

Exhibit No.:
Issue: Economic Benefits of Nucor to
Missouri, Pettis County and Sedalia
Witness: Mark Stombaugh, MO DED
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

**Mark Stombaugh, Director Regional Engagement Division
Missouri Department of Economic Development**

ON BEHALF OF

KCP&L GREATER MISSOURI OPERATIONS COMPANY

**Kansas City, Missouri
July 2019**

Energy Exhibit No. 3
Date 10-17-19 Reporter TL
File No. EO-2019-0244

DIRECT TESTIMONY

OF

MARK STOMBAUGH

Case No. EO-2019-0244

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

2 A: My name is Mark Stombaugh. The business address for the Department of Economic
3 Development is 301 W High St., Suite 680, Jefferson City, MO 65101.

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

5 A: I am employed by the State of Missouri's Department of Economic Development. I serve
6 as the Director of the Regional Engagement Division.

7 **Q: On whose behalf are you testifying?**

8 A: I am testifying on behalf of GMO.

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

10 A: My responsibilities include leading the organizations business and community outreach
11 and business development functions. This encompasses our general support, technical
12 assistance, and negotiation of program specific financial incentives to support business
13 growth.

14 **Q: Please describe your education, experience and employment history.**

15 A: I graduated from Bradley University in 2003 with a Bachelor of Science in Finance. I
16 received a Master of Business Administration from William Woods in 2011 and am
17 currently enrolled in the Master of Public Affairs Program at the Truman School of Public
18 Affairs. I have been in economic development for 14 years and have professional
19 certifications from the National Development Council (NDC) and International Economic

1 Development Council (IEDC). My experiences began with the Department of Economic
2 development in program administration and regional project management. I've led
3 multiple public-private partnership, non-profit organizations, and work for municipal
4 governments in support of community economic development before returning to
5 statewide economic development early 2018.

6 **Q: Have you previously testified in a proceeding at the Missouri Public Service**
7 **Commission ("MPSC" or "Commission") or before any other utility regulatory**
8 **agency?**

9 A: No.

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

11 A: The purpose of my direct testimony is to reinforce the positive economic impact on the
12 State of Missouri, Pettis County and the city of Sedalia of the investment being made by
13 the Nucor Corporation ("Nucor") and support the importance the proposed special
14 incremental load rate had on securing this opportunity for the State of Missouri.

15 **Q: Who is Nucor?**

16 A: Nucor is a producer of steel and related products headquartered in Charlotte, North
17 Carolina. Nucor has over 20,000 employees and is the largest producer of steel in the
18 United States. The company's energy-efficient electric arc furnaces turn more than 17
19 million tons of scrap into new steel every year.

20 **Q: Please discuss the Nucor expansion to Sedalia, Missouri.**

21 A: Nucor is finalizing the construction of a new steel bar micro mill in Sedalia, Missouri.
22 Upon completion the project would encompass more than \$250 million of private
23 investment and create 250 new employment opportunities. These positions include highly

1 technical, skilled, and correspondingly well compensated positions, estimated at \$65,000
2 in annual salary, on average. That represents almost 200% of the current average wage in
3 Pettis County, of \$33,564.

4 The project was extremely competitive amongst multiple other states vying to
5 encourage this investment and employment growth in their states. This growth opportunity
6 showcased the full teamwork necessary for economic development successes, a true
7 public-private partnership including; state and local economic development teams,
8 workforce training and education providers, utility providers, and local and state elected
9 officials and legislative bodies.

10 **Q: Are there other economic development benefits associated with a Nucor expansion in**
11 **Sedalia?**

12 **A:** Yes. This success will have spin-off effects for other projects considering locations in the
13 Midwest. This project served as the catalyst for the community's collective economic
14 development interests to bring their carefully planned vision of a rail service focused
15 industrial park to the community. This park, will have the potential to encompass 2500
16 acres of additional development. Securing this tenant allowed the community to leverage
17 significant additional federal funding through the Better Utilizing Investments to Leverage
18 Development transportation grant program, awarded just over \$10,000,000 to match local
19 strategic infrastructure investments. That was one of four awards made to the entire State
20 of Missouri. That additional industrial and primary job growth will create many
21 opportunities for supporting commercial and retail businesses to thrive and grow in and
22 around Sedalia.

1 In addition to the 250 new, full-time permanent Nucor jobs discussed previously,
2 the construction of the new facility will also create jobs. Nucor expansions also typically
3 attracts other suppliers and downstream processors. Each of these jobs also has spin-off
4 effects that positively impact the local and regional economy.

5 **Q: Why did Nucor choose Sedalia for this expansion?**

6 A: This was a highly competitive project. Nucor chose Missouri, and Sedalia in Pettis County,
7 in part due to market drivers for steel rebar in the mid and upper Midwest. The facility
8 addresses a need for a facility to produce product to reduce shipping costs to their
9 customers in this region.

10 Missouri had a statewide team working with Nucor including the Governor's office,
11 the Missouri Departments of Economic Development, the Department of Natural
12 Resources, Department of Revenue, Department of Transportation, Sedalia-Pettis County
13 Economic Development, City of Sedalia, Pettis County, KCP&L, Liberty Utilities, Union
14 Pacific and Missouri Partnership. This statewide team crafted an aggressive and innovative
15 incentive package for Nucor.

16 From the state's perspective all available tools were utilized to support this
17 significant investment. The City of Sedalia and Pettis County also partnered providing a
18 comprehensive package to provide significant operating savings to help illustrate the
19 business case for operating in Sedalia, Missouri. Utility partners; electric, natural gas,
20 railroad, and municipal services were all a critical part of the case for success. These
21 commitments each contributed to the decision for Nucor to select this location. They
22 represented not just enticements to locate but the framework for a long term partnership
23 encouraging continued investment and growth.

1 **Q: Did Nucor receive state/local incentives for this project?**

2 A: Yes. The significance of any state financial commitment is in direct relation to the size,
3 scale, and projected economic impact of the project. This represented one of the largest
4 investment projects on record and one that will have a catalytic impact on the economy of
5 the community and region.

6 The states support specifically included; Missouri Business Use Incentive for Large
7 Scale Development support provided through the Development Finance Board, Missouri
8 Works benefits to support the substantial job creation planned, and Skilled Workforce
9 Missouri training to assist with talent recruitment and more important unique skill
10 development. Additional resources were prioritized to sharpen the bond financing package
11 included sales tax exemptions on materials used in the construction of the facility as well
12 as certain personal property purchases. The total support across all programs exceeded \$16
13 million which will be delivered over a period of time as performance targets are met.

14 **Q: How did electric price factor into the location decision for Nucor?**

15 A: For a steel manufacturer, the price of electricity comprises a substantial component of a
16 company's operating and expense budget. Thus, competitive electricity rates were
17 considered one of the most important factors. The local utilities of GMO as well as Liberty
18 Utilities were very aggressive in offering attractive rate structures to make the Missouri
19 business case even more competitive.

20 **Q: Are there any specific tools that make Missouri competitive to company's like Nucor?**

21 A: Yes. The efforts taken in 2018 by the Missouri legislature to create Section 393.355 RSMo
22 giving the Missouri Public Service Commission the authority to approve a special rate
23 contract for aluminum and steel producers or facilities was a determining factor in this

1 project selected the state. The ability to target projects of this size and scale from a demand
2 and reliability perspective outside of a general rate proceeding, and not based on the electric
3 company's cost of service put our solutions in a comparatively competitive situation.

4 **Q: Why was this statutory provision created by the Missouri Legislature?**

5 A: These primary employers which represent such a high utility usage and where the rate
6 structures have significant impact to operating costs represent some of the largest
7 employment centers. The jobs, as in the case of Nucor, carry excellent levels of
8 compensation and benefits that support families and make sustainable communities.

9 **Q: Does the statutory provision complement existing economic development resources?**

10 A: Yes. Other programs and exemptions have been developed to target the costs associated
11 with these key inputs like electricity where the cost and reliability are critical to business
12 operations. The state sales taxes is exempted for the electricity consumed by
13 manufacturing operations. The Public Service Commission has also authorized utilities to
14 provide other enticements in the form of rate tariffs to support new growth opportunities
15 and significant electrical usage.

16 **Q: Is the Nucor contract in the public interest?**

17 A: Yes. Attracting Nucor to Missouri is in the interest of both the State of Missouri and other
18 GMO customers. As the largest GMO customer, Nucor will increase the sales of electricity
19 at a rate that recovers the incremental cost of service and provides a contribution to
20 recovery of fixed costs for the utility, reducing the average rate paid by all customers. For
21 the State, this investment will help expand the local and regional economic and tax base.
22 The direct employment opportunities and those of the supplier and related service
23 organizations will promote all aspects of community development, as previously described.

1 The accompanying impact analysis performed in conjunction with the overall incentive
2 packaged detailed the positive fiscal impact a project of this size could have on the region.
3 This specifically details the potential for growth in net general revenue and economic
4 outputs, on top of the additional individual earnings. Many of these new earnings will be
5 in the KCP&L and GMO service territory and will result in more purchasing power for
6 citizens and increase general economic vitality.

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

8 **A: Yes, it does.**

