needed to evaluate adding baseload generation. [footnote omitted]

233. At its next resource planning update, on February 9, 2004, Aquila, Inc., based on a twenty-year planning period, disclosed that its least cost resource plan was to build five 105 MW combustion turbines in 2005 and buy a small amount of capacity from the market in 2005, meet load growth with additional market purchases until 2009, when it would build an additional 105 MW combustion turbine and a second in 2010, as well as pursue adding baseload capacity for 2010. Therefore, in February of 2004, about sixteen months before its five-year 500 MW purchased power agreement expired, Aquila, Inc.'s least cost resource plan included building five 105 MW combustion turbines in 2005. [footnote omitted]

234. At its following semi-annual update to Staff and the Office of the Public Counsel, held on July 9, 2004, GMO disclosed it had entered into an agreement to purchase 75 MW of power from NPPD, but that its least cost plan still included building five 105 MW combustion turbines in 2005, although its preferred plan still was to build three 105 MW combustion turbines in 2005 and rely on purchased power for the balance of its needs. Therefore, in July of 2004, about eleven months before its five-year 100 MW purchased power agreement expired, Aquila, Inc.'s least cost resource plan included building five 105 MW combustion turbines in 2005. [footnote omitted]

235. After prudently exploring and planning its capacity needs following the expiration of its five-year 500 MW purchased power agreement in May of 2005, GMO elected not to build five combustion turbines, and instead built three 105 MW combustion turbines at South Harper, a site designed for up to six 105 MW combustion turbines, and entered into PPA that included base load capacity in order to diversify its resource portfolio additions. "GMO concluded that it would be prudent to spread the execution and operating risks from the resource additions between building combustion turbines and adding a PPA that contained some level of base load capacity." [footnote omitted]

236. Staff argues that its adjustments [footnote omitted] "reflect the continuation of Staff's position that GMO should have prudently addressed its capacity needs for MPS to replace the Aires PPA when it expired on May 31, 2005." [footnote omitted] Notably, Staff's

> conclusion is based on the same analysis as that developed and used by the Company in deciding to pursue the three combustion turbine/system-participation PPA.
>
> 237. The difference between Staff's preferred five combustion turbine plan and the Company's three Combustion turbine/system-participation PPA plan is minimal. [footnote omitted] Even Staff witness Lena Mantle testifies that she did not believe the cost difference between the Company's preferred plan and Staff's five combustion turbine option over 20 years was significant, [footnote omitted] and that she did not find the Company's decision based on this difference to be imprudent. [footnote omitted]
>
> 238. Ultimately, the Company did not precisely implement its preferred plan. Based on the 2004 analysis, the preferred plan called for three 105 MW combustion turbines and a 200 MW system PPA. The three combustion turbines were completed in the summer of 2005, but the Company was unable to complete the system PPA. Instead, the Company entered into a 9-year 75 MW base load contract with the Nebraska Public Power District ("NPPD") and purchased power from Crossroads short-term for the remaining 200 MW. [footnote omitted]
>
> 239. After a thorough analysis of available options, the Company determined the 300 MW Crossroads Energy Center was the lowest cost option for meeting its requirements.

Q. Can you elaborate on the early history of Aquila management's decision making?

A. This is referring to the years of decisions made by Aquila, EMW's predecessor, since around 1998, That resulted in a deficit in owned generation and a reliance on purchased power. Those decisions can be traced back to Aquila's request to transfer its assets to an affiliated "Exempt Wholesale Generator" ("EWG") in Case No. EM-97-395, and the subsequent focus by Aquila management in investing in non-regulated assets. The series of events driven by Aquila's management decisions were publicly documented in Commission dockets and known to EMW's management when the decision was made to purchase Aquila's assets. GPE's decision to include Crossroads in EMW's generating fleet to fill a need for firm

dispatchable capacity is a direct result of Aquila's failed management decisions that led to the need for capacity in the 2007-2008 timeframe that eventually led to the inclusion of Crossroads in EMW's generating fleet. For over a decade during Aquila's ownership, Staff repeatedly and consistently challenged Aquila's reliance on purchased power agreements to meet its capacity and energy needs, and for over half a decade Staff based its determination of Aquila's revenue requirement for its MPS division on imputed combustion turbines.

Q. Can you identify some of Aquila's "failed management decisions"?

A. Yes.

- Beginning in the late 1990's Aquila had "a corporate policy not to build regulated generation units."[29] Therefore, all construction was done by a non-regulated subsidiary with the desire to sell power to regulated operations at market rates.
- Between 1983, with the completion of Jeffrey Unit 3, and 2005, with the completion of South Harper, Aquila, Inc. relied exclusively on purchased power to meet its retail customers' increasing demands for electricity.[30]
- Aquila Merchant constructed the Aries Generating Station as an EWG with a purchased power agreement with MPS, despite being conceived, planned, designed, and engineered by MPS. The Aries Purchase Power Agreement ("PPA") was an affiliate transaction and Staff made adjustments to reduce to a cost-based price.
- Aquila Merchant purchased 18 General Electric 7EA combustion turbines. Aquila Merchant marketed both the 3 turbines installed at South Harper and the 18 turbines to multiple parties, as opposed to building "steel in the ground" for Missouri customers.

Q. What is the EWG case, Case No. EM-97-395?

A. This case was filed by Utilicorp United ("Utilicorp")[31] in its anticipation of restructuring and deregulation of the electric industry in Missouri, which never came to fruition.

[29] Commission *Report and Order*, Case No. ER-2010-0356, page 80.
[30] Ibid.
[31] Utilicorp United was the parent company of MPS. Utilicorp would eventually become Aquila, Inc.

Utilicorp sought to transfer all generating assets to an affiliate that would own all generation assets and provide service to MPS through market based PPA's.

Q. What is an EWG?

A. An EWG is a non-regulated affiliate of a regulated electric utility that is exclusively in the business of owning or operating, or both owning and operating, all or part of an "eligible facility" and selling electric energy at wholesale. EWGs came into existence as a result of Section 711 of the Electric Policy Act ("EP Act") of 1992 (Section 32(k) of the Public Utility Holding Company Act). Under the EP Act, regulated electric utilities are allowed to enter into purchased power agreements with affiliated EWGs as long as certain determinations are made by their state regulatory commissions.

Q. You mentioned Aquila Merchant built the Aries Generating Station as an EWG. What is Aries?

A. Aries is now known as Dogwood, part of which was recently purchased by EMW. It is a 643 MW combined cycle power plant in Pleasant Hill, Missouri. Aries was built as an EWG to initially serve MPS with a 500 MW PPA. Because Aries was in part owned by an MPS affiliate, Case No. EM-99-369 was filed by Utilicorp in order to obtain the necessary determination from the Missouri Public Service Commission regarding the PPA between MPS and MEPPH,[32] which was the MPS affiliate who initially owned Aries.

Q. Did Aquila ever consider building Aries as part of its regulated operations?

A. Yes. In 1998, prior to the decision to build Aries by the non-regulated side of Aquila, the regulated operations of MPS considered building a 500-megawatt combined cycle

[32] MEPPH – Merchant Energy Partners Pleasant Hill. An entity jointly owned by an Aquila, Inc. subsidiary and Calpine, an independent third-party entity.

unit on the same land that Aries is now on because the MPS IRP in 1992 and 1995 called for constructing a combined-cycle plant. Because of Aquila's corporate policy to not build regulated generating units, Aquila decided this unit would be a non-regulated non-rate based EWG operating within MPS's service area, with the Aries partners bidding to provide capacity to MPS regulated operations.

In the summer of 1998, at the time of the initial evaluations of the request for proposals for capacity for MPS, which were issued on May 22, 1998, the regulated operations of Aquila responded to its own RFP with a "build" proposal. This build option to supply capacity and energy to MPS from a combined cycle unit operated by the EWG was the low-cost option at the time of the initial review phase of the RFP.

Q. Why didn't the regulated side of Aquila ("MPS") build the combined cycle unit?

A. The MPS regulated operations of Aquila presented its proposal to Robert K. Green, then Aquila's President, who made the decision that the regulated side of its operations would not build Aries. The material covered two different dates: 1) October 8, 1998, - Financial Analysis of Supply Options, and 2) October 28, 1998, - Updated Analysis of Supply Options. The presentation material was provided to Staff in response to Data Request No. 0301 (Case No. ER-2004-0034).

Generally speaking, the benefit to the utility of developing plants as merchant plants, or EWGs, is that the owners of the plant can seek increased profits from producing energy to sell at market-based rates and not being captive to a state-regulated return. Based on the filing of the EWG case, there was a belief held by Aquila that restructuring with competitive generation would be established in Missouri and that building plants as EWGs avoided the risk

of "stranded investment." No other Missouri electric utility developed generating facilities as EWGs to serve Missouri customers and restructuring never came to fruition in Missouri.

Q. When you claim that Aquila had a corporate policy not to build regulated generating units, what is the basis for that statement?

A. This policy was noted in the 2001 Aquila rate case. I have attached the response to Data Request No. 0365 in Case No. ER-2001-672 as Schedule KM-d12. Listed below is the question and response:

> **Question:** Does a) UtiliCorp United; b) Missouri Public Service; c) any other UtiliCorp affiliate have policy(ies) that all divisional generating capacity needs will be met by purchase agreements (affiliated or non-affiliated) as opposed to the divisions constructing and owning generating units?
>
> **Answer:** The Company has no formal policies or guidelines requiring resource additions to be purchased.
>
> Resource additions are planned in compliance with the Missouri integrated resource planning (IRP) rules.
>
> In addition to complying with the IRP rules, individual additions are reviewed based upon prevailing and/or expected business conditions.
>
> **The Company believes that the current regulatory climate does not warrant the business risks associated with constructing and owning rate-based generating plants.** [Emphasis added.]

Q. Is it Staff's view that Aquila should have given more consideration to building Aries as a regulated unit?

A. Yes. Staff has advocated in numerous cases since 2001 that had Aquila built Aries as a regulated generating station and rate based it in the traditional manner, Aquila likely would not have the capacity issues that created the need for EMW to rely on Crossroads for capacity. Staff has taken issue with Aquila's decision-making regarding the building of

generating units since Aquila's 2001 rate case, Case No. ER-2001-672. In each rate case since the 2001 case through the final Aquila rate cases (Case Nos. ER-2004-0034, ER-2005-0436, and ER-2007-0004), Staff expressed its concerns on the decision not to build generation units and rely on purchase power agreements to meet capacity.

Q. Had Aquila examined building a combined cycle unit as a regulated asset in the past?

A. Yes. In its 1992 Integrated Resource Plan dated February 1992, Aquila (then MPS) identified that its recommendation was to build ** [redacted] ** for MPS.[33]

Q. Did the regulated MPS initially develop the Aries project?

A. Yes. Throughout the late 1990s MPS developed the 500 MW combined-cycle unit that ultimately became Aries, now known as Dogwood. The site for Aries was land that was previously owned by MPS, the predecessor to UtiliCorp. During the early and mid-1990's, the regulated MPS expended funds to continue to study and develop the preliminary work that was necessary to prepare for construction of this project. Ultimately, Aquila's corporate management determined that the regulated MPS would not be permitted to build the Aries facility but rather its non-regulated Aquila Merchant would develop this project in partnership with Calpine. Aquila Merchant took over the Aries project in the summer of 1998.

Q. After the expiration of the Aries PPA in May 2005, was the PPA renewed?

A. No. Due to dramatic changes in the energy industry and its own deteriorated financial health, Aquila decided to divest itself of its non-regulated assets beginning in mid-2002. ** [redacted]

[33] February 3, 1992 Integrated Resource Plan-Executive Summary, Item 6.

[redacted] ** The termination of the Aries agreement culminated in a $46.6 million loss.[34] Aquila attempted to buy back Aries in a bankruptcy auction in December 2006, but was unsuccessful.

Not only did Aquila lose a combined cycle unit that should have been constructed as a regulated asset, it lost very valuable land, transmission and natural gas pipeline rights. This facility was sized for additional generating units. ** [redacted] ** The second "Aries II" was to be the three Siemens 501D turbines purchased by Aquila Merchant and stored prior to being installed by Aquila at South Harper. Aquila's decisions to give up its ownership interest in Aries, and going back even further when it decided to get a partner for Aries and construct the plant as an EWG, has caused EMW great hardship in its capacity planning and meeting the energy needs of its customers.

Q. What are examples of some of the other generating plant buying opportunities that Aquila did not take advantage of before 2005?

A. Aquila Merchant purchased 18 General Electric 7EA combustion turbines. Aquila Merchant installed 4 turbines at Crossroads in Mississippi, 4 at Racoon Creek in Illinois,

[34] Aquila, Inc. 2004 Form 10-K, Dated March 11, 2005.

and 6 turbines at Goose Creek in Illinois. Racoon Creek and Goose Creek were sold to Ameren Missouri[35] in 2006 at substantial losses. Three turbines were sold to unaffiliated entities at substantial losses, and the remaining turbine was released back to GE prior to completion, but less a substantial reservation payment. There were many opportunities to have built peaking facilities at very attractive prices in the buyer's market of 2004 when Aquila needed to be preparing to replace by the summer of 2005 the capacity it was losing with the end of the 500 MWs Aries PPA.

Q. Have other Missouri utilities this Commission regulates committed to building power plants?

A. Yes. While Aquila had not built any generating capacity since 1983 with the exception of South Harper, the rest of the electric utilities operating in the state have not followed this path during the time frame in which Aquila made its poor capacity planning decisions. EMM (then KCPL) installed eight peaking power units at three different locations in Missouri and Kansas, a combined cycle unit and substantially re-built one of its coal-fired generating units as the result of an explosion. Liberty Utilities[36] constructed several peaking generating units and a large 500 MW combined cycle unit it operates and in which it owns a 60% share (Liberty's share totals 300 MW). Ameren Missouri also committed to building peaking units to meet its regulated system load requirements in Missouri and, as recently as 2002 with Commission approval in Case No. EO-2003-0035, built a regulated unit under a Chapter 100 financing arrangement with the City of Bowling Green, Missouri. This station, Peno Creek, consists of four 47 MW turbines fired by natural gas with fuel oil as a back-up.

[35] As AmerenUE.
[36] As The Empire District Electric Company ("Empire").

In addition, in early 2006 Ameren Missouri purchased from Aquila several combustion turbines at two different generating stations located in Illinois called Raccoon Creek and Goose Creek, which formed the basis on the Crossroads rate base valuation.

Q. Were utilities building their own their generating assets during the same timeframe?

A. Unlike Aquila, the other electric utilities operating in Missouri had a policy of owning their generating assets. While utilities supplement some of their capacity needs with purchase power agreements, they substantially meet their system load requirements by owned and operated assets. For example, EMM has installed the following generating units over the past several years:

Unit	**Model**	**Unit Size**	**Year Installed**
Hawthorn 6/9[37]	Siemens V-84/GE7EA	227 MW Total	1997-2000
Hawthorn 7	GE 7EA	78 MW	2000
Hawthorn 8	GE 7EA	79 MW	2000
West Gardner 1-4	GE 7EA	311 MW Total	2003
Osawatomie	GE 7EA	77 MW	2003

EMM also rebuilt the entire boiler and upgraded the steam turbine of its Hawthorn 5 coal-fired base load unit in 2002 to repair damage when the unit experienced an explosion in February 1999.

Similarly, Liberty Utilities (as Empire) has installed the following generating units over the past several years:

Unit	**Model**	**Unit Size**	**Year Installed**
State Line 1	Siemens 501D	96 MW	1995
State Line 2	Siemens F-Model Combined Cycle	300 MW (share of Joint owned units)	2001
Energy Center 3 & 4	Pratt & Whitney	100 MW total	2003

Ameren Missouri has also installed a 48MW turbine at its Venice plant with an installation date of 2002.

[37] Hawthorn 6/9 is a combined cycle unit.

Q. These issues span over two decades. Has the Commission evaluated EMW's capacity planning?

A. The Commission discussed and evaluated these issues in the context of the evaluation of GPE seeking to include Crossroads in EMW's generating fleet in the 2010 and 2012 Rate Cases. The *Report and Orders* in those cases discuss some of the litany of poor management decisions and the various detrimental impacts to EMW's ratepayers. For a contemporaneous perspective of how the Commission viewed Aquila's management, I have attached the Concurring Opinion of Chairman Jeff Davis filed in Case No. ER-2004-0004, the final Aquila rate case prior to its acquisition.

Q. What is the significance of this concurring opinion?

A. The significance is that this is a contemporaneous commentary on the Aquila capacity issues that EMW continues to suffer from even today. Chairman Davis stated the following in this concurring opinion, attached as Schedule KM-d13:

> There is no question Aquila's decisions have been detrimental to its ratepayers. That detriment is difficult, if not impossible, to quantify; nor is it feasible to calculate whether or not those decisions should have been dealt with by this commission in previous rate proceedings subsequent to the alleged imprudent behavior actually occurring. **There is no clear answer to this question and these issues will continue to haunt Aquila management for years to come regardless of who's in charge.** [Emphasis added.]

Also of note in this concurring opinion is Chairman Davis' observation that "Aquila is taking steps to add generation capacity by partnering with KCP&L to construct the Iatan II Coal Plant and to construct two new natural gas-fueled electricity-generating turbines in Sedalia, Missouri." Aquila publicly announced the $180 million 300 MW Sedalia project on April 18, 2007. The Sedalia project would have obviated using Crossroads for EMW's generating fleet in 2008. This project was abruptly abandoned at some point prior to February 29, 2008 when

Aquila released its 2007 10-K and noted that the capital budget would be reduced by $186 million for the "new combustion turbine project".

CROSSROADS WAS A DISTRESSED PROPERTY AT THE TIME OF TRANSFER TO EVERGY WEST

Q. Please summarize this section of your testimony.

A. In this section of my testimony, I provide support for the following points:

- Prior to the 2008 acquisition, Aquila expected to have a material impairment charge if in the future it sold Crossroads as noted in their Securities Exchange Commission ("SEC") filings.
- Aquila documented prior to the acquisition that Crossroads would likely be impaired in value specifically due to transmission constraints, at a value lower than the proxy sales of Racoon Creek and Goose Creek used by the Commission to value Crossroads
- GPE and Aquila, in a joint proxy statement, found the value of Crossroads to be $51.6 million, far below its carrying value of $117.0 million.

Q. For your first point, did Aquila believe Crossroads was distressed?

A. In my opinion, yes. In publicly available SEC filings prior to the acquisition, Aquila noted the following in the March 31, 2007 10-Q, dated May 7, 2007 on page 39:

> **Earnings Trend and Impact of Changing Business Environment**
>
> The merchant energy sector has been negatively impacted by the increase in generation capacity that became operational in 2002 and 2003. This increase in supply has placed downward pressure on power prices and subsequently the value of unsold merchant generation capacity. It is generally expected that the fuel and start-up costs of operating our Crossroads plant will exceed the revenues that would be generated from the power sold. We therefore believe that during the next few years we have limited ability to generate power at the Crossroads facility for a profit. We have assessed the realizability of our investment in this plant and do not believe an impairment has occurred. We will continue to have operating and maintenance costs associated with this plant, whether it is being utilized to generate power or is idle. Additionally, we continue to wind down and terminate our remaining

trading positions with various counterparties. However, it will take a number of years to complete the wind-down, and we continue to deliver gas under our remaining long-term gas contracts which expire by early 2008. Because most of our remaining trading positions are hedged, we should experience limited fluctuation in earnings or losses other than the impacts from counterparty credit, the discounting or accretion of interest, and the termination or liquidation of additional trading contracts. As a result of the above factors, we do not expect Merchant Services to be profitable in the next two to three years.

We evaluated the carrying value of the Crossroads plant as of December 31, 2005. We performed this evaluation due to reduced spark spreads and an oversupply of generation that we expect will continue for the next few years. This situation has prevented the plant from producing significant margins and, in turn, has created losses for us. It is forecasted that these losses will continue for the next few years. We separately tested the cash flows for the plant based on estimated margin contributions and forecasted operating expenses over its remaining plant life. The peaking plant was placed into service in 2002 and we depreciate the facility over 35 years. In evaluating future estimated margin contributions, we used external price curves based on four different future price environments. In each environment, we calculated an average margin contribution based on a multi-simulation scenario analysis and then equally weighted each price environment. Based on this analysis and the level of probability we would sell this asset, the undiscounted, probability-weighted cash flows for the plant exceeded its current book value. Therefore, under SFAS 144 no impairment was required as of December 31, 2005. We have evaluated this asset as held and used. If at some future date we determine this asset is held for sale, based on current market values, we would likely record a material impairment charge. As of December 31, 2006, we reviewed market conditions and the assumptions used in the 2005 assessment and determined that no significant adverse changes had occurred. Therefore, a full assessment was not required. As of March 31, 2007, the carrying value of this plant was $117.9 million.

Q. What do you interpret from this excerpt of Aquila's 10-Q?

A. Crossroads was the last vestige of Aquila's merchant generation operations. Aquila Merchant would not be profitable, if at all, until at least after 2009 or 2010 on a

stand--alone Aquila basis. Although from an accounting perspective, no impairment charge was taken, it is clear that Aquila believed a sale would result in an impairment charge.[38]

Q. Although Aquila, Inc. did not recognize an impairment charge prior to the acquisition, did Aquila quantify a potential amount of impairment?

A. Yes. In accordance with generally accepted accounting principles and Financial Accounting Standard 144.8, "a long-lived asset shall be tested for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable." Attached as Schedule KM-d14 is the response to Staff Data Request No. 0135 in Case No. ER-2009-0090.[39] This document is an annual internal analysis of a potential impairment charge for Crossroads. This document was created for the period ending December 31, 2007 and published on January 3, 2008. The analysis noted the following concerning the impairment test:

> FAS 144.8 - A long-lived asset shall be tested for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. The following are examples of such events or changes in circumstances:
>
> > 144.8.e - A current-period operating or cash flow loss combined with a history of operating or cash flow losses or a projection or forecast that demonstrates continuing losses associated with the use of a long-lived asset.
> >
> > TRUE - Due to market conditions, the prohibitive historical cost of natural gas, and potential transmission constraints, this facility has been unable to produce sufficient profit to cover the idle operating and maintenance costs. It is forecasted that these losses will continue for the next few years.

[38] For purposes of Statement of Financial Accounting Standards ("SFAS") 144, impairment is the condition that exists when the carrying amount of a long-lived asset (asset group) exceeds its fair value.
[39] The response provided documents spanning several years; attached are the most recent.

At the end of the document, a valuation estimate is listed noting the average of four peaker plant asset sales proceeds, two of which were Racoon Creek and Goose Creek sold at substantial losses to Ameren Union Electric.[40] These were the same sales used by the Commission to value Crossroads in the 2010 and 2012 Rate Cases:

Crossroads Energy Center
FAS 144 "What-If Tested" Analysis

$-Thousands	Heat Rate Change	Gross Margin	Operating Expense	Future Cash Flow	%	Weighted Total
As of 12/31/07						
Mercury Rising	*14.0%*	$ 975,399	$ 118,224	$ 857,175	30.0%	$ 257,153
Global Fissures	*1.5%*	392,144	118,224	273,920	30.0%	82,176
Asian Phoenix	*-7.1%*	304,044	118,224	185,820	30.0%	55,746
Sale Value *(MW x $/MW)*		*340*	*148*	50,177	10.0%	5,018
Average Future Cash Flow	*2.5%*	417,982	88,705	341,773	100%	400,092
Book Value						112,204
Coverage (Below 1.0x = Potential Impairment)						3.57x
As of 12/31/06						
Mercury Rising		$ 849,629	$ 125,128	$ 724,502	22.5%	$ 163,013
Technology (Dropped)		607,035	125,128	481,907	22.5%	108,429
Global Fissures		382,770	125,128	257,643	22.5%	57,970
Asian Phoenix		325,289	125,128	200,161	22.5%	45,036
Sale Value *(MW x $/MW)*		*340*	*148*	50,177	10.0%	5,018
Average Future Cash Flow		433,013	100,132	342,878	100%	379,466
Book Value						118,856
Coverage (Below 1.0x = Potential Impairment)						3.19x

Average Peaker Plant Asset Sales

Buyer	Seller	Facility	MW	Proceeds	$/MW
Ameren	Aquila	Goose	510	$ 105,000	$ 206
Ameren	Aquila	Raccoon	340	70,000	206
Bukeye Power	DPL	Greenville	200	49,200	246
American Electric Power	DPL	Darby	450	102,000	227
Average			375	81,550	221
Crossroads Transmission Constraint Estimated Adjustment			340	(25,000)	(74)
Adjusted Average					$ 148

The analysis above shows that Aquila, without influence from GPE, believed the value of Crossroads was reduced due to transmission constraints and that the value was less than the proxy value used by the Commission. This analysis was identical to the FAS 144 analysis for the period ending December 31, 2006. Using the reduced valuation supported by Aquila, the value of Crossroads is $148.00 per KW versus the $205.88 per KW valuation used by the

[40] Now known as Ameren Missouri.

Commission using the Goose Creek and Raccoon Creek proxy sales. On a total unit basis, the Aquila valuation would result in an even lower $44.4 million versus the $61.8 million as found by the Commission.

Q. How long had Aquila believed an impairment charge would occur if Crossroads were to be sold?

A. Since at least the filing of the September 30, 2006 SEC Form 10-Q. Similar, but not exactly verbatim language appears in that 10-Q, the 2006 Annual Report, Form 10-K, and the June 30, 2007 Form 10-Q. It is only in the September 30, 2007 Form 10-Q and subsequent SEC filings that this language is changed and supplemented with information describing the use of Crossroads for Aquila's Missouri operations.

Q. How did Aquila's evaluation of Crossroads change closer to the completion of GPE's acquisition of Aquila?

A. By the time of the filing of the 2007 Aquila, Inc. 10-K Annual Report[41], Aquila added the following language describing the future of Crossroads on page 31 of that report:

> Combustion Turbine Plant
> We filed an Integrated Resource Plan with the Missouri Commission in February 2007 that included the construction of a combustion turbine plant between 2008 and 2010. The capital expenditures table above includes approximately $186 million to complete this project. We are exploring transmission options for delivery of capacity and energy from the Crossroads plant in Mississippi to our utility customers in Missouri. If cost effective for our customers, we intend to add the Crossroads plant to our Missouri rate base in lieu of constructing the new combustion turbine plant. This would eliminate most if not all of the $186 million in capital expenditures that is in the current 2008-2010 forecast for the new combustion turbine project.

Q. What is the significance of this change?

[41] Dated February 29, 2008.

A. The change did not occur until the acquisition of Aquila by GPE was pending. At the time of the pending acquisition, Aquila would not have had unilateral control over material decision making concerning capacity planning. That would have been the responsibility of GPE.

Q. Why would that have been the responsibility of GPE?

A. Aquila, Inc. was acquired by, not merged with, GPE, although colloquially this combination is referred to as a "merger." Both the evaluation of the pre-acquisition value of Crossroads, which I discuss below, and the ultimate decision to use Crossroads for long-term capacity were decisions made by senior GPE management, not Aquila, Inc. management.

Q. Did GPE recognize the distressed nature of Crossroads prior to including Crossroads in EMW (then MPS) regulated rate base?

A. Yes, it did. Great Plains Energy and Aquila estimated what each thought the market value of Crossroads would be in the spring of 2007 and again in late summer of that same year. It was determined Crossroads had a value of $51.6 million, which was communicated to both Great Plains and Aquila shareholders in a May 8, 2007, Joint Proxy Statement and again in an August 27, 2007, Joint Proxy Statement, both filed with the Securities and Exchange Commission ("SEC").

> D - The pro forma adjustment represents the adjustment of the estimated fair value of certain Adjusted Aquila non-regulated tangible assets and reduction of depreciation expense associated with the decreased fair value. The adjustment was determined based on **Great Plains Energy's estimates of fair value based on estimates of proceeds from sale of units to an unrelated party of similar capacity in the current market place. The preliminary internal analysis indicated a fair value estimate of Aquila's non-regulated Crossroads power generating facility of approximately $51.6 million.** This analysis is significantly affected by assumptions regarding the current market for sales of units of similar capacity. The $65.4 million adjustment reflects the

> difference between the fair value of the combustion turbines at $51.6 million and the $117.0 million book value of the facility at June 30, 2007. **Great Plains Energy management believes this to be an appropriate estimate of the fair value of the facility.** The adjusted value will be depreciated over the estimated remaining useful lives of the underlying assets and could be materially affected by changes in fair value prior to the closing of the merger. An additional change in the fair value of the facility of $15 million would result in an additional change to annual depreciation expense of approximately $0.5 million.
>
> [Emphasis added; Great Plains Energy & Aquila Joint Proxy Statement/Prospectus the SEC on August 27, 2007, page 194]

Q. How was the $51.6 million valuation determined?

A. As noted by EMW witnesses in the 2010 and 2012 Rate Cases, and by the Commission in the 2010 and 2012 *Report and Orders*, the $51.6 million was the fair value of the facility. The $51.6 million was determined by the approximate salvage proceeds from the dismantlement and sale of the turbines and equipment at Crossroads. This decision to value Crossroads' fair value at the approximate salvage proceeds was made solely by GPE management.[42]

Q. Why is this point important?

A. It demonstrates that GPE management believed that the only value of Crossroads to Aquila post-acquisition was as salvage value proceeds. At the time of this evaluation, GPE noted that "in particular the uncertainty of the availability of long-term transmission to areas beyond the Entergy interconnection points"[43] influenced the valuation.

Q. Prior to the acquisition of Aquila by GPE, did Aquila consider acquiring Aquila Merchant's generation assets?

[42] Response to Staff Data Request No. 0128, Case No. ER-2009-0090.
[43] Ibid.

A. No. EMW (then Aquila) recognized that location and distance from the service territory would not make ownership practical. I have attached the response to Staff Data Request No. 0299 from Case No. ER-2004-0034 as Schedule KM-d15. The question and response are listed below:

> QUESTION:
>
> Did MPS or any Aquila entity consider the option of taking over or acquiring the power plant assets that Aquila Merchant once had possession of or had rights to, but chose to sell within the last 12-18 months? If not, why not, and provide any supporting documentation for the decision.
>
> RESPONSE:
>
> Aquila Networks did review the location and possible use of the facilities to meet the load requirements of our customers, but, except for the Aries plant which is the subject of responses to numerous other data requests, the location and distance from the service territory would not make ownership practical.

Q. Did Great Plains purchase Crossroads with the intention of using it as a regulated Missouri generation plant?

A. No. In Form 425, filed with the SEC on February 8, 2007, GPE included a transcript of a joint webcast call by Great Plains Energy Incorporated, Aquila, Inc. and Black Hills Corporation that on February 7, 2007. In a conversation with Mike Chessar, then Chief Executive Officer of Great Plains, and Terry Bassham, Great Plains' Executive Vice-President and Chief Financial Officer, Mr. Bassham stated that it was Great Plains' intention to "monetize" or sell Crossroads. The relevant portion of this transcript is reflected below:

> **Mike Chesser:** Operator, we'd like to take one more question if we could because you all might expect we have quite a busy schedule ahead of us today.
>
> **Operator:** Michael Lapides of Goldman Sachs.

> **Michael Lapides:** Easy one. Mike, Terry, what are your thoughts on the peaking plant, the gas plant that Aquila owns?
>
> **Mike Chesser:** At this stage as you know it is in litigation. And it has been appealed or it has been ruled on and appealed and it's being re-appealed. We have done quite a bit of due diligence around the potential outcomes on that and we have factored that impact into our purchase price.
>
> **Michael Lapides:** I'm thinking not the regulated one but the merchant one.
>
> **Terry Bassham:** Crossroads.
>
> **Michael Lapides:** My apologies for not being –
>
> **Terry Bassham:** That is okay, Michael. As Mike said we looked at (indiscernible) from a Crossroads perspective. We looked at the ability to utilize that or sell it. Our preference would be probably to get value through monetizing it. But if not we've looked at other options as well.

Q. What is the significance of the fact that Great Plains' preference was to sell Crossroads after acquiring Aquila?

A. The significance is because Great Plains intended to sell Crossroads, it included in the amount it paid Aquila's shareholders an amount that it expected to receive from the sale of this asset. The fact that Great Plains did not sell Crossroads, despite being its stated preference, means that like Aquila, it could not find a buyer, or it decided not to sell Crossroads for some other reason.

Q. Have customers benefited from Crossroads at its correct, reduced value?

A. Yes, they have. When the Commission assessed all the evidence in the 2010 Rate Case, and again in the 2012 Rate Case, it determined that EMW's utilization of Crossroads was reasonable and prudent *only* if the plant value was substantially reduced and no rate recovery for transmission costs was included. The Commission recognized the fact GPE acquired this generating facility at a much lesser value than what was on the books of Aquila Merchant, and reflected such in its original rate decision in 2010 and again in 2012.

Thus, the inclusion of Crossroads was not a "bargain" price, but reflected a correct fair market price a willing buyer would pay for the Crossroads generating units.

Q. Has EMW realized an impact from the rate base disallowance?

A. No. GPE did not pay net book value for Crossroads. GPE did not purchase Crossroads for the $117 million as listed in the 2007 SEC filing, or the net book value requested in the 2010 Rate Case of $104 million. The Commission correctly found that a valuation based on market arms-length transactions of similar generating facilities was the price GPE paid for Crossroads at a value of $61.8 million

The Commission found the following on page 94 of its *Report and Order*:

> 271. When conducting its due diligence review of Aquila's assets for determining its offer price for Aquila, GPE would have considered the transmission constraints and other problems associated with Crossroads. [footnote omitted] It is incomprehensible that GPE would pay book value for generating facilities in Mississippi to serve retail customers in and about Kansas City, Missouri. And, it is a virtual certainty that GPE management was able to negotiate a price for Aquila that considered the distressed nature of Crossroads as a merchant plant which Aquila Merchant was unable to sell despite trying for several years. Further, it is equally likely that GPE was in as good a position to negotiate a price for Crossroads as AmerenUE was when it negotiated the purchases of Raccoon Creek and Goose Creek, both located in Illinois, from Aquila Merchant in 2006.

Q. In prior rate cases, EMW has asked the Commission to essentially "move on" and "stop visiting the sins of Aquila upon successor, Evergy Missouri West." How do you respond?

A. Although the capacity decisions through 2006 were the responsibility of then Aquila management, all decision making immediately prior to and following the acquisition are the responsibility of GPE, and now EMW management. First, GPE had the ultimate authority and made the decision to include Crossroads in EMW's generation fleet, not Aquila

management. As I explain in this testimony, from the available documentation and evidence at the time of the acquisition, Aquila management intended to continue development of the ** [redacted] **

Second, the impact of Aquila and GPE decision-making for more than two decades go far beyond just "the sins of Aquila." Utilizing Crossroads through 2028 and simply abandoning it as EMW is now planning to do will make EMW's customers pay even more for whatever replacement capacity is built. In my opinion, and based on contemporaneous documentation from data requests, standalone Aquila would never have utilized Crossroads on a permanent basis to provide service to Missouri customers. Crossroads was constructed in 2002, sat idle for several years, and was only utilized by Aquila for Missouri customers for a short term 2005 summer PPA when there were few alternatives. It is incomprehensible that Aquila, after the February 2007 IRP, "out of the blue" made its own decision to use Crossroads, a distressed, transmission constrained merchant plant 525 miles away to serve Missouri customers. GPE (now EMW), not Aquila, made these decisions, and current management has done nothing to prepare for replacing Crossroads capacity when it had several opportunities to do so. It is now EMW's responsibility to solve these problems prospectively and hold customers harmless from Aquila, GPE, and now EMW's poor decision making.

Q. What are your conclusions concerning the value of Crossroads?

A. Crossroads was a distressed property prior to being transferred to EMW and was never considered by EMW's prior management to provide EMW customers capacity on a permanent basis. The only real solution for GPE was to foist Crossroads and its excessive

transmission costs on captive Aquila customers to avoid the difficult reality that Crossroads was unprofitable and unmarketable.

CROSSROADS TRANSMISSION COSTS

Q. Why does the operation of Crossroads to serve capacity in Missouri require additional transmission expenses?

A. Because Crossroads is not located in the SPP, but rather in MISO, EMW obtained firm transmission service to transmit power back to western Missouri from this generating facility in Mississippi. In 2009, EMW signed a 20-year transmission agreement with Entergy to provide firm transmission service for Crossroads. The transmission costs are necessary to support EMW's use of the Crossroads capacity to meet SPP requirements and to bring power from Crossroads to EMW's customers.

Q. Is the location of this plant the key point supporting Staff's recommendation to disallow recovery of transmission costs?

A. Yes. The Commission decided in EMW's 2010 Rate Case that Crossroads could be included in rate base but at a substantial reduction in value as long as no transmission costs were included in rates.[44]

The Commission stated at page 90 of its Case No. ER-2010-0356 Order:

> **Ultimate Finding Regarding Prudence of Crossroads**
>
> 262. Considering the costs involved, the fact that this was an affiliate transaction rather than an arms-length transaction, the relative reliability of transmission, the excessive costs of that transmission, the reduced costs for natural gas and the alternative supply source, the distance of the power location to the customers served, and the other facts set out above, the Commission finds that the decision not to build two more 105 MW combustion turbines at South Harper was not imprudent. In addition, **the decision to**

[44] Commission's Order in Case No. ER-2010-0356, pages 90-91, 98-100 - EFIS #1085.

> **include Crossroads in the generation fleet at an appropriate value was prudent with the exception of the additional transmission expense, when other low-cost options were available. Paying the additional transmission costs required to bring energy all the way from Crossroads and including Crossroads at net book value with no disallowances, is not just and reasonable and is discussed in detail below.** [Emphasis added.]

The Commission continued on page 98 and 100:

> **Conclusions of Law- Crossroads**
>
> 29. In addition to the valuation, the Commission concludes that but for the location of Crossroads customers would not have to pay the excessive cost of transmission. Therefore, **transmission costs from the Crossroads facility, including any related OSS shall be disallowed from expenses in rates and therefore also not recoverable through GMO's fuel adjustment clause ("FAC").**
>
> **Decision – Crossroads**
>
> The Commission further determines that it is not just and reasonable for GMO customers to pay the excessive cost of transmission from Mississippi and it shall be excluded.
> [Emphasis added.]

Q. Did the fact that Crossroads is in Mississippi, contrasted with a potential or actual Missouri generating station, factor into the Commission's determination that Crossroads transmission costs should not be recovered?

A. Yes it did. On page 86 of the 2010 Rate Case *Report and Order* it states:

> 244. Staff argues that the cost of transmission to move energy from Crossroads in Mississippi to GMO's service territory justifies, in part, removing Crossroads from GMO's cost of service. The Company argues that the cost of transmission is offset by the lower gas reservation costs.
>
> 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.
>
> 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.
>
> 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.
> [footnotes omitted]

In order to fully realize the correct valuation of Crossroads by way of the proxy sales in the 2010 and 2012 Rate Case *Report and Orders*, the Commission should continue to deny recovery of transmission costs. The proxy sales were based on units that were in the purchaser's (Ameren Missouri) RTO, with no additional transmission costs. To be consistent with both the 2010 and 2012 Commission orders, the Commission should continue to disallow all transmission costs associated with Crossroads. Both these orders were unanimously voted orders.

Q. In prior cases, EMW claims that Crossroads is part of the least cost resource portfolio moving forward. Is looking at Crossroads entirely through the lens of 2025 moving forward appropriate?

A. No. The appropriate time frame must capture all the capacity planning decisions looking back to 1998 that created the circumstances at which point Crossroads was included in EMW's generating fleet. Again, I would point to the *Report and Orders* in the 2010 and 2012

Rate Cases for the discussion of the history of Crossroads for a clear and complete picture of the Commission's determinations concerning transmission expense.

Q. From the casual observer, denial of recovery of Crossroads transmission is a "penalty." Do you agree that EMW has been penalized?

A. No. The valuation adjustment and transmission cost denial are more akin to "ringfencing."

Q. What is "ringfencing"?

A. Ringfencing, in the utility industry, is when a regulated public utility financially separates itself from a parent or affiliate company that engages in non-regulated businesses. In the case of Crossroads, the Commission orders in the 2010 and 2012 Rate Cases insulate rate payers from prior poor planning decisions.

In the past, Aquila's financial losses created a situation where, in the short and long-term, debt capital costs were non-investment grade, commonly referred to as "junk bond" status. To protect its Missouri regulated customers, Aquila proactively recommended that its customers should continue to be charged long and short-term debt costs that reflect representative costs for comparable utilities with a BBB investment. This is not unlike the protections offered to ratepayers through the correct valuation of Crossroads without transmission costs. The Commission should continue to protect ratepayers from Aquila's "failed management decisions", which continue to affect EMW ratepayers.

Q. Should the Commission reconsider the base valuation of Crossroads if the Commission allows any amount of transmission cost recovery? Is a reduced valuation a new concept?

A. Yes, but this is not a new concept. Staff argued in the 2012, 2016, and 2018 rate cases that, should the Commission allow any amount of transmission cost recovery, the value of the plant should be reduced to at least the $51.6 million initial valuation found by Aquila and GPE. Depending on the amount of transmission allowed, that valuation could be reduced to $0.

Q. Why is the recovery of transmission cost and the valuation related?

A. The prudence and reasonableness of including Crossroads as a regulated Missouri generating asset and no recovery of transmission costs are inextricably linked. The Commission's justification is on page 99 of the 2010 *Report and Order*:

> 27. The Commission concludes that if included in rate base at a fair market value, rather than the higher net book value paid to its affiliate, and except for the additional cost of transmission from Mississippi to Missouri, the Company's 2004 decision to pursue the construction of three 105 MW combustion turbines at South Harper and pursue a 200 MW system-participation based purchased power agreement, and the Company's decision to add the Crossroads generating facility to the MPS generation fleet were prudent and reasonable decisions.

As determined by the Commission, adding Crossroads to rate base is prudent and reasonable **only** if 1) it is included at the fair market value as determined by the Commission, and 2) no recovery of the transmission costs from Mississippi are included. If either qualifier is changed, then Crossroads is not prudent and reasonable to include in EMW's rate base. If the Commission were to find some amount of Crossroads transmission expense should be included in the cost of service, the Commission should find a reduced rate base valuation, such as the aforementioned $51.6 million, or a rate base valuation of $0 would be appropriate given the determination of the Commission in the 2010 Rate Case. The 2012 *Report and Order*

contemplated the same when the Commission stated: "the value of Crossroads for GMO's MPS rate base shall be $62,609,430 *without transmission cost*."

Based on the Commission's findings, it is critical to the valuation methodology that was used to exclude transmission expense. The proxy valuation using the actual arms-length transactions between Aquila Merchant and Ameren Missouri actual sale was for combustion turbines located in the same RTO as the customers who the turbines would benefit. The valuation found by the Commission in 2010 and confirmed in 2012 consisted of a valuation package of 1) proxy valuation 2) deferred taxes, and 3) no transmission costs. Otherwise, EMW's actions and Crossroads addition to rate base would be imprudent.

Q. How does EMW's request in this rate case contrast with the requests in prior rate cases?

A. In the 2010 and 2012 Rate Cases, EMW requested the entirety of Crossroads transmission in cost of service. In both the 2016 and 2018 EMW rate cases, EMW requested Crossroads transmission expense in the cost of service, less the amount of disallowed transmission cost that was identified in the 2010 and 2012 Rate Cases of $4.9 million, essentially a "cap" of the disallowance and customers would be responsible for the balance. Both the 2016 and 2018 Rate Cases were settled by Stipulation and Agreements. In the 2022 Rate Case, EMW did not request any transmission expense for Crossroads consistent with the 2010 and 2012 Commission orders, but did not concede the issue according to its filed testimony and no mention was made of not renewing transmission service.

Q. Prior to the current request before the Commission, has EMW considered not renewing the transmission agreement?

A. No. In both the 2016 and 2018 EMW rate cases, there was no part of EMW's request that would suggest EMW would not renew the transmission service from Crossroads to Missouri regardless of the recovery of transmission costs. Conversely, there was no part of EMW's request in those cases that would suggest an absolute guaranteed renewal of the transmission service if the Commission capped the disallowance or included all transmission costs. It was Staff's assumption that Crossroads would provide service to EMW through its normal retirement date without the looming threat of not obtaining firm transmission service.

Q. In the 2018 Rate Case did GMO appear willing to accept some amount of disallowance and continue to operate Crossroads?

A. Yes. EMW witness Tim M. Rush identified the $4.9 million disallowance as an "equitable allocation of costs" in his rebuttal testimony in Case No. ER-2018-0146:

> **Q: In light of the denial of transmission costs historically, how does GMO justify inclusion in rates of the increase in costs?**
>
> A: The Company's position on the reasonableness of the cost of the Crossroads facility is well documented and is described in the rebuttal testimony of Company witness Crawford. Regardless of the location, the facility remains a low-cost option for providing GMO customers with generation capacity. This would be true even if full recovery was allowed for rate base and transmission costs. Even with the disallowances for rate base and transmission costs ordered in the prior cases, Crossroads continues to provide value to customers. Prior to the increase in transmission costs precipitated by Entergy's entry into MISO, the Company estimates that GMO customers were paying about $5 million annually for 300 MW of reliable peaking capacity from a diverse source, while GMO shareholders were losing $10 million annually.
>
> **If the Commission accepts the GMO position in this case, the Company will lose about $10 million annually and customers will pay about $12 million annually. This equitable allocation of costs provides customers with energy from a reasonably priced asset whose capacity is fully accredited capacity and with firm**

> **transmission to supply energy to GMO customers.** As shown in the Rebuttal Testimony of Company witness Crawford, Crossroads is much more economical than all options, including new construction.
> [Emphasis added.]

EMW proposed what it terms an "equitable allocation" between the shareholders and customers in its rebuttal testimony in the 2018 Rate Case which was at least some compromise, but this is not the solution the Commission determined was fair to customers in the 2010 and 2012 Rate Cases. The Commission found all transmission costs relating to Crossroads should be excluded from rate recovery. What EMW was proposing was not consistent with the Commission's 2010 or 2012 order. Those proposals were presented and decided by the Commission and there is no reason to believe the Commission intended the disallowed transmission costs of $4.9 million to be the only amount disallowed in the future. Allowing any amount of transmission expense in the cost of service would imply that that amount is prudent and reasonable.

EMW's request in this case is the most adverse to ratepayers compared to the last three rate cases and represents no compromise; EMW is requesting all transmission expense and if the Commission grants anything less, EMW states that it will not renew the transmission service agreement rendering the plant useless to serve Missouri ratepayers.

Q. What is the current level of transmission costs incurred for Crossroads?

A. For the test year ending June 30, 2023, Crossroads actual transmission costs were $16.7 million. This compares with the level of Crossroads transmission expenses incurred at the time of the 2010 Rate Case at $4.9 million. Starting in 2014, Crossroads transmission costs increased substantially over previous levels, to over $12.9 million. The transmission costs for Crossroads continues to increase. In recent discussions with EMW, Crossroads transmission

has increased to ** [redacted] ** **each year before one kilowatt is generated**, inclusive of MISO administrative fees and FERC assessment.

Q. What caused the dramatic increase in transmission costs in 2014?

A. Entergy, who supplies transmission service for Crossroads, joined MISO in December 2013. Entergy's move to MISO caused the substantial increase in transmission costs which have continued to escalate.

Q. If the Commission grants EMW's request to include all Crossroads transmission expenses, what will be the impact to customers?

A. It would be astronomical. The current projected retirement date of Crossroads is 2047, for a service life of 45 years. Greenwood Generating Station is comprised of GE 7B turbines, similar to Crossroads 7EA turbines. The current projected retirement date of Greenwood is 2035, which would mean Greenwood Unit 1 would be in service for 60 years. Assuming the compound annual growth rate ("CAGR") of Crossroads transmission expense from 2014 through 2024 of ** [redacted] **[45], I have calculated the estimated Crossroads transmission expense through the projected retirement date, and a longer service life assuming the 60-year life of the Greenwood turbines. For a base of reference, I have also calculated the cumulative transmission expenses assuming no increases. These amounts would be the minimum amount flowed through rates should the Commission grant EMW's request. I have also added the MISO administrative fees and Federal Energy Regulatory Commission ("FERC") assessments which Staff removed in this and prior rate cases as they are related to Crossroads. The summary is in the table below, I have included the detailed charts as Confidential Schedule KM-d16.

[45] Source: EMW data provided on July 28, 2025.

**

[redacted]	[redacted] 46
[redacted]	[redacted] 47
[redacted]	[redacted]
[redacted]	[redacted]
[redacted]	[redacted]
[redacted]	[redacted]
[redacted]	[redacted]

**

At a minimum, ** [redacted] ** will be paid by ratepayers if the Commission grants EMW's request, **before one kilowatt is generated**, because the firm transmission is incurred regardless of actual generation, in contrast to EMW's other generating facilities that incur $0 incremental firm transmission expense. A more realistic outcome will be cumulative transmission expenses of at least $1 billion through the retirement of Crossroads.

Q. The Commission has consistently denied recovery of the cost of the firm point-to-point transmission agreements under a FERC-approved tariff to bring the benefits of Crossroads to EMW's customers in western Missouri. Does Staff view the dispute relating to Crossroads as primarily involving a FERC-approved transmission rate issue?

A. No. The dispute with Crossroads transmission costs has nothing to do with FERC authorized and approved transmission tariff rates but the incurrence of transmission costs based on the facility being located outside of EMW's RTO.

[46] Ibid
[47] Test year 12 Months Ending June 2023.

Crossroads transmission costs relate only to the location of the generating facility which causes EMW to be charged for the transmission of electricity to serve its customers in western Missouri. If the Crossroads facility were located in the SPP, no incremental transmission costs would be recognized under network services since SPP allows its members to transmit power throughout its RTO area without incurring additional transmission costs. There would not be an issue regarding transmission costs because those costs would be "zero."

Q. Does that mean transmission service is free?

A. No. EMW pays for network integrated transmission service ("NITS") from SPP. Most of the charges are credited back to EMW since the generating units are primarily on EMW transmission lines within EMW service territory. The cost of these transmission lines is in the cost of service and is primarily paid for by EMW retail customers.

Q. As a merchant plant, was Crossroads geographically located specifically to take advantage of transmission constraints and volatile pricing?

A. Yes, that was the reason it was located in Clarksdale, Mississippi.

In 2005, Staff interviewed Dave Kreimer, Director of Engineering of Aquila Networks. Mr. Kreimer was directly involved with the establishment of Aquila Merchant Services who constructed Crossroads. I have attached the interview notes as Confidential Schedule KM-d17, as verified by Aquila as a response to a Staff Data Request No. 0056.1 in Case No. EO-2005-0156. Of note is his statement concerning the potential Aries II power plant:

** [redacted] **

Q. Did Aquila Merchant have a purchased power agreement with MPS for Aries II?

A. ** [redacted] ** The second "Aries II" was to be the three Siemens 501D turbines purchased by Aquila Merchant and stored prior to being installed by Aquila at South Harper.

LOCATION OF POWER PLANTS

Q. Crossroads is located in Clarksdale, Mississippi. It is not unprecedented in Missouri for recovery of transmission costs related to an out-of-state generating facility to be allowed. Why is Crossroads different?

A. There are many examples of power plants that are located in another state or even outside the service territory of a utility. Evergy Missouri Metro itself has several examples of its power plants located in areas not served by it. Iatan 1 and 2, LaCygne 1 and 2, and Wolf Creek are all examples of generating facilities located outside of the utility's service territory. However, the difference is Evergy Missouri Metro does not incur millions of dollars of transmission costs to benefit from the electricity generated from these power units. While these units may be located in regions outside those served by Evergy Missouri Metro, all the units are within the SPP footprint. None of the units incur any incremental firm transmission costs to move power generated to Evergy Missouri Metro's customers.

Q. Is it common for a utility to pay for incremental firm transmission service to receive power from its own generating facilities?

A. No. None of EMW's other generating units and none of Evergy Missouri Metro's power plants incur incremental transmission costs because all those generating units are located within the SPP RTO.

Q. Liberty Utilities' ("Liberty") Plum Point generating unit is an example of a power plant being located in another state where Liberty is able to get this plant's transmission costs in rates. What is Plum Point?

A. Plum Point is a 665 MW coal-fired generating unit located near Osceola, Arkansas that went into commercial operation on September 1, 2010, with combination ownership. Liberty has 50 MW of ownership with the option to purchase another 50 MW, pursuant to a long-term purchased power agreement.

Q. Why does Liberty receive rate treatment for Plum Point transmission costs, when the Commission determined it was not appropriate for Crossroads to receive rate treatment for its transmission costs?

A. There are several reasons why Liberty has successfully obtained rate recovery of Plum Point transmission costs:

- Liberty's ownership share of Plum Point was always intended to be a regulated facility. As such, during the economic decision-making process with regulators and stakeholders, all costs of Plum Point, including its transmission costs, were considered. When Liberty considered investing in Plum Point, it approached the Commission, Staff, and various stakeholders to fully examine the merits and economic consequences of participating in Plum Point. Extensive analysis and review took place before Liberty, and ultimately stakeholders, agreed to Liberty's investment in this base load facility. Ultimately, Liberty and the various stakeholders agreed to a Regulatory Plan in Case No. EO-2005-0263, very similar to the plan parties agreed to with Evergy Missouri Metro's Regulatory Plan (Case No. EO-2005-0329). It was during this extensive evaluation where all the cost estimates, including transmission costs, were considered. Crossroads, as a merchant plant, was never intended to be part of regulated utilities operations. Consequently, there was never an assessment and evaluation by a regulatory body and the various stakeholders that considered Crossroads costs, and especially its transmission costs.

- Crossroads is used very little while Plum Point is a base load unit that generates a significant amount of Liberty's energy needs. Crossroads' limited usage drives up the transmission costs on a per megawatt-hour basis compared to the base load generation of Plum Point. Plum Point's energy output is simply more critical to Liberty than Crossroads generation.

- Crossroads' transmission costs are substantial as a peaking unit, in comparison to its overall O&M expenses. For a base load unit, Plum Point's total transmission costs are a significantly less portion of overall O&M expense.

- Plum Point serves customers for each state Liberty operates in, including the state of Arkansas where this generating facility is located.

- Unlike combustion turbine peaking units, Plum Point is a base load unit requiring large amounts of land and water to operate the generating unit. It is far more difficult to find suitable sites for large-scale base

load units compared to peaking stations. While it is typical for base load units to be further away from utility service areas, peaking units are generally much closer to customers, and, with the exception of Crossroads, are within the utilities' RTO.

- Liberty was too small of a utility to be able to build a base load unit like Plum Point or Iatan 2 on its own and, therefore, had to partner with others to participate in these large scale generating units. With such a small share of Plum Point, Liberty was at the mercy of where these plants are built such as where Evergy Metro's Iatan 1 and 2 power plants and the Plum Point station are located. Both Iatan and Plum Point facilities are well outside the service areas of Liberty. But those circumstances were well known at the time of decisional-prudence reviews by regulators and taken into consideration. There were no such decisional reviews conducted for Crossroads, as that power plant was developed as a merchant plant and did not have to go through the scrutiny of state regulation.

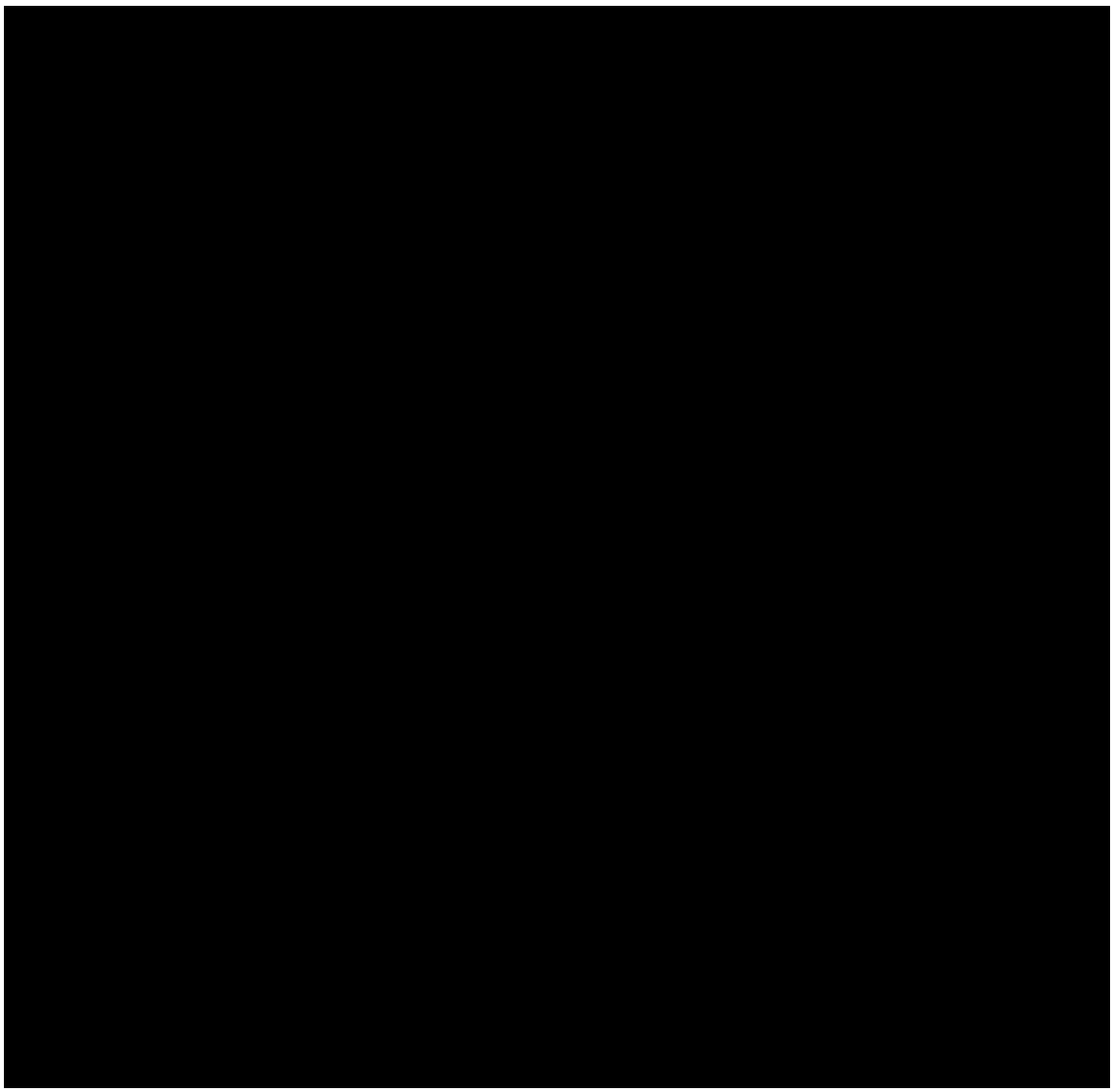
Q. Why is Plum Point different from a generation perspective?

A. Crossroads is used far less than Plum Point, so the transmission costs per MWH is substantially higher for Crossroads than Plum Point. Simply put, Plum Point and Crossroads is an apples-to-oranges comparison as I will explain further.

Q. What are Plum Point's generation and transmission costs in relation to the MWH's produced compared to Crossroads?

A. Below is a table that identifies Plum Point's levels of generation by year since its operations began in 2010. Crossroads and Plum Point pay the same rate under the MISO tariff for service.[48] Included in this table are the transmission costs by year incurred by Empire to transmit power back to the SPP:

[48] EMW witness Burton Crawford Surrebuttal Testimony, page 2, Case No. ER-2016-0156.

**

**

Source: Liberty Electric Case No. ER-2016-0023 Data Requests 108 and 196, Case No. EO-2018-0244 Data Request No. 0063, Generation Data Filed on EFIS, Case No. ER-2024-0261, Data Request No. 0500

As a peaking unit, Crossroads is used far less and the transmission cost per MWH is far greater:

continued on next page

Year	Crossroads Transmission Costs[49]	Crossroads Net Generation MWhs	Crossroads Transmission Costs per MWh
2024	** [redacted] **	** [redacted] **	** [redacted] **
2023	$15,709,528	208,365	$75.39
2022	$16,973,509	196,525	$86.37
2021	$14,833,678	75,175	$197.32
2020	$12,624,032	118,549	$106.49
2019	$11,523,158	126,745	$90.92
2018	$10,690,227	64,471	$165.81
2017	$11,356,162	12,353	$919.30
2016	$12,282,484[50]	23,261	$528.03
2015	$12,467,975	19,992	$623.65
2014 (Entergy in MISO)	$12,247,388	70,616	$173.44
2013	$4,323,166	44,559	$97.02
2012	$3,690,572	84,865	$43.49
2011	$4,747,065	88,681	$53.53
2010	$4,744,507	23,719	$200.03

Q. Using the projections of transmission costs detailed earlier in your testimony, how much will transmission costs be per MWH in the future?

A. Using a net capacity factor of ** [redacted] ** projects ** [redacted] ** MWH of annual generation[51].

**
[redacted]
**

[49] Account 565 costs only, does not include additional transmission costs of MISO administration fees and MISO FERC assessment.
[50] Does not include a one-time MISO resettlement and rate adjustment.
[51] As used in Mr. VandeVelde's Crossroads Capacity Model.

For comparison, the average retail price of electricity to ultimate consumers in Missouri for June 2025 is $135.50/MWh.[52] The per MWh transmission costs for Crossroads include no gas, no O&M, and no return on investment.

Q. Do you know of any other utility that has a peaking facility outside of its RTO?

A. No. I know of no other utility that has a peaking plant in another RTO and is paying such high transmission costs.

Dogwood Energy, LLC, who had consistently intervened in EMW's rate cases, filed testimony that no other utility sites combustion turbines so far from the utility's load center:

> **Q. WHAT IS THE MOST DISTANT GMO UNIT AT THIS TIME?**
>
> A. The most distant GMO unit, the Nevada unit, is approximately 108 miles from GMO's load center (see Schedule JLR-1). The average distance of GMO units, excluding Crossroads, to the load center (Kansas City) is 69 miles. In contrast, and as noted, Crossroads is roughly 400 miles away.
>
> **Q. ARE YOU AWARE OF ANY OTHER COMBUSTION TURBINE PEAKING PLANTS IN THE UNITED STATES LOCATED SO FAR FROM THE UTILITY LOAD CENTER.**
>
> A. No.[53]

Q. Is there another example of a utility owning base-load generation outside of its RTO?

A. Yes. Columbia Water and Light ("CWL") in Columbia, Missouri has a PPA for 20 MW of Iatan 2 for its operational life, not unlike Liberty's ownership and PPA with Plum Point. CWL is a member of MISO and Iatan 2 is in SPP. CWL pays SPP for point-to-point transmission service for the capacity and energy of Iatan 2. Like Plum Point, Iatan 2 is a

[52] United States Energy Information Administration website
[53] Dogwood Energy, LLC witness Judah Rose Surrebuttal, page 28, Case No. ER-2009-0090.

baseload coal unit that operates much more than any combustion turbine owned by EMW; thus, the economics of incurring substantial transmission costs for this resource are justified. The justification would be even greater for Iatan 2 in that its boiler is of a supercritical design with a lower heat rate than Plum Point's sub-critical design; thus, Iatan 2 is more efficient.

MISSED OPPORTUNITIES TO REPLACE CROSSROADS CAPACITY

Q. If EMW's intention is to abandon, dismantle and scrap Crossroads at the expiration of the transmission agreement, should it have been preparing to replace the capacity?

A. Yes, absolutely. Other than increased transmission costs due to Entergy's move to MISO in 2013, the only change that has occurred is senior management. Since the inclusion of Crossroads in the 2010 Rate Case, the first indication that Crossroads would be abandoned was February 2, 2024 with the filing of EMW direct testimony in this rate case. If EMW is going to abandon Crossroads so far in advance of its projected retirement date, EMW has failed to take advantage of opportunities to replace the capacity since the 2010 Rate Case.

Q. When EMW included Crossroads in its generating fleet, do you believe Staff or the Commission thought it would be on a temporary basis?

A. No. Abandoning Crossroads, or any fully operational generating facility so far in advance of its retirement date, would be without precedent. Greenwood is comprised of GE 7B turbines, similar to Crossroads 7EA turbines. The current projected retirement date of Greenwood is 2035,[54] which would mean Greenwood 1 would be in service for 60 years.

[54] Direct testimony of EMW witness John Spanos, Case No. ER-2022-0130. This date has updated to ** [redacted] ** years (Source: Data Request No. 0058, Case No. ER-2024-0189), but for comparison purposes, I have used a 60 year life.

The current projected retirement date of Crossroads is 2047[55], for a service life of 45 years. If abandoned, EMW customers would be deprived of at least 18 years of useful life of Crossroads, or 33 years of useful life if the service life of Greenwood 1 is assumed.

Q. What capacity opportunities has EMW failed to take advantage of?

A. Staff is aware of at least three missed opportunities since 2010 to replace Crossroads firm dispatchable capacity, which I will discuss below:

- Merchant portion of Jeffrey Energy Center ("JEC")
- Dogwood
- Sibley 3

Q. What is the merchant portion of JEC?

A. JEC is a three-unit coal-fired baseload generating facility totaling 2,186 MW built between 1978 and 1983. EMW has owned 8% of plant from its inception with the balance either leased or owned by Evergy Kansas Central, so the addition of the 8% formerly leased portion owned by Evergy Kansas Central (discussed below) would be a natural fit.

The merchant portion of Jeffrey became available when the Kansas Corporation Commission ("KCC") rejected its inclusion in Evergy Kansas Central ("EKC") rates, as noted in the 2019 Evergy, Inc. 10-K:

> Evergy Kansas Central Fuel Recovery Mechanism Recovery of 8% of Jeffrey Energy Center (JEC)
>
> As part of the non-unanimous stipulation and agreement approved by the KCC in September 2018 in Evergy Kansas Central's 2018 rate case, it was agreed that in the event that Evergy Kansas Central purchased the 8% ownership interest in JEC that it had historically leased from a trust it would be entitled to file a request with the KCC to recover operating and maintenance and capital costs associated with the 8% ownership through its fuel recovery mechanism as these

[55] This date has been updated to ** [redacted] ** (Source: Data Request No. 0058, Case No. ER-2024-0189), but for comparison purposes, I have used 2047.

amounts were not reflected in Evergy Kansas Central's rates established as part of the 2018 rate case.

In the first quarter of 2019, Evergy Kansas Central entered into an agreement with the trust to extend its lease of the 8% interest in JEC from the previous expiration date of January 2019 to August 2019 and to then purchase the 8% ownership interest from the trust at the time the lease expired. Pursuant to the agreement, Evergy Kansas Central's purchase of the 8% ownership interest of JEC closed in August 2019.

In March 2019, Evergy Kansas Central filed an application with the KCC to request recovery through its fuel recovery mechanism of deferred lease expense and operating and maintenance expense incurred during the lease extension and future operating and maintenance expense subsequent to the purchase of the 8% ownership interest in JEC. In September 2019, the KCC issued an order finding that the lease extension and subsequent purchase of the 8% ownership interest by Evergy Kansas Central were not prudent and disallowed the recovery from retail customers of all associated capital and operating costs that were incurred during the lease extension and will be incurred in the future. The KCC order also provided that Evergy Kansas Central be allowed to retain any wholesale electricity sales associated with the 8% ownership interest of JEC.

As a result of the KCC order in September 2019, Evergy and Evergy Kansas Central recorded an $8.4 million pre-tax loss to operating and maintenance expense in their consolidated statements of income and comprehensive income in 2019 associated with the write-off of a regulatory asset for the deferred lease expense and other operating expenses.

Q. ** [redacted] **

A. ** [redacted]

[redacted] **

Q. Is the merchant portion of EMW still available?

A. No. EKC sought to include the merchant portion of JEC in its rate base in Docket No. 23-EKCE-775-RTS before the KCC. EKC and the other parties to that rate case agreed to a Unanimous Settlement Agreement dated September 29, 2023 and approved by the KCC on November 21, 2023. In that agreement, the parties agreed that the merchant portion of JEC would be included in rate base and reflected in EKC's revenue requirement.

Q. Please describe missed opportunities to purchase capacity at Dogwood.

A. Starting in 2012, Kelson Energy, who wholly owned Dogwood, began selling ownership portions of the plant to interested parties. Independence Power & Light ("IPL"), a municipal utility serving the City of Independence, Missouri, bought 75 MW (12.3%) of Dogwood on April 1, 2012 for $45.8 million, or $611.80/KW. The offer to IPL was up to 100 MW of Dogwood capacity. The Board of Public Utilities ("BPU"), a municipal utility serving Wyandotte and Johnson Counties in Kansas bought 110 MW (17%) of Dogwood on December 18, 2012 for approximately $75 million, or approximately $681.81/KW. Kansas Municipal Energy Agency ("KMEA") bought 62 MW in 2017. The Kansas Power Pool bought 42 MW in 2012 and another 20 MW in 2015 for a total of 10.3%. Missouri Joint Municipal Electric Utility Commission ("MJMEUC") bought an aggregate share of 16.4% starting in 2012. Dogwood Energy is selling the remaining 11.7% share (75MW) to MJMEUC over a three-year period starting in 2024

for $30 million, or $400/KW. By 2026 Dogwood Energy will no longer have an ownership stake in Dogwood and MJMEUC will own 28.1% of the plant.

Q. These prices are much higher than the Crossroads valuation of $205.88/kW. Why would EMW have considered buying a portion of Dogwood?

A. Firm, dispatchable, reliable capacity is not cheap. Kelson Energy purchased Aries (now Dogwood) from Calpine post-bankruptcy for $233.6 million, or $395.93/kW in December 2006.[56] Aquila, Inc. bid in the bankruptcy auction but was not the winning bidder. EMW recently purchased 143 MW of the facility for approximately ** [redacted]. ** Dogwood has many advantages over comparable peaking facilities:

- It is served by two gas pipelines with firm transportation: Southern Star Central Gas Pipeline ("SSCG") and the Panhandle Eastern Pipeline ("PEPL");
- Dogwood's average heat rate from 2018-2022 was 7,725 Btu/kWh, compared to the average heat rate for the EMW combustion turbine fleet in 2022 of approximately 14,000 Btu/kWh, which means Dogwood is almost twice as efficient when in full combined-cycle operation;
- The plant is adjacent to EMW's substation;
- The plant is in the SPP footprint and does not incur similar firm transmission costs as Crossroads; and,
- The plant was initially designed by MPS, and was built to serve MPS customers during its initial years of operations, as owned by Calpine and Aquila Merchant.

Like the JEC merchant facility, the additional 75 MW purchased by MJMEUC could have been just as easily purchased by EMW considering EMW's plans to abandon Crossroads.

Q. How is Sibley 3 a missed opportunity?

[56] At the time it was purchased out of bankruptcy, Aries (now Dogwood) was rated at 590 MW. It is now rated at 643 MW summer rated capacity.

A. Sibley 3 was a 420 MW coal-fired generation unit constructed in 1969. ** [redacted] **

Q. Is it your opinion the retirement of Sibley 3 was imprudent?

A. No. The continued operation of Sibley 3 was not realistic given the realities of tightening environmental restrictions and retirements of coal-fired units across the industry. However, if simply abandoning Crossroads was an option, which was heretofore incomprehensible and without precedent, then continued operation of should have been considered. But losing both Sibley 3 and Crossroads within a decade of one another will put EMW in an even shorter capacity position.

Q. Can you summarize your direct testimony concerning Crossroads?

A. The Commission correctly found that Crossroads transmission should not be recovered through the cost of service, and the Commission should reaffirm that finding. Crossroads was built as a merchant plant in Mississippi, 525 miles away from EMW. Crossroads was never intended to provide EMW customers capacity on a permanent basis. Crossroads was a distressed property prior to being transferred to EMW and was never considered by EMW's prior management to provide EMW customers capacity on a permanent basis. If EMW's intention was to dismantle and scrap Crossroads at the expiration of the transmission agreement, it should have been preparing to replace the capacity and has failed to take advantage of opportunities to replace the capacity since the 2012 Rate Case. If EMW

chooses to not renew the transmission service enabling Crossroads capacity, EMW has options to replace the capacity. EMW could also dismantle and relocate the plant.

Q. Does that conclude your direct testimony?

A. Yes.

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	))))	Case No. ER-2024-0189

AFFIDAVIT OF KEITH MAJORS

STATE OF MISSOURI)
) ss.
COUNTY OF Jackson)

COMES NOW KEITH MAJORS and on his oath declares that he is of sound mind and lawful age; that he contributed to the foregoing *Direct Testimony of Keith Majors*; and that the same is true and correct according to his best knowledge and belief.

Further the Affiant sayeth not.

KEITH MAJORS

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Jackson, State of Missouri, at my office in Kansas City, on this 12th day of September 2025.

B. L. STIGGER
NOTARY PUBLIC - NOTARY SEAL
STATE OF MISSOURI
MY COMMISSION EXPIRES JANUARY 2, 2028
JACKSON COUNTY
COMMISSION #24332661

Notary Public