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**

STAFF'S POST-HEARING REPLY BRIEF

Respectfully Submitted,

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COMES NOW Staff of the Missouri Public Service Commission ("Staff"), by and through undersigned counsel, and for its *Post-Hearing Reply Brief* states as follows:

Unsurprisingly, Evergy Missouri West ("Evergy") chose to gloss over much of the Crossroads history in its Initial Brief. This omission highlights the conflict between Evergy's current request and the clarity of two previous Commission decisions regarding both the valuation of Crossroads and the cost recovery of transmission expenses, which are now approaching $19 million annually and will increase at a 4.2% rate with seemingly no end.[1] Failure to acknowledge the history also reflects the overwhelming strength and quantity of evidence provided on the subject by Staff, the Office of Public Counsel ("OPC"), and the Missouri Energy Consumers Group ("MECG").

In large measure, Evergy ignores how Crossroads came to serve Missouri customers. Instead, it attempts to rely on, as it has in the past, the fact that none of the current Commissioners have a deep familiarity with the various Aquila debacles, of which there are many, that led to Evergy's latest attempt to foist the increasing transmission expense of Crossroads on Missouri ratepayers.

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[1] Exhibit No. 281 – Majors Rebuttal, page 13, lines 1-4, Footnote 16.

I. <u>The Facts Supporting the Commission's Determination in Crossroads I and Crossroads II Have Not Changed:</u>

Both Crossroads I[2] and Crossroads II[3] were unanimous decisions with no dissenting or concurring opinions. Applications for rehearing were denied in both Crossroads I and Crossroads II in unanimous decisions with no dissenting or concurring opinions.[4] Notably, Evergy witness Mr. Gunn was Chairman and presided over the unanimous decisions and denials of rehearing.

II. <u>Crossroads Transmission Costs are Not Just and Reasonable Costs to be Reflected in Customer Rates:</u>

The Commission found the decision to include Crossroads to serve Missouri customers was prudent with the exception of the additional transmission expense:

> 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 [Greater Missouri Operations] does not incur any transmission costs for its other production facilities that are located in its MPS [Missouri Public Service] district that are used to serve its native load customers in that district. This ongoing transmission cost GMO incurs for Crossroads is a cost that it does not incur for South Harper, and is the cause of one of the biggest differences in the on-going operating costs between the two facilities.
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> 247. It is **not just and reasonable** to require ratepayers to pay for the added transmission costs of electricity generated so far away in a transmission constricted location. Thus, the Commission will exclude the excessive transmission costs from recovery in rates.

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[2] ER-2010-0356 (Crossroads I) Report and Order, page 222.
[3] ER-2012-0174 (Crossroads II) Report and Order, page 67.
[4] Exhibit No. 281 – Majors Rebuttal, Schedules KM-r14 and KM-r15.

> 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 in 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 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.[5]

The Commission's rationale in Crossroads II was substantially the same for denying cost recovery as in Crossroads I:

> Transmission Costs. GMO asks the Commission to depart from the previous rulings and include in MPS rates the costs of transmitting power from Crossroads to MPS territory but it has not carried its burden of proof on that claim.
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> Findings of Fact
>
> 1. Crossroads is 500 miles from GMO's MPS territory.
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> 2. Between the territory of MPS and Crossroads are the territories of regional transmission organizations ("RTOs"). RTOs collect payment for the transmission of power through their territories. GMO does not belong to all those RTOs so GMO must pay higher fees for transporting power than to an RTO of which GMO is a member.
>
> 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.

[5] Crossroads I Report and Order, pages 87, 90-91, emphasis added.

Discussion, Conclusions 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…
>
> …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.[6]

Section 393.130.1, RSMo., prohibits the inclusion of any "unjust or unreasonable charge." The exclusion of charges demanded by a utility that are unjust and reasonable is not only well supported by past Commission decisions (including Crossroads I and II), but also by the courts of Missouri, specifically this exact issue regarding Crossroads transmission expense.

The Missouri Western District Court of Appeals considered the decision by the Commission in Crossroads I that it would be unjust and unreasonable to require captured ratepayers to pay for the added transmission costs of electricity transmitted from Crossroads.[7] Even though the Commission found that the decision to include Crossroads in Evergy's operations was prudent, the added transportation costs associated with transporting the electricity to Missouri were not.[8] The Western District went on to hold that, so long as the Commission determined that the expenditure was imprudent and that the imprudence would harm ratepayers, the denial of the recovery of that expenditure from ratepayers was lawful and reasonable.[9]

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[6] Crossroads II Report and Order, pages 58-59, emphasis added.
[7] *State ex rel. KCP & L Greater Missouri Operations Co. v. Mo. Pub. Serv. Comm'n*, 408 S.W.3d 153, 162 (Mo. Ct. App. W.D. 2013)
[8] *Id*. at 162-163.
[9] *Id*. at 163.

Further, the Commission and the Western District highlighted the following that is relevant to this latest attempt by Evergy to burden ratepayers with its past management mistakes:

> It was not the amount of Crossroads transmission costs that the PSC disallowed; it was the concept of requiring ratepayers to pay for any Crossroads transmission costs in the first place.[10]

This cannot be emphasized enough: Evergy's captive ratepayers should not be required to pay for the ever-increasing transmission costs of Crossroads, not because of the amount, but because the very concept is unjust and unreasonable. Evergy's management chose to continue using a plant located in Mississippi, far outside of its Missouri service area and outside of Evergy's own RTO. It is up to Evergy's management to rectify this situation, and that remedy should not be once again asking the Commission to harm Evergy's ratepayers in order to remedy management's mistakes.

It is also worth noting that the Western District has used its decision regarding the unjust and unreasonable charging of ratepayers for Crossroads transmission expense to support the "reasonable exercise of the PSC's discretion and expertise in determining just and reasonable expenses to be borne by ratepayers,"[11] including the sharing of rate case expense.[12] Crossroads transmission costs are not just and reasonable for three primary reasons:

1. The costs of the transmission are excessive;

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[10] *Id*. at 165.
[11] I*n re Kansas City Power & Light Co.'s Request for Auth. to Implement a Gen. Rate Increase for Elec. Serv.*, 509 S.W.3d 757 (Mo. Ct. App. W.D. 2016).
[12] *Id*. at 775-779.

2. Other low-cost options were available to supply capacity prior to inclusion of Crossroads to serve Evergy (then Greater Missouri Operations "GMO") customers; and
3. Excessive transmission costs are not outweighed by lower fuel costs.[13]

1. **The Costs of Crossroads Constrained Transmission are Excessive:**

In Crossroads I, the Commission identified Crossroads transmission costs as excessive at least four times.[14] In reading Crossroads II, the Commission did not use the term "excessive" but did note that closer generating facilities such as South Harper and Dogwood did not incur high transmission costs.[15] As noted by the Western District Court of Appeals, it is not the cost, but the very concept that is not just and reasonable.[16] The proxy valuation used by the Commission compared Crossroads to plants purchased by Ameren Missouri that are within their RTO, so no incremental transmission expenses are incurred.[17] If the $4.9 million of Crossroads transmission costs was excessive as found in Crossroads I, and $5.2 million of Crossroads transmission costs was excessive as found in Crossroads II, then the current and ever-growing level of $18.1 million is even more so.

For perspective, using the low-end estimate of transmission costs Evergy is seeking to recover through current retirement in 2047, or $726.1 million,[18] Crossroads could have been dismantled and relocated over 20 times using the relocation estimates in 2008[19] when Evergy's current management, not Aquila, decided to use Crossroads.

[13] Exhibit No. 281 - Majors Rebuttal, page 6, lines 11-16.
[14] Crossroads I Report and Order, page 87, 90, 99, and 100.
[15] Crossroads II Report and Order, page 58.
[16] 408 S.W.3d at 165.
[17] Exhibit No. 281 - Majors Rebuttal, page 20, lines 2-4.
[18] *Id*, page 13, lines 1-4.
[19] Exhibit No. 280 - Majors Direct, Schedule KM-d5.

Using the more realistic cumulative transmission costs through 2062 of $1.732 billion, Crossroads could have been dismantled and relocated nearly 50 times. Using the current transmission expense of $18.1 million and the relocation estimates in 2008, the payback period is only two years. If Evergy relocated Crossroads at any prior opportunity, the costs could already have been offset by the savings resulting from avoiding the excessive transmission costs

Rather than dismantling and relocating Crossroads in 2008, Evergy chose to enter into a 20-year transmission service agreement which was not even required at the time.[20] Evergy did not have firm transmission service at the time it decided to use Crossroads for Missouri customers.[21] For several years prior to 2008, Crossroads was able to use monthly firm transmission capacity for the summer months (June, July, August, and September) from the Entergy system to Evergy. Since Crossroads is comprised of peaking plants, it is needed for meeting Evergy's summer peak.[22] Other low-cost options have been available to Evergy again and again. Dismantling and relocating Crossroads has been one of those options. Incremental transmission costs would not be incurred under this option.

Crossroads has at least three forms of transmission constraints, two of which continue to limit its capabilities. The Commission identified the first constraint in Crossroads I:

<u>Special Protection Scheme</u>

> 248. Crossroads faces local (Mississippi) transmission constraints, because the existing lines cannot carry the full load of the plant under certain circumstances. As a result, it

[20] Transcript Vol. 9, page 135, lines 1-23.
[21] *Id*.
[22] Exhibit No. 281 - Majors Rebuttal, page 44, lines 6-13.

> is subject to a special protection scheme mandated by the Southwest Power Pool ("SPP").
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> 249. The special protection scheme requires the ramp down of the output of one of its four combustion turbines if a particular one of the two transmission lines used to move energy from Crossroads to MPS becomes unavailable. This risk of capacity loss is one of the transmission-related risks of Crossroads. GMO's MPS retail customers should bear neither the costs nor risks associated with the transmission limitations in getting electricity from Crossroads to MPS. In determining that transmission costs will be excluded, the Commission has sufficiently addressed these risks and costs.[23]

As discussed in the hearing, this special protection scheme exists today.[24] Because of Crossroads' location in Mississippi, this transmission constraint limits the capability of the units. Had the units been located in Evergy's service territory,[25] these transmission constraints would not exist.

The second transmission constraint is that Evergy has four 75 MW transmission agreements for firm transmission service. The units themselves have a higher rating of approximately 307 MW summer capacity and 362 MW winter capacity. This additional capacity cannot be utilized because it exceeds the 300 MW (4 x 75 MW) limitation.[26]

The third transmission constraint is based on where Crossroads was built. Staff interviewed one of the original developers of Crossroads who was in charge of merchant operations.[27] This individual noted that Aquila Merchant purchased turbines and installed them in places in the United State where transmission constraints existed and there was

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[23] Crossroads I Report and Order, pages 87-88, multiple footnotes omitted.
[24] Transcript Vol. 9, pg. 137, lines 13-25 and page 138, lines 1-3.
[25] Exhibit 280 - Majors Direct Confidential, page 43, lines 9-18.
[26] Transcript Vol. 9, page 138, lines 4-12. Mr. Majors confused the winter and summer capacity at the hearing. See Exhibit 281 - Majors Rebuttal, Schedule KM-r6, page 83.
[27] *Id*, page 138, lines 13-25 and page 139, lines 1-8.

difficulty getting power into the specific area.[28] Crossroads was one of those locations. To obtain firm transmission service, network upgrades in the range of $20-$30 million were necessary. As opposed to paying for these upgrades up front, Evergy was able to spread these costs over 20 years through the firm point-to-point transmission service. These upgrades were made in the 2009-2011-time frame.[29]

In summary, nothing has changed to suggest Crossroads transmission costs are not excessive, and thus they remain unjust and unreasonable to include in the cost of service.

2. **<u>Other Low-Cost Options Were Available at the Time Crossroads was included in Rate Base:</u>**

As the Commission found in Crossroads I, other low-cost generation options were available when the decision was made to include Crossroads in Evergy's generation fleet.[30] Throughout its order, the Commission discussed at length Evergy's historical capacity issues and in particular the difference between Evergy's "least cost" resource plan and the "preferred" resource plan.[31] Staff discussed these options and Evergy's historical capacity issues in its Initial Brief and will not repeat that history here. Those facts found by the Commission in Crossroads I have not changed and remain to justify the Commission's overall approach to Crossroads.

[28] Exhibit 280 - Majors Direct, Schedule KM-d17.
[29] Transcript Vol. 9, page 139, lines 10-11.
[30] Crossroads I Report and Order, page 91.
[31] Crossroads I Report and Order, pages 83-84.

3. <u>Excessive Transmission Costs Are Not Outweighed by Lower Fuel Costs:</u>

Evergy notes various facts concerning Crossroads' availability and fuel diversity in its Initial Brief.[32] Fuel prices continue to fail to justify what has become nearly $19 million in transmission expenses. Crossroads natural gas prices have been higher than those for Evergy's South Harper and Greenwood plants in most years,[33] as noted in Staff's Initial Brief. In its analysis of natural gas costs Staff used actual gas costs from data request responses provided by Evergy. Evergy used average gas daily marginal prices from the pipelines which may not be representative of the actual prices paid.[34]

Contrary to Evergy's claims, Crossroads availability during extreme weather events is not unique. Greenwood was available during the "polar vortex" in January-February 2014 and had lower variable fuel costs.[35] During Winter Storms Uri and Elliot, Greenwood and South Harper were available for generation.[36]

Finally, Evergy notes that locational marginal prices ("LMP") have exceeded Evergy's load LMPs, producing margins returned through the fuel adjustment clause ("FAC").[37] Staff agrees; however, these margins pale in comparison to transmission costs. During the period of 2014-2024, Crossroads produced revenues at a net loss in every year.[38] These losses will continue to grow as transmission expense balloons at a rate of 4.2% per year. The marginal revenues offer no benefit when Crossroads consistently runs at a loss.

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[32] Evergy Initial Brief, pages 20-22.
[33] Exhibit No. 281 - Majors Rebuttal, page 27, lines 1-2.
[34] *Id*, page 26, lines 10-11.
[35] *Id*, page 23, lines 6-7.
[36] *Id*, pages 24-26.
[37] Evergy Initial Brief, page 22.
[38] Exhibit No. 281 - Majors Rebuttal, pages 30-31.

III. Plum Point Transmission Costs Are Far Different from Those at Crossroads:

Evergy opines in its initial brief that because Liberty Electric ("Liberty"), who owns Plum Point Energy Station, receives rate recovery of its transmission costs, so also should Evergy.[39] Like Crossroads, Plum Point is located in the Midcontinent Independent System Operator ("MISO") RTO. Liberty, like Evergy, is located in the Southwest Power Pool ("SPP") RTO. There are several reasons why rate recovery of Plum Point transmission expenses is justified.

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 in 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 stakeholders to consider Crossroads' costs, especially its transmission costs.[40]

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[39] Evergy Initial Brief, page 18.
[40] Exhibit 280 – Majors Direct, page 71, lines 6-23.

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 output is simply more critical to Liberty than Crossroads' generation to Evergy.[41]

Crossroads' transmission costs are substantial as a peaking unit. As a base load unit, Plum Point's total transmission costs are significantly less than the transmission costs incurred because of Crossroads.[42]

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.[43]

Crossroads and Plum Point are different types of plants with different uses and expenses. Simply put, Evergy's comparison of the two is incomplete and inappropriate for the facts of this case.

[41] *Id*, lines 24-29.
[42] *Id*, lines 30-33.
[43] *Id*, page 71, lines 36-38 and page 72, lines1-4.

IV. Changes to the Energy Industry Do Not Justify Giving Evergy a Pass on Crossroads:

Evergy's witnesses rely on two sources for their stated facts concerning the increased electricity demands in the last decade.[44] No party disputes the validity of these sources or the facts Evergy cites from them. They do, however, beg the question – if in the last decade the capacity issues in SPP have become so dire, why has Evergy continued to "fiddle while Rome burns?" Evergy has had three rate cases to bring this issue before the Commission and has chosen not to do so. Mr. Gunn even admits that if Crossroads were to be replaced, Evergy should have been planning to do so a year prior to completing the relocation study, or July 2024.[45]

In the decade preceding 2024, and after Entergy's move to MISO in December 2013,[46] Evergy had numerous opportunities to replace Crossroads capacity at prices far less than the current projected replacement cost of $2,115 per kilowatt of capacity.[47] These opportunities were identified in Staff's Initial Brief. Although Evergy would still have to pay transmission costs through February of 2029,[48] replacement generation in Evergy's RTO would have at least stopped the bleeding. On the contrary, Evergy took no action. While Evergy has been waiting for a Commission sympathetic to the self-created, self-exacerbated situation, construction costs for a 300MW combustion

[44] Exhibit No. 158 – Kevin Gunn Direct (Sept. 15, 2025) at 8-9, *citing* "Our Generational Challenge: A Reliability Future for Electricity" at 10, Southwest Power Pool, Inc. (Summer 2024), Sched. CV-2, C. VandeVelde Surrebuttal, and "State of the Market: Spring 2025" at 3, SPP Market Monitoring Unit (July 10, 2025).
[45] Transcript Vol. 9, page 66, lines 17-19.
[46] Staff's initial brief listed December 2012, which was regrettably in error.
[47] Exhibit No. 158 – Kevin Gunn Direct, page 13, line 10.
[48] Transcript Vol. 9, page 69, lines 19-25.

turbine plant have more than tripled since 2010.[49] Evergy's only answer is to have ratepayers shell out no less than **$726 million**, and more likely **$1.732 billion**, **before even one kilowatt is generated.**[50]

Has Evergy done what a reasonable utility should do to prepare for dramatically increased electricity demands? Yes, it has built steel in the ground – firm dispatchable capacity. This capacity, however, only fulfills additional needed capacity, and does not address the known issue of Crossroads replacement capacity.[51] Evergy had no reticence filing the Certificate of Convenience and Necessity ("CCN") cases to put steel in the ground, yet continues to drag its feet while trying to solve the Crossroads problem – a problem of its own creation.

Evergy goes on to claim in its initial brief that Entergy's move to MISO in December 2013 has driven the need to re-evaluate the Commission decisions in Crossroads I and Crossroads II.[52] This claim is not consistent with the timeline. The *rush* of Evergy to remedy its poor choices is manufactured. Clearly, Evergy contemplated the impact of $12 million in transmission expenses when it decided to utilize Crossroads for Missouri capacity long before December of 2013.[53] Evergy has had three rate cases filed and concluded without bringing the Crossroads transmission issue before the Commission. Evergy went so far as to voluntarily remove $16.1 million of Crossroads transmission expenses in its 2022 rate case.[54] It is only now at the 11th hour when Evergy

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[49] Exhibit No. 281 – Majors Rebuttal, Schedule KM-r5, page 57, compared to $2,115 per KW, or $634.5 million.
[50] Exhibit No. 281 – Majors Rebuttal, page 13, lines 1-14.
[51] *Id*, page 52, lines 8-25.
[52] Evergy Initial Brief, page 5.
[53] Exhibit No. 281 – Majors Rebuttal, page 7, lines 10-23, page 8, lines 1-16.
[54] *Id*, page 47, lines 19-22.

risks dire consequences from its lack of action that Evergy seeks absolution from the portrayed "sins" of Aquila, which are none other than current management's.

CONCLUSION

A lack of urgency and responsiveness on Evergy's part should not necessitate an emergent and excessive impact on affordability for ratepayers. With no new substantive details for the Commission to review, past Commission decisions on the issue should control. Staff recommends the Commission maintain the status quo and continue to deny recovery of expenses that would result in unjust and unreasonable rates.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been transmitted by electronic mail to counsel of record on this 5th day of December 2025.

/s/ Tracy D. Johnson