Exhibit No.:
Issue: Special Incremental Load Rate
Witness: Darrin Ives
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

DARRIN IVES

ON BEHALF OF

KCP&L GREATER MISSOURI OPERATIONS COMPANY

Kansas City, Missouri
July 2019

" ______________ ****" Designates "Confidential" Information.**
Certain Schedules Attached To This Testimony Designated "(C)"
Also Contain Confidential Information.
All Such Information Should Be Treated Confidentially
Pursuant To 4 CSR 240-2.135.

DIRECT TESTIMONY

OF

DARRIN IVES

Case No. EO-2019-0244

Q: Please state your name and business address.

A: My name is Darrin Ives. 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") and serve as Vice President – Regulatory Affairs for KCP&L, KCP&L Greater Missouri Operations Company ("GMO") and Westar Energy, Inc. (collectively, the "Company"). KCP&L, GMO and Westar are wholly owned subsidiaries of Evergy, Inc.

Q: On whose behalf are you testifying?

A: I am testifying on behalf of GMO.

Q: What are your responsibilities?

A: My responsibilities include oversight of the Company's Regulatory Affairs Department, as well as all aspects of regulatory activities including cost of service, rate design, revenue requirements, regulatory reporting and tariff administration.

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

A: I graduated from Kansas State University in 1992 with a Bachelor of Science in Business Administration with majors in Accounting and Marketing. I received my Master of Business Administration degree from the University of Missouri-Kansas City in 2001. I am a Certified Public Accountant. From 1992 to 1996, I performed audit services for the public accounting firm Coopers & Lybrand L.L.P. I was first employed by KCP&L in

1996 and held positions of progressive responsibility in Accounting Services and was named Assistant Controller in 2007. I served as Assistant Controller until I was named Senior Director – Regulatory Affairs in April 2011. I have held my current position as Vice President – Regulatory Affairs since August 2013.

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

A: Yes, I have testified before the Commission and the Kansas Corporation Commission ("KCC"). I have also provided written testimony to the Federal Energy Regulatory Commission and testified before Missouri and Kansas legislative committees.

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

A: The purpose of my direct testimony is to discuss the electrical service GMO will provide to Nucor Corporation ("Nucor") and the proposed Special Incremental Load Rate Contract proposed for serving this customer.

Q: **Who is Nucor?**

A: Kevin Van de Ven of Nucor describes Nucor and its operations in his direct testimony, and I will also describe Nucor from my perspective on behalf of GMO. Nucor is a producer of steel and related products headquartered in Charlotte, North Carolina. Nucor has over 20,000 employees and is the largest producer of steel in the United States. Nucor's energy-efficient electric arc furnaces turn more than 17 million tons of scrap into new steel every year.

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

A: I understand that Nucor will invest approximately $250 million to build a steel bar micro mill in Sedalia, Missouri. This is a new project to the State of Missouri. When completed and commercially operational, it is expected that the new Nucor facility will create more than 250 well-paying jobs. These jobs are permanent full-time positions with an average annual wage of over $65,000, which is twice the current county average of Pettis County. I understand that Nucor's policy is to not lay off employees due to lack of work.

Nucor broke ground on the Sedalia facility in late April 2018. Equipment was delivered in Q1 2019, equipment testing is occurring and will continue to occur in Q2-Q4 2019 and Nucor's Sedalia facility is expected to be commercially operational in Q1 2020.

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

A: Yes. Attracting Nucor to Missouri was a significant economic development "win" for the State. The ability of Missouri and Sedalia to win the project over the competition from multiple other aggressive states exemplifies the public-private partnership approach to economic development taken in Missouri. This success is expected to have ripple effects for other projects considering locations in the Midwest. Finally, the Nucor expansion to Sedalia will create a local opportunity for many businesses because retail business tends to follow jobs.

In addition to the new full-time permanent Nucor jobs discussed previously, the construction of the new facility will also create jobs. Nucor expansions also typically attract other suppliers and downstream processors. Thus, Nucor anticipates that construction of the new facility will create an additional 150 jobs and associated investments by these other suppliers and downstream processors.

Additionally, the U.S. Department of Transportation has awarded a $10.09 million BUILD[1] Grant to the City of Sedalia to extend its existing railroad tracks to the new Sedalia Rail Industrial Park. Although Nucor is the first tenant of the new industrial park, this grant funding will keep the 2,500-acre park on track to become the largest, exclusive rail-served industrial park in the Midwest and will position the region to take advantage of new economic opportunities in the future.

Q: Why did Nucor choose Sedalia for this expansion?

A: This was a highly competitive process with Nucor giving consideration, as I understand it, to multiple other states prior to choosing Missouri. Nucor chose Sedalia and Missouri in part due to market drivers for steel rebar in the central and upper Midwest. It has a need for a facility to produce product in a location that can reduce shipping costs to their customers in this region.

Missouri had a statewide team working with Nucor, including the Missouri Governor's office; the Missouri Departments of Economic Development, Natural Resources, Revenue and Transportation; Sedalia-Pettis County Economic Development; City of Sedalia; Pettis County; KCP&L; Liberty Utilities; Union Pacific Railroad; and Missouri Partnership. This statewide team crafted an aggressive and innovative incentive package for Nucor, using Missouri State Programs such as Missouri Works Training, Private Activity Bonds as well as sales tax exemptions (for building materials, machinery and equipment used in manufacturing and energy used in manufacturing processes). The

[1] Stands for Better Utilizing Investments to Leverage Development.

City of Sedalia and Pettis County also partnered with the use of Chapter 100 Bond financing to obtain significant property tax savings to show Nucor why Missouri is the place for them to invest and grow their company. The local community also is offering Nucor Fast-Track Permitting and waiver of some permitting fees as well as an executive relocation package. Union Pacific Railroad worked diligently to insure Nucor had the correct track configurations and best possible rates for their many rail cars that will service this new modern mini mill.

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

A: My understanding is that the price of electricity comprises a substantial component of a steel manufacturer's operating and expense budget. Thus, competitive electricity rates are very important to a steel manufacturer like Nucor and represented a primary factor to their decision to locate in Sedalia. GMO offered an attractive rate structure to make the Missouri business case for Nucor even more competitive.

Q: Are there any specific tools that make Missouri competitive to companies like Nucor?

A: Yes. In 2018, the Missouri General Assembly passed Section 393.355 RSMo., which gives the Commission the authority to approve a special rate contract for aluminum and steel producers or facilities resulting in incremental monthly load increases over 50 megawatts, outside of a general rate proceeding. This tool is evidence of a regulatory and pricing climate that gave Missouri a distinct competitive advantage in attracting Nucor and my understanding is that Nucor would not have selected Missouri but for the competitive pricing proposal offered by GMO.

Q: In your words, and not as a lawyer or legal expert, what is Section 393.355 designed to accomplish?

A: I believe this is clearly a law to provide economic development support for large customers, in recognition of the fact that they can be a source of benefit to the local and state economies. This economic development support is in the form of a special rate not based on standard, generally available electricity rates resulting from typical cost of service ratemaking practices. To me this provides an opportunity to provide a rate lower than the generally available rate.

Q: Why was this statutory provision enacted?

A: One driver behind Section 393.355 RSMo was an effort to re-open the Noranda Aluminum smelter plant and to generally make Missouri attractive to the aluminum and steel production industries. Prior to closing in March 2016, Noranda Aluminum, which took electric service from Ameren Missouri, was the largest employer in Southeast Missouri and the largest electricity user in the State of Missouri. While, by its terms (see Section 393.355.1(2)(c)), the statute also applies to facilities with new or incremental increase in load equal to or in excess of a monthly demand of fifty MW, significant elements of the statute appear to be contradictory when applied to a special rate for a new facility requiring incremental investment to serve, such as Nucor, and unlike the situation with Noranda Aluminum.

Q: Which elements of Section 393.355 appear contradictory to you in a scenario involving a special rate for a new customer requiring incremental investment?

A: Section 393.355.3 describes a tracking mechanism to track changes in the net margin experienced by the utility serving the facility so that the utility's net income is neither increased or decreased. In a scenario with a pre-existing customer facility, such as Noranda Aluminum in 2016, there is no need for extensive investment to serve the customer. Therefore, it is realistic to assume that the utility's net income would not change as a result of providing a special rate to the facility. This tracking mechanism therefore serves to protect the interests of both the utility and the utility's other customers in a scenario where no new investment is required to serve the new customer or increase in load.

However, in providing service to a new facility with new load that has never before been served by the utility, incremental cost would be necessary to connect that facility to the utility grid and provide electric service. Under this scenario it would be reasonable to expect the utility would be able to recover its cost to install poles, wires, and equipment and earn a return on its rate base investment. In this situation, involving new incremental load, the utility would need to increase its net income in order to recover the incremental cost of the investment, including a return on that investment, necessary to serve the new load. Therefore, the section of the stature requiring the use of a tracker to ensure that net income neither increases nor decreases (Section 393.355.3) appears to be contradictory to the statute's emphasis on incremental cost (Section 393.355.2(1)).

Q: Is the special rate GMO proposes for Nucor filed under the provisions of Section 393.355?

A: No. Although the special rate GMO proposes for Nucor is entirely consistent with the purpose of Section 393.355, given the apparent contradiction in the statute in a situation where incremental investment is required of the utility that I described earlier, the special rate GMO proposes for Nucor in this case is based on the provisions of a new tariff, GMO's Special Rate for Incremental Load tariff sheets (sheet numbers 157 to 157.3), a copy of which is attached as Schedule DRI-1. This tariff is designed to be consistent with Section 393.355 in its purpose, but will include designs that will better fit service to new, incremental load such as Nucor. As part of this filing the Company proposes the new Special Rate for Incremental Load tariff, and a Special Incremental Load Rate Contract with Nucor defining the service provided. Consistent with the terms of the proposed tariff, I will also provide the following information:

1. A description of the reasons why the Special Rate for Incremental Load rate is necessary for Nucor.
2. A description of competitive alternatives to Nucor.
3. Quantification of the expected incremental cost for GMO to serve Nucor.
4. Quantification of the expected profitability of the special contract rate, that is the difference between the revenues expected to be generated from the special contract and GMO's expected incremental cost to serve Nucor.
5. Quantification of benefits that will accrue to other GMO customers from providing the special contract rate to Nucor.
6. Quantification of economic benefits to the state and Sedalia region from providing the special contract rate to Nucor.

Q: Please describe the electrical service GMO will provide to Nucor?

A: Nucor is a large electric customer with an anticipated total load of **[redacted]** Thus, when operational, Nucor will be the largest energy user within the GMO jurisdiction.

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Q: Does Nucor's primary industry allow it to qualify for the Special Incremental Rate?

A: Yes. Several types of facilities qualify for the special rate authorized under Section 393.355.1 RSMo. and the Special Rate for Incremental Load tariff including:

(1) Facilities whose primary industry is the smelting of aluminum and primary metals. Standard Industrial Classification Code 3334,

(2) Facilities whose primary industry is the production of fabrication of steel, North American Industrial Classification System 331110, or

(3) Facilities with a new or incremental increase in load equal to or in excess of a monthly demand of fifty megawatts.

The Nucor facility's primary industry is the production or fabrication of steel, Northern American Industrial Classification System 331110. As such, Nucor would qualify for a special rate under section 393.355 and the Special Rate for Incremental Load tariff.

Q: Would Nucor have selected Sedalia as the site of its plant without the special contract rate offered by GMO?

A: No. Please see the direct testimony of GMO witness Mr. Kevin Van de Ven who is Vice President and General Manager of Nucor Steel Sedalia, LLC.

Q: Is GMO aware of alternatives Nucor considered other than the special contract rate offered by GMO?

A: Yes. GMO participated in a competitive bidding process that included multiple other states to attract Nucor to the State of Missouri. The final bids were evaluated from proposals in Missouri, Kansas, and Nebraska. As part of that process, GMO prepared indicative pricing and revenue justification to serve Nucor. When GMO representatives met with Nucor representatives after clearing an early round of the competitive bidding process, Nucor made GMO aware that Nucor had competitive alternatives necessitating the pricing reflected in the Special Incremental Load rate in order for Nucor to locate its facility in Sedalia.

Q: What is GMO's incremental cost to serve Nucor?

A: The average incremental cost for GMO to serve Nucor over the 10-year life of the agreement is approximately **[redacted]** and the special contract rate for that period is fixed at an average rate of **[redacted]**

Q: What level of profitability does GMO expect from providing service to Nucor under the special contract rate?

A: Over the 10-year term of the special contract, we expect to yield a profit, on average, of **[redacted]** or approximately **[redacted]** per year.

Q: Have you quantified benefits other GMO customers will yield as a result of the special contract rate to Nucor?

A: Yes. In addition to the level of profitability discussed above that will contribute to recovery of GMO fixed costs and therefore reduce rates paid by all other GMO customers below the level that would exist if GMO did not serve Nucor, GMO's service to Nucor will produce additional benefits for other GMO customers. These additional benefits include an increase in the number of GMO residential customers that will result from the addition of approximately 250 new jobs at Nucor and the addition of other new jobs that will be created in the Sedalia area by businesses that provide service and supplies to Nucor. If one were to conservatively assume half of the new, Nucor jobs plus half of the other 150 jobs created by area businesses, all represent new residential customers to the area, I estimate these additional benefits to be approximately $261,000 in revenue to GMO annually.

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Q: Will GMO's service to Nucor under a special contract rate enable other economic benefits to the State of Missouri and Sedalia region?

A: Yes. Please see the direct testimony of GMO witnesses Mr. Kevin Van de Ven, Ms. Jessica L. Craig, and Mr. Mark Stombaugh for a description and quantification of the many benefits expected from Nucor's decision to site its plant in Sedalia. Ms. Craig is the Executive Director of Economic Development Sedalia – Pettis County. Mr. Stombaugh is the Director of the Regional Engagement Division for the State of Missouri's Department of Economic Development.

Q: Does GMO expect any reduced revenues from this facility?

A: No, this is new load. As such, revenues will increase as a result of serving Nucor. There is no need to socialize any reduction of revenues, or shortfall of cost recovery, uniformly to other customers.

Q: Is GMO requesting a tracking mechanism associated to changes in net margin?

A: No. However, GMO proposes to monitor and periodically report how the revenues received under the special contract rate cover the incremental cost of providing service to Nucor. This reporting will show the details on a monthly basis. More details about this monitoring and reporting are offered later in this testimony.

Q: Please describe the Special Incremental Load Rate Contract.

A: The Special Incremental Load Rate Contract is attached as Confidential Schedule DRI-2. The agreement deals with various general terms, conditions, operational provisions and pricing issues and has an initial term of ten (10) years with provisions to negotiate an additional ten (10) year extension. As a schedule to the agreement, the Special Incremental Load Rate is defined as a three-part rate consisting of a customer charge, demand charge, and energy charge. The demand and energy charges are seasonally differentiated, consistent with the approaches used in the generally available GMO commercial & industrial rates. The rate also includes a minimum monthly demand of **[redacted]** to provide a lower limit for recovery through the demand component of the rate. Also concerning the demands, the rate includes provisions for off-peak usage, allowing Nucor to exceed on-peak demand and not be billed for this demand. The on-peak period corresponds with period used on other GMO rates. The final rate element of note is the reactive demand charge. Consistent with other GMO commercial & industrial rates, this charge is used to help cover the cost of reactive power caused by Nucor.

Q: **How does the proposed Special Incremental Load Rate recover the incremental cost expected to serve Nucor?**

A: In preparing the proposed Special Incremental Load Rate, all costs, including the infrastructure investment, are estimated for the ten-year period of the agreement. In turn, a rate was designed that, under the estimated loads of Nucor, would recover that cost. GMO did not implement a specific charge for infrastructure recovery, instead recovering the infrastructure investment cost through the rate in its entirety. With that said, the proposed Special Incremental Load Rate is designed to cover the expected cost to serve the Nucor facility. This includes all costs of infrastructure and administrative costs. Also, the proposed Special Incremental Load Rate is designed to recover the cost of energy supply for the Nucor facility. This includes the actual energy, power pool costs, energy management costs, and supply support costs.

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Q: Did GMO incur any incremental infrastructure cost to serve Nucor?

A: Yes. GMO expended approximately $18 million dollars to build the infrastructure needed to serve Nucor specialized load. This investment included necessary transmission and substation equipment to provide electric service to Nucor.

Q: Are there any other elements of the special rate that should be detailed?

A: Yes, the supply plan underlying the rate is key to the provision of the rate. To further demonstrate that the proposed Special Incremental Load Rate recovers at least the incremental cost to serve Nucor, GMO will enter into a power purchase agreement ("PPA") for energy to serve the Nucor facility. This PPA will be for wind power delivered to the GMO node. Utilizing a PPA for energy supply enables the incremental cost of serving Nucor to be more easily isolated from other GMO energy supply sources.

Q: Are there any other expected costs related to the PPA or details to note?

A: Yes. As this is an intermittent resource, steps must be taken to ensure consistent supply for the customer. First, GMO plans to obtain a PPA for 75 MW of energy. This exceeds the expected load of Nucor, but will provide more kWh production to support Nucor on an annual basis.

Next, on an hour to hour basis the PPA production will not match the Nucor consumption. To manage this variation, GMO is adding Market Adjustment costs to the PPA. These charges, added to the cost of the PPA, will account for the expected production and transmission market exposure of serving the variation on an annual basis. Finally, GMO is adding associated administration and sufficient contingency costs to address managing the energy source.

Q: Will these costs be intermingled with energy costs to provide service to other customers?

A: No. GMO will track these costs separate from the energy costs incurred to serve other customers. The costs to serve Nucor will also be tracked outside of the GMO Fuel Adjustment Clause and thus not be a component in the calculation of the GMO Fuel Adjustment Clause.

Q: Why is it reasonable to exclude this rate from the Fuel Adjustment Clause?

A: The Fuel Adjustment Clause is designed to periodically adjust the price of energy sold to customers to account for changes in fuel costs not represented by the cost included in the base rates paid by customers. Nucor is being served under a special rate designed to address their incremental cost and are not subject to the base rates of the Company. Further, Nucor is served by a dedicated energy resource, separate from the resources used to serve our customers. These factors do not support application of the Fuel Adjustment Clause for this customer.

Q: Are any Riders applicable to the Nucor Special Incremental Load Rate?

A: Yes, the Company Tax and License Rider is applicable.

Q: Turning to the monitoring and reporting mechanism, please describe GMO's proposal.

A: GMO proposes to monitor the costs and revenues associated with Nucor and to evaluate the relationship each month. Dedicated account coding or special queries will be used to isolate Nucor-related revenues and charges. These amounts will be determined monthly. GMO will monitor the performance of the revenues to cover incremental costs of serving Nucor.

Q: Are the overall aggregate revenues from Nucor expected to cover the total incremental costs to serve Nucor in the aggregate for the ten-year contract term?

A: Yes. We believe they are, on an aggregate basis when comparing ten years of revenues to ten years of incremental costs. However, from a month to month view the operation of the Nucor facility, renewable resource production, and market conditions could conceivably fluctuate enough to produce under-recovery in a specific month or months. We firmly believe, however, that the processes used to estimate the revenues and costs will result in adequate revenue to cover the incremental costs attributable to Nucor over an annual view and certainly over the 10-year term of this agreement.

Q: Beyond the regular monitoring and reporting, how will such data be used going forward?

A: The data compiled within the monitoring GMO proposes would be available for periodic reporting to support the proposed special rate and will be used in a future general rate review proceeding to reflect the benefit received from serving Nucor and to pass that benefit to other customers.

Q: How will these amounts be used within a general rate review proceeding?

A: When the test year for the general rate review proceeding is set, the corresponding revenue data from the tracker will be incorporated into the general rate review. All positive revenues, that is, revenues in excess of incremental cost to serve Nucor, will serve to reduce the overall revenue requirement for the case. In the event the revenues are deficient for the test year period, that is, revenues fall short of incremental cost to serve Nucor, an additional revenue adjustment covering the shortfall will be made to the revenue requirement calculation. This approach will serve to share the expected, positive benefit with all customers but provide protections to other customers if the revenues happen to be inadequate within the test year of the case.

Q: Do you believe GMO's filing is in the best interest of GMO customers and citizens of the state of Missouri?

A: Yes. Attracting Nucor to Missouri is in the interest of both the State of Missouri, the Sedalia region and other GMO customers. As the largest GMO customer, Nucor will increase the sales of electricity for the utility, both to the plant itself and to new residents and business attracted to the Sedalia region by the Nucor plant, reducing the average rate paid by all customers. For the State of Missouri and the Sedalia region, this expansion will promote economic development, improving the tax base and providing new high paying employment opportunities. The Commission should approve the new Special Rate for Incremental Load Service tariff and the Special Incremental Load Rate Contract and its associated rate.

Q: Does that conclude your testimony?

A: Yes, it does.

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of the Application of KCP&L Greater Missouri Operations Company For Approval of a Special Incremental Load Rate for a Steel Production Facility in Sedalia, Missouri.	)))))	File No. EO-2019-0244

AFFIDAVIT OF DARRIN R. IVES

STATE OF MISSOURI)
) ss
COUNTY OF JACKSON)

Darrin R. Ives, being first duly sworn on his oath, states:

1. My name is Darrin R. Ives. I work in Kansas City, Missouri, and I am employed by KCP&L Greater Missouri Operations Company as Vice President – Regulatory Affairs.

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 sixteen (16) 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.

Darrin R. Ives

Subscribed and sworn before me this 11th day of July 2019.

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

Special Rate for Incremental Load Service
Schedule SIL

PURPOSE:

This rate schedule is designed to provide certain Customers with new or incremental increases in load access to a special rate that is not based on the Company's cost of service like generally available tariff rates, but is designed to recover no less than the incremental costs of serving the new load. The Customer load will be served primarily by renewable energy resources separate from energy resources used to serve general customers of the Company.

AVAILABILITY:

This special rate is available to customers with new, incremental load who:

- Have a facility whose primary industry is the smelting of aluminum and primary metals, (Standard Industrial Classification Code 3334) or
- Have a facility whose primary industry is the production or fabrication of steel (North American Industrial Classification System 331110) or
- Operate a facility with an increase in load equal to or in excess of a monthly demand of fifty megawatts

Each customer must demonstrate the new, incremental load can:

- Show a competitive need, documenting the facility would not commence operations absent the special rate,
- Show the special rate is in the interest of the state of Missouri when considering the interests of the customers of the Company, considering the incremental cost of serving the facility to receive the special rate, and the interests of the citizens of the state generally in promoting economic development, improving the tax base, providing employment opportunities in the state, and promoting such other benefits to the state as the commission may determine are created by approval of the special rate

This rate is not available for standby, breakdown, supplementary, maintenance or resale service except as noted below. Sub-metering or the reselling of electricity is prohibited.

Availability of service under this tariff may be limited by the Company due to constraints with, or protection for, Company generation resources or the transmission grid.

TERMS & CONDITIONS:

Service under this rate schedule requires a written contract between the Company and the Customer. Each Special Incremental Load Rate Contract shall collect at least the expected incremental cost incurred by the Company to serve the Customer. Incremental costs shall be calculated, and profitability must be demonstrated at the time the contract is approved to confirm that revenues to be received from Customers under this Schedule are expected to be sufficient to cover the Company's increased costs to offer service pursuant to each Special Incremental Load Rate Contract. All charges for service under this rate schedule shall be limited to the charges contained in the contract between the Company and the Customer, including any applicable Riders as set forth in the contract.

Special Rate for Incremental Load Service
Schedule SIL

CONTRACT DOCUMENTATION:

Prior to the effective date of the Special Incremental Load Rate Contract, the Company will file the individual Special Incremental Load Rate Contract and supporting documentation with the Commission for approval. The supporting documentation will include the following items:

1. Customer Needs: Company shall provide a narrative description of the reasons why the Special Incremental Load Rate is necessary for this Customer.

2. Customer Alternatives: Company shall describe competitive alternatives available to the Customer.

3. Incremental Costs: Company shall quantify the expected incremental cost associated with the Special Incremental Load Rate Contract Customer.

4. Profitability: Company shall quantify the expected profitability of the Special Incremental Load Rate Contract as the difference between the revenues expected to be generated from the pricing provisions in the Special Incremental Load Rate Contract compared to Company's expected incremental costs. All significant assumptions shall be identified that affect this quantification.

5. Other Ratepayer Benefits: Company shall quantify the benefits that it believes will accrue to other ratepayers from the Special Incremental Load Rate Contract. All significant assumptions shall be identified that affect this quantification.

6. Other Economic Benefits to the Area: Company shall quantify the economic benefits to the state, metropolitan area, and/or local area that Company projects to be realized as a result of the Special Incremental Load Rate Contract.

TERM:

The initial term may vary for each customer served under this rate schedule but in no instance, should the term be greater than ten (10) years. Prior to the end of the term, the Company and Customer will work together to evaluate an extension of the term and if mutually appropriate, work together to secure any required approvals for an extension of the term. Each subsequent extension shall not exceed an additional ten (10) years.

If an extension is not mutually agreed-upon, the associated wind energy will be utilized to serve all of Company's retail customers and the related cost for that wind will be recovered by Company through its Fuel Adjustment Clause. In the event that Company has a Customer or Customers who wish to purchase the renewable energy resource directly, the Company will consult with the Staff of the Missouri Public Service Commission to determine whether it is acceptable or whether they prefer the renewable energy resource be used to serve all of the Company's retail customers though the applicable Company Fuel Adjustment Clause, or successor mechanism.

Special Rate for Incremental Load Service
Schedule SIL

SPECIAL RATE, PROVISIONS, AND TERMS:

1. The Special Incremental Load Rate will be determined for each Customer based on expected loads and the renewable energy resource planned to serve the Customer. Details about the rate including all terms and conditions related to the Special Incremental Load Rate will be documented through a Special Incremental Load Rate Contract.

2. The Special Incremental Load Rate will be designed to recover no less than the incremental cost to serve the Customer over the term of the Special Incremental Load Rate Contract. However, being based on a renewable energy resource, it is expected that actual energy production, market conditions, energy grid constraints, and customer load may interact to produce periods where revenues do not exceed the incremental costs. These periods are expected to be limited and that revenues will exceed incremental costs for annual periods and the overall term of the agreement.

3. All Special Incremental Load Rate Contracts executed under this tariff will include the following provisions:
   a. Special Rate – details about the structure and rate to be paid by the Customer.
   b. Agreement Term – clear identification of the dates associated with the Special Rate, particularly the start date for contract term.
   c. Confidentiality – terms to establish protections needed to protect data under competitive conditions.
   d. Operational Parameters – details about the expected operation of the facility to be served.

4. The Company will make provisions to uniquely identify the costs and revenues for each respective Special Incremental Load Rate within its books and records. This information will be available to support periodic reporting as ordered by the Commission. At the time of a general rate proceeding this information will be used to identify the net revenue impact to the Company by comparing revenues generated under the Special Incremental Load Rate to the incremental cost to serve the Customer. Any positive net revenue, that is, revenue in excess of incremental cost to serve, received from the Special Incremental Load Rate during the test year of the rate proceeding will be identified in the revenue for the Company and would serve to reduce any increase in revenue requirement for customers not served under this Schedule SIL. In the event the net revenue is negative, that is, revenue falls short of incremental cost to serve, in the test year, the negative revenue amount will be removed and will not be included in the revenue requirement, ensuring that customers not served under this Schedule SIL will not be detrimentally affected by the Special Incremental Load Rate. There will be no imputation of revenues based on other standard available tariff rates associated with the Special Incremental Load Rates.

REGULATIONS:

Subject to Rules and Regulations filed with the State Regulatory Commission.

Special Rate for Incremental Load Service
Schedule SIL

SPECIAL INCREMENTAL LOAD RATE CONTRACTS:

Start Date of Special Incremental Load Rate Contract	Name of Customer	Address	Term of Special Incremental Rate