Exhibit No.:

Issue: Economic Benefits of Velvet

Tech Services to Kansas City,

Missouri

Witness: Jill L. McCarthy

Type of Exhibit: Direct Testimony
Sponsoring Party: Evergy Missouri West

Case No.: EO-2022-0061

Date Testimony Prepared: November 2, 2021

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO.: EO-2022-0061

DIRECT TESTIMONY

OF

Jill L. McCarthy, SVP, KCADC

ON BEHALF OF

EVERGY MISSOURI WEST, INC. D/B/A EVERGY MISSOURI WEST

Kansas City, Missouri November 2, 2021

DIRECT TESTIMONY

OF

Jill L. McCarthy, SVP, KCADC

CASE NO.: EO-2022-0061

1 I. Witness Introduction

- 2 Q: Please state your name and business address:
- 3 A: My name is Jill L. McCarthy. My business address is 30 W. Pershing Road, Suite 200,
- 4 Kansas City, MO 64108. Our office is located within Union Station in Kansas City.
- 5 Q: On whose behalf are you testifying?
- 6 A: I am testifying on behalf of Evergy Missouri West.
- 7 Q: Describe your position and economic development experience:
- 8 A: I am employed as the Senior Vice President of Corporate Attraction, leading a high-9 achieving business recruitment team, at the Kansas City Area Development Council 10 ("KCADC"). KCADC is a regional economic development agency charged with new 11 business and talent attraction to the greater KC region. Drawing on 30+ years economic 12 development experience, I direct the strategy, initiatives, outreach, and business recruitment 13 activities for KCADC, working with companies and national site location consultants 14 considering the KC region. I specialize in regional business recruitment efforts across 15 multiple disciplines, having worked comprehensively with customer/shared service centers, headquarters operations, technology, financial services, advanced manufacturing, 16 17 distribution/eCommerce, and mission critical operations including data centers and 18 cybersecurity facilities. Notable companies I've worked with include: A Place for Mom, 19 ChowNow, Littler, Magna International, Martinrea International, OptumRx, Thryv,

Torch.AI, TTEC, U.S. Bank, USDA and the US Marine Corps Enterprise Information

Technology Services.

I am a 2018 Honoree of the KCBJ Women Who Mean Business. I also hold board/leadership positions at CREW KC, the Urban Land Institute ("ULI") Kansas City Advisory Board and the KC Tech Council. I am filled with a great passion to ensure the continued growth and success of the KC region.

- Q: Have you previously testified in a proceeding at the Missouri Public Service

 Commission ("MPSC" or "Commission") or before any other utility regulatory

 agency?
- 10 A: No.

A:

Q: Describe your organization:

KCADC is a private, non-profit organization representing the economic interests of our bistate, 18-county, Greater KC Region of 2.5 million people. Our role is to attract new companies and talent to the Greater KC Region. We work to enhance awareness of our metro's assets to create positive perceptions. We promote the KC region as a business and lifestyle location of choice. We brand the KC region as "one product" to stimulate economic growth. We equally support all our regional communities. And we actively facilitate the relocation/expansion process between a company and our KC communities. In the site selection search, we are the primary point of contact without location bias for client companies and their representatives. We offer urban, suburban, and rural options, and provide our clients with knowledge and support through extensive briefings, demographics, education, and workforce needs, partnership opportunities and connections, real estate options and more. The client's view of metro Kansas City is a smooth, seamless whole. We

- are fortunate to have amazing community and corporate partners that believe in the mission of "OneKC." A success anywhere in the metro is a success shared by all.
- 3 Q: Describe your organization's mission:
- 4 A: Engage the world to invest in the OneKC region.
- 5 Q: How long has your organization been actively involved with economic development?
- 6 A: 45 years

A:

Q: What is the history of your organization?

In 1971, KC leaders launched "Prime Time" to elevate KC's national image. The Carol Byoir agency in New York handled the marketing campaign and a local committee of business and civic leaders directed the program. KC was featured in the New York Times, National Geographic, the Saturday Evening Post, and several other publications. Prime Time became a model for city promotion. To capitalize on KC's new image, a task force directed the creation of an autonomous, yet affiliated economic development agency, similar to programs in Buffalo, Memphis, Omaha, and San Antonio.

In 1976, the Kansas City Area Economic Development Council was created and merged with Prime Time. Key framework included: KC's economic development effort must be metropolitan; high-level leadership from the private and public sectors shall remain engaged; enhance the national public relations campaign with supplemental advertising and publications. Rounding out the structure was the need to improve the region's research capabilities to better serve business prospects, and to fund the program at a level that attracts a top-caliber professional staff.

KCADC ("Economic" was dropped in the 90s) established the SmartCities brand and national marketing campaign in 1994 which gave way to the ThinkKC brand in 2004.

In addition to the attraction of more than 500 companies and nearly 60,000 new jobs, KCADC is credited with the development of regional industry initiatives including KC SmartPort, KC Animal Health Corridor, KC Tech Council, BioNexus KC (formerly KC Area Life Sciences Institute), and TeamKC: Life+Talent. KCADC is a key partner of the KC Rising regional business plan and co-led the business community's efforts in achieving voter approval for the new single terminal at Kansas City International Airport. KCADC is on KC's team with the intent to become a host city for the FIFA World Cup 2026.

II. General Economic Development Activity in Missouri

Q: What is the value of economic development to the state in general?

Economic development fosters multiple levels of benefit to a community. A few factors include maintaining, increasing, and diversifying the tax base; business retention and expansion; economic vitality and diversification for commercial and industrial areas; the creation and retention of jobs, increasing per capita income; maximizing property through the highest and best use; recognition and promotion of local products; and more.

For any community to survive, its people need employment opportunities, and its leadership must be able to generate revenue to provide services. Economic development, if done effectively, works to retain and grow jobs and investment within a community. Investment in economic development typically falls into three categories: investment in the workforce, the marketplace, and in the community. Successful economic development strategies coordinate all three types of investment. Equipping the workforce for the knowledge-based economy is critical to maintain competitiveness. States invest in economic development to encourage job growth, increase wages, and raise the standard of living for their residents. Workforce programs develop and train the local labor force,

connect workers to jobs while meeting the demand for skilled labor. Investment in the workforce includes occupational and job training, customized training programs, and the use of partner organizations to coordinate company requirements with local workforce needs.

Investments supporting the marketplace support business growth through both general business reinforcement and financial assistance, small-business procurement programs, and variations of tax incentives. Resources are best utilized when they a) target gaps which businesses cannot fill through the private marketplace and/or b) aid cover initial development costs that are prohibitive. Economic development investments help to grow a community, improving residents' lives, and impacting the state economy favorably. Community investments help create the conditions for sustainable economic growth. Support for the community includes broader investment in public goods such as transportation infrastructure, robust, reliable, and cost-competitive electricity, wide access to telecommunications, including internet broadband access, and investment for both K–12 and higher education.

Q: How does economic development spur growth?

Growth occurs through the attraction of capital investment, payroll, and new residents. Economic development helps to protect the local economy from economic downturns by attracting and expanding the region's major employers. A core part of economic development works to diversify the economy, reducing a region's vulnerability to a single industry. Diversification provides stability and reliability. Both are attractive factors to companies evaluating a community for investment. The expansion of companies in the region translates to increased tax revenue for community projects and local infrastructure.

Q: Were there projects Missouri missed out on in recent years? Why?

Projects evaluating multiple communities or regions for investment in jobs, payroll and capital investment are almost always led by consultants or companies that wish to remain confidential throughout the process. I'm not at liberty to identify company names but can speak to a few projects where the client selected another state. Each project is driven by key factors that change dramatically based on industry. For example, for a build-to-suit manufacturing or eCommerce project, site readiness (electric, fiber, water, sewer, street infrastructure and zoning) will impact the timeline for a company. Not having vertical ready sites slows the process and costs the company money in lost revenue. A large office headquarters (global, national, or regional) will focus heavily on workforce and lifestyle assets. These companies inquire more broadly about the area. Are the university and community college programs aligned? Does the population support the number of employees required? How many daily flights are available to a select number of other cities where the client needs connectivity? Is the community diverse and inclusive? And often, is there a variety of choice in Class A office buildings, both existing and under construction?

Over the past 15 years, Missouri has been bypassed when it comes to hyperscale data center development. While we have had viable sites and the infrastructure required related to energy, fiber and a skilled workforce, the inability to package incentives that reduce the upfront costs has kept us out of consideration.

When a client company has narrowed down their selected location to two or three communities as finalists, they should be confident in their ability to operate successfully in any of the finalist cities. At the end of the search, the final decision often depends on the

1 bottom line – where can they operate most effectively, efficiently and at the lowest risk to 2 the company. 3 O: What types of economic development programs can you use for economic development 4 to make Missouri competitive against other states? 5 Missouri Works, Missouri BUILD, Chapter 100 Property Tax Abatement and/or Sales Tax A: 6 Exemption are all valuable tools. However, for a large data center, the Data Center Tax 7 Exemption Program, Chapter 100 Property Tax Abatement and most critically the ability to 8 negotiate an electric rate are key tools. 9 Q: What other incentives could bring this project to the State? 10 While both sales tax exemption and property tax abatement are being utilized for this A: 11 project, they are pieces of a puzzle that together with power become whole. Energy Supply 12 is a critical factor for data centers, and even more so for hyperscale data center operations. 13 Without support of the project's renewable energy requirements and sustained electric rates 14 through the economic development initiative, a project like Velvet Tech Services would not 15 move forward in their evaluation of Missouri.

III. Project Specifics and Impact

Q: What is the purpose of your direct testimony?

A: The purpose of my direct testimony is to discuss the economic benefits to the KC region through the attraction of Golden Plains Technology Park and Velvet Tech Services, LLC.

This opportunity is enabled by the special contract rate which the Evergy Special High Load Factor Market Rate Tariff ("MKT Tariff") proposed in this case which is intended to service the hyperscale facilities customer in Golden Plains Technology Park.

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Q: Are you representing one of the groups that worked to bring Golden Plains
 Technology and Velvet Tech Services, LLC to the state?

Yes. I represent the lead organization that first engaged with Velvet Tech Services, LLC in May 2018. At the time, they were evaluating multiple states, including Missouri and Kansas, for a suitable location to build a hyperscale enterprise data center on 500 acres. In November of 2018, independent of Velvet Tech Services, Diode Ventures, another data center project, contacted KCADC about the suitability and viability of an 882-acre site they identified at the northwest corner of US 169 and I-435 as a potential data center campus.

Significant due diligence was conducted on the site, including but not limited to confirmation of reliable and redundant electric power; of high quality and redundant fiber optic communications; mitigation of risk or natural impediments on the site; access to Kansas City International ("KCI") Airport; access to a highly-skilled labor force; the ability to engage and collaborate with state and local economic development agencies; and the engagement with Evergy regarding a negotiated contract electric rate.

Once the site was fully vetted, KCADC introduced Velvet Tech Services to Diode Ventures, opening the potential to partner on a large-scale data center development in the KC region. As noted by the timeline (initial engagement in May and November 2018), this project has been a massive undertaking and has the opportunity to lift the KC region to new heights in technology assets.

Q: Describe the site in question known as Golden Plains Technology Park.

The site straddles the Platte County and Clay County line and is in both the Platte R-3 and Smithville School Districts. The entire site is location within Kansas City, Missouri. After extensive due diligence, the 882-acre site was purchased initially by Diode Ventures. Diode

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sold 375 acres in the northeast corner of the site to Velvet Tech Services. The City Council for the City of Kansas City, Missouri, on July 9, 2020, rezoned the entire site to a Master Plan Development ("MPD") specific to high-impact data center uses, establishing Golden Plains Technology Park as an innovative 882-acre data center campus development in Kansas City, Missouri. Located at the southwest corner of NW 128th Street and US Highway 169; and the northwest corner of I-435 and US Highway 169, the technology park will include three zones featuring data center operations.

For additional background, a data center is a secure facility that hosts a multitude of servers, routers, switches, and other computing equipment used in high volume data storage and processing. Data centers are the heart of today's online services including apps, emails, streaming, online shopping, banking and much more. Data centers provide highly reliable and secure cloud hosting solutions 24 hours per day, seven days a week and 365 days a year – simultaneously to thousands of global customers. Data centers help their customers maximize availability, performance and security as well as comply with strict security and compliance requirements. Located in highly secure locations, data centers are a critical part of our society, business, and the world.

Data centers can't be built just anywhere. They require proper site selection to ensure reliable operations with redundancies in power, telecom, and water infrastructure. Data center site selection is a complex process of economical and geographical considerations as well as weighing needs against risk factors to find the best location. Selection also factors in connectivity, proximity, and redundancy to maximize energy, connectivity, and water supply, all while mitigating risk.

Diode Ventures is the local developer of the Park. Diode is a wholly owned subsidiary of Black & Veatch, global engineering, procurement, construction, and consulting company. Black & Veatch, BNIM, and Olsson & Associates are among the local businesses supporting the planning and permitting for the development.¹

What is the general description of the MKT Tariff?

A: The MKT Tariff is described by Evergy witness, Darrin Ives. It is a contract-based tariff serving large high load factor customers served at transmission or substation level with rates based on incremental capacity and interconnection costs and energy priced at day ahead SPP energy prices.

10 Q: How does price of electricity factor into the site selection process?

A: It is a significant factor. This is a major cost component for large customers. The MKT Tariff rate design provides a competitive price and aligns energy pricing with the market associated with the renewable energy resources, that customers obtain through their own means, while protecting other Evergy Missouri West customers by covering incremental costs.

Q: Is the MKT Tariff in the public interest?

17 A: Yes, because it produces economic development benefits and covers all incremental costs.

18 As described in Mr. Ives' testimony, the individual Customer contracts will be similar to
19 the example presented by Evergy and each will be individually approved by the
20 Commission.

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¹ https://www.diodeventures.com/projects/gptp.

Q: Describe the Golden Plains Technology Park and Velvet Tech Services project impact.

The Golden Plains Technology Park will generate significant net new revenues for the City of Kansas City, the State of Missouri, the Platte R-3 and Smithville school districts, along with many other taxing jurisdictions. The combined project plan calls for the construction of 5.5 million square feet of new facilities for a data center campus to be built-out in multiple phases on 882 acres in Platte and Clay Counties. Over the next 11-year timeframe, Diode Ventures and Velvet Tech Services plan to invest \$4.3 billion in real estate – almost 3 times the size of the new KCI Airport single terminal. The initial buildout will include personal property of another \$1.1 billion. The combined initial capital investment will be \$5.4 billion, 65% of which will be locally purchased. The project will supply an average of 1,492 new construction jobs annually and create 326 net new full-time permanent jobs that will pay an average wage of more than \$80,000, well above the Kansas City average wage. Diode and Velvet are committed to 100% renewable energy resources.

One way to understand the impact of this project is to look briefly at approximately 375 acres of the project located in Platte County on six (6) tax parcels. Two (2) of these tax parcels, totaling 104 acres, are not included in the Chapter 100 boundary area. A utility substation is planned for that portion of the site and will be subject to full payment of real property taxes.

In 2020, the six (6) tax parcels noted above were assessed as agriculture land. The combined assess value for these parcels totaled \$32,646. The taxes paid to all taxing districts amounted to \$2,581 of which \$19.59 was paid to the County general fund. During the Chapter 100 term, payments in lieu of taxes ("PILOTs") of more than \$105 million will be

paid to the County, with \$5.79 million going to the County general fund. Once the abatement term expires, the Platte County general fund will receive an estimated \$560,000 annually from real property taxes and an additional \$500,000 in business personal property taxes.

4 Q: Are the incentives offered evidence that this project is beneficial to the state?

Yes. A third-party consultant, Research Triangle Institute, known as RTI International, in Research Triangle Park, North Carolina, prepared a Data Center Impact Student. The State of Missouri, via the Missouri Department of Economic Development, followed up with their own cost/benefit analysis. Both reports noted that this project's impact in terms of direct, indirect, and induced jobs is significantly positive. During the 11-year construction period it is estimated that 2,830 jobs will be supported by this project. Once construction is completed, an estimated average of 1,007 combined direct, indirect, and induced jobs are supported by this project annually.

Why are data centers essential to economic development/growth (data center jobs, construction costs, construction timeline)?

The U.S. Chamber Technology Engagement Center ("C_TEC") released a report the indicated the "average data center" adds \$32.5 million in economic activity to its local community each year². The report, Data Centers – Jobs and Opportunities in Communities Nationwide, also revealed that during construction, a typical data center generates an additional \$9.9 million in revenue for state and local governments.

Tim Day, Senior Vice President of C_TEC, stated, "Innovation drives our economy, and data centers drive innovation. When communities support data centers, those data centers in turn create jobs, improve local public infrastructure, and encourage skills

Q:

A:

² https://www.uschamber.com/press-release/us-chamber-report-data-centers-average-325-million-economic-impact

training for workers and businesses. With the right policies in place, data centers can serve as an important source of economic growth."

3 Q: What are the "soft" community benefits to the Golden Plains Technology Park?

Each data center building constructed will require high-paying Information Technology ("IT") positions to operate the facility. When a data center locates to a state/region, it serves as a technology-driven stimulus to the economy. In addition to the IT jobs that are required for the data center, and the thousands of construction jobs on site for the multi-years build, other businesses grow or expand in the region to support the data center, contributing to the economy.

Additional benefits include: the improvement of critical infrastructure in the area in the form of water resources, energy expansion, fiber connectivity enhancements, road development, etc. Additionally, data centers are low users of public services. They do not put a strain on police/fire, public works, street repairs, etc. Given the very high capital investment in the development, the benefit to the school districts is extraordinary without adding impact to their budget or classroom expansion. The additional employment of high-paying IT jobs and opportunities to partner with companies like Velvet Tech Services, LLC boosts benefits to both community and to schools.

Q: Why is renewable energy important for this project?

Data centers are striving to be more energy efficient and, companies are seeking renewable options to be environmentally and socially responsible. Generating energy that produces no greenhouse gas emissions from fossil fuels and reduces air pollution is important for all. Utilizing renewable energy also diversifies the energy supply, reducing dependence on imported fuels. Evergy's MKT tariff provides access to Southwest Power Pool ("SPP")

A:

market energy prices and, therefore, accommodates and makes more economically stable
the efforts made by the companies to pursue and support new renewable energy projects in
the SPP market necessary for these large energy users to meet their 100% renewable energy
goals.

IV. Velvet Tech Services, LLC

A:

6 Q: Who is Velvet Tech Services, LLC?

A: Velvet Tech Services, LLC is a subsidiary of a company that owns and operates a fleet of hyperscale data centers globally. In Kansas City, Missouri, Velvet Tech Services has purchased 375 acres from Diode Ventures within the Golden Plains Technology Park.

Q: What is the scope of the Velvet Tech Services project?

Velvet Tech Services, LLC is committing over \$800 million in capital investment during the first phase of development, with the potential to exceed \$1 billion investment. This project will support more than 50 employees on site with an average wage of \$81,000. Approximately 1,000 construction workers will be onsite during the build over multiple years. Velvet Tech Services is committed to the communities in which they operate. They focus on eliminating waste in multiple ways, by prioritizing sustainable materials, by including utilizing water stewardship efforts to be water aware and efficient, and striving to reduce electronic waste by finding opportunities to reuse hardware engaging third parties to remarket components for a useful second life. The company lasers in on boosting wellness, incorporating greener products and being a good neighbor in their communities. Velvet Tech Services has tremendous local impact through their community engagement efforts which include direct grantmaking, volunteer and other partnership activities. They will support funding technology resources and equipment in elementary, middle, and high

schools and funding for the arts, safety and health programs led by local nonprofits and institutions.

Q: What state and local incentives have been offered for this project?

A: The city of Kansas City, Missouri approved a Chapter 100 economic development agreement and the company is eligible to pursue an agreement through Missouri's Data Center Tax Exemption Program. To balance the ongoing needs of the project, Evergy's MKT Tariff locking in a rate that provides predictability in cost as well as the ability to achieve 100% renewable energy. As mentioned before, the cost/benefit analysis conducted by the Missouri Department of Economic Development takes incentives into consideration. With all factors considered, the project scores a significant positive benefit to the state. This project has been supported by a team of partners – the Missouri Partnership; the Missouri Department of Economic Development; the Kansas City Area Development Council; Evergy; the Mayor, City Council, Planning and Development offices at the City of Kansas City, Missouri; the Economic Development Corporation of Kansas City, Missouri, and the KC Tech Council to name a few. The Platte R-3 and Smithville school districts, along with the Metropolitan Community College, are excited to partner with Velvet Tech Services for many years to come.

V. Conclusion

Q: Would Velvet Tech Services or Golden Plains Technology Park have selected Kansas

City, Missouri for hyperscale data center operations but for the special electric rate?

No. We have years of historical data of being bypassed for hyperscale data center development because we did not have a coordinated incentive toolbox directly supporting

- data center development. Missouri would not have been in the initial site search and would
- 2 not have had any opportunity to move forward without the special electric rate.
- 3 Q: Does that conclude your testimony?
- 4 A: Yes. Thank you for your time and consideration.

BEFORE THE PUBLIC SERVICE COMMISSION OF THE STATE OF MISSOURI

In the Matter of the Application of Evergy Missouri West, Inc. d/b/a Evergy Missouri West For Approval of a Special High Load Factor Market Rate) File No. EO-2022-0061
AFFIDAVIT OF JILL L. MCCARTHY
STATE OF MISSOURI)
CITY OF KANSAS CITY) ss
Jill L. McCarthy, being first duly sworn on her oath, states:
1. My name Jill L. McCarthy. I work in Kansas City, Missouri and am employed by
the Kansas City Area Development Council the senior vice president of corporate attraction.
2. Attached to this affidavit and made a part hereof for all purposes is my Direct
Testimony (testimony) on behalf of Evergy Missouri West, Inc. The testimony is seventeen (17)
pages and has been prepared in the appropriate format to be introduced into evidence in the case
above.
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.
Jill L. McCarthy
Sworn to and subscribed before me this 29th day of October, 2021.
DARCY GROCE My Commission Expires July 13, 2023 Platte County Commission #15746924 Notary Public