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MISSOURI PUBLIC SERVICE COMMISSION

FINANCIAL AND BUSINESS ANALYSIS DIVISION

AUDITING DEPARTMENT

REBUTTAL TESTIMONY

OF

KEITH MAJORS

EVERGY MISSOURI WEST, INC.,

d/b/a Evergy Missouri West

CASE NO. ER-2024-0189

Jefferson City, Missouri
October 2025

** Denotes Confidential Information **

TABLE OF CONTENTS OF

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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. 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 during the main portion of the procedural schedule.

Pursuant to the Commission's *Order Setting Procedural Schedule* effective August 27, 2025, I provided direct testimony on September 15, 2025 concerning Issue 5.C of the *Unanimous Stipulation and Agreement*[1], whether or not the firm transmission service agreement from Crossroads should be renewed.

[1] Filed October 2, 2024, Case No. ER-2024-0189

EXECUTIVE SUMMARY

Q. What is the purpose of your rebuttal testimony?

A. I will respond to the direct testimony of Evergy Missouri West ("EMW") witnesses Darrin R. Ives, Cody VandeVelde, and Kevin D. Gunn. I will respond to the direct testimony of Lena M. Mantle of the Office of the Public Counsel ("OPC"). All of these testimonies address the renewal of the firm transmission agreement with Entergy that enables Crossroads to provide capacity and energy to Missouri customers.

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."

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. In your rebuttal testimony, do you refer to various prior iterations of what is now known as EMW?

A. Yes. For definitions of these entities, please see my direct testimony on pages 25-26.

RESPONSE TO WITNESS GUNN

Q. On page 4 of his direct testimony, Witness Gunn states "the facts and circumstances regarding Crossroads transmission expense have changed significantly since the Commission's orders in Crossroads I[2] in 2011 and Crossroads II[3] in 2013". Specifically, the reports and orders in Crossroads I and Crossroads II were issued prior to Entergy's integration into MISO in 2013, which significantly impacted the transmission expense. Do you agree that the facts and circumstances have changed sufficiently to cause the Commission to reconsider Crossroads I and Crossroads II?

A. No. I quoted the reports and orders in Crossroads I and Crossroads II extensively in my direct testimony.

Without attaching the entire orders, I will quote the relevant sections here concerning transmission expense:

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

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[2] In re KCP&L Greater Mo. Operations Co., No. ER-2010-0356 (May 4, 2011), aff'd State ex. rel KCP&L Greater Mo. Operations Co. v. PSC, 408 S.W.3d 153, 164-165 (Mo. App. W.D. 2013) ("Crossroads I"). I refer to the case as the 2010 Rate Case. For expediency, I will use Evergy's term, "Crossroads I".

[3] In re KCP&L & GMO Rate Case, No. ER-2012-0175 (Jan. 9, 2013), aff'd KCP&L Greater Mo. Operations Co. PSC, 432 S.W.2d 207 (Mo. App. W.D. 2014) ("Crossroads II"). I refer to the case as the 2012 Rate Case. For expediency, I will use Evergy's term, "Crossroads II".

> 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.[4]

The Commission found the same in Crossroads II:

> **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.
>
> 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, 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

[4] Crossroads I, pages 90-91.

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. [90] [5]

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. [91] [6]

[5] Footnote from Crossroads II, *Nantahala Power and Light Co. v. Thornburg*, 476 U.S. 953, 972 (1986).
[6] Footnote from Crossroads II, *Kentucky W. Virginia Gas Co. v. Pennsylvania Pub. Util. Comm'n*, 837 F.2d 600, 609 (3d Cir. 1988).

> 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.[7]

Q. You contend that the facts and circumstances have not changed. If you were to summarize the Commission's reasons why transmission expenses were disallowed, what would they be?

A. In reading Crossroads I and Crossroads II, which I would suggest reading in their entirety, the salient points are as follows:

- The costs of the transmission are excessive;
- Other low-cost options were available to supply capacity prior to inclusion of Crossroads to serve EMW (then GMO) customers; and
- Excessive transmission costs are not outweighed by lower fuel costs

I will discuss each of these points that EMW asserts should be re-evaluated in this case in various portions of this testimony.

Q. The Commission found that $4.9 million of Crossroads transmission expense in the timeframe of Crossroads I was excessive, and that $5.2 million of Crossroads transmission expense in the timeframe of Crossroads II was excessive. Now that these costs are $18.1 million, should they now be considered reasonable because of Entergy's move to MISO?

[7] Crossroads II, pages 58-59.

A. No. Nowhere in the Commission's *Report and Order* in Crossroads I or Crossroads II would lead anyone to conclude an even higher transmission cost would be more reasonable. If $5.2 million was excessive, then the current $18.1 million is even more so.

For argument's sake, assume that Entergy transmission costs after joining MISO were known at the time of Crossroads I and Crossroads II. EMW, then GMO, would have still argued that their analysis, a flawed analysis rejected by Staff and the Commission, demonstrated that Crossroads was the least cost option in GMO's (then Aquila's) 2007 Integrated Resource Plan ("IRP") even with the Entergy-related transmission costs. This was exactly the testimony of EMW (then GMO) witnesses in the 2016[8] and 2018[9] Rate Cases as I discuss below.

Q. On page 8 of his direct testimony, Mr. Gunn states "the annual net level impact of the MISO transmission expense on EMW's financial condition was not contemplated by the Commission when it determined that the Crossroads transmission costs were "not just and reasonable". Before the move to MISO, were increased Crossroads transmission costs contemplated when EMW (then GPE) chose to include Crossroads as a generating asset?

A. Yes. By the time of the 2016 and 2018 rate cases, Crossroads transmission had increased to $12-13 million per year. EMW (then GMO) witness Crawford stated the following in his direct testimony in the 2016 Rate Case:

> Q: In 2007 when the capacity needs of GMO were evaluated and Crossroads was identified as the lowest cost option, what was the assumption on transmission costs?
>
> A: In the 2007 evaluation, the Company included $12 million per year in transmission costs for the Crossroads option. Even

[8] Direct testimony of GMO witness Scott H. Heidtbrink dated February 23, 2016, Case No. ER-2016-0156, page 12, lines 16-19.
[9] Direct testimony of GMO witness Tim M. Rush dated January 30, 2018, Case No. ER-2018-0146, page 26, lines 12-14.

> at $12 million per year, Crossroads was the lowest cost option for GMO customers.[10]

GMO witness Rush stated the following in his direct testimony in the 2018 Rate Case:

> Q: In 2007 when the capacity needs of GMO were evaluated and Crossroads was identified as the lowest cost option, what was the assumption on transmission costs?
>
> A: In the 2007 evaluation, the Company included $12 million per year in transmission costs for the Crossroads option.[11]

Staff has disputed, and continues to dispute, the validity of the 2007 capacity evaluation that EMW used to justify including Crossroads as a generating asset. The point here is that EMW's decision would have been the same, based on its evaluation, to include Crossroads as a generating asset even if Crossroads transmission would have been at the levels incurred after Entergy's membership in MISO.

Q. On page 9 of his direct testimony, witness Gunn states that EMW will not renew the transmission agreements without recovery of these costs. In the 2016 and 2018 Rate Cases, was EMW (then GMO) willing to accept some amount of disallowance and continue to operate Crossroads?

A. Yes. EMW (then GMO) 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

[10] Direct testimony of GMO witness Burton L. Crawford dated February 23, 2016, Case No. ER-2016-0156, page 17, lines 17-21.
[11] Direct testimony of GMO witness Tim M. Rush dated January 30, 2018, Case No. ER-2018-0146, page 24, lines 10-13.

> 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.[12]
> [emphasis added]

The 2018 Rate Case "equitable allocation" was consistent with GMO's request in the 2016 Rate Case.:

> **Q: How does GMO propose to treat costs related to Crossroads for ratemaking purposes in this case?**
>
> A: GMO proposes to continue the disallowance levels adopted by the Commission in Case Nos. ER-2010-0356 and ER-2012-0175 with respect to rate base and transmission costs. In addition to rate base for Crossroads at the level determined by the Commission in Case No. ER-2012-0175 (the specific value of which is addressed in the Direct Testimony of GMO witness Ronald Klote), GMO also proposes to include in rates the incremental increase in transmission cost above $4,915,609. The precise transmission cost dollar amounts are detailed in the Direct Testimony of GMO witness Ronald Klote.[13]

[12] Rebuttal testimony of GMO witness Tim M. Rush, Case No. ER-2018-0146, page 13, lines 4-22.
[13] Direct testimony of GMO witness Scott H. Heidtbrink, Case No. ER-2016-0156, page 12, lines 6-14.

In summary, EMW projected Crossroads transmission costs of at least $12 million when it chose to include Crossroads to serve EMW so the *impact* of Entergy's move to MISO was accounted for, at least to the extent the transmission costs were around $12 million. In observing the table of historical Crossroads transmission costs on page 6 of Mr. Ives direct testimony, Crossroads transmission had been around $12 million through 2020. 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. On page 6 of his direct testimony, Mr. Gunn references the 20-year term 75 MW transmission service agreements providing the benefit of Crossroads to Missouri customers. Prior to the execution of that agreement with Entergy, effective March 1, 2009, did EMW obtain monthly firm transmission rights?

A. Yes. ** [redacted].[14] **

GMO witness Davis Rooney described the transmission service prior to the 20-year agreement in his direct testimony in Case No. ER-2009-0090:

Q. How does the power get from Crossroads to Missouri?

[14] Response to Staff Data Request 85.1 dated September 26, 2005, Case No. ER-2005-0436.

A. In order to secure long-term annual transmission, GMO made a 20-year transmission request to Entergy and a 20-year transmission request to SPP. These requests were made in early 2007. Both requests need to be confirmed in order to establish long-term transmission from Crossroads to Missouri.

Q. What is the status of the Entergy transmission study?

A. Entergy revised its study on August 8, 2008 and expects transmission service to be available by December 1, 2011 at its point-to-point tariff rate. This is the same rate assumed in the economic analysis of Crossroads. Entergy has indicated that several options may be available to provide transmission as of an earlier date. These options are being evaluated.

Q. What is the status of the SPP transmission study?

A. SPP has not completed its transmission study. GMO submitted its transmission request in January 2007. SPP has multiple studies in its queue. Each study in the queue must be finalized before the next study may be finalized. There is one study in the queue ahead of the January 2007 study that contains Crossroads. SPP updates all studies in the queue whenever there are significant changes in the preceding studies. SPP has revised the study that includes Crossroads 10 times. All revisions have indicated that transmission will be available at SPP’s point-to-point tariff rate. This is the same rate assumed in the economic analysis of Crossroads. The July 14, 2008 revision indicates that transmission is available beginning October 1, 2009, with appropriate redispatch agreements. Without redispatch agreements, transmission is available beginning June 1, 2013. Eight of the prior nine studies indicated transmission would be available on either June 1, 2011 or June 1, 2010 without redispatch agreements.

Q. How will power get from Crossroads to Missouri until the long-term transmission path is confirmed?

A. For the past several years, GMO has been successful in obtaining monthly firm transmission capacity for the summer months (June, July, August, and September) from the Entergy system to GMO’s system. Since Crossroads is comprised of peaking plants, it is needed for meeting the summer peak. For 2008, GMO has transmission for the summer months. Because of the transmission market design, monthly transmission can only be purchased less than 18 months in advance. GMO has acquired part of the transmission for the summer of 2009 and is working to

> increase that to 300 MW. GMO intends to continue obtaining monthly firm transmission until the long-term annual transmission requests are accepted and confirmed.[15]

I have attached the response to Staff Data Request 177 in Case No. ER-2009-0090 as Schedule KM-r1, which further describes the transmission service to Crossroads in 2008. In Case No. ER-2009-0090, the summer monthly Entergy transmission cost was ** [redacted] . **

Q. In lieu of renewing the 20-year transmission agreement, can the current firm transmission agreements be renewed on a short-term basis?

A. Yes. I have attached the response to Staff Data Request 475 in Case No. ER-2024-0189 as Schedule KM-r2. This response explains the short-term renewal process. The extension must be for at least one year but can be rolled over for five years with additional roll over rights. Should Crossroads be replaced, this temporary firm transmission renewal would mitigate delays in approving and constructing replacement capacity.

Q. On page 7 of his direct testimony, Mr. Gunn lists $18.1 million for annual Crossroads transmission expense, and that this expense is expected to continue. At what rate have these costs been increasing, and what will the transmission expenses be in the future?

A. First, the $18.1 million is actually $18.7 million with the MISO administrative fees and MISO FERC assessment which result from Crossroads being in MISO. Below are the

[15] Direct Testimony of KCPL GMO witness H. Davis Rooney dated September 5, 2008, page 27, line 14 through page 29, line 3.

projected transmission costs using 4.16%,[16] which is the actual compound annual growth rate ("CAGR") for years 2014-2024 used by EMW in its analysis:

Base 2024 Transmission:	$18.1 million
MISO Admin Fees and FERC Assessment	$575,186[17]
Total Crossroads Transmission for 2024:	$18.7 million
Cumulative transmission 2025-2047, no increases	$429.4 million
Cumulative transmission 2025-2062, no increases	$709.4 million
Cumulative transmission 2025-2047, 4.16% CAGR	**$726.1 million**
Cumulative transmission 2025-2062, 4.16% CAGR	**$1.732 billion**
Annual Transmission in year 2047, 4.16% CAGR	**$47.6 million**
Annual Transmission in year 2049, 4.16% CAGR	**$51.7 million**
Annual Transmission in year 2062, 4.16% CAGR	**$87.9 million**

I have listed the cumulative and annual amounts of transmission for 2047, the projected retirement date of Crossroads[18] in 2049 which is the expiration year of an additional 20-year transmission service agreement, and 2062, which assumes the 60-year projected life of the General Electric combustion turbines at Greenwood.[19] All future annual and cumulative figures are incurred and paid **each year before one kilowatt is generated**. If the transmission agreement is renewed, by the time it is up for renewal in 2049, the transmission will be nearly three times the current transmission of $18.7 million using EMW's current estimate of increases. EMW will ostensibly ask for recovery for another term transmission agreement at that time should the current agreement be renewed. The question becomes, at what level of Crossroads transmission expenses does it become uneconomic to continue?

[16] EMW rounds the amount to 4.2%, which projects an even higher level of future transmission expenses.
[17] Test year 12 Months Ending June 2023.
[18] 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.
[19] 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.

Q. On page 9 of his direct testimony, Mr. Gunn states that "a denial of the recovery of transmission costs is tantamount to a decision of imprudence." What do you think is the meaning of this statement?

A. The Commission does not manage EMW, as has been noted on numerous occasions. Crossroads is not Aquila, Aquila Merchant, or anyone else's problem but EMW's. During the acquisition process, GPE (now EMW) had to decide on how to solve Aquila's historical capacity issues. GPE made the decision to include Crossroads as generating capacity. If it was EMW's intent not to operate Crossroads through its normal useful life, then it could have and should have made efforts to replace the capacity in the 12 years since Crossroads II. As I discuss in my direct testimony and elsewhere in this testimony, EMW had several opportunities to replace the capacity at attractive prices, has had numerous IRP filings, has been able to issue RFP's for capacity, but is now faced with severe consequences if it chooses to abandon Crossroads.

Q. On page 13 of his direct testimony, Mr. Gunn lists new comparable generation costs as an alternative to Crossroads. If Crossroads is sold and replacement capacity is built or procured, what should the value of that capacity be for ratemaking purposes?

A. Staff would recommend that like replacement capacity would be valued using the same methodology as Crossroads I and II. This value would be $205.88/kW, with interim additions and retirements subsequent to the transfer of the plant from Aquila Merchant to GMO (now EMM). Assuming the capacity would be new, no depreciation reserve would be included as the new plant would be undepreciated and have a new useful life. This amount would be approximately $62.6 million[20] plus interim additions and retirements.

[20] Crossroads II, page 57.

Q. If replacement generation is materially different from current Crossroads equipment, would there be additional investment that Staff would recommend be recoverable in cost of service?

A. Yes, that is a possibility. Crossroads does not have on-site diesel backup as does Greenwood and the forthcoming Mullin Creek Generating Station. Crossroads uses GE 7EA turbines that are 25 years old. At the time of the 2005 failed sales process, the average heat rate was ** [redacted] . ** The current GE 7E turbine offering has a net heat rate of 10,107 btu/kWh. The Mitsubishi 501JAC[21] turbine to be installed at Mullin Creek has a heat rate of 7,755 btu/kWh. The heat rate of a generating station is a measure of efficiency; the lower the heat rate, the less fuel is required to create a kilowatt of electricity. The stated heat rates can vary between manufacturers specifications and the installed heat rates. Depending on the equipment selected, adjustments could be warranted to account for the additional capabilities.

Witness VandeVelde noted that the optimal resource plan if Crossroads were to be replaced would be a 325 MW combined-cycle gas plant. This type of technology is materially different than Crossroads' simple cycle turbines. Regardless of the replacement equipment, these would be issues for a future rate case.

Q. On page 14 of his direct testimony, Mr. Gunn discusses the risks of achieving an in-service date of replacement generation prior to the February 2029 deadline and that a new plant will very likely not be ready by February 2029. Have simple cycle generation units always had such a long development time?

[21] Supplemental Direct Testimony of EMW witness Jason Humphrey, Case No. EA-2024-0075, page 4.

A. Not in every case. If Crossroads is to be replaced, the risk of constructing the replacement generation has been exacerbated by EMW's delays in the form of potential SPP deficiency payments as noted by the EMW witnesses in their testimony. Assuming EMW would need a decision on whether or not to replace Crossroads by the end of this year, EMW would have 38 months to construct replacement generation. There are several examples of construction timeframes that have been contemplated in prior proposals:

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

- ** [redacted] . **

EMW could have engaged in the process to replace Crossroads capacity in the intervening 12 years since Crossroads II but has chosen not to do so, creating the risk of deficient generation.

Q. On page 17 of his direct testimony, Mr. Gunn states "the factual foundation on which the Commission acted then has fundamentally shifted." Do you agree?

A. No. I do not see how anyone reading the report and orders in Crossroads I and Crossroads II could look at the facts adduced in those cases and see them differently. The issue of increased demand is being appropriately addressed in the IRP process and EMW is now in a construction cycle with the capacity being constructed authorized by the CCNs in Case Nos. EA-2024-0292 and EA-2025-0075. If Entergy's move to MISO was the fundamental shift, then EMW should have acted in 2014 and the years following. EMW has had three rate cases to try to fix the Crossroads issue to no avail.

Q. Both witness Ives and Gunn references the following quote from Crossroads II, concerning the "sins" of Aquila:

> Crossroads is a relic of the failed utility Aquila. A full recital of Aquila's tortured history is unnecessary to the Commission's rulings, [footnote omitted] because it only raises the issue of how long the Commission will visit the sins of the predecessor on the successor. It is true that GMO is the same legal entity as Aquila, but it is also true that management is different.[22]

[22] Crossroads II, page 57.

Q. How do you interpret this statement from the Commission?

A. All the decisions that created the need for Crossroads were due to Aquila's failed management. As Chairman Davis stated in his concurring opinion in Case No. ER-2007-0004:

> 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.[23]

The decisions that led to the need for Crossroads were clearly the responsibility of Aquila management. On the other hand, the decision to use Crossroads as a solution to Aquila's capacity shortfall was GPE's choice.

I would interpret the quote two-fold. First, the time to blame Aquila is over. The second is that the Commission should judge GPE, now current EMW management, on its management decisions following Crossroads II for which it can no longer blame Aquila.

<u>RESPONSE TO WITNESS IVES</u>

Q. On page 4 of his direct testimony, Mr. Ives states "[t]he Commission has consistently found that Crossroads, a 300-MW simple-cycle, gas fired generation peaking plant located in Clarksdale, Mississippi, was a prudent investment." Do you agree?

A. Yes. But that is only half of the story. 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 <u>Crossroads I</u> *Report and Order*:

[23] Attached to my direct testimony as Schedule KM-d13.

> 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:

> 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.[24]

Q. Why are transmission recovery and the prudency of Crossroads inclusion in rate base linked?

A. In reading Crossroads I, and as I discussed at length in my direct testimony, the proxy value of Crossroads used the Raccoon Creek and Goose Creek distressed property sales from Aquila Merchant to AmerenUE (now Ameren Missouri). The sales were not just used to value the plant, but also as a proxy for prudent capacity decisions. ** [redacted]

[24] Crossroads I, page 90-91.

[redacted][25] [redacted].[27] ** As I discuss elsewhere in this testimony, other responses to AmerenUE's RFP for capacity were rejected because they were not in MISO. The Commission used the proxy plants not only to properly value Crossroads at the proper price GPE paid for it as distressed property, but also to justify the prudence of including Crossroads in rate base but only without transmission expense recovery, similar to Raccoon Creek and Goose Creek for AmerenUE customers because they are in the same RTO: MISO.

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[25] Ameren Missouri was authorized to transfer functional control of its transmission system on May 1, 2004 as a result of the *Order Approving Stipulation and Agreement* in Case No. EO-2003-0271.
[26] The price for 850MW of Raccoon Creek and Goose Creek capacity was $175 million, or $205.88 per kw. <u>Crossroads I</u> page 80.
[27] Response to Staff Data Request 464, Case No. ER-2005-0436.

The choice to use Crossroads to fulfill the capacity needs of EMW (then GMO) was GPE's (now EMW) decision. Because there were options to procure capacity at favorable prices in the preceding years, and because those options would not have incurred incremental transmission costs as a result of being outside EMW (then Aquila or GMO)'s RTO, the Commission found Crossroads to be prudent ***only*** without including transmission expenses from being located in MISO.

Q. On page 7 of his direct testimony, Mr. Ives states, "EMW, nor any party, had no reason to believe these transmission costs would rise so significantly when Crossroads became a regulated asset of the Company in 2008." Does this conflict with testimony in prior cases?

A. Yes, this statement, and other contentions from witnesses Gunn and VandeVelde conflict with testimony from the 2016 and 2018 Rate Cases which I have quoted earlier in this testimony. At the time of EMW's economic evaluation, Crossroads transmission costs were included up to $12 million, which is the initial level of transmission cost post-MISO.

Q. On page 12 of his direct testimony, Mr. Ives mentions "the consistent failure of Staff and OPC to recognize these facts", referring to EMW's credit downgrade and financial pressures. How do you respond?

A. This is simply EMW blaming Staff and OPC for problems it created. While the poor capacity planning decisions were made by Aquila, the decision to wholesale abandon Aquila's plans to build Sedalia Energy Center were GPE's not Aquila's. I would not allege Crossroads is a "sin", but it is the result of current (not Aquila) management decisions and has resulted in millions of dollars of losses for EMW, which it has done little to nothing to mitigate save for foisting the costs upon customers.

Q. On page 15, and in other sections of his direct testimony, Mr. Ives mentions reduced credit ratings and the consequent increased borrowing costs. What is the impact of these borrowing costs?

A. The increased cost of borrowing is not absorbed by EMW, it is passed on its customers. If Mr. Ives is now linking increased costs of debt to GPE's decision to include Crossroads in regulated rate base, then this is yet another detriment of GPE's decision to include a distressed, transmission constrained merchant plant 525 miles away to serve Missouri customers.

Q. On page 17, of his direct testimony, Mr. Ives states "[i]f the Commission believed in the past that Company shareholders should be penalized for management's decision to place Crossroads in rate base as a generating resource, it is clear that shareholders have paid that penalty." How do you respond to this statement?

A. I think a fair reading of both <u>Crossroads I</u> and <u>Crossroads II</u> reports and orders would not reveal that the Commission's decisions were a punishment or a penalty. If the Commission wanted to "punish" EMW, it could have rejected Crossroads outright. Instead, in both cases the Commission had a thorough analysis and reasoning why Crossroads was a prudent choice **<u>at the right value and without transmission costs</u>**.

<u>RESPONSE TO WITNESS VANDEVELDE</u>

Q. On page 6 of his rebuttal testimony, Mr. VandeVelde states that "[t]he Company is not seeking any additional amounts of the Crossroads plant to be included in rates." Does this statement need to be clarified?

A. Yes, although it is a minor clarification. The Commission's initial valuation of $205.88 has been increased by interim additions and reduced by interim retirements since the valuation in 2011. Both EMW and Staff has included these amounts in rate cases since Crossroads I.

Q. On page 6 of his direct testimony, Mr. VandeVelde notes the claimed benefit of Crossroads' location, specifically during Winter Storm Uri (February 2021) and Elliot (December 2022). Was EMW able to use its Missouri gas fired generation during these events?

A. Yes, and so was EMM. Natural gas is generally available throughout the year. Mr. VandeVelde notes two events; I would add the "polar vortex" in January-February 2014.

In this winter event as reflected in the table below, Greenwood and Crossroads both were able to produce electricity from gas-fired generation.

**

[redacted]

**

Clearly, Crossroads generated greater megawatt-hours than Greenwood at a higher gas cost, but Greenwood had natural gas available to produce needed electricity during this extreme and unusual weather pattern.

As reflected in the table on the following page, EMM had natural gas available in Kansas City to operate its natural gas fired units to generate electricity during the same time frame.

[28] The abbreviation for one million British thermal units, the consumable unit of natural gas.

Month (2014)	Osawatomie MWhs	West Gardner 1-4 MWhs
January	2,308	365
February	1,112	0
Total	3,420 MWhs	365 MWhs

Q. On page 6 of his direct testimony, Mr. VandeVelde notes the impact of Winter Storm Uri. Was Crossroads the only EMW unit available during this time?

A. No. Using the availability data in Staff Data Request 54, Case No. ER-2014-0189, Crossroads, Greenwood, and South Harper were available for both day-ahead and real-time for energy during some of the hours of Winter Storm Uri:[29]

**

[redacted]

[29] Defined as February 10-19, 2021, Darrin R. Ives Direct testimony, Case No. EF-2022-0155, 10 days totaling 240 hours. No data was included for the Day Ahead for February 17.
[30] Not inclusive of any ancillary service availability.
[31] Not inclusive of any ancillary service availability.

[redacted]

**

Q. In his direct testimony, Mr. VandeVelde notes the impact of Winter Storm Elliot. Was Crossroads the only EMW unit available during this time?

A. No. Using the availability data in Staff Data Request 54, Case No. ER-2024-0189, Crossroads, Greenwood, and South Harper were available for both day-ahead and real-time for energy during some of the hours of Winter Storm Elliot:[33]

**

[redacted]

[32] Not inclusive of any ancillary service availability.
[33] FERC Defines Winter Storm Elliot as December 21-26, 2022, 6 days totaling 144 hours.
[34] Not inclusive of any ancillary service availability.

[redacted]

**

Q. On page 16 of his direct testimony, Mr. VandeVelde notes the lower marginal price of gas at Crossroads. What have been the actual gas costs experienced by Crossroads in comparison to other EMW units?

A. On the contrary, historically, the Mississippi-based Crossroads has experienced higher natural gas costs when compared to natural gas prices and costs in and about Kansas City, Missouri. The data I am using is actual gas costs from the responses to Staff Data Request 70 from this and prior rate cases. My analysis includes the actual prices paid for gas supplied, not the average gas daily marginal prices from the pipelines which may not be representative of the actual prices paid.

[35] Not inclusive of any ancillary service availability.
[36] Not inclusive of any ancillary service availability.

Specifically, Crossroads natural gas prices have been **higher** than those for EMW's South Harper and Greenwood in most years. The following tables compare Crossroads natural gas costs with those at both South Harper and at Greenwood through 2024 (for a detailed summary of natural gas costs for these generating facilities see Confidential Schedule KM-r7):

**

[redacted]

**

** [redacted] **

Source: EMW Data Request 70 and 70.1, Case No. ER-2024-0189, GMO Data Request 70, Case No. ER-2016-0156; GMO Data Request 70 and 70.1, Case No. ER-2012-0175 and GMO Data Requests 70 and 70.1, Case No. ER-2010-0356

It is only when firm transportation costs (the pipeline reservation payments) are included that South Harper has higher total natural gas costs than Crossroads. These costs are significant because the pipeline reservation costs are high in relation to the relative low generation from this plant which inflates the per mmbtu unit costs. In every year since 2009 South Harper actual

[37] Through June 2024.

natural gas commodity costs are lower than those for Crossroads except 2015, 2020, and 2022 and even when the variable transportation costs are included with the commodity charges, the delivered gas price, South Harper is still lower than Crossroads except for in 2011, 2020, and 2022.

Of particular note, Greenwood has significantly lower natural gas commodity costs than Crossroads in every year from 2009 to 2024 and, when variable transportation costs are considered, Greenwood variable fuel costs are lower than Crossroads in each year from 2009 with exception of 2011 and 2013. When all costs are considered, Greenwood fuel costs are less than Crossroads in most years. During 2024, Crossroads delivered natural gas cost is almost twice that of Greenwood, and Greenwood has burned ** [redacted] ** versus Crossroads at ** [redacted] ** during the same timeframe. Greenwood does not need firm transportation for natural gas because it is capable of using oil as a backup fuel source.

Equally important, the higher natural gas prices at Crossroads are consistent with the higher transmission costs to transport the energy from Crossroads back to Kansas City to serve EMW's customers. Greenwood and South Harper, both located in Kansas City area, do not cause EMW to incur any additional transmission costs to transport electricity from them to EMW customers.

When evaluating these historical prices, it is important to note that firm transportation costs are "sunk costs" which are incurred regardless of the gas burned. The variable commodity costs with variable transportation are more relevant to the economy of operating the unit and its dispatchability as the variable gas costs are the largest variable operating cost.

Q. What is the cost of firm gas transportation costs at South Harper?

A. In contrast to transmission costs at Crossroads, firm gas transportation costs have fluctuated little from 2009 through the present and these figures are included in Confidential Schedule KM-r7. To support the 315MW at South Harper, EMW has incurred an average of ** [redacted] ** of firm gas transportation costs from 2009 through 2024, and the current costs are ** [redacted] ** annually.

Not all peaking units owned by EMW or EMM incur firm transportation costs. Greenwood has massive diesel tanks used for fuel when natural gas is unavailable.

Q. On page 17 of his direct testimony, witness VandeVelde refers to the Locational Marginal Prices ("LMP") at EMW plants and the higher revenues from Crossroads. When considering the $18.1 million of transmission expense, are these higher revenues a net benefit to customers?

A. No. As can be seen in the table below, even using the higher day-ahead average price in witness VandeVelde's testimony for 2014-2025, the revenues do not exceed fixed transmission expenses and never have.

Year	**Crossroads Transmission Costs[38]**	**Crossroads Net Generation MWhs**	**Crossroads Transmission Costs per MWh**	**Crossroads Day Ahead Revenues at $33.80 per MWH**	**Net Loss on transmission costs**
2024	$18,093,967	124,042	$145.87	$4,192,620	-$13,901,347
2023	$15,709,528	208,365	$75.39	$7,042,737	-$8,666,791
2022	$16,973,509	196,525	$86.37	$6,642,545	-$10,330,964
2021	$14,833,678	75,175	$197.32	$2,540,915	-$12,292,763
2020	$12,624,032	118,549	$106.49	$4,006,956	-$8,617,076
2019	$11,523,158	126,745	$90.92	$4,283,981	-$7,239,177
2018	$10,690,227	64,471	$165.81	$2,179,120	-$8,511,107
2017	$11,356,162	12,353	$919.30	$417,531	-$10,938,631

[38] Account 565 costs only, does not include additional transmission costs of MISO administration fees and MISO FERC assessment.

Year	Crossroads Transmission Costs[38]	Crossroads Net Generation MWhs	Crossroads Transmission Costs per MWh	Crossroads Day Ahead Revenues at $33.80 per MWH	Net Loss on transmission costs
2016	$12,282,484[39]	23,261	$528.03	$786,222	-$11,496,262
2015	$12,467,975	19,992	$623.65	$675,730	-$11,792,245
2014 (Entergy in MISO)	$12,247,388	70,616	$173.44	$2,386,821	-$9,860,567

<u>The 2007 IRP and Marketing of Crossroads</u>

Q. On page 4 of his rebuttal testimony, Mr. VandeVelde references the 2010 stipulation, and the 2007 Request for Proposal ("RFP") responses. First, can you identify the 2010 stipulation reference?

A. Mr. VandeVelde's testimony references the following section of the Report and Order in <u>Crossroads I</u>:

> 241. In 2010, per the Stipulation and Agreement in GMO's last rate case, GMO conducted a 20-year analysis to determine a preferred plan after reviewing and analyzing the responses from a 2007 Request for Proposals for supply resources. [footnote omitted] The analysis showed that Crossroads would result in the lowest 20-year net present value of revenue requirements ("NPVRR").[40]

The 20-year analysis, commonly referenced as the Stipulation 8 Capacity Study, is attached as Confidential Schedule KM-r5. This study utilized the 2009 GMO IRP as a starting point. The Stipulation 8 Capacity Study assumed that Crossroads capacity was removed from the GMO generation portfolio on January 1, 2010. The study analyzed 2009-2010 costs for replacement capacity. Using current (2009) replacement costs, GMO's analysis showed Crossroads was the lowest 20-year NPVRR.

[39] Does not include a one-time MISO resettlement and rate adjustment.
[40] <u>Crossroads I</u>, page 85.

Q. Do you have any comments or critiques of the Stipulation 8 Capacity Study?

A. Yes. The study was focused on the wrong time period. Staff and the Commission were focused on the decisions made in 2004 -2007, when Aquila needed to replace the 500 MW capacity contract that expired June 1, 2005. As the Commission noted in Crossroads I:

> 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.[41]

The Commission based its proxy valuation on the peaking assets sold to Ameren in 2005 in part because Aquila needed the capacity in 2005, not in 2008 when Crossroads was added to rate base. Aquila failed to take advantage of opportunities to add low cost generation. As the Commission found in Crossroads I:

> 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.[42]** [emphasis added]

I would also note that while the Commission noted the 2007 RFP several times in Crossroads I and II, the 2010 Stipulation 8 Capacity Study is not mentioned again. If the Commission had relied on this study of costs during 2009-2010, then there would have been no reason to have a proxy valuation of Crossroads as the turbine market had rebounded from the 2004-2005 timeframe and the proxy sales were four years before the 2010 Stipulation 8 Capacity Study.

[41] Crossroads I, page 99.
[42] Ibid, page 91.

Q. On page 4 of his rebuttal testimony, Mr. VandeVelde references the 2007 Request for Proposal ("RFP") responses and subsequent analysis that justified Crossroads as an EMW asset. Please discuss the 2007 RFP.

A. Following the RFPs issued in 2005 and 2006, Aquila issued another RFP on March 19, 2007. This RFP requested short and long-term proposals for service starting June 1, 2008. The RFP was for both summer and annual capacity. Aquila Networks – Missouri ("Aquila Networks")[43] replied to the RFP with an offer dated April 27, 2007 to construct the Sedalia Energy Center or ownership of Crossroads, along with other Aquila Networks self-build options. At the time of the RFP response, Aquila Networks was able to obtain summer firm capacity for Crossroads on an annual basis but was unable to obtain firm year-round transmission until the 20-year agreement in 2009. These documents are attached as Confidential Schedule KM-r3.

Q. What were the results of the 2007 RFP?

A. I have attached the summary presentation to Staff dated October 31, 2007 as Confidential Schedule KM-r5, in which inclusion of Crossroads is listed as the preferred plan along with **[redacted]. ** I have attached the bid comparison as Confidential Schedule KM-r16. **[redacted]. **

[43] Aquila Networks – Missouri was the commonly used term for Aquila's core utility divisions. Aquila's policy was to have its own division – Aquila Networks – to bid in self-constructed assets to compete with third party RFP responses.

Q. In terms of capital additions to build capacity, although Aquila had financial difficulties prior to the merger, did Aquila have the financial capability to build owned generating facilities such as Sedalia Energy Center?

A. Yes. Attached is Confidential Schedule KM-r8, the response to Staff Data Request 215 in Case No. ER-2007-0004, dated December 1, 2006, just prior to the merger announcement, in which the following statement appears:

> Aquila's current credit rating, capital structure and cash flows have had no impact on Aquila's ability to invest in capital expenditures needed to build generating facilities to meet system load requirements – nor is any impact expected through the 2015 time period.

Q. Prior to the announcement of the merger with GPE, how did Aquila plan to meet its capacity obligations for the 2007-2008 timeframe?

A. I have attached the response to Staff Data Request 220 in Case No. ER-2007-0004, dated December 20, 2006, as Schedule KM-r17. This response states that 2007 and future years capacity needs were to be met with the purchase of Aries. Aquila attempted to buy back Aries in a bankruptcy auction in December 2006, but was unsuccessful. The plan as of December 2006, the date of this data request response, was to use unidentified short term PPAs to bridge to a combustion turbine build. This combustion turbine build would have been Sedalia Energy Center. Crossroads is not listed as a capacity addition in this document.

I have attached the response to Staff Data Request 216, dated December 8, 2006, from the same case, as Confidential Schedule KM-r18. This response states that ** [redacted].**

Q. At what stage of development was the Sedalia Energy Center when GPE decided to not construct it in favor of Crossroads?

A. Attached to my direct testimony as Confidential Schedule KM-d6 is a document sent to Staff just prior to the public announcement of the planned Sedalia Energy Center in April 2007. This document describes the project and the stages of its development.

These details are from the response to the 2006 RFP dated February 22, 2006 which is attached as Confidential Schedule KM-r4:

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

The 2007 RFP response dated April 27, 2007, attached as Confidential Schedule KM-r3, noted that further development of the site had occurred after the 2006 RFP response:

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

The Aquila 2008-2010 Electric Business Plan is attached as Confidential Schedule KM-r9. This document was prepared prior to the GPE acquisition and contains several references to the Sedalia Energy Center, but is absent of any reference to Crossroads:

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

[redacted]
<u>Iatan 2</u> . **

I have attached as Confidential Schedule KM-r25 the response to Staff Data Request 357 dated February 13, 2007 in Case No. ER-2007-0004. This document notes the following:

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

Q. Prior to the 2007 RFP and prior to the announcement of the merger, was Crossroads ownership considered by Aquila as an option to provide permanent capacity to Missouri customers?

A. No. There are several pieces of evidence that lead to the conclusion that it was GPE's sole decision to include Crossroads as a generating asset, not Aquila's. I included other references in my direct testimony in this case. Consequently, this decision is not a result of the "sins" of Aquila as witnesses Gunn and Ives reference; rather it is the responsibility of current EMW management.

- ** [redacted]
- [redacted]

- [redacted]

- [redacted]

- [redacted]

- [redacted].**

If Crossroads ownership was truly a workable option prior to the announcement of the acquisition by GPE, then Aquila had numerous opportunities to transfer Crossroads to Aquila Networks for Missouri capacity, but did not.

Q. On page 13 of his direct testimony, Mr. Gunn discusses a potential sale of Crossroads. Prior to the inclusion of Crossroads as an EMW generating facility, did Aquila try to sell Crossroads?

A. Yes, on at least two occasions. ** [redacted].** Ultimately, Aquila Merchant was unable to agree to a final bid for any of the merchant facilities at that time.

The second occasion was a more robust process with resulting sales of Goose Creek and Raccoon Creek. In January 2005, Lehman Brothers was retained to assist with the divestiture of Crossroads, Goose Creek, and Raccoon Creek. I have attached the following documents related to the second sales process:

- Confidential Schedule KM-r11: the kick-off presentation for the Lehman Brothers sale process dated February 2005
- Confidential Schedule KM-r10: a sales process review dated July 2005
- Confidential Schedule KM-r6: the solicitation to the potential bidders dated March 2005
- Confidential Schedule KM-r11: an updated list of comparable combustion turbine sales transactions prepared by Lehman Brothers dated November 9, 2005
- Confidential Schedule KM-r6: the presentation to Aquila staff concerning the sales process

Q. Please discuss these documents.

A. Confidential Schedule KM-r11 is the Project Spark Kick-Off presentation dated February 2, 2005. There are several notable items in this presentation:

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

Confidential Schedule KM-r10 is the Project Spark Process review, which was a review from Lehman Brothers after the first-round bids. There are several notable items in this presentation:

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

Confidential Schedule KM-r6 is the Confidential Information Memorandum prepared by Lehman Brothers sent to potential bidders. There are several notable items in this presentation:

- ** [redacted]
- [redacted] <u>ages</u> [redacted]

- [redacted]

- [redacted]

- [redacted].**

Confidential Schedule KM-r11 is an updated list of comparable combustion turbine sales transactions prepared by Lehman Brothers dated November 9, 2005. This document shows the updated average transaction price for combustion turbine sales of ** [redacted] . **

Q. When were Raccoon Creek and Goose Creek sold?

A. Ameren UE and Aquila Merchant agreed to a sale of Raccoon and Goose Creek dated December 16, 2005 and closed in 2006. The purchase price was $175 million for 850 MW of combined capacity. This transaction formed the basis of the proxy value of $205.88 per KW used to value Crossroads in Crossroads I and Crossroads II.

Q. During the sales process, was Crossroads offered to Aquila?

A. No. Although no entity made a final bid on Crossroads in the 2005 sales process, it was not offered to Aquila Networks Missouri at that time. Aquila Networks Missouri was not included as a party to which an invitation to bid was sent either during or after the 2005 sales process.

Concurrent with the sales process, Aquila Networks Missouri issued a July 25, 2005 RFP for capacity in 2006. Aquila Merchant was a bidder among several other parties.

I have attached as Schedule KM-r12 the response to Staff Data Request 413 in Case No. ER-2005-0436 with the bid evaluation. As noted in the response, "[i]nitial analysis determined that neither the Calpine bid nor the Crossroads bid were favorable. All bidders will have the option to provide revised bids before a final winners list is determined." The bid evaluation shows that Aquila Merchant offered Crossroads for summer peaking up to 300 MW with no option for equity ownership. Crossroads was ultimately not selected in this RFP. This bid was made concurrent with the existing PPA for 225 MW of Crossroads as a contingency in the event that South Harper was not in-service by June 1, 2005 at the expiration of the Aries PPA.

The next opportunity for Crossroads to be offered to Aquila Networks was after the issuance of the January 17, 2006 RFP, which I have attached with supporting evaluation documentation as Confidential Schedule KM-r13, the response to Staff Data Request 193 in Case No. ER-2007-0004. This RFP sought equity and PPA capacity for delivery from 2007-2012. ** [redacted] . **

Q. Prior to the 2007 IRP, what was the future of Crossroads?

A. There are several examples that show it was GPE's and rating agency's assumption that Crossroads would be sold, not used for Missouri generation. In my direct testimony, I referenced the Securities Exchange Commission ("SEC") filings where Crossroads value was $51.6 million based on the scrap value, as found by GPE and Aquila in a joint proxy statement. In addition, I have attached as Confidential Schedule KM-r19:

- The first document is a Standard & Poor's ("S&P") letter to GPE dated October 10, 2006. It is an analysis requested by GPE of merger scenarios. ** [redacted]

[redacted]. ** This document was attached to the Direct Testimony and Schedules of Michael W. Cline dated April 4, 2007, Case No. EM-2007-0374.

- The second document is another S&P letter to GPE dated January 9, 2007. ** [redacted]._** This document was attached to the Direct Testimony and Schedules of Michael W. Cline dated April 4, 2007, Case No. EM-2007-0374.

- The third document is GPE's January 2007 presentation to Moody's and S&P to facilitate both Moody's Ratings Assessment Service ("RAS") analysis and S&P's Ratings Evaluation Service analysis. ** [redacted]. ** This document was attached to the Supplemental Direct Testimony and Schedules of Michael W. Cline dated August 8, 2007, Case No. EM-2007-0374.

Q. Ultimately, who made the decision to use Crossroads for long-term Missouri capacity?

A. GPE senior management on or about May 14, 2008. I have attached the response to Staff data request 128, in Case No. ER-2009-0090 as Schedule KM-r20. It lists the GPE personnel who made this decision.

Q. If Crossroads had not been considered, what were the other options for constructing generating capacity prior to the 2007 IRP?

A. These were discussed in my direct testimony as well as in the Report and Order in <u>Crossroads I</u>. During the 2003-2007 timeframe when Aquila needed capacity, Aquila chose to rely on PPAs. Aquila Merchant sold three of the eighteen turbines it purchased to other utilities and relinquished its rights to the final turbine to General Electric, all at substantial losses.[44] Ameren Missouri and the utilities that purchased the three turbines are now serving customers at prices consistent with the turbine market after the Enron collapse.[45] Further evidence of the buyers' market for generating capacity can be found in the comparison sales identified by Lehman Brothers in the 2005 sales process of the Aquila Merchant assets. I discuss this sales process elsewhere in this testimony.

Another option would have been to utilize Crossroads ** [redacted].** This PPA would be a bridge to build the Sedalia Energy Center or at another location. As noted by GMO witness Davis Rooney referenced earlier in this testimony, for the past several years prior to 2008, GMO had been successful in obtaining monthly firm transmission capacity for the summer months (June, July, August, and September) from the Entergy system to GMO's system. Since Crossroads is comprised of peaking plants, it is needed for meeting the summer peak. For 2008, GMO had transmission for the summer months.

Conversely, EMW (then KCPL), Liberty Electric (then Empire District Electric), and Ameren Missouri (then AmerenUE) were all building or acquiring generating capacity while Aquila relied on PPA's. I provided several examples of capacity added during the 2000-2008 timeframe in my direct testimony in this case. An additional example of bargain capacity purchase was AmerenUE's purchase of Audrain Energy Center.

Q. Please discuss the Audrain Energy Center purchase.

A. The Audrain Energy Center is a 640 MW facility consisting of eight GE 7EA 80 MW gas turbines, very similar to Crossroads, Raccoon Creek, and Goose Creek. It is located

[44] Crossroads I, page 95.
[45] Ibid.

in Audrain County, Missouri and was purchased for $115 million from NRG[46] and was another former merchant generating facility. AmerenUE assumed the financing arrangement from NRG as the facility was constructed in 2000 as part of a Chapter 100 Industrial Revenue Bond project.

AmerenUE needed approximately 400 MW of additional generating capacity beginning in 2006.[47] AmerenUE's capacity needs were projected to grow 90-100 MW each year of the 20-year planning period. AmerenUE's RFP process results were discussed by witness Moehn in Case No. ER-2007-0002:

> Q. What were the results of the RFP process?
>
> A. Four bidders responded to the RFP with bids. Of the four bids, one bid was disqualified due to deliverability issues. Specifically, the facility offered by the disqualified bidder was located in the Southwest Power Pool, rendering the proposal non-compliant with the RFP's specifications. The proposal from a second bidder was found to have material limitations on the amount of capacity that was deliverable to the market. No upgrades were identified that were in process to relieve the limitation. The resultant evaluated price for the proposal on a dollar per kilowatt (kW) basis was found to be significantly higher than the remaining two offers and was not considered further. The Aquila offer to sell the Raccoon Creek and Goose Creek facilities and the NRG offer to sell the Audrain facility were included on the short list of bids meriting further consideration.

AmerenUE's RFP process to obtain capacity is a contrast to GPE's process to use Crossroads as Missouri capacity. AmerenUE was unwilling to purchase capacity outside of its RTO and Aquila Merchant did not offer Crossroads to AmerenUE for that reason. GPE was willing to take the risk of Crossroads being two states away in Entergy's service territory, a risk that has obviously come to fruition. AmerenUE was unwilling to purchase capacity that had material

[46] NRG Audrain Generating LLC, formerly known as Duke Energy Audrain, LLC.
[47] Direct Testimony of AmerenUE witness Michael L. Moehn, Case No. ER-2007-0002.

limitations on the amount of capacity that was deliverable to the market. GPE did not acquire firm year-round transmission from Crossroads to Missouri until early 2009, far after the October 2007 IRP capacity evaluation and after the decision had been made by GPE to include Crossroads as "permanent" capacity which it now risks losing.

Q. Was the Audrain purchase economic?

A. Yes, even more so than the Raccoon Creek and Goose Creek purchases. Audrain was purchased for $115 million, or $179.69/ kW which is even cheaper than the Raccoon Creek and Goose Creek proxy values. The two unsuccessful bids to AmerenUE's RFP were in excess of $495/kW. The Aquila Merchant transaction was significantly lower than the cost of building new peaking capacity. Unlike Aquila, AmerenUE was able to take advantage of capacity bargains in the market while Aquila continued to rely on PPAs.

Q. Please summarize this section of your rebuttal testimony.

A. The Sedalia Energy Center was a project in the advanced stages of development. Instead of constructing a Missouri generating facility, GPE chose to utilize Crossroads, a distressed merchant plant 525 miles away that prior to could not be sold, for its long-term capacity needs. The Commission found that decision was prudent at a correct value and without transmission costs. Now that EMW is threatening to abandon the plant, it is proper for the Commission to be cognizant of the decisions and circumstances that bring us to the evaluation today.

ACTIVITIES SINCE CROSSROADS II

Q. Throughout the testimony of Ives and Gunn, it is noted that several years have passed since the Commission has decided the Crossroads issue. After Crossroads II was decided, what were the proceedings concerning Crossroads?

A. Crossroads II was ordered on January 9, 2013. In a unanimous decision, rehearing was denied on January 30, 2013. I have attached the order on rehearing as Schedule KM-r14, and the order on rehearing of Crossroads I as Schedule KM-r15. On February 27, 2013, GMO appealed to the Missouri Western District Court of Appeals. This appeal was filed while Crossroads I was still making its way through the appeals process. GMO obtained court review of Crossroads I. Both the Cole County Circuit Court (Case No. 11AC-CC00415) and the Missouri Court of Appeals (Case No. WD75038, State ex rel. KCP&L Greater Missouri Operations Company v. Missouri Public Service Commission, 408 SW3d 153 (Mo. App. 2013)) upheld the Commission, and when GMO sought U.S. Supreme Court relief, it declined to review the Commission's decision (Case No. 13-787). I have attached the MOPSC's brief as Schedule KM-r21.

Q. After being denied review from the U.S. Supreme Court, did GMO continue to seek recovery of Crossroads transmission costs?

A. Yes. GMO continued to file for rate relief for Crossroads transmission. GMO filed Case No. ER-2016-0156 on February 23, 2016. This case was concluded by stipulation and agreement approved by the Commission on September 28, 2016. GMO filed Case No. ER-2018-0146 on January 30, 2018. This case was concluded by stipulation and agreement approved by the Commission on October 31, 2018.

Q. Did GMO request recovery of Crossroads transmission in the 2022 rate case?

A. No. GMO filed Case No. ER-2022-0130 on January 7, 2022. GMO removed $16.1 million of Crossroads transmission costs in its direct filing and Staff reflected these adjustments.

Q. In the time between Crossroads II and now, what has EMW done to mitigate Crossroads transmission service costs?

A. As described in the testimony of GMO witness Burton L. Crawford in Case No. ER-2016-0156, GMO studied the issue in depth:

> Q: Has GMO taken any action to mitigate the Crossroads transmission service costs?
>
> A: Yes, it has.
>
> Q: Please explain.
>
> A: A cross-functional team of employees under the direction of Scott Heidtbrink identified and evaluated several options for maximizing the value of Crossroads for both customers and shareholders. Of the 15 possible options considered, the only possibly feasible option that could offset a significant portion of the transmission expense is to move a portion of GMO's retail load and the Crossroads facility to MISO. As discussed in the Direct Testimony of John Carlson, this option would be cumbersome and difficult to achieve as GMO retail load and generation would be split between MISO and SPP.
>
> In addition to the option evaluation, GMO continues to try to minimize the financial impact related to the price of transmission service through various FERC and court proceedings. If GMO realizes transmission cost savings as a result of these proceedings such savings would flow through to the benefit of customers depending on the rate treatment in effect for such costs at the time.[48]

Q. What was the work product or outcome of the cross-functional team?

A. The team produced 15 possible options, as Mr. Crawford referenced in his testimony. I have attached this work product dated August 12, 2014 obtained through Data Request 260 in Case No. ER-2016-0156 as Confidential Schedule KM-r22. The highest ranked #1 option was to ** [redacted]

[48] Direct testimony of GMO witness Burton L. Crawford, Case No. ER-2016-0156, page 18, lines 13-22, and page 19, lines 1-5.

[redacted]. **

Q. Did GMO make this presentation to the Commission?

A. Yes it did. In the December 2, 2015, Agenda meeting, GMO made a presentation to the Commission touting the benefits of Crossroads, the transmission cost increases subsequent to Entergy's move to MISO, and similar to the present request, little to no discussion of the voluminous history of Aquila's capacity issues. I have attached the presentation as Schedule KM-r23. Subsequent to that presentation, GMO filed its 60-day notice on December 18, 2015, in anticipation of filing Case No. ER-2016-0156 which it did on February 23, 2016.

On January 13, 2016, the Commission heard a "competing" presentation from David Woodsmall representing the Midwest Energy Consumers Group and Lena Mantle of the Office of Public Counsel. I have attached that presentation as Schedule KM-r24.

Q. What were the other options considered by GMO in the cross-functional team?

A. ** [redacted]

[49] The total capacity of Dogwood has increased to 643 MW.

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted][50] [redacted]. **

Q. Can you summarize the important points of the cross-functional team work product?

A. The options for Crossroads described by witnesses Gunn, Ives, and VandeVelde are the exact same options GMO found in the cross-functional team 11 years ago. Among the 15 options to mitigate the transmission costs were **[redacted],** relocate Crossroads, or sell it and acquire replacement capacity. EMW has delayed 11 years on finding a workable solution to the Crossroads problem and its only solution is imposing $18.7 million of annual transmission costs on its customers. EMW should have either moved Crossroads or sought to replace its capacity with generation in SPP if it was dissatisfied with the Commission's orders in Crossroads I and II. In the interim, construction costs have risen substantially, the electric industry has seen substantial post-COVID inflation, as EMW's witnesses note, demand for capacity is increasing, and EMW's only solution is to saddle its customers with astronomical levels of transmission costs with seemingly no end.

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

Q. Since the 2016 cross-functional team evaluation, what has EMW done to mitigate the potential impact of its decision to abandon Crossroads?

A. EMW has known of the March 1, 2029 deadline to either renew the transmission agreement or replace the capacity for the last 20 years. EMW is the only entity that can make the decision whether or not to renew the transmission service agreement. In the interim, EMW has had numerous IRP filings and had the ability to file a CCN, if needed, to replace Crossroads capacity.

Q. What new generation CCN's has EMW requested since Crossroads II?

A. EMW filed the following generation CCNs:

- EA-2015-0256 – Greenwood Solar Facility – 3 MW capacity
- EA-2022-0043 – Hawthorn Solar Facility – 2.5 MW EMW share of capacity
- EA-2022-0234 – Persimmon Creek Wind Facility – 198.6 MW capacity
- EA-2023-0291 – Dogwood Combined Cycle Facility – 143 MW EMW share of capacity
- EA-2024-0292 – Sunflower Sky Solar – 65 MW Capacity, Foxtrot Solar Facility – 100 MW capacity
- EA-2025-0075 – Viola Combined Cycle Facility – 355 MW EMW share of capacity, McNew Combined Cycle Facility – 355 MW EMW share of capacity, Mullin Creek Combustion Turbine Facility – 440 MW capacity

These generating facility CCN's were intended to fulfill the need for additional capacity, not to replace Crossroads capacity.

Q. A portion of the Dogwood Combined Cycle Facility was purchased by EMW in 2024. Did EMW have opportunities to purchase this capacity to potentially replace Crossroads?

A. Yes. As I described in my direct testimony, starting in 2012, Kelson Energy, who wholly owned Dogwood, began selling ownership portions of the plant to interested parties. Based on a capacity of 643 MW, listed below are the prices for Dogwood capacity and the purchasers:

Dogwood Purchaser	% Ownership	Date of Purchase	Purchase Price	Megawatts of Capacity	Price Per MW
Independence Power and Light	12.3%	April 2012	$45,885,150	79	$580.17
Kansas Municipal Energy Agency	10.1%	June 2018	$37,500,000	65	$577.43
Kansas Board of Public Utilities	17%	December 2012	$75,000,000	109	$686.12
Kansas Power Pool	7%	April 2012	$29,135,000[51]	45	$647.30
	3.3%	July 2015	$14,860,000[52]	21	$700.32
Missouri Joint Municipal Electric Utility Commission	8.2%	March 2012	$32,950,000[53]	53	$624.93
	8.2%	June 2018	$27,500,000	53	$521.56
	11.7%	2024-2026	$30,000,000	75	$398.77
EMW	22.2%	June 2024	$60,775,000	143	$425.76
Total and Average Price	100%		$353,605,150	643	$549.93

<u>RESPONSE TO WITNESS MANTLE</u>

Q. On page 2 of her direct testimony, OPC witness Mantle notes that if EMW does not renew its transmission contract without having replacement generation, Crossroads should be imputed for the revenue requirement regardless of the replacement capacity costs. What does this mean, exactly?

A. It would entail capturing the balances of plant with additions, depreciation reserve with retirements, all operations, maintenance, and fuel costs. In a future rate case, these items would be included in revenue requirement in place of increased capacity costs of the replacement generation.

Q. Do you agree with this approach?

[51] Approximate price based on bond proceeds.
[52] Ibid.
[53] Ibid.

A. Yes. I discussed earlier in this testimony that the proxy value to be used is the value found in Crossroads II, with interim additions and retirements. I would add that the value would be the gross plant, not the depreciated value, as EMW would be building new generation that would have a brand-new useful life. I would also consider adjustments based on the different technologies employed.

Q. On pages 5-6 of her rebuttal testimony, witness Mantle notes that the retirement of the Sibley Generating Facility exacerbated EMW's capacity deficiencies. Do you agree?

A. Yes. When Crossroads was included in rate base, the basic assumption is that it would remain in service until the end of its useful life, which is around 2047 for a service life of 45 years. EMW will either dismantle or sell Crossroads in 2029 unless it gets what it wants in this case. This paradigm shift calls into question EMW's choice to not extend the useful life of Sibley 3 as EMW is the sole decider on Crossroads' future.

Q. Can you summarize your rebuttal 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. Regardless of EMW's choice, Crossroads capacity should be reflected at the current Commission valuation with no transmission reflected in cost of service.

Q. Does that conclude your rebuttal 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 *Rebuttal 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 14th day of October 2025.

CHERYL LEVERETTE
MY COMMISSION EXPIRES 9-7-2027
NOTARY SEAL
#01404338
JACKSON COUNTY
NOTARY PUBLIC, STATE OF MISSOURI

Cheryl Leverette
Notary Public