

Exhibit No.:
Issues: *Overview*
Revenue Requirement
Witness: *Cary G. Featherstone*
Sponsoring Party: *MoPSC Staff*
Type of Exhibit: *Direct Testimony*
Case No.: *HR-2011-0241*
Date Testimony Prepared: *August 8, 2011*

MISSOURI PUBLIC SERVICE COMMISSION

UTILITY SERVICES DIVISION

DIRECT TESTIMONY

OF

CARY G. FEATHERSTONE

VEOLIA ENERGY KANSAS CITY, INC.

CASE NO. HR-2011-0241

Jefferson City, Missouri
August 2011

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22

TABLE OF CONTENTS
CARY G. FEATHERSTONE
VEOLIA ENERGY KANSAS CITY, INC.
CASE NO. HR-2011-0241

CREDENTIALS 1

EXECUTIVE SUMMARY 5

OVERVIEW OF VEOLIA ENERGY KANSAS CITY, INC. FILING..... 6

STAFF FINDINGS AND RECOMMENDATIONS FOUND IN COST OF SERVICE

REPORT AND ACCOUNTING SCHEDULES 10

 Test Year and Known & Measurable Period 13

 Revenue Requirement Ratemaking Adjustments 16

 Revenue Requirement Calculation 21

ORGANIZATION OF STAFF'S COST OF SERVICE REPORT..... 22

BRIEF HISTORY OF VEOLIA ENERGY KANSAS CITY, INC. 23

VEOLIA MISSOURI OPERATIONS..... 32

OVERVIEW OF STAFF'S FILING, FINDINGS AND RECOMMENDATIONS 34

 Rate of Return 34

 Rate Base 34

 Income Statement 35

 Plant in Service and Accumulated Depreciation Records 37

VEOLIA ENERGY NORTH AMERICA’S CORPORATE COSTS 38

Q. Please state your name and business address.

A. Cary G. Featherstone, Fletcher Daniels State Office Building,
615 East 13th Street, Kansas City, Missouri.

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

A. I am a Regulatory Auditor V with the Missouri Public Service Commission
(Commission).

Q. Please describe your educational background.

A. I graduated from the University of Missouri at Kansas City in December 1978 with a Bachelor of Arts degree in Economics. My course work included study in the field of Accounting and Auditing.

Q. What job duties have you had with the Commission?

A. I have assisted, conducted, and supervised audits and examinations of the books and records of public utility companies operating within the state of Missouri. I have participated in examinations of electric, industrial steam, natural gas, water, sewer and telecommunication companies' operations. I have been involved in cases concerning proposed rate increases, earnings investigations, and complaint cases as well as cases relating to mergers and acquisitions and certification cases.

1 I started my employment with the Commission in March 1979 as a Transportation
2 Auditor in the Transportation Division. In November 1979 I transferred to the Utility's
3 Division as a Public Utility Accountant, and later reclassified to Regulatory Auditor. In 1983
4 I became the Office Manager of the Commission's Kansas City Office and had dual
5 responsibilities as one of four Audit Supervisors in the Commission's
6 Accounting Department—later renamed Auditing Department. In May 1991 my job
7 classification was renamed Auditor V which is my current job title. As one of two Auditor Vs
8 located in Kansas City, my responsibilities involve overseeing audits of rate cases primarily
9 on the western side of the state and providing managerial oversight in the daily operations of
10 the office. I have responsibilities to plan, direct and oversee the audit activities in cases in
11 which I am assigned.

12 Q. Have you previously testified before this Commission?

13 A. Yes. Schedule 1, attached to this testimony, is a list of rate cases in which I
14 have submitted testimony. In addition, I also identify in Schedule 1 other cases where I
15 directly supervised and assisted Commission Staff in audits of public utilities, but where I did
16 not testify.

17 Q. With reference to Case No. HR-2011-0241, have you examined and studied the
18 books and records of Veolia Energy Kansas City, Inc. (Veolia Kansas City or Company)
19 regarding its steam operations?

20 A. Yes, with the assistance of other members of the Commission Staff (Staff).

21 Q. What knowledge, skill, experience, training and education do you have with
22 regard to Veolia Kansas City's general rate increase tariff filing that is the subject of
23 Case No. HR-2011-0241?

1 A. I have acquired knowledge of the ratemaking and regulatory process through
2 my employment with the Commission. I have participated in numerous rate cases, complaint
3 cases, merger and acquisition cases and certificate cases, and filed testimony on a variety of
4 topics. I have also acquired knowledge of these topics through review of Staff work papers
5 from prior rate cases brought before this Commission relating to Veolia Kansas City
6 (the former Trigen Kansas City Energy Company (Trigen)) and its district heating and
7 industrial (processed) steam operations. Specifically, as it relates to topics surrounding this
8 case, I have previously examined generation and generation-related topics; conducted and
9 participated in several construction audits involving plant and construction records,
10 specifically the costs of construction projects relating to power plants. I have also been
11 involved in the fuel and fuel-related areas for power plant production of electricity and steam,
12 purchased power and off-system sales of electricity on numerous occasions. I have reviewed
13 all cost components of utility rate structures including corporate costs allocated to various
14 subsidiaries.

15 I have also been involved in many rate cases including the last several rate cases filed
16 by KCP&L Greater Missouri Operations Company and Aquila, Inc. (under that name and its
17 former name, UtiliCorp United, Inc. (UtiliCorp)), regarding its steam operation of the
18 former St. Joseph Light & Power Company. I have been involved in previous
19 St. Joseph Light & Power Company rate cases when that company owned and operated the
20 steam operations.

21 Further, I have been involved in many Kansas City Power & Light Company (KCPL)
22 electric and steam rate cases, specifically in the early 1980's when it operated the steam
23 system in downtown Kansas City prior to purchase by Trigen Kansas City. I was involved in

1 the Wolf Creek rate case, Case No. EO-85-185, where the Commission ordered a docket
2 opened to investigate the steam operations of KCPL. The Commission designated that docket
3 as Case No. HO-86-139. I oversaw, coordinated, and directed the Commission Staff's
4 investigation into KCPL's proposal to abandon the central district heating system (downtown
5 Kansas City's steam operations). I was one of the principal witnesses and the primary policy
6 witness presenting Staff's findings and recommendations regarding KCPL's management of
7 the steam operations and the future viability of those operations, the then-current rate
8 structure and the need for rate relief for the steam operations and the proposed abandonment
9 of the steam operations by KCPL.

10 Specifically as it relates to this rate case, I have reviewed the testimony, work papers
11 and responses to data requests from Veolia Kansas City that support its general steam tariff
12 filing. I conducted and participated in interviews of Company personnel and consultants
13 relating to this rate case and performed extensive discovery concerning aspects of the
14 construction and operation of Veolia Kansas City's district heating system in Kansas City.
15 Over the years that Veolia Kansas City and its predecessor company,
16 Trigen Energy Kansas City, have operated this steam system, I have been involved in many
17 discussions with the Company regarding Veolia Kansas City's rate case activity, earnings
18 reviews, expansion of its service territory, and merger and sale transactions.

19 Over the years, I have been involved in numerous discussions and review of the
20 Company's attempt to restate and modify its books and records to comply with the
21 Federal Energy Regulatory Commission's (FERC) Uniform System of Accounts (USOA).

1 I have been involved in several Veolia Kansas City (former Trigen) applications filed
2 with the Commission since Veolia Kansas City (former Trigen) has provided steam service in
3 downtown Kansas City, Missouri.

4 Based on my experience dating back to when KCPL owned and operated the steam
5 system to the present Veolia Kansas City operations, my background allows me to have a
6 perspective into many problems that have played a major role in the difficulties experienced
7 by this utility service in downtown Kansas City.

8 **EXECUTIVE SUMMARY**

9 Q. Please summarize your testimony.

10 A. I, along with Staff expert Thomas M. Imhoff of the Commission's
11 Utility Operations Division, support the Staff's recommendation to the Commission of the
12 overall revenue requirement calculation. We are sponsoring Staff's Cost of Service Report
13 being filed along with this testimony and the testimony of Mr. Imhoff. Staff's Cost of Service
14 Report supports Staff's findings and recommendation of the amount of the rate revenue
15 increase for Veolia Kansas City based on information through the test period ending
16 December 31, 2010, updated for known and measurable changes through March 31, 2011,
17 with further updating of information through June 30, 2011, using actual historical
18 information. The revenue requirement calculation results are found in separately filed
19 Accounting Schedules, with the calculations prepared by members of the Commission Staff.

20 I present an overview of the results of Staff's review into the general rate increase
21 request made by Veolia Kansas City on April 22, 2011. Several members of the
22 Commission's Staff participated in the examination of Veolia Kansas City's books and
23 records. Staff examined all relevant and material components making up the revenue

1 requirement calculation. These items can be broadly defined as: (1) capital structure and
2 return on investment; (2) rate base investment; and (3) income statement results including
3 revenues, operating and maintenance expenses, depreciation expense, and related taxes,
4 including income taxes. I provide an overview of Staff's work on each of these broadly
5 defined rate components.

6 Q. What is Staff's recommendation regarding Veolia Kansas City's requested
7 rate increase?

8 A. Staff recommends that Veolia Kansas City be permitted to increase its steam
9 rates by a range of \$1.015 million to \$1.097 million with a mid-point of the range being
10 \$1.056 million based on the mid-point range of Staff's rate of return recommendation using
11 latest information available through June 30, 2011, for the material items affecting the
12 revenue requirement calculation. Veolia Kansas City has limited its revenue requirement
13 increase request to the \$1,379,000, or 19% overall increase.

14 Q. Did Veolia Kansas City determine a greater revenue requirement than the
15 amount the Company requested in its April 22, 2011 filing?

16 A. Yes. Veolia Kansas City calculated a revenue requirement of \$3.7 million
17 based on use of a 2010 test year, updated through March 31, 2011.

18 **OVERVIEW OF VEOLIA ENERGY KANSAS CITY, INC. FILING**

19 Q. What is the purpose of your direct testimony?

20 A. Along with Staff expert Thomas M. Imhoff of the Commission's
21 Utility Operations Division, I present an overview of the results of Staff's review of
22 Veolia Kansas City's revenue requirement recommendation to the Commission. I provide an
23 overview of the Staff's work on each component of the revenue requirement calculation Staff

1 used in determining appropriate rates for Veolia Kansas City in this case. In his direct
2 testimony, Mr. Imhoff provides an overview of the work performed on this case by the
3 members of the Utility Operations Division. I provide an overview of the work performed by
4 members of the Utility Services Division. Several members of the Commission Staff had
5 specific assignments relating to different components of the revenue requirement calculation,
6 and are individually responsible for those calculations used to develop the overall rate
7 recommendation contained in the Accounting Schedules being filed as part of Staff's direct
8 case. The Staff identifies the results of the different components of the revenue requirement
9 calculation for Veolia Kansas City in the Accounting Schedules being filed along with Staff's
10 Cost of Service Report, my direct testimony and that of Mr. Imhoff. Staff refers to the
11 revenue requirement model as the "Exhibit Modeling System" or "EMS" runs. One should
12 review these documents in total in support of Staff's recommendations in this case. The
13 Auditing Department of the Utility Services Division prepared sections of Staff's Report at
14 my direction and under my supervision. In addition, other Staff experts in Utility Services
15 and Utility Operations provided inputs to the report that were used in calculating Staff's
16 revenue requirement under my supervision and direction. Staff's expert David Williams, of
17 the Commission's Engineering and Management Services Department, reviewed the
18 Company's depreciation rates and provides the Staff's recommendations regarding that area.
19 Staff's expert Zephania Marevangeo, of the Financial Analysis Department, examined the
20 Company's capital structure and cost of capital and provided the Staff's proposed rate of return
21 used to calculate the revenue requirement in this case.

22 Members of the Commission's Utility Operations Division were also assigned to the
23 area of fuel costs and revenues. Staff expert Daniel I. Beck, along with Bret G. Prenger,

1 examined the Company's fuel costs. Staff expert Kim Cox, along with Karen Lyons,
2 reviewed the revenues in this case and relied on the work of Staff expert Seoung Joun Won.
3 Mr. Won provided the weather normal cooling and heating degree days to Ms. Cox who used
4 this information to develop the weather normalization adjustment. Mr. Won provided the
5 weather information based on his evaluation of the effect that weather has on revenues and
6 steam usage. Mr. Imhoff provides an overview explanation and support for the work product
7 of the Utility Operations' input to Staff's overall revenue requirement calculation.

8 Q. Why did Staff audit Veolia Kansas City in this case?

9 A. On April 22, 2011, Veolia Kansas City filed a general rate increase case for
10 its district heating steam system operations. The Commission assigned the filing
11 Case No. HR-2011-0241. Veolia Kansas City filed tariffs designed to implement an increase
12 in its steam retail rates, exclusive of gross receipts, sales, franchise or occupational fees or
13 taxes, corresponding to a revenue increase of \$1.379 million. This represents an overall
14 19% increase to existing Veolia Kansas City steam rates.

15 Q. What type of operation is Veolia Kansas City?

16 A. Veolia Kansas City produces and distributes steam from a central plant for use
17 in heating, hot water, laundry, cooking, and in the production of chilled water. Veolia Kansas
18 City is a Delaware corporation. Veolia Kansas City, as Trigen Kansas City, began providing
19 steam services to downtown Kansas City in March 1990 after its predecessor company,
20 Trigen Energy Corporation, acquired the system from KCPL. The sale transaction between
21 KCPL and Trigen was approved by the Commission in Case No. HM-90-4, along with
22 approval by the Commission for Trigen to acquire the assets and receive a certificate of public

1 convenience and necessity (CCN) in Case No. HA-90-5. The Commission approved the sale
2 and CCN by orders on December 29, 1989.

3 Q. How did Staff conduct its audit of Veolia Kansas City?

4 A. Staff interviewed Veolia Kansas City personnel and its outside consultants.
5 Staff reviewed Veolia's responses to data requests issued in this and other cases. Staff
6 reviewed the minutes of meetings of Thermal Source North America and its affiliated
7 companies' [the Veolia Companies] Boards of Directors. Staff relied on the books and
8 records of the Company including: the general ledger, plant ledgers and various other
9 documents, including the FERC Form 1s for the last several years. Staff toured plant
10 facilities, including the Grand Avenue production plant facility and, in the past, the new
11 pipelines supplying steam service to Veolia Kansas City's newest customer,
12 Truman Medical Center, which commenced taking steam service on June 16, 2008, and one
13 of its largest customers, Cargill.

14 Q. Are any other Staff experts assigned to this case?

15 A. Although I have mentioned several other Staff experts already, a more
16 complete listing of those are assigned to this case is as follows:

17 **Financial Analysis Department--**

18 Zephania Marevange -- Rate of Return and Capital Structure.

19 **Engineering and Management Services Department--**

20 David Williams -- Depreciation Rates and Depreciation Over-accrual.

21 **Auditing Department--**

22 Cary G. Featherstone -- Overall Revenue Requirement Results.

Sean Furey -- Plant in Service, Accumulated Depreciation Reserve, Depreciation Expense, Material and Supplies, Prepayments, Rate Case and Outside Services Expenses.

Patricia Gaskins -- Payroll, Payroll Related Benefits, Payroll Taxes and Operation and Maintenance Expense - Non-wage.

Karen Lyons -- Revenues, Allocation of Corporate Costs and Income Taxes.

Bret G. Prenger -- Fuel Expense and Fuel Inventories.

Additionally, Commission Staff experts from the Utility Operations Division were assigned to the development of the revenue requirement as follows:

Energy Department

Daniel I. Beck-- Fuel Costs.

Kim Cox -- Revenues.

Seoung Joun Won -- Weather Normalization.

The Staff used each of these experts' work products as a direct input to the various adjustments contained in Staff's revenue requirement recommendation.

STAFF FINDINGS AND RECOMMENDATIONS FOUND IN COST OF SERVICE REPORT AND ACCOUNTING SCHEDULES

Q. What reliance did the Staff place on the work of the Commission Staff experts assigned to the Veolia Kansas City rate case?

A. All of the Staff members assigned to this case are, by education and experience, experts at performing their regulatory responsibilities as members of the Commission Staff. These regulatory experts rely on the work of each other to develop Staff's revenue requirement recommendations regarding the filings by public utilities made before the Commission. The work of each Staff member is an integral part of the Staff's Cost of Service Report and Accounting Schedules, which contain the results of their collective efforts

1 in Staff's findings and recommendations. Mr. Imhoff and I relied on these findings and
2 recommendations to develop the ultimate recommendations in this direct filing. Many of the
3 individual sections presented include references indicating reliance on the work of other
4 contributing experts.

5 As sponsoring witnesses, Mr. Imhoff and I relied on the work product of every Staff
6 expert assigned to this case. The Report identifies each Staff expert within the section they
7 drafted and provides the results of their review and analysis as inputs to the revenue
8 requirement calculation. Attached to the Report are the affidavits of each Staff expert, along
9 with a listing of their credentials and qualifications. Each Staff expert assigned to the
10 Veolia Kansas City rate case will provide work papers supporting the findings and
11 recommendations to the Company, and to any party to the case requesting such be provided.
12 Finally, each Staff expert assigned to this rate case will be available to answer Commissioner
13 questions and for cross-examination by any party who wishes to inquire on the development
14 and presentation of Staff's findings and recommendations in the Cost of Service Report and
15 Accounting Schedules.

16 Q. What was your overall responsibility in this case?

17 A. I was one of two project coordinators assigned to identify the work scope for
18 the case, make Staff assignments, and supervise and oversee all work product development. I
19 specifically supervised all areas of the audit work assigned to the Auditing Department. I
20 worked closely with other Staff experts assigned to this rate case. I worked with the
21 depreciation and rate of return experts as well as the Utility Operations experts assigned to
22 revenues and fuel costs.

1 I have the overall responsibility to ensure that Staff timely completes the revenue
2 requirement calculation using the Staff's computer model. This involves all aspects of the
3 elements making up the revenue requirement recommendation. To this end, I, along with
4 those under my direct supervision, either developed directly, or was provided with, the
5 information used to support the revenue requirement calculation for Veolia Kansas City.

6 Q. What information did other Staff experts provide to the Auditing Department
7 experts to develop the revenue requirement recommendation?

8 A. Staff expert Zephania Marevangepo provided recommendations from his
9 capital structure and rate of return analyses as inputs to the revenue requirement calculation
10 and appear as part of Accounting Schedule 12. His findings are also in the Cost of Service
11 Report, along with his schedules.

12 Staff expert David Williams provided the results of his depreciation analysis which are
13 also reflected in the Cost of Service Report along with a schedule.

14 Staff expert Kim Cox worked closely with Staff expert Karen Lyons who together are
15 sponsoring the revenue adjustment results.

16 Staff experts Daniel I. Beck and Bret G. Prenger worked together in developing the
17 fuel costs in this case.

18 I over saw the work product directly in this case in the development of fuel related
19 results such as fuel inventories, purchased electricity power and consumables.

20 Q. Did Staff develop its revenue requirement recommendation for
21 Veolia Kansas City in this rate case consistently with how Staff has developed
22 revenue requirements for other utilities' rate increase requests?

1 A. Yes. Based on my experience as a regulatory auditor and my many years of
2 experience as a project coordinator in numerous rate cases, the effect of the inputs provided
3 by the various Staff experts assigned to the Veolia Kansas City rate case on the overall
4 revenue requirement presented in the Accounting Schedules, and the results discussed in the
5 Staff Cost of Service Report, represent reasonable results.

6 Q. Is this the entire filing being made by Staff for this case?

7 A. No. Staff will file its rate design recommendation on August 26, 2011.

8 **Test Year and Known & Measurable Period**

9 Q. What is a test year?

10 A. A test year is an historical year used as the starting point for determining the
11 basis for adjustments that are necessary to reflect annual revenues and operating costs in
12 calculating any shortfall or excess of earnings by a rate-regulated utility. It is important to
13 identify the utility's ongoing costs to provide utility service in the future, and what its rates
14 need to be set at to collect sufficient revenues to pay for those ongoing costs, plus an
15 opportunity to a reasonable profit. In determining ongoing revenues and costs to develop the
16 utility's revenue requirement, the first step is to identify the test cost levels, which serve as the
17 starting point for making all adjustments in the case.

18 Q. What is the test year in this case?

19 A. The ordered test year for this case is the year ended December 31, 2010. The
20 test year selected for this case was chosen by the Company, agreed to by Staff and approved
21 by the Commission in its May 19, 2011 *Order Setting Test Year*. Staff made annualization
22 and normalization adjustments to the test year results when the unadjusted results did not
23 fairly represent the utility's most current annual level of existing revenue and operating costs.

1 Selecting a “known and measurable date” or “known and measurable period” is
2 important to synchronize and capture all revenues and expenses. A proper determination of
3 revenue requirement is dependent upon considering all material components of the rate base,
4 return on investment, current level of revenues along with operating costs at the same point in
5 time. This rate making principle is commonly referred to as the “matching” principle in the
6 utility regulatory process.

7 The known and measurable date established for this case, HR-2011-0241, is
8 March 31, 2011, based on an Order from the Commission dated May 19, 2011. The Staff’s
9 direct case filing represents a determination of Veolia Kansas City’s revenue requirement
10 based upon known and measurable results as of March 31, 2011. Staff further updated the
11 revenue requirement calculation to reflect a July 1, 2011 payroll increase. As such, certain
12 cost components were included through June 30, 2011. Staff also examined revenues through
13 June 30, 2011, and determined there were no changes that needed to be made from the March
14 31, 2011 levels. The known and measurable period was chosen to enable the parties and Staff
15 an update period that provides sufficient time to obtain actual information from
16 Veolia Kansas City upon which to perform analyses and make calculations regarding various
17 components to the revenue requirement and still base the recommendation used for proposing
18 new prospective rates on very recent information. This date represents the latest time frame
19 to reflect known changes that can be measured or quantified and still be included in this filing.

20 Q. What is the purpose of the test year?

21 A. The purpose of a test year, and more importantly the update period, is to
22 develop a relationship between the various components of the ratemaking process and
23 keeping those relationships in synchronization. In order to determine the appropriate level of

1 utility rates, Staff examines the major elements of the utility's operations. These include rate
2 base items such as plant in service and accumulated depreciation and deferred income tax
3 reserves, fuel stocks, material & supplies and other investment items. Also essential in this
4 process is a review of the revenues and expenses, making adjustments through the
5 annualization and normalization process. These items include: payroll, payroll related
6 benefits, payroll taxes, fuel and purchased power costs including the updating of current fuel
7 prices, operation and maintenance costs for non-payroll related costs such as material and
8 equipment repair costs, small tool costs, and outside vendor costs for equipment repairs.
9 Depreciation expense and taxes, including federal and state income taxes, and property taxes,
10 are all considered in the setting of rates.

11 It is important to maintain a representative relationship between rate base, revenues
12 and expenses at a point in time near when new rates become effective in order for a public
13 utility to have an opportunity to earn a fair and reasonable return. An attempt is made in the
14 regulatory process to set rates to properly reflect the levels of investment and expenses
15 necessary to serve the customer base which provides revenues to the utility. The Commission
16 concisely expressed the purpose of using a test year in its Order in KCPL's 1983 general rate
17 case, Case No. ER-83-49:

18 The purpose of using a test year is to create or construct a
19 reasonable expected level of earnings, expenses and
20 investments during the future period in which the rates, to be
21 determined herein, will be in effect. All of the aspects of the
22 test year operations may be adjusted upward or downward to
23 exclude unusual or unreasonable items, or include unusual
24 items, by amortization or otherwise, in order to arrive at a
25 proper allowable level of all of the elements of the Company's
26 operations. The Commission has generally attempted to
27 establish those levels at a time as close as possible to the period
28 when the rates in question will be in effect.

1 In Case No. ER-83-49, regarding the need for a true-up, the Commission stated that it
2 would not "consider a true-up of isolated adjustments, but will examine only a package of
3 adjustments designed to maintain the proper revenue-expense-rate base match at a proper
4 point in time." [26 Mo P.S.C. (N.S.) 104, 110 (1983)] This concept of developing a revenue
5 requirement calculation based on consideration of all relevant factors has been a
6 long-standing approach to ratemaking in this state, and is the approach Staff followed in this
7 case.

8 **Revenue Requirement Ratemaking Adjustments**

9 Q. What adjustments did Staff make to the test year in this case?

10 A. The ratemaking process includes making adjustments to reflect normal,
11 on-going operations of a utility. This process generally uses four approaches to reflect
12 changes determined to be reasonable and appropriate. These are commonly referred to as
13 annualization adjustments, normalization adjustments, disallowances, and *pro forma*
14 adjustments.

15 Q. What is an annualization adjustment?

16 A. An annualization adjustment is made when costs or revenues change during the
17 update or true-up period that will remain ongoing but at a level different than what existed
18 during the test period. Certain events occur at the utility that impact revenues and costs.
19 Typical examples are payroll increases granted to employees or employees starting
20 employment mid-year, which would require an annualization adjustment to reflect a full
21 annual period of payroll costs. Without such an adjustment payroll would be understated
22 since that increased payroll would continue in the future. Reflecting new customers that start
23 taking service at the end of the test year or update period would also require an annualization

1 to properly reflect a full 12-month of revenues. If a customer takes service the last month of
2 the update period, no revenues from that customer will be included in the test year.
3 Consequently, if that customer's only month of revenues is not reflected in the revenue
4 requirement calculation for a full twelve-month period, then revenues will be substantially
5 understated, to the benefit of the utility.

6 Q. What is a normalization adjustment?

7 A. A normalization adjustment is made to reflect normal, on-going operations of
8 the utility. Revenues or costs that were incurred in the test year that are determined to be
9 atypical or abnormal will get specific rate treatment. These abnormal events will generally
10 require some type of adjustment to reflect normal or typical operations. The ratemaking
11 process removes the costs or revenues of abnormal or unusual events from the cost of service
12 calculations and replaces them with normal levels of revenues or costs. An example of an
13 abnormal event is the impact that unusually hot or cold weather has on revenues for those
14 customers that are weather sensitive. Extreme temperatures can have significant impacts on
15 revenues resulting in a distortion to test-year revenue requirement results. Since utility rates
16 are set using normalized inputs, adjustments to test-year input levels must be made when it is
17 determined that unusual or abnormal events cause unusually high or low results. In the case
18 of weather impacts on utility results, Staff examines detailed information to determine if
19 revenues and related fuel costs must be adjusted for the effects that warmer or colder than
20 normal temperatures have on the utility operations. Staff compares weather results in the test
21 year to normal annual daily temperatures based on actual temperature measurements taken
22 over a substantial period of time, many times a 30-year time horizon. If necessary, Staff
23 makes an adjustment to weather sensitive revenues in the test year to reflect normal weather

1 conditions for steam sales and resulting revenues. The resulting weather-normalized sales
2 volumes are also used as basis for the fuel and purchased power costs, so that abnormal
3 weather impacts are isolated and removed from those costs.

4 Another example of the application of the normalization process is the examination of
5 maintenance and operation costs relating to production equipment, such as coal-fired
6 generating plants. Staff examines the costs to determine if unusual events, like major
7 maintenance on boilers, have occurred during the test year. It is common in the ratemaking
8 process to reflect normalization adjustments. If the Staff does not make these types of
9 adjustments, the utility's revenues and costs, which both directly impact earnings, would be
10 either over or understated. For example, warmer than normal weather in the winter will
11 negatively impact revenues for utilities such as steam and natural gas operations. Staff
12 proposes adjustments to normalize the costs and revenues of events that are expected to vary
13 from the "average" year.

14 In the current case, Staff, based on an examination of actual historical events, has
15 made both a weather adjustment for revenues and normalized non-payroll operation, and
16 maintenance expenses.

17 Q. What is a disallowance adjustment?

18 A. This type of adjustment removes cost elements from the cost of service for
19 test-year results because the items are either non-recurring, not necessary to the provision of
20 utility service, or the Staff determines the expenditures to be imprudently incurred. A
21 disallowance adjustment results when the Staff considers the cost recovery in rates
22 inappropriate. Staff makes disallowances to eliminate costs from test year results - and thus
23 the recommended revenue requirement - either entirely or partially. One example is the

1 removal from test results of certain advertising costs. While some advertising costs should be
2 included in rates, others should be eliminated because they are not necessary to the provision
3 of utility service.

4 An example of a disallowance made in the Veolia Kansas City rate case is the Staff's
5 disallowance of Bryan Cave LLP rate case expenses due to the Company's refusal to supply
6 supporting documentation for the attorney costs incurred to process this rate case.

7 Q. What is a *pro forma* adjustment?

8 A. The Staff makes this type of adjustment to reflect increases and decreases to
9 revenue requirement because of a rate increase or decrease. *Pro forma* adjustments are made
10 because of the need to reflect the impact of items and events occurring subsequent to the test
11 year. These items or events significantly impact revenue, expense, and the rate base
12 relationship, and should be recognized to address the forward-looking objective of the test
13 year updates. Caution must be taken when recognizing *pro forma* adjustments to ensure that
14 Staff examines all items and events subsequent to the test year to avoid not recognizing
15 offsetting adjustments. In addition, some post-test year items and events may not have
16 occurred yet - be known - and/or may not have been sufficiently measured - be measurable.
17 As a result, quantification of some *pro forma* adjustments may be more difficult than the
18 quantification of other adjustments. A true-up audit that considers a full range of items and
19 events that occur subsequent to the test year and update period attempts to address the
20 maintenance of a proper relationship between revenues, expenses and investment, as well as
21 address the difficulty in quantification associated with making *pro forma* adjustments.

22 The most common example of a *pro forma* adjustment is the grossing up of net
23 income deficiency for income tax purposes. This involves calculating the revenue

requirement before income taxes. If rates need to be adjusted to increase utility revenues, then those revenues need to be factored up for income taxes. This is necessary because every additional revenue dollar collected in rates requires the payment of additional income taxes.

As an illustration, if the utility needs to increase rates by \$1 million, then it must increase rates by a significantly greater amount to receive the full \$1 million increase because of the associated income taxes that it must pay to the taxing authorities. For example, the revenue requirement model (Accounting Schedule 1) used by Staff to determine the cost of service calculates the revenue requirement as follows using illustrative dollar amounts only:

Net Income Required	\$1,000,000
Net Income Available	<u>600,000</u>
Additional Net Income Required	\$400,000
Income Tax Gross Up Factor (using a 38.39% effective tax rate)	x 1.6231
Recommended Revenue Requirement Increase	\$649,240

For the utility to recover the full \$400,000 of additional revenues on an after-tax basis as required based on the cost of service results found in Staff's analysis, rates would have to increase an additional amount of \$249,240 for payment of income taxes. This results in a total revenue requirement of \$649,240 being necessary so that the company would be left with the \$400,000 needed to earn an appropriate return and recover allowed costs.

Another way of considering the affects of income taxes in the ratemaking process is:

Additional Revenue Collected in Rates from Rate Increase	\$649,240
Less: Income Tax Based on 38.39% Effective Tax Rate	(249,240)
Additional Net Income from Rate Increase	\$400,000

One can find a very similar *pro forma* calculation for the effect of income taxes relating to the Staff's recommendation in the Veolia Kansas City rate case on Schedule 1 accompanying Staff's revenue requirement calculation.

Revenue Requirement Calculation

Q. What does "revenue requirement" mean as it is used in the context of determining rates for public utilities?

A. Generally, the term "revenue requirement" is used to identify results of an examination of the utility's cost of service - the incremental differences that result from review of the utility's rate of return and capital structure on the investment together with the revenues and costs to provide a particular utility service. This difference between the revenue requirement from a cost of service calculation and revenues based on existing rates identifies any revenue shortfall (need to increase rates) or excess (need to decrease rates).

Q. Did Staff examine Veolia Kansas City's cost of service in this proceeding?

A. Yes. Staff reviewed all the material and relevant components making up the Company's revenue requirement, which are: rate of return and capital structure, rate base investment, and revenues and expenses, maintaining the relationship between each of these components through the update period through June 30, 2011.

Q. How do each of these elements relate to one another?

A. The ratemaking process for regulated utilities is a process whereby the Commission makes rate decisions regarding how utilities charge customers for utility services using a prescribed formula. The revenue requirement calculation can be identified by a formula as follows:

Revenue Requirement = Cost of Providing Utility Service

or

$RR = O + (V - D) R$ where,

RR = Revenue Requirement

**O = Operating Costs (such as fuel, payroll, maintenance, etc.,
Depreciation and Taxes)**

**V = Gross Valuation of Property Required for Providing Service
(including plant and additions or subtractions of other rate
base items)**

**D = Accumulated Depreciation Representing the Capital
Recovery of Gross Plant Investment**

**$V - D$ = Rate Base (Gross Plant Investment less Accumulated
Depreciation = Net Plant Investment)**

R = Rate of Return Percentage

$(V - D) R$ = Return Allowed on Rate Base (Net Property Investment)

This formula provides the traditional rate of return calculation this Commission uses to set just and reasonable rates. The result provides a total revenue requirement amount. That amount represents the incremental change in revenues over existing rates for the test year necessary to allow the utility the opportunity to earn the return the Commission authorizes. That return is collected on the appropriate level of rate base investment. The revenue requirement calculation also allows for the recovery of the proper level of utility costs, including income taxes.

ORGANIZATION OF STAFF'S COST OF SERVICE REPORT

Q. How is the Cost of Service Report organized?

A. The Cost of Service Report is organized by each major revenue requirement category:

- I. Executive Summary
- II. Background of Veolia Energy Kansas City, Inc.
- III. Rate of Return and Capital Structure
- IV. Rate Base
- V. Depreciation
- VI. Income Statement
- VII. Income Taxes

These categories have several subsections which identify in detail the specific elements of the revenue requirement being supported by Staff regarding Veolia Kansas City's general rate increase request.

BRIEF HISTORY OF VEOLIA ENERGY KANSAS CITY, INC.

Q. Please provide a brief history of Veolia Kansas City Corporation's utility operations in Missouri.

A. What is now Veolia Kansas City's steam operations began as a district heating service in the early part of the twentieth century and has provided customers steam services for over 100 years of continuous service. The original steam system started operations in downtown Kansas City in 1905.

KCPL owned and operated the steam system until it sold those operations in March 1990 to Trigen Energy Corporation, whose headquarters were located in White Plains, New York. The Commission approved this sale transaction in Case Nos. HM-90-4 and HA-90-5.

In 2000, Trigen Energy Corporation was acquired by ELYO, an energy subsidiary of Suez Lyonnaise des Eaux Group (Suez).

1 In June 2005, Thermal North America Inc. (Thermal North America) acquired
2 Trigen Kansas City, along with the other U.S. Trigen Companies, from Suez in a transaction
3 that was approved by the Commission in Case No. HM-2004-0618. The Trigen Companies
4 were wholly owned subsidiaries of Thermal North America. Thermal North America
5 operated several district heating and steam operations, chilled water services, and provided
6 electricity located in different cities throughout the United States.

7 Thermal North America also had a wholly owned subsidiary, a service corporation
8 named ThermalSource LLC (ThermalSource), which was located in Boston, Massachusetts.
9 ThermalSource provided accounting, financial, human resources, legal, communications, and
10 information services to the Trigen Companies, including the former Trigen Kansas City.

11 In December 2007, Thermal North America was acquired by Veolia
12 Environnement. S.A., (Veolia Environnement) one of the world's largest energy and water
13 companies with corporate headquarters based in France. Veolia Environnement's
14 wholly-owned subsidiary in the United States, Veolia Energy North America Holdings, Inc.,
15 owns and operates Thermal North America. The Commission did not believe it had the
16 authority to review this sale transaction and therefore, did not specifically approve this
17 transfer of ownership.

18 All the district heating and chilled water services are provided through various
19 operating companies of Thermal North America including Veolia Kansas City and
20 Veolia Missouri.

21 Q. Does Thermal North America operate any other subsidiary?

22 A. Yes. Thermal North America owns and operates Veolia Energy
23 North America, LLC (Veolia Energy). Veolia Energy provides management services

1 including accounting, financial, human resources, legal, communications, and information
2 services to the various Veolia Companies, including Veolia Kansas City. Veolia Energy
3 serves the same function to the Veolia operating companies as ThermalSource, the
4 predecessor company, did.

5 Q. What is Veolia Environnement?

6 A. According to the Veolia Environnement's internet site (referenced in Data
7 Request 11) the following description of the corporate company is:

8 Veolia Environnement is the world leader in environmental
9 services. With operations on every continent and more than
10 317,034 employees, we provide customized solutions to meet
11 the needs of municipal and industrial customers in four
12 complementary segments: water, environmental services,
13 energy services and passenger transportation. Veolia
14 Environnement recorded revenue of 34.8 billion euros in 2010.

15 We have been creating global and integrated solutions for
16 public and private sector clients the world over for more than
17 155 years.

18 The 34.8 billion euros equals \$49.6 billion US at the exchange rate of \$1.4304 on
19 July 28, 2011.

20 Veolia Energy's web site states "Veolia Energy is a leading operator and developer of
21 energy efficient solutions. As the world's first energy services company, Veolia Energy
22 employs 53,000 personnel in 42 countries who are fully focused on energy efficiency and
23 environmental sustainability."

24 Veolia Energy's web site identifies that Veolia Energy North America provides the
25 following services in its four divisions:

26 In North America, Veolia Environnement's four complementary
27 divisions have established a significant presence, with
28 approximately \$4.5 billion in Revenue and 30,000 employees.

Should your requirements extend beyond energy and facility management, Veolia Energy North America can join forces with other North American divisions to devise a comprehensive, custom solution for you.

This solution may incorporate one or more of the following - water, environmental services, and transportation services.



Owens the largest portfolio of District Energy systems in the U.S.A.



No.1 in municipal partnerships & industrial outsourcing.



Top 1-4 in various categories of waste management.



No.1 in U.S. surface passenger transportation.

In the 2005 Annual Report to shareholders, Veolia Energy stated it was:

The only global company to offer the entire range of environmental services in water, waste management, energy and transportation sectors. We have been creating global and integrated solutions for public and private sector clients the world over for more than 150 years. The quality of our research, the expertise and synergies developed between our teams, our mastery of the public-private partnership model and our commitment to sustainable development have made us a benchmark player in major environmental matters. With 271,153 employees around the world, Veolia Environment recorded revenue of 25.2 billion [euros] in 2005.

[source: cover page of 2005 Annual Report, Data Request 11.1 in Case No. HR-2008-0300]

1 Q. What is the current organizational structure of Veolia Environnement - the
2 corporate parent?

3 A. The following corporate structure identifies the relationship of each of the
4 main Veolia companies:

5 **Veolia Environnement S.A.**

**Veolia Environnement North
America
Operations, Inc.**

**Veolia Energy North
America Holdings, Inc.**

6 **Thermal North America,
Inc.**

7 **Veolia Energy North America, LLC**

8 **Veolia Energy Kansas City, Inc.**

Veolia Energy Missouri, Inc.

9 This information was taken from a more complex organizational chart provided by the
10 Company.

11 A more detailed corporate organizational chart is contained in Schedule 2?.

12 Q. Does Thermal North America only provide steam services to downtown
13 Kansas City?

14 A. No. Thermal North America's Veolia Missouri affiliate provides chilled water
15 services used for air conditioning load to a small number of customers on a non-regulated
16 basis in the service territory of Veolia Kansas City. Veolia Kansas City provides steam
17 service to Veolia Missouri at existing tariff rates.

18 Q. What are the other Veolia Companies current operations?

1 A. The Veolia Companies provide steam, chilled water and electricity on a
2 regulated and non-regulated basis to several cities in the United States.

3 Besides steam and chilled water services in Kansas City, the Veolia Companies
4 provide steam and chilled water services to the following cities:

<u>Veolia Company Name</u>	<u>Business Description</u>
Veolia Energy Atlantic Station	Chilled Water Services
Veolia Energy Baltimore	District Heating & Cooling
Veolia Energy Boston	District Heating & Cooling
Veolia Energy Efficiency	Steam Services
Veolia Energy Glendale	District Heating & Cooling
Veolia Energy Grand Rapids	District Heating
Grays Ferry Cogeneration	Steam & Energy Services
Trigen - Inner Harbor East	District Heating & Cooling
Veolia Energy Los Angeles	District Heating & Cooling
Veolia Energy Las Vegas	District Heating & Cooling
Veolia Energy Maryland Steam	Steam Services
Veolia Energy Oklahoma	District Heating & Cooling
Veolia Energy Oklahoma City	District Heating & Cooling
Veolia Energy Philadelphia	Steam Services
Veolia Energy Portland	District Cooling
Veolia Energy Renewables	Energy Services
Trigen - St. Louis Energy	Steam & Energy Services
Veolia Energy Trenton	District Heating & Cooling
Veolia Energy Tulsa	District Heating & Cooling

25 [source: Data Request 79]

26 Q. In general terms, what areas does Veolia Kansas City serve?

27 A. Veolia Kansas City generally serves steam customers in and around downtown
28 Kansas City, Missouri, specifically defined as the downtown loop. The downtown loop is
29 bounded by the Missouri River to the north and Interstate 70 to the south. In Case No.
30 HA-2006-0294, the Commission authorized Veolia Kansas City to make an expansion south
31 of the downtown loop to serve Truman Medical Center, which began taking steam service
32 June 2008.

1 In addition, Veolia Kansas City provides steam service to two industrial customers
2 under long-term contracts. National Starch & Chemical Company (National Starch) started
3 taking steam service from KCPL in the mid-1980s. Originally, KCPL had a contract, dated
4 November 3, 1982, to provide steam service to CPC International Inc. (Corn Products). That
5 contract was terminated October 1, 1985, and the steam service was assigned to
6 National Starch. National Starch has plant operations north of the Grand Avenue Station
7 across the Missouri River. Cargill, Incorporated (Cargill) started taking steam service from
8 Trigen Kansas City in May 2007 and is located east of the Grand Avenue Station. Cargill
9 expanded its services using steam in late 2008.

10 On Veolia Kansas City's web site, the Company states the following regarding its
11 steam operations in Kansas City:

- 12 • 60 customers
- 13 • One steam production facility
 - 14 - Steam capacity of 1.3 million pounds per hour
 - 15 • Coal fired with natural gas
 - 16 - 5 megawatts of electric power co-generation capacity
 - 17 • 6.5 mile steam distribution system
- 18 • Two chilled water production facilities
 - 19 - 10,650 tons chilled water capacity
 - 20 - 2.0 mile chilled water pipes

21 Q. When was the last time steam rates were changed for Veolia Kansas City?

22 A. The Commission authorized a rate increase of \$1.228 million, a
23 20.5% increase effective on November 1, 2008. Prior to the last rate increase, steam rates in

1 downtown Kansas City were last changed in 1982, in Case No. HR-82-67, when the steam
2 system was owned by KCPL.

3 Q. Was this the last time that a KCPL steam rate case was filed?

4 A. No. KCPL filed for a steam rate increase in 1986 in Case No. HO-86-139. In
5 that case, KCPL requested that the Commission approve a proposal to cease operations and
6 move the steam customers to KCPL's electric operations. The Commission rejected that
7 proposal and also rejected the rate increase, and instructed KCPL to seek buyer opportunities
8 for the steam system. KCPL did, and Trigen Corporation was the successful bidder.

9 In the summary of the Commission's Order in Case No. HO-86-139 the following
10 appears:

11 The Commission has found that KCPL shall be authorized to
12 abandon central steam distribution service as of December 31,
13 1990. However, KCPL shall make a good faith effort to sell the
14 system and shall not terminate service to any customer until
15 abandonment. KCPL shall solicit proposals for sale or transfer
16 of the system as soon as reasonably practicable and shall report
17 to the Commission as to the outcome of its efforts on or before
18 January 31, 1989. KCPL shall freeze rates at current levels
19 until the system is sold or abandoned.

20 [29 Mo P.S.C. (N.S.) 246 (1987)]

21 Q. Was Veolia Kansas City's 2008 rate case the only increase requested by
22 the Company?

23 A. No. Veolia Kansas City (as Trigen Kansas City) filed for rate relief in
24 Case No. HR-93-278 on April 7, 1993, for \$152,208, or an approximately 3.9% increase. The
25 Company withdrew the tariffs and did not file formally again for rate relief until
26 March 11, 2008, when it filed for the 2008 rate case. In the 1993 rate case, Trigen sought and
27 was granted a wavier by the Commission regarding the requirement for Trigen to file direct
28 testimony and exhibits. In the Order regarding variance, the Commission stated:

1 The Commission agrees that it would be impractical for Trigen
2 to adhere to the entire formal procedure. Thus, the Commission
3 determines that Trigen should be granted a variance to the
4 requirement to file direct testimony in this case. The case
5 would then proceed with Staff's direct testimony as a starting
6 point and Trigen would still be expected to adhere to the
7 remaining procedural schedule. Such a variance would reduce
8 Trigen's costs while assuring that Staff's concerns are fully
9 considered.

10 [Commission Order dated May 26, 1993 in Case No.
11 HR-93-278]

12 Even though the Commission granted the Company a waiver from some of the
13 procedural filing requirements, the Company remained unable to meet the remaining
14 requirements and piece together the existing books and records to support a rate increase. On
15 July 9, 1993, Trigen filed a "NOTICE OF DISMISSAL" requesting that the 1993 rate be
16 dismissed. Trigen stated as its reasons requesting such notice as:

17 Although the Commission concluded that the burden of the full
18 formal ratemaking process was sufficiently onerous to warrant a
19 variance, much of the formal ratemaking process was left in
20 place. The same information that would have been developed
21 to generate direct testimony will be required to respond to
22 Staff's inquiries in preparing its direct testimony and to prepare
23 rebuttal testimony. In addition, the formal ratemaking process
24 requires the development of data and preparation of schedules
25 in a format specified by Staff that is not easily extracted from
26 and generated by Trigen's system. As a result, most of the
27 resources required for full formal ratemaking will still be
28 required to proceed under the variance granted by the
29 Commission.

30 [Trigen's Motion of Notice of Dismissal dated July 9, 1993 in
31 Case No. HR-93-278]

32 On July 13, 1993 the Commission granted Trigen's motion to dismiss the case
33 [Commission Order dated July 13, 1993 in Case No. HR-93-278].

VEOLIA MISSOURI OPERATIONS

Q. What is Veolia Missouri?

A. Veolia Missouri is an affiliate company of Veolia Kansas City. Veolia Missouri supplies chilled water services from two locations to a small number of customers in downtown Kansas City in the same service territory as Veolia Kansas City. Veolia Missouri produces chilled water at the Grand Avenue central plant and distributes this service for air conditioning through a distribution line with a return condensate pipeline back to Grand Avenue for recycling purposes. Veolia Missouri also leases certain chillers from the city of Kansas City to produce chilled water for air conditioning purposes at the city's convention center.

All of Veolia Missouri's customers are also Veolia Kansas City customers, taking both chilled water services and steam services from these two affiliated Veolia companies.

Veolia Missouri has its offices at Veolia Kansas City's headquarters at the Grand Avenue Station. Veolia Missouri operates out of Grand Avenue and leases space for its chilled water equipment at this facility. Veolia Kansas City employees provide oversight and operational services to Veolia Missouri operations and allocate time and costs to this affiliate. Veolia Missouri's management is the same as the management of Veolia Kansas City.

The Grand Avenue Station, which is owned and operated by Veolia Kansas City, produces the steam and has all the necessary infrastructure in place to supply the steam to Veolia Missouri.

Veolia Missouri is also a customer of Veolia Kansas City, taking steam to operate its chillers on a tariff basis.

Q. Is the provision of chilled water services regulated by the Commission?

1 A. That question was answered by the Commission in Case No. HM-2004-0618.
2 In that case, the Commission found that Veolia Missouri should not be regulated, as it is
3 currently operated. The Commission stated:

4 The evidence presented in this case indicates that
5 Trigen-Missouri, as it is currently operated, is not offering its
6 chilled water service to the public at large. Furthermore, the
7 Commission has never regulated chilled water service. If this
8 issue is presented to the Commission again in a different case,
9 with different facts, the Commission may reach a different
10 conclusion. However, based on the record before it, the
11 Commission is not convinced that it is in the public interest to
12 assert jurisdiction over the chilled water operations of
13 Trigen-Missouri.

14 [Commission Order in Case HM-2004-0618, page 7]

15 Q. How did Staff treat Veolia Missouri in this rate case?

16 A. Staff treated the operations of Veolia Missouri as non-regulated at this time.
17 Staff devoted considerable time to identify the results and operations of Veolia Missouri to
18 ensure that none of its investment, revenues or costs were included in the revenue requirement
19 calculation for Veolia Kansas City. Since Veolia Kansas City and Veolia Missouri share
20 many investment and cost structures, Staff allocated payroll costs, payroll related benefits,
21 and payroll taxes between the two companies. The chilled water equipment owned and
22 operated by Veolia Missouri was not included in the Veolia Kansas City rate base. Material
23 and Supplies and Prepayments had to be identified and allocated between the two Veolia
24 entities. Staff included revenues associated with providing steam to Veolia Missouri at
25 regular tariff rates in the overall revenue requirement calculation.

26 Q. Has Staff reflected any changes for Veolia Missouri's operations?

27 A. Yes. Veolia Missouri leases space under agreement from its affiliate,
28 Veolia Kansas City. Staff believes the lease agreement between these two affiliates was not

1 made at arm's length and, by its terms, provided benefits to Veolia Missouri, as an affiliate,
2 which the company would not provide to any other entity. That lease is considered highly
3 confidential by the management of Veolia Missouri, which is the same management of Veolia
4 Kansas City. A more detailed discussion of this adjustment appears in the highly confidential
5 portion of the Staff Report.

6 **OVERVIEW OF STAFF'S FILING, FINDINGS AND RECOMMENDATIONS**

7 Q. Please identify the findings of Staff's review of Veolia Kansas City's rate
8 increase request.

9 A. Staff conducted a review of Veolia Kansas City's April 22, 2011 rate increase
10 filing and has identified the following areas in its findings and recommendations:

11 **Rate of Return**

12 The Staff based the rate of return used to calculate the revenue requirement in this case
13 on a consolidated capital structure and corporate results. Zephania Marevangeo, of the
14 Commission's Financial Analysis Department, determined that the rate of return on equity
15 should be in a range from 8.25% to 9.25% with a mid-point of 8.75% resulting in an overall
16 rate of return on investment of 7.067% to 7.557% with a mid-point of 7.312%.

17 **Rate Base**

18 Staff reflected Plant in Service and Accumulated Depreciation Reserve in the rate base
19 as of June 30, 2011.

20 Truman Medical Center started taking service from Trigen Kansas City on
21 June 16, 2008. The Company requested an expansion to its service territory in
22 Case No. HA-2006-0294, wherein the Commission approved this expansion with the
23 understanding that the Truman Medical Center would pay for the pipeline construction. Staff

1 verified that the construction payments were made by Truman Medical Center. While the
2 Company included the pipeline construction costs in plant in service, Staff made a
3 corresponding offset in the same amount to rate base called Customer Advance for
4 Construction. Staff included all plant additions and retirements in the revenue requirement
5 calculation as of June 30, 2011.

6 Staff included Fuel Stock (Coal) Inventories, Material & Supplies and Prepayments as
7 of the June 30, 2011 rate base date.

8 Staff included Accumulated Deferred Income Taxes Reserve as an offset to rate base
9 as of June 30, 2011. For a more detailed discussion of these deferred tax reserves see the
10 Staff Report under the section Income Taxes.

11 **Income Statement**

12 **Revenues**

13 Staff considered the Company's Revenues through June 30, 2011 to reflect a major
14 new customer and loss of some smaller customers. Cargill, is one of two contract customers
15 that started taking service in Spring 2007. The Staff included the revenues of both the
16 contract customers, National Starch and Cargill, in the calculation of the revenue requirement.

17 **Expenses**

18 Staff based the fuel costs in this case on coal and natural gas prices through
19 June 30, 2011. Staff determined other inputs such as fuel mix and station and distribution
20 losses using historical information.

21 Staff annualized Payroll, payroll related benefits, and payroll taxes through
22 June 30, 2011. Veolia Kansas City authorized a payroll increase as of July 1, 2011. To
23 properly reflect this cost increase in the payroll calculation, Staff included this July 1 increase.

1 Staff calculated payroll and the related costs based upon Veolia Kansas City personnel located
2 at the Grand Avenue Station.

3 Staff included operations and maintenance expense, other than payroll costs, in the
4 case at the test year level after reviewing several years of costs.

5 Staff developed and included an on-going level of rate case expense in the case based
6 on the actual invoiced expenditures that the Company provided to the Staff during the audit
7 through June 30, 2011. Because these costs are unique to the rate case process, with major
8 costs incurred by the Company to review Staff and other parties' direct filings, participate in
9 the prehearing conference, prepare responsive testimony and, if needed, go to trial, Staff will
10 examine additional costs as the process develops further to include those costs that can be
11 verified and supported as reasonable and justified.

12 Veolia Kansas City did not provide supporting documentation for certain rate case
13 expense, such as the invoices for its legal costs from Bryan Cave LLP, so Staff excluded those
14 costs from the case.

15 Outside services expenses were analyzed and amounts that were verified and
16 supported related to on-going company operations were included in the case.

17 Depreciation expense was annualized based on depreciation rates developed by
18 David Williams of the Commission's Depreciation, Engineering and Management Services
19 Department. The depreciation rates were applied to Staff's recommended plant values as
20 adjusted plant in service amounts, resulting in total annualized depreciation expense.

21 Staff calculated income taxes based on the results of the revenue requirement
22 calculation as of June 30, 2011.

Fuel Prices

Q. How does Veolia Kansas City produce steam to serve its customers?

A. The Company has a production facility on the northern most part of downtown Kansas City along the Missouri River known as Grand Avenue Station. This power plant produces steam in boilers that burn either natural gas or coal. One of the major costs of producing steam is the amount the Company pays for these two energy sources.

Q. How were fuel prices determined in this case?

A. Actual coal and natural gas costs paid by Veolia Kansas City were examined for the period of 2005 to June 2011. Since the energy markets have increased significantly this year, Staff used the most recent pricing information. Specifically, the coal and natural gas prices provided to Mr. Beck that formed the basis of the fuel expense calculation were based on costs for the months of April, May and June 2011 for coal prices and the six months ending June 30, 2011 for natural gas prices.

Plant in Service and Accumulated Depreciation Records

Q. Did Veolia Kansas City have problems maintaining its property records?

A. Yes. In the past, Staff discovered that Veolia Kansas City, when it was identified as Trigen Kansas City Energy, did not maintain its books and records in conformity with the Federal Energy Regulatory Commission's (FERC) Uniform System of Accounts (USOA). I discuss the issues relating to Veolia Kansas City's inadequate record keeping, and what the Company did to get those records in compliance with the USOA, in the Staff's Cost of Service Report. Notably, the last rate case was the first time since the Company took over the steam system from KCPL in 1990, that the Staff could reasonably rely upon Veolia Kansas City's books.

1 Not only were the books and records of the Company in disarray, the annual reports
2 submitted to the Commission had the same problems for plant in service and accumulated
3 depreciation reserve. Additionally, the Company's calculation of its accumulated deferred
4 income tax reserve balances were part of the same problems, as such those reserves could not
5 be relied on in the past.

6 **VEOLIA ENERGY NORTH AMERICA'S CORPORATE COSTS**

7 Q. What are the corporate costs relating to the Veolia Kansas City's operations?

8 A. While Veolia Kansas City technically does not have any employees, it
9 indirectly employs primarily operational personnel to operate, maintain and manage the
10 district heating and chilled water services in downtown Kansas City through a Veolia entity
11 called Veolia Energy North America, LLC. The costs associated with employees located in
12 Kansas City who operate the district heating systems are directly assigned to this operation.
13 In turn, a portion of the Veolia Kansas City payroll costs are assigned to the Veolia Missouri
14 through specific time reporting system. Staff has included the operational and maintenance
15 costs for the Grand Avenue production plant and the district heating distribution system in its
16 revenue requirement proposal.

17 Veolia Kansas City does not have any corporate management administrative and
18 support functions located at its Grand Avenue headquarters. Veolia Energy North America
19 provides management oversight, accounting, finance, legal, human resources and general
20 corporate governance to both Veolia Kansas City and Veolia Missouri from two
21 locations - Boston and Chicago. While Veolia Energy North America has most of the
22 corporate costs that are allocated to Veolia Kansas City and the other district heating and

1 cooling operations, Thermal North America also has costs which are allocated to these
2 various Veolia entities as well.

3 The corporate overhead costs charged to the Company from these locations have
4 substantially increased from the time of the Veolia Kansas City's last rate case in 2008. The
5 corporate costs have increased substantially from \$198,000 in 2006 to over \$783,000 for
6 2010 - a 295% increase in five years.

7 Q. How are the corporate costs assigned to Veolia Kansas City?

8 A. Veolia Energy North America has developed a procedure using sales revenues
9 as the basis of allocating corporate costs to the various district heating and cooling systems.
10 This process appears to ensure that each entity is getting a proper assignment of corporate
11 costs from Veolia Energy North America, Veolia Energy North America Holdings and
12 Thermal North America.

13 Q. Has the allocation percentage increased to Veolia Kansas City?

14 A. While Veolia Kansas City did receive a higher percentage of the corporate
15 costs in 2010 than it did in its last rate case which used 2006 as a test year, the main driver of
16 the substantial increase in these corporate costs allocated Veolia Kansas City, as the dramatic
17 cost increases being incurred at the Veolia corporate entities who charge costs to
18 Veolia Kansas City.

19 Q. Has Staff made an adjustment to corporate costs allocated to
20 Veolia Kansas City?

21 A. Yes. Based on review of past corporate costs levels allocated to
22 Veolia Kansas City, Staff is proposing to reduce corporate costs from 2010 test year levels.
23 This is more fully discussed in the Cost of Service Report.

- 1 Q. Does this conclude your direct testimony?
- 2 A. Yes, it does.

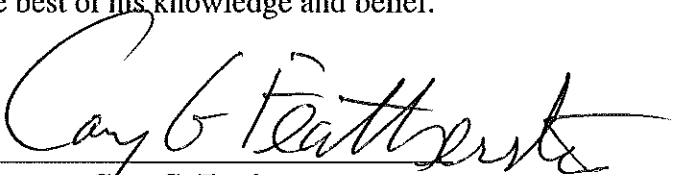
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of Veolia Energy Kansas City,)
Inc. for Authority to File Tariffs to Increase)
Rates) File No. HR-2011-0241

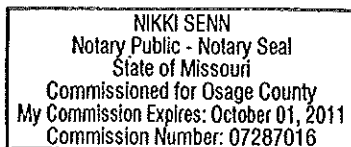
AFFIDAVIT OF CARY G FEATHERSTONE

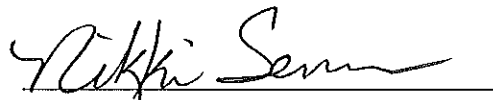
STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

Cary G Featherstone, of lawful age, on his oath states: that he has participated in the preparation of the foregoing Direct Testimony in question and answer form, consisting of 40 pages to be presented in the above case; that the answers in the foregoing Direct Testimony were given by him; that he has knowledge of the matters set forth in such answers; and that such matters are true and correct to the best of his knowledge and belief.


Cary G. Featherstone

Subscribed and sworn to before me this 8th day of August, 2011.




Notary Public

CARY G. FEATHERSTONE

SUMMARY OF RATE CASE INVOLVEMENT

<u>Year</u>	<u>Case No.</u>	<u>Utility</u>	<u>Type of Testimony/Issue</u>	<u>Case</u>
1980	ER-80-53	St. Joseph Light & Power Company (electric rate increase)	Direct	Stipulated
1980	OR-80-54	St. Joseph Light & Power Company (transit rate increase)	Direct	Stipulated
1980	HR-80-55	St. Joseph Light & Power Company (industrial steam rate increase)	Direct	Stipulated
1980	GR-80-173	The Gas Service Company (natural gas rate increase)	Direct	Stipulated
1980	GR-80-249 Coordinated	Rich Hill-Hume Gas Company (natural gas rate increase)	No Testimony filed- revenues & rate base	Stipulated
1980	TR-80-235	United Telephone Company of Missouri (telephone rate increase)	Direct- construction work in progress Rebuttal	Contested
1981	ER-81-42	Kansas City Power & Light Company (electric rate increase)	Direct-payroll & payroll related benefits; cash working capital Rebuttal	Contested
1981	TR-81-208	Southwestern Bell Telephone Company (telephone rate increase)	Direct-cash working capital; construction work in progress; income taxes-flow-through Rebuttal Surrebuttal	Contested
1981	TR-81-302	United Telephone Company of Missouri (telephone rate increase)	Direct- construction work in progress	Stipulated

<u>Year</u>	<u>Case No.</u>	<u>Utility</u>	<u>Type of Testimony/Issue</u>	<u>Case</u>
1981	TO-82-3	Investigation of Equal Life Group and Remaining Life Depreciation Rates (telephone-- depreciation case)	Direct- construction work in progress	Contested
1982	ER-82-66 and HR-82-67	Kansas City Power & Light Company (electric & district steam heating rate increase)	Direct- fuel & purchased power; fuel inventories Rebuttal Surrebuttal	Contested
1982	TR-82-199	Southwestern Bell Telephone Company (telephone rate increase)	Direct- revenues & directory advertising	Contested
1983	EO-83-9	Investigation and Audit of Forecasted Fuel Expense of Kansas City Power & Light Company (electric-- forecasted fuel true-up)	Direct	Contested
1983	ER-83-49	Kansas City Power & Light Company (electric rate increase)	Direct- fuel & fuel inventories Rebuttal Surrebuttal	Contested
1983	TR-83-253	Southwestern Bell Telephone Company (telephone rate increase - ATT Divestiture Case)	Direct- revenues & directory advertising	Contested
1984	EO-84-4	Investigation and Audit of Forecasted Fuel Expense of Kansas City Power & Light Company (electric-- forecasted fuel true-up)	Direct	Contested
1985	ER-85-128 and EO-85-185 Coordinated	Kansas City Power & Light Company (electric rate increase- Wolf Creek Nuclear Generating Unit Case)	Direct- fuel inventories; coordinated construction audit	Contested
1987	HO-86-139 Coordinated	Kansas City Power & Light Company (district steam heating-- discontinuance of public utility and rate increase)	Direct- policy testimony on abandonment of steam service Rebuttal Surrebuttal	Contested

<u>Year</u>	<u>Case No.</u>	<u>Utility</u>	<u>Type of Testimony/Issue</u>	<u>Case</u>
1988	TC-89-14 Coordinated Directory	Southwestern Bell Telephone Company (telephone-- rate complaint case)	Direct- directory advertising Surrebuttal	Contested
1989	TR-89-182 and TC-90-75	GTE North, Incorporated (telephone rate increase)	Direct- directory advertising Rebuttal Surrebuttal	Contested Decided Feb 9, 1990
1990	GR-90-50 Coordinated	Kansas Power & Light - Gas Service Division (natural gas rate increase)	Direct- prudency review of natural gas explosions	Stipulated
1990	ER-90-101 Coordinated	UtiliCorp United Inc., Missouri Public Service Division (electric rate increase- Sibley Generating Station Life Extension Case)	Direct- Corporate Costs and Merger & Acquisition Costs Surrebuttal	Contested
1990	GR-90-198 Coordinated	UtiliCorp United, Inc., Missouri Public Service Division (natural gas rate increase)	Direct- Corporate Costs and Merger & Acquisition Costs	Stipulated
1990	GR-90-152	Associated Natural Gas Company (natural gas rate increase)	Rebuttal- acquisition adjustment; merger costs/savings	Stipulated
1991	EM-91-213	Kansas Power & Light - Gas Service Division (natural gas-- acquisition/merger case)	Rebuttal- acquisition adjustment; merger costs/savings tracking	Contested
1991	EO-91-358 and EO-91-360 Coordinated	UtiliCorp United Inc., Missouri Public Service Division (electric-- accounting authority orders)	Rebuttal- plant construction cost deferral recovery; purchased power cost recovery deferral	Contested

<u>Year</u>	<u>Case No.</u>	<u>Utility</u>	<u>Type of Testimony/Issue</u>	<u>Case</u>
1991	GO-91-359 Coordinated	UtiliCorp United Inc., Missouri Public Service Division (natural gas-- accounting authority order)	Memorandum Recommendation- Service Line Replacement Program cost recovery deferral	Stipulated
1993	TC-93-224 and TO-93-192 Coordinated Directory	Southwestern Bell Telephone Company (telephone-- rate complaint case)	Direct- directory advertising Rebuttal Surrebuttal	Contested
1993	TR-93-181	United Telephone Company of Missouri (telephone rate increase)	Direct- directory advertising Surrebuttal	Contested
1993	GM-94-40	Western Resources, Inc. and Southern Union Company (natural gas-- sale of Missouri property)	Rebuttal- acquisition adjustment; merger costs/savings tracking	Stipulated
1994	GM-94-252 Coordinated	UtiliCorp United Inc., acquisition of Missouri Gas Company and Missouri Pipeline Company (natural gas--acquisition case)	Rebuttal- acquisition of assets case	Contested
1994	GA-94-325 Coordinated	UtiliCorp United Inc., expansion of natural gas to City of Rolla, MO (natural gas-- certificate case)	Rebuttal- natural gas expansion	Contested
1995	GR-95-160 Coordinated	United Cities Gas Company (natural gas rate increase)	Direct- affiliated transactions; plant	Contested
1995	ER-95-279 Coordinated	Empire District Electric Company (electric rate increase)	Direct- fuel & purchased power; fuel inventories	Stipulated
1996	GA-96-130	UtiliCorp United, Inc./Missouri Pipeline Company (natural gas-- certificate case)	Rebuttal- natural gas expansion	Contested

<u>Year</u>	<u>Case No.</u>	<u>Utility</u>	<u>Type of Testimony/Issue</u>	<u>Case</u>
1996	EM-96-149 Coordinated	Union Electric Company merger with CIPSCO Incorporated (electric and natural gas- acquisition/merger case)	Rebuttal- acquisition adjustment; merger costs/savings	Stipulated
1996	GR-96-285 Coordinated	Missouri Gas Energy Division of Southern Union Company (natural gas rate increase)	Direct- merger savings recovery; property taxes Rebuttal Surrebuttal	Contested
1996	ER-97-82	Empire District Electric Company (electric-- interim rate increase case)	Rebuttal- fuel & purchased power	Contested
1997	GA-97-132	UtiliCorp United Inc./Missouri Public Service Company (natural gas—certificate case)	Rebuttal- natural gas expansion	Contested
1997	GA-97-133	Missouri Gas Company (natural gas—certificate case)	Rebuttal- natural gas expansion	Contested
1997	EC-97-362 and EO-97-144	UtiliCorp United Inc./Missouri Public Service (electric rate complaint case)	Direct- - fuel & purchased power; fuel inventories Verified Statement	Contested Commission Denied Motion
1997	ER-97-394 and EC-98-126 Coordinated	UtiliCorp United Inc./Missouri Public Service (electric rate increase and rate complaint case)	Direct- fuel & purchased power; fuel inventories; re-organizational costs Rebuttal Surrebuttal	Contested
1997	EM-97-395	UtiliCorp United Inc./Missouri Public Service (electric-application to spin-off generating assets to EWG subsidiary)	Rebuttal- plant assets & purchased power agreements	Withdrawn

<u>Year</u>	<u>Case No.</u>	<u>Utility</u>	<u>Type of Testimony/Issue</u>	<u>Case</u>
1998	GR-98-140 Coordinated	Missouri Gas Energy Division of Southern Union Company (natural gas rate increase)	Testimony in Support of Stipulation And Agreement	Contested
1999	EM-97-515 Coordinated	Kansas City Power & Light Company merger with Western Resources, Inc. (electric acquisition/ merger case)	Rebuttal- acquisition adjustment; merger costs/savings tracking	Stipulated (Merger eventually terminated)
2000	EM-2000-292 Coordinated	UtiliCorp United Inc. merger with St. Joseph Light & Power Company (electric, natural gas and industrial steam acquisition/ merger case)	Rebuttal- acquisition adjustment; merger costs/savings tracking	Contested (Merger closed)
2000	EM-2000-369 Coordinated	UtiliCorp United Inc. merger with Empire District Electric Company (electric acquisition/ merger case)	Rebuttal- acquisition adjustment; merger costs/savings tracking	Contested (Merger eventually terminated)
2001	ER-2001-299 Coordinated	Empire District Electric Company (electric rate increase)	Direct- income taxes; cost of removal; plant construction costs; fuel- interim energy charge Surrebuttal True-Up Direct	Contested
2001	ER-2001-672 and EC-2002-265 Coordinated	UtiliCorp United Inc./Missouri Public Service Company (electric rate increase)	Verified Statement Direct- capacity purchased power agreement; plant recovery Rebuttal Surrebuttal	Stipulated
2002	ER-2002-424 Coordinated	Empire District Electric Company (electric rate increase)	Direct- fuel-interim energy charge Surrebuttal	Stipulated

<u>Year</u>	<u>Case No.</u>	<u>Utility</u>	<u>Type of Testimony/Issue</u>	<u>Case</u>
2003	ER-2004-0034 and HR-2004-0024 (Consolidated) Coordinated	Aquila, Inc., (formerly UtiliCorp United Inc) d/b/a Aquila Networks-MPS and Aquila Networks-L&P (electric & industrial steam rate increases)	Direct- acquisition adjustment; merger savings tracking Rebuttal Surrebuttal	Stipulated
2004	GR-2004-0072 Coordinated	Aquila, Inc., d/b/a Aquila Networks-MPS and Aquila Networks-L&P (natural gas rate increase)	Direct- acquisition adjustment; merger savings tracking Rebuttal	Stipulated
2005	HC-2005-0331 Coordinated	Trigen Kansas City Energy [Jackson County Complaint relocation of plant for Sprint Arena] (steam complaint case)	Cross examination- relocation of plant assets	Contested
2005	EO-2005-0156 Coordinated	Aquila, Inc., d/b/a Aquila Networks- MPS (electric- South Harper Generating Station asset valuation case)	Rebuttal- plant valuation Surrebuttal	Stipulated
2005	ER-2005-0436 Coordinated	Aquila, Inc., d/b/a Aquila Networks- MPS and Aquila Networks- L&P (electric rate increase)	Direct- interim energy charge; fuel; plant construction; capacity planning Rebuttal Surrebuttal	Stipulated
2005	HR-2005-0450 Coordinated	Aquila, Inc., d/b/a Aquila Networks- L&P (industrial steam rate increase)	Direct	Stipulated
2006	ER-2006-0314 Coordinated	Kansas City Power & Light Company (electric rate increase)	Direct-construction audits Rebuttal- allocations Surrebuttal- allocations	Contested

<u>Year</u>	<u>Case No.</u>	<u>Utility</u>	<u>Type of Testimony/Issue</u>	<u>Case</u>
2006	WR-2006-0425 Coordinated	Algonquin Water Resources (water & sewer rate increases)	Rebuttal- unrecorded plant; contributions in aid of construction Surrebuttal unrecorded plant; contributions in aid of construction	Contested
2007	ER-2007-0004 Coordinated	Aquila, Inc., d/b/a Aquila Networks- MPS and Aquila Networks- L&P (electric rate increase)	Direct-fuel clause, fuel, capacity planning Rebuttal Surrebuttal	Contested
2007	HO-2007-0419 Coordinated	Trigen Kansas City Energy [sale of coal purchase contract] (steam)	Recommendation Memorandum	Stipulated
2007	HR-2007-0028, HR- 2007-0399 and HR- 2008-0340 HC-2010-0235	Aquila, Inc., d/b/a Aquila Networks- L&P [Industrial Steam Fuel Clause Review] (industrial steam fuel clause review)		Pending
2008	HR-2008-0300 Coordinated	Trigen Kansas City Energy (steam rate increase)	Direct - sponsor Utility Services portion of the Cost of Service Report, overview of rate case, plant review and plant additions, fuel and income taxes	Stipulated

<u>Year</u>	<u>Case No.</u>	<u>Utility</u>	<u>Type of Testimony/Issue</u>	<u>Case</u>
2009	ER-2009-089 Coordinated	Kansas City Power & Light Company (electric rate increase)	Direct- sponsor Utility Services Cost of Service Report, Additional Amortizations and Iatan 1 construction Rebuttal- allocations Surrebuttal- allocations	Stipulated
2009	ER-2009-090 Coordinated	KCPL Greater Missouri Operations Company (former Aquila, Inc. Missouri electric properties) (electric rate increase)	Direct- sponsor Utility Services Cost of Service Report Surrebuttal- capacity planning	Stipulated
2009	HR-2009-092 Coordinated	KCPL Greater Missouri Operations Company (former Aquila, Inc. Missouri electric properties) (industrial steam rate increase)	Direct- sponsor Utility Services Cost of Service Report	Stipulated
2010	SR-2010-0110 and WR-2010-0111 Coordinated	Lake Region Water and Sewer Company (water & sewer rate increase)	Direct- sponsor Utility Services Cost of Service Report Surrebuttal True-up Direct Reports to Commission	Contested

<u>Year</u>	<u>Case No.</u>	<u>Utility</u>	<u>Type of Testimony/Issue</u>	<u>Case</u>
2010	ER-2010-0355 Coordinated	Kansas City Power & Light Company (electric rate increase)	Direct- sponsor Utility Services Cost of Service Report, Additional Amortizations Rebuttal- allocations Surrebuttal- allocations True-up Direct True-up Rebuttal	Contested
2010	ER-2010-0356 Coordinated	KCP&L Greater Missouri Operations Company (electric rate increase) (electric rate increase)	Direct- sponsor Utility Services Cost of Service Report Rebuttal- capacity planning Surrebuttal- capacity planning and Hawthorn 5 costs True-up Direct True-up Rebuttal	Contested
2011	WO-2011-0328 Coordinated	Algonquin Water Resources of Missouri dba Liberty Water Company acquisition of Noel Water Company (water sale case)	Recommendation Memorandum	Pending

CASES SUPERVISED AND ASSISTED:

<u>Year</u>	<u>Case No.</u>	<u>Utility</u>	<u>Type of Testimony</u>	<u>Case Disposition</u>
1986	TR-86-14 Coordinated	ALLTEL Missouri, Inc. (telephone rate increase)		Stipulated
1986	TR-86-55 Coordinated	Continental Telephone Company of Missouri (telephone rate increase)		Stipulated
1986	TR-86-63 Coordinated	Webster County Telephone Company (telephone rate increase)		Stipulated
1986	GR-86-76 Coordinated	KPL-Gas Service Company (natural gas rate increase)		Withdrawn
1986	TR-86-117 Coordinated	United Telephone Company of Missouri (telephone rate increase)	Withdrawn prior to filing	Withdrawn
1988	GR-88-115 Coordinated	St. Joseph Light & Power Company (natural gas rate increase)	Deposition	Stipulated
1988	HR-88-116	St. Joseph Light & Power Company (industrial steam rate increase)	Deposition	Stipulated
1994	ER-94-194	Empire District Electric Company (electric rate increase)		
2003	QW-2003-016 QS-2003-015	Tandy County (water & sewer informal rate increase)	Recommendation Memorandum	Stipulated
2004	HM-2004-0618 Coordinated	Trigen- Kansas City Energy purchase by Thermal North America (steam - sale of assets)		Stipulated

<u>Year</u>	<u>Case No.</u>	<u>Utility</u>	<u>Type of Testimony</u>	<u>Case Disposition</u>
2005	GM-2005-0136 Coordinated	Partnership interest of DTE Enterprises, Inc. and DTE Ozark, Inc in Southern Gas Company purchase by Sendero SMGC LP (natural gas -- sale of assets)	Recommendation Memorandum	Stipulated
2005	WO-2005-0206 Coordinated	Silverleaf sale to Algonquin (water & sewer- sale of assets)		Stipulated
2006	WR-2006-0250	Hickory Hills (water & sewer- informal rate increase)	Recommendation Memorandum	Contested
2006	HA-2006-0294 Coordinated	Trigen Kansas City Energy (steam- expansion of service area)	Recommendation Memorandum & Testimony	Contested
2007	SR-2008-0080 QS-2007-0008	Timber Creek (sewer- informal rate increase)	Recommendation Memorandum	Stipulated
2008	QW-2008-0003	Spokane Highlands Water Company (water- informal rate increase)	Recommendation Memorandum	Stipulated
2009	WR-2010-0139 SR-2010-0140	Valley Woods Water Company	Recommendation Memorandum	Stipulated
2009	EO-2010-0060	KCPL Greater Missouri Operations Blue Springs service center sale	Recommendation Memorandum	Withdrawn
2010	EO-2010-0211	KCPL Greater Missouri Operations Liberty service center sale	Recommendation Memorandum	Stipulated
2010	WR-2010-0202	Stockton Water Company	Recommendation Memorandum	Stipulated
2010	SA-2010-0219	Canyon Treatment Company Certificate of Convenience and Necessity Case	Recommendation Memorandum	Pending
2010	SR-2010-0320	Timber Creek Sewer Company	Coordinated Case	Contested

