

Exhibit No.:
Issue: Overview
Witness: Kevin Van de Ven
Type of Exhibit: Direct Testimony
Sponsoring Party: KCP&L Greater Missouri Operations
Company
Case No.: EO-2019-0244
Date Testimony Prepared: July 12, 2019

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO.: EO-2019-0244

DIRECT TESTIMONY

OF

KEVIN VAN DE VEN

ON BEHALF OF

KCP&L GREATER MISSOURI OPERATIONS COMPANY

**Kansas City, Missouri
July 2019**

DIRECT TESTIMONY

OF

KEVIN VAN DE VEN

CASE NO. EO-2019-0244

I. INTRODUCTION

1 **Q: PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 A: My name is Kevin Van de Ven, and my business address is 500 Rebar Road, Sedalia,
3 Missouri, 65301.

4 **Q: BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

5 A: I am Vice President and General Manager of Nucor Steel Sedalia LLC, a Division of
6 Nucor Corporation (“Nucor”).

7 **Q: PLEASE DESCRIBE YOUR EDUCATIONAL AND PROFESSIONAL**
8 **BACKGROUND.**

9 A: I received my Bachelor of Science Degree in Business Administration from Louisiana
10 State University in 1988. After graduation, I spent eight years of my career at Atlantic
11 Steel in Atlanta, Georgia. In January 1997, I became Vice President Sales at LMP Steel
12 & Wire in Maryville, Missouri. In January 2000, I became President of LMP Steel &
13 Wire. Nucor Corporation acquired LMP Steel & Wire in late 2007 and I became General
14 Manager of Nucor LMP Steel in 2008. In July 2015, I relocated and became General
15 Manager of Nucor Steel Jackson in Flowood, Mississippi. In January 2018, I was
16 promoted to Vice President and General Manager of Nucor Steel Sedalia in Sedalia,
17 Missouri.

1 **Q: PLEASE BRIEFLY DESCRIBE YOUR DUTIES AS VICE PRESIDENT AND**
2 **GENERAL MANAGER OF NUCOR STEEL SEDALIA.**

3 A: As Vice President and General Manager, I am responsible for completing construction of
4 the plant and for running Nucor Steel Sedalia, which includes responsibility over all areas
5 of plant operation, including budgeting, procurement, marketing, strategic planning,
6 customer relations, capital planning, and the management of day-to-day operations, as
7 well as serving as Nucor’s representative in the local community and the State.

8 **Q: WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?**

9 A: I will first provide an overview of Nucor and the Sedalia Project. Next, I will discuss
10 Nucor’s proposed power supply arrangement with KCP&L Greater Missouri Operations
11 Company (“GMO”) and the Special Incremental Load Rate Contract (“2019 Agreement”)
12 executed between the parties.

13 **II. OVERVIEW OF NUCOR AND THE SEDALIA PROJECT**

14 **Q: PLEASE DESCRIBE NUCOR CORPORATION.**

15 A: Nucor Corporation and its affiliates are engaged in the manufacture of steel and steel
16 products at over 60 facilities in the United States, including 21 steel mills that use electric
17 arc furnaces to produce steel. Nucor is the largest producer of steel in the United States.
18 Nucor is also North America’s largest recycler, using scrap steel as the primary raw
19 material in producing steel and steel products. In 2018, Nucor recycled more than 17
20 million tons of scrap steel.

21 **Q: PLEASE DESCRIBE THE NUCOR STEEL SEDALIA FACILITY.**

22 A: Nucor is constructing its first steel rebar producing “micro mill” in Sedalia, Missouri
23 (“the Sedalia Plant”). The Sedalia Plant will utilize an electric arc furnace to recycle

1 scrap steel into steel rebar. At full production, the Sedalia Plant will annually convert
2 scrap steel into approximately 380,000 tons of steel rebar.

3 Nucor has been and continues to be a leader in the use of new technologies, and
4 continues to invest significantly in plant improvements designed to keep us competitive
5 in world markets. As Nucor's first micro mill in the United States, the Sedalia Plant will
6 reduce the time, space, energy and manpower needed to produce rebar. In particular, the
7 Sedalia Plant uses a breakthrough casting technology, which allows us to operate the melt
8 shop and rolling mill in a fully integrated manner. This process allows for reduced
9 energy consumption and smaller scale plants. This process also reduces the overall
10 environmental impact of producing steel by generating significantly lower emissions.

11 **Q: PLEASE DESCRIBE THE PROCESS NUCOR USED TO SELECT THE**
12 **SEDALIA SITE.**

13 A: Nucor conducted a multi-state search for sites for the location of a steel mill, before
14 narrowing the search to sites in Missouri, Kansas, and Nebraska before selecting the
15 Sedalia location in November 2017. Many site visits were conducted. Although many of
16 the sites Nucor visited would have been sufficient from an operational perspective, Nucor
17 ultimately selected the Sedalia site because of the combination of operational and
18 financial advantages offered by the site. The long-term, competitive power rate that
19 GMO agreed to provide was a critical factor in Nucor's selection of the Sedalia site.

20 **Q: PLEASE DISCUSS THE ECONOMIC IMPACTS OF THE SEDALIA PLANT.**

21 A: Nucor commenced construction of the facility in September 2018, and after an expected
22 investment of roughly \$250 million, Nucor intends for the Sedalia Plant to start up in the

1 fourth quarter of 2019, with commercial operation commencing in the first quarter of
2 2020.

3 The Sedalia Plant will provide more than 250 direct, full-time jobs at an average
4 annual salary of approximately \$65,000. The capital investment and new jobs created by
5 the project will result in increased state corporate income taxes, state and local sales and
6 use taxes, local property taxes, local franchise fees, and personal income taxes of all
7 employees of the plant. It is also expected that indirect employment associated with the
8 Sedalia Plant will produce additional economic benefits for Missouri. Typically, when
9 Nucor builds a new steel mill, other vendors, maintenance crews, and fabricators follow
10 the new plant by locating on site or in the nearby area. This results in additional capital
11 investment and jobs in the state, thereby further increasing the tax base and providing
12 additional economic benefits.

13 The construction phase of the Sedalia project has also resulted in the temporary
14 employment of 450 construction workers. Finally, it should be noted that Nucor already
15 owns and operates other facilities in the State of Missouri: Nucor LMP Steel, Nucor St.
16 Louis Cold Drawn, and Advantage Metals Recycling which between them directly
17 employ approximately 250 persons. With the addition of the Sedalia Plant, Nucor will be
18 directly or indirectly supporting hundreds of jobs in the State of Missouri.

19 **III. PROPOSED 2019 AGREEMENT**

20 **Q: PLEASE GENERALLY DESCRIBE THE PROPOSED POWER SUPPLY**
21 **ARRANGEMENT BETWEEN GMO AND NUCOR.**

22 **A:** The Sedalia Plant, which will be utilized for steel rebar production, is located within
23 GMO's electric service territory. As a result, Nucor and GMO have entered into a

1 Special Incremental Load Rate Contract, dated July 11, 2019 (“2019 Agreement”).
2 Pursuant to the 2019 Agreement, GMO is to provide electric service to Nucor’s Sedalia
3 Plant at transmission voltage, under Special Rate for Incremental Load tariff sheets
4 designed specifically for Nucor (“Rate Schedule”). The initial term of the 2019
5 Agreement will extend for ten years from the date of the commencement of commercial
6 operations at the Sedalia Plant, currently expected to be in the first quarter of 2020,
7 following Commission approval of the 2019 Agreement and Rate Schedule. The
8 agreement also includes an opportunity for an additional ten-year term after the end of the
9 initial term, subject to Commission approval.

10 **Q: WHY ARE THE SPECIFIC TERMS, RATES, CHARGES, AND CONDITIONS**
11 **OF ELECTRIC SERVICE UNDER THE 2019 AGREEMENT SO IMPORTANT**
12 **TO NUCOR?**

13 A: Electric arc furnace steel production requires the use of a tremendous amount of
14 electricity which, after scrap, is one of the mill’s highest variable cost components. Our
15 total cost of electricity will be in the millions of dollars per year. Due to the magnitude
16 of our electricity consumption, a low cost, stable, and long-term electric rate is absolutely
17 critical for the Sedalia Plant to compete and succeed in highly competitive steel markets.
18 Additionally, rate stability and predictability are important features of our electric supply
19 arrangements. We need to remain competitive and the better we know what to expect,
20 the better we can plan for the future operation of and investment in the Sedalia Plant.
21 Nucor believes that industrial growth is a key ingredient in the future health of the
22 economies of Sedalia and the State of Missouri.

1 **Q: ARE YOU FAMILIAR WITH THE VERIFIED TESTIMONY OF MR. DARRIN**
2 **IVES FILED BY GMO IN THIS PROCEEDING?**

3 A: Yes, I am.

4 **Q: DO YOU BELIEVE MR. IVES' DESCRIPTION OF NUCOR'S OPERATIONS**
5 **AND HIS SUMMARY OF THE 2019 AGREEMENT IS ACCURATE?**

6 A: Yes.

7 **Q: PLEASE OUTLINE THE BENEFITS OF THE 2019 AGREEMENT.**

8 A: The 2019 Agreement will provide Nucor with a relatively long-term arrangement with
9 known rates, terms and conditions. We expect that the rates under the 2019 Agreement
10 and Rate Schedule will produce reasonable and competitive electricity costs. Also,
11 seasonal and time of use elements are built into the Rate Schedule, which will give us
12 flexibility to adjust our electric usage in response to price signals and market conditions.
13 The long-term nature of the agreement (which includes the ability to reach a mutually
14 agreed upon 10-year extension), coupled with the flexibility built into the Rate Schedule,
15 will allow Nucor to plan for the future and be better positioned to adapt to changes in the
16 steel rebar market. In short, the 2019 Agreement and Rate Schedule will help ensure the
17 long-term viability of the Sedalia Plant. This, in turn, means that the plant should
18 continue to provide economic benefits both locally and state wide for many years to
19 come.

1 **Q: WOULD NUCOR HAVE CHOSEN TO SITE THE PLANT IN SEDALIA BUT**
2 **FOR THE AVAILABILITY OF A SPECIAL ELECTRIC RATE AND THE**
3 **COMPETITIVE PRICING AND REGULATORY CLIMATE IN MISSOURI AS**
4 **DEMONSTRATED BY THE ENACTMENT OF SECTION 393.355 RSMO?**

5 A: But for the availability of a special rate, Nucor would not have chosen to locate a plant
6 and commence steelmaking operations in Sedalia. As noted above, Nucor evaluated
7 several sites in several different states for its new micro-mill. The availability of a
8 special electric rate, which could be tailored to the plant's unique operating
9 characteristics and needs, was critical to Nucor's decision to select the Sedalia site from
10 among the various siting options available.

11 **Q: IN YOUR VIEW, DOES THE 2019 AGREEMENT SERVE THE PUBLIC**
12 **INTEREST?**

13 A: Yes. For the reasons discussed above, the special rate will benefit the citizens of
14 Missouri generally by promoting economic development, improving the tax base, and
15 providing significant employment opportunities.

16 **Q: DOES THIS CONCLUDE YOUR TESTIMONY?**

17 A: Yes, it does.

