

MEMORANDUM

TO: Missouri Public Service Commission Official Case File
File No. HA-2006-0294, Veolia Energy Kansas City, Inc. f/k/a Trigen-
Kansas City Energy Corporation

FROM: Cary G. Featherstone, Regulatory Auditor – Auditing Department

/s/ Cary G. Featherstone 4/28/11 /s/ Steven Dottheim 4/28/11
Project Coordinator / Date Staff Counsel's Office / Date

SUBJECT: Staff's Recommendation Regarding Veolia Energy Kansas City, Inc.'s
Compliance Filing in File No. HA-2006-0294

DATE: April 28, 2011

BACKGROUND

On April 1, 2011, Trigen Kansas City Energy Corporation now known as Veolia Energy Kansas City, Inc.,¹ a Delaware corporation, (for purposes of this recommendation all references to the Company will be "Trigen" or the "Company") filed its latest status report concerning this case. In that report, Trigen indicated there was no activity to report regarding matters of this case. In an order issued April 4, 2011, the Missouri Public Service Commission (the "Commission") directed the Missouri Public Service Commission Staff ("Staff") "to delineate any reason as to why this file should not be closed." On April 14, 2011, Staff requested more time to contact the appropriate Trigen personnel specifically to find out whether there are any outstanding matters relating to the completion of the construction of the steam line expansion to Truman Medical Center. On April 18, 2011, the Commission extended to April 28, 2011, the time for Staff "to delineate any reason as to why this file should not be closed."

In this case, with its May 25, 2006 *Report and Order*, the Commission granted Trigen a certificate of convenience and necessity conditionally authorizing it to expand its service area to serve a prospective customer, Truman Medical Center ("Truman"). The condition was that Truman fund the cost of construction of the proposed extension of Trigen's facilities to serve Truman.

As the Commission directed in its *Report and Order* Trigen filed on May 21, 2007, written agreements that set forth the details of Trigen's and Truman's construction and funding plans for the extension of Trigen's facilities to serve Truman, as well as their agreement regarding the mechanism for any refund to Truman for advancing construction

¹ By its *Order Recognizing Name Change and Approving Tariff Sheets* issued in File No. HN-2011-0286 which took effect April 10, 2011, the Commission recognized Trigen-Kansas City Energy Corporation changed its name to Veolia Energy Kansas City, Inc.

costs. Staff examined these documents and advised the Commission on June 11, 2007, it found them to comply with the Commission's *Report and Order*. Staff also recommended the Commission keep this case open until the construction was completed and service to Truman established, and, further, that Staff review of Truman's actual payments to Trigen for reimbursement of the steam line extension costs, and that a report and recommendation be filed with the Commission after completion of the steam line extension.

In response to Staff's June 11, 2007 recommendation, the Commission issued its *Order Directing Trigen-Kansas City Energy Corporation to File a Report and Recommendation* with which it directed Trigen "to file a report and recommendation at the time the construction and all payments have been completed so that Staff may review all costs, payments and reimbursements associated with the construction."

Trigen has made a number of filings in response to the Commission's *Order Directing Trigen-Kansas City Energy Corporation to File a Report and Recommendation*. Summaries of those filings pertinent to this recommendation follow.

Overview of Trigen's Compliance Filing Made on July 31, 2008:

On July 31, 2008, pursuant to the Commission's March 26, 2008 *Order Granting Third Extension of Time For Trigen-Kansas City Energy Corporation to File a Report and Recommendation*, Trigen filed what it identified as its "Final Report and Recommendation" indicating that Trigen had complied with the Commission's May 25, 2006 *Report and Order* which conditioned Trigen's certificate of convenience and necessity on Truman reimbursing Trigen for all construction costs of the expansion of Trigen's steam distribution line to Truman's premises.

Trigen provided as Highly Confidential Attachment A to its *Final Report and Recommendation* filed on July 31, 2008, a two page document providing an overview and final status of the expansion of the steam line to Truman. Said document identified both the costs of the construction and the reimbursements, and related that as of the date of the filing Truman had not reimbursed Trigen for ** _____ ** of the total of
** _____ ** in construction costs it had incurred. In that document Trigen stated,
** _____

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Staff Recommendation and Conclusion Made on August 14, 2008

Following Trigen's *Final Report and Recommendation*, on August 4, 2008, the Commission ordered that "no later than August 14, 2008, the Staff of the Missouri Public Service Commission shall file with the Commission a report and recommendation regarding Trigen-Kansas City Energy Corporation's compliance filing stating whether

Trigen-Kansas City Energy Corporation is in full compliance with the Commission's May 25, 2006 Report and Order and stating whether this case may now be finally closed."

When Staff filed its August 14, 2008 recommendation, Truman still had not made all the reimbursement payments owed to Trigen that it presented in its July 31, 2008 *Final Report and Recommendation*. Staff received and reviewed construction invoices to Trigen and invoices Trigen sent to Truman for reimbursement, ** _____ ** While Truman had reimbursed Trigen for most of the construction costs as of July 31, 2008, there remained outstanding a significant amount of unreimbursed construction costs.

Therefore, Staff recommended it would be appropriate to keep this case open until such time as Trigen makes all construction payments to the contractor, Trigen sends all invoices to Truman for reimbursement and Truman has fully reimbursed Trigen.

In response to Staff's recommendation, the Commission issued an order on August 25, 2008, in which it directed Trigen

...to file bi-monthly status reports until such time as all construction payments are complete, all invoices are sent to Truman, and Trigen has received full reimbursement. Once these transactions are finalized, Trigen shall submit a final report to the Commission.

Trigen has submitted status reports since. Following are descriptions of information from two of those reports which is pertinent to Staff's recommendation here.

Trigen September 15, 2008 Status Report

Trigen filed its first Status Report on September 15, 2008. In Highly Confidential Attachment A to its first Status Report Trigen included a schedule identifying that Truman still had not reimbursed it ** _____ ** out of a total ** _____ ** of total construction costs. Trigen indicated both the construction costs and the unreimbursed costs amount were reduced because of ** _____ **

Trigen November 16, 2009 Status Report

Trigen identified in its November 16, 2009, Status Report that it had submitted all invoices to Truman and been reimbursed, that it was no longer holding money for the contractor until completion of work and that it would use the remaining amounts Truman paid it to complete the steam line work instead of paying the contractor to do so, and that the work would not be completed until the spring of 2010 when an outage could be taken to complete the repairs.

Trigen requested that the November 16, 2009 report be its final status report.

As ordered by the Commission, on November 30, 2009, Staff filed its response recommending to the Commission that, because construction was still not complete, this case remain open to receive Trigen's final status report, to be filed within 30 days of Trigen completing the work in the spring of 2010.

The Commission issued an order on December 1, 2009 granting Staff's recommendation and directing Trigen to file quarterly status reports until it files its final report within 30 days of completing all work and repairs required for it to serve Truman.

Thereafter, Trigen has continued to file quarterly status reports until its most recent status report filing made on April 1, 2011 wherein Trigen indicated it had no activity to report.

Staff April 28, 2011 Recommendation

After Trigen filed its First Quarter 2011 Status Report on April 1, 2011, Staff notified Trigen that Staff needed information regarding the completion of the steam line extension to serve Truman. Trigen indicated the construction of the steam line extension is completed. Trigen provided for Staff review copies of invoices sent to Truman and payments made to Trigen for reimbursement of the construction costs. Truman has reimbursed Trigen a total of ** _____ **. However, Staff does not have the final total construction costs of the Truman steam line in which to compare the total reimbursement costs.

While it appears the payments from Truman are complete, it was not until recently in spring of 2011 that the final construction was completed.

Based on the Company's representation and Trigen's statement in its November 16, 2009 Status Report that it has received all payments from Truman which is confirmed by the payments received from Truman, the last of which was July 2009, Staff believes Trigen has fully complied with the Commission's May 25, 2006 *Report and Order*. However, Staff believes Trigen has not yet filed the final report required by Commission's August 25, 2008 Order. In that Order the Commission stated "once these transactions are finalized, Trigen shall submit a final report to the Commission." Staff believes it is appropriate for Trigen to submit a final report to the Commission in which it identifies 1) that all construction of the extension of Trigen's facilities to serve Truman is completed, 2) the total construction costs of the extension of Trigen's facilities to serve Truman have been charged to the customer 3) all construction costs for which Truman is responsible have been fully reimbursed to Trigen. This information should be consistent with the attachments to the filings Trigen made July 31, 2008 and September 15, 2008 where the total construction costs are identified along with the total Truman reimbursements. The Commission should keep this case open until Trigen submits its final report.

Staff has verified that Trigen has filed its annual report with the Commission.

Trigen is also not delinquent on any of its payments to the Commission for the PSC assessment.

Staff is not aware of any other matter before the Commission that affects or is affected by this filing.

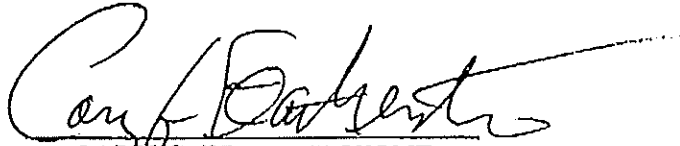
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of the Application of)
Trigen-Kansas City Energy Corporation for a) File No. HA-2006-0294
Certificate of Public Convenience and)
Necessity Authorizing it to Construct, Install,)
Own, Operate, Control, Manage and)
Maintain a Steam Heat Distribution System)
to Provide Steam Heat Service in Kansas)
City, Missouri, as an Expansion of its)
Existing Certified Area)

AFFIDAVIT OF CARY G. FEATHERSTONE

STATE OF MISSOURI)
) ss.
COUNTY OF Jackson)

Cary G. Featherstone, of lawful age, on his oath states: that he has participated in the preparation of the foregoing Staff Recommendation in memorandum form, to be presented in the above case; that the information in the Staff Recommendation was developed by him; that he has knowledge of the matters set forth in such Staff Recommendation; 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 27th day of April, 2011.


Notary Public

BEVERLY M. WEBB
Notary Public - Notary Seal
STATE OF MISSOURI
County of Clay
My Commission Expires 4/14/2012
Commission # 08464070

