

Exhibit No.:
Issue: Customer Relations and Budgeting
Witness: Joseph G. Fangman
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Sponsoring Party: KCP&L Greater Missouri Operations
Company
Case No.: HC-2010-0235
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MISSOURI PUBLIC SERVICE COMMISSION

CASE NO.: HC-2010-0235

DIRECT TESTIMONY

OF

JOSEPH G. FANGMAN

ON BEHALF OF

KCP&L GREATER MISSOURI OPERATIONS COMPANY

**Kansas City, Missouri
October 2010**

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**

AG PROCESSING INC., A COOPERATIVE,)	
)	
Complainant,)	
v.)	Case No. HC-2010-0235
KCP&L GREATER MISSOURI OPERATIONS)	
COMPANY,)	
Respondent.)	

AFFIDAVIT OF JOSEPH G. FANGMAN


STATE OF MISSOURI)
) ss
COUNTY OF JACKSON)

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

1. My name is Joseph G. Fangman. I work in St. Joseph, Missouri, and I am employed by Kansas City Power & Light Company as Senior Energy Consultant.

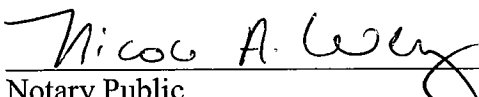
2. Attached hereto and made a part hereof for all purposes is my Direct Testimony on behalf of KCP&L Greater Missouri Operations Company consisting of eleven (11) pages, having been prepared in written form for introduction into evidence in the above-captioned docket.

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.



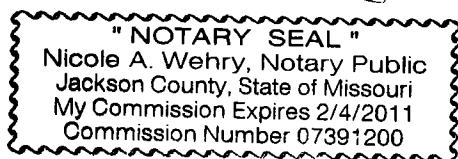
Joseph G. Fangman

Subscribed and sworn before me this 22nd day of October 2010.



Notary Public

My commission expires: Feb. 4, 2011



DIRECT TESTIMONY

OF

Joseph G. Fangman

Case No. HC-2010-0235

1 **Q: Please state your name and business address.**

2 A: My name is Joseph G. Fangman. My business address is 613 Atchison Street, St. Joseph,
3 Missouri 64501.

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

5 A: I am employed by Kansas City Power & Light Company (“KCP&L”) as Senior Energy
6 Consultant.

7 **Q: What are your responsibilities?**

8 A: I am a customer liaison between KCP&L and its customers, meaning that I manage
9 KCP&L’s relationship with its customers and make sure the customers’ and KCP&L’s
10 needs are met.

11 **Q: What is your education, experience and employment history?**

12 A: I was awarded a Bachelor’s degree in Electrical Engineering from Kansas State
13 University in 1987. I was awarded a Master’s of Business Administration from
14 Rockhurst University in 1991. I was also awarded a Professional Engineer’s License in
15 the State of Missouri in 1992. In 1987, I started work with St. Joseph Light & Power
16 Company (“SJLP”) as a Planning Engineer. I moved to a customer relations role with
17 SJLP when I was promoted to Industrial Power Engineer in 1989. In 1994, I was

1 promoted to Key Account representative within SJLP. With the sale of SJLP to
2 UtiliCorp United Inc. (UtiliCorp United Inc. was later renamed Aquila, Inc.) in 2000, I
3 started my position as a Principal Account Executive. In 2004, I was promoted to
4 Manager External Affairs. In 2007, I was promoted to Manager Transmission Services.
5 Later in 2007, I was promoted to Director of Economic Development and Customer
6 Relations. When KCP&L purchased Aquila, Inc. in 2008, I moved to my current position
7 of Senior Energy Consultant.

8 **Q: Have you ever worked for Aquila, Inc. (“Aquila”), now known as KCP&L Greater**
9 **Missouri Operations Company (“GMO”)?**

10 A: Yes. The majority of my work at Aquila involved working with large industrial and
11 commercial customers. I acted as a customer liaison between Aquila and its customers,
12 managing Aquila’s relationship with its customers to make sure the customers’ and
13 Aquila’s needs were met.

14 **Q: Have you previously testified in a proceeding at the Missouri Public Service**
15 **Commission or before any other utility regulatory body?**

16 A: No.

17 **Q: What is the purpose of your direct testimony?**

18 A: The purpose of my testimony is to describe the process for preparing forecasts and annual
19 sales budgets for steam operations at the St. Joseph Lake Road Generating Station and to
20 describe my contact with Aquila’s steam customers at the St. Joseph Lake Road
21 Generating Station.

1 **I. ANNUAL BUDGETING PROCESS**

2 **Q: Please describe Aquila's annual budgeting process for steam operations at the St.**
3 **Joseph Lake Road Generating Station.**

4 A: Typically in the second quarter of each year, Aquila would begin the annual budgeting
5 process for the subsequent three-year period. The first step in the process was
6 development of the sales forecasts for both the steam and electric businesses. Those
7 forecasts were prepared based on sales history and on customer projections for large
8 industrial loads. Once the steam sales forecast was developed, the fuel resource budget
9 was developed, also based on both history and on customer projections as it was
10 developed from the steam sales forecast. The budget was generally prepared in the May
11 to August time frame for the subsequent three-year period.

12 **Q: Was the annual budget ever updated?**

13 A: Yes. Each annual budget updates two years that were included in the prior three-year
14 budget. For example, in July 2005 the budgets for 2006, 2007, and 2008 were prepared.
15 In June 2006, the budgets for 2007 and 2008 were updated, and the budget for 2009 was
16 prepared. Thus, the annual budget process updates from the prior year's budget the
17 budget for the subsequent two years.

18 **Q: Was the steam sales forecast ever revised?**

19 A: Yes. Forecasts were periodically revised to reflect changes in steam customer anticipated
20 load requirements. For example, during 2006, a revised forecast was prepared in
21 February to lower the level of expected sales.

22 **Q: Who prepared Aquila's forecasts and annual budget for the steam system?**

1 A: Tim Nelson, who was Aquila's Electric System Analyst and a member of the Resource
2 Planning Group at Aquila.

3 **Q: What was your role in preparing Aquila's forecasts and annual budget for the**
4 **steam system?**

5 A: I provided Tim Nelson with information I received from steam customers regarding
6 expected load requirements. Based on input from myself and from Mike Smith, who was
7 the Plant Manager of the Lake Road Generating Station, Mr. Nelson would adjust
8 budgeted sales and budgeted fuel mix. Mr. Nelson periodically revised forecasts based
9 on updated customer information regarding anticipated load.

10 **Q: How were customer projections of load requirements incorporated into the annual**
11 **steam forecast and budget?**

12 A: Both historical sales and customer projected load needs were the starting point for the
13 steam forecasts and budget. I maintained regular contact with the steam customers to
14 monitor their activities that could affect load. I would provide to Tim Nelson the
15 information regarding anticipated load requirements provided to me by steam customers.

16 **Q: What would Tim Nelson do with the steam customer information that you provided**
17 **to him?**

18 A: He used the information that I received from steam customers to develop the annual
19 forecast and budget, to revise the forecast based on new information from customers, and
20 to update the annual budget based on new information from customers.

21

1 **II. CUSTOMER CONTACT**

2 **Q: Please describe your duties and responsibilities with regard to Aquila's customers at**
3 **the St. Joseph Lake Road Plant, in particular the steam customers.**

4 A: I was responsible for managing Aquila's relationship with its steam customers. I acted as
5 a liaison, presenting the customer needs to Aquila and Aquila's needs to the customers. I
6 was responsible for negotiating settlements for billing disputes and energy service issues.
7 When the customer had energy needs, I was the conduit to assure that Aquila met these
8 needs for construction of new services and delivery of energy. I maintained customer
9 contacts throughout the year to keep informed of customer activities and issues, then
10 forwarded those needs to others at Aquila to resolve their issues.

11 **Q: How often did you have contact with Aquila's steam customers at the St. Joseph**
12 **Lake Road Plant?**

13 A: I had frequent contact with these steam customers. My contact with these customers was
14 on a monthly basis, if not more frequent.

15 **Q: Who were the steam customers with whom you had regular communications?**

16 A: Aquila's steam customers at the St. Joseph Lake Road Plant, with whom I had regular
17 communications, were: Ag Processing, Inc., specifically Gary Oetken; Albaugh
18 Chemical, Inc., specifically Ron Collins; Triumph Foods, LLC, specifically Mark
19 Campbell; Nestlé/Purina PetCare, specifically Warren Rogers; and Land O'Lakes,
20 Omnium Division, specifically Jay Shewmaker.

21 **Q: Who would initiate these contacts with steam customers?**

22 A: Steam customers would often contact me. However, if Aquila needed something from a
23 customer, I would contact the customer.

1 **Q: How would these contacts occur?**

2 A: Much of my communication with Aquila's steam customers was verbal. Either a steam
3 customer would call me on the telephone or I would call a steam customer on the
4 telephone. However, I would occasionally exchange emails with customers regarding the
5 customers' anticipated load to form our budget. Schedule JGF-1 is an email I sent to
6 Davis Rooney and Tim Nelson at Aquila explaining my contacts with customers.
7 Attached to this email are examples of emails and their attachments regarding my
8 communications with customers to form Aquila's annual budget. See Schedule JGF-1. I
9 understand that examples of my emails with steam customers were produced to Staff of
10 the Missouri Public Service Commission as part of a response to a data request in Case
11 No. HR-2007-0028 asking for documentation of steam customer projections of steam
12 volume usage in 2005, 2006, 2007, and 2008. See Schedule JGF-2.

13 **Q: What was the purpose of these communications with steam customers?**

14 A: One purpose of my regular communications was to assure that an adequate and reliable
15 supply of steam was delivered to those customers to enable them to carry on their
16 business. As customers are in the best position to determine their needs, Aquila's steam
17 customers provided me with the information necessary for Aquila to ensure that it was
18 reliably meeting those needs.

19 Another purpose of my regular communications was to obtain information to pass
20 to others at Aquila. Because the annual forecast and budget, any revisions to the forecast,
21 and annual budget updates were based on information provided by customers, I was in
22 contact with customers to obtain information on their anticipated load requirements. I
23 was the steam customers' primary contact at Aquila if any steam customer had a change

1 in needs. The information I received from steam customers was the information that I
2 passed along to Tim Nelson to develop and update the annual budget and any forecast
3 revisions.

4 **Q: Did Aquila's steam customers know to contact you if there was going to be a**
5 **substantial deviation from the load estimates they had provided to you?**

6 A: Yes. Because I was the primary contact person at Aquila for steam customers regarding
7 supply needs, customers knew that if there was a substantial deviation in the estimates
8 they had provided to me, they should advise me of new facts. Because customers are in
9 the best position to determine their needs, I maintained regular communications with
10 customers to obtain the best possible information with regard to customers' supply needs.

11 **Q: You stated earlier in this testimony that a revised forecast was prepared in**
12 **February 2006. Was this revised forecast based on new information you obtained**
13 **from customers?**

14 A: Yes. My efforts to update the 2006 forecast began in 2005. In 2005, Tim Nelson
15 updated the 2006–2008 steam budget based on information I obtained from steam
16 customers in March and April of 2005. See Schedule JGF-3. I was in contact with
17 officials at Triumph Foods shortly after the October 12, 2005 fire at its facility regarding
18 updates on its anticipated startup schedule. See Schedule JGF-4. On February 6, 2006
19 John Modlin, who was an engineer at the Lake Road Plant, asked me if I could obtain an
20 updated load forecast from our steam customers for 2006. That same day I initiated
21 conversations with all Lake Road steam customers regarding their plans for the next few
22 years. See Schedule JGF-5. On February 7, 2006 and February 15, 2006, I sent updates
23 regarding the Lake Road steam customers' planned expected steam load increases to John

1 Modlin, Mike Smith, and Tim Nelson, as well as other Aquila employees. See Schedule
2 JGF-6. Gary Gottsch explains in his Direct Testimony that he received these updated
3 volumes from the Resource Planning Group on February 15, 2006 and adjusted volumes
4 and plans accordingly. See Gottsch Direct at 12–13.

5 **Q: You stated earlier in this testimony that the annual budget was updated in 2006 and**
6 **2007. Was the updated budget based on new information that you obtained from**
7 **customers?**

8 A: Yes. As customers informed me of customer load changes, I forwarded that information
9 to Tim Nelson. Some of those information exchanges were through verbal conversations;
10 not all communications between Tim and me were documented by email.

11 In October 2005, I provided Tim Nelson with an update on steam load projections
12 for Triumph Foods, Albaugh Chemicals, and Nestlé/Purina PetCare. In December 2005
13 and January 2006, Ag Processing informed me that it was looking into the possibility of
14 expanding its St. Joseph facility, and that this expansion would require additional steam
15 service from Aquila. See Schedule JGF-7. In February 2006, I provided Tim Nelson
16 with an update on steam load projections for all steam customers. This update provided
17 more detail regarding Ag Processing's and Albaugh's expansion plans. See Schedule
18 JGF-6. In June 2006, I provided Tim Nelson with an update on the steam load
19 projections for three Lake Road steam customers: Triumph Foods, Albaugh , and Silgan
20 Containers. See Schedule JGF-8. Triumph Foods and Albaugh informed me of their
21 growth plans and Silgan Containers planned to leave the steam system. In August 2006, I
22 informed Tim Nelson that Silgan Containers had been removed from the steam system.
23 See Schedule JGF-9. As reflected in the meeting minutes of a November 2006 meeting

1 Mike Smith and I had with Ag Processing representatives, Aquila requested construction
2 project updates relating to steam needs from Ag Processing and requested that Ag
3 Processing notify it of any large changes in steam requirements. See Schedule JGF-10.
4 In December 2006, I received an update from Ag Processing regarding its expansion and
5 expected need for additional steam in 2007 and 2008. See Schedule JGF-11. As
6 reflected in the meeting minutes of a May 2007 meeting that other Aquila representatives
7 and I had with Ag Processing representatives, Ag Processing updated us on its anticipated
8 steam load increases due to expansion. Those notes, prepared by Gary Oetken, state that
9 “[c]ommunications are good” between Aquila and Ag Processing. See Schedule JGF-12.
10 In June 2007, I provided Tim Nelson with an update on the steam load projections of Ag
11 Processing. See Schedule JGF-13. When the budget was updated, the projections of all
12 steam customers were updated.

13 **Q: Did the fire at the Triumph Foods facility in October 2005 have a substantial effect**
14 **on supply issues in 2006?**

15 A: No. Prior to the October 2005 fire at the Triumph Foods facility, Triumph Foods was
16 anticipating a mid-November startup, as noted in the Lake Road Station manager’s daily
17 report for the day after the fire. See Schedule JGF-14. Shortly after the fire, I was in
18 contact with officials at Triumph Foods regarding updates on its anticipated startup
19 schedule. See Schedule JGF-4. The actual production startup date for Triumph Foods
20 was January 3, 2006, as noted in the Lake Road Station manager’s daily report for that
21 date. See Schedule JGF-15. Thus, Triumph Foods experienced a startup delay of only a
22 month and a half after the fire. Because Triumph Foods ramped up its steam volumes in
23 January and February 2006, and its steam volumes remained constant from March until

1 August of that year when it added its second production shift, the fire did not have a
2 substantial impact on Triumph Food's steam usage after its January 2006 startup.

3 Furthermore, Triumph Foods initially expected to start a second production shift
4 within one year after plant startup. See Schedule JGF-16. However, by May of 2006
5 Triumph Foods was nearing full capacity on its first shift and anticipating the startup of
6 its second production shift only seven months after its initial startup. See Schedule JGF-
7 8. In February 2007, Triumph was near full production. Triumph continued to grow and
8 has exceeded its initial design capacity and load expectations.

9 **Q: Did the projected load requirements of any Lake Road steam customer have an**
10 **effect on supply issues in 2006?**

11 A: Yes. Albaugh Chemical advised me that it anticipated a significant steam load increase
12 in 2005 and 2006, and would require an increase in steam load by Aquila to meet its
13 needs. Albaugh's plans called for an initial increase of 35,000 lbs/hour in June 2005,
14 with an additional increase of 35,000 lbs/hr to follow in June 2006. See Schedule JGF-
15 17. However, Albaugh never came close to reaching the levels of steam usage it
16 predicted. I contacted Albaugh every couple months to get updates on its progress. Each
17 time it would indicate its expectation of ramping up production in the following month,
18 but the expected increase never occurred. As of October 2010, Albaugh is still
19 significantly under its expectations but plans to ramp up production next month.

20 **Q: Do you have any experience designing or administering hedging programs, either**
21 **for steam or electric operations?**

22 A: No I do not.

23 **Q: Does that conclude your testimony?**

1 A: Yes, it does.

2