

Testimony of Darrin McNew 2023 Electric Rate Hearing Testimony

Q: Please state your name and your business address.

A: My name is Darrin V. McNew and my business address is 6742 Riverview Avenue, Kansas City, Kansas.

Q: What is your position at the BPU?

A: I am the Executive Director of Electric Operations.

Q: Please summarize your professional qualifications and experience.

A: I have a Bachelor of Science in Electrical Engineering from the Missouri University of Science and Technology. I am also a registered Professional Engineer in the states of Kansas and Missouri and have 15 years of experience in the electric utility industry.

Q: Please describe the areas within BPU that are directly responsible for and manage on an ongoing basis.

A: As the Executive Director of Electric Operations, I also oversee all other aspects of our electric transmission and distribution systems. This includes engineering, construction, maintenance, and operation of all transmission and distribution facilities. Additionally, I am responsible for the Fleet Maintenance group at BPU which handles vehicles and work equipment for the entire utility. In addition, I oversee the staff charged with the design, construction, testing, maintenance, and operation of all of BPU's high voltage substations and radio facilities.

Q: What are the anticipated capital expenditures for Electric Operations in the five-year budget?

A: The capital expenditures for Electric Operations are broken down as follows:

- Electric Transmission - \$15.8 million
- Electric Substations - \$20.5 million
- Electric Overhead Distribution - \$52.8 million
- Electric Underground Distribution - \$14.5 million
- Electric Transformers - \$14.5 million
- Electric Meters - \$5 million
- Electric General Construction - \$7.3 million

Q: What operational needs are you addressing with these capital improvement expenditures?

A: The majority of capital improvement projects in our budget are necessary to address our aging electric infrastructure and improve the reliability of electric service to all of our customers. Much of the electric infrastructure in our service territory is over fifty years old and in need of total replacement. BPU has made significant strides towards addressing this over the past several years, but we still have a lot of system improvement needs that have been deferred. Further deferring needed capital projects will result in increased maintenance costs on these assets and decreased reliability for our customers.

We also have several capital improvement projects that are required to support residential, commercial, and industrial development in the community. Wyandotte County has seen a lot of economic growth over the past few years and there are many additional projects on the horizon. For most of these projects BPU will need to either build new infrastructure or upgrade existing infrastructure to support the power needs of these customers.

A major challenge in meeting these and other operational needs is the current material and labor shortage facing the economy. Like most industries we are seeing costs for almost all material continue to increase. We are also facing unprecedented lead times for the manufacturing and shipping of these materials. Because of the extremely long lead times on material we are having to change how we budget and invest our capital improvement funds.

Q: Please explain how some of the proposed capital improvement projects will help address these needs.

A: Some of the major projects and goals covered in this capital improvement budget are as follows:

- BPU is currently in the process of a wood pole inspection and replacement project that entails inspecting every transmission and distribution power pole in our system over a ten-year period. This process involves performing an inspection and integrity test on each and every pole and then applying a preservative treatment to the pole provided it is still in acceptable condition. This treatment helps maintain the integrity of the wood and extend the useful life of the pole several years beyond what is typically expected. If the pole is not in acceptable condition based on the inspection then it is replaced with a new pole. This project helps improve system reliability and public safety by identifying and replacing poles at risk of failure. BPU has already inspected over 11,000 poles on the eastern side of the County and will continue to work across the entire system.

- We also continue to focus on improving the reliability of the underground distribution facilities throughout our system by replacing infrastructure and adding redundancy to our underground circuits. These projects will improve the reliability of service for customers with underground service, particularly those in the downtown, Rosedale, and Legends areas. Adding redundancy and additional switching points to our underground system will also improve the speed at which service can be restored to these customers in the event of an outage.
- Transformers are a necessary component for all of our electric customers and typically the most expensive piece of equipment installed as part of an electric service. As discussed, we are facing constantly increasing costs and lead times for all material but what is probably impacting Electric Operations the most is transformers. Over the past two years we have seen prices increase from all manufacturers increase anywhere from two to four times their previous amount. We have also seen lead times on units increase from between two to four months to now being over two years for most units. Because of these lead time increases we are now having to invest a much larger amount in transformers to ensure we have sufficient inventory to provide service to our customers.
- Addressing the aging substation and transmission infrastructure in the central and eastern portions of the County has been an ongoing goal for Electric Operations. We will continue to work towards that in the upcoming five-year capital plan by upgrading substation equipment and modernizing our protection & control systems. We will also be completely rebuilding two of our oldest substations, Mill Street Substation and Speaker Substation. The Speaker Substation project will be the largest project and will be a complete rebuild of a substation located South of the I-70 and I-635 interchange. The existing substation has reached the end of life and has had some significant reliability issues over the past several years. Rebuilding that substation will be a major improvement to reliability for all of our customers in the area. As part of this project we will also be reconfiguring the transmission system in that area to not only further improve reliability, but to also enable us to retire two additional substations. By retiring or replacing a total of four of our oldest substations through these projects, we will be able to lower our ongoing maintenance costs, increase reliability, and improve safety.
- A project we have to help improve our transmission system is the construction of the Nearman to Quindaro 161kV transmission line. This project is for a new transmission line in the northern portion of the County that will provide an additional tie point between two of our largest substations. While this project is in the northern portion of the County it will actually benefit all of the customers in the eastern portion of our service area as well by providing additional reliability to all of the substations in that portion of our system. This project will also help us meet some of the system reliability requirements set forth by the

North American Electric Reliability Corporation (NERC). NERC establishes electrical reliability mandates that must be adhered to by all utilities.

- As I mentioned we have several capital projects to support new development all across our service area but the largest project would be the construction of new feeders down 118th Street to support the new Urban Outfitters distribution center, the upcoming American Royal complex, and other development occurring in the area. The Urban Outfitters distribution center and American Royal complex by themselves represent a capital investment of over \$650 million in Wyandotte County and the creation of approximately 2,000 new jobs.

Q: Is there anything else to which you wish to testify in this matter?

A: Electric Operations continues to try and reduce operational and capital costs as much as possible without impacting the quality of service we provide to our customers. The reliability of our electric service as measured by industry standard metrics has continually improved but we still need additional capital investment to maintain and further improve the reliability of our system.

Q: Does this conclude your prepared direct testimony in this matter?

A: Yes.