

Exhibit No.:
Issue: Waiver or Variance from certain
provisions of KCPL's Commercial
Space Heating Rates
Witness: David L. Wagner
Type of Exhibit: Direct Testimony
Sponsoring Party: Kansas City Power & Light Company
Case No.: EE-2008-0238
Date Testimony Prepared: April 4, 2008

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO.: EE-2008-0238

DIRECT TESTIMONY

OF

DAVID L. WAGNER

ON BEHALF OF

KANSAS CITY POWER & LIGHT COMPANY

**Kansas City, Missouri
April 2008**

***** [REDACTED] *** Designates "Highly Confidential"
Customer Specific Information Has Been Removed.
Certain Schedules Attached To This Testimony Designated
("HC") Also Contain "Highly Confidential" Customer Specific Information
And Have Been Removed Pursuant to 4 CSR 240-2.135.**

TESTIMONY

OF

DAVID L. WAGNER

Case No. EE-2008-0238

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

2 A: My name is David L. Wagner. My business address is 1201 Walnut, Kansas City,
3 Missouri 64106-2124.

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

5 A: I am employed by Kansas City Power & Light Company ("KCPL" or "Company") as
6 Manager, Residential and Commercial Sales, Energy Solutions Division.

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

8 A: My general responsibilities include supervising KCPL's efforts to assist building owners,
9 developers, architects, engineers, and contractors with the analysis of building energy use
10 and electric rate selection for new and existing buildings. As a part of this activity, I am
11 responsible for the tracking of all commercial building electric service jobs that come to
12 KCPL as well as pending or prospective developments and buildings that are in various
13 planning or design stages that have not made application for electric service. I am also
14 responsible for tracking the buildings that are designed with electric heating systems by
15 monitoring the Electric Service Applications and resulting KCPL field design planning
16 and construction processes.

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

18 A: In addition to secondary public education, I received a Bachelors of Science Degree in
19 Landscape Architecture from Kansas State University. I have been employed by KCPL

1 since 1982 in the fields of sales and marketing where I served as technical support to
2 KCPL's sales, marketing and operations personnel in the areas of building energy use
3 analysis, Heating, Ventilation and Air Conditioning ("HVAC") systems, building energy
4 efficiency and energy audits, electric rate applications and building electro technologies.
5 In addition, I have spent much of my career working with customers, architects, building
6 design engineers and contractors on energy-related building design, energy use
7 estimating, alternative fuel sources, HVAC systems and rate applications. I became
8 Manager of Residential and Commercial Sales in 2001.

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

11 A: No, I have not.

12 **Q: Did you have a role in preparing the lists of customer projects attached to KCPL's**
13 **Application for Waiver or Variance Concerning All-Electric and Electric Heating**
14 **Customers ("Application")?**

15 A: Yes, I supervised and directly participated in the preparation of the lists found in
16 Schedules 1 through 4 of the Application.

17 **Q: What is the purpose of your Direct Testimony?**

18 A: The purpose of my testimony is twofold: 1) to generally describe the customer projects
19 listed in KCPL's Application, the subsequent data provided to the parties, and the process
20 we used to determine their selection; and 2) to describe the likely impacts on these
21 customers if they are denied the use of the previously available space heating rates.

1 **I. WAIVER LIST DEVELOPMENT**

2 **Q: Are you familiar with the circumstances and background for your request for a**
3 **waiver or variance?**

4 A: Yes. In the Report and Order in Case ER-2007-0291 the Commission ruled that the
5 availability of KCPL's general service all-electric tariffs and separately-metered space
6 heating rates should be restricted to those customers receiving service under those rates
7 as of January 1, 2008. The details around the case, the ruling, and the overall basis for
8 our request are covered in the Direct Testimony of Tim M. Rush.

9 **Q: Please explain the nature of the customer projects listed in the Application.**

10 A: The projects illustrated in Schedules 1 through 4, list four categories of customer
11 projects. Schedule 1 lists projects having electric heating systems that are under
12 construction by customers as of December 31, 2007, for which KCPL has completed its
13 electrical service planning and construction modifications. Schedule 2 lists projects or
14 KCPL jobs, as of December 31, 2007, that were designed and specified to have electric
15 heating systems and were still underway in KCPL's service planning or electrical
16 construction processes. Schedule 3 illustrates pending customer projects, also known as
17 "prospects", we were aware of as of December 31, 2007, that were in some planning or
18 design stage, where the selection of electric heating equipment was moderate to high
19 probability. KCPL had not received an Application for Service for these projects by
20 year-end. Schedule 4 lists projects we were aware of by year-end, but where we had less
21 knowledge about the heating system selection or where they were in early planning or
22 design stages.

1 **Q: In addition to the projects listed in Schedules 1 through 4, were there any other**
2 **projects listed in the Application?**

3 A: Yes. There were three, a ** [REDACTED]
4 [REDACTED] **, and ** [REDACTED]
5 [REDACTED] **.

6 **Q: Why were these customers included in the Application?**

7 A: The individual details are listed in the Application, but generally speaking they are
8 included because the ** [REDACTED] ** and ** [REDACTED] ** had electric heating systems in place
9 prior to December 31, 2007, but were not placed on an electric heat rate due to
10 administrative omissions. In regards to the ** [REDACTED] ** building, at the time of the 2007
11 Rate Order the facility was being renovated and already had electric heating systems.
12 When completed, it's my belief that ** [REDACTED] ** plans to transfer two of the electric service
13 accounts from ** [REDACTED] ** name to ** [REDACTED] **. It is my understanding that the
14 Order makes these two accounts ineligible for the space heat rate because ** [REDACTED] **
15 was not receiving service under those rates as of December 31, 2007.

16 **Q: Have you prepared additional information for this case?**

17 A: Yes. Following the March 24, 2008 prehearing conference, I received an Information
18 Request from the Commission's Staff, seeking any updated lists, additional data, and
19 responses to other questions. The Information Request and our response, Exhibit I,
20 Tables A through F, are attached to my testimony.

21 **Q: What changes, if any, were made to the project lists?**

22 A: The 21 projects listed in Table A correspond to the 21 projects previously listed in the
23 Application Schedule 1. Similarly, the 48 projects listed in Table B correspond to the 48

1 (46 was a typographical error) projects previously listed in Application Schedule 2. The
2 information provided in the Tables were modified and expanded to respond to the
3 information requests and questions asked by the parties at the prehearing conference.

4 **Q: Were there additional changes?**

5 A: Yes. In addition to the three projects discussed in the Application, I have become aware
6 of six additional customers whose facilities were eligible for an electric space heat rate
7 prior to December 31, 2007 and for various administrative reasons or oversights, were
8 not placed on the appropriate electric space heating rate. These customers are listed in
9 Exhibit I - Table C along with comments about their individual circumstances. It is my
10 view that these customers should not be penalized due to administrative concerns and/or
11 omissions that were not the fault of the customer. I believe these customers are being
12 negatively affected because they based their heating system design and/or equipment
13 selection based on the availability of an electric space heating rate and the resulting
14 operational costs. In addition to the changes to Table C, I have added a new list, Table D.
15 This list includes customers who completed KCPL's Application for Electric Service for
16 electrically heated buildings after December 31, 2007, up until now. These customers
17 made HVAC design and budget decisions, completed building plans and specifications,
18 and in some cases have secured construction bids. Like other customers in the KCPL
19 planning construction process, their decisions and actions were based on the availability
20 of long standing electric space heat rates, while unaware of the 2007 Rate Order in Case
21 ER-2007-0291.

22 **Q: Were there changes to the customer lists referred to as "Pending" and "Potential"**
23 **Electric Heat Projects – Schedules 3 and 4, respectively, filed with the Application?**

1 A: Yes. I added four projects that were not listed on the original Pending Electric Heat
2 Projects list - Schedule 3 filed with the Application for Waiver and Variance to Table E.
3 Two of the projects were inadvertently left off (*i.e.*, **[REDACTED]** and **[REDACTED]
4 [REDACTED]**). The other two projects (*i.e.*, **[REDACTED]** and **[REDACTED]
5 [REDACTED]**) came to my attention as a result of information provided by
6 the developer's project manager. All four projects are currently planning to utilize
7 electric heating equipment in their final design. I also moved one project, **[REDACTED]
8 [REDACTED]**, from the Potential Electric Heat Projects list – Schedule 4
9 to the Pending list Table E to correspond with the planned **[REDACTED]
10 [REDACTED]**. Since the **[REDACTED]** was converted to electric heat a few years ago, I was
11 told by the projects' architect that the additions will utilize the same type of electric
12 heating equipment. Finally, to correspond in sequence to the restructured Exhibit I
13 Tables presented in the response to the Request For Information, I renamed Schedule 3 to
14 Table E and Schedule 4 to Table F.

15 **Q: Are there any other changes you care to elaborate on?**

16 A: Yes, but it is minor. I discovered a counting error on Schedule 3 from the original
17 Application. The project sub-count number was listed as 54. This was corrected to 53.

18 II. WAIVER IMPACTS

19 **Q: Please summarize how you believe the freeze on the All Electric and Space Heat**
20 **Rates would impact the Customers listed in the waiver request.**

21 A: The construction process is often a monumental effort covering a significant period of
22 time from start to finish. Owners, Architects, and Engineers make decisions based on
23 available information and a need to maximize their efficient use of resources. The

1 primary impact of eliminating the rate schedule's availability would be to negatively
2 affect the economics of projects already underway. These new customers will operate at
3 a competitive disadvantage to other similar customers that are currently on the All
4 Electric and Space Heat Rates. Operating costs will be higher and subsequently,
5 available profits could be lower for customers caught within the construction process.

6 **Q: You mentioned the effort required to complete a building. Would you please**
7 **explain the process typically followed from your tracking of a prospective job to**
8 **providing service to a new building.**

9 A: Yes, my staff and I learn about prospective jobs from a variety of sources, including the
10 news media, customers, architects and engineers, contractors and developers, as well as
11 our district operations office and field personnel. Our objective is to learn about building
12 projects far in advance of them coming to KCPL so we can work with customers and
13 building designers to assist with the selection of efficient HVAC systems, other energy
14 related options, such as rates, metering and fuel sources. My staff also tracks the new
15 and retrofit jobs that are initiated by KCPL's Field Design staff. Jobs are placed in Field
16 Design's planning and construction system when the customer provides a completed
17 Electric Service Application, a copy of the project's site plan, the building's electric loads
18 and one-line electrical drawing and plans. This information is typically provided by the
19 project's electrical engineer and bears his signature and/or his professional State
20 Engineers License stamp. It is at this point when the project is assigned a KCPL Job
21 Number. Our field designers and/or distribution engineers review the Service
22 Application and the proposed building loads to size our service transformers and other
23 electrical gear. It is during this review that a verification of the building's intent to use or

1 not use electric heating equipment is made so the electric service can be properly sized.
2 Once the job design has been completed it goes to KCPL's Real Estate group for any
3 required easements, and at about the same time the job goes to KCPL's construction
4 group for ordering of materials and final construction. Typically the whole process, from
5 the time application for service is completed to construction takes 14 to 18 weeks,
6 depending on the complexity of the job.

7 **Q: How long does it take for projects to go from the proposal phase to final design?**

8 A: The duration of a project from conception to construction is highly variable. It depends
9 on the type, size, complexity, and nature of the project. I have seen projects, such as
10 convenience stores that are standardized designs, go in fairly fast (e.g. six to eight weeks)
11 where other developments may take years. Generally, the larger the project or
12 development, the longer the planning and design lead times. Projects like the **
13 **, although
14 developing quickly for a project of its size and magnitude, has taken over eight years to
15 get to the point where it is now. As one would expect, the larger, more complex the
16 building or development, the greater the investment in time, money, and resources. This
17 includes investments made by KCPL for power infrastructure, distribution and building
18 services, and line extensions. The lead time to pull projects together can take years,
19 which means project owners and designers are planning developments and making
20 building design decisions, including mechanical and electrical decisions, well in advance
21 of breaking ground for construction. Once plans are on paper, budgets have been
22 developed and construction bids or contracts have been executed, it is difficult and costly
23 to make changes. The same can be said for KCPL when customers change their plans or

1 conditions in the field change. By the time a building designer completes his
2 construction documents and has made application for electric service to KCPL, it is too
3 late to make changes. This is why we focus our efforts on working with customers,
4 developers, and building designers early in the planning process.

5 **Q: How does this relate to the projects you have listed in the Application?**

6 A: The projects and customers listed have been caught up in a predicament not of their doing
7 or choice. It is clear to me that the vast majority of customers who have projects under
8 construction, and who have made applications with KCPL or have building plan design
9 and construction documents underway or completed, will find it difficult and costly to
10 change their design decisions. In some cases, decisions concerning their building design
11 occurred before the ER-2007-0291 case began and in nearly all cases the ruling of the
12 Commission occurred without their involvement or representation. The Commission
13 should hear these customers' concerns before making a final determination concerning
14 the availability of the tariffs.

15 **Q: Why is this important related to the 2007 Rate Order?**

16 A: I believe the 2007 Rate Order had a significant impact on these projects because the
17 Order eliminated the ability of these customers to utilize KCPL's longstanding electric
18 space heat rates. These customers and their building designers previously made critical
19 decisions about their mechanical and electrical systems designs, which in most instances
20 cannot be reversed or changed, based on certain assumptions that were changed as a
21 result of the 2007 Rate Order.

1 **Q: Why would not having an electric space heat rate mater to these customers?**

2 A: When the projects are completed and ready for service KCPL will place the account on
3 one of our standard commercial General Service tariffs. I believe in nearly every case
4 these customers made a conscious decision to go with an electric heating system knowing
5 there would be operational savings. Now they are stuck. They cannot simply change
6 their project's mechanical and electrical systems equipment but will be forced to absorb
7 the higher costs to their operations.

8 **Q: Does this conclude your testimony?**

9 A: Yes, it does.

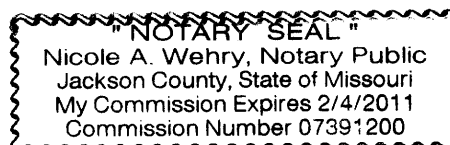


EXHIBIT I

**THIS DOCUMENT CONTAINS
HIGHLY CONFIDENTIAL
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INFORMATION NOT
AVAILABLE TO THE PUBLIC**