
**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

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Case No. ER-2024-0189

STAFF'S POST-HEARING BRIEF

Respectfully Submitted,

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Deputy Counsel

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Attorney for Staff of the

Missouri Public Service Commission

November 25, 2025

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STAFF'S POST-HEARING BRIEF

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

INTRODUCTION

The specific issue for this brief stems from Issue 5.C. of the *Unanimous Stipulation and Agreement* ("Agreement") dated October 2, 2024, in this case. Issue 5. of the same Agreement states as follows: "If a stipulation cannot be reached, Issue 5.C. and any other issues related to the relocation or sale of Crossroads will be heard at a separate hearing in this docket no later than November 3, 2025. ... At the time of such hearing the Signatories will not be limited in presenting their arguments on the Crossroads issues." The parties in this case agreed to the very narrow phrasing of the single issue at question.

1. In this case, should the Commission determine it is prudent for [Evergy Missouri West, Inc. d/b/a Evergy Missouri West ("EMW" or "Evergy")] to renew its firm point-to-point transmission service agreement with Entergy Corp. before it expires in February 2029?

Whether or not the firm transmission service agreement should be renewed for any period of time is a point of agreement among the parties that opined on the issue.¹ Staff, Evergy, and the Office of Public Counsel ("OPC") agree, or do not disagree, that

¹ See Exhibit 160, VandeVelde Direct, page 11; Exhibit 280, Majors Direct, page 4; Exhibit 323, Mantle Direct, page 6.

Crossroads should continue operating beyond 2028, which would require firm transmission agreements to be renewed for some term past the current expiration date of February 28, 2029. On the other hand, the cost recovery of the new transmission agreements that will be incurred starting March 1, 2029, is a source of disagreement among the parties. Staff recommends the Commission remain consistent with the application of the Missouri Prudence Standard and maintain the status quo which excludes the recovery of transmission expenses in this case.

BACKGROUND

History:

Crossroads Energy Center consists of four 75 megawatt (“MW”) natural gas fired combustion turbines with a total capacity of approximately 300 MW located in Clarksdale, Mississippi, 525 miles away from Evergy’s headquarters.² Evergy does not own Crossroads but records it as a capital lease.³ The City of Clarksdale has owned and operated Crossroads since 2002 and that arrangement continues today.⁴ A non-regulated affiliate of Aquila (now EMW),⁵ Aquila Merchant, constructed Crossroads in 2002 as a non-regulated merchant independent power plant (“IPP”), originally built to serve the constrained transmission area in and around Clarksdale, Mississippi, as an Exempt Wholesale Generator (“EWG”).⁶ Aquila Merchant made a deliberate decision and

² Majors Direct, page 23.

³ Meyer Direct, Schedule 3, page 26.

⁴ Majors Direct, page 23.

⁵ Majors Direct, pages 26-27.

⁶ The Public Utility Holding Company Act of 2005 (PUHCA 2005) states that the term “exempt wholesale generator” will have the same meaning as that term had in section 32 of the Public Utility Holding Company Act of 1935 (PUHCA 1935) – “any person determined by the Federal Energy Regulatory Commission to be engaged directly, or indirectly through one or more affiliates . . . , and exclusively in the business of owning or operating, or both owning and operating, all or part of one or more eligible facilities and selling electric energy **at wholesale**.” The significance of EWG status is for the owner of the EWG in the form of

calculated risk of constructing Crossroads in that part of the country to take advantage of the area's transmission constraints at the time of the construction.

When the merchant power market collapsed in 2002 after the Enron bankruptcy, Aquila, Inc. and its affiliates decided to exit the non-regulated energy market and concentrate on traditional regulated operations, primarily the generation, transmission and distribution of electricity in Missouri.⁷ After construction, Crossroads sat idle for several years, and was only utilized by Aquila for Missouri customers for a short term 2005 summer Purchase Power Agreement ("PPA") when there were few alternatives.⁸

Great Plains Energy ("GPE") acquired Aquila, Inc. and its remaining affiliates in July 2008. When GPE acquired Aquila Inc., it also acquired the non-regulated Crossroads. After GPE acquired Aquila, Inc., it transferred Crossroads to its plant records for Missouri Public Service ("MPS"), the entity that would become Evergy, in August 2008 with the intent for Crossroads to exclusively serve Missouri customers.⁹

Evergy Capacity Issues:

The need for Crossroads was created by Aquila's refusal to build capacity to serve its Missouri customers from 1983 to 2005. Instead, Aquila, Inc. relied exclusively on purchased power to meet its retail customers' increasing demands for electricity.¹⁰ Although every other investor-owned electric utility in Missouri built generation, Aquila, Inc. had a corporate policy not to build regulated generating units that it followed until it built South Harper in 2005.¹¹ During this time, Aquila believed that the regulatory climate

exemptions from or waivers of requirements under PUHCA 2005. <https://www.ferc.gov/industries-data/electric/power-sales-and-markets/exempt-wholesale-generators-ewg>

⁷ Majors Direct, page 27.

⁸ Majors Direct, page 57.

⁹ Majors Direct, page 28.

¹⁰ ER-2010-0356 Crossroads I *Report and Order* Issued May 4, 2011, page 80.

¹¹ Id.

did not warrant the business risks associated with constructing and owning rate-based generating facilities.¹² On the contrary, Evergy Missouri Metro, Liberty Electric, and Ameren Missouri, or their predecessor utilities, all built rate-based “steel in the ground” generation to serve their customers.¹³

This corporate policy can be traced back to Aquila’s request to transfer its generating assets to an affiliated EWG in Case No. EM-97-395.¹⁴ Beginning in the late 1990’s Aquila had “a corporate policy not to build regulated generation units.¹⁵ The benefit to the utility of developing plants as merchant plants, or EWGs, is that the owners of the plant can seek increased profits from producing energy to sell at market-based rates and not being captive to a state-regulated return.¹⁶ No other Missouri electric utility developed generating facilities as EWGs to serve Missouri customers and electric restructuring never came to fruition in Missouri.¹⁷

Aquila’s initial foray into merchant generation was the Aries Combined Cycle facility, now known as Dogwood. Aquila Merchant partnered with Calpine, an independent third-party entity, and constructed the Dogwood Generating Station as an EWG with a PPA starting in 2001 with Evergy, despite being conceived, planned, designed, and engineered by Evergy’s regulated division.¹⁸ Staff advocated in numerous cases since 2001 that had Aquila built Dogwood as a regulated generating station and rate based it in the traditional manner, Aquila likely would not have the capacity issues that

¹² Majors Direct, page 41.

¹³ Majors Direct, pages 44-45.

¹⁴ Majors Direct, page 37.

¹⁵ Majors Direct, page 38.

¹⁶ Majors Direct, page 40.

¹⁷ Majors Direct, page 41.

¹⁸ Majors Direct, page 38-39.

created the need for Evergy to rely on Crossroads for capacity.¹⁹ Due to dramatic changes in the energy industry and its own deteriorated financial health, Aquila decided to divest itself of its non-regulated assets beginning in mid-2002. ** [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

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

During the decade prior to being acquired by GPE, Aquila was interested in building generating assets everywhere else but Missouri. Aquila Merchant purchased 18 General Electric 7EA combustion turbines and installed four turbines at Crossroads in Mississippi, four at Racoon Creek in Illinois, and six turbines at Goose Creek in Illinois.²⁰ Aquila, Inc. knew in 2000 when it began taking power under the Dogwood five-year PPA that it would have to replace that capacity by June of 2005. Aquila never offered these turbines to replace the Dogwood PPA.²¹

¹⁹ Majors Direct, page 41.

²⁰ Three turbines were sold to unaffiliated entities, and one was returned to the manufacturer. See ER-2010-0356 Crossroads I *Report and Order* Issued May 4, 2011, page 78

²¹ Majors Direct, page 44.

Aquila Merchant also purchased three Siemens 501D turbines in 2002, initially to construct a second facility at the Dogwood site.²² This facility was intended to provide Aquila with a 15-year PPA.²³ Ultimately, these turbines were not installed at Dogwood and Aquila Merchant sought to sell them. After being unable to sell the turbines to unaffiliated entities,²⁴ they were stored at Richards-Gebauer Air Station and Ralph Green Generating Facility.²⁵ After languishing in storage, the warranty expired²⁶ and Aquila made a \$14 million write-down to the fair value of the turbines.²⁷ Aquila installed the turbines at South Harper, a site in Peculiar, Missouri, designed to accommodate six turbines. Absent these leftover turbines and the failure to sell them, there is no indication that Aquila had any intention to build owned capacity despite the need to replace the Dogwood PPA.²⁸

In July 2004, Aquila's least cost resource plan included building five 105 MW combustion turbines in 2005.²⁹ After prudently exploring and planning its capacity needs following the expiration of its five-year 500 MW purchased power agreement in May of 2005, Aquila elected not to build five combustion turbines, and instead built three 105 MW combustion turbines at South Harper, a site designed for up to six 105 MW combustion turbines, and entered into PPA that included base load capacity in order to diversify its resource portfolio additions.³⁰

²² Majors Direct, page 43

²³ Meyer Direct, Schedule 2, page 45.

²⁴ Meyer Direct, Schedule 2, page 43.

²⁵ Majors Direct, page 14.

²⁶ Meyer Direct, Schedule 2, page 42.

²⁷ Id, page 41.

²⁸ Id, page 44.

²⁹ ER-2010-0356 (Crossroads I) *Report and Order* Issued May 4, 2011, page 83.

³⁰ Id.

Crossroads I and Crossroads II (ER-2010-0356 and ER-2012-0175):

The history of Aquila's capacity issues is necessary to understand the context of the Commission's decisions in Crossroads I and Crossroads II. In Crossroads I, Staff rejected inclusion of Crossroads as a generating asset, and instead included capital costs and operations & maintenance expense for two additional 105MW combustion turbines at South Harper.³¹ The Commission rejected Staff's position in favor of including Crossroads. But the Commission's findings relied on two important points. The Commission found 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.³² The Commission found that paying the additional transmission costs required to bring energy all the way from Crossroads and including Crossroads at net book value with no disallowances, was not just and reasonable.³³

In Crossroads II, the Commission affirmed its prior order on both the valuation of Crossroads and the recovery of transmission costs. No party demonstrated reasoning why the Commission should have changed its order in Crossroads II,³⁴ and the Commission should again reaffirm its findings in Crossroads I and Crossroads II in the instant case. Specifically, on transmission, in Crossroads II, the Commission again weighed the alleged benefits of lower fuel costs in Mississippi compared to the transmission costs. In that instance the Commission found that generating facilities such as Dogwood and South Harper were closer and did not incur high transmission costs,

³¹ Id, page 84.

³² Id, page 91.

³³ Id.

³⁴ ER-2012-0175 (Crossroads II) *Report and Order* Issued January 9, 2013, page 52.

and that any lower fuel costs did not outweigh the then \$5.2 million in transmission costs.³⁵

In the instant case, the facts are on Staff's side and Staff's arguments remain the same. Local generation in the form of portions of the Dogwood facility were available and purchased by other parties even before the date of the order in Crossroads II.³⁶ Ownership of this local generation would eliminate the need for point-to-point transmission service unlike Crossroads.³⁷ Even during the time when Evergy thoroughly evaluated how to solve its Crossroads problem prior to the 2016 Rate Case, over half of Dogwood's capacity was available from a willing seller at attractive prices.³⁸ Lower fuel prices continue to fail to justify what has become nearly \$19 million in transmission expenses. In every year since 2009 South Harper actual natural gas commodity costs are lower than those for Crossroads except 2015, 2020, and 2022. Even when the variable transportation costs are included with the commodity charges the delivered gas price at South Harper is still lower than Crossroads, except for in 2011, 2020, and 2022. Of particular note, The Greenwood Gas Plant in Jackson County, Missouri, 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.³⁹

³⁵ Id, page 58.

³⁶ Majors rebuttal, page 53.

³⁷ Majors rebuttal, schedule KM-r22, page 5.

³⁸ Majors rebuttal, page 48-50.

³⁹ Majors rebuttal, page 29.

On both points relied on by the Commission in Crossroads II, **the facts have not changed.**

ARGUMENT

Evergy is a public utility, and an electric corporation, as those terms are defined in Section 386.020(15) and (43), RSMo. As such, Evergy is subject to the jurisdiction of the Commission pursuant to Chapters 386 and 393, RSMo.

The Prudence Standard:

The Missouri prudence standard has been enumerated in several prior rate cases. The prudence standard was referenced and utilized in Crossroads I:⁴⁰

15. The prudence standard is articulated in the *Associated Natural Gas Case* as follows:

[A] utility's costs are presumed to be prudently incurred.... However, the presumption does not survive "a showing of inefficiency or improvidence."

. . . [W]here some other participant in the proceeding creates a serious doubt as to the prudence of an expenditure, then the applicant has the burden of dispelling these doubts and proving the questioned expenditure to have been prudent. (Citations omitted).

In the [Union Electric] case, the PSC noted that this test of prudence should not be based upon hindsight, but upon a reasonableness standard:

[T]he company's conduct should be judged by asking whether the conduct was reasonable at the time, under all the circumstances, considering that the company had to solve its problem prospectively rather than in reliance on hindsight. In effect, our responsibility is to determine how reasonable people would

⁴⁰ ER-2010-0356 (Crossroads I) *Report and Order* Issued May 4, 2011, pages 74-77

have performed the tasks that confronted the company.⁴¹

16. As stated above, under the prudence standard, the Commission presumes that the utility's costs were prudently incurred.⁴² This means that utilities seeking a rate increase are not required to demonstrate in their cases-in-chief that all expenditures were prudent.⁴³

17. Staff or any other party can challenge the presumption of prudence by creating "a serious doubt" as to the prudence of an expenditure. Once a serious doubt has been raised, then the burden shifts to KCP&L to dispel those doubts and prove that the questioned expenditure was prudent.

18. In a prior case involving a prudence review and construction audit, the Commission stated:⁴⁴

The Federal Power Act imposes on the Company the "burden of proof to show that the increased rate or charge is just and reasonable." Edison relies on Supreme Court precedent for the proposition that a utility's cost are [sic] presumed to be prudently incurred. However, the presumption does not survive "a showing of inefficiency or improvidence." As the Commission has explained, utilities seeking a rate increase are not required to demonstrate in their cases-in-chief that all expenditures were prudent . . . However, where some other participant in the proceeding creates a serious doubt as to the prudence of an expenditure, then the applicant has the burden of dispelling these doubts and proving the questioned expenditure to have been prudent."

19. Thus, in the first instance, it is the parties challenging the decisions and expenditures of a utility that have the initial burden defeating the presumption of prudence accorded the utility.⁴⁵

⁴¹ See *State ex. Re. Associated Natural Gas v. Public Serv. Comm'n*, 954 S.W.2d 520, 528-529 (Mo. App. W.D. 1997).

⁴² See *State ex. Re. Associated Natural Gas v. Public Serv. Comm'n*, 954 S.W.2d 520 (Mo. App. W.D. 1997); *State ex rel. GS Technologies Operating Co. Inc. v. Public Serv. Comm'n*, 116 S.W.3d 680 (Mo. App. W.D. 2003 (citations omitted)).

⁴³ See *Union Electric*, 66 P.U.R.4th at 212.

⁴⁴ *In the Matter of Union Electric Company*, 27 Mo. P.S.C. (N.S.) 183, 193 (1985) (quoting *Anaheim, Riverside, etc. v. Federal Energy Regulatory Commission*, 669 F.2d 779 (D.C. Cir. 1981)) (citations omitted).

⁴⁵ *State ex rel. Associated Natural Gas Company v. Public Service Commission*, 954 S.W.2d 520, 528-529 (Mo. App., W.D. 1997).

Under the prudence standard, the Commission looks at whether the utility's conduct was reasonable at the time, under all of the circumstances. In applying this standard, the Commission presumes that the utility's costs were prudently incurred.⁴⁶

20. Once the presumption of prudence is dispelled, the utility has the burden of showing that the challenged items were indeed prudent.⁴⁷

21. The Commission has adopted a standard of reasonable care requiring due diligence for evaluating the prudence of a utility's conduct.⁴⁸ The Commission has described this standard as follows:⁴⁹

The Commission will assess management decisions at the time they are made and ask the question, "Given all the surrounding circumstances existing at the time, did management use due diligence to address all relevant factors and information known or available to it when it assessed the situation?"

22. In the *Associated Natural Gas* case, the Missouri Court of Appeals held that the Staff must provide evidence that the utility's actions caused higher costs than if prudent decisions had been made.⁵⁰ Substantive and competent evidence regarding higher costs includes evidence about the particular controversial expenditures and evidence as to the "amount that the expenditures would have been if the [utility] had acted in a prudent manner."⁵¹

23. In other words, Staff or the other parties must satisfy the following two-pronged evidentiary test to support a disallowance: 1) identify the imprudent action based upon industry standards and the circumstances at the time the decision or action was made; and 2) provide proof of the increased costs caused by KCP&L's imprudent decisions. To meet this standard, a party must provide substantive, competent evidence establishing a causal connection or nexus between the alleged imprudent action and the costs incurred.

⁴⁶ *State ex rel. GS Technologies Operating Company, Inc. v. Public Service Commission*, 116 S.W.3d 680 (Mo. App., W.D. 2003).

⁴⁷ *Associated Natural Gas*, *supra*, 954 S.W.2d at 528-529.

⁴⁸ *Union Electric*, 27 Mo. P.S.C. (N.S.) at 194.

⁴⁹ *Id.*

⁵⁰ *Associated Natural Gas*, 945 S.W.2d at 529.

⁵¹ *Id.*

In Crossroads I, the Commission used the above test to determine if GMO's 2008 decision to include Crossroads in rate base was a prudent decision. The Commission considered GMO's decision with the impact of GMO's requested net book value and with all associated transmission costs. The Commission found including Crossroads as a generating asset **at an appropriate value** was prudent, **with the exception of transmission costs.**⁵²

In Crossroads II, the Commission affirmed its determination using the same test, noting the facts had not changed from Crossroads I. The Commission found including Crossroads as a generating asset **at an appropriate value** was prudent, **with the exception of transmission costs.**

Evergy brought these higher costs on itself due to the imprudent management decisions made at the time. Evergy is asking the Commission to prospectively judge future conduct and future costs which have a high degree – but not absolute – of certainty. Applying the same prudence test to the decision to be made in the instant case is a different task. In this case, there is no action to be evaluated nor have increased costs been incurred – yet – that would meet the two-pronged evidentiary test. It is *inaction* that will cause increased costs to Evergy ratepayers if Evergy chooses not to renew the transmission agreements, which will lead to increased costs of replacement capacity and energy.⁵³ Evergy is threatening to avoid this “inaction” ONLY if the Commission abandons its prudence standard and says Evergy should now be rewarded for its imprudent decisions.

⁵² ER-2010-0356 (Crossroads I) *Report and Order* Issued May 4, 2011, page 91.

⁵³ Gunn Direct, pages 12-14.

Valuation Linked to No Recovery of Transmission Costs:

The proxy valuation used by the Commission in Crossroads I and Crossroads II is inextricably linked to no recovery of transmission costs. The Commission concluded 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 PPA, and the Company's decision to add the Crossroads generating facility to the MPS generation fleet were prudent and reasonable decisions.⁵⁴ 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 Evergy's rate base.⁵⁵

To understand why no transmission expense should be recovered first requires an understanding of how the Commission valued Crossroads. Because Crossroads was transferred from a non-regulated affiliate to the Missouri regulated operations, the Commission's affiliate transaction rule is implicated. The affiliate transaction rule, as it applied when Crossroads was transferred to Evergy, provides that the purchase of "goods or services" from an affiliate shall be the lesser of (a) fair market price; or (b) the fully distributed cost.⁵⁶

⁵⁴ ER-2010-0356 (Crossroads I) *Report and Order* Issued May 4, 2011, page 99.

⁵⁵ Majors direct, page 62.

⁵⁶ ER-2010-0356 (Crossroads I) *Report and Order* Issued May 4, 2011, page 98.

The Commission determined a fair market price of Crossroads by using a proxy value of arms-length similar transaction sale values.⁵⁷ Of the 18 turbines purchased by Aquila Merchant, six were installed at Goose Creek and four were installed at Raccoon Creek, both in Illinois.⁵⁸ Ameren UE (now Ameren Missouri) 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.⁵⁹

Transmission expense is relevant to the proxy values because the sales were not solely used by the Commission to value the plant, but also as a proxy for prudent capacity decisions. ** [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]. **61 These

transactions occurred at prices consistent with the turbine market after the Enron collapse.⁶² The Commission used the proxy plants not only to properly value Crossroads

⁵⁷ Id, page 100.

⁵⁸ Id, page 79.

⁵⁹ Majors Rebuttal, page 41.

⁶⁰ CIPS is Central Illinois Public Service Company, which is now part of Ameren Corporation. The company was founded in 1902 eventually becoming a subsidiary of Ameren Illinois.

⁶¹ Majors Rebuttal, page 20.

⁶² ER-2010-0356 (Crossroads I) *Report and Order* Issued May 4, 2011, page 95.

at the proper price GPE paid for it as distressed property, but also to justify the prudence of including Crossroads in rate base without transmission expense recovery, similar to Raccoon Creek and Goose Creek for AmerenUE customers because they are in the same RTO as the facilities acquired: MISO.⁶³

Evergy's Missed Opportunities to Replace Crossroads:

If it was Evergy's intent to abandon Crossroads if it would not explicitly recover transmission expense through the cost of service, then it had multiple opportunities to replace Crossroads capacity on which it failed to capitalize.⁶⁴ As recent as 2022, Evergy received a response to a Request for Proposal from the owner of Jeffrey Energy Center ("JEC"). JEC is a three-unit coal fired baseload generating facility, of which Evergy owns an 8% share. An additional 8% share would be a natural fit for Evergy's capacity mix. The opportunity was for 175MW of capacity for ** [REDACTED] ** per KW, which is even cheaper than the Commission's valuation of Crossroads.⁶⁵ Baseload coal units, like JEC, operate much more than Evergy's combustion turbines.⁶⁶ The units are currently in service and have been operating for over 40 years. This opportunity would avoid significant risks related to the construction of new generation.⁶⁷

The same can be said of the Dogwood facility. Evergy purchased 143MW of Dogwood in June 2024 for \$425.76 per KW. During the same time, another tranche of 75MW was purchased by the Missouri Joint Municipal Electric Utility Commission at an even cheaper price.⁶⁸ Dogwood was conceived, planned, designed, and engineered by

⁶³ Id.

⁶⁴ Majors direct, page 77, Majors rebuttal, pages 52-53.

⁶⁵ Majors Direct, page 78.

⁶⁶ Id, page 76.

⁶⁷ Gunn Direct, page 13.

⁶⁸ Majors Rebuttal, page 52.

Evergy's predecessor regulated utility.⁶⁹ It was built specifically to serve Evergy regulated customers for its initial five years of operation, possibly longer.⁷⁰ Even after Entergy's move to MISO in December 2012, portions of Dogwood capacity were available but purchased by other entities. Although the various prices of the Dogwood capacity sales were much higher than Crossroads' \$205.88/kW valuation, they pale in comparison to the cost of a new combustion turbine gas plant at an estimated \$2,115/kW.⁷¹ Dogwood is a combined-cycle plant, which Evergy would construct if Crossroads were to be replaced.⁷²

Other than self-construct its own generation to replace Crossroads, another missed opportunity was the continued operation of Sibley 3. This was a 420MW coal-fired generation unit. Although the continued operation of Sibley was not realistic given the age of the unit and ever-tightening environmental restrictions, losing both Sibley 3 and Crossroads within a decade of one another will put Evergy in an even shorter capacity position.⁷³ Indeed, 420MW of firm, dispatchable, generation is better than 0MW of firm generation, which is where Evergy would be if it chooses to abandon Crossroads.

In the time since Crossroads I and Crossroads II, Evergy appears to have been "running out the clock", waiting for the Commission to become sympathetic to its circumstances. In 2014, Evergy formed a cross-functional team to maximize the value of Crossroads for both customers and shareholders. The team produced 15 possible options, which included ** [REDACTED]

[REDACTED]

⁶⁹ Majors Direct, page 38.

⁷⁰ Majors Direct, page 34.

⁷¹ Gunn Direct, page 13.

⁷² Majors Rebuttal, page 15

⁷³ Majors Direct, page 81.

[REDACTED] . **74 Evergy's chosen course of action after the team generated their options was more or less the same as where Evergy finds itself today – ** [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] . **75

Summary:

The two-pronged evidentiary test to support a disallowance of recovery requires Staff to 1) identify the imprudent action based upon industry standards and circumstances at the time the decision was made; and 2) provide proof of the increased costs caused by the imprudent decision. To meet this standard, Staff must provide substantive, competent evidence establishing a causal connection between the alleged imprudent action and the costs incurred. No actions have been taken for Staff or the Commission to apply this test at this time.

The prudence and reasonableness of including Crossroads as a regulated Missouri generating asset relied, in part, on no recovery of transmission costs. The prudence of future decisions will be evaluated in light of the missed opportunities Evergy has failed to act on. The reasonableness of Evergy's actions given the vast history of known concerns plaguing Crossroads becomes less and less likely with each missed opportunity to invest in capacity and avoid the high transmission expenses.

⁷⁴ Majors Rebuttal, Schedule KM-r22.

⁷⁵ Majors Rebuttal, page 49.

Evergy brought these higher costs on itself due to the imprudent management decisions made at the time.

Further, there are no substantive details for the Commission to review regarding any potential future agreement or extension for the future operation of Crossroads. With nothing new to review, **past Commission decisions on the issue should control.** This means no recovery of transmission costs and certainly no promise of future recovery of the same. Evergy has the ability to come before the Commission seeking evaluation and possible recovery once there is an executed agreement for the Commission to review. At that future time, Staff will be available to evaluate if anything has changed.

At this time, Evergy has yet to provide a new, fully executed contract for the Commission to review and determine if changes are necessary to the current approach regarding Crossroads. **Failure to provide or appropriately replace the Crossroads capacity, regardless of the ability to recover any portion of the costs associated with such capacity, is a very concerning hypothetical introduced by Evergy on this issue.** The potential for actions inconsistent with industry standards and the wealth of knowledge to draw upon to prove increased costs as a result of Evergy's actions is ample, but not yet ripe.

CONCLUSION

Staff recommends the Commission maintain the status quo, which excludes the recovery of transmission expenses in this case, while maintaining the historic application of the Prudence Standard. Such an order will be aligned with past Commission decisions. Staff has not found sufficient evidence to support a recommendation to change the

current evaluation of the prudence of Evergy's continued involvement with Crossroads or the unreasonable incurring of extreme transmission expenses.

Respectfully submitted,

/s/ Tracy D. Johnson

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CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been mailed, hand-delivered, or transmitted by facsimile or electronic mail to all parties and/or counsel of record as reflected on the certified service list maintained by the Commission in its Electronic Filing Information System this 25th day of November, 2025.

/s/ Tracy D. Johnson