

**Exhibit No.**

**Issue: Territory Expansion**

**Witness: Thomas J. Hardwick**

**Type of Exhibit: Direct Testimony**

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

**Case No. HR-2014-0066**

**Date Testimony Prepared: November 27, 2013**

**BEFORE THE PUBLIC SERVICE COMMISSION**

**STATE OF MISSOURI**

**DIRECT TESTIMONY**

**OF**

**THOMAS J. HARDWICK**

**VEOLIA ENERGY KANSAS CITY, INC.**

**TABLE OF CONTENTS**  
**DIRECT TESTIMONY OF**  
**THOMAS HARDWICK**

<b>Section</b>	<b>Page Ref.</b>
Description of Current Service Area	<b>2</b>
Proposed Boundaries of New Service Territory	<b>3</b>
Conclusion	<b>8</b>

**Attachments**

Schedule TJH-1	Current and Proposed Service Territory
Schedule TJH-2	Proposed Southern Expansion Area
Schedule TJH-3	Proposed Northeast Expansion Area

**BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MISSOURI  
DIRECT TESTIMONY OF THOMAS HARDWICK  
ON BEHALF OF VEOLIA ENERGY KANSAS CITY, INC.  
CASE NO. HR-2014-0066**

1 Q. Please state your name and business address.

2 A. My name is Thomas J. Hardwick and my business address is Veolia Energy  
3 Kansas City, Inc., 115 Grand Boulevard, Kansas City, MO 64106.

4

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

6 A. I am employed by Veolia Energy North America as Sales & Marketing Manager.  
7 My duties and responsibilities include maintenance and further education to  
8 existing customers and new client development on the benefits of district energy  
9 for Veolia Energy Kansas City, Inc. (referred to herein as “Veolia” or the  
10 “Company”).

11

12 Q. Please describe your educational background and professional experience.

13 A. I received a Masters of Business Administration (MBA) with emphasis in Finance  
14 and Marketing in addition to a Bachelors in Business Administration (BBA),  
15 emphasis in Business Management and Communications, from Emporia State  
16 University in 1976 and 1975, respectfully. Since 1976, my career has focused  
17 exclusively in the energy industry with various management positions at Conoco  
18 Oil, Mercer Management Consultants, Burns & McDonnell Engineers and now at  
19 Veolia Energy.

1

2 Q. Have you ever testified before this Commission or any other regulatory  
3 commission?

4 A. No.

5

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

7 A. The purpose of my testimony is to discuss the Company's current service  
8 territory, the proposed expansion of its service territory into two areas and recent  
9 development projects in the proposed expansion areas.

10

11 Veolia is seeking to expand its current service territory to respond to the  
12 increasing need for reliable, cost-effective energy to support the growth and  
13 redevelopment underway in downtown Kansas City. This encompasses  
14 commercial, residential and mixed-use initiatives. Kansas City Missouri Mayor  
15 Sly James has openly expressed his desire to triple the number of people living  
16 and working in downtown Kansas City from its present estimate of 10,000 to over  
17 30,000 in the next five (5) years. The build-out and availability of reliable, cost-  
18 effective energy is a key component for Mayor James and city leaders to deliver  
19 on this vision.

20

21 **DESCRIPTION OF CURRENT SERVICE AREA**

22 Q. Please describe the general nature of the Company's current service territory.

1 A. While more specifically described in the Company's tariffs on file with this  
2 Commission,<sup>1</sup> Veolia's service territory is largely confined to the downtown loop  
3 or central business district of Kansas City, Missouri, in the area roughly defined  
4 as being within the I-35 / I-70 / I-670 highway loop; plus the River Market  
5 district; plus a four-block wide extension from the southeast edge of the loop to  
6 the "Hospital Hill" area. Veolia distributes steam through a network of  
7 approximately 6.5 miles of pipe buried in the streets of Kansas City.

8

9 Q. How many customers does the Company currently serve within its existing  
10 service area?

11 A. At the present time, Veolia delivers steam to approximately 53 commercial  
12 customers that include Federal / State / City government buildings, Sprint Center,  
13 numerous office complexes, hotels and multi-unit residential buildings  
14 (principally for space heating purposes). Veolia also serves Truman Medical  
15 Center, our largest tariff customer, and two process steam customers (Cargill,  
16 Incorporated and Ingredion Incorporated) located outside the downtown loop. In  
17 addition to space heating, district steam is used to humidify buildings, heat  
18 domestic water, sterilization and in food ingredient manufacturing.

19

20 **PROPOSED BOUNDARIES OF NEW SERVICE TERRITORY**

21 Q. Please summarize the general boundaries of the proposed expansion areas.

---

<sup>1</sup> See Veolia Energy Kansas City, Inc., P.S.C. MO. No. 1, 2<sup>nd</sup> Revised Sheet No. 1.

1 A. In general terms, Veolia is seeking to expand its certificated service area  
2 southward to 27<sup>th</sup> Street between Interstate 35 and The Paseo and into an area  
3 North and East of Veolia’s Grand Avenue Station operation. Veolia Schedule  
4 TJH-1 represents an overlay of the proposed expansion areas onto the existing  
5 certificated service territory. The two expansion areas are more specifically  
6 identified and described in Veolia Schedules TJH-2 (Southern Expansion) and  
7 TJH-3 (Northeast Expansion) attached hereto.

8  
9 The first area of expansion (i.e., the southward) begins at the intersection of  
10 Interstate 35 and Interstate 670 following Interstate 35 South to 27<sup>th</sup> Street, East  
11 to The Paseo Boulevard, and North to Interstate 670. This area is being touted in  
12 the business community as the next wave of both commercial and residential  
13 development in downtown Kansas City. Currently, Veolia provides steam service  
14 to Truman Medical Center located at 23<sup>rd</sup> Street and Holmes Road. The  
15 opportunity exists to add new commercial accounts that could include: the  
16 development and expansion of the “Hospital Hill” area, Crown Center Retail /  
17 Office and Hotel, commercial office buildings at 23<sup>rd</sup> Street & Grand Avenue,  
18 Union Station / Kansas City Ballet, Internal Revenue Service, the “Cross Roads”  
19 district, Kauffman Center for the Performing Arts as well as numerous hotels and  
20 the University of Missouri Kansas City School of Conservatory.

21  
22 The second expansion area is immediately North of the plant at 115 Grand  
23 Boulevard to the Missouri River, following the river East to an extension of Olive

1 Street, South to Nicholson Avenue, East to Highland Avenue / Shelley Avenue,  
2 South to 1st Street / Guinotte Avenue and then West along 1<sup>st</sup> Street. Potential  
3 new tariff customer opportunities in this northeast area include: Isle of Capri  
4 Casino, General Mills processing plant and the area immediately south of the  
5 Riverfront Park and Berkley Park area.

6

7 Q. Other than Truman Medical Center, does Veolia currently provide district steam  
8 service in the southward expansion area?

9 A. No. However, Veolia has been contacted by and continues to be in direct contact  
10 with various parties interested in district steam service. These contacts have been  
11 with representatives from the City of Kansas City Missouri, Kauffman Center for  
12 the Performing Arts, University of Missouri at Kansas City, Chartwell Hotels, JE  
13 Dunn Construction Company, HNTB Architects as well as numerous design/build  
14 firms associated with projects in the conceptual stage, redevelopment and  
15 repurposing of old and historic buildings. All meetings and conversations have  
16 focused on the availability of reliable, cost-effective energy options. I firmly  
17 believe that district steam is a viable, reliable and competitive energy source for  
18 such projects.

19

20 Q. Are new buildings being planned in the southward expansion area or are the  
21 steam sales opportunities limited to redevelopment projects?

22 A. Within the past year, I have become aware of numerous projects in various  
23 development stages posted in newspapers, on the internet, in press articles, in

1 addition to direct contact with developers, construction firms, architects and  
2 design/build firms. Recently announced developments within this expansion area  
3 include:

- 4 • Chartwell Hotels announced plans for a 257-room mixed-use Marriott /  
5 Residence Inn at 15<sup>th</sup> and Baltimore
- 6 • University of Missouri at Kansas City announced plans to construct the first of  
7 three large campus buildings along 17<sup>th</sup> Street near Grand Avenue
- 8 • A 1,000-room “Power Hotel” has been discussed for development near 16<sup>th</sup>  
9 and Baltimore
- 10 • Possible expansion of Bartle Hall West over I-670 to Washington Street
- 11 • Numerous new construction and redevelopment projects have been discussed  
12 in “Cross Roads” district

13  
14 Q. Are you aware of any consideration of potential commercial customers along the  
15 line that serves Truman Medical Center?

16 A. Yes. From the downtown loop, the “Truman” line runs South between Locust  
17 Street and Campbell Street down to 25<sup>th</sup> Street. Within the proposed expansion  
18 territory resides various potential commercial customers, including:

- 19 • Proposed 100-room Truman Medical Center Hotel, near 23<sup>rd</sup> and Charlotte  
20 Streets
- 21 • Kansas City Missouri Area Transportation Authority, at 1200 East 18<sup>th</sup> Street
- 22 • Kansas City Missouri School District Manual Career Technical Center located  
23 at 1215 East Truman Road



- 1 • Goodwill Industries, at 1817 Campbell Street
- 2 • Tension Envelope, at 819 East 19<sup>th</sup> Street
- 3 • Kansas City Star Newspaper, at 1729 Grand Boulevard
- 4 • Future expansion of “Hospital Hill”, near 23<sup>rd</sup> Street and Holmes Road
- 5 • Children’s Mercy Hospital, 2401 Gillham Road
- 6 • Crown Center Development, 2450 Grand Boulevard

7

8 Q. Please discuss your awareness of any development activities considered in the  
9 proposed northeast expansion area?

10 A. In 2012 and again in 2013, representatives from the Kansas City Missouri  
11 (“KCMO”) Port Authority contacted Veolia and requested meetings to discuss  
12 possible development along the Missouri River from the Broadway Bridge east to  
13 Interstate 29 and south to 1<sup>st</sup> Street / Guinotte Avenue. This area is south of the  
14 Riverfront Park and Berkley Park areas. The KCMO Port Authority wanted  
15 clarification where the Veolia steam line is located and our interest in providing  
16 services to yet, undefined developments. In addition, two other operating entities  
17 are possible additions to this service area. They are the Isle of Capri Casino  
18 located on the Missouri River immediately east of the Interstate 29 Bridge and the  
19 General Mills processing facility located near the intersection of Guinotte Avenue  
20 and Walrond Avenue.

21

22

23

**CONCLUSION**

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23

Q. Does it appear that the nature of the downtown area will be changing in the not too distant future?

A. Yes. Numerous city and key business leaders including Mayor Sly James, City Manager Troy Schulte, Julia Irene Kauffman, Shirley Bush Helzberg, Neal Patterson and Cliff Illig have openly expressed support to enhance and develop downtown Kansas City, Missouri into an area thriving with residential development and mixed-use commercial buildings. Envisioned is expanding the number of people living and working in downtown Kansas City to over 30,000. In order to deliver on this vision reliable, cost-effective energy is a key component of this future.

Central district steam service is neither available nor offered by any regulated or non-regulated entity in the proposed expansion areas. As discussed by Mr. Melcher, district steam service will not only provide a competitive option for commercial, institutional and mixed-use users but promotes customer choice and economic development through potentially substantial cost savings. Veolia’s steam service differs from other energy suppliers in that it arrives at the customer's site in finished form (i.e., steam heat), ready for use by the customer. It affords potential customers the opportunity to leave the business of steam generation to others with expertise in the area and focus on their respective businesses or service enterprises.

1 Veolia has a proven track record of providing district steam service in its  
2 currently certificated service territory for many years and already has steam  
3 pipelines that provide access to both geographic areas. As discussed by Mr.  
4 Melcher, the approval of Veolia's extension request will enhance customer  
5 choice, provide an opportunity for qualifying customers to switch to a less costly  
6 energy alternative, and will help promote economic development in the extension  
7 areas.

8

9 Q. Has Veolia actively pursued business opportunities in these extension areas?

10 A. No. However, Veolia is generally aware of potential business opportunities that  
11 may arise in these areas through articles posted in newspapers, on the internet and  
12 in the press as well as through direct contact with developers, construction firms,  
13 architects and design / build firms. Veolia believes that the sale of reliable and  
14 economically priced district steam to potential customers in the extension areas  
15 will result in a win-win situation. Thus far, Veolia has been unable to engage in  
16 serious discussions concerning energy supply to these development projects as  
17 they were located outside the Company's certificated service territory.  
18 Commission approval of the Company's expansion request will allow us to  
19 commence serious discussions with interested parties about a competitive supply  
20 of district steam.

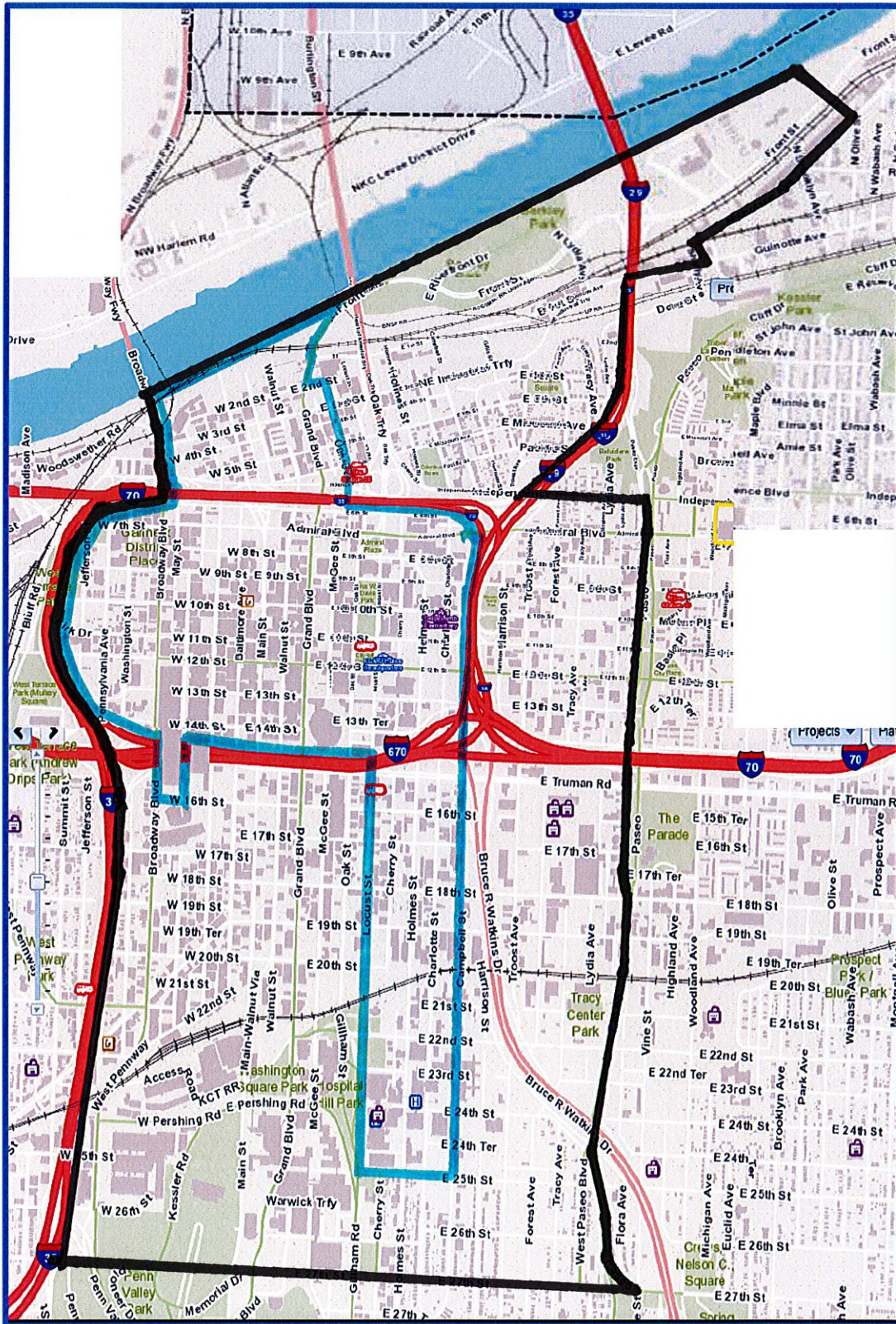
21

22 Q. Does this conclude your direct testimony?

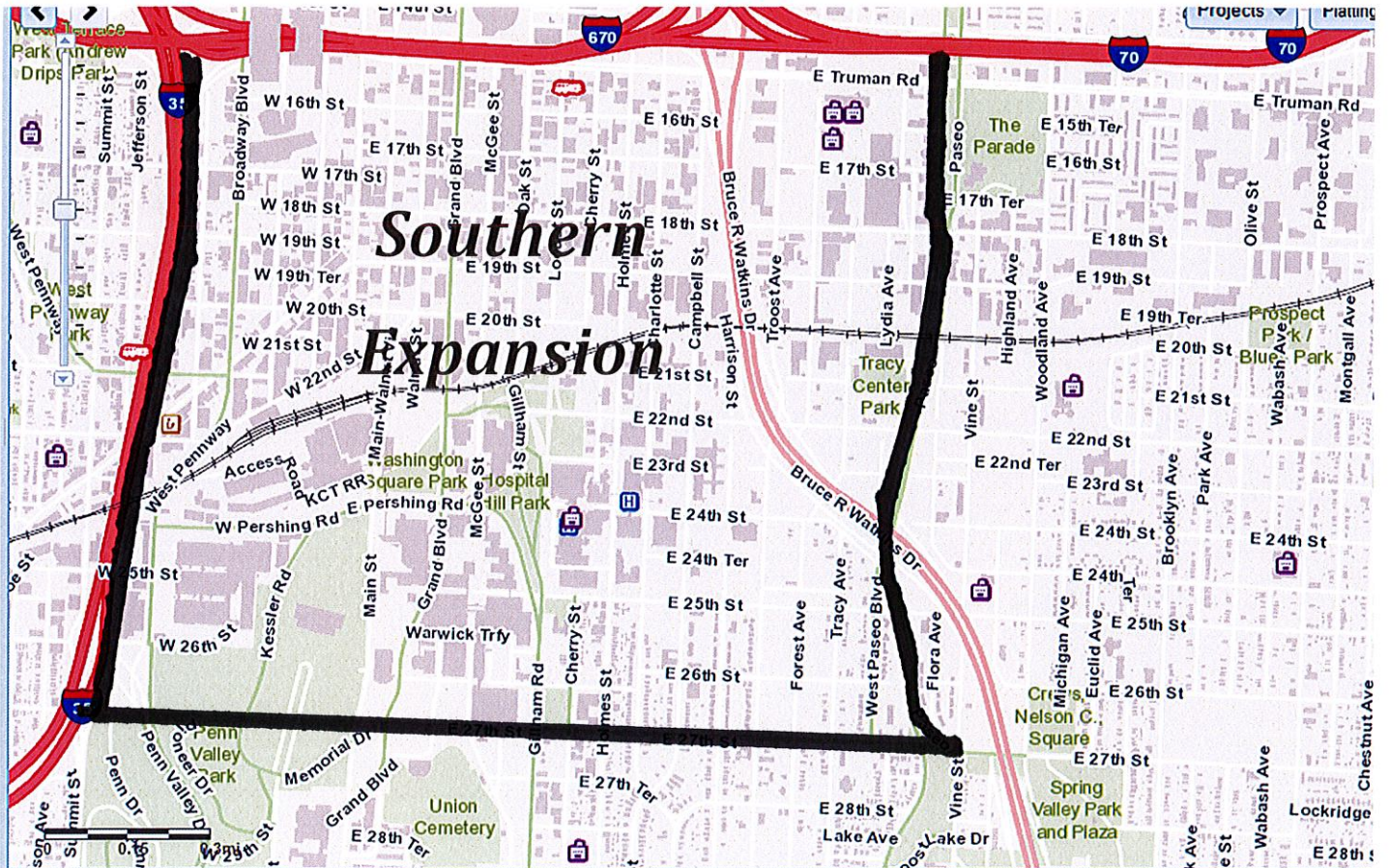
23 A. Yes.

Veolia Energy Kansas City, Inc.  
Case No. HR-2014-0066

BLUE – Current  
BLACK - Proposed



Veolia Energy Kansas City, Inc.  
Case No. HR-2014-0066



Veolia Energy Kansas City, Inc.  
Case No. HR-2014-066



