

**Exhibit No.**

**Issue:** Adjustment to PACC Rate

**Witness:** David Jordan

**Type of Exhibit:** Direct Testimony

**Sponsoring Party:** Veolia Energy Kansas  
City Inc.

**Case No.** HR-2019-\_\_\_\_

**Date Testimony Prepared:** February 1, 2019

**BEFORE THE PUBLIC SERVICE COMMISSION**

**STATE OF MISSOURI**

**DIRECT TESTIMONY**

**OF**

**DAVID JORDAN**

**VEOLIA ENERGY KANSAS CITY, INC.**



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**DAVID JORDAN**

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**BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MISSOURI  
DIRECT TESTIMONY OF DAVID JORDAN  
ON BEHALF OF VEOLIA ENERGY KANSAS CITY, INC.  
CASE NO. HR-2019-\_\_\_\_\_**

1 **OVERVIEW**

2 Q. Please state your name and business address.

3 A. My name is David Jordan and my business address is Veolia Energy Kansas City,  
4 Inc., 115 Grand Blvd., Kansas City MO 64106.

5

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

7 A. I am employed by Veolia North America as the Vice President and General  
8 Manager of Veolia Energy Kansas City, Inc. My duties and responsibilities  
9 include the management and oversight of Veolia Energy Kansas City, Inc.  
10 (referred to herein as “Veolia”).

11

12 Q. Have you ever testified before this Commission or any other regulatory  
13 commission?

14 A. Yes, in filing YH-2016-0192 and my prior testimony for this PACC filing, which  
15 this testimony is meant to replace the prior testimony.

16

17 Q. Please summarize the purpose and content of your testimony.

18 A. Veolia’s Production Adjustment Cost Clause (PACC) became effective on  
19 January 1, 2015, which includes Veolia’s obligation to file annual, with an option

1 for semi-annual, rate adjustments to reflect 95% of the changes to production  
2 costs. The purpose of my testimony is in support of Veolia's annual PACC filing  
3 (including, but not limited to, the 5<sup>th</sup> revised sheet No. 36 and 5<sup>th</sup> revised sheet  
4 No. 37) as required by the Non-unanimous Stipulation and Agreement in Case  
5 No. HR-2014-0066 and PACC tariff, to adjust customer rates for changes in  
6 Veolia's PACC production costs experienced during the accumulation period  
7 January 2018 through December 2018. Paragraph 8 of the Non-Unanimous  
8 Disposition Agreement approved by the Commission in Veolia's most recent rate  
9 case, Case No. HR-2018-0341 (Tracking No. YH-2019-0076), continued the  
10 PACC Tariff with approved modifications.<sup>1</sup>

11

12 The costs passed through this PACC filing reflect ninety-five percent (95%) of the  
13 difference between actual fuel, purchased power, and consumable costs and these  
14 costs as set in base rates. The base rates were set in Case No. HR-2014-0066 at  
15 seven dollars and sixty-nine cents per thousand pounds of steam (\$7.69/mlb).

- 16 • On March 16, 2016, the Public Service commission issued an order approving  
17 a PACC filing decreasing (refunding) rates \$0.17905 per Mlb, effective April  
18 1, 2016.
- 19 • On March 29, 2017, the Public Service Commission issued an order  
20 approving a PACC filing decreasing (refunding) rates \$0.44636 per Mlb,  
21 effective April 1, 2017.

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<sup>1</sup> The modifications to the PACC Tariff include the addition of chemical costs (Account 5027), the removal of coal costs (Account 5013) and resetting the PACC base factor from \$7.69/mlb to \$7.18/mlb effective December 1, 2018.

- 1           • On March 21, 2018, the Commission approved a PACC filing decreasing  
2           (refunding) rates \$0.16412 per MLB, effective April 1, 2018.

3           The PACC production costs included in this filing (including regulatory accounts)  
4           are: (a) fuel costs: (i) 5011 Fuel expense – natural gas; (ii) 5012 Fuel expense –  
5           natural gas transport; (iii) 5017 Fuel expense – purchased electricity; (b)  
6           consumable costs: (i) 5021 Consumable expense – water; (ii) 5022 Consumable  
7           expense – sewer; and (iii) 5027 Consumable expense – chemicals. In accordance  
8           with the terms of the PACC tariff, no capital costs or internal company labor has  
9           been included in actual production costs reported during the Accumulation  
10          Period.

11  
12          The Recovery Period applicable to this filing will consist of the billing months  
13          April 2019 – March 2020. Pursuant to the reporting requirements contained in the  
14          Non-unanimous Stipulation and Agreement, the testimony will address: (1) Mlb  
15          sales by rate class and by individual customer, separately showing steam sales to  
16          Veolia Missouri and the process steam customers; (2) Fuel, purchased electricity  
17          and consumable costs included in base rates, the amount of such costs includable  
18          in the PACC and the variance of eligible costs during the Accumulation Period;  
19          and (3) calculation of the proposed PACC collection rates, along with supporting  
20          work papers.

21  
22          Q.     What adjustment is being made in this filing?

1 A. Customer rates will decrease (refund) \$0.40858 per Mlb driven primarily by  
2 decreases in the cost of fuel and consumable costs relative to a lower PACC base  
3 of \$7.18/mlb effective December 1, 2018. Implementation of system efficiencies,  
4 such as maintenance on Boiler 1A Controls and reduced water purchases from the  
5 City resulting from installation of a reverse osmosis system to treat Missouri  
6 River water, have been beneficial in containing PACC includable costs. The rate  
7 reduction under the PACC tariff represents ninety-five percent (95%) of the total  
8 company PACC variance from 2018 blended PACC base cost.<sup>2</sup> The PACC will  
9 appear as a separate line item on the customer's bills starting with April 2019,  
10 when the Recovery Period applicable to the subject Accumulation Period begins.

11

12 Q. How did Veolia calculate the PACC adjustments requirements contained in the  
13 Non-Unanimous stipulation and agreements in Case No. HR-2014-0066 and Case  
14 No. HR-2018-0341 and Veolia's PACC Tariff?

15 A. In order to address the specific PACC filing requirements contained in the Non-  
16 Unanimous stipulation and agreements in Case No. HR-2014-0066 and Case No.  
17 HR-2018-0341 and Veolia's PACC Tariff, the following information associated  
18 with the filing of this case was prepared by me or under my direction and  
19 supervision:

20 1. Base Costs attached as Schedule MJD-1. This schedule details the  
21 allowable regulatory accounts in Case No. HR-2014-0066 Base Amount,  
22 Case No. HR-2018-0341, and the associated amounts in the applicable

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<sup>2</sup> The 2018 blended PACC base cost represents the months of January – November at \$7.69/mlb and December at \$7.18/mlb, based on mlb sales during these respective periods. Tariff Sheet 37 at line 2 shows this blending process.

1 Accumulation Period. The schedule also details steam sales per customer  
2 class.

3 2. PACC Rider attached as Schedule MJD-2. This schedule details the  
4 calculation of the production adjustment pursuant to the PACC tariff rider.

5 3. Customer Sales attached as Schedule MJD-3. This schedule details  
6 customer accounts, sales (in Mlbs) by customer, the impact of the PACC  
7 rate adjustment in the Recovery Period and the monthly PACC adjustment  
8 (refund).<sup>3</sup>

9

10 **MLB SALES BY RATE CLASS AND BY INDIVIDUAL CUSTOMER,**  
11 **SEPARATELY SHOWING STEAM SALES TO VEOLIA MISSOURI AND THE**  
12 **PROCESS STEAM CUSTOMERS**

13 Q. Please detail Mlb sales by rate class and by individual customer, separately  
14 showing steam sales to Veolia Missouri and the process steam customers.

15 A. Please see Schedule MJD-1 for Mlb sales by rate class. Please see Schedule  
16 MJD-3 for sales by individual customer (detailed as Tariff Customer account  
17 codes). The steam sales to Veolia Missouri are shown in Schedule MJD-3  
18 customer account numbers K1174 and K1210 and total sales to Veolia Missouri  
19 during the Accumulation Period is shown in note (e) to Schedule MJD-3. Please  
20 see Schedule MJD-3 for steam sales to process steam customers during the  
21 Accumulation Period.

22

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<sup>3</sup> Because it is anticipated that Tariff Sheets 36 and 37 will be approved in advance of April 1, 2019, Sheet 36 shows both the refund continuing through March 31, 2019 and the refund commencing April 1, 2019.



1 **FUEL, PURCHASED ELECTRICITY AND CONSUMABLE COSTS INCLUDED**  
2 **IN BASE RATES, THE AMOUNT OF SUCH COSTS INCLUDABLE IN THE**  
3 **PACC, AND THE VARIANCE OF ELIGIBLE COSTS DURING THE**  
4 **ACCUMULATION PERIOD**

5 Q. Please detail fuel, purchased electricity and consumable costs included in base  
6 rates, the amount of such costs includable in the PACC, and the variance of  
7 eligible costs during the Accumulation Period.

8 A. Please see Schedule MJD-1 for fuel, purchased electricity and consumable costs  
9 included in base rates. Please see Schedule MJD-2 for the amount of such costs  
10 includable in the PACC and the variance of eligible costs during the  
11 Accumulation Period.

12

13 **CALCULATION OF THE PROPOSED PACC COLLECTION RATES, ALONG**  
14 **WITH SUPPORTING WORK PAPERS**

15 Q. Please detail the calculation of the proposed PACC collection rates, along with  
16 supporting work papers.

17 A. Please see Schedule MJD-1, Schedule MJD-2 and Schedule MJD-3 for the  
18 calculation of the proposed PACC collection rates.

19 Q. Does Veolia seek application of the PACC Rider to the Residential High-Rise  
20 class at this time?

21 A. No, however that decision shall not be interpreted as a waiver by Veolia to seek  
22 future application of the PACC Rider to the Residential High-Rise customer class  
23 in the future.

1

2 Q. Does this conclude your direct testimony?

3 A. Yes.