

**BEFORE THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS**

REBUTTAL TESTIMONY OF

Mark Cosby

**ON BEHALF OF
WESTAR ENERGY, INC.**

**In The Matter Of The Complaint Of Kansas Gas Service,
A Division Of One Gas, Inc., Against Westar Energy, Inc.,
Regarding Westar's Practice Of Offering Payments To Developers
In Exchange For The Developers Designing All Electric Subdivisions**

DOCKET NO. 19-WSEE-061-COM

1 **I. INTRODUCTION**

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

3 A: My name is Mark Cosby. My business address is 1200 Main, Kansas City, MO 64102.

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

5 A: I am employed by Westar Energy, Inc. ("Westar") and serve as Senior Manager, Non-
6 Regulated Products & Services and Electrification for Westar, Kansas City Power &
7 Light Company ("KCP&L") and KCP&L Greater Missouri Operations Company (GMO).
8 Westar, KCP&L and GMO are wholly owned subsidiaries of Evergy, Inc.

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

10 A: I am testifying on behalf of Westar.

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

2 A: I lead a team of four that manages and executes Westar’s trade ally programs as well as
3 non-regulated products and services and other electrification initiatives of both Westar
4 and KCP&L.

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

6 A: I have a Bachelor of Business Administration from the University of Oklahoma and a
7 B.A. in Theology from Randall University. I also have a M.B.A. from the University of
8 Kansas. I joined Westar in 2013 and prior to that worked for several telecommunications
9 and Software-as-a-Service companies in a variety of management positions after
10 beginning my career in 1985 with United Telephone.

11 **Q: Have you previously testified in a proceeding before the Kansas Corporation**
12 **Commission (“Commission” or “KCC”) or before any other utility regulatory**
13 **agency?**

14 A: No.

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

16 A: The purpose of my testimony is to (1) address Staff’s conclusion that the Electric
17 Subdivision Rebate¹ is not in the public interest and discuss the many benefits of the
18 Electric Subdivision Rebate that were not considered by Staff; (2) discuss Westar’s
19 implementation of the program, and (3) respond to Staff’s calculations presented in its
20 analysis.

¹ Staff refers to the program filed within the complaint as the “Developer Rebate Program” or “Developer Program”, whereas Westar witnesses refer to it as “Electric Subdivision Rebate”.

1 **II. THE ELECTRIC SUBDIVISION REBATE IS IN THE PUBLIC INTEREST**

2 **Q. Staff concludes that the Electric Subdivision Rebate is not in the public interest, in**
3 **part, because of Staff's assertion that it distorts the home buying market. Do you**
4 **agree with this characterization of the program?**

5 A: No. The Kansas home buying market has not been distorted by the offering of Westar's
6 Electric Subdivision Rebate. As Mr. Wilkus explains in his rebuttal testimony, electricity
7 as a fuel source for household heating is increasing while gas heating is decreasing in
8 other states in close proximity to Kansas. Clearly, there are other market forces at work
9 that are decreasing the demand for utility gas. Dr. Glass's position that Westar's Electric
10 Subdivision Rebate results in a distorted housing market appears to be more of an
11 academic argument than one based on market realities. Specifically, Dr. Glass states in
12 his testimony:

13 If the Developer Rebate Program causes developers to install more electric
14 heating and less natural gas heating in their subdivisions, then the program
15 hurts home buyers. This is because there is more electric home heating and
16 less natural gas home heating than the market would produce without the
17 Developer Rebate Program.”²

18 The fact is that homes fueled by electric heat have been increasing as a percentage of
19 total, while the percentage of gas-fueled homes has slightly decreased or remained
20 constant in the timeframe and geographies. This is reflective of the fact that

² Glass Direct Testimony, p. 9.

1 electrification offers benefits that customers want and that are positive for the public
2 generally.

3 **Q. Is beneficial electrification considered to be in the public interest?**

4 A. Yes, as long as certain conditions are met. In 2018, the Regulatory Assistance Project
5 (RAP) produced a study titled: “Beneficial Electrification: Ensuring Electrification is in
6 the Public Interest”.³ Per the RAP Study, for electrification to be considered beneficial, it
7 must meet one or more of the following conditions without adversely affecting the other
8 two:

- 9 1. Save consumers money over the long run.
- 10 2. Enable better grid management.
- 11 3. Reduce negative environmental impacts.

12 **Q. Does Westar’s Electric Subdivision Rebate meet the first condition by saving**
13 **consumers money over the long run?**

14 A. Absolutely. Dr. Glass concedes in his testimony that Westar’s customers benefit from
15 lower electric rates due to the increased non-peak load resulting from the Electric
16 Subdivision Rebate.

17 **Q. Does Westar’s Electric Subdivision Rebate meet the second condition in the RAP**
18 **Study by enabling better grid management?**

³ Beneficial Electrification Ensuring Electrification in the Public Interest By David Farnsworth, Jessica Shipley, Jim Lazar, and Nancy Seidman. June 2018 - <https://www.raponline.org/knowledge-center/beneficial-electrification-ensuring-electrification-public-interest/>.

1 A. Most definitely. Westar's heat pump programs, including the Electric Subdivision
2 Rebate, help build non-peak load in winter months which contributes to increased
3 productivity of grid assets, thereby helping to optimize the value of the electric grid.

4 **Q. Does Westar's Electric Subdivision Rebate meet the third condition of the RAP**
5 **Study by reducing negative environmental impacts?**

6 A. Without a doubt. Approximately one-third of Westar's energy generation is from
7 renewable energy resources and over one-half of Westar's generation is carbon free. As a
8 result, total electric subdivisions contribute to lower greenhouse gas emissions compared
9 to fossil fuel-based utility gas heating.

10 **Q. In summary, does Westar's Electric Subdivision Rebate meet the criteria set forth**
11 **by the Regulatory Assistance Project study to qualify as being in the public interest?**

12 A. Yes, overwhelmingly. While the study requires that for electrification to be considered
13 beneficial it must meet one or more of the RAP study conditions without adversely
14 affecting the other two, Westar's Electric Subdivision Rebate meets all three criteria, as
15 explained above.

16 **Q: Kansas Gas Service, the complainant in this case, argues that the Electric**
17 **Subdivision Rebate is not in the public interest because it is a load building program**
18 **that can incent fuel-switching. In performing its analysis, does Staff consider**
19 **whether Kansas Gas Service offers similar programs in any of its jurisdictions?**

20 A: No. And KGS' affiliate companies do offer programs promoting gas heating equipment
21 or appliances to benefit their company. ONE Gas is a natural gas utility whose
22 subsidiaries include Kansas Gas Service, Oklahoma Natural Gas, and Texas Gas Service.
23 Oklahoma Natural Gas provides rebates as follows:

1. Up to \$200 in rebates for the purchase and installation of a natural gas range (\$100 for range and \$100 for gas piping).
2. Up to \$450 for + \$100 for gas piping installation for a gas clothes drier
3. Up to \$850 for replacing an electric water heater with a new natural gas water heater.
4. Up to \$2,500 for replacing an electric heat pump with a new gas furnace and air conditioner.
5. \$750 rebate for builders for the construction of a new home using gas heat and primary gas water heating, with other conditions.

Texas Gas Service provides rebates as follows in Central Texas:

1. \$675 for the purchase and installation of a minimum 92% efficient natural gas furnace.
2. \$225 for purchase of a new natural gas dryer with a moisture sensor, plus \$300 for the installation of a new natural gas dryer stub connection.
3. \$650 for the purchase and installation of tankless or high-efficiency water heater.
4. \$675 rebate to builders for the purchase and installation of a new gas central furnace.
5. \$225 rebate to builders for the purchase and installation of a new gas dryer with moisture sensor, and \$300 for the installation of a new natural gas dryer stub connection.

6. \$400 rebate to builders for the purchase and installation of a gas tankless or super high-efficiency water heater with a thermal efficiency of 82% or higher.
7. \$750 rebate to builders for purchase and installation of a solar water heater with natural gas backup.

Texas Gas Service offers rebates in the Rio Grande Valley as follows:

1. \$100 for the purchase and installation of a gas water heater with a thermal efficiency up to 81%
2. \$750 for a gas tankless water heater with a thermal efficiency of 82% or higher
3. \$225 for the purchase and installation of a new gas dryer with a moisture sensor
4. \$225 for the installation of a new gas dryer stub connection in the laundry area where one did not previously exist.
5. \$100 for a new natural gas range
6. \$100 for the installation of a natural gas range stub connection where one did not previously exist.

Q: What is the significance of the existence of those rebate programs that Staff did not address?

A: It illustrates that such programs are considered to be in the public interest within other states in which ONE Gas operates, and that ONE Gas is actively offering builder and/or homeowner rebates in those states.

1 **Q. What are some of the factors that may be driving customer choice toward electricity**
2 **over utility gas as a heating fuel and resulting benefits that were not considered by**
3 **Staff?**

4 A. In addition to the cost savings and environmental advantages identified above, a growing
5 number of customers are concerned about safety-related issues associated with gas piping
6 in neighborhoods and homes. While the danger associated with gas leaks is most
7 obvious, customers must also be alert to hazards when operating an open flame in an
8 environment with children and the elderly present. The increased preference for electric
9 over gas for heating fuel is most likely the result of some combination of all the above
10 factors.

11 It is difficult to understand how the Staff failed to take these factors into
12 consideration when evaluating the public interest value of Westar's Electric Subdivision
13 Rebate. A more comprehensive approach is required to ensure that customer interests
14 are at the forefront of both policy development and analysis. The conclusions reached by
15 both Dr. Glass and Mr. Haynos omit careful analysis of major factors impacting public
16 interest, and as part of that public benefit analysis, attention should also be paid to
17 activities across the United States.

18 **Q: Can you provide an example of a national activity you think the Commission should**
19 **consider?**

20 A: Yes. On August 1, 2019, the California Public Utilities Commission (CPUC) issued a
21 ruling to alter the "three-prong test" that it had previously adopted in the early 1990s to

1 avoid encouraging programs that substitute electricity for natural gas.⁴ While this specific
2 order does not apply to Kansas, the benefits of electrification, as recognized by the
3 California PUC, should be included when evaluating the public interest of the Electric
4 Subdivision Rebate.

5 **III. WESTAR’S IMPLEMENTATION OF THE ELECTRIC SUBDIVISION REBATE**
6 **IS APPROPRIATE.**

7 **Q: Mr. Haynos stated in his testimony that Westar admitted it does not enforce the**
8 **terms of the Electric Subdivision Rebate, is cavalier in its enforcement of the**
9 **agreement, and that the program is misleading. Is this correct?**

10 A: Not at all. As I will highlight below, developers altered their decision at some point in
11 the process of developing an all-electric subdivision which then negated the agreement on
12 a going-forward basis. Westar has always administered the program in a compliant and
13 non-discriminatory manner. During the build-out process, if a developer chooses to install
14 gas, Westar has demonstrated that it ends the agreement. Below, I explain how the
15 examples presented by both Staff and KGS are misleading to this case.

16 Mr. Haynos referenced 25 subdivisions (KCC-013) in which there were claims of
17 163 gas furnaces that were installed out of a total 1,018 homes. KGS’s data in KCC-013
18 shows that 20 of the 25 subdivisions have no gas at all to them, which leaves only 5 of 25
19 subdivisions in question. A close examination of the two largest of these projects shows

⁴ Public Utilities Commission of the State of California; Order Instituting Rulemaking Concerning Energy Efficiency Rolling Portfolios, Policies, Programs, Evaluation, and Related Issues; Decision Modifying the Energy Efficiency Three-Prong Test Related to Fuel Substitution; Rulemaking 13-11-005.

1 that the data cited in Mr. Haynos' testimony is incorrect and that the program is well
2 managed and it is not misleading.

- 3 ▪ AC Development - Of the 163 homes reported to have gas in these 5
4 subdivisions, 82 of the homes are in this one development. However,
5 Westar's records from this 2011 agreement indicate that only \$9,600
6 (equivalent of 8 homes) in rebates were paid to the developer. It is entirely
7 plausible that the agreement between Westar and the developer was
8 terminated once the developer changed their mind to further supply natural
9 gas to the remaining homes in the subdivision. In addition, it is likely that
10 KGS supplied gas to the remaining homes in the subdivision.

- 11 ▪ Belle Chase - KGS reported that there are 40 homes connected with gas in
12 Belle Chase. Westar has documentation from December 28, 2016, that
13 shows the developer decided to use gas on the remainder of the second
14 phase of the subdivision project and all of the third phase, which includes
15 these 40 homes. As a result, the program was terminated and no further all
16 electric rebates were given to the developer.

17 The above summations demonstrate that the subdivisions examined by Staff were
18 managed according to the terms of the Westar agreement and that Westar's practices were
19 not misleading.

20 **Q: Mr. Haynos compiled information on 25 subdivisions, as referenced above, in order**
21 **to evaluate the public benefit of the rebate program. Do you believe Staff**
22 **sufficiently considered the cost avoided on gas infrastructure in its analysis?**

1 A: The analysis appears incomplete in regard to the analysis of cost savings achieved when
2 the developer chose to forgo the installation of utility gas. Mr. Haynos' working papers
3 provide a listing of the 25 subdivisions along with information accumulated from both
4 Westar and KGS for analysis. KGS replied with a "Yes" for each subdivision (KCC-013
5 Attachment) to the question "Gas Main available nearby for new extension". However,
6 there is no criteria provided by Mr. Haynos that specifies what constitutes "nearby" in the
7 context of proximity to each new subdivision. It appears that Mr. Haynos assumed that in
8 each case the "nearby" location of a gas main made any further cost analysis associated
9 with the buildout of gas infrastructure a moot point. However, for Mr. Haynos to make
10 the case that KGS gas rates have adversely impacted customers as a result of the
11 exclusion of gas infrastructure in the subdivisions, the avoided cost associated with
12 utility gas infrastructure that was not built-out to the subdivisions as a result of the total
13 electric subdivision agreements should have been considered.

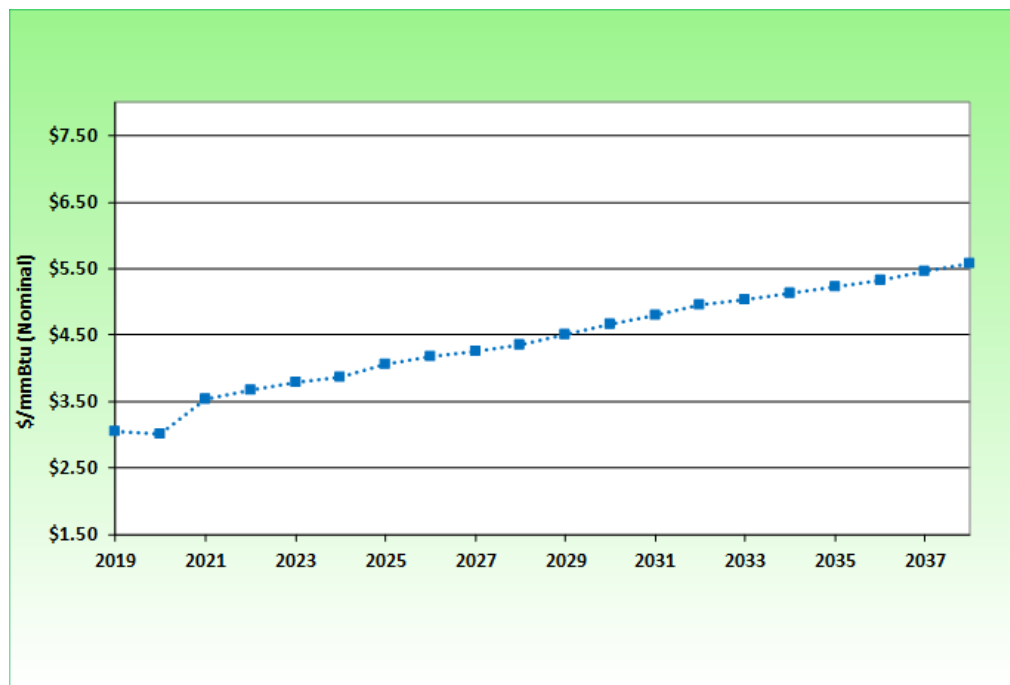
14 **Q: Did Westar seek refunds from those developers that decided not to pursue all-**
15 **electric homes for the remainder of the subdivision?**

16 A: The agreement does not provide for Westar to seek refunds in such situations.
17 Subdivisions are generally built in phases and generally over a period of time. If a
18 developer determines at some point in the construction process that they would prefer to
19 go another way, that is their choice. Mr. Haynos implies in his testimony that Westar
20 allowed these developers to build all electric homes alongside homes with natural gas
21 service and persisted in providing rebates. This is not true. As demonstrated in the
22 examples above, Westar ceased payment of any further rebates when it was discovered
23 that the developer chose to utilize gas for future phases.

1 **IV. ERRORS IN STAFF’S CALCULATIONS.**

2 **Q: Mr. Prentiss stated several times in his testimony that “the price of gas is trending**
3 **downward”. Do you agree with those statements?**

4 A: No. Below is a chart that shows natural gas pricing is forecasted to steadily climb
5 between 2020 and 2038.⁵ It should also be noted that there was a sharp decline in gas
6 prices after 2009 and that prices have remained relatively stable since 2010. The data
7 does not indicate that the price of gas is trending downward.



8
9
10 **Q: Does that conclude your testimony?**

11 A: Yes, it does.

⁵ This data is contained in the integrated resource plan of Evergy and utilizes four different sources, including data from the U.S. Information Administration - www.eia.gov/opendata/qb.php?sdid=NG.N3010US3.A.

CERTIFICATE OF SERVICE

19-WSEE-061-COM

I, the undersigned, certify that a true and correct copy of the above and foregoing Mark Cosby Rebuttal Testimony was served via electronic service this 12th day of August 2019, to the following:

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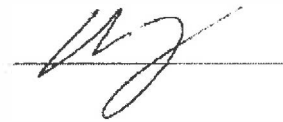
**Counsel for Westar Energy, Inc. and
Kansas Gas and Electric Company**

/s/ Cathryn J. Dinges

STATE OF KANSAS)
) ss:
COUNTY OF SHAWNEE)

VERIFICATION

Mark Cosby, being duly sworn upon his oath deposes and states that he is the Sr. Manager, Non Regulated Prod. Services, for Westar Energy, Inc., that he has read and is familiar with the foregoing Direct Testimony, and attests that the statements contained therein are true and correct to the best of his knowledge, information and belief.



Mark Cosby

Subscribed and sworn to before me this 12 day of August, 2019.


Notary Public

My Appointment Expires:

May 30, 2022

