

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**

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

STIPULATION AND AGREEMENT

COME NOW Veolia Energy Kansas City, Inc. (“Veolia”), the Staff of the Missouri Public Service Commission (“Staff”) and the City of Kansas City, Missouri (“City”) (collectively the “Parties” or individually a “Party”), and respectfully submit to the Missouri Public Service Commission (“Commission”) the following Stipulation and Agreement (the “Stipulation”).

1. Issues Settled. This Stipulation is intended to settle all issues among the Parties for purposes of Case No. HR-2011-0241. The Parties request that the Commission approve this Stipulation as a resolution of all issues in Case No. HR-2011-0241.

2. Revenue Increase. The tariff sheets filed by Veolia with the Commission on April 22, 2011 proposed to increase Veolia’s gross annual steam tariff revenues in the amount of \$1,379,210 exclusive of applicable fees and taxes. The Staff’s direct case filed on August 8, 2011, supported a revenue requirement deficiency slightly below Veolia’s requested increase. The City was the only other Party that presented a revenue deficiency recommendation slightly below the Company’s requested increase, which was filed on September 2, 2011. As a result of the settlement and technical conference held on September 7-8, 2011, both the Staff and the City have revised their respective calculations of Veolia’s overall revenue deficiency to amounts that exceed the

Company's requested rate increase. As a result of ongoing discussions, the Parties agree that the tariff sheets filed by Veolia with the Commission on April 22, 2011 should be rejected and Veolia should be authorized to file with the Commission revised tariff sheets (further discussed below) that are designed to increase Veolia's gross annual steam tariff revenues in the amount of \$1,379,210 exclusive of applicable fees and taxes. The specimen tariff sheets designed to implement this Stipulation are attached to this Stipulation as **Appendix A**. The Commission, in any order approving this Stipulation, should authorize Veolia to file tariff sheets in complete conformance with the specimen tariff sheets attached to this Stipulation as **Appendix A**.

3. Rate Design/Rate Structure/Rate Classes. The rate design/rate structure/rate classes agreed to among the Parties is embodied in the specimen tariff sheets which are attached to this Stipulation as **Appendix A**. These tariff sheets reflect the following changes:

(a) Distribution of the Revenue Deficiency. The distribution of the revenue deficiency is as follows: (1) a 29.5965 percent increase in SCS, LCS and IHS schedule usage charges and (2) a 75 percent increase in IHS schedule capacity charge.

(b) Modification of LCS Schedule. The tariff sheets modify the LCS schedule to provide for an annual demand charge to summer peaking accounts.

(c) Single Metering Point for the City under LCS Tariff. The City owns a steam line that provides for a single takeoff from Veolia's steam distribution system for steam service deliveries to the City Hall, Police Headquarters and Municipal Court accounts (the "Municipal Complex"). The parties agree to a single point of metering at City Hall for these accounts serving the City's Municipal Complex (the "East Loop

Accounts”) to be billed under the LCS schedule. Following aggregation of the East Loop Account, the parties will work together to establish a new baseline Billing Demand for the aggregated accounts at a mutually agreeable level. Veolia also agrees to add a section to the LCS tariff to provide for the downward revision of Billing Demand for customers that make significant modifications to their facilities that will result in reduced steam consumption. Veolia will work with the City to provide real time or very near real-time metering information within the guidelines of Veolia’s tariffs.

4. Depreciation. The Commission should authorize Veolia to adopt depreciation rates as follows: a 2.0 percent book depreciation rate to be applied prospectively for Accounts 311 and 312 to be applied only to new plant additions since the effective date of the rates implemented in Veolia’s last rate case (Case No. HR-2008-0300). This will be accomplished by establishing a new subaccount of Account 311 and 312.

5. Veolia Missouri Lease Rate. Veolia shall increase the lease rate from \$3.00 per square foot to \$6.00 per square foot per year to resolve this issue for the remainder of the existing lease term only. The parties reserve the right to address this issue in Veolia’s next rate case.

6. Payroll Distribution. Veolia agrees to expand the Federal Energy Regulatory Commission (“FERC”) O&M accounts to which wages and salaries are recorded on a prospective basis. Veolia agrees to meet with the Staff to review USOA accounting methods and report to the Staff within six (6) months from the date the tariff rates resulting from the pending case go into effect.

7. Corporate Cost Study. Veolia agrees to conduct an internal review of the charges to individual corporate cost centers (or cost pools), assess the anticipated beneficiaries of the underlying services and consider alternative methods and approaches to the allocation of such costs to all Veolia entities. Veolia will document the study results and will discuss those results with Staff representatives. Veolia will complete the study within twelve (12) months from the date the tariff rates from the pending case go into effect.

8. Accounting Records. Veolia agrees to continue to maintain its accounting records in conformance with the FERC uniform system of accounts. Consistent with similar provisions agreed to by the Company in Case Nos. HM-2004-0618 and HR-2008-0300, Veolia agrees to continue to maintain the subsidiary plant-in-service and accumulated depreciation reserve spreadsheet model as further support for the recorded asset, depreciation reserve and depreciation accrual process.

9 Effective Date. The Parties agree to a goal of a November 1, 2011 effective date for the tariff sheets agreed to herein. Veolia respectfully requests that the Commission consider and approve this Stipulation in sufficient time for the tariffs proposed herein to become effective by November 1, 2011 or as soon thereafter as is reasonably practicable. No party objects to Veolia's request. The Parties will make their witnesses and attorneys available at any duly-noticed on-the-record session scheduled by the Commission. If the Commission deems such an on-the-record session necessary, the Parties agree to cooperate in presenting this Stipulation to the Commission for approval, and will take no action, direct or indirect, in opposition to the request for approval of this Stipulation.

10. Testimony Received Into Evidence. Unless called by the Commission to respond to questions, in the event the Commission approves this Stipulation without modification or condition, the prefiled testimony (including all exhibits, appendices, schedules, etc. attached thereto) and reports of all witnesses in this proceeding shall be received into evidence without the necessity of those witnesses taking the witness stand.

11. General Provisions.

(a) This Stipulation is being entered into solely for the purpose of settling Case No. HR-2011-0241. Unless otherwise explicitly provided herein, none of the Parties to this Stipulation shall be deemed to have approved, accepted, agreed, consented or acquiesced to any ratemaking or procedural principle including, without limitation, any method of cost determination or cost allocation or revenue-related methodology, cost of capital methodology or capital structure, rate design principle or methodology, or depreciation principle or methodology, and except as explicitly provided herein, none of the Parties shall be prejudiced or bound in any manner by the terms of this Stipulation (whether this Stipulation is approved or not) in this or any other proceeding, other than a proceeding limited to enforce the terms of this Stipulation.

(b) This Stipulation has resulted from extensive negotiations among the Parties and the terms hereof are interdependent. If the Commission does not approve this Stipulation unconditionally and without modification, then this Stipulation shall be void and no Party shall be bound by any of the agreements or provisions hereof, except as explicitly provided herein.

(c) If the Commission does not approve this Stipulation without condition or modification, and notwithstanding the provision herein that it shall become void, neither

this Stipulation nor any matters associated with its consideration by the Commission shall be considered or argued to be a waiver of the rights that any Party has for a decision in accordance with §536.080 RSMo 2000 or Article V, Section 18 of the Missouri Constitution, and the Parties shall retain all procedural and due process rights as fully as though this Stipulation had not been presented for approval; and any suggestions, memoranda, testimony or exhibits that have been offered or received in support of this Stipulation shall become privileged as reflecting the substantive content of settlement discussions and shall be stricken from and not be considered as part of the administrative or evidentiary record before the Commission for any purpose whatsoever.

(d) In the event the Commission approves the specific terms of this Stipulation without condition or modification, the Parties waive their respective rights to call, examine, and cross-examine witnesses pursuant to §536.070(2) RSMo 2000, present oral argument and written briefs pursuant to §536.080.1 RSMo 2000; their respective rights to the reading of the transcript by the Commission pursuant to RSMo §536.080.2 RSMo 2000; their respective rights to seek rehearing, pursuant to §386.500 RSMo 2000; and their respective rights to judicial review pursuant to §386.510 RSMo 2000. These waivers apply only to a Commission order approving this Stipulation without condition or modification issued in this above-captioned proceeding and only to the issues that are resolved hereby. These waivers do not apply to any matters raised in any prior or subsequent Commission proceeding nor any matters not explicitly addressed by this Stipulation.

(e) The Staff may file suggestions or a memorandum in support of this Stipulation. Each of the Parties shall be served with a copy of any such suggestions or

memorandum and shall be entitled to submit to the Commission, within five (5) days of receipt of Staff's suggestions or memorandum, responsive suggestions or a responsive memorandum, which shall also be served on all Parties. The contents of any suggestions or memorandum provided by any Party are its own and are not acquiesced in or otherwise adopted by the other Parties to this Stipulation, whether or not the Commission approves and adopts this Stipulation.

WHEREFORE, the undersigned Parties respectfully request that the Commission issue its order approving this Stipulation subject to the specific terms and conditions contained herein and authorize Veolia to file tariff sheets in conformance with the specimen tariff sheets attached hereto as **Appendix A**.

Respectfully submitted,

/s/ Jennifer Hernandez

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Attorney for Veolia Energy Kansas City,
Inc.

CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been mailed, hand-delivered, or transmitted by facsimile or electronic mail to all counsel of record this 29th day of September, 2011.

/s/ Diana Vuylsteke_____