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Witness:	**Steven C. Carver**
Type of Exhibit:	**Direct Testimony**
Sponsoring Party:	**Veolia-Kansas City**
Case No.	**HR-2014-066**
Date Testimony Prepared:	**November 27, 2013**

BEFORE THE PUBLIC SERVICE COMMISSION

STATE OF MISSOURI

DIRECT TESTIMONY

OF

STEVEN C. CARVER

VEOLIA ENERGY KANSAS CITY, INC.

<u>NP</u>

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ON BEHALF OF VEOLIA ENERGY KANSAS CITY, INC.
CASE NO. HR-2014-0066

Q. Please state your name and business address.

A. My name is Steven C. Carver. My business address is P.O. Box 481934, Kansas City, Missouri 64148.

Q. What is your present occupation?

A. I am the Vice President and a principal in the firm Utilitech, Inc., which specializes in providing consulting services for clients who actively participate in the process surrounding the regulation of public utility companies. Our work includes the review of utility rate applications, as well as the performance of special investigations and analyses related to utility operations and ratemaking issues.

Q. On whose behalf are you appearing in this proceeding?

A. Utilitech was retained by Veolia Energy Kansas City, Inc. (hereinafter "VEKC", "Veolia" or "Company") to assist in the preparation of a rate case filing on behalf of VEKC and to file testimony with this Commission regarding the Company's overall test year revenue requirement.

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

A. Generally, my responsibilities in this docket encompass the review and evaluation of various elements of rate base and operating income included within the Company's overall revenue requirement. As a result, I address various adjustments to rate base and operating income, as identified on the earlier table of contents, as well as introduce the Company's proposed capital structure (Schedule SCC-3.D)[1] sponsored by Veolia witness Stephen G. Hill. Certain ratemaking adjustments may rely on information supplied by, or be co-sponsored in coordination with, Veolia witnesses Charles Melcher, Steven Weafer, Thomas Hardwick, Joseph Herz and Stephen Hill. The revenue requirement effect of the various Company adjustments and recommendations are reflected within the Veolia Joint Accounting Schedules, which are appended hereto as Veolia Schedule SCC-3.

Q. When did the Company file its notice of intent to file the pending rate application?

A. On September 6, 2013, the Company filed its Notice of Rate Case Filing with the Commission.

EDUCATION AND EXPERIENCE

Q. What is your educational background?

A. I graduated from State Fair Community College, where I received an Associate of Arts Degree with an emphasis in Accounting. I also graduated from Central Missouri State University with a Bachelor of Science Degree in Business Administration, majoring in Accounting.

[1] Schedule SCC-3 represents the Veolia Joint Accounting Schedules which support the Company's calculated revenue deficiency. Sub-schedule D is the proposed capital structure sponsored by Mr. Hill. For purposes of presentation, Sub-schedule D may be identified as Schedule SCC-3.D. Any abbreviated reference herein to Schedule D is intended to relate to Schedule SCC-3.D. Similar nomenclature applies to all sub-schedules contained within Schedule SCC-3.

Q. Please summarize your professional experience in the field of utility regulation.

A. From 1977 to 1987, I was employed by the Missouri Public Service Commission ("MoPSC") in various professional auditing positions associated with the regulation of public utilities. In April 1983, I was promoted by the Missouri Commissioners to the position of Chief Accountant and assumed overall management and policy responsibilities for the Accounting Department. I provided guidance and assistance in the technical development of Staff issues in major rate cases and coordinated the general audit and administrative activities of the Department. In addition to my duties as Chief Accountant, I was also appointed in July 1983 as Project Manager of the Missouri Staff's audit of the construction costs of two nuclear generating stations owned by Missouri utilities.

I commenced employment with Utilitech in June 1987. During my employment with the firm, I have been associated with various regulatory projects on behalf of clients in the States of Arizona, California, Florida, Hawaii, Kansas, Illinois, Iowa, Indiana, Mississippi, Missouri, Nevada, New Mexico, New York, Oklahoma, Pennsylvania, Texas, Utah, Washington, West Virginia and Wyoming. I have conducted revenue requirement analyses and special studies involving various regulated industries (i.e., electric, gas, telephone, water and steam). Since joining the firm, I have occasionally appeared as an expert witness before the MoPSC on behalf of various clients, including the Company, the Commission Staff and other intervenors participating in utility rate cases. Additional information regarding my professional experience and qualifications are summarized in Veolia Schedules SCC-1 and SCC-2.

EXECUTIVE SUMMARY

Q. What is the overall revenue deficiency quantified for the Company's regulated operations?

A. Based on a historical test year ended June 30, 2013, with certain known and measurable changes through the end of 2013,[2] the Company has quantified a revenue deficiency of about $2.8 million.[3] In comparison, Veolia's proposed tariffs seek the implementation of an overall rate increase of about $1.0 million, as more fully discussed by Company witness Melcher and summarized on Veolia Schedule CPM-2.

Q. In quantifying the revenue deficiency for VEKC, has a stringent cut-off date been applied for purposes of recognizing known and measurable changes?

A. In general terms, the third quarter of 2013 was targeted for recognizing known and measurable changes (e.g., fuel prices, salaries and wages, etc.). However, the Company anticipates that the major elements of rate base (e.g., net plant and deferred income tax reserve balances), fuel prices, consumable costs and other corporate costs are reasonably reflective of year-end 2013 values, as material changes were not observed subsequent to the test year.

Q. Could you briefly describe the general nature of the regulated steam service provided by the Company?

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2 Veolia's approach to the test year and quantification of known and measurable changes will be subsequently discussed herein.

3 See Veolia Schedule SCC-3.A, as contained in the Veolia Joint Accounting Schedules attached hereto as Schedule SCC-3.

A. Yes. As will be more fully discussed by Company witness Melcher, VEKC provides regulated steam to commercial customers, including retail business operations, governmental office buildings, hotels and owners/managers of multi-unit residential buildings in the downtown Kansas City area. These customers primarily use steam to heat and humidify occupied building space, to heat domestic water for laundry use, or in food preparation. An affiliate, Veolia Energy Missouri, Inc. ("VEMO" or "Veolia MO") also purchases steam at full tariff rates from VEKC for use in the provision of chilling service in limited areas of the downtown loop. Additionally, although service is not provided at regulated tariff rates, VEKC also sells process steam, pursuant to the terms and conditions of separately negotiated special contracts, to two industrial customers – Ingredion Incorporated ("Ingredion" was formerly known as National Starch and Chemical Company) and Cargill, Incorporated ("Cargill").[4]

Q. How can the various Company Schedules and Adjustments that you sponsor be identified in the Veolia Joint Accounting Schedules?

A. Schedule SCC-3 represents the Veolia Joint Accounting Schedules. Within these joint accounting schedules, the Company's recommended adjustments are listed on the schedule index located at the front of Schedule SCC-3. The name of the sponsoring witness is identified on this index and is also shown in the upper left-hand corner of each page contained within these schedules.

[4] These process steam customers are <u>not</u> captive customers whose only option is to receive utility service without feasible, alternative sources of energy. Rather, these are sophisticated commercial customers who have chosen to purchase steam from VEKC from among several available alternatives. Further, these customers have significant year-round steam requirements and voluntarily engage in extensive arm's-length negotiations before entering into contracts for process steam with the Company.

Q. Mr. Carver, have you previously submitted testimony on behalf of a utility in any regulatory proceeding?

A. Yes. This is the third rate case in which I have filed revenue requirement testimony on behalf of Company before this Commission (i.e., Case Nos. HR-2008-0300 and HR-2011-0241). Other than these three steam rate cases, all of my testimony has been on behalf of the staff of various public service commissions, consumer advocate groups or state attorneys general, or other parties participating in a formal utility proceeding wherein I typically represent ratepayer interests.

Q. Please describe how the remainder of your testimony is organized.

A. The remainder of my testimony is arranged by topical section, following the table index presented previously. This index identifies the specific areas I address in testimony and references the testimony pages as well as any related adjustment identified in the joint accounting schedules.

TEST YEAR

Q. Please briefly describe the test year approach used in this proceeding.

A. In quantifying overall revenue requirement, Veolia has employed a historical test year ending June 2013,[5] recognizing identifiable known and measurable changes generally through 2013, including September fuel prices and customer additions and losses in October. The various ratemaking adjustments proposed by Veolia attempt to balance the

[5] Company witness Steven Weafer is sponsoring the unadjusted operating results for the June 2013 historical test year.

various elements of the ratemaking equation and capture material changes in the overall cost of providing utility service through 2013.

Q. When you refer to balancing the various elements of the ratemaking equation, is it your intent to imply that each element of the ratemaking equation is developed in an identical manner?

A. No. In the ratemaking process, it is neither possible nor desirable to employ a stringent or mechanical method or approach to quantify each element of the ratemaking equation. Because the overall revenue requirement is comprised of various dissimilar elements, the technique employed to determine the ongoing level of revenues and expenses must be unique to the facts and circumstances underlying each element. Rather, it was my intent to indicate that the test year approach should be balanced and consistently applied to the various ratemaking elements, such that the resulting revenue requirement contains minimal quantification distortions.

Q. Why is the selection and balanced adjustment of a test year important in the determination of just and reasonable utility rates?

A. The ratemaking equation commonly employed by this Commission, and other regulatory agencies, compares a required return on rate base to the investment return generated by adjusted test year operating results. If the return indicated by the adjusted operating results (i.e., adjusted test year operating income and rate base) is deficient, an increase in revenues is required to provide the utility an opportunity to earn a “reasonable” return on its investment. Conversely, an excessive return would support a reduction in utility revenues and rates.

For the ratemaking equation to function properly, the components comprising the equation (i.e., rate base, revenues, expenses and rate of return) must be reasonably representative of ongoing levels, internally consistent and comparable – within the context of test period parameters. To the extent that these components are not reasonably synchronized, a utility may not have the opportunity to earn its authorized return or, alternatively, may have the opportunity to earn in excess of the return authorized. By synchronizing or maintaining the comparability of revenues, expenses and investment, the integrity of the test year can be maintained with the reasonable expectation that the resulting rates will not significantly misstate the ongoing cost of providing utility service.

Consequently, it is critical that the ratemaking process properly synchronize only those known and measurable changes which occur during the test year or within a reasonable period subsequent thereto, rather than establish utility rates on inappropriate factors or inconsistent post-test year events. In this manner, regulators can best be assured that rates are reasonably based on ongoing cost levels.

Q. Could you explain the concept of "known and measurable" changes, as the Company has applied that concept in the current filing?

A. Yes. In general terms, the recognition of changes or adjustments to test year rate base and operating income should be consistently applied and limited to items that are fixed, known and measurable for ratemaking purposes. In my opinion, the following definition or explanation of the "known and measurable" concept, as commonly applied in utility ratemaking, is consistent with past Commission practice:

> **Known and measurable changes –** transactions or events that are:
> (a) Fixed in time. A qualifying transaction or event must be "fixed" within the test year or within the specified period following the test year – for example, through December 2013.
> (b) Known to occur. The transaction or event must be "known" to exist, in contrast with possible, uncertain or speculative changes.
> (c) Measurable in amount. The financial effect of the transaction or event can be "measured" or accurately quantified.

In this context, a transaction or event should only be considered known and measurable if it has been agreed to by contract or commitment, can be verified to have occurred within the specified time period, and can be quantified employing reliable data.

It is not uncommon for regulatory commissions to recognize or annualize transactions occurring within, or subsequent to, the historical test period for verifiable, yet balanced, changes which impact a utility's future earnings. However, it is also true that parties often differ on whether offsetting factors have been appropriately considered and how far outside the test year it may be appropriate to reach for changes. In my opinion, the recognition of known and measurable changes must be reasonably balanced or matched with offsetting factors. Otherwise, a distorted view of the cost of service will lead to improper rate adjustments. A consistent matching of both price and quantity changes is necessary to achieve this balance, particularly when volume changes, during or subsequent to the test year, offset price level changes.

Q. Based on your regulatory experience, is it reasonable to expect that changes occurring subsequent to a rate case test year will automatically put upward pressure on the cost of providing utility service?

A. No. It may be anticipated that the passage of time may result in increasing expenses (and investments), during periods of even modest inflation. As a result, the recognition of various revenue/expense annualization and/or normalization adjustments might be expected to consistently yield higher revenue requirements. However, revenue trends, productivity gains and reductions in certain operating expenses may offset the presumption of a generally increasing cost of service. Favorable and unfavorable revenue requirement influences can offset one another for many years, explaining how some utilities have been successful in avoiding base rate increases for extended periods of time.

All components of the ratemaking equation change over time. It is only by consistently analyzing the major cost of service components that a determination can be made as to whether the overall revenue requirement has changed materially. The key issue is whether revenues are growing faster or slower than the overall costs necessary to support those revenues.

REVENUE REQUIREMENT & REVENUE CREDITING

Q. Referring to Veolia Schedule SCC-3, the change in overall revenue requirement, as set forth on Schedule SCC-3.A, is shown in two steps – "Gross Change In Overall Revenue

Requirement" And "Calculated Revenue Deficiency." Could you please explain this presentation?

A. Yes. As will be discussed by Company witness Melcher, VEKC provides regulated steam service to numerous tariff customers located within the Company's certificated service territory and provides process steam service to two customers (Ingredion and Cargill) pursuant to the terms and conditions of negotiated special contracts. Although a cost of service study has been prepared and updated in this filing, VEKC proposes to continue to "revenue credit" the margins associated with its process steam line of business for purposes of this proceeding.

Referring to Schedule SCC-3.A,[6] the "Gross Change in Overall Revenue Requirement" appearing at line 7 represents the overall revenue deficiency prior to recognizing (i.e., "revenue crediting") the margins associated with pro forma process steam sales. In comparison, the "Calculated Revenue Deficiency" appearing at line 8 represents the reduced revenue deficiency <u>after</u> recognizing the pro forma "revenue credit" associated with process steam sales.

Q. Could you describe the "revenue crediting" process?

A. Yes. There are two basic methods for apportioning joint and common costs between tariff and nontariff services. First, complex and detailed cost studies and analyses could be undertaken to assign and allocate revenues, expenses, fuel costs/savings, and investment between these lines of business. Strict reliance on the result of such detailed

[6] Veolia Schedule A is contained in the Veolia Joint Accounting Schedules attached hereto and also be identified as Veolia Schedule SCC-3.A.

studies would require that each line of business be effectively treated as a stand-alone operation for regulatory purposes and assume responsibility for their respective costs (i.e., both directly assigned and allocated embedded costs).

Second, in lieu of assigning and allocating cost responsibility, which can and does change from time to time, the approach to overall revenue requirement could recognize the profitable nontariffed (or nonregulated) lines of business for purposes of quantifying the calculated revenue deficiency and setting regulated tariff rates. Such an approach could be implemented by either recognizing such lines of business (i.e., investment, revenues and expenses) above-the-line for ratemaking purposes <u>or</u> by removing the identifiable revenues, expenses and investment and then separately quantifying a "revenue credit" adjustment to the overall revenue deficiency calculation. Consistent with the Company's filing in the last two rate cases, VEKC has employed the revenue crediting approach to reflect the contribution of the process steam line of business in reducing overall revenue requirement.

This approach effectively allows the Company to retain a return on its process steam investment equivalent to the weighted cost of capital considered in setting utility rates, with the excess margins used to mitigate or reduce overall revenue requirement. This proposed treatment of these nontariffed services <u>decreases</u> revenue requirement by about $2.8 million, based on VEKC's proposed capital structure and cost rates.

Q. As part of this rate filing, the Company submitted a class cost of service study. Why were the results of that study not used as the basis to assign and allocate costs to the nontariff process steam customers?

A. As discussed and sponsored by Company witness Herz, Veolia prepared a class cost of service study (i.e., CCOSS) as required by the settlement agreement approved by the Commission in the Company's last two rate cases (Case Nos. HR-2008-0300 and HR-2011-0241). The CCOSS attributes embedded cost responsibility to individual customer groups[7] based on a combination of assigning identifiable direct costs and allocating indirect costs.[8] While the CCOSS provided useful information in assessing the relative success of each customer group, under the existing rate structure, in covering embedded costs, VEKC has not attempted to employ the CCOSS for purposes of evaluating or explicitly considering all stand-alone costs and benefits – such as how to recognize the benefits of fuel cost savings resulting from more efficient utilization of the steam generation resources enabled by Veolia's large volume, high load factor customers.

For purposes of the pending rate case, the CCOSS results were used as an indicator to support the proposed distribution of the requested rate increase between tariff rate classes. In order to mitigate the effects of potential rate shock and recognize the impact of perceived competitive pressures, the Company's requested rate increase is

[7] The customer groups are represented by the tariff rate schedules for Standard Commercial Service ("SCS"), Large Commercial Service ("LSC") and Interruptible Heating Service ("IHS") plus the nontariffed process steam customers. The LCS class was further disaggregated between VEMO, Truman Medical Center ("TMC") and all other LCS customers in an effort to further consider the unique nature of the costs to serve these subgroups.

[8] Various allocation techniques were employed including the average and excess demand methodology for steam production costs, relative steam requirements for fuel and consumable costs, and the ratio of directly assigned expenses for administrative costs.

conservatively less than the overall calculated revenue deficiency. The Company recognizes that future rate case filings may be required to increase rates in a phased manner, absent additional steam sales or reductions in the cost of providing service. Before the Company attempts to more directly link its regulated tariff rates to a specific cost of service study, it is also anticipated that those future rate filings would need to involve significant further refinements to the CCOSS approach. Thus, the Company has concluded that the results of the current CCOSS should be used as a guide in the current proceeding, but that it would be premature to solely rely on those results to design rates to produce sufficient revenues enabling full recovery of the costs attributed to each of the three regulated customer classes.[9]

Q. By proposing to revenue credit the margins from its process steam line of business, is the Company necessarily committing to utilize this methodology in all future rate case proceedings?

A. No. The Company has proposed the revenue crediting approach in this proceeding for several reasons. First, this is the third steam rate case filed by VEKC, or its predecessor Trigen Kansas City, since Kansas City Power & Light Company divested its steam property in the early 1990's. Second, the assembly of this rate filing, including the CCOSS, was a major undertaking for the Company at a time when the general state of the economy and unique business requirements demanded attention. Third, the revenue crediting methodology mitigates overall revenue requirement without the need to commit additional resources to further develop and enhance the CCOSS to fully and completely

[9] VEKC's current tariffs include rates for the Standard Commercial Service ("SCS"), Large Commercial Service ("LCS") and Interruptible Heating Service ("IHS") customer classes.

segregate the process steam line of business. Nevertheless, the Company may choose to continue using the revenue crediting methodology in future rate proceedings.

RATEMAKING ADJUSTMENTS

Q. Are you sponsoring adjustments to both rate base and operating income for purposes of quantifying overall revenue requirement?

A. Yes. I am sponsoring various adjustments to VEKC's test year rate base and operating income.

Q. Could you identify and briefly describe the rate base adjustments you sponsor?

A. Yes. The following outline identifies and briefly describes each rate base adjustment:

B-1 Net Plant Update: Updates plant in service and accumulated depreciation to reflect September 2013 balances recorded by VEKC.

B-2 Remove Process Steam: Removes from rate base the direct net investment and deferred income tax reserve balance related to providing process steam service.

B-3 Prepayments: Represents a thirteen month average of prepayments for inclusion in rate base.

Q. Could you identify and briefly describe the adjustments to operating income that you sponsor?

A. Yes. The following outline identifies and describes each operating income adjustment:[10]

[10] These revenue and expense adjustments are listed on Veolia Schedule SCC-3.C, pages 2 through 4. In addition, Veolia Adjustments C-4, C-6, C-12, C-17, C-24 and C-25 were intentionally reserved or left blank.

C-1 Revenues – Billed Basis Adjustment: Adjusts test year revenues from an accrued basis to a billed basis.

C-2 Revenues – Customer Additions, Losses & Corrections: Adjusts test year revenues to recognize known customer changes and corrections.

C-3 Revenues – Weather Normalization: Adjusts test year revenues to reflect 30-year NOAA normal heating and cooling degree days.

C-5 Fuel Expense Annualization: Annualizes fuel expense using 2013 coal and gas supply sources/prices, historical generation mix, annualized/normalized tariff sales and test year process steam sales.

C-7 Pro Forma Purchase Power Expense: Annualizes purchased power expense related to tariff sales and test year process steam sales.

C-8 Consumables Expense Annualization: Recognizes pro forma consumables expense related to regulated tariff sales and test year process steam sales, using 2013 water and sewer charges.

C-9 Remove Process Steam: Removes from operating income the direct revenues and expenses, including fuel, purchased power and consumables expense, related to providing process steam service during the test year.

C-10 Income Tax Expense: Recognizes income tax effects associated with pro forma operating results at existing tariff rates.

C-11 Depreciation Annualization – Existing Rates: Annualizes book depreciation based on the depreciable original cost investment included in rate base and the book depreciation rates previously authorized by this Commission.

<u>C-13 Bonus Compensation</u>: Removes bonus compensation for the employees working full time at VEKC.

<u>C-14 Corporate Common Cost Adjustment</u>: Adjusts corporate common costs for inclusion in overall revenue requirement, including the corporate operations of Thermal North America, Inc. ("TNAI") and Veolia Energy North America LLC ("VENA").

<u>C-15 Property Tax Adjustment</u>: Annualizes real and personal property tax expense based on the 2012 Tax Bill.

<u>C-16 Rate Case Expense</u>: Recognizes a three-year amortization of a reasonably conservative estimate of outside legal and consulting services necessary to the preparation, presentation and support of the current rate filing.

<u>C-18 Annualize Wages and Payroll Taxes</u>: Annualizes straight-time pay, employee benefits and related payroll tax expense for the employees working full time at VEKC.

<u>C-19 Normalize Environmental Expenses</u>: Recognizes an ongoing level of emission and environmental compliance expenses and removes a one-time credit recorded in the test year to reverse a prior period environmental reserve accrual.

<u>C-20 Annualize Production Contract Labor</u>: Annualizes contract labor for production maintenance.

<u>C-21 MPSC Assessment Fee Adjustment</u>: Adjusts test year fees associated with the MPSC Assessment to reflect the fee billed for the fiscal year beginning July 2013.

<u>C-22 Normalize Outside Services Expense</u>: Normalizes fees for legal matters other than rate case activity.

<u>C-23 Eliminate Marketing Expense</u>: Removes all marketing expenses recorded during the test year.

NET PLANT

Q. Please describe the Company's approach to the quantification of net plant for purposes of this rate case.

A. The net plant component of rate base represents the actual net original cost investment, comprised of gross plant in service and accumulated depreciation reserve, recorded by the Company as of September 30, 2013.

Q. Please explain the reference to net original cost.

A. A utility's investment in property at the time the property is first dedicated to public use is generally identified as the original cost. When the Company first purchased the steam operations from Kansas City Power & Light Company in the early 1990's, VEKC's predecessor entity did not maintain its accounting records in conformance with original cost accounting. In 2005, Veolia identified this deficiency and undertook a detailed analysis to correct its accounting records in conformance with original cost accounting.

In MoPSC Case No. HM-2004-0618,[11] the Company and Staff entered into a negotiated settlement agreement that, in part, required Trigen-KC (now VEKC) to maintain its accounting records in conformance with the FERC uniform system of accounts, including

[11] Case No. HM-2004-0618 involved a joint application of Trigen-Kansas City Energy Corp. (now Veolia Energy Kansas City, Inc.) and Thermal North America, Inc. for Commission authority to transfer the control and stock of Trigen-KC.

net original cost accounting. This settlement agreement was approved by the Commission by a report and order issued in that docket, effective December 31, 2004.[12]

In the subsequent rate cases (Case Nos. HR-2008-0300 and HR-2011-0241), the Commission approved settlement agreements that, in part, validated that the Company's proposed correction and restatement of its original cost investment and the related accumulated depreciation reserve had complied with the requirements of Case No. HM-2004-0618.[13] VEKC has continued to maintain and update the underlying accounting documentation and has recorded the rebalancing of the depreciation reserve between specific subaccounts, as required in that settlement agreement.[14]

Q. Does the accumulated depreciation reserve balance included in rate base also reflect the book depreciation rates previously authorized by the Commission, as required by the settlement agreement in Case No. HM-2004-0618 and subsequently revised by the settlement agreements in Case Nos. HR-2008-0300 and HR-2011-0241?

A. Yes. The depreciation reserve balance has been maintained to recognize the book depreciation rates authorized by the Commission by Depreciation Authority Order No. 148, issued on June 9, 1983, and subsequently revised by the settlements approved in Case Nos. HR-2008-0300 and HR-2011-0241.

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[12] See Order Approving Unanimous Stipulation And Agreement And Disclaiming Jurisdiction Over The Chilled Water Operations Of Trigen-Missouri Energy Corporation, Case No. HM-2004-0618, effective December 31, 2004.

[13] See, for example, paragraph 8 of the Order Approving Unanimous Stipulation And Agreement And Authorizing Tariff Filing, Case No. HR-2008-0300, effective September 26, 2008.

[14] See page 4 of the Stipulation and Agreement, dated September 9, 2008, Case No. HR-2008-0300.

Q. Has the Company proposed an adjustment to reflect new plant additions or otherwise update net plant subsequent to the end of the June 2013 test year?

A. Yes. Veolia Adjustment B-1 recognizes a small adjustment to both gross plant and accumulated depreciation reserve to reflect all known additions, revisions or modifications to test year balances through September 2013. The Company recognizes that additional changes to net plant may occur during the pendency of this case and is willing to work with Staff and any other parties that may intervene in this docket on how and whether such changes should be recognized for ratemaking purposes.

PROCESS STEAM

Q. You previously described Veolia Adjustments B-2 and C-9 as removing the direct investment, revenues and expenses relating to process steam. Are these adjustments necessary elements of the Company's proposed revenue crediting treatment of the nontariffed process steam margins?

A. Yes. Since the process steam margins are recognized as a reduction in quantifying the calculated revenue deficiency on Veolia Schedule A, it is necessary to remove direct process steam revenues and costs from the determination of test year rate base and operating income. In the absence of such adjustments, revenue requirement could be materially misstated.

Q. When did the process steam customers first begin receiving steam service from the Company?

A. I am not sure of the date that steam service was first provided to Ingredion (formerly National Starch and Chemical Company) as such service originated under KCPL ownership of the district steam system. Cargill first began purchasing steam from the Company in May 2006. In 2008, Cargill expanded operations at its Kansas City facility and increased the volume of steam purchased from VEKC. The current test year includes a full year of process steam sales to both Ingredion and Cargill.

Q. Does Veolia Adjustment C-9 remove only the steam sales and related direct costs for the actual service provided to Ingredion and Cargill during the test year?

A. Yes.

Q. In quantifying the process steam "revenue credit" amount used to determine the "Calculated Revenue Deficiency," were any adjustments made to the steam sales or related costs associated with process steam sales?

A. Yes. The revenue credit calculation has been synchronized with other ratemaking adjustments to include the Company's proposed fuel prices, consumable costs, depreciation expense, and process steam sales.

OTHER RATE BASE ADJUSTMENTS

Q. What is the purpose of Veolia Adjustment B-3?

A. This adjustment represents the Company's proposal to include a thirteen-month average of prepayments in rate base. Test year data showed a general trend in the recorded balances of materials and supplies as well as fuel inventories. As such, the amounts included in rate base for these items are at test year end. Unlike most regulated utilities that burn coal for energy production, VEKC has very limited storage capacity at the Grand Avenue Station. Because of this limited storage space, coal is delivered to Grand Avenue on virtually a daily basis during the peak winter months. As a consequence, the Company is unable to store coal quantities that equate to multiple months of coal burn.

Q. Does VEKC store any oil inventory at Grand Avenue that is included in rate base?

A. No. Coal is the only fuel inventory included in rate base.

REVENUE ADJUSTMENTS

Q. Please describe Veolia Adjustments C-1 and C-2.

A. Veolia Adjustment C-1 reduces test year revenues to replace the accrual basis revenues recorded during the test year with billed basis revenues. Veolia Adjustment C-2 reflects a net decrease to test year revenues to recognize the net loss of three customers during or subsequent to the test year and the consolidation of multiple meters for one customer.

Q. Does the Company currently anticipate any additional customer migrations, additions or losses in 2013 while this rate case is in process?

A. No. I am not aware of any other customer changes that are anticipated by the Company. It should be noted, however, that the Company's LCS and IHS tariffs require an annual determination of the highest hourly peak use during the prior winter heating season (i.e., December 1 through March 31) for prospective billing purposes. The demand charge element of the LCS tariff is based on the highest peak hour use in the two immediately preceding winter heating seasons (i.e., currently 2011-2012 and 2012-2013) while the capacity charge under the current IHS tariff is limited to the highest peak hour use in the immediately preceding winter heating season (i.e., 2012-2013). During the likely course of this proceeding, the Company will review and assess the peak hour use of all customers in the LCS and IHS classes to determine any prospective billing changes.

Because of the potential effect such changes may have on pro forma revenues, the Company plans to update test year revenues and revise the proof of revenue calculation to incorporate the new demand and capacity charges once the peak hour data becomes available.[15] At the present time, it is unknown whether such an update will increase or decrease test year revenues. Veolia Adjustment C-4 has been reserved for this purpose.

WEATHER NORMALIZATION

Q. You previously indicated that Veolia Adjustment C-3 adjusts test year revenues to reflect 30-year NOAA normal heating and cooling degree days. Could you briefly describe the methodology employed to quantify the effect of weather variances from normal?

A. Yes. Using billed basis tariff steam sales (i.e., stated in terms of thousand pounds or "Mlbs" of steam), I prepared a ten year (July 2003 through June 2013) regression analysis of monthly steam sales and both heating degree days and cooling degree days. The results of these regression analyses were used to quantify the effect of weather variances on steam sales underlying Veolia Adjustment C-3.

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[15] VEKC's peak hour use typically occurs in January.

Q. Why did you select a ten year period for the number of observations used for the heating and cooling regression calculations?

A. Because Veolia provides steam service to a limited tariff customer base, the heating and cooling regression analyses involved only customers receiving continuous service throughout the regression period (i.e., "constant customers"). Excluding process steam, the Company's tariff customer count has dropped from 63 customers in July 2003 to about 53 customers in June 2013. However, there has been sufficient turnover in the customer base that only about 43 of the current tariff customers have effectively been eligible to receive steam service throughout the ten-year regression period. Consequently, the regression analysis was limited to the 40 "constant customers" with the regression results applied to all test year customer sales.

A similar approach was employed in the cooling regression analysis. The Company provides tariff steam that is used principally for cooling purposes to affiliate VEMO under two separate accounts. Since the most recent account was added in mid-2007, monthly usage data was only available for one of the two VEMO accounts for a period longer than four years – which had the effect of limiting the cooling regression to only one account.

Q. What weather station was used for purposes of obtaining actual and normal degree day data?

A. Mindful of the Commission Staff's longstanding weather data preference, Veolia's weather regression analysis used actual and normal degree day data from the Kansas City International Airport.

Q. You previously referred to "cooling" degree days when describing the effect of weather variances on steam sales. Why are "cooling" degree days relevant to VEKC's operations?

A. For most tariff customers, the Company merely provides steam for any number of uses, including: space heating and humidification, domestic water heating, laundry use, and food preparation. One of VEKC's customers, affiliate VEMO, purchases steam under two separate accounts at full LCS tariff rates to support its <u>cooling</u> operations in downtown Kansas City. Although VEMO typically purchases steam throughout the year, the bulk of those purchases occur during the non-heating season. For that reason, a separate weather regression analysis was prepared for the steam sales to VEMO using actual and normal "cooling" degree day data.

<u>FUEL EXPENSE</u>

Q. Please describe Veolia Adjustment C-5.

A. Veolia Adjustment C-5 annualizes fuel expense based on historical data: fuel mix (i.e., coal and gas), unit efficiency, line loss and station use. This annualization included late 2013 delivered prices for coal and gas as well as coal handling and ash disposal.

Veolia Adjustment C-6 has been "reserved" as a placeholder for purposes of potentially recognizing pro forma fuel expense effects that might arise during the rate case due to changes in fuel supply sources, revisions in fuel mix for currently unforeseeable changes in coal/gas utilization, and/or unknown changes in fuel prices during the known and measurable period.

Q. What is the meaning of your statement that Veolia Adjustment C-6 has been "reserved as a placeholder"?

A. At the time the Company finalized its direct testimony, there were no known changes to fuel suppliers, fuel prices or generation mix beyond the factors embedded in the quantification of Veolia Adjustment C-5. However, recognizing that changes might arise that could increase or decrease pro forma fuel expense, Veolia Adjustment C-6 was "reserved as a placeholder" to capture such effects when and if they become known and measurable.

Q. In quantifying Veolia Adjustment C-5, were the process steam sales to Ingredion and Cargill considered in the determination of system requirements?

A. Yes. Except for sales adjustments for weather normalization (tariff customers) and customer adds and losses (tariff customers), Veolia Adjustment C-5 is based on actual steam sales volumes (i.e., billed basis) for the test year ending June 2013. These billed basis sales include the two process steam customers. However, as previously discussed, Veolia Adjustment C-9 separately removes revenues and direct expenses, including fuel related expenses, attributable to process steam operations from pro forma operating expense.

Q. Does the Company consider both process steam customers to represent high load factor customers?

A. Yes. As high load factor customers, the process steam customers allow VEKC to more efficiently use coal to meet its steam generation needs, thereby avoiding the purchase of significant volumes of natural gas for boiler fuel.

Q. In quantifying Veolia Adjustment C-9, did the Company propose to effectively reduce the favorable fuel mix that is achievable only by serving the high load factor process steam customers?

A. No. Veolia did not rely on a fuel dispatch model for purposes of quantifying the amount of pro forma fuel expense included in overall revenue requirement. Although a reasonable case could be presented that the absence of the process steam loads (and even Truman Medical Center) could result in a significantly lower proportion of the Company's generation needs being met by coal, the Company did not recognize this cost penalty to regulated steam operations in preparing Veolia Adjustment C-9.

PRO FORMA PURCHASED POWER EXPENSE

Q. Please describe Veolia Adjustment C-7.

A. During the test year, the net energy purchases by VEKC were slightly higher than historical average levels but appeared to represent ongoing expected levels. Veolia

Adjustment C-7 annualizes purchased power expense based on test year energy purchases and the pro forma effect of the electric tariff rates of Kansas City Power & Light Company ("KCPL") approved by this Commission that became effective in January 2013.

CONSUMABLES EXPENSE

Q. Please describe Veolia Adjustment C-8.

A. Veolia Adjustment C-8 annualizes consumables expense (i.e., water, sewer and other chemical costs) related to the steam requirements supporting pro forma steam sales to tariff customers. This adjustment recognizes the increase in the water and sewer rates billed by Kansas City, Missouri that were implemented in May 2013.

INCOME TAX EXPENSE

Q. Please describe Veolia Adjustment C-10.

A. Veolia Adjustment C-10 annualizes test year income tax expense consistent with the various other pro forma revenue and expense adjustments proposed by the Company.

Q. In quantifying taxable income, does Veolia Adjustment C-10 recognize a deduction for interest expense using allocated interest or interest synchronization?

A. Yes. Veolia Adjustment C-10 does employ the interest synchronization methodology which represents a long-standing practice of this Commission. Under this method, the weighted cost of debt included in VEKC's proposed capital structure (Veolia Schedule SCC-3.D) is multiplied times the Company's net investment in rate base (Veolia

Schedule SCC-3.B) to determine the amount of interest expense deductible for ratemaking income tax purposes.[16]

Q. If the Commission were to subsequently adopt a weighted cost of debt or rate base different from that proposed by Veolia, would it be necessary to recalculate income tax expense as set forth on Veolia Adjustment C-10?

A. Yes. For ratemaking purposes, the amount of income tax expense and tax deductible interest expense included in the calculation of overall revenue requirement typically rolls-out from the various rate base, revenue and expense adjustments and the weighted cost of debt ultimately adopted by the Commission. As in all utility rate cases, income tax expense will need to be recalculated consistent with such findings, including the income tax deduction for interest expense.

DEPRECIATION EXPENSE ANNUALIZATION

Q. Please describe Veolia Adjustment C-11.

A. Veolia Adjustment C-11 represents the annualization of depreciation expense based on the depreciable plant included in rate base and the book depreciation rates authorized by the Commission in the settlement of the Company's last two rate cases (Case Nos. HR-2008-0300 and HR-2011-0241).

Q. How was Veolia Adjustment C-11 quantified?

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[16] See Veolia Schedules SCC-3.B and SCC-3.D, as contained in the Veolia Joint Accounting Schedules attached hereto as Schedule SCC-3.

A. Book depreciation was annualized by multiplying the regulated investment in depreciable plant included in rate base updated as of September 30, 2013, by the accrual rates discussed previously. The aggregate amount of the pro forma depreciation was then compared to the amount of depreciation expense recorded during the test year to quantify the adjustment amount.

BONUS COMPENSATION

Q. Please describe Veolia Adjustment C-13.

A. Veolia Adjustment C-13 removes the amount of bonus compensation and related payroll tax expense recorded during the test year, for the VENA[17] employees who worked during the test year on behalf of Veolia's operations in Kansas City, Missouri. In order to narrow the areas of potential disagreement in this rate case, the Company has agreed to not seek recovery of any bonus compensation.

Q. By making this adjustment in the current rate case, is the Company necessarily committing to not seek recovery of such costs in a future rate case?

A. No. Whether the Company may or may not choose to seek recovery of bonus compensation in a future rate case will be based on the facts and circumstances existing at that time.

[17] As more fully described by Company witness Weafer, both Veolia Energy Kansas City ("VEKC") and Veolia North America, LLC ("VENA") are wholly owned subsidiaries of Thermal North America, Inc. ("TNAI"). See Schedule SRW-1 attached to the direct testimony of Mr. Weafer. All employees physically located in the Kansas City area are employees of the legal entity VENA. The direct costs (e.g., labor, benefits, etc.) associated with those employees are directly charged to either VEKC or VEMO based on the nature of the work performed.

CORPORATE COMMON COST

Q. Are most of the administrative and ownership functions related to the operations of VEKC undertaken by personnel located in Kansas City?

A. No. As discussed by Company witness Weafer, the day-to-day activities of directly operating, maintaining and managing the VEKC steam operations are the responsibility of VENA personnel located in Kansas City. However, the administrative and ownership functions for all VENAH properties are currently supported by VENA or VENAH personnel located in Boston, Massachusetts.[18]

Q. Has an adjustment been prepared to annualize and normalize the allocation of corporate common costs to VEKC?

A. Yes. Veolia Adjustment C-14 recognizes a conservative, ongoing level of corporate common costs allocated to VEKC.

Q. How was Veolia Adjustment C-14 determined?

A. Company witness Weafer provided actual test year corporate costs incurred by both TNAI and VENAH. In the normal course of business, certain cost center expenses are retained and not allocated to the various operating entities. In addition, other cost center expenses were removed for regulatory purposes and not allocated to VEKC for purposes

[18] As discussed in the direct testimony of Company witness Weafer, a company-wide long term transformation plan ("Convergence") was recently announced. Shared Service Centers ("SSC") have been established in Milwaukee, Indianapolis, and Chicago to centralize the back-office and transactional functions shared amongst the Veolia Divisions (Energy, Water, and Environmental Services)

of this rate case.[19] The voluntary removal of certain common costs initially allocated to VEKC was undertaken with the intention of conservatively eliminating elements of expense that are sometimes controversial in the rate setting process. As with other positions taken by the Company in this proceeding, VEKC may at some future date seek recovery of certain categories of common costs that are voluntarily eliminated in this proceeding. Using an allocation factor based on the actual revenues (i.e., for the twelve months ending June 2013) of the various VENAH properties benefiting from the common costs incurred, the adjusted corporate common costs were then allocated to VEKC and compared to actual charges recorded during the test year, with Veolia Adjustment C-14 representing the resulting difference.

PROPERTY TAX ADJUSTMENT

Q. Please describe Veolia Adjustment C-15.

A. Veolia Adjustment C-15 is based on the actual amount of real and personal property taxes assessed for 2012 to VEKC.

RATE CASE EXPENSE

Q. Please describe Veolia Adjustment C-16.

A. Veolia Adjustment C-16 adjusts actual Regulatory Commission Expense recorded during the test year to reflect a three-year amortization of a reasonably conservative estimate of "normal" outside legal and consulting services to assist in preparing, presenting and supporting this rate filing. Only two of the TNAI properties nationwide are state-

[19] The types of common costs not allocated to VEKC include: executive officer compensation, incentive or bonus pay, project development and sale/acquisition costs, lobbying and charitable contributions, if any.

regulated steam properties, with VEKC being the only Veolia state-regulated property in Missouri.[20] As such, neither TNAI nor VENA currently maintains permanent staff to prepare and present a formal rate case without outside assistance.

Q. How did the Company determine a “reasonably conservative” estimate of outside legal and consulting services to be incurred?

A. At the outset, it should be emphasized that the current rate filing is not considered to be a “normal” or “typical” rate case. While this is now the third steam heat rate case filed for this property since the late 1980’s, significant outside resources were required to support this rate filing. Only one in-house Company witness that filed testimony in the last rate case is also a witness in the current rate case. The Company is proposing to add several new tariff offerings, expand its certificated service territory and has updated the class cost of service study that it agreed to prepare (settlement of Case No. HR-2008-0300) and first presented in its last rate case (Case No. HR-2011-0241).

Coupled with the absence of a regulatory staff at the local or corporate level, these factors contribute to the possibility that VEKC may incur higher outside services expense than what is being sought for recovery in rates. Regarding the question of exactly how a “reasonably conservative” estimate was derived, clearly professional judgment was required inasmuch as the Company has limited “actual” or “normal” experience to rely upon.

[20] Trigen-St. Louis Energy Corporation, a wholly-owned subsidiary of TNAI, is rate regulated by the Solid Waste Management District Commission, a municipal entity in St. Louis, MO.

ANNUALIZE WAGES & PAYROLL TAXES

Q. What is the purpose of Veolia Adjustment C-18?

A. Veolia Adjustment C-18 annualizes straight time labor costs based on June 2013 employees working on behalf of VEKC. In addition to test year-end headcounts, this adjustment also includes actual wage increases granted in June 2013. Because of the relatively small amount of this labor expense adjustment, other employee benefits, such as the 401-k match and defined retirement contributions which vary directly with actual wages paid, were not adjusted.

NORMALIZE ENVIRONMENTAL EXPENSES

Q. Please discuss and describe Veolia Adjustment C-19.

A. Veolia Adjustment C-19 includes an ongoing level of emission and environmental compliance expenses and removes a one-time credit recorded in the test year that reversed a prior period environmental reserve accrual. The one-time credit relates to an accrual for potential environmental claims that was originally recorded in 2010 and discussed in the direct testimony of both Mr. Weafer and myself in Case No. HR-2011-0241.

As discussed in that case, VEKC received a Responsible Party Notification Letter ("Notification") dated February 1, 2010 from the Kansas Department of Health and Environment ("KDHE"). The Notification informed the Company that it was considered a Potentially Responsible Party in connection with the alleged sale of waste coal residue and/or bottom ash (the "Material") to a third party (McGraw Trucking) who used the

Material as fill for the construction of a parking lot pad. KDHE also alleged that the third party did not obtain a solid waste permit allowing for the disposal of the Material in this manner.

Due to the magnitude of the potential remediation cost, the limited amount paid to date relative to the amount accrued during the test year, and the possibility that other responsible parties may participate in funding the remediation costs, Veolia did not seek recovery of any of the potential costs in the last rate case. Veolia Adjustment C-19 in the current case simply removes the reversal of a portion of the original accrual recorded in 2010 since the Company did not seek recovery of any of the estimated costs in the last case and is not seeking recovery of any of the actual costs in this case.

ANNUALIZE PRODUCTION CONTRACT LABOR

Q. Please describe Veolia Adjustment C-20.

A. Veolia uses contract labor on a recurring basis in support of its production maintenance work. Since the Company did not incur any contract labor expenses during the first half of the test year, Veolia Adjustment C-20 annualizes production maintenance contract labor based on the actual amount incurred in the first six months of 2013.

MPSC ASSESSMENT FEE ADJUSTMENT

Q. Please describe Veolia Adjustment C-21.

A. Veolia Adjustment C-21 adjusts test year fees associated with the MPSC Assessment to reflect the actual fee assessment the Company received from the Commission for the fiscal year beginning July 2013.

NORMALIZE OUTSIDE SERVICES EXPENSE

Q. What is the purpose of Veolia Adjustment C-22?

A. During a review of test year expense, the Company observed that recorded legal fees were significantly less than recent costs even after segregating key legal disputes and regulatory support costs. Since the test year amount appears to be significantly less than ongoing legal fees, Veolia Adjustment C-22 normalizes fees for legal matters other than rate case activity. The proposed ongoing level is below the average legal fees incurred during the period 2010 through 2012, excluding legal costs for regulatory support activity.

ELIMINATE MARKETING EXPENSE

Q. How was Veolia Adjustment C-23 quantified?

A. In order to narrow areas of possible dispute in this proceeding, Veolia Adjustment C-23 merely removes all marketing expenses recorded during the test year.

Q. Does this conclude your direct testimony?

A. Yes.

Qualifications of Steven C. Carver

EMPLOYER:	Utilitech, Inc. Regulatory and Management Consultants
POSITION:	Vice-President
ADDRESS:	P.O. Box 481934 Kansas City, Missouri 64148

PRIOR EXPERIENCE:

6/87 - Present	Utilitech, Inc.
4/83 - 6/87	Missouri Public Service Commission, Chief Accountant
10/79 - 4/83	Missouri Public Service Commission, Accounting Manager
6/77 -10/79	Missouri Public Service Commission, Regulatory Auditor

EDUCATION:

Central Missouri State University
Bachelor of Science Degree in Business Administration
Accounting Major (1977)

State Fair Community College
Associate of Arts Degree - Emphasis in Accounting (1975)

OTHER QUALIFICATIONS:

Speaker	- 1988 Missouri Public Service Commission Workshop
	- 1990 Annual NASUCA/NARUC Convention (Orlando)
	- 1996 Mid-Year NASUCA Meeting (Chicago)
Instructor	- 1994 Hawaii Consumer Advocate Regulatory Training Program
	- 1997 Hawaii Consumer Advocate Telecommunications Training Program
	- 1999 Overview of Utility Regulation (Hawaii)
	- 2000 Telecommunications: Overview of Regulation (Arizona)

PRIOR TESTIMONIES: (See listings on Schedule SCC-2, pages 1-6.)

STEVEN C. CARVER
SUMMARY OF QUALIFICATIONS

Education and Experience

I graduated from State Fair Community College where I received an Associate of Arts Degree with an emphasis in Accounting. I also graduated from Central Missouri State University with a Bachelor of Science Degree in Business Administration, majoring in Accounting. Subsequent to the completion of formal education, my entire professional career has been dedicated to public utility investigations, regulatory analysis and consulting.

From 1977 to 1987, I was employed by the Missouri Public Service Commission in various professional auditing positions associated with the regulation of public utilities. In that capacity, I participated in and supervised various accounting compliance and rate case audits (including earnings reviews) of electric, gas, telephone utility, water/wastewater and steam utility companies and was responsible for the submission of expert testimony as a Staff witness.

In October 1979, I was promoted to the position of Accounting Manager of the Kansas City Office of the Commission Staff and assumed supervisory responsibilities for a staff of regulatory auditors, directing numerous rate case audits of large electric, gas and telephone utility companies operating in the State of Missouri. In April 1983, I was promoted by the Commission to the position of Chief Accountant and assumed overall management and policy responsibilities for the Accounting Department, providing guidance and assistance in the technical development of Staff issues in major rate cases and coordinating the general audit and administrative activities of the Department.

During 1986-1987, I was actively involved in a docket established by the Missouri Public Service Commission to investigate the revenue requirement impact of the Tax Reform Act of 1986 on Missouri utilities. In 1986, I prepared the comments of the Missouri Public Service Commission respecting the Proposed Amendment to FAS Statement No. 71 (relating to phase-in plans, plant abandonments, plant cost disallowances, etc.) as well as the Proposed Statement of Financial Accounting Standards for Accounting for Income Taxes. I actively participated in the discussions of a subcommittee responsible for drafting the comments of the National Association of Regulatory Utility Commissioners ("NARUC") on the Proposed Amendment to FAS Statement No. 71 and subsequently appeared before the Financial Accounting Standards Board with a Missouri Commissioner to present the positions of NARUC and the Missouri Commission.

In July of 1983 and in addition to my duties as Chief Accountant, I was appointed Project Manager of the Commission Staff's construction audits of two nuclear power plants owned by electric utilities regulated by the Missouri Public Service Commission. As Project Manager, I was involved in the staffing and coordination of the construction audits and in the development and preparation of the Staff's audit findings for presentation to the Commission. In this capacity, I coordinated and supervised a matrix organization of Staff accountants, engineers, attorneys and consultants.

Since commencing employment with Utilitech in June 1987, I have conducted revenue requirement and special studies involving various regulated industries (i.e., electric, gas, telephone, water and steam heating) and have been associated with regulatory projects on behalf of clients in twenty State regulatory jurisdictions.

<u>Previous Expert Testimony</u>

I have appeared as an expert witness before the Missouri Public Service Commission on behalf of various clients, including the Commission Staff. I have filed testimony before utility regulatory agencies in Arizona, California, Florida, Hawaii, Kansas, Indiana, Nevada, New Mexico, Missouri, Oklahoma, Pennsylvania, Texas, Utah, and Washington. My previous experience involving electric and gas company proceedings includes: PSI Energy, Union Electric (now Ameren Missouri), Kansas City Power & Light, Missouri Public Service/ UtiliCorp United/Aquila (now Kansas City Power & Light Company), Public Service Company of Oklahoma, Oklahoma Gas and Electric, Hawaii Electric Light Company, Hawaiian Electric Company, Maui Electric Company, Sierra Pacific Power/ Nevada Power, Gas Service Company, Northern Indiana Public Service Company, Arkla (a Division of NORAM Energy), Oklahoma Natural Gas Company, Missouri Gas Energy, Arizona Public Service Company, Southwestern Public Service (Texas), Atmos Energy Corporation (Texas divisions) and The Gas Company (Hawaii). I have also sponsored testimony in telecommunications and water proceedings in various regulatory jurisdictions.

Schedule SCC-2 summarizes various regulatory proceedings in which I have filed testimony.

STEVEN C. CARVER
Summary of Previously Filed Testimony
1978 through 2013 (November)

Utility	Jurisdiction	Agency	Docket/Case Number	Party Represented	Year	Areas Addressed
Kansas City Power & Light	Missouri	PSC	ER-78-252	Staff	1978	Rate Base, Operating Income
Gas Service Company	Missouri	PSC	GR-79-114	Staff	1979	Rate Base, Operating Income
United Telephone of Missouri	Missouri	PSC	TO-79-227	Staff	1979	Rate Base, Operating Income, Affiliated Interest
Kansas City Power & Light	Missouri	PSC	ER-80-48	Staff	1980	Operating Income, Fuel Cost
Gas Service Company	Missouri	PSC	GR-80-173	Staff	1980	Operating Income
Southwestern Bell Telephone	Missouri	PSC	TR-80-256	Staff	1980	Operating Income
Missouri Public Service	Missouri	PSC	ER-81-85	Staff	1981	Operating Income
Missouri Public Service	Missouri	PSC	ER-81-154	Staff	1981	Interim Rates
Gas Service Company	Missouri	PSC	GR-81-155	Staff	1981	Operating Income
Gas Service Company	Missouri	PSC	GR-81-257	Staff	1981	Interim Rates
Union Electric Company	Missouri	PSC	ER-82-52	Staff	1982	Operating Income, Fuel Cost
Southwestern Bell Telephone	Missouri	PSC	TR-82-199	Staff	1982	Operating Income
Union Electric Company	Missouri	PSC	ER-83-163	Staff	1983	Rate Base, Plant Cancellation Costs
Gas Service Company	Missouri	PSC	GR-83-207	Staff	1983	Interim Rates
Union Electric Company	Missouri	PSC	ER-84-168/ EO-85-17	Staff	1984 1985	Construction Audit, Operating Income
Kansas City Power & Light	Missouri	PSC	ER-85-128/ EO-85-185	Staff	1983 1985	Construction Audit, Rate Base, Operating Income
St. Joseph Light & Power	Missouri	PSC	EC-88-107	Public Counsel	1987	Rate Base, Operating Income
Northern Indiana Public Service	Indiana	IURC	38380	Consumer Counsel	1988	Operating Income
US West Communications	Arizona	ACC	E-1051-88-146	Staff	1989	Rate Base, Operating Income
Dauphin Consol. Water Supply Co.	Pennsylvania	PUC	R-891259	Staff	1989	Rate Base, Operating Income, Rate Design

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Summary of Previously Filed Testimony
1978 through 2013 (November)

Utility	Jurisdiction	Agency	Docket/Case Number	Party Represented	Year	Areas Addressed
Southwest Gas Corporation	Arizona	ACC	E-1551-89-102 E-1551-89-103	Staff	1989	Rate Base, Operating Income
Southwestern Bell Telephone	Missouri	PSC	TO-89-56	Public Counsel	1989 1990	Intrastate Cost Accounting Manual
Missouri Public Service	Missouri	PSC	ER-90-101	Public Counsel/ Staff	1990	UtiliCorp United Corporate Structure/ Diversification
City Gas Company	Florida	PSC	891175-GU	Public Counsel	1990	Rate Base, Operating Income, Acquisition Adjustment
Capital City Water Company	Missouri	PSC	WR-90-118	Jefferson City	1991	Rehearing - Water Storage Contract
Southwestern Bell Telephone Company	Oklahoma	OCC	PUD-000662	Attorney General	1991	Rate Base, Operating Income
Public Service of New Mexico	New Mexico	PSC	2437	USEA	1992	Franchise Taxes
Citizens Utilities Company	Arizona	ACC	ER-1032-92-073	Staff	1992 1993	Rate Base, Operating Income
Missouri Public Service Company	Missouri	PSC	ER-93-37	Staff	1993	Accounting Authority Order
Public Service Company of Oklahoma	Oklahoma	OCC	PUD-1342	Staff	1993	Rate Base, Operating Income, Acquisition Adjustment
Hawaiian Electric Company	Hawaii	PUC	7700	Consumer Advocate	1993	Rate Base, Operating Income
US West Communications	Washington	WUTC	UT-930074, 0307	Public Counsel/ TRACER	1994	Sharing Plan Modifications
US West Communications	Arizona	ACC	E-1051-93-183	Staff	1994	Rate Base, Operating Income
PSI Energy, Inc.	Indiana	IURC	39584	Consumer Counselor	1994	Operating Income, Capital Structure
Arkla, a Division of NORAM Energy	Oklahoma	OCC	PUD-940000354	Attorney General	1994	Rate Base, Operating Income
Kauai Electric Division of Citizens Utilities Company	Hawaii	PUC	94-0097	Consumer Advocate	1995	Hurricane Iniki Storm Damage Restoration
Oklahoma Natural Gas Company	Oklahoma	OCC	PUD-940000477	Attorney General	1995	Rate Base, Operating Income

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1978 through 2013 (November)

Utility	Jurisdiction	Agency	Docket/Case Number	Party Represented	Year	Areas Addressed
US West Communications	Washington	WUTC	UT-950200	Attorney General/ TRACER	1995	Rate Base, Operating Income
PSI Energy, Inc.	Indiana	IURC	40003	Consumer Counselor	1995	Rate Base, Operating Income
GTE Hawaiian Tel; Kauai Electric - Citizens Utilities Co.; Hawaiian Electric Co.; Hawaii Electric Light Co.; Maui Electric Company	Hawaii	PUC	95-0051	Consumer Advocate	1996	Self-Insured Property Damage Reserve
GTE Hawaiian Telephone Co., Inc.	Hawaii	PUC	94-0298	Consumer Advocate	1996	Rate Base, Operating Income
Oklahoma Gas and Electric Company	Oklahoma	OCC	PUD-960000116	Attorney General	1996	Rate Base, Operating Income
Public Service Company	Oklahoma	OCC	PUD-0000214	Attorney General	1997	Rate Base, Operating Income
Arizona Telephone Company (TDS)	Arizona	ACC	U-2063-97-329	Staff	1997	Rate Base, Operating Income, Affiliate Transactions
US West Communications	Utah	UPSC	97-049-08	Committee of Consumer Services	1997	Rate Base, Operating Income
Missouri Gas Energy	Missouri	PSC	GR-98-140	Public Counsel	1998	Revenues, Uncollectibles
Sierra Pacific Power Company	Nevada	PUCN	98-4062 98-4063	Utility Consumers Advocate	1999	Sharing Plan
Hawaii Electric Light Co., Power Purchase Agreement (Encogen)	Hawaii	PUC	98-0013	Consumer Advocate	1999	Keahole CT-4/CT-5 AFUDC, Avoided Cost
Kansas City Power & Light Company	Missouri	MoPSC	EC-99-553	GST Steel Company	1999	Complaint Investigation
US West Communications	New Mexico	NM PRC	3008	PRC Staff	2000	Rate Base, Operating Income
Hawaii Electric Light Company	Hawaii	PUC	99-0207	Consumer Advocate	2000	Keahole pre-PSD Common Facilities

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Summary of Previously Filed Testimony
1978 through 2013 (November)

Utility	Jurisdiction	Agency	Docket/Case Number	Party Represented	Year	Areas Addressed
US West/ Qwest Communications	Arizona	ACC	T-1051B-99-105	Staff	2000	Rate Base, Operating Income
The Gas Company	Hawaii	PUC	00-0309	Consumer Advocate	2001	Rate Base, Operating Income, Nonreg Svcs.
Craw-Kan Telephone Cooperative, Inc.	Kansas	KCC	01-CRKT-713-AUD	KCC Staff	2001	Rate Base, Operating Income
Home Telephone Company, Inc.	Kansas	KCC	02-HOMT-209-AUD	KCC Staff	2002	Rate Base, Operating Income
Wilson Telephone Company, Inc.	Kansas	KCC	02-WLST-210-AUD	KCC Staff	2002	Rate Base, Operating Income
SBC Pacific Bell	California	PUC	01-09-001 / 01-09-002	Office of Ratepayer Advocate	2002	New Regulatory Framework / Earnings Sharing Investigation
JBN Telephone Company	Kansas	KCC	02-JBNT-846-AUD	KCC Staff	2002	Rate Base, Operating Income
Kerman Telephone Company	California	PUC	02-01-004	Office of Ratepayer Advocate	2002	General Rate Case, Affiliate Lease, Nonregulated Transactions
S&A Telephone Company	Kansas	KCC	03-S&AT-160-AUD	KCC Staff	2003	Rate Base, Operating Income, Nonreg Alloc
PSI Energy, Inc.	Indiana	IURC	42359	Consumer Counselor	2003	Rate Base, Operating Income, Nonreg Alloc
Arizona Public Service Company	Arizona	ACC	E-10345A-03-0437	ACC Staff	2004	Rate Base, Operating Income
Qwest Corporation	Arizona	ACC	T-01051B-03-0454 & T-00000D-00-0672	ACC Staff	2004	Rate Base, Operating Income, Nonreg Alloc
Verizon Northwest Inc.	Washington	WUTC	UT-040788	Attorney General/ AARP/ WeBTEC	2004	Rate Base, Operating Income
Public Service Company	Oklahoma	OCC	PUD-200300076	Attorney General	2005	Operating Income
Hawaiian Electric Company	Hawaii	PUC	04-0113	Consumer Advocate	2005	Rate Base, Operating Income
Citizens Gas & Coke Utility	Indiana	IURC	42767	Consumer Counselor	2005	Operating Income, Benchmarking Study
AmerenUE d/b/a Union Electric Co.	Missouri	MoPSC	ER-2007-0002	State of Missouri	2006	Revenue Requirement
Hawaii Electric Light Company	Hawaii	PUC	05-0315	Consumer Advocate	2007	Rate Base, Operating Income & Keahole Units

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Summary of Previously Filed Testimony
1978 through 2013 (November)

Utility	Jurisdiction	Agency	Docket/Case Number	Party Represented	Year	Areas Addressed
Hawaii Electric Company	Hawaii	PUC	2006-0386	Consumer Advocate	2007	Rate Base, Operating Income
Maui Electric Company	Hawaii	PUC	2006-0387	Consumer Advocate	2007	Rate Base, Operating Income
Trigen-Kansas City Energy Corp.	Missouri	MoPSC	HR-2008-0300	Trigen-KC	2008	Revenue Requirement
Southwestern Public Service	Texas	PUCT	35763	Alliance of Xcel Muni.	2008	Rate Base, Operating Income
The Gas Company, LLC	Hawaii	PUC	2008-0081	Consumer Advocate	2009	Rate Base, Operating Income, Nonutility
Hawaiian Electric Company	Hawaii	PUC	2008-0083	Consumer Advocate	2009	Rate Base, Operating Income
Southwestern Public Service	Texas	PUCT	37135	Alliance of Xcel Muni.	2009	Transmission Cost Recovery Factor
Maui Electric Company	Hawaii	PUC	2009-0163	Consumer Advocate	2010	Rate Base, Operating Income
Hawaii Electric Light Company	Hawaii	PUC	2009-0164	Consumer Advocate	2010	Rate Base, Operating Income
Atmos Pipeline – Texas	Texas	RRC	10000	Atmos Texas Muni.	2010	Rate Base, Operating Income
AmerenUE d/b/a Ameren Missouri	Missouri	MoPSC	ER-2011-0028	Missouri Industrial Energy Consumers	2011	Revenue Requirement
Veolia Energy Kansas City	Missouri	MoPSC	HR-2011-0241	Veolia-KC	2011	Revenue Requirement
Hawaiian Electric Company	Hawaii	PUC	2010-0080	Consumer Advocate	2011	Rate Base, Operating Income
Maui Electric Company	Hawaii	PUC	2011-0092	Consumer Advocate	2012	Rate Base, Operating Income
AmerenUE d/b/a Ameren Missouri	Missouri	MoPSC	ER-2012-0166	Missouri Industrial Energy Consumers	2012	Revenue Requirement
Atmos Energy, Mid-Tex Division	Texas	RRC	10170	Atmos Texas Muni.	2012	Rate Base, Operating Income
Atmos Energy, West Texas Division	Texas	RRC	10174	Lubbock, Amarillo, Channing & Dalhart	2012	Rate Base, Operating Income

STEVEN C. CARVER
Summary of Previously Filed Testimony
1978 through 2013 (November)

Utility	Jurisdiction	Agency	Docket/Case Number	Party Represented	Year	Areas Addressed
Electric Industry	Missouri	MoPSC	EW-2013-0425	Mo. Retailers Assoc. & Consumers Council	2013	Legislative Concerns
Southwestern Public Service	Texas	PUCT	41430	Alliance of Xcel Muni.	2013	Sale of Transmission Assets
Veolia Energy Kansas City	Missouri	MoPSC	HR-2014-0066	Veolia-KC	2013	Revenue Requirement

VEOLIA ENERGY KANSAS CITY
CASE NO. HR-2014-0066
INDEX TO ACCOUNTING EXHIBITS
AND SUPPORTING SCHEDULES

Schedule/ Adjustment	Description	Witness
A	**CHANGE IN GROSS REVENUE REQUIREMENT**	Carver
A-1	REVENUE CONVERSION FACTOR	Carver
A-2	REVENUE CREDIT	Carver
B	**SUMMARY OF JURISDICTIONAL RATE BASE**	Carver
B-1	NET PLANT UPDATE	Carver
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B-3	PREPAYMENTS	Carver
B-4	**Reserved**	Carver
B-5	**Reserved**	Carver
C	**SUMMARY OF OPERATING INCOME**	Carver
C-1	REVENUES - BILLED BASIS ADJUSTMENT	Carver
C-2	REVENUES - CUSTOMER ADDITIONS, LOSSES & CORRECTIONS	Carver
C-3	REVENUES - WEATHER NORMALIZATION	Carver
C-4	**Reserved**	
C-5	FUEL EXPENSE ANNUALIZATION	Carver/Melcher
C-6	** Reserved **	
C-7	PRO FORMA PURCHASED POWER EXPENSE	Carver/Melcher
C-8	CONSUMABLES EXPENSE ANNUALIZATION	Carver
C-9	REMOVE PROCESS STEAM	Carver
C-10	INCOME TAX EXPENSE -- PROFORMA	Carver/Weafer
C-11	DEPRECIATION ANNUALIZATION - EXISTING RATES	Carver
C-12	**Reserved**	
C-13	BONUS COMPENSATION	Carver/Weafer
C-14	CORPORATE COMMON COST ADJUSMENT	Carver/Weafer
C-15	PROPERTY TAX ADJUSTMENT	Carver
C-16	RATE CASE EXPENSE AMORTIZATION	Carver/Weafer
C-17	**Reserved**	Carver/Weafer
C-18	ANNUALIZE WAGES AND PAYROLL TAXES	Carver/Weafer
C-19	NORMALIZE ENVIRONMENTAL EXPENSES	Carver/Weafer
C-20	ANNUALIZE PRODUCTION CONTRACT LABOR	Carver/Weafer
C-21	MPSC ASSESSMENT FEE ADJUSTMENT	Carver/Weafer
C-22	NORMALIZE OUTSIDE SERVICES EXPENSE	Carver/Weafer
C-23	ELIMINATE MARKETING EXPENSE	Carver/Weafer
C-24	**reserved**	
D	**CAPITAL STRUCTURE SUMMARY**	Carver/Hill

VEOLIA ENERGY KANSAS CITY
CASE NO. HR-2014-0066
CHANGE IN GROSS REVENUE REQUIREMENT
FOR THE TEST YEAR ENDED JUNE 30, 2013

LINE NO.	DESCRIPTION	SCHEDULE REFERENCE	COMPANY PROPOSED
	(A)	(B)	(C)
1	Proposed Rate Base	Sch. SCC-3.B	$ 12,541,008
2	Rate of Return	Sch. SCC-3.D	7.16%
3	Operating Income Required		897,936
4	Net Operating Income Available	Sch. SCC-3.C	(2,498,224)
5	Operating Income Deficiency		3,396,160
6	Revenue Conversion Factor	Sch. SCC-3.A-1	1.63353
7	**Gross Change in Overall Revenue Requirement**		**$ 5,547,730**
8	**Calculated Revenue Deficiency**		**$ 2,772,617**

Witness: Carver

VEOLIA ENERGY KANSAS CITY
CASE NO. HR-2014-0066
REVENUE CONVERSION FACTOR
FOR THE TEST YEAR ENDED JUNE 30, 2013

LINE NO.	DESCRIPTION	SCHEDULE REFERENCE	COMPANY PROPOSED
	(A)	(B)	(C)
1	Gross Intrastate Revenue		100.000000%
2	Less: Uncollectible Revenue	**(a)**	0.000000%
3	Total Revenue	Line 1+ 2	100.000000%
4	Less: Taxes on Local Revenue	**(a)**	0.000000%
5	Taxable Income	Line 3 + 4	100.000000%
6	Less: Kansas City Earnings Tax		0.006191
7	Less: Effective State Income Tax		5.2006%
8	Less: Effective Federal Income Tax		32.9631%
9	Net Operating Earnings	Lines 5-6-7-8	61.2172%
10	Revenue Conversion Factor	Line 1/Line 9	1.63353

FOOTNOTES:

(a) Placeholder components, not used in pending rate application.

VEOLIA ENERGY KANSAS CITY
CASE NO. HR-2014-0066
SUMMARY OF JURISDICTIONAL RATE BASE
FOR THE TEST YEAR ENDED JUNE 30, 2013

LINE NO.	DESCRIPTION	UNADJUSTED TEST YEAR	TEST YEAR ADJUSTMENTS	COMPANY PROPOSED
	(A)	(B)	(C)	(D)
1	**Original Cost**			
2	Utility Plant In Service	$67,449,895	$ (9,145,248)	$ 58,304,648
3	Depreciation Reserve	(40,975,332)	964,189	(40,011,143)
4	Net Plant In Service	26,474,563	(8,181,058)	18,293,505
5	**Deductions**			
6	Customer Advances for Construction	(6,499,887)	-	(6,499,887)
7	Contributions In Aid of Construction	-	-	-
8	Customer Deposits	-	-	-
9	Deferred Income Tax	(2,485,354)	992,870	(1,492,483)
10	**Additions**			
11	Fuel Inventories	591,325	-	591,325
12	Materials and Supplies	1,615,967	-	1,615,967
13	Prepayments	1,090	31,492	32,582
14	**Total Rate Base**	$ 19,697,704	$ (7,156,696)	$ 12,541,008
		(a)	**(b)**	

FOOTNOTES:

(a) Source: Veolia general ledger detail for fiscal year ended June 2013 and "KC PPE" spreadsheet file.

(b) Source: Veolia Schedule SCC-3.B, page 2.

Witness: Carver

VEOLIA ENERGY KANSAS CITY
CASE NO. HR-2014-0066
SUMMARY OF COMPANY PROPOSED RATE BASE ADJUSTMENTS
FOR THE TEST YEAR ENDED JUNE 30, 2013

LINE NO.	DESCRIPTION	ADJUSTMENT NUMBER / SCHEDULE REFERENCE B-1	B-2	B-3	B-4	B-5	B-6	B-7	B-8	TOTAL
	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)
1	**Original Cost**									
2	Utility Plant In Service	$ 39,107	$ (9,184,354)	$ -	$ -	$ -	$ -	$ -	$ -	$ (9,145,248)
3	Depreciation Reserve	(185,519)	1,149,709	-	-	-	-	-	-	964,189
4	Net Plant In Service	(146,412)	(8,034,646)	-	-	-	-	-	-	(8,181,058)
5	**Deductions**									
6	Customer Advances for Construction	-	-	-	-	-	-	-	-	-
7	Contributions In Aid of Construction	-	-	-	-	-	-	-	-	-
8	Customer Deposits	-	-	-	-	-	-	-	-	-
9	Deferred Income Tax	-	992,870	-	-	-	-	-	-	992,870
10	**Additions**									
11	Fuel Inventories	-	-	-	-	-	-	-	-	-
12	Materials and Supplies	-	-	-	-	-	-	-	-	-
13	Prepayments	-	-	31,492	-	-	-	-	-	31,492
14	**Total Rate Base**	$ (146,412)	$ (7,041,776)	$ 31,492	$ -	$ -	$ -	$ -	$ -	$ (7,156,696)

ADJUSTMENTS:

B-1 NET PLANT UPDATE
B-2 REMOVE PROCESS STEAM
B-3 PREPAYMENTS
B-4 **Reserved**
B-5 **Reserved**
B-6 **Reserved**
B-7 **Reserved**
B-8 **Reserved**

VEOLIA ENERGY KANSAS CITY
CASE NO. HR-2014-0066
SUMMARY OF OPERATING INCOME
FOR THE TEST YEAR ENDED JUNE 30, 2013

LINE NO.	DESCRIPTION	REFERENCE	TOTAL COMPANY UNADJUSTED TEST YEAR **(a)**	TEST YEAR ADJUSTMENTS **(b)**	COMPANY PROPOSED
	(A)	(B)	(C)	(D)	(E)
1	**REVENUES:**				
2	Operating revenues		$ 18,497,992	$ (11,569,507)	$ 6,928,486
3	Rent from steam property		104,950	-	104,950
4	Other Revenues		149,098	(83,815)	65,283
5	**Total Revenues**	(Lines 2...4)	18,752,040	(11,653,322)	7,098,718
6	**O&M EXPENSES:**				
7	Fuel Expense		10,614,476	(6,956,212)	3,658,264
8	Steam Expenses - Consumables		2,892,428	(1,698,864)	1,193,564
9	Purchased Electricity		40,415	(178)	40,236
10	Other Production Expense		2,647,469	343,757	2,991,226
11	Distribution Expense		385,911	(520)	385,392
12	Customer Accounts Expense		0	-	-
13	Customer Serv & Info Expense		19,155	(19,155)	-
14	Administrative & General Expense		1,960,247	(35,993)	1,924,253
15	Subtotal	(Lines 7...11)	18,560,102	(8,367,167)	10,192,935
16	Depreciation Expense		789,640	(231,825)	557,815
17	**Total Oper. & Maint. Expense**	(Lines 12+13)	19,349,742	(8,598,991)	10,750,750
18	Operating Income Before Taxes	(Lines 5-14)	(597,702)	(3,054,330)	(3,652,032)
19	Taxes Other Than Income Tax		598,715	15,773	614,488
20	Income Taxes		(723,581)	(1,044,715)	(1,768,296)
21	**Net Operating Income**	(Lines 15-16-17)	$ (472,837)	$ (2,025,388)	$ (2,498,224)
			(a)	(b)	

FOOTNOTES:

(a) Source: Veolia - KC Income Statement for 12 ME June 30, 2013
(b) Source: Veolia Schedule SCC-3.C, p. 4.

Witness: Ca

VEOLIA ENERGY KANSAS CITY
CASE NO. HR-2014-0066
SUMMARY OF COMPANY PROPOSED NOI ADJUSTMENTS
FOR THE TEST YEAR ENDED JUNE 30, 2013

LINE NO.	DESCRIPTION	ADJUSTMENT NUMBER / SCHEDULE REFERENCE									
		C-1	C-2	C-3	C-4	C-5	C-6	C-7	C-8	C-9	SUBTOTAL
	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)
1	**REVENUES:**										
2	Operating revenues	$ 1,041,348	$ (425,858)	$ (54,378)	$ -	$ -	$ -	$ -	$ -	$(12,130,619)	$ (11,569,507)
3	Rent from steam property	-	-	-	-	-	-	-	-	-	-
4	Other Revenues	103,554	-	-	-	-	-	(39,769)	-	(147,600)	(83,815)
5	**Total Revenues**	1,144,902	(425,858)	(54,378)	-	-	-	(39,769)	-	(12,278,218)	(11,653,322)
6	**O&M EXPENSES:**										
7	Fuel Expense	-	-	-	-	(194,881)	-	5,246	-	(6,766,488)	(6,956,123)
8	Steam Expenses - Consumables	-	-	-	-	-	-	-	222,678	(1,921,350)	(1,698,672)
9	Purchased Electricity	-	-	-	-	-	-	-	-	-	-
10	Other Production Expense	-	-	-	-	-	-	-	-	-	-
11	Distribution Expense	-	-	-	-	-	-	-	-	(0)	(0)
12	Customer Accounts Expense	-	-	-	-	-	-	-	-	-	-
13	Customer Serv & Info Expense	-	-	-	-	-	-	-	-	-	-
14	Administrative & General Expense	-	-	-	-	-	-	-	-	-	-
15	Subtotal	-	-	-	-	(194,881)	-	5,246	222,678	(8,687,839)	(8,654,795)
16	Depreciation Expense	-	-	-	-	-	-	-	-	(184,650)	(184,650)
17	**Total Operation & Maintenance Expense**	-	-	-	-	(194,881)	-	5,246	222,678	(8,872,489)	(8,839,446)
18	Operating Income Before Taxes	1,144,902	(425,858)	(54,378)	-	194,881	-	(45,015)	(222,678)	(3,405,729)	(2,813,876)
19	Taxes Other Than Income Tax	-	-	-	-	-	-	-	-	-	-
20	Income Taxes	-	-	-	-	-	-	-	-	-	-
21	**Net Operating Income**	$ 1,144,902	$ (425,858)	$ (54,378)	$ -	$ 194,881	$ -	$ (45,015)	$ (222,678)	$ (3,405,729)	$ (2,813,876)

ADJUSTMENTS:

C-1 REVENUES - BILLED BASIS ADJUSTMENT
C-2 REVENUES - CUSTOMER ADDITIONS, LOSSES & CORRECTIONS
C-3 REVENUES - WEATHER NORMALIZATION
C-4 **Reserved**
C-5 FUEL EXPENSE ANNUALIZATION
C-6 ** Reserved **
C-7 PRO FORMA PURCHASED POWER EXPENSE
C-8 CONSUMABLES EXPENSE ANNUALIZATION
C-9 REMOVE PROCESS STEAM

Schedule SCC-3.C
Page 2 of 4

Witness: Carver

VEOLIA ENERGY KANSAS CITY
CASE NO. HR-2014-0066
SUMMARY OF COMPANY PROPOSED NOI ADJUSTMENTS
FOR THE TEST YEAR ENDED JUNE 30, 2013

LINE NO.	DESCRIPTION	PRIOR PAGE SUBTOTAL	ADJUSTMENT NUMBER / SCHEDULE REFERENCE C-10	C-11	C-12	C-13	C-14	C-15	C-16	C-17	SUBTOTAL
	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)
1	**REVENUES:**										
2	Operating revenues	$ (11,569,507)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ (11,569,507)
3	Rent from steam property	-	-	-	-	-	-	-	-	-	-
4	Other Revenues	(83,815)	-	-	-	-	-	-	-	-	(83,815)
5	**Total Revenues**	(11,653,322)	-	-	-	-	-	-	-	-	(11,653,322)
6	**O&M EXPENSES:**										
7	Fuel Expense	(6,956,123)	-	-	-	-	-	-	-	-	(6,956,123)
8	Steam Expenses - Consumables	(1,698,672)	-	-	-	-	-	-	-	-	(1,698,672)
9	Purchased Electricity	-	-	-	-	-	-	-	-	-	-
10	Other Production Expense	(0)	-	-	-	-	-	-	-	-	-
11	Distribution Expense	-	-	-	-	(197,615)	-	-	-	-	(197,615)
12	Customer Accounts Expense	-	-	-	-	-	-	-	-	-	-
13	Customer Serv & Info Expense	-	-	-	-	-	-	-	-	-	-
14	Administrative & General Expense	-	-	-	-	(54,573)	(74,659)	-	114,409	-	(14,823)
15	Subtotal	(8,654,795)	-	-	-	(252,188)	(74,659)	-	114,409	-	(8,867,233)
16	Depreciation Expense	(184,650)	-	(47,175)	-	-	-	-	-	-	(231,825)
17	**Total Operation & Maintenance Expense**	(8,839,446)	-	(47,175)	-	(252,188)	(74,659)	-	114,409	-	(9,099,058)
18	Operating Income Before Taxes	(2,813,876)	-	47,175	-	252,188	74,659	-	(114,409)	-	(2,554,264)
19	Taxes Other Than Income Tax	-	-	-	-	-	-	16,373	-	-	16,373
20	Income Taxes	-	(1,044,715)	-	-	-	-	-	-	-	(1,044,715)
21	**Net Operating Income**	$ (2,813,876)	$ 1,044,715	$ 47,175	$ -	$ 252,188	$ 74,659	$ (16,373)	$ (114,409)	$ -	$ (1,525,921)
			Roll-Out								

ADJUSTMENTS:

C-10 INCOME TAX EXPENSE -- PROFORMA
C-11 DEPRECIATION ANNUALIZATION - EXISTING RATES
C-12 **Reserved**
C-13 BONUS COMPENSATION
C-14 CORPORATE COMMON COST ADJUSMENT
C-15 PROPERTY TAX ADJUSTMENT
C-16 RATE CASE EXPENSE AMORTIZATION
C-17 **Reserved**

Witness: Carver

VEOLIA ENERGY KANSAS CITY
CASE NO. HR-2014-0066
SUMMARY OF COMPANY PROPOSED NOI ADJUSTMENTS
FOR THE TEST YEAR ENDED JUNE 30, 2013

LINE NO.	DESCRIPTION	PRIOR PAGE SUBTOTAL	ADJUSTMENT NUMBER / SCHEDULE REFERENCE								
			C-18	C-19	C-20	C-21	C-22	C-23	C-24	C-25	TOTAL
	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)
1	**REVENUES:**										
2	Operating revenues	$ (11,569,507)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ (11,569,507)
3	Rent from steam property	-	-	-	-	-	-	-	-	-	-
4	Other Revenues	(83,815)	-	-	-	-	-	-	-	-	(83,815)
5	**Total Revenues**	(11,653,322)	-	-	-	-	-	-	-	-	(11,653,322)
6	**O&M EXPENSES:**										
7	Fuel Expense	(6,956,123)	(89)	-	-	-	-	-	-	-	(6,956,212)
8	Steam Expenses - Consumables	(1,698,672)	(192)	-	-	-	-	-	-	-	(1,698,864)
9	Purchased Electricity	-	(178)	-	-	-	-	-	-	-	(178)
10	Other Production Expense	(197,615)	(5,277)	512,563	34,086	-	-	-	-	-	343,757
11	Distribution Expense	-	(520)	-	-	-	-	-	-	-	(520)
12	Customer Accounts Expense	-	-	-	-	-	-	-	-	-	-
13	Customer Serv & Info Expense	-	-	-	-	-	-	(19,155)	-	-	(19,155)
14	Administrative & General Expense	(14,823)	(1,245)	-	-	(94,760)	74,835	-	-	-	(35,993)
15	Subtotal	(8,867,233)	(7,502)	512,563	34,086	(94,760)	74,835	(19,155)	-	-	(8,367,167)
16	Depreciation Expense	(231,825)	-	-	-	-	-	-	-	-	(231,825)
17	**Total Operation & Maintenance Expense**	(9,099,058)	(7,502)	512,563	34,086	(94,760)	74,835	(19,155)	-	-	(8,598,991)
18	Operating Income Before Taxes	(2,554,264)	7,502	(512,563)	(34,086)	94,760	(74,835)	19,155	-	-	(3,054,330)
19	Taxes Other Than Income Tax	16,373	(600)	-	-	-	-	-	-	-	15,773
20	Income Taxes	(1,044,715)	-	-	-	-	-	-	-	-	(1,044,715)
21	**Net Operating Income**	$ (1,525,921)	$ 8,102	$ (512,563)	$ (34,086)	$ 94,760	$ (74,835)	$ 19,155	$ -	$ -	$ (2,025,388)

ADJUSTMENTS:

C-18 ANNUALIZE WAGES AND PAYROLL TAXES
C-19 NORMALIZE ENVIRONMENTAL EXPENSES
C-20 ANNUALIZE PRODUCTION CONTRACT LABOR
C-21 MPSC ASSESSMENT FEE ADJUSTMENT
C-22 NORMALIZE OUTSIDE SERVICES EXPENSE
C-23 ELIMINATE MARKETING EXPENSE
C-24 **reserved**
C-25 **reserved**

VEOLIA ENERGY KANSAS CITY
CASE NO. HR-2014-0066
CAPITAL STRUCTURE SUMMARY
FOR THE TEST YEAR ENDED JUNE 30, 2013

LINE NO.	DESCRIPTION	CAPITAL RATIO	COST RATES	WEIGHTED COST
	(A)	(B)	(C)	(D)
1	Long-term Debt	52.00%	5.240%	2.72%
2	Short-term Debt	0.00%	0.000%	0.00%
3	Common Equity - mid return	48.00%	9.250%	4.44%
4	Total Capitalization	100.00%		7.16%
		(a)	(a)	(a)

FOOTNOTES:

(a) Source: Direct testimony of Company witness Stephen Hill, Schedule 10.

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	)))	Case No.HR-2014-0066

AFFIDAVIT OF STEVEN C. CARVER

STATE OF MISSOURI)
) ss
COUNTY OF JACKSON)

I, Steven C. Carver, being of lawful age, on my oath states as follows:

I participated in the preparation of the foregoing Direct Testimony in question and answer form to be presented in the above case;

I provided the answers in this Direct Testimony;

I have knowledge of the matters set forth in such answers; and

The information presented in this Direct Testimony is true and correct to the best of my knowledge and belief.

Steven C. Carver

Subscribed and sworn to before me this 26th day of November, 2013.

Notary Public in and for the State of MO

[Notary Seal/Stamp]

My commission expires: 4/12/14

LORI A. HUTSELL
Notary Public - Notary Seal
State of Missouri, Jackson County
Commission # 10439864
My Commission Expires Apr 12, 2014