

*Exhibit No.:*  
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*Revenue Requirement*  
*Witness:* *Cary G. Featherstone*  
*Sponsoring Party:* *MoPSC Staff*  
*Type of Exhibit:* *Direct Testimony*  
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**MISSOURI PUBLIC SERVICE COMMISSION**

**REGULATORY REVIEW**

**UTILITY SERVICES - AUDITING**

**DIRECT TESTIMONY**

**OF**

**CARY G. FEATHERSTONE**

**VEOLIA ENERGY KANSAS CITY, INC.**

**CASE NO. HR-2014-0066**

*Jefferson City, Missouri*  
*May 2014*

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**VEOLIA ENERGY KANSAS CITY, INC.**  
**CASE NO. HR-2014-0066**

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1 I started my employment with the Commission in March 1979 as a Transportation  
2 Auditor in the Transportation Division. In November 1979 I transferred to the Utility's  
3 Division as a Public Utility Accountant, and later reclassified to Regulatory Auditor. In 1983  
4 I became the Office Manager of the Commission's Kansas City Office and had dual  
5 responsibilities as one of four Audit Supervisors in the Commission's Accounting  
6 Department—later renamed Auditing Department. In May 1991 my job classification was  
7 renamed Auditor V which is my current job title. As one of two Auditor Vs located in Kansas  
8 City, my responsibilities involve overseeing audits of rate cases primarily on the western side  
9 of the state and providing managerial oversight in the daily operations of the office. I have  
10 responsibilities to plan, direct and oversee the audit activities in cases in which I am assigned.

11 Q. Have you previously testified before this Commission?

12 A. Yes. Schedule CGF-1, attached to this testimony, is a list of rate cases in  
13 which I have submitted testimony. In addition, I also identify in Schedule CGF-1 other cases  
14 where I directly supervised and assisted Commission Staff ("Staff") in audits of public  
15 utilities, but where I did not testify.

16 Q. With reference to Case No. HR-2014-0066, have you examined and studied the  
17 books and records of Veolia Energy Kansas City, Inc. ("Veolia Kansas City," which I may  
18 also refer to as "Company") regarding its steam operations?

19 A. Yes, with the assistance of other members of the Commission Staff.

20 Q. What knowledge, skill, experience, training and education do you have with  
21 regard to Veolia Kansas City's general rate increase tariff filing that is the subject of  
22 Case No. HR-2014-0066?

1           A.     I have acquired knowledge of the ratemaking and regulatory process through  
2 my employment with the Commission. I have participated in numerous rate cases, complaint  
3 cases, merger and acquisition cases and certificate cases, and filed testimony on a variety of  
4 topics. I have also acquired knowledge of these topics through review of Staff work papers  
5 from prior rate cases filed before this Commission relating to Veolia Kansas City (the former  
6 Trigen Kansas City Energy Company (Trigen)) and its district heating and industrial  
7 (processed) steam operations. Specifically, as it relates to topics surrounding this case, I have  
8 previously examined generation and generation-related topics; conducted and participated in  
9 several construction audits involving plant and construction records, specifically the costs of  
10 construction projects relating to power plants. I have also been involved in the fuel and  
11 fuel-related areas for power plant production of electricity and steam, purchased power and  
12 off-system sales of electricity on numerous occasions. I have reviewed all cost components of  
13 utility rate structures including corporate costs allocated to various subsidiaries.

14           I have also been involved in many rate cases including the last several electric, natural  
15 gas and industrial steam rate cases filed by KCP&L Greater Missouri Operations Company  
16 (under that name and its former name, Aquila, Inc. which was previously called UtiliCorp  
17 United, Inc. (UtiliCorp)), regarding its steam operation associated with the former St. Joseph  
18 Light & Power Company. I have been involved in previous St. Joseph Light & Power  
19 Company rate cases when that company owned and operated the steam operations.

20           Further, I have been involved in many Kansas City Power & Light Company (KCPL)  
21 electric and steam rate cases, specifically in the early 1980's when it operated the steam  
22 system in downtown Kansas City prior to its purchase by Trigen Kansas City. I coordinated  
23 the construction audit of the Wolf Creek Nuclear rate case, Case No. EO-85-185, wherein the

1 Commission ordered a docket opened to investigate the steam operations of KCPL. The  
2 Commission designated that docket as Case No. HO-86-139. I oversaw, coordinated, and  
3 directed the Commission Staff's investigation into KCPL's proposal to abandon the central  
4 district heating system (downtown Kansas City's steam operations). I was one of the principal  
5 witnesses and the primary policy witness presenting Staff's findings and recommendations  
6 regarding KCPL's management of the steam operations and the future viability of those  
7 operations, the then-current rate structure and the need for rate relief for the steam operations  
8 and the proposed abandonment of the steam operations by KCPL.

9 I have been involved with many natural gas rate cases involving Missouri Gas Energy,  
10 which is now owned by Laclede Gas Company, and its predecessor companies, the Gas  
11 Service Company and KPL Gas Service.

12 For this rate case, I have reviewed the testimony, work papers and responses to data  
13 requests from this and past rate cases of Veolia Kansas City that support its general steam  
14 tariff filing. I conducted and participated in interviews of Company personnel and consultants  
15 relating to this rate case and performed extensive discovery concerning aspects of the  
16 construction and operation of Veolia Kansas City's district heating system in Kansas City.  
17 Over the years that Veolia Kansas City and its predecessor company, Trigen Kansas City  
18 Energy, Inc. (Trigen Kansas City) have operated this steam system, I have been involved in  
19 many discussions with the Company regarding Veolia Kansas City's rate case activity,  
20 earnings reviews, expansion of its service territory, plant and depreciation matters and  
21 merger and sale transactions.<sup>1</sup>

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<sup>1</sup> Trigen Kansas City Energy changed its name to Veolia Energy Kansas City, Inc. The Commission approved this name change in File No. HN-2011-0286 dated April 10, 2011.

1 Over the years, I have been involved in numerous discussions and review of the  
2 Company's attempt to restate and modify its books and records to comply with the  
3 Federal Energy Regulatory Commission's (FERC) Uniform System of Accounts (USOA).

4 I have been involved in several Veolia Kansas City (formerly Trigen) applications  
5 filed with the Commission since Veolia Kansas City or its predecessor has provided steam  
6 service in downtown Kansas City, Missouri.

7 Based on my experience dating back to when KCPL owned and operated the steam  
8 system to the present Veolia Kansas City operations, my background allows me to have a  
9 perspective into many problems that have played a major role in the difficulties experienced  
10 by this utility service in downtown Kansas City.

11 **EXECUTIVE SUMMARY**

12 Q. Please summarize your testimony.

13 A. Staff witness Mike Scheperle of the Commission's Utility Operations Division,  
14 is sponsor of Staff's Cost of Service Report and supporting Accounting Schedules in this  
15 proceeding to be filed concurrently with my testimony and Mr. Scheperle's direct testimony.  
16 Staff's Cost of Service supports the recommendation of the amount of the rate revenue  
17 increase for Veolia Kansas City based on test year historical information through the period  
18 ending June 30, 2013, updated through December 31, 2013. Staff prepared its revenue  
19 requirement results based on actual results through December 31, 2013 update period for  
20 known and measurable changes. The revenue requirement recommendation being filed for  
21 the period ending December 31, 2013 is found in separately filed Accounting Schedules.

22 I present an overview of the results of Staff's review of Veolia Kansas City's revenue  
23 requirement stated in response to Veolia Kansas City's general rate increase request made on

1 November 27, 2013. Several members of the Commission's Staff participated in the  
2 examination of Veolia Kansas City's books and records for relevant and material components  
3 making up the revenue requirement calculation. These components can be broadly defined  
4 as: (1) capital structure and return on investment; (2) rate base investment; and (3) income  
5 statement results including revenues, operating and maintenance expenses, depreciation  
6 expense and the taxes related to Veolia Kansas City's financial results, including  
7 income taxes. I provide an overview of Staff's work on each of these broadly defined  
8 rate components.

9 Q. Based on its review of the test year ending June 30, 2013 updated through  
10 December 31, 2013, what is Staff's recommendation concerning Veolia Kansas City's  
11 requested rate increase?

12 A. Staff recommends that Veolia Kansas City be permitted to increase its steam  
13 rates by a range of \$1.5 million to \$1.6 million consistent with the rate of return  
14 recommendation using latest information available through December 31, 2013, for the  
15 material items affecting the revenue requirement calculation. The rate of return on equity  
16 (ROE) range being recommended in this case is 8.50 percent to 9.50 percent as follows:

17

<u>Type of Capital</u>	<u>Ratio</u>	<u>Embedded Cost</u>	<u>Weighted Cost of Capital Using Common Equity of 8.50%</u>	<u>Weighted Cost of Capital Using Common Equity of 9.00%</u>	<u>Weighted Cost of Capital Using Common Equity of 9.50%</u>
Equity	48%		4.08%	4.32%	4.56%
Debt	52%	5.27%	2.74%	2.74%	2.74%
<b>Total</b>	100%		<b>6.82</b>	<b>7.06%</b>	<b>7.30%</b>

18  
19 In this case, Veolia Kansas City has limited its revenue requirement increase request  
20 to \$1.0 million, a 14.4 percent overall increase.



1 Q. Did Veolia Kansas City determine a greater revenue requirement than the  
2 amount the Company requested in its November 27, 2013 filing?

3 A. Yes. While Veolia Kansas City rate request is for \$1.0 million, the Company  
4 calculated an overall revenue requirement of \$2.8 million using a June 30, 2013 test year,  
5 updated through December 31, 2013.

6 Q. What are the major drivers for Staff's recommendation for Veolia Kansas  
7 City's revenue requirement in this case?

8 A. The major drivers are:

- 9 • Rate of return
- 10 • Operational costs such as property insurance, maintenance costs, payroll and  
11 payroll related costs
- 12 • Plant and depreciation reserve
- 13 • Fuel and fuel related costs
- 14 • Production costs such as water and sewer costs to produce steam

15 **ORGANIZATION OF STAFF'S COST OF SERVICE REPORT**

16 Q. How is Staff's Cost of Service Report organized?

17 A. It is organized by each major revenue requirement category as follows:

- 18 I. Executive Summary
- 19 II. Background of Veolia Energy Kansas City, Inc.
- 20 III. Rate of Return and Capital Structure
- 21 IV. Rate Base
- 22 V. Depreciation
- 23 VI. Income Statement
- 24 VII. Income Taxes

1           These categories have several subsections which identify in detail the  
2 specific elements of the revenue requirement for Veolia Kansas City.

3 **OVERVIEW OF VEOLIA ENERGY KANSAS CITY, INC. RATE CASE**  
4 **FILING**

5           Q.     What is the purpose of your direct testimony?

6           A.     With Mr. Scheperle, I present an overview of the results of Staff's review of  
7 Veolia Kansas City's revenue requirement in response to Veolia Kansas City's general rate  
8 increase request made on November 27, 2013. I provide an overview of Staff's work on each  
9 component of the revenue requirement calculation Staff used for determining an appropriate  
10 revenue requirement for Veolia Kansas City in this case. Mr. Scheperle provides an overview  
11 of the work performed by members of the Tariff, Safety, Economic & Engineering Analysis  
12 department who contributed to Staff's calculation of Veolia Kansas City's revenue  
13 requirement. I identify the work performed by assigned members of the Commission's Utility  
14 Services Department who contributed to the revenue requirement. Several members of Staff  
15 had specific assignments relating to different components of the revenue requirement  
16 calculation for Veolia Kansas City. The members of Staff who contributed to the Staff's Cost  
17 of Service Report are identified in the report by the sections for which they are responsible  
18 and their credentials are included in an appendix to the report. Results for the different  
19 revenue requirement calculation components are contained in Staff's Accounting Schedules.  
20 Using historic financial information from Veolia Kansas City's actual operations through the  
21 update period ending December 31, 2013 to develop a comprehensive revenue requirement,  
22 Staff applied annualization and normalization ratemaking techniques to make adjustments to  
23 reflect the costs of its ongoing operations in the future.

1 Staff refers to the revenue requirement model as the “Exhibit Modeling System” or  
2 “EMS,” and refers to the EMS modeling results based on various inputs as “EMS runs.” Staff  
3 has prepared an estimation of the utility’s revenue requirement using the work product of  
4 members of the Regulatory Review Division of the Commission. Staff’s EMS run results that  
5 support its revenue requirement are contained in the Accounting Schedules that are separately  
6 being filed as an exhibit in the case. The Accounting Schedules, along with Mr. Scheperle’s  
7 direct testimony and my direct testimony, and the Staff’s Cost of Service Report and  
8 supporting schedules present and support Staff’s revenue requirement for Veolia Kansas City.

9 Q. Why did Staff review Veolia Kansas City’s books and records and calculate a  
10 revenue requirement for the Company in this case?

11 A. On November 27, 2014, Veolia Kansas City filed a general rate increase for  
12 its district heating steam system operations. The Commission assigned the filing  
13 Case No. HR-2014-0066. Veolia Kansas City filed tariff sheets designed to implement an  
14 increase in its steam retail rate revenues, exclusive of gross receipts, sales, franchise or  
15 occupational fees or taxes, of approximately \$1.0 million. This represents an overall  
16 14.4% increase to existing Veolia Kansas City steam revenues.

17 Veolia Kansas City based its rate increase request on a proposed rate of return on  
18 equity range of 8.50 percent to 9.25 percent applied to a 48 percent equity capital structure:

19 **Veolia Energy Kansas City Cost of Capital**

Type of Capital	Ratio	Cost of Capital	Weighted Cost of Capital
Common Equity	48%	9.25%	4.44%
Long-term Debt	52%	5.24%	2.72%
Total Capital	100%		7.16%

20 Source: Veolia Energy Kansas City witness Stephen G. Hill  
21 direct page 4 and Exhibit \_\_ (SGH – 1), Schedule 10

1 Staff reviewed Veolia Kansas City's books and records and calculated a revenue  
2 requirement for the Company to independently evaluate this rate increase request.

3 **BRIEF HISTORY OF VEOLIA ENERGY KANSAS CITY**

4 Q. What is Veolia Kansas City?

5 A. Veolia Kansas City is a regulated entity that produces and distributes steam  
6 from a central plant for use in heating, hot water, laundry, cooking, and in the production of  
7 chilled water. Veolia Kansas City is a Delaware corporation. Veolia Kansas City, as Trigen  
8 Kansas City, began providing steam services to downtown Kansas City in March 1990 after  
9 its predecessor company, Trigen Energy Corporation, acquired the system from KCPL.  
10 KCPL provided district heating steam service to downtown Kansas City customers for  
11 decades prior to the purchase by Trigen. In Case No. HM-90-4, the Commission approved  
12 the sale transaction between KCPL and Trigen. In Case No. HM-90-5, the Commission  
13 granted Trigen a certificate of public convenience and necessity (CCN). The Commission  
14 approved both the sale and CCN on December 29, 1989.

15 Veolia Kansas City produces steam from its Grand Avenue Plant ("Grand Avenue")  
16 and distributes the steam product to customers throughout downtown Kansas City  
17 (known as the downtown loop) and its largest tariffed customer, Truman Medical Center  
18 ("Truman" or "TMC") by way of a series of steam pipes buried underground—the steam  
19 distribution system.

20 Veolia Kansas City currently serves approximately 52 retail customers, including  
21 Veolia Missouri—the affiliated that provides chilled water services to five customers located  
22 downtown-- all located in the downtown central district of the City of Kansas City, otherwise

1 known as the “downtown loop.”<sup>2</sup> In addition to the retail customers, Veolia Kansas City also  
2 sells process steam to two large industrial customers located outside the downtown loop.  
3 The Company meters the steam sold to these customers at the Grand Avenue production  
4 facility. The results of the two industrial steam operations have been included in the revenue  
5 requirement calculation performed for this case.

6 Grand Avenue has four boilers that produce steam that is distributed through series  
7 of pipes to its retail and industrial customers. The following table shows the boilers at  
8 Grand Avenue:

<u>Boiler</u>	<u>Date Installation</u>	<u>Fuel Source</u>
1 A	1969	Natural Gas & Fuel Oil
6	1944	Coal & Natural Gas
8	1948	Coal & Natural Gas
7	1950	Natural Gas & Fuel Oil

9 [Source: Data Request 57]

10 The total steam production capacity at Grand Avenue is 1.2 million pounds of steam per hour  
11 (source: 2011 FERC Form 1, page 402, line 5).

12 Veolia Energy Missouri (Veolia Missouri) is a non-regulated affiliate of Veolia  
13 Kansas City providing chilled water service in the central downtown district of Kansas City.

14 **STAFF FINDINGS AND RECOMMENDATIONS FOUND IN COST OF SERVICE**  
15 **REPORT AND ACCOUNTING SCHEDULES**

16 Q. How did Staff conduct its audit of Veolia Kansas City?

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<sup>2</sup> The downtown KC area is no longer served by a true “loop.” In the construction of the Sprint Arena, a steam pipe was truncated in Case No. HC-2005-0331.

1           A.     Staff interviewed Veolia Kansas City personnel and its outside consultants.  
2 Staff reviewed Veolia's responses to data requests issued in this and other cases. Staff  
3 reviewed the minutes of meetings of Thermal Source North America and its affiliated  
4 companies' [the Veolia Companies] Boards of Directors. Staff relied on the books and  
5 records of the Company including: the general ledger, plant ledgers and various other  
6 documents, including the FERC Form 1s for the last several years. Staff toured plant  
7 facilities, including the Grand Avenue production plant facility and, in past rate cases, the new  
8 pipeline supplying steam service to Veolia Kansas City's newest customer,  
9 Truman Medical Center, which commenced taking steam service on June 16, 2008, and the  
10 pipeline serving one of its largest customers, Cargill, Incorporated.

11           Q.     Which members of Staff were assigned to this case?

12           A.     Several Staff witness experts from the Regulatory Review Division were  
13 assigned to this case. Their names follow with a brief description of their contribution to the  
14 Staff's Cost of Service Report:

15           **Utility Services Department**

16           **Financial Analysis Unit--**

17                     Shana Atkinson – Rate of Return and Capital Structure.

18           **Engineering and Management Services Unit--**

19                     Arthur Rice – Depreciation Rates and Depreciation Over-accrual.

20           **Auditing Unit--**

21                     Cary G. Featherstone – Overall Revenue Requirement Results.

22                     Bill Harris – Plant in Service, Accumulated Depreciation Reserve,  
23                             Depreciation Expense, Operation and Maintenance Expense –  
24                             Non-wage.

25                     Karen Lyons – Fuel Expense and Fuel Inventories.

1 Keith Majors – Revenues, Allocation of Corporate Costs and Income Taxes.

2 Matthew Young – Material and Supplies, Prepayments, Payroll, Payroll  
3 Related Benefits, Payroll Taxes, Rate Case and Outside Services  
4 Expenses.

5 Additionally, Commission Staff experts from the Utility Operations Division were  
6 assigned to the development of the revenue requirement as follows:

7 **Tariff, Safety, Economic & Engineering Analysis (TSEEA) Department**

8 Mike Scheperle—Overall Revenue Requirement Results

9 Brad Fortson – Revenues by Class

10 Robin Kliethermes – Revenues.

11 Seoung Joun Won – Weather Normalization.

12 Each of these experts' work product was used as a direct input to the various  
13 adjustments contained in Staff's Accounting Schedules and revenue requirement  
14 recommendation.

15 Q. Please provide an overview of how Staff assigned to this case worked together  
16 to arrive at Staff's revenue requirement recommendation.

17 A. All of the Staff members assigned to this case are, by education, training and  
18 experience, experts at performing their regulatory responsibilities as members of the  
19 Commission Staff. These regulatory experts rely on the work of each other to develop Staff  
20 revenue requirement recommendations regarding filings public utilities make before the  
21 Commission. The work of each Staff member is an integral part of the Staff's Cost of Service  
22 Report, including Accounting Schedules, which contain the results of their collective efforts  
23 in Staff's findings and recommendations. Mr. Scheperle and I relied on these findings and  
24 recommendations to develop the ultimate recommendations in this direct filing. Many of the

1 individual sections presented include references indicating reliance on the work of other  
2 contributing experts.

3 Mr. Scheperle and I relied on the work product of every Staff expert assigned to this  
4 case. Each Staff expert provided the results of their review and analysis as inputs to the  
5 revenue requirement calculation and each witness is identified by report section. Affidavits,  
6 credentials and qualifications of each Staff expert are included in the Report attached as  
7 Schedule 1. Each Staff expert assigned to the Veolia Kansas City rate case will provide work  
8 papers supporting the findings and recommendations to the Company and to other parties as  
9 the Commission has ordered in setting the case procedural schedule. Finally, each Staff  
10 expert assigned to this rate case will be available to answer Commissioner questions and to be  
11 cross-examined by any party who wishes to conduct cross-examination regarding information  
12 on how Staff's findings and recommendations were developed and presented in Staff's Cost  
13 of Service Report and Accounting Schedules.

14 Q. What is your overall responsibility in this case?

15 A. I am one of two project coordinators assigned to identify the work scope for  
16 the case, make Staff assignments, and supervise and oversee all work product development.  
17 I specifically supervised all areas of the audit work assigned to the responsibility of the  
18 Auditing Unit. I worked closely with other Staff experts assigned to this rate case. I worked  
19 with the depreciation and rate of return experts as well as the Tariff, Safety, Economic &  
20 Engineering Analysis (TSEEA) experts assigned to revenues and fuel costs.

21 I have the overall responsibility to ensure the revenue requirement calculation from  
22 the Staff's computer model is timely completed. This involves all aspects of the elements  
23 making up the revenue requirement recommendation. To this end, I, along with those under



1 my direct supervision, either developed directly, or was provided with, the information used  
2 to support the revenue requirement recommendations for Veolia Kansas City.

3 Q. Please provide examples of how information from Staff experts was used to  
4 develop the revenue requirement recommendation.

5 A. Staff expert Shana Atkinson provided recommendations from her capital  
6 structure and rate of return analyses which were provided as inputs to the revenue requirement  
7 calculation. This appears as part of Accounting Schedule 12. Ms. Atkinson's findings are  
8 also in the Cost of Service Report, along with her schedules.

9 Staff expert Arthur Rice provided the results of his depreciation analysis which are  
10 also reflected in the Cost of Service Report, and in Accounting Schedule 5.

11 Staff expert Robin Kliethermes and Staff expert Keith Majors worked with members  
12 of the Tariff, Safety, Economic & Engineering Analysis and together are sponsoring the  
13 revenue adjustment results.

14 Karen Lyons assisted developing the fuel costs in this case.

15 Other Staff members contributed to the development of the revenue requirement as  
16 specifically identified in the Cost of Service Report, filed concurrently with Staff's direct  
17 testimony, exhibits and Accounting Schedules.

18 Q. Did Staff develop its revenue requirement recommendation for Veolia  
19 Kansas City in this rate case any differently than it has done so in the past for Veolia Kansas  
20 City rate cases and for other utilities?

21 A. No. Staff developed its revenue requirements for Veolia Kansas City  
22 consistently with how Staff has developed revenue requirements for other utilities, and the

1 inputs provided by the various Staff experts assigned to the Veolia Kansas City rate case  
2 are reasonable.

3 Based on my experience as a regulatory auditor, and my many years of experience as a  
4 project coordinator in numerous rate cases, the effect of the inputs provided by the various  
5 Staff experts assigned to the Veolia Kansas City rate case, the overall revenue requirement  
6 presented in this testimony and Staff's Cost of Service Report, including the Accounting  
7 Schedules, are all reasonable.

8 Q. Is this the entire filing being made by Staff for this case?

9 A. No. Staff is scheduled to file its class cost of service and rate design  
10 recommendation on May 15, 2014.

11 Test Year and Known & Measurable Period

12 Q. What is a test year?

13 A. A test year is an historical year from which actual information is used as the  
14 starting point for determining an annual revenue requirement to see if any shortfall or excess  
15 of earnings by a rate-regulated utility. Adjustments are made to that information so that, as  
16 adjusted, it reflects the normal annual revenues and operating costs of the rate-regulated  
17 utility. Those normal annual revenues and operating costs to provide utility service on an  
18 ongoing basis form the basis for determining what the utility's rates need to be to give it the  
19 opportunity collect in the future sufficient revenues both to pay for those ongoing costs and to  
20 earn a reasonable profit. In determining ongoing revenues and costs to develop the utility's  
21 revenue requirement, the first step is to identify the test year cost levels, which serve as the  
22 starting point for making all adjustments to arrive at the revenue requirement  
23 recommendation.

1           The Commission concisely expressed the purpose of using a test year in its Order in  
2           KCPL's 1983 general rate case, Case No. ER-83-49:

3                     The purpose of using a test year is to create or construct a  
4                     reasonable expected level of earnings, expenses and  
5                     investments during the future period in which the rates, to be  
6                     determined herein, will be in effect. All of the aspects of the  
7                     test year operations may be adjusted upward or downward to  
8                     exclude unusual or unreasonable items, or include unusual  
9                     items, by amortization or otherwise, in order to arrive at a  
10                    proper allowable level of all of the elements of the Company's  
11                    operations. The Commission has generally attempted to  
12                    establish those levels at a time as close as possible to the period  
13                    when the rates in question will be in effect.

14           Q.     Is the test year important?

15           A.     Yes. It is important to synchronize and capture—"match"—all revenues and  
16           costs in the test year, and more importantly the update period, in order to develop a  
17           relationship between the various components of the ratemaking process and keep those  
18           relationships properly aligned. The starting point of this analysis is to select a test year for the  
19           utility. To determine the proper level of utility rates, Staff examines the major elements of the  
20           utility's operations within the test year. These include rate base items such as plant in service,  
21           accumulated depreciation, deferred income tax reserves, fuel stocks, material and supplies,  
22           and other investment items. Also essential in this process is a review of the utility's revenues  
23           and expenses, making adjustments through the annualization and normalization processes.  
24           These items include: payroll, payroll related benefits, payroll taxes, operation and  
25           maintenance costs for non-payroll related costs such as material and equipment costs, small  
26           tool costs, and outside vendor costs for equipment repairs. Depreciation expense and taxes,  
27           including federal, state, local and property taxes, are all considered in setting rates.

28                    It is important to maintain a representative relationship between rate base, revenues  
29           and expenses at a point in time near to when new prospective rates become effective in order

1 for a public utility to have an opportunity to earn a fair and reasonable return. An attempt is  
2 made in the regulatory process to set rates to properly reflect the levels of investment and  
3 expenses necessary to serve the retail customer base which provides revenues to the utility.

4 Q. What is the test year in this case?

5 A. The ordered test year is the twelve months that ended June 30, 2013. The  
6 June 30, 2013 test year was chosen by the Company, agreed to by Staff, and approved by  
7 the Commission in its January 16, 2014, *Order Setting Procedural Schedule, Establishing*  
8 *Test Year And Guidelines For Discovery*. Staff made annualization, normalization and  
9 disallowance adjustments to the test year results when the unadjusted results did not  
10 fairly represent Veolia Kansas City's most current annual level of existing revenue and  
11 operating costs.

12 Q. What update period did the Commission order in this case?

13 A. The update period in the Veolia Kansas City rate case is the period ending  
14 December 31, 2013.

15 Q. What is the significance of the update period?

16 A. The update period (sometimes also known as the "known and measurable  
17 period") is critical to the development of new rates. New rates from general rate cases such as  
18 this one normally take about eleven months from the time the case is filed until the new rates  
19 take effect. A utility's revenue requirement based on the historical test year may change  
20 significantly while its case is being processed. To better match new rates with the utility's  
21 ongoing revenue requirement, the Commission orders update and true-up periods. Test year  
22 information is updated to reflect changes through the update cut-off date—in this case  
23 December 31, 2013.

1           Selecting a “known and measurable date” or “known and measurable period” is even  
2 more important than selection of a test year in synchronizing and capturing—“matching”—all  
3 revenues and expenses as this updated information will, along with the results of the true-up,  
4 form the basis for changing rates. Just as with the test year, a proper determination of revenue  
5 requirement is dependent upon a consideration of all material components of the rate base,  
6 return on investment, current level of revenues, along with operating costs, *at the same point*  
7 *in time*. This ratemaking principle is common to all rate cases and common to how the  
8 Commission has established rates using all material and relevant cost component to develop  
9 the revenue requirement calculation. The December 31, 2013 date for the known and  
10 measurable period was chosen to enable the parties and Staff an update period that provides  
11 sufficient time to obtain actual information from Veolia upon which to perform analyses and  
12 make calculations regarding various components to the revenue requirement and still base the  
13 revenue requirement recommendation used for proposing new prospective rates on very  
14 recent information.

15           In Case No. ER-83-49, regarding the need for a true-up, the Commission stated that it  
16 would not "consider a true-up of isolated adjustments, but will examine only a package of  
17 adjustments designed to maintain the proper revenue-expense-rate base match at a proper  
18 point in time." [26 Mo P.S.C. (N.S.) 104, 110 (1983)] This concept of developing a revenue  
19 requirement calculation based on a consideration of all relevant factors has been a  
20 long-standing approach to ratemaking in this state, and is the approach Staff is following in  
21 the MGE rate case.

1           The update cutoff date of December 31, 2013, is as close to the Staff's direct filing  
2 date of May 1, 2014 that is reasonable to allow Staff to file a direct case based on information  
3 as near to Staff's direct filing date as possible.

4           Q.     Is a true-up period planned for this case?

5           A.     Initially, Staff had not planned to perform a true-up of this case based on  
6 early discussions with the Company.  However, as Staff completed its case, Staff learned of a  
7 significant rate change that is expected to occur in May 2014 by the Kansas City Water  
8 Department, where Veolia Kansas City gets its water.  The Company also gets sewer  
9 service from this utility.  As a result of this planned rate change, the Staff believes it may  
10 be necessary to reflect this increase, along with the plant and reserve accounts, through  
11 May 31, 2104.  Therefore, Staff believes a true-up period may be needed.  Staff will discuss  
12 this change with the Company and other parties to attempt to obtain agreement with a true-up  
13 procedure if one is needed.

14                           **Revenue Requirement Ratemaking Adjustments**

15           Q.     Does Staff make any adjustments to the utility's accounting information to  
16 determine its revenue requirement for setting rates?

17           A.     Yes.  The ratemaking process includes making adjustments to that  
18 information so that it reflects the normal, on-going operations of the utility.  This process  
19 generally uses four different types of adjustments to reflect changes determined to be  
20 reasonable and appropriate.  Staff makes annualization, normalization, disallowances, and  
21 *pro forma* adjustments to base its recommendation regarding the revenue requirement  
22 recommendation.

1 Q. What is an annualization adjustment?

2 A. An annualization adjustment is made to a cost or revenue shown on the  
3 utility's books to reflect a full year's impact of that cost or revenue. Examples are employee  
4 pay raises during the test year and employees starting their employment during the updated  
5 test year. Both require annualization adjustments so that the full annual salary of that  
6 employee is reflected in the updated test year. If not annualized, the utility's payroll would be  
7 understated since the increased payroll cost to the utility due to such employees will continue  
8 into the future. Another example is new customers that start taking service during or at the  
9 end of the updated or trued-up test year. Their usage needs to be annualized to reflect a full  
10 12 months of revenues from those new customers. If the utility's revenues from these  
11 customers are not normalized, then the utility's revenues will be understated causing its  
12 revenue requirement to be overstated and its new rates to be too high.

13 In this case Staff annualized revenues, payroll costs, fuel costs and other  
14 accounting information.

15 Q. What is a normalization adjustment?

16 A. A normalization adjustment is made to revise an actual cost to reflect the cost  
17 at a normal, on-going level. Utility revenues and costs that were incurred in the test year that  
18 are determined not to be typical or abnormal generally are adjusted to remove the effects of  
19 those abnormal or unusual events. For example, some utility revenues and costs vary with  
20 weather (i.e., higher or lower temperatures); therefore, adjustments are made to normalize  
21 these items. Unusually hot or cold weather significantly affect revenues received from those  
22 customers that are weather sensitive, impacting the overall level of revenues that may result in  
23 a distortion to the level of test year revenues and costs. Because utility rates are set using

1 normalized inputs, adjustments to test-year input levels must be made when it is determined  
2 that unusual or abnormal events, such as weather effects, cause unusually high or low results.  
3 To adjust these results, temperatures during the test year are compared to normal annual daily  
4 temperatures that are based on actual temperature measurements taken over a substantial  
5 period of time, many times for a 30-year time horizon. Weather-sensitive revenues are  
6 adjusted in the test year to reflect normal weather temperatures. The resulting  
7 weather-normalized sales volumes are also used as the basis for the utility's fuel and  
8 purchased power costs, so that they too reflect normal weather temperatures.

9 Maintenance and operation costs relating to production equipment may also be  
10 normalized. If unusual events like major maintenance or major weather related events have  
11 occurred during the test year, then accounts where the costs associated with them may be  
12 adjusted to reflect a normal level. If normalization adjustments are not made, the utility  
13 revenues and costs, which both directly impact earnings, would be either too high or too low  
14 to reflect the utility's future ongoing revenues and costs. For example, warmer than normal  
15 weather in the winter will negatively impact a steam utility's revenues since the demand  
16 for steam service for heating is decreased relative to a "normal" year. Staff proposes  
17 adjustments to normalize the costs and revenues of events that are expected to vary from the  
18 "normal" year.

19 In this case, Staff, based on its examination of actual historical events, has made  
20 both a weather adjustment for revenues and normalized non-payroll operation and  
21 maintenance expenses.



1 Q. What is a disallowance?

2 A. A disallowance is an adjustment to remove an item from the utility's revenue  
3 requirement. Typically a disallowance is made to remove a cost because the cost is not  
4 expected to recur, it was not necessary for providing utility service, it provided no benefit to  
5 ratepayers or it was imprudent. One example of costs that are disallowed is certain  
6 advertising costs. While some advertising costs benefit ratepayers and should be included in  
7 rates, others do not and should be disallowed. In this case both the Company and Staff made  
8 disallowance adjustments to remove certain payroll costs related to incentive compensation.

9 Q. What is a *pro forma* adjustment?

10 A. This type of adjustment is made to reflect increases and decreases to a utility's  
11 revenue requirement caused by the implementation of a rate increase or decrease. *Pro forma*  
12 adjustments are made because of the need to reflect the impact of items and events that occur  
13 subsequent to the test year. These items and events may significantly impact the revenue,  
14 expense and the rate base relationship, and should be recognized to address the objective of  
15 forward-looking rates. Caution must be taken when making *pro forma* adjustments to  
16 ensure that all material items and events subsequent to the test year are examined to avoid  
17 failing to recognize offsetting adjustments. In addition, some post-test year items and events  
18 may not have occurred yet—"known"— and / or may not be capable of sufficient  
19 measurement—"measurable". As a result, quantification of some *pro forma* adjustments may  
20 be more difficult than others. A true-up audit that considers a full range of items and events  
21 that occur subsequent to the test year and update period attempts to address the maintenance  
22 of a proper relationship between revenues, expenses and investment, as well as address the  
23 difficulty in making *pro forma* adjustments.

1           The most common example of a *pro forma* adjustment is the grossing up of a  
2 net income deficiency for income tax purposes. This involves calculating the revenue  
3 requirement before income taxes. If rates need to be adjusted to increase utility revenues,  
4 then those revenues need to be factored up for income taxes. This is necessary because every  
5 additional revenue dollar collected in rates is subject to income tax.

6                           **Revenue Requirement Calculation**

7           Q.     In the context of determining rates for public utilities, what is “revenue  
8 requirement”?

9           A.     “Revenue requirement” is the amount of the annual revenues that a utility’s  
10 rates should be designed to allow it to collect each year. Steam service rates in Missouri are  
11 based on actual historical information. The revenue requirement is calculated using the key  
12 elements decided by the Commission such as rate of return and capital structure on the  
13 investment together with the costs to provide a particular utility service. This difference  
14 between the revenue requirement from a cost of service calculation and revenues based on  
15 existing rates identifies any revenue shortfall (denoting a need to increase rates) or revenue  
16 excess (denoting a need to decrease rates).

17          Q.     How did Staff determine Veolia Kansas City’s revenue requirement?

18          A.     Staff reviewed all the material and relevant components making up the revenue  
19 requirement of Veolia Kansas City, which include rate of return and capital structure, rate  
20 base investment, and revenues and expenses, and sought to maintain the relationship in time  
21 between each of these components through the update period through December 31, 2013

1 Q. How does each of these components interrelate?

2 A. The ratemaking process for regulated utilities is a process whereby the  
3 Commission makes rate decisions regarding how utilities charge customers for utility services  
4 using a prescribed formula. This interrelationship may be seen through the following  
5 formula:

$$6 \quad \text{Revenue Requirement} = \text{Cost of Providing Utility Service}$$

7 Or

$$8 \quad \text{RR} = \text{O} + (\text{V-D})\text{R}; \text{ where,}$$

9 **RR** = Revenue Requirement

10 **O** = Operating Costs (Payroll, Maintenance, etc.) Depreciation and  
11 Taxes

12 **V** = Gross Valuation of Property Required for Providing Service  
13 (including plant and additions or subtractions of other rate base  
14 items)

15 **D** = Accumulated Depreciation Representing Recovery of Gross  
16 Depreciable Plant Investment.

17 **V-D** = Rate Base (Gross Property Investment less Accumulated  
18 Depreciation = Net Property Investment)

19 **R** = Rate of Return Percentage

20 **(V-D)R** = Return Allowed on Rate Base (Net Property Investment)

21 This formula is the traditional rate of return calculation this Commission relies on to  
22 set just and reasonable rates. The result is the total revenue requirement for a utility. The  
23 difference between that total amount of revenues the utility would bill the number of  
24 annualized, normalized test year customers under existing rates is the incremental change in  
25 revenues that rates need to be adjusted to allow the utility the opportunity to earn the revenue  
26 requirement the Commission authorizes, including the Commission-authorized return on rate

1 base investment. The revenue requirement calculation allows for the recovery of the proper  
2 level of utility costs, including income taxes.

3 **OVERVIEW OF STAFF'S FILING, FINDINGS AND**  
4 **RECOMMENDATIONS**

5 Q. Please identify the findings of Staff's review of Veolia Kansas City's rate  
6 increase request.

7 A. Staff conducted a review of Veolia Kansas City's November 27, 2013 rate  
8 increase filing and has identified the following areas in its findings and recommendations.

9 **Overall Revenue Requirement**

10 Q. How did Staff determine its revenue requirement for MGE?

11 A. Staff identified many areas affecting Veolia Kansas City's revenue  
12 requirement. Because of the potential changes relating to the Veolia Kansas City's rate base,  
13 plant additions and other cost changes, the revenue requirement was developed using  
14 information through December 31, 2013.

15 **Rate of Return**

16 The Staff based the rate of return used to calculate the revenue requirement in this case  
17 on a consolidated capital structure and corporate results. Staff witness Shana Atkinson, of the  
18 Commission's Financial Analysis Unit, determined that the appropriate rate of return on  
19 equity is in a range from 8.50 percent to 9.50 percent with a mid-point of 9.00 percent,  
20 resulting in an overall rate of return on investment of 6.82 percent to 7.30 percent with a  
21 mid-point of 7.06 percent.

1 Ms. Atkinson examined the Company's capital structure and cost of money and  
2 provided the Staff's proposed rate of return which it used to calculate its revenue requirement  
3 recommendation for MGE in this case:

4 **Staff's Recommended Cost of Capital**

<b><u>Type of Capital</u></b>	<b><u>Ratio</u></b>	<b><u>Embedded Cost</u></b>	<b><u>Weighted Cost of Capital Using Common Equity of 8.50%</u></b>	<b><u>Weighted Cost of Capital Using Common Equity of 9.00%</u></b>	<b><u>Weighted Cost of Capital Using Common Equity of 9.50%</u></b>
Common Equity	48%	-----	4.08%	4.32%	4.56%
Long-Term Debt	52%	5.27%	2.74%	2.74%	2.74%
<b><u>Total</u></b>	100%		<b>6.82%</b>	<b>7.06%</b>	<b>7.30%</b>

5  
6 **Rate Base**

7 Plant-in-Service and Accumulated Depreciation Reserve are reflected in the rate base  
8 as of December 31, 2013. All plant additions and retirements were included in the revenue  
9 requirement calculation as of December 31, 2013.

10 Staff witness Arthur Rice proposed several adjustments to plant in service and  
11 accumulated depreciation reserve for plant retirements and reclassifications. Mr. Rice and  
12 Staff witnesses Harris and Young, worked with the Company to identify and quantify the  
13 dollar amounts for these adjustments through December 31, 2013.

14 Truman Medical Center started taking service from Trigen Kansas City on  
15 June 16, 2008. The Company had requested an expansion to its service territory in  
16 Case No. HA-2006-0294, which the Commission approved conditioned on Truman Medical  
17 Center paying for pipeline construction. Staff verified that the construction payments were

1 made by Truman Medical Center. While the Company included the pipeline construction  
2 costs in its plant in service account, Staff made a corresponding offset in the same amount to  
3 rate base called Customer Advance for Construction.

4 Staff included Fuel Stock (Coal) Inventories, Material & Supplies and Prepayments as  
5 of the December 31, 2013 rate base date.

6 Staff included Accumulated Deferred Income Taxes Reserve as an offset to rate base  
7 as of December 31, 2013. For a more detailed discussion of these deferred tax reserves see  
8 the Staff Report under the section Income Taxes.

### 9 **Income Statement**

#### 10 **Revenues**

11 Staff annualized and normalized revenues through December 31, 2013 to reflect a  
12 major new customer and loss of some smaller customers. Cargill is one of two contract  
13 customers that started taking service in Spring 2007. The Staff included the revenues of both  
14 the contract customers, Ingredion (the former National Starch) and Cargill, in the calculation  
15 of the revenue requirement.

#### 16 **Expenses**

17 Staff based the fuel costs in this case on coal and natural gas prices through December  
18 31, 2013. Staff determined other inputs such as fuel mix and station and distribution losses  
19 using historical information.

20 Staff annualized payroll, payroll related benefits, and payroll taxes through  
21 December 31, 2013. Veolia Kansas City authorized a payroll increase as of January 1, 2014.  
22 Staff included this increase to properly reflect this cost increase in the payroll calculation.

1 Staff calculated payroll and the related costs based upon Veolia Kansas City personnel located  
2 at the Grand Avenue Station.

3 Staff included operations and maintenance expense, other than payroll costs, in the  
4 case at the update period through December 31, 2013 level after reviewing several years  
5 of costs.

6 Staff developed and included an on-going level of rate case expense in the case based  
7 on the actual invoiced expenditures that the Company provided to the Staff during the audit  
8 through January 31, 2014. Because these costs are unique to the rate case process, with major  
9 costs incurred by the Company to review Staff and other parties' direct filings, participate in  
10 the prehearing conference, prepare responsive testimony and, if needed, go to trial, Staff will  
11 examine additional costs as the process develops further to include those costs that can be  
12 verified and supported as reasonable and justified. Outside services expenses were analyzed  
13 and amounts that were verified and supported related to on-going company operations were  
14 included in the case.

15 Depreciation expense was annualized based on depreciation rates developed by Arthur  
16 W. Rice of the Commission's Depreciation, Engineering and Management Services Unit. The  
17 depreciation rates were applied to Staff's recommended plant values as adjusted plant in  
18 service amounts, resulting in a total amount of annualized depreciation expense.

19 Staff calculated income taxes based on the results of the revenue requirement  
20 calculation as of December 31, 2013.

21 **Fuel Prices**

22 Q. How does Veolia Kansas City produce steam to serve its customers?

1           A.     The Company has a production facility on the northern most part of downtown  
2 Kansas City along the Missouri River known as Grand Avenue Station. This power plant  
3 produces steam in boilers that burn either natural gas or coal. One of the major costs of  
4 producing steam is the amount the Company pays for these two energy sources.

5           Q.     How were fuel prices determined in this case?

6           A.     Actual coal and natural gas costs paid by Veolia Kansas City were examined  
7 for the period of 2005 to December 2013. Staff used the most recent pricing information  
8 available for coal and freight through December 31, 2013 and a three-year average for  
9 natural gas.

10                           **Plant in Service and Accumulated Depreciation Records**

11          Q.     Did Veolia Kansas City have problems maintaining its property records?

12          A.     Yes. In the past, Staff discovered that Veolia Kansas City, formerly known as  
13 Trigen Kansas City Energy, did not maintain its books and records in conformity with the  
14 Federal Energy Regulatory Commission's (FERC) Uniform System of Accounts (USOA).  
15 Staff discusses the issues relating to Veolia Kansas City's inadequate record keeping, and the  
16 actions taken by the Company to bring those records into compliance with the USOA, in the  
17 Staff's Cost of Service Report. Notably, the 2008 rate case was the first time since the  
18 Company took over the steam system from KCPL in 1990, that the Staff could reasonably  
19 rely upon Veolia Kansas City's books.

20                 Not only were the books and records of the Company in previous disarray, the annual  
21 reports submitted to the Commission did not reflect accurate valuations for plant in service  
22 and accumulated depreciation reserve. Additionally, the Company's calculation of its



1 accumulated deferred income tax reserve balances was also inaccurate making those reserve  
2 accounts unreliable in the past.

3 Therefore, Staff recommends Veolia Kansas City continue to maintain the plant model  
4 developed by the Company that it currently uses for purposes of keeping all plant records for  
5 plant additions and retirements.

6 Staff witness Rice worked with the Company in this proceeding to make certain  
7 corrections to its books for retirements. Those retirements are discussed in the Cost of  
8 Service Report under the plant section.

9 **HISTORY OF VEOLIA ENERGY KANSAS CITY, INC.**

10 Q. Please provide a history of Veolia Kansas City Corporation's utility operations  
11 in Missouri.

12 A. What is now Veolia Kansas City's steam operations began as a district heating  
13 service in the early part of the twentieth century and has provided customers steam services  
14 for over 100 years of continuous service. The original steam system started operations in  
15 downtown Kansas City in 1905.

16 KCPL owned and operated the steam system until it sold those operations in  
17 March 1990 to Trigen Energy Corporation, whose headquarters were located in White Plains,  
18 New York. The Commission approved this sale transaction in Case Nos. HM-90-4  
19 and HA-90-5.

20 In 2000, Trigen Energy Corporation was acquired by ELYO, an energy subsidiary of  
21 Suez Lyonnaise des Eaux Group (Suez).

22 In June 2005, Thermal North America Inc. (Thermal North America) acquired  
23 Trigen Kansas City, along with the other U.S. Trigen Companies, from Suez in a transaction

1 that was approved by the Commission in Case No. HM-2004-0618. The Trigen Companies  
2 were wholly owned subsidiaries of Thermal North America. Thermal North America  
3 operated several district heating and steam operations, chilled water services, and provided  
4 electricity located in different cities throughout the United States.

5 Thermal North America also had a wholly owned subsidiary, a service corporation  
6 named ThermalSource LLC (ThermalSource), which was located in Boston, Massachusetts.  
7 ThermalSource provided accounting, financial, human resources, legal, communications, and  
8 information services to the Trigen Companies, including the former Trigen Kansas City.

9 In December 2007, Thermal North America was acquired by Veolia  
10 Environnement. S.A., (Veolia Environnement) one of the world's largest energy and  
11 water companies with corporate headquarters based in France. Veolia Environnement's  
12 wholly-owned subsidiary in the United States, Veolia Energy North America Holdings, Inc.,  
13 owns and operates Thermal North America. The Commission did not believe it had the  
14 authority to review this sale transaction and therefore, did not specifically approve this  
15 transfer of ownership.

16 Q. What is the corporate structure of Veolia Kansas City?

17 A. Veolia Kansas City and Veolia Missouri are wholly owned subsidiaries of  
18 Thermal North America. Veolia Energy North America, LLC, a management service  
19 company, is a wholly owned subsidiary of Thermal North America. Thermal North America  
20 was purchased by Veolia Energy North America Holdings, Inc., in December 2007. Thermal  
21 North America has several other wholly owned subsidiaries managed by Veolia Energy North  
22 America, LLC, and are referred to herein as the Veolia Companies. Please see Schedule  
23 CGF-2 for organizational chart of the Veolia entities.

1           Veolia Energy North America, LLC, directly assigns or allocates certain corporate  
2 costs it incurs directly to the Veolia Companies. The Veolia Companies are located in the  
3 following locations: Atlanta, Georgia; Baltimore, Maryland; Boston, Massachusetts; Grand  
4 Rapids, Michigan; Houston, Texas; New York, New York; Portland, Oregon; Philadelphia,  
5 Pennsylvania; Oklahoma City, Oklahoma; Tulsa, Oklahoma; Trenton, New Jersey; St. Louis,  
6 Missouri; Kansas City, Missouri; Las Vegas, Nevada; and Los Angeles, California. The  
7 Veolia Companies located in Philadelphia, Pennsylvania, St. Louis, Missouri and Kansas  
8 City, Missouri are subject to state or local regulation.

9           All the district heating and chilled water services are provided through various  
10 operating companies of Thermal North America including Veolia Kansas City and  
11 Veolia Missouri.

12           Q.     Does Thermal North America operate any other subsidiary?

13           A.     Yes.     Thermal North America owns and operates Veolia Energy  
14 North America, LLC (Veolia Energy). Veolia Energy provides management services  
15 including accounting, financial, human resources, legal, communications, and information  
16 services to the various Veolia Companies, including Veolia Kansas City. Veolia Energy  
17 serves the same function to the Veolia operating companies as ThermalSource, the  
18 predecessor company, did.

19           Q.     What is Veolia Environnement?

20           A.     According to the Veolia Environnement's 2012 Annual Report to Shareholders  
21 (referenced in Data Request 11) the following description of the corporate company is:

22                   Veolia Environnement is a global reference in the  
23 environmental services sector(1), offering a comprehensive  
24 range of services and with the expertise necessary to define a  
25 service offering tailored to individual customer needs, whether

1 the supply of water, the treatment and recovery of municipal or  
2 industrial effluent, waste collection, processing and recycling,  
3 the supply of heating and cooling services or the optimization of  
4 industrial processes.

5 Veolia Environnement's operations are conducted through three  
6 divisions, each specializing in a single business sector: Veolia  
7 Eau (Water), Veolia Energie (Dalkia, Energy Services) and  
8 Veolia Propreté (Environmental Services). Through these  
9 divisions, Veolia Environnement currently provides drinking  
10 water to 101 million people and treats wastewater for 71 million  
11 people in the world, processes nearly 54.4 million tons of waste,  
12 satisfies the energy requirements of hundreds of thousands of  
13 buildings for its industrial, public authority and private  
14 individual customers and transports more than 3.2 billion  
15 passengers each year. Veolia Environnement also develops  
16 service offering combining several Group businesses, either  
17 through several individual contracts or by combining services  
18 within a multi-service contract.

19 In Veolia Environnement's 2010 Annual Report to Shareholders (referenced in  
20 Data Request No. 11, Case No. GR-2011-0241) the following description of the corporate  
21 company is:

22 Veolia Environnement is the world leader in environmental  
23 services. With operations on every continent and more than  
24 317,034 employees, we provide customized solutions to meet  
25 the needs of municipal and industrial customers in four  
26 complementary segments: water, environmental services,  
27 energy services and passenger transportation. Veolia  
28 Environnement recorded revenue of 34.8 billion euros in 2010.

29 We have been creating global and integrated solutions for  
30 public and private sector clients the world over for more than  
31 155 years.

32 The 34.8 billion euros equals \$49.6 billion US at the exchange rate of \$1.4304 on  
33 July 28, 2011.

34 Veolia Energy's web site states "Veolia Energy is a leading operator and developer of  
35 energy efficient solutions. As the world's first energy services company, Veolia Energy

1 employs 53,000 personnel in 42 countries who are fully focused on energy efficiency and  
2 environmental sustainability.”

3 Veolia Energy’s web site identifies that Veolia Energy North America provides the  
4 following services in its four divisions:

5 In North America, Veolia Environnement's four complementary  
6 divisions have established a significant presence, with  
7 approximately \$4.5 billion in Revenue and 30,000 employees.

8 Should your requirements extend beyond energy and facility  
9 management, Veolia Energy North America can join forces  
10 with other North American divisions to devise a comprehensive,  
11 custom solution for you.

12 This solution may incorporate one or more of the following -  
13 water, environmental services, and transportation services.

14 The website indicates Veolia is one of the largest utilities in the world. Veolia stated  
15 in 2011 that it:

16 **Owens the largest portfolio of District Energy systems in the U.S.A.**

17 **No.1 in municipal partnerships & industrial outsourcing.**

18 **Top 1-4 in various categories of waste management.**

19 **No.1 in U.S. surface passenger transportation.**

20 In the 2005 Annual Report to shareholders, Veolia Energy stated it was:

21 The only global company to offer the entire range of  
22 environmental services in water, waste management, energy and  
23 transportation sectors. We have been creating global and  
24 integrated solutions for public and private sector clients the  
25 world over for more than 150 years. The quality of our  
26 research, the expertise and synergies developed between our  
27 teams, our mastery of the public-private partnership model and  
28 our commitment to sustainable development have made us a  
29 benchmark player in major environmental matters. With  
30 271,153 employees around the world, Veolia Environnement  
31 recorded revenue of 25.2 billion [euros] in 2005.

32 [source: cover page of 2005 Annual Report, Data Request 11.1  
33 in Case No. HR-2008-0300]

1 In Veolia's 2012 Form 20 filed with the Securities Exchange Commission, the parent  
2 described itself as:

3 **6.1.3.3 Energy Services**

4 Veolia Environnement conducts its energy service activities  
5 *through* Dalkia, a global provider of energy services to  
6 companies and public authorities. Primarily in its role as a  
7 decentralized producer of thermal and electrical energy, Dalkia  
8 develops offerings in three strategic sectors: Heating and  
9 Cooling Systems, Industrial Utilities and Energy Services for  
10 Buildings. The Group seizes opportunities offered by the  
11 development of the energy market and the need to contain  
12 energy consumption. Dalkia is present at all stages of the energy  
13 chain from decentralized production to optimizing distribution  
14 and containing demand, to improve the performance of energy  
15 systems. Dalkia joins forces with its customers, helping them  
16 optimize their energy purchases and improve the efficiency of  
17 their installations both in terms of cost and Iic emissions and  
18 assists them with the transformation of their installations.

19 **As of December 31, 2013, Dalkia had 43,135 employees, primarily in**  
20 **Europe.**

21 .....  
22 Dalkia is owned 66.0% by Veolia Environnement and 34.0% by  
23 EDF. In France, Dalkia conducts its business through Dalkia  
24 France, a 99.9% subsidiary of Dalkia, while abroad Dalkia  
25 conducts its business through Dalkia International, owned  
26 75.8% by Dalkia and 24.2% by EDF. Dalkia International's  
27 results are consolidated using the equity method in 2013.

28 [source: **REGISTRATION DOCUMENT 2013 – VEOLIA**  
29 **ENVIRONNEMENT** – page 55– Veolia web site—  
30 [www.finace.veolia.com/doc/2013-registration](http://www.finace.veolia.com/doc/2013-registration); emphasis added]

31 The district heating and cooling segment of the parent Veolia Environnement entity is  
32 identified as:

33 **Heating and Cooling Systems**

34 The development of urban networks has been a key growth  
35 driver for Dalkia in recent years and will continue to be the  
36 main contributor to Group growth over the next five years.

37 Dalkia is a leading European operator of large urban heating  
38 and cooling networks. Dalkia currently manages 770 urban and

1 local heating and cooling networks worldwide, particularly in  
2 France, the United Kingdom, Eastern and Central Europe and  
3 Lithuania. Moreover, **Veolia Energy operates networks in the**  
4 **United States where it has a strong market position.** The  
5 networks operated by Dalkia provide heating, domestic hot  
6 water and air conditioning to a wide range of public and private  
7 facilities, including schools, health centers, office buildings and  
8 residences. In addition, the production plants often generate  
9 electricity sold to operators or on the market.

10 [source: **REGISTRATION DOCUMENT 2013 – VEOLIA**  
11 **ENVIRONNEMENT** – page 56; emphasis added]

12 Q. What is the current organizational structure of Veolia Environnement - the  
13 corporate parent?

14 A. The following corporate structure identifies the relationship of each of the  
15 main Veolia companies:

16 **Veolia Environnement S.A.**

Veolia Environnemental North  
America  
Operations, Inc.

17 **Veolia Energy North  
America Holdings, Inc.**

18 Thermal North America,  
Inc.

19 Veolia Energy North America, LLC

20 **Veolia Energy Kansas City, Inc.**

**Veolia Energy Missouri, Inc.**

21 This information was taken from a more complex organizational chart provided by the  
22 Company.

A more detailed corporate organizational chart is contained in Schedule CGF-2.

1 Q. What level of employees does Veolia Environnement (parent company)  
2 employ?

3 A. The total number of employees world wide is 318,376 as of December 31,  
4 2102. Total North American employees is 27,366. Veolia Kansas City has 29 employees  
5 working at the Grand Avenue plant in Kansas City.

6 Q. Does Thermal North America only provide steam services to downtown  
7 Kansas City?

8 A. No. Thermal North America's Veolia Missouri affiliate provides chilled water  
9 services used for air conditioning load to a small number of customers on a non-regulated  
10 basis in the service territory of Veolia Kansas City. Veolia Kansas City provides steam  
11 service to Veolia Missouri at existing tariff rates.

12 Q. What are the other Veolia Companies current operations?

13 A. The Veolia Companies provide steam, chilled water and electricity on a  
14 regulated and non-regulated basis to several cities in the United States.

15 Besides steam and chilled water services in Kansas City, the Veolia Companies  
16 provide steam and chilled water services to the following cities:

<u>Veolia Company Name</u>	<u>Business Description</u>
Dalkia Energy Services	
Dalkia Facilities Service	
Veolia Energy Atlantic Station	Chilled Water Services
Veolia Energy Baltimore Heating	District Heating
Veolia Energy Baltimore Cooling	Cooling
Veolia Energy Boston	District Heating & Cooling
Veolia Energy Building Services	
Veolia Energy Facilities Services	
Veolia Energy Efficiency	Steam Services
Veolia Energy Glendale	District Heating & Cooling
Veolia Energy Grand Rapids	District Heating
Grays Ferry Cogeneration	Steam & Energy Services



1	Trigen - Inner Harbor East	District Heating & Cooling
2	Veolia Energy Los Angeles	District Heating & Cooling
3	Veolia Energy Las Vegas	District Heating & Cooling
4	Veolia Energy Maryland Steam	Steam Services
5	Veolia Energy Oklahoma City	District Heating & Cooling
6	Veolia Energy Operating Services	
7	Veolia Energy Philadelphia	Steam Services
8	Philadelphia Thermal Development	
9	Philadelphia United Power	
10	Veolia Energy Trenton	
11	Veolia Energy Portland	District Cooling
12	Veolia Energy Renewables	Energy Services
13	SourceOne, Inc.	
14	SourceOne Harborside	
15	SourceOne APT	
16	Trigen - St. Louis Energy	Steam & Energy Services
17	Veolia Energy Solutions	
18	Veolia Energy Trenton	District Heating & Cooling
19	Veolia Energy Tulsa	District Heating & Cooling
20	[source: Data Request 79 update from Charles P. Melcher's direct testimony,	
21	pages 4 - 5]	

22 Q. In general terms, what areas does Veolia Kansas City serve?

23 A. Veolia Kansas City generally serves steam customers in and around downtown  
24 Kansas City, Missouri, specifically defined as the downtown loop. The downtown loop is  
25 bounded by the Missouri River to the north and Interstate 70 to the south. In Case No.  
26 HA-2006-0294, the Commission authorized Veolia Kansas City to make an expansion south  
27 of the downtown loop to serve Truman Medical Center, which began taking steam service  
28 June 2008.

29 In addition, Veolia Kansas City provides steam service to two industrial customers  
30 under long-term contracts. Ingredion Incorporated (formerly National Starch & Chemical  
31 Company (National Starch) started taking steam service from KCPL in the mid-1980s.  
32 Originally, KCPL had a contract, dated November 3, 1982, to provide steam service to CPC  
33 International Inc. (Corn Products). That contract was terminated October 1, 1985, and the

1 steam service was assigned to National Starch. National Starch has plant operations north of  
2 the Grand Avenue Station across the Missouri River.

3 Cargill, Incorporated (Cargill) started taking steam service from Trigen Kansas City in  
4 May 2007 and is located east of the Grand Avenue Station. Cargill expanded its services  
5 using steam in late 2008.

6 On Veolia Kansas City's web site 2011, the Company states the following regarding  
7 its steam operations in Kansas City:

- 8 • 60 customers
- 9 • One steam production facility
  - 10 - Steam capacity of 1.3 million pounds per hour
  - 11 • Coal fired with natural gas
  - 12 - 5 megawatts of electric power co-generation capacity
  - 13 • 6.5 mile steam distribution system
- 14 • Two chilled water production facilities
  - 15 - 10,650 tons chilled water capacity
  - 16 -2.0 mile chilled water pipes

17 Q. When was the last time steam rates were changed for Veolia Kansas City?

18 A. The following table represents the three rate case filing requests including this  
19 one made by Veolia Kansas City and the amount of revenue requirement the Company  
20 believed it could justify:

21  
22  
23 *continued on next*

1

Case Number	Effective Date of Rates	Amount Rate Request/ Full Amount Awarded	Overall percent increase	Case Justified	Test Year	Update Period
HR-2014-0066	pending	\$1.0 million	14.4%	\$2.8 million	June 30, 2013	December 31, 2013
HR-2011-0241	Oct 19, 2011	\$1.379 million	19%	\$3.7 million	December 31, 2010	June 30, 2011
HR-2008-0300	Nov 1, 2008	\$1.228 million	19.5%	\$2.6 million	December 31, 2007	June 30, 2008

2

3

Prior to the 2008 rate increase, steam rates in downtown Kansas City were last changed in 1982, in Case No. HR-82-67, when the steam system was owned by KCPL.

4

5

Q. Was this the last time that a KCPL steam rate case was filed?

6

A. No. KCPL filed for a steam rate increase in 1986 in Case No. HO-86-139. In that case, KCPL requested that the Commission approve a proposal to cease operations and move the steam customers to KCPL's electric operations. The Commission rejected that proposal and also rejected the rate increase, and instructed KCPL to seek buyer opportunities for the steam system. KCPL did, and Trigen Corporation was the successful bidder.

7

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In the summary of the Commission's Order in Case No. HO-86-139 the following appears:

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The Commission has found that KCPL shall be authorized to abandon central steam distribution service as of December 31, 1990. However, KCPL shall make a good faith effort to sell the system and shall not terminate service to any customer until abandonment. KCPL shall solicit proposals for sale or transfer of the system as soon as reasonably practicable and shall report to the Commission as to the outcome of its efforts on or before January 31, 1989. KCPL shall freeze rates at current levels until the system is sold or abandoned.

22

[29 Mo P.S.C. (N.S.) 246 (1987)]

1 Q. Was Veolia Kansas City's 2008 rate case the only increase requested by  
2 the Company?

3 A. No. Veolia Kansas City (as Trigen Kansas City) filed for rate relief in  
4 Case No. HR-93-278 on April 7, 1993, for \$152,208, or an approximately 3.9% increase. The  
5 Company withdrew the tariffs and did not file formally again for rate relief until  
6 March 11, 2008, when it filed for the 2008 rate case. In the 1993 rate case, Trigen sought and  
7 was granted a waiver by the Commission regarding the requirement for Trigen to file direct  
8 testimony and exhibits. In the Order regarding variance, the Commission stated:

9 The Commission agrees that it would be impractical for Trigen  
10 to adhere to the entire formal procedure. Thus, the Commission  
11 determines that Trigen should be granted a variance to the  
12 requirement to file direct testimony in this case. The case  
13 would then proceed with Staff's direct testimony as a starting  
14 point and Trigen would still be expected to adhere to the  
15 remaining procedural schedule. Such a variance would reduce  
16 Trigen's costs while assuring that Staff's concerns are fully  
17 considered.

18 [Commission Order dated May 26, 1993 in Case No.  
19 HR-93-278]

20 Even though the Commission granted the Company a waiver from some of the  
21 procedural filing requirements, the Company remained unable to meet the remaining  
22 requirements and piece together the existing books and records to support a rate increase. On  
23 July 9, 1993, Trigen filed a "NOTICE OF DISMISSAL" requesting that the 1993 rate be  
24 dismissed. Trigen stated as its reasons requesting such notice as:

25 Although the Commission concluded that the burden of the full  
26 formal ratemaking process was sufficiently onerous to warrant a  
27 variance, much of the formal ratemaking process was left in  
28 place. The same information that would have been developed  
29 to generate direct testimony will be required to respond to  
30 Staff's inquiries in preparing its direct testimony and to prepare  
31 rebuttal testimony. In addition, the formal ratemaking process  
32 requires the development of data and preparation of schedules

1 in a format specified by Staff that is not easily extracted from  
2 and generated by Trigen's system. As a result, most of the  
3 resources required for full formal ratemaking will still be  
4 required to proceed under the variance granted by the  
5 Commission.

6 [Trigen's Motion of Notice of Dismissal dated July 9, 1993 in  
7 Case No. HR-93-278]

8 On July 13, 1993 the Commission granted Trigen's motion to dismiss the case  
9 [Commission Order dated July 13, 1993 in Case No. HR-93-278].

## 10 **VEOLIA MISSOURI OPERATIONS**

11 Q. What is Veolia Missouri?

12 A. Veolia Missouri is an affiliate company of Veolia Kansas City.  
13 Veolia Missouri supplies chilled water services from two locations to a small number of  
14 customers in downtown Kansas City in the same service territory as Veolia Kansas City.  
15 Veolia Missouri produces chilled water at the Grand Avenue central plant and distributes this  
16 service for air conditioning through a distribution line with a return condensate pipeline back  
17 to Grand Avenue for recycling purposes. Veolia Missouri also leases certain chillers from the  
18 city of Kansas City to produce chilled water for air conditioning purposes at the city's  
19 convention center.

20 All of Veolia Missouri's customers are also Veolia Kansas City customers, taking both  
21 chilled water services and steam services from these two affiliated Veolia companies.

22 Veolia Missouri has its offices at Veolia Kansas City's headquarters at the  
23 Grand Avenue Station. Veolia Missouri operates out of Grand Avenue and leases space for  
24 its chilled water equipment at this facility. Veolia Kansas City employees provide  
25 oversight and operational services to Veolia Missouri operations and allocate time and

1 costs to this affiliate. Veolia Missouri's management is the same as the management of  
2 Veolia Kansas City.

3 The Grand Avenue Station, which is owned and operated by Veolia Kansas City,  
4 produces the steam and has all the necessary infrastructure in place to supply the steam to  
5 Veolia Missouri.

6 Veolia Missouri is also a customer of Veolia Kansas City, taking steam to operate its  
7 chillers on a tariff basis.

8 Q. Is the provision of chilled water services regulated by the Commission?

9 A. That question was answered by the Commission in Case No. HM-2004-0618.

10 In that case, the Commission found that Veolia Missouri should not be regulated, as it is  
11 currently operated. The Commission stated:

12 The evidence presented in this case indicates that  
13 Trigen-Missouri, as it is currently operated, is not offering its  
14 chilled water service to the public at large. Furthermore, the  
15 Commission has never regulated chilled water service. If this  
16 issue is presented to the Commission again in a different case,  
17 with different facts, the Commission may reach a different  
18 conclusion. However, based on the record before it, the  
19 Commission is not convinced that it is in the public interest to  
20 assert jurisdiction over the chilled water operations of  
21 Trigen-Missouri.

22 [Commission Order in Case HM-2004-0618, page 7]

23 Q. How did Staff treat Veolia Missouri in this rate case?

24 A. Staff treated the operations of Veolia Missouri as non-regulated at this time.

25 Staff devoted considerable time to identify the results and operations of Veolia Missouri to  
26 ensure that none of its investment, revenues or costs were included in the revenue requirement  
27 calculation for Veolia Kansas City. Because Veolia Kansas City and Veolia Missouri share  
28 many investment and cost structures, Staff allocated payroll costs, payroll related benefits,

1 and payroll taxes between the two companies. The chilled water equipment owned and  
2 operated by Veolia Missouri was not included in the Veolia Kansas City rate base. Material  
3 and Supplies, and Prepayments, had to be identified and allocated between the two Veolia  
4 entities. Staff included revenues associated with providing steam to Veolia Missouri at  
5 regular tariff rates in the overall revenue requirement calculation.

6 Q. Has Staff reflected any changes for Veolia Missouri's operations?

7 A. Yes. Veolia Missouri leases space under agreement from its affiliate,  
8 Veolia Kansas City. Staff believes the lease agreement between these two affiliates was not  
9 made at arm's length and, by its terms, provided benefits to Veolia Missouri, as an affiliate,  
10 which the company would not provide to any other entity. That lease is considered highly  
11 confidential by the management of Veolia Missouri, which is the same management of Veolia  
12 Kansas City. A more detailed discussion of this adjustment appears in the highly confidential  
13 portion of the Staff Report.

#### 14 **VEOLIA ENERGY NORTH AMERICA'S CORPORATE COSTS**

15 Q. What are the corporate costs relating to the Veolia Kansas City's operations?

16 A. Veolia Kansas City does not have any corporate-level management employees  
17 providing administrative and support functions located at its Grand Avenue headquarters. All  
18 corporate functions associated with operating, maintaining and managing the district heating  
19 and chilled water services in downtown Kansas City are provided from a Veolia entity called  
20 Veolia Energy North America, LLC. The costs associated with employees located in Kansas  
21 City who operate the district heating systems are directly assigned to Veolia Kansas City. In  
22 turn, a portion of the Veolia Kansas City payroll costs are assigned to its affiliate Veolia  
23 Missouri through a specific time reporting system. Staff has included the operational and

1 maintenance costs for the Grand Avenue production plant and the district heating distribution  
2 system in its revenue requirement proposal.

3 Veolia Energy North America provides management oversight, accounting, finance,  
4 legal, human resources and general corporate governance to both Veolia Kansas City and  
5 Veolia Missouri from four locations – Milwaukee, Boston, Indianapolis and Chicago. While  
6 Veolia Energy North America is responsible for most of the corporate costs that are allocated  
7 to Veolia Kansas City and the other district heating and cooling operations, Thermal North  
8 America also has costs which are allocated to these various Veolia entities as well.

9 In the 2011 rate case, the corporate overhead costs charged to the Company from these  
10 locations substantially increased from the time of the Veolia Kansas City's 2008 rate case.  
11 The corporate costs increased substantially from \$198,000 in 2006 to over \$783,000 for  
12 2010 - a 295% increase in five years. In this current case, the cost allocations charged to  
13 Veolia Kansas City in 2013 have significantly declined from the levels allocated in the  
14 2011 time frame.

15 Q. How are the corporate costs assigned to Veolia Kansas City?

16 A. Veolia Energy North America has developed a procedure using sales revenues  
17 as the basis of allocating corporate costs to the various district heating and cooling systems.  
18 This process appears to ensure that each entity is getting a proper assignment of corporate  
19 costs from Veolia Energy North America, Veolia Energy North America Holdings and  
20 Thermal North America. Staff reviewed the cost allocations process used to charge these  
21 corporate overheads to Veolia Kansas City and found all Veolia entities were receiving a  
22 reasonable level of costs.



1           A full discussion of the corporate cost allocations is addressed in the Cost of  
2 Service Report.

3           Q.     Does this conclude your direct testimony?

4           A.     Yes, it does.

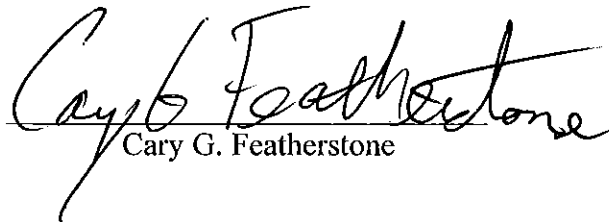
**BEFORE THE PUBLIC SERVICE COMMISSION**  
**OF THE STATE OF MISSOURI**

In the Matter of Veolia Energy Kansas City, )  
Inc for Authority to File Tariffs to Increase )           Case No. HR-2014-0066  
Rates )

AFFIDAVIT OF CARY G. FEATHERSTONE

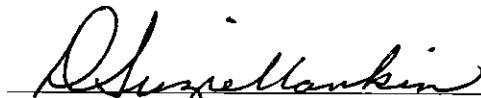
STATE OF MISSOURI    )  
                                  )           ss.  
COUNTY OF COLE     )

Cary G Featherstone, of lawful age, on his oath states: that he has participated in the preparation of the foregoing Direct Testimony in question and answer form, consisting of 47 pages to be presented in the above case; that the answers in the foregoing Direct Testimony were given by him; that he has knowledge of the matters set forth in such answers; and that such matters are true and correct to the best of his knowledge and belief.

  
Cary G. Featherstone

Subscribed and sworn to before me this 1<sup>st</sup> day of May, 2014.

D. SUZIE MANKIN Notary Public - Notary Seal State of Missouri Commissioned for Cole County My Commission Expires: December 12, 2016 Commission Number: 12412070
--

  
Notary Public

**CARY G. FEATHERSTONE**

**SUMMARY OF RATE CASE INVOLVEMENT**

<u>Year</u>	<u>Case No.</u>	<u>Utility</u>	<u>Type of Testimony/Issue</u>	<u>Case</u>
2014	GR-2014-0007 Coordinated	Missouri Gas Energy division of Laclede Gas Company	Direct- sponsor Utility Services Cost of Service Report Supplemental Direct- sponsor true-up revenue requirement Rebuttal Surrebuttal- update true-up revenue requirement	Pending
2013 2012	HC-2012-0259 Consolidated with HC-2010-0235 Coordinated	KCP&L Greater Missouri Operations Company  Ag Processing complaint against GMO's Quarterly Cost Adjustment (industrial steam fuel clause)	Additional Surrebuttal Report and Rebuttal	Pending
2010	HC-2010-0235	Ag Processing complaint against GMO's Quarterly Cost Adjustment (industrial steam fuel clause)	Deposition	Contested
2007 2008	HR-2007-0028, HR-2007-0399 and HR-2008-0340	Aquila, Inc., d/b/a Aquila Networks- L&P (industrial steam fuel clause review)		
2012	ER-2012-0175  Coordinated	KCPL Greater Missouri Operations Company (electric rate increase)	Direct- sponsor Utility Services Cost of Service Report; policy; plant valuation; capacity planning; Jurisdictional Allocation Factors; Rebuttal- capacity planning Surrebuttal- plant valuation; capacity True-up Direct	Contested

**CARY G. FEATHERSTONE**

**SUMMARY OF RATE CASE INVOLVEMENT**

<u>Year</u>	<u>Case No.</u>	<u>Utility</u>	<u>Type of Testimony/Issue</u>	<u>Case</u>
2012	ER-2012-0174 Coordinated	Kansas City Power & Light Company (electric rate increase)	Direct- sponsor Utility Services Cost of Service Report; policy; Additional Amortizations Regulatory Plan; Jurisdictional Allocation Factors; Iatan 2 Advanced Coal Credits; Rate Analysis Rebuttal- Iatan 2 Advanced Coal Credits	Contested
2011	SA-2010-0219 and SC-2010-0161 Coordinated	Canyon Treatment Facility LLC (sewer certificate and complaint case)	Recommendation Memorandum	Stipulated
2011	HR-2011-0241 Coordinated	Veolia Energy Kansas City Company (former Trigen Kansas City Energy Company) (steam rate increase)	Direct- sponsor Utility Services Cost of Service Report	Stipulated
2010	ER-2010-0356 Coordinated	KCP&L Greater Missouri Operations Company (electric rate increase)	Direct- sponsor Utility Services Cost of Service Report; policy; plant valuation; capacity planning; jurisdictional allocations; Rebuttal- capacity planning Surrebuttal- plant valuation; capacity True-up Direct True-up Rebuttal	Contested

**CARY G. FEATHERSTONE**

**SUMMARY OF RATE CASE INVOLVEMENT**

<u>Year</u>	<u>Case No.</u>	<u>Utility</u>	<u>Type of Testimony/Issue</u>	<u>Case</u>
2010	ER-2010-0355  Coordinated	Kansas City Power & Light Company (electric rate increase)	Direct- sponsor Utility Services Cost of Service Report; policy; Additional Amortizations Regulatory Plan; Jurisdictional Allocations Rate Analysis Rebuttal- jurisdictional allocation Surrebuttal- True-up Direct True-up Rebuttal	Contested
2010	SR-2010-0110 and WR-2010-0111  Coordinated	Lake Region Water and Sewer Company (water & sewer rate increase)	Direct- sponsor Utility Services Cost of Service Report Surrebuttal True-up Direct Reports to Commission	Contested
2009	HR-2009-0092  Coordinated	KCPL Greater Missouri Operations Company (former Aquila, Inc. Missouri electric properties) (industrial steam rate increase)	Direct- sponsor Utility Services Cost of Service Report; policy	Stipulated
2009	ER-2009-0090  Coordinated	KCPL Greater Missouri Operations Company (former Aquila, Inc. Missouri electric properties) (electric rate increase)	Direct- sponsor Utility Services Cost of Service Report; policy Surrebuttal-plant valuation; capacity planning	Stipulated

**CARY G. FEATHERSTONE**

**SUMMARY OF RATE CASE INVOLVEMENT**

<u>Year</u>	<u>Case No.</u>	<u>Utility</u>	<u>Type of Testimony/Issue</u>	<u>Case</u>
2009	ER-2009-0089 Coordinated	Kansas City Power & Light Company (electric rate increase)	Direct- sponsor Utility Services Cost of Service Report; policy; Additional Amortizations and Iatan 1 construction Rebuttal- jurisdictional allocations Surrebuttal- allocations	Stipulated
2008	HR-2008-0300 Coordinated	Trigen Kansas City Energy (steam rate increase)	Direct - sponsor Utility Services portion of the Cost of Service Report, overview of rate case, plant review and plant additions, fuel and income taxes	Stipulated
2007	HO-2007-0419 Coordinated	Trigen Kansas City Energy [sale of coal purchase contract] (steam)	Recommendation Memorandum	Stipulated
2007	ER-2007-0004 Coordinated	Aquila, Inc., d/b/a Aquila Networks- MPS and Aquila Networks- L&P (electric rate increase)	Direct-fuel clause, fuel, capacity planning Rebuttal Surrebuttal- fuel clause	Contested
2006	WR-2006-0425 Coordinated	Algonquin Water Resources (water & sewer rate increases)	Rebuttal- unrecorded plant; contributions in aid of construction Surrebuttal unrecorded plant; contributions in aid of construction	Contested

**CARY G. FEATHERSTONE**

**SUMMARY OF RATE CASE INVOLVEMENT**

<u>Year</u>	<u>Case No.</u>	<u>Utility</u>	<u>Type of Testimony/Issue</u>	<u>Case</u>
2006	ER-2006-0314 Coordinated	Kansas City Power & Light Company (electric rate increase)	Direct-construction audits Rebuttal- allocations Surrebuttal- allocations	Contested
2005	HR-2005-0450 Coordinated	Aquila, Inc., d/b/a Aquila Networks- L&P (industrial steam rate increase)	Direct	Stipulated
2005	ER-2005-0436 Coordinated	Aquila, Inc., d/b/a Aquila Networks- MPS and Aquila Networks- L&P (electric rate increase)	Direct- interim energy charge; fuel; plant construction; plant commercial in-service; capacity planning, plant valuation Rebuttal Surrebuttal	Stipulated
2005	EO-2005-0156 Coordinated	Aquila, Inc., d/b/a Aquila Networks- MPS (electric- South Harper Generating Station asset valuation case)	Rebuttal- plant valuation Surrebuttal- plant valuation	Stipulated
2005	HC-2005-0331 Coordinated	Trigen Kansas City Energy [Jackson County Complaint relocation of plant for Sprint Arena] (steam complaint case)	Cross examination- relocation of plant assets	Contested
2004	GR-2004-0072 Coordinated	Aquila, Inc., d/b/a Aquila Networks-MPS and Aquila Networks-L&P (natural gas rate increase)	Direct- acquisition adjustment; merger savings tracking  Rebuttal	Stipulated

**CARY G. FEATHERSTONE**

**SUMMARY OF RATE CASE INVOLVEMENT**

<u>Year</u>	<u>Case No.</u>	<u>Utility</u>	<u>Type of Testimony/Issue</u>	<u>Case</u>
2004	HM-2004-0618 Coordinated	Trigen- Kansas City Energy purchase by Thermal North America (steam - sale of assets)	Supervised Case— Did not file testimony	Stipulated
2003	ER-2004-0034 and HR-2004-0024 (Consolidated) Coordinated	Aquila, Inc., (formerly UtiliCorp United Inc) d/b/a Aquila Networks-MPS and Aquila Networks-L&P (electric & industrial steam rate increases)	Direct- acquisition adjustment; merger savings tracking Rebuttal Surrebuttal Deposition	Stipulated
2002	ER-2002-424 Coordinated	Empire District Electric Company (electric rate increase)	Direct- fuel-interim energy charge Surrebuttal	Stipulated
2001	ER-2001-672 and EC-2002-265 Coordinated	UtiliCorp United Inc./Missouri Public Service Company (electric rate increase)	Verified Statement Direct- capacity purchased power agreement; plant recovery Rebuttal Surrebuttal	Stipulated
2001	ER-2001-299 Coordinated	Empire District Electric Company (electric rate increase)	Direct- income taxes; cost of removal; plant construction costs; fuel- interim energy charge Surrebuttal True-Up Direct	Contested
2000	EM-2000-369 Coordinated	UtiliCorp United Inc. merger with Empire District Electric Company (electric acquisition/ merger case)	Rebuttal- acquisition adjustment; merger costs/savings tracking	Contested (Merger eventually terminated)
2000	EM-2000-292 Coordinated	UtiliCorp United Inc. merger with St. Joseph Light & Power Company (electric, natural gas and industrial steam acquisition/ merger case)	Rebuttal- acquisition adjustment; merger costs/savings tracking	Contested (Merger closed)



**CARY G. FEATHERSTONE**

**SUMMARY OF RATE CASE INVOLVEMENT**

<u>Year</u>	<u>Case No.</u>	<u>Utility</u>	<u>Type of Testimony/Issue</u>	<u>Case</u>
1999	EM-97-515 Coordinated	Kansas City Power & Light Company merger with Western Resources, Inc. (electric acquisition/ merger case)	Rebuttal- acquisition adjustment; merger costs/savings tracking	Stipulated (Merger eventually terminated)
1998	GR-98-140 Coordinated	Missouri Gas Energy Division of Southern Union Company (natural gas rate increase)	Testimony in Support of Stipulation And Agreement	Contested
1997	EM-97-395	UtiliCorp United Inc./Missouri Public Service (electric-application to spin-off generating assets to EWG subsidiary)	Rebuttal- plant assets & purchased power agreements	Withdrawn
1997	ER-97-394 and EC-98-126 Coordinated	UtiliCorp United Inc./Missouri Public Service (electric rate increase and rate complaint case)	Direct- fuel & purchased power; fuel inventories; re-organizational costs Rebuttal Surrebuttal	Contested
1997	EC-97-362 and EO-97-144	UtiliCorp United Inc./Missouri Public Service (electric rate complaint case)	Direct- - fuel & purchased power; fuel inventories Verified Statement	Contested Commission Denied Motion
1997	GA-97-133	Missouri Gas Company (natural gas—certificate case)	Rebuttal- natural gas expansion	Contested
1997	GA-97-132	UtiliCorp United Inc./Missouri Public Service Company (natural gas—certificate case)	Rebuttal- natural gas expansion	Contested
1996	ER-97-82	Empire District Electric Company (electric-- interim rate increase case)	Rebuttal- fuel & purchased power	Contested
1996	GR-96-285 Coordinated	Missouri Gas Energy Division of Southern Union Company (natural gas rate increase)	Direct- merger savings recovery; property taxes Rebuttal Surrebuttal	Contested

**CARY G. FEATHERSTONE**

**SUMMARY OF RATE CASE INVOLVEMENT**

<u>Year</u>	<u>Case No.</u>	<u>Utility</u>	<u>Type of Testimony/Issue</u>	<u>Case</u>
1996	EM-96-149 Coordinated	Union Electric Company merger with CIPSCO Incorporated (electric and natural gas-- acquisition/merger case)	Rebuttal- acquisition adjustment; merger costs/savings	Stipulated
1996	GA-96-130	UtiliCorp United, Inc./Missouri Pipeline Company (natural gas-- certificate case)	Rebuttal- natural gas expansion	Contested
1995	ER-95-279 Coordinated	Empire District Electric Company (electric rate increase)	Direct- fuel & purchased power; fuel inventories	Stipulated
1995	GR-95-160 Coordinated	United Cities Gas Company (natural gas rate increase)	Direct- affiliated transactions; plant	Contested
1994	GA-94-325 Coordinated	UtiliCorp United Inc., expansion of natural gas to City of Rolla, MO (natural gas-- certificate case)	Rebuttal- natural gas expansion	Contested
1994	GM-94-252 Coordinated	UtiliCorp United Inc., acquisition of Missouri Gas Company and Missouri Pipeline Company (natural gas--acquisition case)	Rebuttal- acquisition of assets case	Contested
1994	ER-94-194	Empire District Electric Company (electric rate increase)	Supervised Case— Did not file testimony	
1993	GM-94-40	Western Resources, Inc. and Southern Union Company (natural gas-- sale of Missouri property)	Rebuttal- acquisition adjustment; merger costs/savings tracking	Stipulated
1993	TR-93-181	United Telephone Company of Missouri (telephone rate increase)	Direct- directory advertising Surrebuttal	Contested
1993	TC-93-224 and TO-93-192 Coordinated Directory	Southwestern Bell Telephone Company (telephone-- rate complaint case)	Direct- directory advertising Rebuttal Surrebuttal	Contested

**CARY G. FEATHERSTONE**

**SUMMARY OF RATE CASE INVOLVEMENT**

<u>Year</u>	<u>Case No.</u>	<u>Utility</u>	<u>Type of Testimony/Issue</u>	<u>Case</u>
1991	EM-91-290	UtiliCorp United Inc./ Missouri Public Service and Centel acquisition (electric – acquisition/ merger case)	Recommendation Memorandum	Stipulated
1991	GO-91-359 Coordinated	UtiliCorp United Inc., Missouri Public Service Division (natural gas-- accounting authority order)	Memorandum Recommendation- Service Line Replacement Program cost recovery deferral	Stipulated
1991	EO-91-358 and EO-91-360 Coordinated	UtiliCorp United Inc., Missouri Public Service Division (electric-- accounting authority orders)	Rebuttal- plant construction cost deferral recovery; purchased power cost recovery deferral	Contested
1991	EM-91-213	Kansas Power & Light - Gas Service Division (natural gas-- acquisition/merger case)	Rebuttal- acquisition adjustment; merger costs/savings tracking	Contested
1990	GR-90-152	Associated Natural Gas Company (natural gas rate increase)	Rebuttal- acquisition adjustment; merger costs/savings	Stipulated
1990	GR-90-198 Coordinated	UtiliCorp United, Inc., Missouri Public Service Division (natural gas rate increase)	Direct- Corporate Costs and Merger & Acquisition Costs	Stipulated
1990	ER-90-101 Coordinated	UtiliCorp United Inc., Missouri Public Service Division (electric rate increase- Sibley Generating Station Life Extension Case)	Direct- Corporate Costs and Merger & Acquisition Costs Surrebuttal	Contested
1990	GR-90-50 Coordinated	Kansas Power & Light - Gas Service Division (natural gas rate increase)	Direct- prudence review of natural gas explosions	Stipulated

**CARY G. FEATHERSTONE**

**SUMMARY OF RATE CASE INVOLVEMENT**

<u>Year</u>	<u>Case No.</u>	<u>Utility</u>	<u>Type of Testimony/Issue</u>	<u>Case</u>
1989	TR-89-182 and TC-90-75	GTE North, Incorporated (telephone rate increase)	Direct- directory advertising Rebuttal Surrebuttal	Contested Decided Feb 9, 1990
1988	TC-89-14  Coordinated Directory	Southwestern Bell Telephone Company (telephone-- rate complaint case)	Direct- directory Surrebuttal advertising Surrebuttal Deposition	Contested
1988	GR-88-115  Coordinated	St. Joseph Light & Power Company (natural gas rate increase)	Supervised Case-- Did not file testimony Deposition	Stipulated
1988	HR-88-116	St. Joseph Light & Power Company (industrial steam rate increase)	Supervised Case-- Did not file testimony Deposition	Stipulated
1987	HO-86-139  Coordinated	Kansas City Power & Light Company (district steam heating-- discontinuance of public utility and rate increase)	Direct- policy testimony on abandonment of steam service Rebuttal Surrebuttal	Contested
1986	TR-86-117  Coordinated	United Telephone Company of Missouri (telephone rate increase)	Withdrawn prior to filing	Withdrawn
1986	GR-86-76  Coordinated	KPL-Gas Service Company (natural gas rate increase)	Withdrawn prior to filing	Withdrawn
1986	TR-86-55  Coordinated	Continental Telephone Company of Missouri (telephone rate increase)	Supervised Case-- Did not file testimony	Stipulated

**CARY G. FEATHERSTONE**

**SUMMARY OF RATE CASE INVOLVEMENT**

<u>Year</u>	<u>Case No.</u>	<u>Utility</u>	<u>Type of Testimony/Issue</u>	<u>Case</u>
1986	TR-86-63 Coordinated	Webster County Telephone Company (telephone rate increase)	Supervised Case-- Did not file testimony	Stipulated
1986	TR-86-14 Coordinated	ALLTEL Missouri, Inc. (telephone rate increase)	Supervised Case— Did not file testimony	Stipulated
1985	ER-85-128 and EO-85-185 Coordinated	Kansas City Power & Light Company (electric rate increase- Wolf Creek Nuclear Generating Unit Case)	Supervised Case-- Direct- fuel inventories; coordinated Wolf Creek Nuclear construction audit	Contested
1984	EO-84-4	Investigation and Audit of Forecasted Fuel Expense of Kansas City Power & Light Company (electric-- forecasted fuel true-up)	Direct	Contested
1983	TR-83-253	Southwestern Bell Telephone Company (telephone rate increase - ATT Divesture Case)	Direct- revenues & directory advertising	Contested
1983	ER-83-49	Kansas City Power & Light Company (electric rate increase)	Direct- fuel & fuel inventories Rebuttal Surrebuttal	Contested
1983	EO-83-9	Investigation and Audit of Forecasted Fuel Expense of Kansas City Power & Light Company (electric-- forecasted fuel true-up)	Direct	Contested
1982	TR-82-199	Southwestern Bell Telephone Company (telephone rate increase)	Direct- revenues & directory advertising	Contested

**CARY G. FEATHERSTONE**

**SUMMARY OF RATE CASE INVOLVEMENT**

<u>Year</u>	<u>Case No.</u>	<u>Utility</u>	<u>Type of Testimony/Issue</u>	<u>Case</u>
1982	ER-82-66 and HR-82-67	Kansas City Power & Light Company (electric & district steam heating rate increase)	Direct- fuel & purchased power; fuel inventories Rebuttal Surrebuttal	Contested
1981	TO-82-3	Southwestern Bell Telephone Company Investigation of Equal Life Group and Remaining Life Depreciation Rates (telephone-- depreciation case)	Direct- construction work in progress	Contested
1981	TR-81-302	United Telephone Company of Missouri (telephone rate increase)	Direct- construction work in progress	Stipulated
1981	TR-81-208	Southwestern Bell Telephone Company (telephone rate increase)	Direct-cash working capital; construction work in progress; income taxes-flow- through Rebuttal Surrebuttal	Contested
1981	ER-81-42	Kansas City Power & Light Company (electric rate increase)	Direct-payroll & payroll related benefits; cash working capital Rebuttal	Contested
1980	TR-80-235	United Telephone Company of Missouri (telephone rate increase)	Direct- construction work in progress Rebuttal	Contested
1980	GR-80-249  Coordinated	Rich Hill-Hume Gas Company (natural gas rate increase)	No Testimony filed- revenues & rate base	Stipulated
1980	GR-80-173	The Gas Service Company (natural gas rate increase)	Direct Deposition	Stipulated
1980	HR-80-55	St. Joseph Light & Power Company (industrial steam rate increase)	Direct	Stipulated

**CARY G. FEATHERSTONE**  
**SUMMARY OF RATE CASE INVOLVEMENT**

<u>Year</u>	<u>Case No.</u>	<u>Utility</u>	<u>Type of Testimony/Issue</u>	<u>Case</u>
1980	OR-80-54	St. Joseph Light & Power Company (transit rate increase)	Direct	Stipulated
1980	ER-80-53	St. Joseph Light & Power Company (electric rate increase)	Direct	Stipulated

**CARY G. FEATHERSTONE**  
**SUMMARY OF RATE CASE INVOLVEMENT**  
**CASES SUPERVISED AND ASSISTED:**

2013	SA-2014-0005	Central Rivers Wastewater (sewer certificate case)	Supervised Case-	Stipulated
2013	SC-2013-0332	West 16 <sup>th</sup> Street (Public Counsel complaint case)	Supervised Case-	Stipulated
2013	WR-2013-0326	Woodland Manor (water informal rate increase)	Supervised Case-	Stipulated
2013	SR-2013-0053	WPC Sewer	Supervise Case-	Stipulated
2013	WM-2013-0329	Bilyean Ridge Water	Supervise Case-	Stipulated
2012	WR-2012-0163	Tandy County (water informal rate increase)	Supervised Case- Recommendation Memorandum	Stipulated
2011	WO-2022-0328	Algonquin Liberty Water purchase of Noel Water	Supervised Case- Recommendation Memorandum	Stipulated
2010	SR-2010-0320 Coordinated	Timber Creek Sewer Company	Supervised Case—Did Not File Testimony	Pending
2010	WR-2010-0202	Stockton Water Company	Recommendation Memorandum	Stipulated
2010	EO-2010-0211	KCP&L Greater Missouri Operations---- Liberty service center sale	Recommendation Memorandum	Stipulated
2009	EO-2010-0060	KCP&L Greater Missouri Operations----- Blue Springs service center sale	Recommendation Memorandum	Withdrawn



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**SUMMARY OF RATE CASE INVOLVEMENT**  
**CASES SUPERVISED AND ASSISTED:**

2009	WR-2010-0139 SR-2010-0140	Valley Woods Water Company	Recommendation Memorandum	Stipulated
2008	QW-2008-0003	Spokane Highlands Water Company (water- informal rate increase)	Recommendation Memorandum	Stipulated
2007	SR-2008-0080 QS-2007-0008	Timber Creek (sewer- informal rate increase)	Recommendation Memorandum	Stipulated
2006	WR-2006-0250 Coordinated	Hickory Hills Water (water- informal rate increase)	Supervised Case—Did Not File Testimony	Contested
2006	HA-2006-0294 Coordinated	Trigen Kansas City Energy (steam- expansion of service area)	Recommendation Memorandum & Testimony	Contested
2005	Case No. WO-2005-0206 Coordinated	Silverleaf sale to Algonquin (water & sewer- sale of assets)	Supervised Case—Did not file testimony	Stipulated
2005	GM-2005-0136 Coordinated	Partnership interest of DTE Enterprises, Inc. and DTE Ozark, Inc in Southern Gas Company purchase by Sendero SMGC LP (natural gas -- sale of assets)	Recommendation Memorandum	Stipulated
2003	QW-2003-016 QS-2003-015	Tandy County (water & sewer informal rate increase)	Recommendation Memorandum	Stipulated

