

**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 Rate for a Facility Whose Primary Industry Is the Production or Fabrication of Steel in and Around Sedalia, Missouri))))))	<u>File No. EO-2019-0244</u> Tariff No. YE-2020-0002
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**ORDER DIRECTING NOTICE, ESTABLISHING TIME TO INTERVENE, AND
SCHEDULING A PROCEDURAL CONFERENCE**

Issue Date: July 12, 2019

Effective Date: July 12, 2019

On July 12, 2019, KCP&L Greater Missouri Operations Company (GMO) filed an application asking the Commission to approve a special incremental load rate for a steel production facility in Sedalia, Missouri. GMO filed a tariff to implement the special rate and gave it a January 1, 2020 effective date, which is also the date the facility plans to begin production. The Commission will give notice of the application to potentially interested parties, and will set a date for the filing of applications to intervene. The Commission will also schedule a procedural conference.

THE COMMISSION ORDERS THAT:

1. The Commission’s Data Center shall provide a copy of this order to the County Commission of each county in GMO’s service area.
2. The Commission’s Public Policy and Outreach Department shall make notice of this order available to the members of the Missouri General Assembly representing GMO’s service area and to the media serving that area.
3. The Commission’s Data Center shall provide notice of this order and a copy of the application to each party to GMO’s most recent general rate case, File ER-2018-0146.

4. Any person or entity wishing to intervene in this matter shall file an application to do so no later than August 2, 2019.¹

5. A procedural conference is scheduled for July 23, 2019, at 9:00 a.m., at the Commission's office at the Governor Office Building, 200 Madison Street, Jefferson City, Missouri, Room 305. This building meets accessibility standards required by the Americans with Disabilities Act. If you need additional accommodations to participate in this conference, please call the Public Service Commission's Hotline at 1-800-392-4211 (voice) or Relay Missouri at 711 before the conference. The procedural conference is intended to be held in conjunction with the technical conference proposed for that date by GMO.

6. This order shall be effective when issued.

BY THE COMMISSION



A handwritten signature in cursive script that reads "Morris L. Woodruff".

Morris L. Woodruff
Secretary

Morris L. Woodruff, Chief Regulatory
Law Judge, by delegation of authority
under Section 386.240, RSMo 2016.

Dated at Jefferson City, Missouri,
on this 12th day of July, 2019.

¹ The August 2 intervention date was chosen to allow parties a reasonable amount of time to file an application to intervene. This order also schedules an initial procedural conference for July 23 in conjunction with a technical conference proposed by GMO. The Commission encourages potential parties to apply to intervene before July 23 so their applications to intervene can be taken up at the procedural conference on that date. If their application to intervene is granted at that time, they will then be allowed to view confidential information at the technical conference.

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

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

APPLICATION

COMES NOW KCP&L Greater Missouri Operations Company (“Applicant”, “GMO”, or “Company”), respectfully requests authority from the Missouri Public Service Commission (the “Commission”) for a special incremental load rate for a steel production facility in Sedalia, Missouri. In support thereof, Applicant states as follows:

1. Applicant is a Delaware corporation with its principal office and place of business at 1200 Main Street, Kansas City, Missouri 64105. GMO is primarily engaged in providing electric and steam utility service in Missouri to the public in its certificated areas. GMO is an “electrical corporation” and a “public utility” under Section 386.020(15) and (43) and is subject to the jurisdiction, supervision and control of the Commission under Chapters 386 and 393. Applicant is primarily engaged in the business of generating, transmitting, distributing, and selling electric energy in portions of western Missouri. GMO is an electric corporation and public utility as defined in Section 386.020, Mo. Rev. Stat. (2010), as amended.¹ A Certificate of Authority for a foreign corporation to do business in the State of Missouri, evidencing the GMO’s authority under the law to conduct business in the State of Missouri, was filed with the Commission in Case No. EU-2002-1053 and is incorporated herein by reference in accordance with 4 CSR 240-2.060(1)(G). GMO’s fictitious name registration was filed in Case No. EN-2009-0015 and is incorporated herein by reference.

¹ All statutory references are to the Missouri Revised Statutes (2010), as amended to date.

2. Applicant holds Certificates of Convenience and Necessity from the Commission to transact business as an electric public utility in certain areas of the State of Missouri and is principally engaged in the generation, transmission, distribution and sale of electric power and energy. In addition, Applicant has heretofore filed with this Commission a certified copy of the Articles of Consolidation under which it was organized and of all amendments thereto.

3. In addition to undersigned counsel, communications in regard to this matter should be addressed to:

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4. Applicant has no pending action or final unsatisfied judgments or decisions against it from any state or federal agency or court that involves customer service or rates, which has occurred within three years of the date of this Application other than the following pending action(s): Docket No. EC-2019-0200, *The Office of the Public Counsel and The Midwest Energy Consumers Group v. KCP&L Greater Missouri Operations Company*. No annual report or assessment fees are overdue.

I. BACKGROUND

5. GMO was part of a statewide team that included the Governor’s Office, the Missouri Department of Economic Development and other agencies that crafted an incentive package for Nucor. As part of this package, GMO is requesting a special incremental load contract rate for Nucor’s \$250 million steel mill in Sedalia.

6. When completed the mill will employ more than 250 people. Nucor has broken ground on the facility, has completed significant construction and installation of equipment, and plans to be fully operational by January 1, 2020. In order to meet this schedule, Applicant requests a decision by the Commission by December 1, 2019, so that the special incremental load contract rate can be effective by January 1, 2020. For more information about Nucor, the new facility, and the economic development effort to retain Nucor, please see the Direct Testimony of Darrin R. Ives, Vice President—Regulatory; Kevin Van de Ven, Vice President and General Manager of Nucor Steel Sedalia LLC; Jessica Craig, Executive Director of Economic Development Sedalia – Pettis County; and Mark Stombaugh, Director of the Regional Engagement Division for the State of Missouri’s Department of Economic Development filed herewith.

7. GMO and Nucor have signed an Special Incremental Load Rate Contract (“Nucor Agreement”), attached to the testimony of witness Darrin R. Ives, which provides both the rate and terms of service.

8. Nucor will be the largest GMO customer with an anticipated total load of ** [REDACTED] ** To serve this load and better isolate the incremental cost, GMO intends to enter into a purchased power agreement (“PPA”) for wind energy to serve Nucor. This renewable energy will serve as the primary source to serve this new load.

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9. Concurrent with this application, GMO has filed a Special Rate for Incremental Load Service tariff (“Schedule SIL”) which GMO proposes to establish a Special Rate, significantly similar to 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.

10. The Special Incremental Load Rate Contract with Nucor is consistent with the terms of the proposed Schedule SIL tariff.

II. APPROVAL OF SPECIAL RATE FOR INCREMENTAL LOAD SERVICE TARIFF

11. The proposed Schedule SIL tariff provides that the Company will provide the following information to the Commission before the effective date of the contract with the customer. Each of the tariff requirements are summarized below. Each requirement is discussed in more detail in the testimony of Darrin Ives filed herewith.

a. A description of the reasons why the Special Rate for Incremental Load rate is necessary for Nucor.

12. Electricity is one of the biggest inputs to the cost of making steel. Therefore, the electricity rate was very important to Nucor’s decision to locate in Sedalia. Without the special rate requested in this Application, Nucor would not have located its mill in Sedalia.

b. Describe competitive alternatives available to the Customer.

13. GMO participated in a competitive bidding process that included multiple other states, to attract Nucor to the State of Missouri. Mr. Ives testimony explains the basis of GMO’s belief that Nucor had competitive alternatives and why the Special Incremental Load rate was necessary for Nucor to locate the facility in Sedalia.

c. *Quantification of the expected incremental cost for GMO to serve Nucor.*

14. The average incremental cost for GMO to serve Nucor over the 10-year life of the agreement is approximately ** [REDACTED] ** and the SIL tariff rate for that period is fixed at an average rate of ** [REDACTED] **

d. *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.*

15. Over the 10-year term of the special contract, GMO expects that revenues generated from the special contract will exceed the incremental cost to serve Nucor by of ** [REDACTED] ** on average, or approximately ** [REDACTED] ** per year.

e. *Quantification of benefits that it believes will accrue to other GMO customers from providing the special contract rate to Nucor.*

16. GMO expects that revenues from the special contract will exceed the incremental cost to serve Nucor by, on average, approximately ** [REDACTED] ** per year and, after GMO's next general rate case, the amount by which such revenues exceed the incremental cost to serve Nucor would contribute to recovery of fixed costs that would otherwise be borne by all other customers. More specifically, as proposed, ratemaking for contracts under the proposed SIL tariff will ensure benefit for other ratepayers. At the time of a general rate proceeding detailed information about the specific costs and revenues for the Special Incremental Load Rate will be used to identify the net revenue impact to the Company. Any positive net revenue (i.e., 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 to all customers other than Nucor. In the event the revenues are deficient for the test year period, that is, revenues fall short of incremental cost to serve Nucor,

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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.

f. Quantification of the economic benefits to the state and the Sedalia region from providing the special contract rate to Nucor.

17. Nucor is expected to invest over \$325 Million in new plant and equipment over the next 22 years with the majority of that by the end of this calendar year, directly benefiting the tax base of the area. Estimates also indicate further increase in the tax base as a result of the estimated addition of \$16,575,000 annual payroll to the area. Nucor will serve as the anchor tenant for the new Sedalia Rail Industrial Park. This park will offer from 5 to 1,500 acres to industrial customers seeking rail-served sites to build new facilities. The commitment of capital investment and this new facility by Nucor allowed the City of Sedalia, Pettis County and Sedalia Pettis County Community Service Corporation to establish a joint effort to build the infrastructure needed to establish the Sedalia Rail Industrial Park. When established, the Sedalia Rail Industrial Park will be the largest in the Midwest and on Union Pacific's service line throughout the United States with the ability to grow to exceed 2,500 acres. The initial investment by Nucor will be leveraged to establish this new corridor of growth for Sedalia's next 10-30 years of development.

III. PROCEDURAL SCHEDULE

18. Applicant believes that this verified Application and testimony will provide the Commission with sufficient facts and information to make a proper disposition of this Application without a hearing. Should the Commission believe a hearing is necessary, the Applicant propose the following schedule:

- July 12 – Application and Direct Testimony

- July 23 – technical conference (GMO would be willing to conduct another technical conference for parties who intervene after the first conference has been held)
- Aug. 11 – Rebuttal Testimony
- Aug. 16 – technical conference
- Sept. 16 – Surrebuttal Testimony
- Oct. 3 – Hearing
- Oct. 25 – Initial Brief
- Nov. 8 – Reply Brief
- Dec. 1 – Report and Order
- Jan. 1, 2020 – effective date of tariff sheet(s)

19. Applicant filed a 60-day Notice of Filing pursuant to 4 CSR 240-4.020(2) on February 20, 2019.

WHEREFORE, GMO requests the Commission enter an appropriate Order by December 1, 2019, approving the Schedule SIL tariff so that it is effective no later than January 1, 2020 and authorizing Applicant:

- (a) To serve Nucor under the terms of the Nucor Agreement.
- (b) For all other relief necessary to implement a special rate for Nucor.

Respectfully submitted,

/s/ Roger W. Steiner

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**ATTORNEY FOR KCP&L GREATER
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VERIFICATION

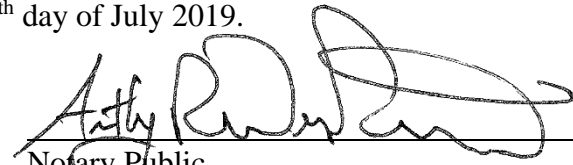
STATE OF MISSOURI)
)
COUNTY OF JACKSON) ss

Darrin Ives, being first duly sworn, on his oath and in his capacity as Vice President – Regulatory Affairs of KCP&L Greater Missouri Operations Company, states that he is authorized to execute this Application on behalf of KCP&L Greater Missouri Operations Company, and has knowledge of the matters stated in this Application, and that said matters are true and correct to the best of his knowledge, information and belief.



Darrin Ives

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



Notary Public

My Commission Expires:
4/26/2021



CERTIFICATE OF SERVICE

I hereby certify that a true and copy of the foregoing application was emailed on this 12th day of July 2019, to the Office of the General Counsel and the Office of the Public Counsel.

/s/ Roger W. Steiner

Roger W. Steiner

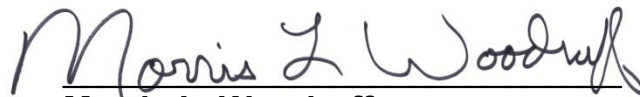
STATE OF MISSOURI

OFFICE OF THE PUBLIC SERVICE COMMISSION

I have compared the preceding copy with the original on file in this office and I do hereby certify the same to be a true copy therefrom and the whole thereof.

WITNESS my hand and seal of the Public Service Commission,
at Jefferson City, Missouri, this 12th day of July 2019.




Morris L. Woodruff
Secretary

MISSOURI PUBLIC SERVICE COMMISSION

July 15, 2019

File/Case No. EO-2019-0244

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Enclosed find a certified copy of an Order or Notice issued in the above-referenced matter(s).

Sincerely,



***Morris L. Woodruff
Secretary***

Recipients listed above with a valid e-mail address will receive electronic service. Recipients without a valid e-mail address will receive paper service.