

Exhibit No.:
Issues: Unit Retirements
Witness: Martin R. Hyman
Sponsoring Party: Missouri Department of
Economic Development –
Division of Energy
Type of Exhibit: Rebuttal Testimony
Case Nos.: ER-2018-0145
ER-2018-0146

MISSOURI PUBLIC SERVICE COMMISSION

KANSAS CITY POWER & LIGHT COMPANY

KCP&L GREATER MISSOURI OPERATIONS COMPANY

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

REBUTTAL TESTIMONY

OF

MARTIN R. HYMAN

ON

BEHALF OF

MISSOURI DEPARTMENT OF ECONOMIC DEVELOPMENT

DIVISION OF ENERGY

Jefferson City, Missouri

July 27, 2018

(Revenue Requirement)

**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 MARTIN R. HYMAN

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

Martin R. Hyman, of lawful age, being duly sworn on his oath, deposes and states:

1. My name is Martin R. Hyman. I work in the City of Jefferson, Missouri, and I am employed by the Missouri Department of Economic Development as a Planner III, Division of Energy.
2. Attached hereto and made a part hereof for all purposes is my Rebuttal Testimony (Revenue Requirement) on behalf of the Missouri Department of Economic Development – Division of Energy.
3. I hereby swear and affirm that my answers contained in the attached testimony to the questions therein propounded are true and correct to the best of my knowledge.



Martin R. Hyman

Subscribed and sworn to before me this 27th day of July, 2018.



Notary Public

My commission expires: 4/26/20

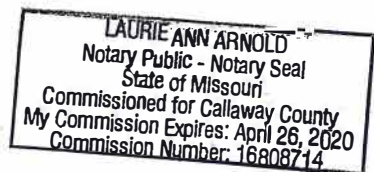


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1 **I. INTRODUCTION**

2 **Q. Please state your name and business address.**

3 A. My name is Martin R. Hyman. My business address is 301 West High Street, Suite
4 720, PO Box 1766, Jefferson City, Missouri 65102.

5 **Q. Have you previously filed testimony before the Missouri Public Service
6 Commission (“Commission”) on behalf of the Missouri Department of
7 Economic Development – Division of Energy (“DE”) in this case?**

8 A. Yes. I filed Direct Testimony on July 6, 2018 regarding residential rate design.

9 **II. PURPOSE AND SUMMARY OF TESTIMONY**

10 **Q. What is the purpose of your Rebuttal Revenue Requirement Testimony in
11 this proceeding?**

12 A. The purpose of my testimony is to respond to the issue of unit retirements raised
13 in Direct Testimony filed by the Office of the Public Counsel (“OPC”). To the extent
14 that Kansas City Power & Light Company (“KCP&L”) and KCP&L Greater Missouri
15 Operations Company (“GMO”) (collectively, “Companies”) retire their central
16 station units, DE encourages the development of diverse alternatives to substitute
17 for the lost capacity and energy services. DE also recommends a number of
18 conditions related to economic development concerns associated with closing
19 these central station units:

20 1. To the extent that non-union employees or contractors are affected
21 by the planned closures, DE recommends that the Companies should apply
22 certain post-employment provisions to all affected non-union employees
23 and contractors;

1 2. KCP&L and GMO should work with the Department of Economic
2 Development – Division of Workforce Development to sponsor retraining
3 opportunities for plant employees that seek employment outside of the
4 Companies or their affiliates, as well as to residents of the communities
5 affected by plant closures;

6 3. KCP&L and GMO should provide one-time contributions to local
7 school districts to both mitigate the effects of lost property tax revenues and
8 allow these districts to transition their budgets; and,

9 4. The Companies should work with and facilitate efforts by
10 communities to pursue available federal funding opportunities for necessary
11 assistance surrounding the closing of coal-fired power plants, to the extent
12 applicable.

13 **III. UNIT RETIREMENTS**

14 **Q. Have KCP&L and GMO indicated an intent to retire any coal- or gas-fired**
15 **generating units in the near future?**

16 A. Yes. The Companies have expressed their plans to retire Montrose Units 2 and 3,
17 Sibley Units 2 and 3, and Lake Road Unit 4/6 by 2019 and 2020.^{1, 2, 3}

¹ Missouri Public Service Commission Case Nos. ER-2018-0145 and ER-2018-0146, *In the Matter of Kansas City Power & Light Company's Request for Authority to Implement a General Rate Increase for Electric Service* and *In the Matter of KCP&L Greater Missouri Operations Company's Request for Authority to Implement a General Rate Increase for Electric Service*, Direct Testimony of John A. Robinett Submitted on Behalf of the Office of the Public Counsel, June 19, 2018, page 2, lines 11-21.

² Missouri Public Service Commission Case No. EO-2018-0268, *In The Matter of Kansas City Power & Light Company's 2018 Triennial Compliance Filing Pursuant to 4 CSR 240 – Chapter 22*, Volume 1 – Executive Summary, April 2, 2018, page 23.

³ Missouri Public Service Commission Case No. EO-2018-0269, *In The Matter of KCP&L Greater Missouri Operations Company's 2018 Triennial Compliance Filing Pursuant to 4 CSR 240 – Chapter 22*, Volume 1 – Executive Summary, April 2, 2018, page 26.

1 **Q. What is DE’s position regarding these retirements?**

2 A. While DE takes no position as to the retirement of any of the Companies’ particular
3 units, DE does support movement by Missouri’s electric utilities towards diverse
4 sources of in-state generation. This is consistent with the third category of
5 recommendations in the Missouri Comprehensive State Energy Plan (“CSEP”),
6 “Diversity and Security of Supply.”⁴ To the extent that the Companies retire any of
7 their central station generation resources, DE encourages the replacement of this
8 capacity and energy with in-state renewable energy resources and/or demand-
9 side programs.

10 **Q. Why does DE recommend the replacement of retired capacity and energy**
11 **with in-state renewable resources?**

12 A. Diversifying Missouri’s energy resources reduces the state’s reliance on imported
13 energy, thereby improving energy security. Additionally, the development of in-
14 state renewable energy resources can directly support local economic
15 development through job creation, utility spending, land lease payments, and tax
16 revenues. Recent decreases in the cost of renewable energy can support savings
17 for utility customers; customers can reinvest these savings into local economies.
18 Indirectly, in-state renewable energy development can support business retention,
19 attraction, and expansion because of increasing corporate interest in purchasing
20 or sourcing renewable energy.

⁴ Missouri Department of Economic Development – Division of Energy. 2015. “Missouri Comprehensive State Energy Plan.” <https://energy.mo.gov/sites/energy/files/MCSEP.pdf>. Page 227.

1 **Q. What is the link between renewable energy and business retention,**
2 **attraction, and expansion?**

3 A. The CSEP notes the emergence of corporate interest in renewable energy with
4 the creation of the Corporate Renewable Energy Buyers' Principles. These Buyers'
5 Principles have been signed by Walmart, Target, Bloomberg, General Motors,
6 IKEA, Procter & Gamble, Intel, Sprint, and many other companies. The CSEP also
7 states that, "Efforts to help Missouri utilities further diversify their portfolios and
8 increase options for renewable power purchasing coupled with low energy prices
9 will ensure our businesses are well positioned to meet future competition."⁵
10 Additionally, the CSEP notes that, "As major companies adopt corporate
11 responsibility and renewable purchasing requirements, Missouri businesses will
12 need to be prepared to respond to customer demands to remain competitive. Even
13 government entities such as local cities with emissions reduction targets and the
14 U.S. Department of Defense have established sustainability goals."⁶ As recently
15 as August of 2016, support for renewable energy was communicated through
16 letters from interested companies (General Mills, General Motors, Kellogg's,
17 Nestlé, Procter & Gamble, Target, Unilever, General Electric, and Owens
18 Corning).⁷

⁵ CSEP, page 178.

⁶ *Ibid*, page 185.

⁷ Missouri Public Service Commission Case No. EA-2016-0358, *In the Matter of the Application of Grain Belt Express Clean Line LLC for a Certificate of Convenience and Necessity Authorizing it to Construct, Own, Operate, Control, Manage and Maintain a High Voltage, Direct Current Transmission Line and an Associated Converter Station Providing an Interconnection on the Maywood-Montgomery 345kV Transmission Line*, Direct Testimony of Michael P. Skelly on Behalf of Grain Belt Express Clean Line LLC, August 30, 2016, Schedule MPS-3.

1 In the Companies' current rate cases, Missouri Energy Consumers Group witness
2 Mr. Steve W. Chriss states that his employer, Walmart Inc.,⁸ has a goal of being
3 supplied with 100 percent renewable energy, as well as a goal by 2025 to be
4 supplied by 50 percent renewable energy and to reduce emissions by 18 percent
5 via renewable energy and energy efficiency;⁹ Walmart Inc.'s economic footprint in
6 Missouri includes 157 retail units, four distribution centers, more than 42,000
7 employees, and recent purchases of \$7.3 billion in goods and services from
8 Missouri-based suppliers.¹⁰ Additional renewable energy resources support a
9 business-friendly environment, both from the standpoint of supporting corporate
10 renewable energy goals, which may be demonstrative of corporate environmental
11 consciousness, and in order to support marketplace competitiveness; as the cost
12 of renewable energy continues to decline, it will become an even more attractive
13 option for limiting businesses' exposure to energy price increases.

14 **Q. Is there local government interest in renewable energy?**

15 A. Yes. Providing local governments with access to renewable energy is important
16 both for allowing these localities to meet their own sustainability goals and for
17 attracting businesses interested in sustainability. Kansas City is one governmental

⁸ Missouri Public Service Commission Case Nos. ER-2018-0145 and ER-2018-0146, *In the Matter of Kansas City Power & Light Company's Request for Authority to Implement a General Rate Increase for Electric Service* and *In the Matter of KCP&L Greater Missouri Operations Company's Request for Authority to Implement a General Rate Increase for Electric Service*, Direct Testimony and Exhibits of Steve W. Chriss on Behalf of Midwest Energy Consumers Group, July 6, 2018, page 1, lines 4-5.

⁹ *Ibid*, page 3, lines 9-15.

¹⁰ *Ibid*, pages 2-3, lines 19-21 and 1-2.

1 example in the state of Missouri that is pursuing renewable energy,¹¹ along with
2 Columbia¹² and St. Louis.¹³

3 **Q. Why does DE also recommend the replacement of retired capacity and**
4 **energy with demand-side programs?**

5 A. Considering the replacement of retired capacity and energy with demand-side
6 programs is important for several reasons. Demand-side savings (e.g., through
7 energy efficiency or demand response programs) are often less costly options than
8 new generation resources. Demand-side programs are also critical tools to enable
9 customers to have greater control over their utility bills. These programs can
10 provide a number of “non-energy benefits” as well, such as improved comfort,
11 health, and safety for participants, improved environmental quality, and reduced
12 medical costs.

13 **Q. OPC witness Mr. John A. Robinett raises concerns about job losses at coal-**
14 **fired generation units.¹⁴ Does DE share this concern?**

15 A. Yes. However, these concerns are mitigated in part because KCP&L and GMO
16 have reached an agreement with IBEW Local No. 412 regarding post-closure
17 employment impacts, including a statement that, “It is the intent of the Company
18 that no employees be laid off as a result of the decision to retire these two

¹¹ City of Kansas City, Mo. 2017. “Resolution No. 170586, as amended.”

<http://cityclerk.kcmo.org/LiveWeb/Documents/Document.aspx?q=DfoUSXu7pUSJTU5A5Zt%2FoWqkjtNDkyUJaNI6mdOfwqYjGvJHb50FjMIZOGCwrJvx>.

¹² City of Columbia Utilities. 2018. “Renewable Energy Portfolio.” <https://www.como.gov/utilities/water-and-light/electric/renewable-energy-portfolio/>.

¹³ Gray, Bryce. 2017. “Aldermen pass resolution for St. Louis to pursue 100 percent clean energy by 2035.” *St. Louis Post-Dispatch*. October 27. http://www.stltoday.com/business/local/aldermen-pass-resolution-for-st-louis-to-pursue-percent-clean/article_3dcd5d0c-38c6-5d10-ba7e-4a76b2f4ecff.html.

¹⁴ ER-2018-0145 and ER-2018-0146, Robinett Direct, page 10, lines 7-12.

1 generating stations” (i.e., Sibley and Montrose); this agreement may extend to the
2 closure of Lake Road unit 4/6 as well.¹⁵ I have attached the Letter of Understanding
3 between the Companies and the union to this testimony (Schedule MRH - Reb -
4 RR 1). Active employees in IBEW Local No. 412 will also be eligible for the
5 Companies’ Voluntary Employee Exit Program, subject to a potential cap of 90
6 requests.¹⁶ To the extent that non-union employees or contractors are affected by
7 the plant closures, DE recommends that the Companies apply to these other
8 affected individuals (and affected employees at Lake Road unit 4/6, as applicable)
9 a set of conditions similar to the following Letter of Understanding provisions:

- 10 • Avoidance of layoffs (item one);
- 11 • Vacancy information (item two);
- 12 • Placement of employees who provide no locational preference (item
13 five);
- 14 • Probationary periods (item seven);
- 15 • Apprenticeships (item eight);
- 16 • Moving expenses (item 10);
- 17 • Post-closure work availability (item 14); and,
- 18 • No requirement to remain at plants for post-closure activities (item
19 15).

20 Affected non-union employees (and affected employees at Lake Road unit 4/6, as
21 applicable) should also be able to participate in the Voluntary Employee Exit

¹⁵ Companies’ response to Data Request DED-DE No. 209, attachment “QDED-209_412_LOU.pdf.”

¹⁶ Companies’ response to Data Request DED-DE No. 209, attachment “QDED-209_412_VEPP.pdf.”

1 Program on terms similar to those offered to employees in IBEW Local No. 412,
2 without affecting said union employees' rights under the Program. In addition, DE
3 recommends that KCP&L and GMO work with the Department of Economic
4 Development – Division of Workforce Development to sponsor retraining
5 opportunities for plant employees that seek employment outside of the Companies
6 or their affiliates, as well as to residents of the communities affected by plant
7 closures.

8 **Q. Are there any other potential economic development-related impacts from**
9 **these unit closures?**

10 A. Yes. To the extent that employees or contractors relocate, there may be indirect
11 impacts to areas around the closed units (e.g., reduced consumer spending at
12 restaurants and shops). Additionally, although the Companies expect few changes
13 to total property tax payments, it is possible that the taxing jurisdictions for some
14 property taxes could change.¹⁷ This jurisdictional shift could affect local school
15 system budgeting. Therefore, DE provides the following additional
16 recommendations:

- 17 1. KCP&L and GMO should provide one-time contributions to local
18 school districts to both mitigate the effects of lost property tax revenues and
19 allow these districts to plan for transitions in their budgets; and,
- 20 2. The Companies should work with and facilitate efforts by
21 communities to pursue available federal funding opportunities for necessary

¹⁷ Companies' response to Data Request DED-DE No. 209.

1 assistance surrounding the closing of coal-fired power plants (such as
2 Power DWGs),¹⁸ to the extent applicable.

3 **IV. CONCLUSIONS**

4 **Q. Please summarize your conclusions and the positions of DE.**

5 A. To the extent that the Companies retire their coal-fired units, DE encourages the
6 development of diverse alternatives to substitute for the lost capacity and energy
7 services, specifically with use of less carbon-intensive in-state renewable energy
8 and/or demand-side programs in order to meet economic and environmental
9 needs. DE also recommends a number of conditions related to economic
10 development concerns associated with closing these units.

11 **Q. Does this conclude your Rebuttal Revenue Requirement Testimony?**

12 A. Yes.

¹⁸ U.S. Department of Labor, Employment and Training Administration. 2018. "Power DWGs."
<https://www.doleta.gov/DWGs/Unique-NEG-DWG-Projects/Power-DWGs/>.