

BEFORE THE STATE CORPORATION COMMISSION  
OF THE STATE OF KANSAS

In the Matter of the Application of Kansas )  
Gas and Electric Company for Approval )  
of an Energy Supply )  
Agreement between Kansas Gas and )  
Electric Company and Spirit )  
AeroSystems, Inc. )

Docket No. 20-KG&E-112-CON

**JOINT APPLICATION**

COMES NOW Kansas Gas and Electric Company, d/b/a Westar Energy (Westar) and Spirit AeroSystems, Inc. (together as “Joint Applicants”) and file this Joint Application for an order approving the Energy Supply Agreement between Kansas Gas and Electric Company and Spirit AeroSystems, Inc. (“the Agreement”), attached hereto as Exhibit A. In support of the Application, Joint Applicants state:

1. Westar is a public utility subject to the jurisdiction of the Commission with respect to rates, services, and accounting procedures.
2. Spirit AeroSystems, Inc. (“Spirit”) currently takes service from Westar under the Industrial and Large Power Service (“ILP”) tariff.
3. Westar and Spirit have entered into the Agreement and hereby submit the Agreement to the Commission for approval. The Agreement will be effective after it is approved by the Commission. The Agreement is for a ten-year term and helps address the risk that Spirit would otherwise relocate significant portions of its operations to areas outside of Kansas because its Wichita location is currently at a price disadvantage compared to its other locations.
4. The Agreement includes an all-energy rate with four-tiered pricing blocks with a declining block rate structure. It includes the requirement that Spirit have a monthly minimum bill and subjects Spirit to all riders and surcharges it would otherwise pay, except for the replacement

of the Retail Energy Cost Adjustment (“RECA”) with wind generation. The Agreement gives Westar the ability to update rates when rates for other customers are changed to reflect the pro rata share of the change for the ILP class. The Agreement also includes requirements for Spirit to make efforts to maintain stable or growing operations and workforce at its Wichita facilities and maintain a certain level of economic investment at those facilities.

5. With respect to the replacement of the RECA with wind generation, the Agreement contains provisions similar to Westar’s Direct Renewable Participation Service (“DRPS”) tariff that allow Spirit to take energy produced from designated wind farms at a specified rate as a substitute for the RECA.

6. The purchase power agreements (“PPAs”) Westar will sign to provide this wind generation service to Spirit will be 20-year agreements. Thus, the Agreement provides that at the end of its ten-year term, the wind generation procured to support this Agreement will be utilized to benefit and serve all of Westar’s retail customers and the related cost for that wind will be recovered by Westar through its RECA. This will allow all of Westar’s retail customers the opportunity to benefit from the low-cost wind generation after the term of this Agreement. In the event that Westar has a customer or customers who wish to purchase the remaining generation from the wind farms directly, similar to the terms of the Agreement, Westar agrees to consult with Commission Staff to determine whether such an agreement is acceptable or whether Staff would recommend that the wind generation be utilized to serve all retail customers for the remaining term of the PPAs.

7. As Westar witness Jeff Martin indicates in his Direct Testimony, attached hereto, the proposed contract meets the Commission’s standard for approval of special contracts because it will provide a cost benefit to Westar’s remaining core customers and ensures Spirit will pay rates

greater than the incremental variable cost (or marginal cost) to serve Spirit, resulting in a contribution from Spirit to fixed costs.

8. Westar requests approval from the Commission to defer for recovery in its next general rate case the difference between the base rate revenue it will receive from Spirit under the proposed Agreement and the base rate revenue it would have received from Spirit if Spirit continued to take service under the ILP tariff. Mr. Martin describes the calculation of this regulatory asset in more detail in his Direct Testimony. The Commission should approve the requested regulatory asset because the Agreement meets the Commission's standard for approval and will result in benefits for Westar's remaining core customers. As a result, it is reasonable and appropriate for those remaining core customers to be responsible for the lost revenue that results from implementation of the Agreement. Effectiveness of the Agreement is conditioned on Commission approval of Westar's request for deferral as described in this paragraph and in Mr. Martin's Direct Testimony.

9. As part of this agreement, Spirit requests expedited treatment for this Application because, as explained in the Direct Testimony of Adam Pogue, attached hereto, Spirit has shared publicly its desire to significantly grow the Fabrication and Defense portions of its business. However, as long as there is uncertainty about the approval of the proposed Agreement, Spirit must take any cost differential that exists between electric service for its Wichita operations and its facilities in other locations into account in its planning and investment decisions. Thus, Joint Applicants are requesting that the Commission issue its order in this docket before the end of calendar year 2019, such that the Agreement may become effective no later than January 1, 2020.<sup>1</sup>

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<sup>1</sup> Pursuant to Article 1 of the Agreement, the Agreement will become effective on the first day of the month following the date of approval by the Commission.

WHEREFORE, Joint Applicants respectfully request that the Commission issue an order approving the Amendment on or before December 31, 2019.

Respectfully submitted,

KANSAS GAS AND ELECTRIC COMPANY

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**ENERGY SUPPLY AGREEMENT**  
**BETWEEN**  
**KANSAS GAS AND ELECTRIC COMPANY**  
**And**  
**SPIRIT AEROSYSTEMS, INC.**

THIS ENERGY SUPPLY AGREEMENT (“Agreement”) made and entered into this 12<sup>th</sup> day of Aug., 2019, by and between Spirit AeroSystems, Inc., a Delaware corporation (“Customer”), and Kansas Gas and Electric Company, a Kansas corporation, d/b/a Westar Energy (“Company” or “Westar Energy”). Each of Customer and Company may also be referred to individually as “Party” or collectively as “Parties.”

**WITNESSETH:**

WHEREAS, Customer and Company recognize Customer's aerospace manufacturing operations are of vital importance to the economy of the State of Kansas and the economy of areas served by Company;

WHEREAS, Customer and Company recognize Customer desires to maintain and compete for expansions of its aerospace manufacturing operations in the Wichita, Kansas area;

WHEREAS, Customer and Company recognize the retail price of electricity is a material consideration in the Customer's ability to maintain and expand its aerospace manufacturing operations in the Wichita, Kansas area;

WHEREAS, Customer competes with manufacturers in jurisdictions with lower electricity pricing and Customer competes for capital investment with other internal divisions of its company located in jurisdictions with significantly lower electricity pricing; and

WHEREAS, Customer and Company desire to enter into this Energy Supply Agreement, with the terms set forth below, to maintain the ongoing operations of Customer and to support announced and potential future expansions by Customer;

NOW, THEREFORE, in consideration of the premises and of the mutual obligations and agreements herein contained, the Parties hereby agree as follows:

**ARTICLE 1 - GENERAL DEFINITIONS**

“Affiliate” means, with respect to any person, any other person (other than an individual) that, directly or indirectly, through one or more intermediaries, controls, or is controlled by, or is under common control with, such person. For this purpose, “control” means the direct or indirect ownership of 50% or more of the outstanding capital stock or other equity interests having ordinary voting power.

“Bankrupt” means with respect to any entity, such entity (i) files a petition or otherwise commences, authorizes or acquiesces in the commencement of a proceeding or cause of action under any bankruptcy, insolvency, reorganization or similar law, or has any such petition filed or commenced against it, (ii) makes an assignment or any general arrangement for the benefit of creditors, (iii) otherwise becomes bankrupt or insolvent (however evidenced), (iv) has a liquidator, administrator, receiver, trustee, conservator or similar official appointed with respect to it or any substantial portion of its property or assets, or (v) is generally unable to pay its debts as they fall due.

“Business Day” means any day except a Saturday, Sunday, or a Federal Reserve Bank holiday. A Business Day shall open at 8:00 a.m. and close at 5:00 p.m., central prevailing time (either Central Standard Time or central day-light time). The principal place of business of Customer is deemed to be in Wichita, Kansas. The relevant Party, in each instance unless otherwise specified, shall be the Party from whom the notice, payment or delivery is being sent and by whom the notice or payment or delivery is to be received.

“Code” means the United States Bankruptcy Code.

“Contract Quantity” has the meaning set forth in Section 4.1 of this Agreement.

“Contract Year” means, except for the first Contract Year, a 12 month period beginning 12:01 a.m. on the anniversary of the Effective Date in each new year and ending at midnight on last day prior to the anniversary of the Effective Date in the same year. The first Contract Year shall begin at 12:01 a.m. of the Effective Date and end at midnight on the date occurring twelve months after the Effective Date.

“Day” means a time period of 24 hours.

“Defaulting Party” has the meaning set forth in Section 11.1 of this Agreement.

“Delivery Points” means the point at which the Energy will be delivered and received under this Agreement, as specified in Section 4.3 of this Agreement.

“Effective Date” means the first day of the month immediately following the date of approval of this Agreement by the KCC.

“Energy” means electric energy of the character commonly known as three-phase, four wire, alternating current at approximately sixty-hertz expressed in MWhs or kWhs that is delivered at the nominal voltage at the Delivery Points at approximately 12,470 volts and 69,000 volts.

“Event of Default” has the meaning set forth in Section 11.1 of this Agreement.

“Equitable Defenses” means any bankruptcy, insolvency, reorganization and other laws affecting creditors’ rights generally, and with regard to equitable remedies, the discretion of the court before which proceedings to obtain same may be pending.

“Force Majeure” means an event not anticipated as of the Effective Date, which is not within the reasonable control of the Party (or in the case of third party obligations or facilities, the third party) claiming suspension (the “Claiming Party”), and which by the exercise of due diligence, the Claiming Party, or third party, is unable to overcome or obtain or cause to be obtained a commercially reasonable substitute therefore. Force Majeure may include, but is not restricted to: fire, flood, storm, extreme weather, or other acts of God; fire; civil disturbance; labor dispute; labor or material shortage; sabotage; action or restraint by court order or public or governmental authority (so long as the Claiming Party has not applied for or assisted in the application for, and has opposed where and to the extent reasonable, such government action). Force Majeure shall not be based on (i) the loss of Customer’s markets, (ii) Customer’s inability to economically use the Energy, (iii) Company’s ability to sell the Energy at a price greater than the price established by this Agreement, or (iv) Customer’s inability to pay for the Energy. Interruption by a Transmission Provider shall be deemed to be Force Majeure.

“Good Utility Practice” shall mean any of the practices, methods and acts engaged in or approved by a significant portion of the electric utility industry during the relevant time period, or any of the practices, methods and acts which, in the exercise of reasonable judgment in light of the facts known at the time the decision was made, could have been expected to accomplish the desired result at a reasonable cost consistent with good business practices, reliability, safety and expedition. Good Utility Practice is not intended to be limited to the optimum practice, method or act to the exclusion of all others, but rather to be a number of possible practices, methods or acts generally accepted in the region.

“Interest Rate” shall mean for any date, the lesser of (1) the per annum rate of interest equal to the prime lending rate as may from time to time be published in the Wall Street Journal under “Money Rates” on such day (or if not published on such day, the most recent preceding day on which published), plus 2% and (2) the maximum rate permitted by Kansas law.

“kW” means kilowatt.

“kWh” means kilowatt-hour.

“KCC” means Kansas Corporation Commission.

“Letters of Credit” means one or more irrevocable standby letters of credit from a major U.S. commercial bank with such bank having a credit rating of at least “A-” from S&P or “A3” from Moody’s, in such form as is consistent with standard commercial banking practices and reasonably acceptable to the party in whose favor the Letter of Credit is issued.

“MW” means megawatt.

“MWH” means megawatt-hour.

“Material Adverse Change” means with respect to a Party, a material change has occurred in the creditworthiness, financial condition or ongoing business of that Party and such change is or is reasonably likely to materially and adversely affect that Party’s ability to perform hereunder.

“Moody’s” means Moody’s Investor Services, Inc. or its successor.

“New Tax” means a franchise, license, or excise fee or an occupation, gross receipts, business, sales, excise, privilege or similar tax imposed upon the electrical operations of Company or Westar Energy after the Effective Date by a federal, state, county, local governmental authority, and which the KCC or other applicable regulatory body authorizes Company to pass through to all of Company’s retail customers as a charge in addition to or as part of tariff rates.

“PTS” means Property Tax Surcharge.

“Performance Assurance” means collateral in the form of either cash, obligations of the U.S. government with a maturity date of less than one year, or Letters of Credit.

“Potential Event of Default” means an event which, to the knowledge of the subject Party, with notice or passage of time or both, would constitute an Event of Default, and for purposes of this Agreement, any Material Adverse Change shall be deemed to be a Potential Event of Default.

“Regulatory Event” has the meaning set forth in Section 14.4 of this Agreement.

“S&P” means the Standard & Poor’s Rating Group (a division of McGraw-Hill, Inc.) or its successor.

“Term” has the meaning set forth in Section 9.1 of this Agreement.

“Transmission Provider” means any third party provider of electric transmission services that are relevant to a Party’s performance of its obligations under this Agreement, and in particular regard to this definition, the claiming Party’s performance obligations.

## **ARTICLE 2 -REPRESENTATIONS AND WARRANTIES**

2.1 On the Effective Date, each Party represents and warrants to the other Party that:

- A. it is duly organized, validly existing and in good standing under the laws of the jurisdiction of its formation;
- B. it has, or will have as of the Effective Date, all regulatory authorizations necessary for it to legally perform its obligations under this Agreement;
- C. the execution, delivery and performance of this Agreement are within its powers, have been duly authorized by all necessary action and do not violate any of the terms and conditions in its governing documents, any contracts to which it is a party or any law, rule, regulation, order or the like applicable to it;



D. this Agreement and each other document executed and delivered in accordance with this Agreement constitutes its legally valid and binding obligation enforceable against it in accordance with its terms, subject to any Equitable Defenses;

E. it is not Bankrupt and there are no proceedings pending or being contemplated by it or, to its knowledge, threatened against it which would result in it being or becoming Bankrupt;

F. there is not pending or, to its knowledge, threatened against it or any of its Affiliates any legal proceedings that could materially and adversely affect its ability to perform its obligations under this Agreement;

G. no Event of Default or Potential Event of Default with respect to it has occurred and is continuing and no such event or circumstance would occur as a result of its entering into or performing its obligations under this Agreement;

H. it is acting for its own account, has made its own independent decision to enter into this Agreement and as to whether this Agreement is appropriate or proper for it based upon its own judgment, is not relying upon the advice or recommendations of the other Party in so doing, and is capable of assessing the merits of and understanding, and understands and accepts, the terms, conditions and risks of this Agreement;

I. it is a “forward contract merchant” and that this Agreement is a “forward contract” as that term is defined in the Code;

J. it has entered into this Agreement in connection with the conduct of its business and it has the capacity or ability to make or take delivery of the Energy referred to in this Agreement to which it is a Party; and

K. the electricity delivered by Company to Customer pursuant to this Agreement at all times shall meet the requirements of Energy as defined herein.

### **ARTICLE 3 - FACILITIES TO BE PROVIDED**

- 3.1 Company agrees to maintain the facilities it owns necessary to supply Energy to Customer’s Plant at two substations. Westar owns and operates the 138-10 and 138-12 breakers in Boeing substation and at Stearman substation, Westar owns and operates all 138 kV and 12kV devices on the west side of the substation.

### **ARTICLE 4 – COMPANY’S SUPPLY OF ENERGY**

- 4.1 Company shall provide and sell to Customer and Customer shall purchase from Company Energy sufficient to supply the total requirement of Customer’s Plant at such operating levels as Customer shall determine from time to time in its sole discretion. In the event that Company cannot supply Customers full demand pursuant to this agreement, the Customer shall have the right to employ temporary generation onsite, until such time that

the Company can resume full demand delivery. Unless the Parties otherwise mutually agree in writing, Company shall not be required to supply to Customer Capacity, as measured over a 15-minute interval, in excess of 120,000 kW ("Contract Quantity").

- 4.2 Energy sold by Company to Customer shall be used solely for the purpose of operating Customer's Plant and related facilities.
- 4.3 The Delivery Points for the Energy to be supplied to Customer under this Agreement shall be at Customer's side of the point of interconnection at Company's facilities located on Customer's campus between 31<sup>st</sup> Street and 47<sup>th</sup> Street South in Wichita, Kansas. Any of Customer's other points of delivery for service from Westar will not be supplied pursuant to this Agreement but instead will be subject to the provisions of Westar's standard rate schedules.
- 4.4 Subject to the terms of this Agreement, the Energy requirements of Customer's Plant shall be served by Company.

#### ARTICLE 5 - RATES

- 5.1 Beginning on the Effective Date of this Agreement, Customer shall pay monthly Company for all Energy provided hereunder. Pricing of such purchased Energy shall be established pursuant to the then applicable rates (cents per kWh) specified in the following monthly rate schedule:

A. For all months:

i.	First Block- 7,000,000 kWh per month	\$	
ii.	Second Block- 11,000,000 kWh per month	\$	
iii.	Third Block- 22,000,000 kWh per month	\$	
iv.	Fourth Block- all additional kWh per month	\$	

C. Applicable taxes and/or fees, as identified in Sections 5.5 and 5.7 of this Agreement shall be added to Customer's monthly bill.

D. Rates in Article 5.1 may be adjusted by the Customer's Power Factor (as defined in Section 1.21 of the Company's General Terms and Conditions on file with the KCC) provided the power factor is less than 0.90 at the point of delivery and the Company provides to Customer reasonable substantiating documentation of such Power Factor. Rates may be increased by the following equation:

Article 5.1 rates multiplied by 0.90 and dividing by the monthly power factor.

E. The foregoing rates are subject to adjustment as provided in the following Schedules as filed with KCC:

- 1. Property Tax Surcharge;

2. Transmission Delivery Charge; and
3. Energy Efficiency Rider.

F. The foregoing rates are also subject to adjustment as provided in Company's Retail Energy Cost Adjustment rate schedule subject to the following provisions:

1. Company is currently in the process of constructing the Soldier Creek Wind. Company will have 50 MW of nameplate capacity of wind generation at the Soldier Creek I Wind Farm available for Customer when construction is complete. Beginning at the time that the Soldier Creek Wind Farm is placed into service, Customer will take a pro rata share of energy produced for a term consistent with the remaining Term of this Agreement from the 50 MW of Soldier Creek I Wind Farm. Energy produced from this pro rata share of the Soldier Creek Wind Farm will be billed at ■ cents per kWh as a substitute for the RECA. Customer usage exceeding the amount of energy produced by the pro rata share of Soldier Creek I Wind Farm at the end of a calendar year will be subject to the then current RECA surcharge. If the pro rata share of energy from Soldier Creek I Wind Farm produces more than Customer uses during a calendar year, any excess generation will be credited to Customer's bill at 80% of the ■ cents per kWh rate.
2. Company will obtain access (either through construction and ownership or through a purchase power agreement) to wind generation sufficient to serve the substantial remainder of Customer's energy requirements, which will be approximately 95 MW of wind generation. At the time that Company obtains access to this additional wind generation, Customer will take service for the remainder of its load for a term consistent with the remaining Term of this Agreement from the pro rata share of energy produced by the 95 MW portion of the new wind farm. The pro rata share of energy produced from this 95 MW of the new wind farm will be billed at a to be determined price per kWh as a substitute for the RECA. Customer usage exceeding the amount of pro rata energy produced by the 95 MW of the new wind farm at the end of a calendar year will be subject to the then current RECA surcharge. If the pro rata share of energy from the 95 MW of the new wind farm produces more than Customer uses during a calendar year, any excess generation will be credited to Customer's bill at 80% of the to be determined price per kWh rate.
3. Company will use best commercial efforts to ensure that the Soldier Creek I Wind Farm will be in production by the end of December 2020 and the additional wind generation pursuant to Paragraph 5.1.F.2 is to be obtained and placed into service by the end of December 2021.

4. At the end of the ten-year term of this Agreement, the 145 MW of wind procured pursuant to Paragraphs 5.1.F.1 and 5.1.F.2 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 Retail Energy Cost Adjustment (RECA). In the event that Company has a customer or customers who wish to purchase the generation from the wind farms directly, similar to the terms of this Agreement, Company will consult with the Staff of the Kansas Corporation Commission to determine whether it is acceptable or whether Staff would prefer that the 145 MW of wind procured pursuant to Paragraphs 5.1.F.1 and 5.1.F.2 be utilized to serve all of Company's retail customers for the remaining term of the PPAs.
- 5.2 Each Party shall act in good faith and shall use commercially reasonable efforts necessary to obtain the KCC's approval of this Agreement. This Agreement shall be filed with the KCC for approval within 45 days of the Execution Date.
- 5.3 Customer's minimum monthly bill, before taxes, shall be \$ [REDACTED] during the Term of this Agreement. The monthly minimum bill shall be prorated in any month during the Term of this Agreement to the extent that in such month Customer's usage is reduced by the occurrence of an event of Force Majeure (a "Reduction Event"). In those months when the monthly minimum bill is prorated, the minimum amount payable shall be determined by multiplying \$ [REDACTED] by a fraction, the numerator of which shall be the total hours in that billing month less the number of hours in that billing month that Customer's usage is reduced by a Reduction Event and the denominator of which shall be the number of hours in that billing month.
- 5.4
  - A. The monthly bill shall be due and payable when received by Customer. If Customer fails to pay Company within 15 days from such date, Customer shall pay a late payment charge pursuant to Company's Service Regulations.
  - B. All claims as to error in the preparation and computation of monthly bills, must, in each instance, be submitted by the claiming Party to the other Party in writing within 2 years from the date when such bill was rendered, otherwise each such claim shall for all purposes be considered and held to be waived. Any claim made pursuant to this Section 5.4, if not resolved by informal negotiations between the Parties, shall be submitted for resolution in accordance with Section 13.1 of this Agreement.
- 5.5 Any New Tax shall be added as a separate charge(s) and charged to Customer's bill for the Energy in the same form and at the same rate in which it is imposed on Company if the Energy to Customer is not exempted from the New Tax.
- 5.6 Customer shall be entitled its proportionate share of any refund required to be paid by Company to Company's other customers, as directed by KCC.

- 5.7 A. After the Effective Date, (i) Customer agrees that the PTS rate schedule and the resulting rate as filed with and approved by the KCC shall be applied to the rates included in Section 5.1 of this Agreement as such rate schedule is modified from time to time; or (ii) if any federal, state, county or local governmental authority imposes, increases, decreases, or removes any applicable exemption on any sales, use, energy, value added, severance, production or similar tax or fee upon the fuels used by Company to generate electricity; or (iii) if any federal, state, county or local governmental authority imposes, increases, decreases or removes any applicable exemption on any tax, fee or charge upon Company for emissions or discharges associated with the electricity generated, sold or purchased by Company, then Company hereby reserves the right to make an application to the KCC to recover such increase in taxes or fees from, or pass such decrease in taxes or fees through to, Customer as a billing surcharge or credit, as the case may be, provided such increase or decrease applies against or is in favor of other customers of Company. The modification to costs described immediately above in consequence of increases or decreases in taxes or fees shall be allocated to Customer based on the ratio of sales to Customer in the prior 12 months divided by sales to all of Company's customers in the prior 12 months or pursuant to such alternative allocation methodology as may be ordered by the KCC. Customer reserves the right to oppose any such application by Company to the KCC hereunder.
- B. If any federal, state, county or local governmental authority enacts any rule, order, law, regulation or assessment which results in an increase or decrease in the sales or use tax on the fuel purchased by Company for use in its generating facilities in the production of electricity, the rates set forth in this Agreement will be automatically adjusted to reflect the actual cost of such sales or use tax; provided, however, such increase or decrease applies against all of Company's other retail customers.
- C. If any federal, state, county, or local governmental authority adjusts a fee or imposes a new fee and (i) such fee is applicable to Company and (ii) such fee is not reflected in Company's retail rates, then Company may file with the KCC to reflect such fee. Customer's rates as described in Section 5.1 of this Agreement and Customer's rate shall be modified to reflect any such applicable fee by adjusting the amount to incorporate the rate approved by the KCC or the rate, surcharge or adjustment amount approved by the KCC.
- D. If either through existing or future legislation, the Kansas legislature authorizes or otherwise permits Company to seek recovery of costs not covered in existing rates, or modify existing rates to effect an unbundling of costs and Company files an application with the KCC to seek recovery of such costs or effect an unbundling of costs with respect to all of Company's retail customers, then Customer's rates as described in Section 5.1 of this Agreement shall be modified accordingly as authorized by the KCC.
- E. If the regulatory compact changes in a material way as a result of legislation, regulation, or otherwise, either Company or Customer shall have the option to terminate this Agreement on six months written notice.

1. If Customer terminates the Agreement pursuant to Paragraph 5.7.E, Customer will be responsible for purchasing the output of the wind generation procured pursuant to Paragraphs 5.1.F.1 and 5.1.F.2 for the remainder of the ten-year term of this Agreement. Company will use reasonable commercial efforts to sell the wind generation to a different customer or obtain recovery of the remaining amount through the regulatory process and, if Company is successful, Customer's responsibility for the portion of the wind generation resold or recovered through rates will terminate. In this event, Customer will remain responsible for any portion of the wind generation not resold or recovered through rates for the remainder of the term of this Agreement. In the event that Company's efforts to resell or recover through rates result in a recovery by Company of an amount per kWh less than the amount per kWh Customer is responsible for under this Agreement, Customer will be responsible for paying the difference between the two amounts for the remainder of the term of this Agreement.
2. If Company terminates the Agreement pursuant to Paragraph 5.7.E, Customer will begin taking service under the ILP tariff, including the RECA and all other applicable riders and surcharges, upon the effective date of the termination of the Agreement.

F. If the KCC authorizes or otherwise permits Company to modify existing rates to effect an unbundling of costs and Company files an application with the KCC to seek recovery of such costs with respect to all of Company's retail customers, then Customer's rates as described in Section 5.1 of this Agreement shall be modified accordingly as authorized by the KCC.

G. Company may petition the KCC to reflect cost changes in rates. Company may in that petition seek recovery of a prorata share of said costs changes through the rates described in Section 5.1. In that petition, Company will request the KCC apply the same overall percentage increase or decrease that is allocated to the Industrial and Large Power Service (ILP) class of customers; however, the final allocation of any increase or decrease is under the full purview of the KCC. The rates in Section 5.1 shall be modified accordingly as authorized by the KCC order. In the event Company does petition the KCC to reflect cost changes in rates, then Customer shall be notified at least 60 days in advance of proposed changes.

H. Customer agrees to pay in full all applicable taxes, fees and charges that are in effect as of the Effective Date of this Agreement and authorized by the KCC to be charged to Company's retail customers.

- 5.8 If Company receives notice from any federal, state or local governmental authority that a change(s) to any tax, fee, cost or charge upon Company is being proposed, and if the same may be passed through as a charge(s) to Customer under applicable law, then Company shall notify Customer of such proposed change(s) within a reasonable time of Company's receiving notice from that governmental authority. Company's failure to notify Customer

hereunder shall not relieve Customer of any charges due and payable pursuant to the terms of this Article 5.

- 5.9 Notwithstanding Customer's compliance with Section 5.2, thereafter Customer is not prohibited by this Agreement from protesting and opposing any application to the KCC by Company seeking an increase in taxes, fees, costs or charges of the types contemplated by foregoing provisions of Article 5, or from instituting a proceeding before the KCC seeking a decrease in any taxes, fees, costs or charges of the types described in the foregoing provisions of Article 5 that are imposed on Customer.

#### **ARTICLE 6 - METERING**

- 6.1 Metering facilities for Delivery Points as described in Section 3.1 of this Agreement shall be owned and installed by Company.
- 6.2 The amounts of Energy supplied and received hereunder (including Energy supplied to Company from the Cogeneration Plant) shall be determined from measurements taken by the metering facilities provided by Company. All meters located at the Delivery Points served under this Agreement will be totalized each billing month in order to calculate Customer's bill.
- 6.3 At Company's option, Energy may be metered at other than the delivery voltage, in which event; Company shall adjust such metered measurements to compensate for losses between the point of measurement and the point of interconnection.

#### **ARTICLE 7 - INDEMNIFICATION**

- 7.1 Each Party hereto shall defend, indemnify, and save harmless the other Party against liability, loss, costs and expense on account of any injury to persons (except employees of the Parties), including death, or damage to property occasioned on or adjacent to facilities of the indemnifying Party on its own respective side of the Delivery Points; provided, however, that no such indemnity obligation shall arise hereunder with respect to any injury or damage to the extent caused by the intentional and/or negligent act or omission of the other Party.
- 7.2 With respect to its own employees, each Party shall be deemed an "Employer" for purposes of this Agreement. Notwithstanding any provision to the contrary contained herein, an Employer shall have no obligation to defend, indemnify or save harmless the other Party against any liability, loss, costs or expenses resulting from injury to, or death of, the Employer's employees occurring while acting within the scope of their employment.

#### **ARTICLE 8 - COMMISSION APPROVAL**

- 8.1 This Agreement and all of the terms and conditions provided herein are contingent upon approval by the KCC and will become effective on the first day of the month following the month in which this Agreement is approved by the KCC (such date is referred to as the “Effective Date”). If the KCC does not approve this Agreement, as written, it shall be deemed null and void unless otherwise agreed upon by both Parties.
- 8.2 This Agreement will not become effective unless the KCC approves the Company’s deferral as a regulatory asset of the difference in the amount recovered from Customer as a result of this Agreement and what would have been recovered under the existing tariffs until the time rates are changed in conjunction with Company’s next general rate case, giving the Company the right to request recovery of that regulatory asset in the next general rate case and approves any necessary adjustments to the calculation of Company’s TDC rates and/or allocation of the TDC revenue requirement to the customer classes to ensure other customers are not impacted by Customer’s move from the ILP rate class to the special contract rate class.
- 8.3 Delivery of Energy under this Agreement is subject to the General Terms and Conditions of Company’s Tariff at present on file with the KCC and any subsequent modifications or substitutions thereof lawfully made.

#### **ARTICLE 9 - TERM AND TERMINATION**

- 9.1 The primary term (“Term”) of this Agreement shall be from the Effective Date through the date occurring ten (10) calendar years after the Effective Date, and this Agreement shall thereafter expire as to Term, unless terminated earlier pursuant to the terms of this Agreement.
- 9.2 If at any time during the Term of this Agreement the KCC issues an order or imposes an agency action which will increase Customer’s average monthly bill, expressed in cents per kWh, by greater than 5% in any rolling 24 month period or by greater than 15% over the Term of this Agreement over and above those monthly bill increases otherwise provided for in this Agreement, Customer may terminate this Agreement on one year prior written notice.
- 9.3 Customer may elect to terminate this Agreement at any time upon two months prior written notice coupled with an election to purchase Energy from Company after such termination pursuant to the terms of an applicable published tariff of Company.
- 9.4 If Customer terminates this Agreement in accordance with Section 9.2 or 9.3, then Customer shall pay Company an amount equal to the accumulated difference between what Customer’s rates would have been under the ILP Tariff, or other applicable tariffs, as compared to what the rates actually were under the Agreement for the 24-month period immediately prior to any early termination of the Agreement.



- 9.5 Customer agrees that this ESA is based on the continuation of reasonably stable and / or growing operations and workforce at Customer's Wichita facilities. Customer will make good faith efforts to maintain and/or increase the employment and operations at Company's Wichita facilities. Customer will provide annually to Company, its EEO Form 1 as submitted to the Department of Labor that reflects Customer employment at the Wichita facilities. The Company acknowledges that Customer operates in a highly competitive market, and that a change in the number of employees at Customer's Wichita facilities and / or a change in the level of operations at the Wichita facilities during the term of the ESA may be necessary and appropriate to reflect changing market conditions in the future.
- 9.6 In an effort to support a stable or growing workforce, Customer agrees to invest no less than \$ [REDACTED] /year on a three-year rolling average in capital expenditures at Customer's Plant (e.g., replacement of plant equipment, plant upgrades, or plant production improvements) through the Term).

#### **ARTICLE 10 - CONFIDENTIALITY**

- 10.1 Customer and Company consider the price terms of this Agreement confidential subject to any legally required review by a jurisdictional regulatory agency or disclosure required by any law (including SEC rules) applicable to either Party. In the event that either of the Parties is requested or becomes legally compelled (by oral questions, interrogatories, requests for information or documents, subpoena, civil investigative demand or any similar process) to disclose any information relating to the price terms of this Agreement, the compelled Party will provide the other Party with prompt written notice so that the noncompelled Party may seek a protective order or other appropriate remedy and/or waive compliance with the provisions of this Section 12.1. In the event that such protective order or other remedy is not obtained or that the noncompelled Party waives compliance with the provisions of this Section 12.1, the compelled Party will furnish only that portion of the requested information which is legally required. Notwithstanding the foregoing, confidential terms and conditions shall not include any information or data that (a) is or becomes publicly known through no act or omission of the receiving Party in violation of this Agreement; (b) was known by the receiving Party without confidential or proprietary restriction before receipt from the disclosing Party, as evidenced by the receiving Party's contemporaneous written records; (c) becomes known to the receiving Party without confidential or proprietary restriction from a source other than the disclosing Party that is not known by the receiving Party to owe a duty of confidentiality to the disclosing Party with respect to such information and data; or (d) is independently developed by the receiving Party without reference to such information and data. In addition, the receiving Party may use or disclose such information and data to the extent (i) approved in writing in advance by the disclosing Party or (ii) the receiving Party is legally compelled to disclose such information and data, provided, however, that prior to any such compelled disclosure, the receiving Party shall, to the extent practicable, give the disclosing Party prompt advance notice of any such disclosure and shall cooperate with the disclosing Party, at the disclosing Party's cost, in protecting against any such disclosure and/or obtaining a protective order narrowing the scope of such disclosure and/or use of such information and data. If the disclosing Party is unable to obtain or does not seek such a protective order or the disclosing

Party waives compliance with the provisions hereof and the receiving Party is, in the opinion of its counsel, legally obligated to disclose the such information and data, disclosure of such information may be made without liability and is considered in accordance with this Agreement.

#### **ARTICLE 11- EVENTS OF DEFAULT**

11.1 **Events of Default.** An “Event of Default” shall mean, with respect to a Party (a “Defaulting Party”), the occurrence of any of the following:

- A. the failure to make, when due, any payment required pursuant to this Agreement if such failure is not cured within three (3) Business Days after written notice;
- B. any representation or warranty made by such Party herein is false or misleading in any material respect when made or when deemed made or repeated;
- C. the failure to perform any material covenant or obligation set forth in this Agreement if such failure is not cured within ten (10) days after written notice;
- D. such Party is Bankrupt;
- E. such Party is affected by the occurrence of a Material Adverse Change; provided, however, that such Material Adverse Change shall not be considered an Event of Default if, pursuant to the pertinent provisions of Section 11.4 hereof, such affected Party establishes and maintains for so long as the Material Adverse Change is continuing, Performance Assurance to the benefit of the other Party which is in form and amount acceptable to the other Party; or,
- F. such Party fails to establish, maintain, extend or increase Performance Assurance when required pursuant to Section 11.4 of this Agreement.

11.2 **Remedies.** Upon the occurrence of an Event of Default (including the expiration of applicable cure periods), the non-defaulting Party (the “Non-Defaulting Party”) may terminate this Agreement upon three (3) days prior written notice. Except with respect to Customer’s obligations in Article 7, the Parties expressly agree that Customer’s aggregate liability for direct actual damages arising from one or more Events of Default by Customer shall not exceed the amount of liquidated damages that would be payable by Customer pursuant to Section 9.3.

11.3 **Bankruptcy.** Upon the filing of a petition by or against the Defaulting Party under the Code, the Defaulting Party, as debtor and as debtor-in-possession, agrees to adequately protect the Non-Defaulting Party as follows:

- A. to cure or to provide adequate assurance to cure each and every obligation of the Defaulting Party under this Agreement until such time as this Agreement is either rejected or assumed by order of the Bankruptcy Court;

B. to pay all monetary obligations required under this Agreement, including, without limitation, the payment of all sums required to be paid by the Defaulting Party under the terms and conditions of this Agreement as reasonable compensation for the Energy provided under this Agreement;

C. to provide the Non-Defaulting Party a minimum 30 days' prior written notice, unless a shorter period is permitted by the Code of any proceedings relating to any assumption of this Agreement or any intent to vacate or abandon this Agreement, which vacating or abandonment shall be deemed a rejection of this Agreement; and

D. to perform to the benefit of the Non-Defaulting Party as otherwise required under the Code.

- 11.4 Performance Assurance. Upon the occurrence of a Material Adverse Change that may adversely affect performance of a Party, the affected Party will promptly provide the unaffected Party with written notice of a Potential Event of Default, identifying with reasonable specificity in such notice the nature and extent of the Material Adverse Change. Within a reasonable time after receiving such notice of Potential Event of Default, the unaffected Party may give written notice requesting Performance Assurance in an amount determined in a commercially reasonable manner. Upon receipt of such notice requesting Performance Assurance, the Party affected by the Material Adverse Change shall have 3 Business Days to cure the Potential Event of Default by providing such Performance Assurance. In the event the affected Party fails to provide such Performance Assurance acceptable to the unaffected Party within 3 Business Days of receipt of notice, then an Event of Default under this Article 11 shall be deemed to have occurred, and the Non-Defaulting Party will be entitled to the remedies set forth in this Agreement.

## ARTICLE 12 - NOTIFICATION

- 12.1 All notices required or contemplated under this Agreement shall be first attempted via telephone to the appropriate personnel as contained herein. All notices via telephone communication(s) shall be followed, within a 24 hour period, with written communication(s) taking the form of personal delivery, registered mail, courier delivery service or email. All communication(s) shall be deemed to have been given when received by the other Party, in all instances all charges prepaid, addressed as follows:

If to Customer:

Spirit AeroSystems, Inc.  
PO Box 780008 MC 20-30  
Wichita, KS 67278-0008  
Attention: Adam Pogue  
Phone: (316) 526-9686  
Email: Adam.M.Pogue@spiritaero.com

If to Kansas Gas and Electric Company:

Westar Energy, Inc.  
818 S. Kansas Ave.  
Topeka, KS 66612  
Attention: Kristen Aberle  
Phone: (316) 261-6249  
Email: kristen.aberle@westarenergy.com

Notice by email or hand delivery shall be effective at the close of business on the day actually received, if received during business hours on a Business Day, and otherwise shall be effective at the close of business on the next Business Day unless the sender of a notice via email receives a return message that the notice recipient is “out of office” or otherwise unavailable for a specified period of time, in which case, such notice via email will not be effective until the return date specified by such recipient in the automated reply to sender. Notice by overnight United States mail or courier shall be effective on the next Business Day after it was sent. A Party may change its addresses by providing notice of same in accordance herewith.

#### **ARTICLE 13 - DISPUTE RESOLUTION**

- 13.1 In the event of a dispute which arises out of or relates to this Agreement, or the breach thereof, the Parties agree first to notify the other in writing of the nature of the dispute and of the remedy sought, and to try in good faith to settle the dispute by informal negotiations between representatives of Customer and Company who have authority to settle the dispute before resorting to litigation; provided, however, that notwithstanding the foregoing obligation to participate in good faith informal dispute resolution negotiations, either Party may seek appropriate injunctive relief upon proper showing.

#### **ARTICLE 14 - MISCELLANEOUS PROVISIONS**

- 14.1 Neither Party shall assign this Agreement or its rights hereunder without the prior written consent of the other Party; provided, however, either Party may, without the consent of the other Party (and without relieving itself from liability hereunder), (i) transfer, sell, pledge, encumber or assign this Agreement or the accounts, revenues or proceeds hereof in connection with any financing or other financial arrangements, (ii) transfer or assign this Agreement to an Affiliate of such Party, or (iii) transfer or assign this Agreement to any person or entity succeeding to all or substantially all of the assets of Customer or to all or substantially all of the electric business assets of Company; provided, however, that in each such case, any such assignee shall agree in writing to be bound by the terms and conditions hereof. In the event of any such assignment, if the non-assigning Party reasonably determines that the assignee does not meet the non-assigning Party’s credit worthiness criteria for similarly sized companies as the assignee, the non-assigning Party may require the assignee to provide a suitable guaranty, Performance Assurance, or other credit or

performance support in order to meet the credit and performance requirements of the non-assigning Party.

- 14.2 Any and all suits for any breach of this Agreement or for rescission or specific performance of this Agreement shall be filed and maintained in any court of competent jurisdiction in Topeka, Kansas. The interpretation and performance of this Agreement shall be in accordance with the laws of the State of Kansas, without reference to principles of conflicts of laws. Each Party waives its respective rights to any jury trial with respect to any litigation arising under or in connection with this Agreement.
- 14.3 No waiver by either Company or Customer of any default of the other under this Agreement shall operate as a waiver of future default, whether of like or different character or nature.
- 14.4 Any provision declared or rendered unlawful by any applicable court of law or regulatory agency or deemed unlawful because of a statutory change (individually or collectively, such events referred to as "Regulatory Event") will not otherwise affect the remaining lawful obligations that arise under this Agreement; and provided, further, that if a Regulatory Event occurs, the Parties shall use commercially reasonable efforts to reform this Agreement in order to give effect to the original intention of the Parties.
- 14.5 This Agreement shall be considered for all purposes as prepared through the joint efforts of the Parties and shall not be construed against one Party or the other as a result of the preparation, substitution, submission or other event of negotiation, drafting or execution hereof. The Parties agree that this Agreement shall not be interpreted or construed to favor either Party more than the other.
- 14.6 Each Party (and its representative(s)) has the right, at its sole expense and during normal working hours, to examine the records of the other Party to the extent reasonably necessary to verify the accuracy of any statement, charge or computation made pursuant to this Agreement. If requested, a Party shall provide to the other Party statements evidencing the quantities of the Energy delivered at the Delivery Points. If any such examination reveals any inaccuracy in any statement, the necessary adjustments in such statement and the payments thereof will be promptly made and shall bear interest calculated at the Interest Rate from the date the overpayment or underpayment was made until paid. No adjustment for any statement or payment will be made unless objection to the accuracy thereof was made prior to the lapse of 2 years from the rendition thereof. This provision will survive any termination or expiration of this Agreement for a period of 2 years from the date of such termination or expiration for the purpose of such statement and payment objections.
- 14.7 This Agreement constitutes the final, complete and entire agreement between the Parties relating to the subject matter contemplated by this Agreement and supersedes any previous agreements, representations, or discussions, whether oral or written, between the Parties relating to the subject matter contemplated by this Agreement.

- 14.8. Notwithstanding any provisions herein to the contrary, the obligations set forth in Articles 7, 9, 10, 11 and 14 shall survive the expiration or termination of this Agreement for a period of twenty-four (24) months there from.

**ARTICLE 15 - LIMITATIONS OF REMEDIES, LIABILITY AND DAMAGES**

- 15.1 EXCEPT AS SET FORTH HEREIN, THERE IS NO WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE, AND ANY AND ALL IMPLIED WARRANTIES ARE DISCLAIMED. THE PARTIES CONFIRM THAT THE EXPRESS REMEDIES AND MEASURES OF DAMAGES PROVIDED IN THIS AGREEMENT SATISFY THE ESSENTIAL PURPOSES HEREOF. FOR BREACH OF ANY PROVISION FOR WHICH AN EXPRESS REMEDY OR MEASURE OF DAMAGES IS PROVIDED, SUCH EXPRESS REMEDY OR MEASURE OF DAMAGES SHALL BE THE SOLE AND EXCLUSIVE REMEDY, A PARTY'S LIABILITY SHALL BE LIMITED AS SET FORTH IN SUCH PROVISION AND ALL OTHER REMEDIES OR DAMAGES AT LAW OR IN EQUITY ARE WAIVED. IF NO REMEDY OR MEASURE OF DAMAGES IS EXPRESSLY PROVIDED HEREIN, A PARTY'S LIABILITY SHALL BE LIMITED TO DIRECT ACTUAL DAMAGES ONLY, SUCH DIRECT ACTUAL DAMAGES SHALL BE THE SOLE AND EXCLUSIVE REMEDY AND ALL OTHER REMEDIES OR DAMAGES AT LAW OR IN EQUITY ARE WAIVED. NEITHER PARTY SHALL BE LIABLE FOR CONSEQUENTIAL, INCIDENTAL, PUNITIVE, EXEMPLARY OR INDIRECT DAMAGES, LOST PROFITS OR OTHER BUSINESS INTERRUPTION DAMAGES, BY STATUTE, IN TORT OR CONTRACT. IT IS THE INTENT OF THE PARTIES THAT, EXCEPT AS TO ACTS OF GROSS NEGLIGENCE OR WILFULL, WANTON OR INTENTIONAL MISCONDUCT, THE LIMITATIONS HEREIN IMPOSED ON REMEDIES AND THE MEASURE OF DAMAGES BE WITHOUT REGARD TO THE CAUSE OR CAUSES RELATED THERETO, INCLUDING THE NEGLIGENCE OF ANY PARTY, WHETHER SUCH NEGLIGENCE BE SOLE, JOINT OR CONCURRENT, OR ACTIVE OR PASSIVE. TO THE EXTENT ANY DAMAGES REQUIRED TO BE PAID HEREUNDER ARE LIQUIDATED, THE PARTIES ACKNOWLEDGE THAT THE DAMAGES ARE DIFFICULT OR IMPOSSIBLE TO DETERMINE, OR OTHERWISE OBTAINING AN ADEQUATE REMEDY IS INCONVENIENT AND THE DAMAGES CALCULATED HEREUNDER CONSTITUTE A REASONABLE APPROXIMATION OF THE HARM OR LOSS.

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed on the date above set forth.

SPIRIT AEROSYSTEMS, INC.

KANSAS GAS AND ELECTRIC  
COMPANY

By: Adam M. Fogue  
Name: Adam M. Fogue  
Its: Vice President - Mktg. Svcs.

By: Darrin R. Ives  
Name: Darrin R. Ives  
Its: Vice President - Regulatory Affairs

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

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**DIRECT TESTIMONY**  
**OF**  
**JEFF MARTIN**  
**ON BEHALF OF**  
**KANSAS GAS AND ELECTRIC COMPANY**

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**DOCKET NO. 20-KG&E-\_\_\_-CON**

1     **Q.     PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2     A.     Jeff Martin, 818 S. Kansas Avenue, Topeka, Kansas.

3     **Q.     BY WHOM AND IN WHAT CAPACITY ARE YOU EMPLOYED?**

4     A.     Westar Energy, Inc. (Westar), a wholly-owned subsidiary of Evergy,  
5             Inc. I am Vice-President, Customer and Community Operations.

6     **Q.     PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND**  
7             **BUSINESS EXPERIENCE.**

8     A.     I have a Bachelor of Science in Electronic Engineering Technology  
9             degree from Pittsburg State University and a Master of Business  
10            Administration degree from Kansas State University. I have been  
11            with Westar for over twenty-five years and have held various  
12            positions in Field Operations, Information Technology, and  
13            Regulatory Affairs. My current title is VP, Customer and Community

1 Operations and I am responsible for developing professional  
2 relationships with our Commercial and Industrial customers,  
3 promoting economic development in the region and working with our  
4 communities that we have the honor and privilege of serving.

5 **I. INTRODUCTION**

6 **Q. WHAT IS THE PURPOSE OF THIS TESTIMONY?**

7 A. We are proposing to enter into a special contract with Spirit  
8 AeroSystems, Inc. ("Spirit"). My testimony will describe the proposed  
9 Energy Supply Agreement ("ESA") between Westar and Spirit and  
10 demonstrate that it is consistent with the Commission's policies  
11 concerning approval of special contracts.

12 **Q. DESCRIBE SPIRIT'S CHARACTERISTICS AS A CUSTOMER ON**  
13 **WESTAR'S SYSTEM.**

14 A. Spirit is the second largest customer on Westar's system and takes  
15 service at transmission voltage level. Their usage levels have  
16 consistently been growing over the last several years. With more  
17 than 13,000 employees in Wichita, Spirit is the largest employer in  
18 Wichita and one of the largest employers in the State of Kansas, has  
19 added over 1,000 jobs in the past year, and is committed to \$1 billion  
20 in capital investment in the Wichita facility over the next 5 years.  
21 Spirit is a \$7 billion global company, with more than 17,000  
22 employees worldwide, including two sites in Oklahoma.

23



1       **Q.     WHY DID WESTAR DECIDE TO ENTER INTO THE PROPOSED**  
2       **ESA?**

3       A.     Over the last year or so, Westar has received indication from Spirit  
4             that Spirit's Wichita location is at a price disadvantage compared to  
5             its other locations outside of Kansas. Based on conversations with  
6             Spirit representatives and information they provided, Westar  
7             determined that there was a viable risk that Spirit would relocate  
8             significant portions of its operations to areas outside of Kansas if  
9             Westar did not move forward to negotiate an ESA that would make  
10            the rates Spirit is paying more competitive with the rates it pays in  
11            other locations.

12                                   **II. ENERGY SUPPLY AGREEMENT**

13       **Q.     PLEASE DESCRIBE THE MAJOR TERMS OF THE ESA.**

14       A.     The ESA has a ten-year term. It includes an all-energy rate with four-  
15             tiered pricing blocks with a declining block rate structure. It includes  
16             the requirement that Spirit have a monthly minimum bill, before  
17             taxes, of \$1 million and subjects Spirit to all riders and surcharges it  
18             would otherwise pay, except for the replacement of the Retail Energy  
19             Cost Adjustment ("RECA") with wind generation. The ESA gives  
20             Westar the ability to update rates when rates for other customers are  
21             changed to reflect the pro rata share of the change for the ILP class.  
22             The ESA also includes requirements for Spirit to make efforts to  
23             maintain stable or growing operations and workforce at its Wichita

1 facilities and maintain a certain level of economic investment at those  
2 facilities.

3 **Q. CAN YOU PROVIDE A MORE DETAILED EXPLANATION OF THE**  
4 **WIND GENERATION PROVISIONS CONTAINED IN THE ESA?**

5 A. Yes. The ESA contains provisions similar to Westar's Direct  
6 Renewable Participation Service ("DRPS") tariff that allow Spirit to  
7 take energy produced from designated wind farms at a specified rate  
8 as a substitute for the RECA. In the ESA, Westar commits to  
9 dedicate 50 MW of the Soldier Creek I wind farm, which is currently  
10 under construction, and 95 MW from a different wind farm to Spirit  
11 for the ten-year term of the ESA. Soldier Creek is expected to be in  
12 service by the end of 2020 and the other wind farm by the end of  
13 2021.

14 If Spirit's usage exceeds the amount of energy produced by  
15 its pro rata share of the wind farms at the end of a calendar year, the  
16 excess usage will be subject to the then current RECA surcharge. If  
17 the pro rata share of energy from the wind farms produces more than  
18 Spirit uses during a calendar year, any excess generation will be  
19 credited to Customer's bill at 80% of the ESA rate for the wind  
20 generation.

21 The PPAs Westar will sign for the Soldier Creek wind farm  
22 and the new wind farm to provide this service to Spirit will be 20-year  
23 agreements. Thus, the ESA provides that at the end of its ten-year

1 term, the 145 MW of wind procured to serve Spirit will be utilized for  
2 the benefit all of Westar's retail customers and the related cost for  
3 that wind will be used to offset of fuel costs and recovered by  
4 Company through its RECA. This will allow all of Westar's retail  
5 customers the opportunity to benefit from this low-cost wind  
6 generation Westar after the initial term of this ESA with Spirit. In the  
7 event that Westar has a customer or customers who wish to  
8 purchase the generation from the wind farms directly, similar to the  
9 terms of the ESA, Westar agrees to consult with Commission Staff  
10 to determine whether such an agreement is acceptable or whether  
11 Staff would recommend that the 145 MW of wind benefit all of the  
12 Company's retail customers for the remaining term of the PPAs.

13 **III. THE ESA MEETS THE COMMISSION'S STANDARD FOR**  
14 **APPROVAL OF SPECIAL CONTRACTS**

15 **Q. WHAT IS THE COMMISSION'S POLICY CONCERNING SPECIAL**  
16 **CONTRACTS BETWEEN UTILITIES AND THEIR CUSTOMERS?**

17 A. In 2000 and 2001, the Commission investigated issues related to  
18 special contracts in Docket No. 01-GIME-813-GIE (813 Docket). In  
19 its Order issued in that docket on October 3, 2001, the Commission  
20 found substantial support "to demonstrate that these contracts may  
21 benefit both ratepayers and shareholders, and that they should not  
22 be prohibited." Docket No. 813-GIE Order, at 2.

23 Specifically, the Commission stated that "[i]n order to be  
24 approved, the utility must show that the special contract provides a

1 cost benefit to the remaining core customers.” 813 Order, at ¶ 6.

2 The Commission then provided a list of non-exclusive factors that  
3 may be considered when evaluating the cost impact on core  
4 customers. Those factors are:

- 5 a. The load characteristics of the customer,
- 6 b. The presence of an ECA or other risk management tool(s),
- 7 c. The nature of the discount,
- 8 d. Benefits such as curtailment provisions or use of system non-  
9 peak times,
- 10 e. The length of the contract,
- 11 f. Information regarding the terms of the contract, and
- 12 g. The existing capacity of the utility.

13 The Commission also determines whether the amount the  
14 special contract customer will pay under the ESA will produce an  
15 amount greater than the incremental variable cost (marginal cost) to  
16 serve the customer, resulting in a contribution to fixed costs.<sup>1</sup>

17 **Q. WHAT ARE THE LOAD CHARACTERISTICS OF THE**  
18 **CUSTOMER?**

19 A. Spirit is a customer with an extremely high load factor. Over the past  
20 twelve months, its monthly average demand averages 70,759 MW,  
21 with a 75% load factor. Spirit’s peak demand over the last twelve  
22 months was 78,698 MW.

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<sup>1</sup> Direct Testimony of Darrin Prince, at pp. 9-11, Docket No. 18-KG&E-303-CON.

1       **Q.     DOES THE EXISTING ESA CONTAIN RISK MANAGEMENT**  
2       **TOOLS?**

3       A.     Yes. As the Commission stated in its 813 Order, the presence of an  
4       ECA and other risk management tools in the contract is relevant to  
5       the question of whether the contract provides benefits to other  
6       customers. The ESA is for a ten-year term and includes minimum  
7       payment requirements for the entire term. It also allows Westar to  
8       update the rates charged to Spirit when rates for other customers are  
9       changed in order to reflect a pro rata share of the change in rates  
10      applicable to other customers. Additionally, with the exception of the  
11      RECA, all Riders and Surcharges applicable to other customers will  
12      remain applicable to Spirit. As the Riders and Surcharges are  
13      adjusted, the rate to Spirit is adjusted on a pro rata basis as well. In  
14      regard to the RECA, the dedicated wind supply is structured similarly  
15      to Westar's DRPS tariff recently approved by this Commission.

16      **Q.     WHAT IS THE NATURE OF THE SPECIAL CONTRACT**  
17      **DISCOUNT?**

18      A.     Instead of a fixed, year-round, monthly demand and energy charge,  
19      Spirit's rates will be completely based on energy usage. The rate is  
20      structured with four usage blocks, with declining prices per block.  
21      The declining block pricing was designed not only with Spirit's  
22      historical usage in mind but also to provide incentive for Spirit's

1 expansion of its facilities – and increased usage at its facilities – in  
2 Kansas.

3 **Q. WILL THE PROPOSED CONTRACT PROVIDE A BENEFIT TO**  
4 **THE REMAINING CORE CUSTOMERS OF WESTAR?**

5 A. Yes. Spirit could substantially reduce its usage if the proposed ESA  
6 is not approved in addition to locating expansion opportunities  
7 outside of Kansas and the rates for all other customers would  
8 increase as a result. The ESA prevents Spirit from leaving the  
9 system or reducing usage and instead encourages increased usage  
10 through a tiered pricing structure. If Spirit left the system, customers  
11 would also be indirectly impacted through reduction in employment  
12 levels and other investments in the local economy.

13 The ESA results in a ten-year commitment by Spirit to Kansas  
14 by imposing minimum bill requirements of \$1 million per month  
15 throughout the ten-year agreement. Additionally, the special  
16 contract requires Spirit to make efforts to maintain stable or growing  
17 operations and workforce at its Wichita facilities and to continue to  
18 make a certain level of capital investment at the Wichita facility, in an  
19 amount specified in the ESA, to help maintain the long-term viability  
20 of those facilities.

21 **Q. WILL THE RATES UNDER THE PROPOSED ESA RESULT IN**  
22 **SPIRIT'S CONTRIBUTION TO FIXED COSTS?**

1       A.     Yes. In order to determine whether remaining Westar customers are  
2             better off with or without Spirit as a Westar customer on a cost basis,  
3             we used Staff's Variable Cost Analysis from Docket No. 18-KG&E-  
4             303-CON which analyzed Total Operating Expenses in the Industrial  
5             Large Power (ILP) group in Westar's class cost of service filed in the  
6             18-328 Docket. For Spirit's total usage data in the ILP class, which  
7             accounts for over 90% of Spirit's usage for the six existing accounts  
8             to which the ESA will apply, we used July 2016 through June 2017,  
9             the test year for the 18-328 Docket. The average rate per kWh using  
10            the proposed contract rates exceeds the variable cost floor by more  
11            than 15%. Using this method, there will clearly be a fixed costs  
12            contribution under the contract. Therefore, Westar customers are  
13            better off with the proposed special contract versus Spirit leaving the  
14            Westar system. This contribution is in addition to the other benefits  
15            of maintaining and growing Spirit's Kansas operations that I  
16            discussed earlier.

17       **Q.     HOW WILL THE WIND GENERATION PROVISIONS OF THE ESA**  
18             **IMPACT OTHER CUSTOMERS?**

19       A.     The provisions of the ESA allowing Spirit to substitute energy usage  
20             under the RECA with energy from two specific wind facilities will  
21             initially be neutral or positive for other customers and, in the long-  
22             term, will potentially provide benefits through access to reasonably  
23             priced wind power. Initially, similar to Westar's DRPS tariff, the

1 provision of wind generation to Spirit will not be subsidized by non-  
2 participants. Instead, Spirit will be responsible for the costs of the  
3 wind generation provided under the ESA and the dedicated energy  
4 from the new wind generation resources will often remove the  
5 necessity of dispatching a higher cost generation resource, and thus  
6 lower cost to other retail customers.

7 Additionally, in the long-term, as I indicated above, after the  
8 ten-year term of the Spirit ESA expires, all other retail customers of  
9 Westar will have the opportunity to get the benefit of the 145 MW of  
10 wind generation. This wind generation is very favorably priced, and  
11 it will serve to reduce fuel costs for our customers upon the expiration  
12 of the ESA. The timing of this wind generation becoming available  
13 to all customers matches well with the expiration of several of  
14 Westar's legacy wind PPA's that will expire beginning in early 2029  
15 and this new wind could replace those legacy agreements at a  
16 significant price difference, providing benefits for customers at that  
17 time.

18 **Q. WHY IS THE SPECIAL CONTRACT NECESSARY?**

19 A. The contract is necessary because it provides the incentives needed  
20 to keep Spirit as a large, viable customer on our electric system and  
21 as a viable business in Kansas. The proposed contract will continue  
22 to help address the electric cost disadvantages that Spirit has



1 indicated its Wichita facilities are experiencing as compared to other  
2 Spirit plant locations.

3 **IV. REQUEST FOR DEFERRAL OF REGULATORY ASSET**

4 **Q. WHAT IS WESTAR REQUESTING WITH RESPECT TO A**  
5 **REGULATORY ASSET FOR THE LOST REVENUE THAT WILL**  
6 **RESULT FROM THE PROPOSED ESA?**

7 A. Westar is requesting approval from the Commission to defer for  
8 recovery in its next general rate case the difference between the  
9 base rate revenue it will receive from Spirit under the proposed ESA  
10 and the base rate revenue it would have received from Spirit if Spirit  
11 continued to take service under the ILP tariff. We would expect in  
12 our next general rate case to request recovery of the deferred  
13 amount over a period of time consistent with the period of time during  
14 which the deferral balance is built.

15 **Q. HOW WILL WESTAR CALCULATE THE REGULATORY ASSET?**

16 A. For the six existing customer accounts that will be billed at the ESA  
17 rate, Westar will calculate monthly the base rate revenue under the  
18 applicable tariff assigned to each account prior to the effective date  
19 of the ESA. This will be compared to actual base rate revenue billed  
20 using the ESA rates. The difference will be booked to a regulatory  
21 asset account.

22 **Q. WHY IS APPROVAL OF THE REQUESTING REGULATORY**  
23 **ASSET APPROPRIATE?**

1       A.     The Commission should approve the requested regulatory asset  
2             because, as I discussed above, the proposed ESA meets the  
3             Commission's standard for approval and will result in benefits for  
4             Westar's remaining core customers. As a result, it is reasonable and  
5             appropriate for those remaining core customers to be responsible for  
6             the lost revenue that results from implementation of the ESA.

7                             **V. REQUEST FOR EXPEDITED TREATMENT**

8       **Q.     WHY IS THERE A REQUEST THAT THE COMMISSION ACT TO**  
9             **APPROVE THE PROPOSED ESA ON AN EXPEDITED BASIS?**

10      A.     As Spirit explains, it has shared publicly its desire to significantly  
11             grow the Fabrication and Defense portions of its business. However,  
12             as long as there is uncertainty about the approval of this new ESA,  
13             Spirit must take any cost differential that exists between electric  
14             service for its Wichita operations and its facilities in other locations  
15             into account in its planning and investment decisions. Thus, we are  
16             requesting that the Commission issue its order in this docket before  
17             the end of calendar year 2019, such that the Agreement may become  
18             effective no later than January 1, 2020.<sup>2</sup>

19      **Q.     THANK YOU.**

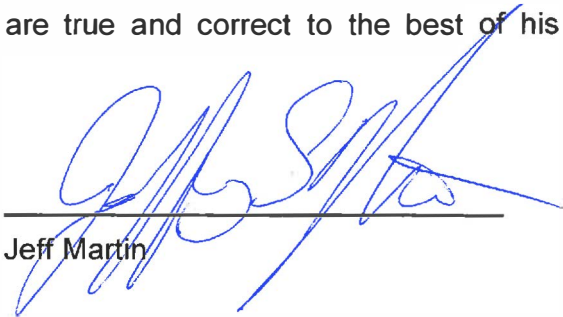
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<sup>2</sup> Pursuant to Article 1 of the Agreement, the Agreement will become effective on the first day of the month following the date of approval by the Commission.

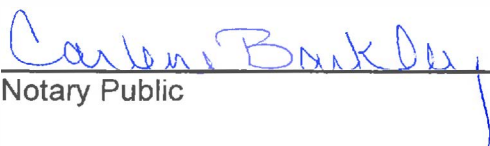
STATE OF KANSAS                     )  
  ) ss:  
COUNTY OF SHAWNEE             )

**VERIFICATION**

Jeff Martin, being duly sworn upon his oath deposes and states that he is the Vice President, Customer and Community Operations, for Evergy Inc. and 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.

  
\_\_\_\_\_  
Jeff Martin

Subscribed and sworn to before me this 5<sup>th</sup> day of September, 2019.

  
\_\_\_\_\_  
Notary Public

My Appointment Expires:

April 18, 2021



In the Matter of the Application of )  
Kansas Gas and Electric Company for )  
Approval of the Energy Supply ) Docket No. 20-KG&E-\_\_\_\_-CON  
Agreement between Kansas Gas and )  
Electric Company and Spirit )  
AeroSystems, Inc. )

DIRECT TESTIMONY OF  
  
ADAM POGUE  
  
ON BEHALF OF  
  
SPIRIT AEROSYSTEMS, INC.

September 4, 2019

**I. STATEMENT OF QUALIFICATIONS**

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

**A.** My name is Adam Pogue. My business address is 3801 South Oliver St, Wichita, Kansas 67210.

**Q. On whose behalf are you testifying?**

**A.** I am testifying on behalf of Spirit AeroSystems, Inc. ("Spirit").

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

**A.** I am employed by Spirit as Vice President for Manufacturing Services.

**Q. Please describe your duties and responsibilities at Spirit.**

**A.** In my role as Vice President for Manufacturing Services, I have leadership responsibilities for facilities services, tooling, and global facilities management for Spirit's seven manufacturing and assembly sites. This includes responsibility for managing Spirit's utility infrastructure and contracts across more than 15 million square feet of global manufacturing space. More than 12 million square feet of that manufacturing space is located in Wichita.

**Q. What is your educational background and professional experience?**

**A.** I have worked in and around Aerospace Manufacturing for over 32 consecutive years, the majority of those years in facilities and plant management. Educationally, I hold bachelors and masters' degrees in business, including the Advanced Management Program at Harvard University.

**Q. Have you previously submitted testimony before this Commission?**

**A.** I have not previously filed testimony before the Kansas Corporation Commission ("Commission"). However, during the 2019 Kansas Legislative Session, I provided

1 testimony to the Senate Utilities Committee on behalf of Spirit regarding the issue  
2 of retail electric rates.

3 **II. INTRODUCTION**

4 **Q. What is the purpose of your testimony?**

5 **A.** My testimony will provide support for the Joint Application filed Kansas Gas and  
6 Electric Company, d/b/a Westar Energy ("Westar") and Spirit, which requests the  
7 Commission approve an Energy Supply Agreement between those entities  
8 ("Agreement" or "ESA"). More specifically, I will describe Spirit's operations and  
9 explain why the Agreement is necessary from Spirit's perspective.

10 **III. ANALYSIS**

11 **Q. Will you please provide a brief overview of Spirit's operations?**

12 **A.** Spirit employs more than 17,000 people worldwide designing and building  
13 complex aerostructures for both commercial and defense customers. More than  
14 13,000 of those employees are located at our headquarters in Wichita. Additionally,  
15 we have U.S. manufacturing sites in Oklahoma and North Carolina, with global  
16 operations in the United Kingdom, France, and Malaysia. The company's core  
17 products include fuselages, pylons, nacelles, and wing components for the world's  
18 most recognizable airplanes. As I mentioned above, more than 12 million square  
19 feet of Spirit's 15 million total square feet of manufacturing space is located in  
20 Wichita.

1    **Q.     Under what terms does Spirit currently receive service from Westar?**

2    **A.**     Spirit currently takes service from Westar under the filed base rates for the  
3           Industrial & Large Power ("ILP") customer class. In addition to these base rates,  
4           Spirit pays various surcharge and rider charges applicable to the ILP customer class.

5    **Q.     Will you please provide an overview of the new ESA under which Spirit has**  
6           **agreed to take future service from Westar?**

7    **A.**     Yes. The primary terms of the ESA are as follows:

- 8           1) Ten-year term;
- 9           2) Agreed base energy rates, with four declining blocks;
- 10          3) Spirit will be charged all applicable surcharges and riders, as specified in  
11          the ESA;
- 12          4) Spirit's Retail Energy Cost Adjustment ("RECA") will be replaced with  
13          a fixed energy charge, pursuant to Spirit's long-term commitment to  
14          purchase wind generation;
- 15          5) Agreed base rates may change as a result of a general base rate change  
16          approved by the Commission, consistent with the overall percentage  
17          increase or decrease allocated to the ILP customer class;
- 18          6) Spirit is obligated to pay a substantial minimum monthly bill;
- 19          7) Spirit will make good faith efforts to maintain or increase  
20          operations and workforce at its Wichita facilities; and
- 21          8) Spirit will invest in substantial capital improvements each year at  
22          its Wichita facilities to support ongoing operations, in an amount  
23          specified in the ESA.

1    **Q.     Why are Spirit and Westar requesting approval of this Agreement?**

2    **A.**     Spirit and Westar are requesting approval of this Agreement to address the price  
3           disadvantage for electric service Spirit is experiencing at its Wichita operations  
4           compared to its operations – and its competitors' operations – in other areas outside  
5           of Kansas. The Agreement is important because it helps maintain Spirit as a vibrant  
6           and growing contributor to the Kansas economy.

7    **Q.     Is the Agreement necessary?**

8    **A.**     Yes.    The industry of aerospace manufacturing is highly competitive, and  
9           successful bidding for new projects is extremely dependent on a number of cost  
10          inputs. One of those cost inputs is the price of electricity, and it is a very material  
11          component affecting the economics of Spirit's current level of operations and  
12          competitiveness for future expansion opportunities. Spirit's current electricity rates  
13          are far higher than those in our Oklahoma and North Carolina facilities and the  
14          surrounding region generally.

15                Maybe more importantly, Spirit's Wichita operations compete internally  
16          with its operations in other states for new projects and investment. As I explained  
17          above, Spirit has substantial manufacturing operations in Oklahoma and North  
18          Carolina, in addition to its Wichita operations. Looking at the "all-in" price per  
19          kilowatt hour, Spirit's Kansas electricity rate is 33.9 percent higher than our  
20          Oklahoma rate, based on a recent three-year average. These price differentials are



1 substantial when considering the magnitude of Spirit's total electricity usage and  
2 the highly competitive nature of the aerospace manufacturing industry.

3 In addition, Spirit's price disadvantage is even more disparate than it first  
4 appears because Spirit's Wichita operations take "transmission level" service, while  
5 the other locations do not. This means Spirit incurs the substantial costs of owning  
6 and operating its substation and distribution facilities in Wichita but does not incur  
7 those costs in other locations. This also means Wichita's operations are, in theory,  
8 less costly to serve than its facilities in other states.

9 While Spirit is committed to growing operations in Kansas, we also  
10 announced plans to expand operations at our Tulsa facility that will result in about  
11 a 20 percent increase in that site's employment over the next few years. And Spirit  
12 is in the middle of a previously-announced acquisition that – once closed, will result  
13 in a third Spirit Oklahoma site that has significant capacity for expanded operations.

14 Spirit is fortunate to have found ways to compensate for current Kansas  
15 electricity rates and forge a path forward that includes economic expansion and jobs  
16 for the State. But we have done this *despite* higher electricity rates, not because  
17 they were competitive within our region. Every time Spirit considers where to  
18 expand operations or place new work, the cost of electricity in Kansas always goes  
19 in the negative column for Wichita.

20 As I noted in my testimony before the Kansas Legislature last session, there  
21 are certainly times where Kansas utility costs have been a major contributing factor  
22 in uncompetitive bids and lost production opportunities at Spirit. As we pursue  
23 future long-term projects, the cost of Kansas electricity will affect our project

1 bidding strategies and will unavoidably be a major detracting factor in the business  
2 case for the Wichita location. Therefore, absent this Agreement, lower-cost sites  
3 outside of Kansas will continue to be considered for existing operations and  
4 expansion opportunities.

5 If the Agreement is not approved, Spirit will also be forced to consider other  
6 utility options for its Wichita operations – most notably self-generation – to reduce  
7 or eliminate its reliance on Westar. In recent years, natural gas self-generation has  
8 become a viable alternative for large industrial customers when compared with  
9 current retail electricity prices in Kansas. Even when all capital and operating costs  
10 are considered, publicly-available data indicates the levelized cost of new natural  
11 gas self-generation is materially lower than Westar's industrial rates.<sup>1</sup> Ultimately,  
12 Spirit wishes to remain a retail customer of Westar at this time, but Spirit will be  
13 forced to consider all available options if the ESA is not approved.

14 In the future, we hope Spirit's utility rates can become a competitive  
15 advantage that we place in the positive column when bidding for new projects. It  
16 is unlikely this Agreement will reduce our rates to the levels we experience in other  
17 states and place our Wichita operations at a competitive advantage. However, in  
18 my opinion, this Agreement does ensure our utility rates are not a prohibitive barrier  
19 to maintaining and expanding our operations in Kansas. This relief, along with the  
20 existing infrastructure and strong labor force at the Wichita site, should allow those

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<sup>1</sup> According to the U.S. Energy Information Administration, the levelized cost of new natural gas generation is roughly 4-5 cents per kWh. See, [https://www.eia.gov/outlooks/aeo/pdf/electricity\\_generation.pdf](https://www.eia.gov/outlooks/aeo/pdf/electricity_generation.pdf).

1 operations to remain viable, and potentially expand, in a highly competitive  
2 industry.

3 **Q. Is the Agreement important other ways?**

4 **A.** Yes. Maintaining Spirit as a vibrant and growing business is vital to the Kansas  
5 economy. This Agreement is an important component because it supports the  
6 economics of Spirit's existing Wichita operations and enhances Spirit's ability to  
7 compete for new projects and expansions of its Wichita operations.

8 According to the Kansas Department of Commerce, Spirit is the largest  
9 employer in Kansas. As I noted above, Spirit currently employees about 13,000  
10 Kansans. With previously-announced expansions, this figure is expected to grow  
11 in the future. Besides direct employment of Kansas residents, Spirit does business  
12 with more than 500 Kansas suppliers, ranging from machine shops that produce  
13 aircraft parts to facilities maintenance teams to transportation and logistics  
14 operations. These 500 supplier businesses are concentrated in South-central Kansas  
15 but are also located across the State. Over the past decade, Spirit and its employees  
16 have donated more than \$35 million to charitable organizations in the State. Spirit's  
17 employees have consistently volunteered about 10,000 hours per year supporting a  
18 wide range of community projects in the greater Wichita region. When Spirit is  
19 able to maintain and expand its operations, there is a positive economic ripple effect  
20 throughout the region. Conversely, if Spirit cannot compete and must reduce its  
21 operations, that ripple effect will have a negative impact on the region. The

1 competitiveness and economic well-being of Spirit and the State of Kansas are  
2 closely tied.

3 **Q. Aside from the lower base rate price component, how does the ESA encourage**  
4 **Spirit to increase electricity usage at its Wichita operations?**

5 **A.** There are several pricing terms of the ESA specifically designed to encourage Spirit  
6 to more fully utilize its Wichita facilities and potentially expand its operations (and  
7 electricity usage). Most importantly, the ESA institutes a steeply declining block  
8 structure. If Spirit's electricity usage increases, we will be able to take increasing  
9 advantage of the lower-priced energy blocks. This would have the impact of  
10 significantly reducing our average "all-in" rate. As I understand it, this increased  
11 usage should also benefit Westar's other customers by providing incremental  
12 revenue to help offset Westar's fixed costs of service.

13 Spirit is also incentivized to fully utilize its Wichita operations because the  
14 Agreement requires Spirit to pay a substantial monthly minimum bill regardless of  
15 usage. Because Spirit is committed to make this large payment regardless of its  
16 usage, it is in Spirit's interest to maintain a significant level of operations. However,  
17 as noted above, the ESA actually encourages Spirit to find ways to expand its  
18 electricity usage, as opposed to simply maintaining its current operations.

19 **Q. Please explain why the Agreement has a 10-year term.**

20 **A.** In negotiating this Agreement, it was very important for Spirit to have a measure  
21 of long-term cost certainty. When Spirit pursues new projects, it must project its  
22 costs over a long planning horizon. Therefore, the cost-stability of the ten-year

1 term is extremely important for our strategic planning and competitive bidding  
2 processes.

3 **Q. Why is Spirit requesting expedited approval of this Application?**

4 **A.** As explained above, Spirit's Wichita operations are currently at a distinct electricity  
5 pricing disadvantage compared to its facilities in other locations. Spirit has shared  
6 publicly our desire to grow the Fabrication and Defense portions of our business  
7 significantly. As long as there is uncertainty about the approval of this new ESA,  
8 Spirit must take that cost differential into account in its planning and investment  
9 decisions.

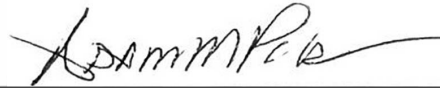
10 **Q. Does this conclude your testimony?**

11 **A.** Yes.

STATE OF KANSAS                     )  
  ) ss.  
COUNTY OF SEDGWICK            )

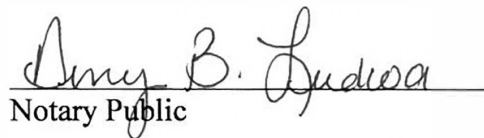
**VERIFICATION**

Adam Pogue, being duly sworn upon his oath deposes and states that he is Vice President for Manufacturing Services at Spirit AeroSystems, Inc., that he has read and is familiar with the foregoing *Direct Testimony*, and that the statements therein are true to the best of his knowledge, information and belief.



Adam Pogue  
Vice President for Manufacturing Services  
Spirit AeroSystems, Inc.

Subscribed and sworn to before me this third day of September, 2019.



Amy B. Ludwa  
Notary Public

My Appointment Expires: 7-18-2020