Exhibit No.:	
Issue:	Economic Development Rider Tariff
Witness:	Joe G. Fangman
Type of Exhibit:	Rate Design Rebuttal Testimony
Sponsoring Party:	Kansas City Power & Light Company and KCP&L Greater Missouri Operations Company
Case Nos.:	ER-2018-0145 and ER-2018-0146
Date Testimony Prepared:	August 7, 2018

MISSOURI PUBLIC SERVICE COMMISSION

CASE NOS.: ER-2018-0145 and ER-2018-0146

REBUTTAL TESTIMONY

OF

JOE G. FANGMAN

ON BEHALF OF

KANSAS CITY POWER & LIGHT COMPANY and
KCP&L GREATER MISSOURI OPERATIONS COMPANY

Kansas City, Missouri
August 2018

REBUTTAL TESTIMONY

OF

JOE G. FANGMAN

Case Nos. ER-2018-0145 and ER-2018-0146

Q: Please state your name and business address.

A: My name is Joe G. Fangman. My business address is 1200 Main, Kansas City, Missouri 64105.

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

A: I am employed by Kansas City Power & Light Company ("KCP&L") as Senior Manager Economic Development.

Q: On whose behalf are you testifying?

A: I am testifying on behalf of KCP&L and KCP&L Greater Missouri Operations Company ("GMO") (collectively, the "Company").

Q: Are you the same Joe Fangman that filed revenue requirement rebuttal testimony in this case?

A: Yes.

Q: What is the purpose of your testimony?

A: The purpose of my testimony is to address Economic Development Rider ("EDR") tariff changes proposed by the Missouri Public Service Commission Staff.

Q: Do you agree with Staff's proposed changes to the EDR tariff?

A: No. It would seem Staff's interest in revising the EDR tariff, as reflected in the changes Staff proposes on page 49 the Staff Class Cost of Service Report ("CCOS Report"), is largely influenced by the findings offered in their review of the EDR contracts and discussed in the testimony of Sarah Lange on pages 57-63 of the Staff Report on Cost of Service. I provided rebuttal to that testimony, showing that most of the concerns were misplaced. Given that the EDR tariff and its related processes are working as intended and providing value, the extensive revision recommended by Staff should be rejected. Further, and beyond any concerns about the operation of the EDR, the proposed additional criteria and tracking requirements will be perceived as onerous by customers and decrease the attractiveness of the incentive. This will have a detrimental impact the overall competitiveness of the local/regional and state economic development organizations proposals to prospective and existing customers.

Although the EDR has been available for many years, it was revised less than five years ago. The existing language in the EDR was updated and the Commission approved it in October 2013. The Company is satisfied with the existing language. Its flexibility and simplicity is welcomed by our State of Missouri and community partners and prospective customers.

The EDR has been instrumental in encouraging commercial and industrial expansions and job growth in our service territories in the State of Missouri for many years. From 2012 to 2017 alone 41 companies utilized the Company's EDR, creating or retaining over 9,277 jobs and $2.3 billion in direct capital investment in communities in our Missouri service territory.

Given that Staff has proposed such comprehensive change to the EDR tariff, I feel compelled to address each recommended change individually and offer clear support for our existing EDR tariff.

Q: Do you agree with the proposed change regarding which Rate Schedules are eligible for the EDR?

A: No. The current EDR tariff allows for Medium General Service (MGS), Medium General Service – All Electric (MGA), Large General Service (LGS), Large General Service – All Electric (LGA), and Larger Power Service (LPS) Rate Schedules. In the current KCP&L rate schedules, the MGS class still exists. There is no MGS Schedule in the current GMO rate schedules. Some of our smaller to medium industrial customers may have a demand of 200 KW and load factor of 55% so they utilize MGS rate schedule. Staff's proposal would unfairly exclude small business customers on the MGS rate schedule that may otherwise qualify for the EDR. Importantly, Staff offers no reason why MGS customers should not be eligible to make use of the EDR.

Q: Do you agree with the proposed exclusion of eligibility of the EDR for any facility currently taking service under a special contract, or any facility that took service under a special contract or pursuant to an economic development rider at any time during the twelve months preceding the date of the submitted application?

A: No. First, if a change in this regard is deemed necessary then the phrase "facility" should be changed to "customer", since there may be a situation where an EDR or Special Contract customer vacates a facility and within 12 months a new customer that occupies the facility qualifies for an EDR. The new customer should not be prevented from receiving an EDR because of the former occupant. In addition, an EDR customer may choose to expand in their existing facility. This customer should not be prevented from receiving an EDR on the net new load/load factor if the customer qualifies and is separately metered or separately measured.

I also disagree with Staff's recommendation that the EDR should not be available to customers previously on a special contract in the prior 12 months. Customers on special contracts in most cases have unique circumstances and can be flexible to relocate to find a better energy price. These customers may be good candidates for the retention portion of the EDR. The retention portion needs to be available in these circumstances to keep the business and associated jobs in the community. I agree customers should not be allowed to receive a special contract and an EDR at the same time, which is what our current tariff addresses.

Q: Do you agree with Staff's proposed availability criteria 7.b and its proposed determination of off-peak usage criteria to qualify for the EDR?

A: No. Determination of off-peak should include more than time of day. Off-peak should include weekends and off-season as well. For instance, a customer with negligible summer load and large non-summer load would improve the Company's overall load factor and would be beneficial in terms of the overall value that customer brings to our system. Like time of day off-peak loads, weekend and off-season loads improve utilization of existing system resources without the need for additional system capacity. Thus, providing contribution to existing system resources and reducing average costs for all customers.

Q: Do you agree with Staff's proposed removal of Incentive Provision 3 "Beneficial Location of Facilities"?

A: No. This is an important provision of the EDR to better utilize existing infrastructure. This encourages new and expanding load to locate in areas where infrastructure capacity is under-utilized, thus providing contribution toward existing system resources to drive down average costs for all customers.

Q: Do you agree with the proposed discount reduction formula should the customer not meet the criteria within years 3-5?

A: No. Staff's proposed formula is too complicated and would likely lead to customer confusion or misapplication. If the customer does not achieve compliance, the customer should be removed from the EDR program.

Q: Do you agree with the proposed requirements regarding Shifting of Existing Load, specifically for customers with existing facilities at one or more locations in the Company's service area, discounts under this Rider shall not be applicable to the portion of service related to the Customer transferring activities occurring at any other facility or metering point to the facility or metering point receiving service under this Rider?

A: No, this is already adequately covered in the existing tariff and no change is necessary or appropriate.

Q: Do you agree with the proposed provision that in the case of new facilities or expansion of existing facilities, the contract shall be executed and discounts shall begin to be applied with the setting of a meter for permanent service?

A: No. With new or expansion projects, a permanent meter may be set well before the facility is operational, well before the new equipment has arrived, and well before the new equipment has been tested. This provides for no ramp-up period for the customer which typically includes a period of inconsistent use. For larger projects this period can span many months before the facility is operational. I believe the current tariff appropriately allows for this flexibility. However, if a change in this regard is deemed necessary, I would suggest that the customer is provided a 12-month period to accommodate this situation, with an option for additional time if Company is notified by Customer that situations beyond their control prevent them from meeting that time frame.

Q: Do you agree with the proposed Incentive Provision that states that for retention of existing facilities, the contract shall be executed and discounts shall begin to be applied as soon as practicable upon receipt of the application but no later than 90 days after the receipt of the application?

A: No. The EDR Application is often received towards the beginning of negotiations/analysis by existing businesses evaluating either staying in our service territory or leaving for another location outside our service territory. This can include a lengthy search of alternative locations and evaluation period to determine the customer's best location. The retention EDR is offered to influence the customer's decision to stay in our area and should be applied at some point after the decision is made by the customer. Since we cannot control or artificially force business decisions of our customers, it is not practical to have a 90-day limit after receipt of the application imposed.

Q: Do you agree with the discount determination that excludes charges associated with riders pursuant to an authorized Fuel Adjustment Clause, Demand Side Investment Mechanism, Renewable Energy Standard Rate Adjustment Mechanism, or such other rider or mechanism as may be authorized by Commission or statute?

A: No, this proposed provision complicates the prospect's understanding of the benefits of the EDR and dilutes the benefits of offering the EDR. The EDR is already required to comply with the standard of the customer revenues providing a positive contribution to fixed costs over the term of the contract pursuant to the incremental cost analysis on KCP&L sheet

32I and GMO sheet 123.5. This assures a positive contribution by the customer and existing customers are not disadvantaged by the new customer's discount.

Q: Do you agree with the discount determination that states that the discount may not exceed 25% in years 3-5?

A: No. The discount schedule should be allowed to be determined by the Customer if they comply with no greater than 30% in any one year, no less than 5% in any one year and a cumulative amount of 100%. This was addressed in the current EDR that took effect nearly five years ago. The discount schedule requested must satisfy the required Net Positive Contribution/Incremental Cost requirement over the five-year discount period.

Q: Do you agree with the suggestion that the revenues received from a Customer during each year of service under the contract shall be greater than the applicable incremental cost to provide electric service as determined by the Company pursuant to KCP&L sheet Nos. 32I and 32J and GMO sheet Nos. 123.5 and 123.6, or the customer will be charged the calculated shortfall?

A: No. The current EDR states: Revenues to be received from a Customer <u>over the term of the contract</u> shall be greater than the applicable incremental cost to provide electric service, as determined by the Company pursuant to KCP&L Sheet Nos. 32I and 32J and GMO Sheet Nos. 123.5 and 123.6 ensuring a positive contribution to fixed costs. Attempting to conduct a "true-up" on an annual basis would be difficult to manage, hard to explain to the Customer and counter to the original intent.

Q: Do you agree with the suggestion that the Customer must allow the Company to install metering equipment necessary to measure load subject to this Rider?

A: Yes, but no change is needed because this recommendation is already addressed in the current EDR tariff and general rules and regulations. We agree the customer must allow the Company to install necessary metering when necessary for this rider. The Company should determine the appropriate method to separately measure such load. In some cases, the Company may determine the expansion is such that separate sub-metering is impractical or economically infeasible, the Company will determine, an appropriate method to separately measure the metered load for the EDR.

In some cases, the cost to install metering to separately meter the EDR load can cost nearly as much as the discount on the bill. When the Company determines the sub metering is not feasible, a baseline can be established for the existing load and the incremental load can be billed under the EDR. This is an efficient solution that reduces costs and assures no load shifting.

Q: Do you agree with the Termination Process as outlined in the proposed EDR?

A: No. The existing language is simple and direct, "Failure of the Customer to meet any of the applicability criteria of this Rider, used to qualify the customer for acceptance on the Rider shall lead to termination of service under this Rider."

We can debate the merits of each proposed point in the proposed termination section changes. In Point 3, the required notification by the Customer to the Company of "any changes that impact the Customer's service under the Rider" is vague and a 30-day notification period will be difficult for the customer to meet. But I agree the burden should be on the customer to notify Company if a change is expected. In Point 4, load shifting within the service territory is already not allowed under the current EDR. If there is transfer of activities from other facilities outside of the service territory, we should not need to be notified of such a change if the expansion has been approved as EDR eligible.

The annual review should be the primary determining factor in assessing compliance and starting termination.

Q: Do you agree with the Filing Requirements that include an affidavit of all reviews submitted by the Company within 10 days of completion?

A: No. The current EDR tariff includes provisions for submitting the EDR contract and supporting documentation to the Energy Unit of the Commission Staff. No evidence has been offered to indicate that this provision of the tariff is not working as intended or has not been complied with by the Company. There is no basis to add this additional requirement on the Company. Further, the recommendation that these submittals be accompanied by an affidavit is also without merit. I have observed that in normal practice before the Commission, the use of an affidavit is offered to comply with regulations that contemplate the need for such formality, or in situations where the documents are to be offered as evidence before the Commission. EDR documentation does not rise to this level and the recommendation of this additional requirement should be rejected by the Commission.

Q: Please summarize your recommendations regarding changes to the existing EDR tariff.

A: The existing tariff language was refreshed and approved by the Commission less than five years ago and the Company supports the tariff language remaining unchanged. The current EDR tariff is a vital tool used in conjunction with State and local economic development partners to bring economic growth the Company's service territory in Missouri. Staff's proposed additional criteria and tracking requirements will be perceived as onerous by customers and will decrease the attractiveness of the incentive. This will have a detrimental impact on the overall competitiveness of the local/regional and state economic development organizations proposals to prospective and existing customers.

Staff's proposed tariff changes will:

1. Reduce availability to our smaller business customers by eliminating availability to MGS customers.
2. Reduce utilization of underutilized system resources by not recognizing weekend and non-summer loads as off-peak nor recognizing the benefits of locating in an area with underutilized infrastructure.
3. Put potential retention customers at risk to leave the system by not allowing prior special contract customers to apply for an EDR.
4. Not recognize the customer's business timing when implementing the EDR by forcing the application of the EDR credits before the new or expanding customer begins operation. Retention customers will be forced to make a location decision within 90 days to receive the retention EDR.
5. Complicate customer understanding of their responsibilities by establishing a partial credit formula for those customers only partially meeting their requirements for added jobs and capital investment.
6. Reduce perceived value in customers' analysis of a location decision by adding uncertainty in the potential for termination. Added termination

detail accents risk in the customer analysis. Any added uncertainty in the EDR reduces its value to a prospect's analysis.

The purpose of the EDR is to influence existing and potential customers' decisions to expand and grow in our Missouri communities. The existing EDR tariff has been successful in doing that because it is simple, easy for the customer to understand, and utilizes the Company's underutilized system resources to the benefit of all customers. The Commission should reject the proposed EDR tariff changes from Staff.

Q: Does that conclude your testimony?

A: Yes, it does.

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of Kansas City Power & Light Company's Request for Authority to Implement A General Rate Increase for Electric Service	)))	Case No. ER-2018-0145
In the Matter of KCP&L Greater Missouri Operations Company's Request for Authority to Implement A General Rate Increase for Electric Service	))))	Case No. ER-2018-0146

AFFIDAVIT OF JOE G. FANGMAN

STATE OF MISSOURI)
) ss
COUNTY OF JACKSON)

Joe G. Fangman, being first duly sworn on his oath, states:

1. My name is Joe G. Fangman. I work in Kansas City, Missouri, and I am employed by Kansas City Power & Light Company as Senior Manager Economic Development.

2. Attached hereto and made a part hereof for all purposes is my [Rate Design] Rebuttal Testimony on behalf of Kansas City Power & Light Company and KCP&L Greater Missouri Operations Company consisting of eleven (11) pages, having been prepared in written form for introduction into evidence in the above-captioned docket.

3. I have knowledge of the matters set forth therein. I hereby swear and affirm that my answers contained in the attached testimony to the questions therein propounded, including any attachments thereto, are true and accurate to the best of my knowledge, information and belief

Joe G. Fangman

Subscribed and sworn before me this 7th day of August 2018.

Notary Public

My commission expires: 4/26/2021

ANTHONY R WESTENKIRCHNER
Notary Public, Notary Seal
State of Missouri
Platte County
Commission # 17279952
My Commission Expires April 26, 2021