

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

In the Matter of Veolia Energy)	
Kansas City, Inc. for Authority)	<u>Case No. HR-2014-0066</u>
to File Tariffs to Increase Rates)	Tariff Tracking No. YH-2015-0020
		Tariff Tracking No. YH-2015-0021

STAFF RECOMMENDATION TO APPROVE TARIFF SHEETS

COMES NOW the Staff of the Missouri Public Service Commission, by and through undersigned counsel, and hereby submits Staff’s recommendation for the Commission to approve the tariff sheets filed on July 23, 2014¹ by Veolia Energy Kansas City, Inc. (“Veolia”) in compliance with the specimen tariff sheets approved by the Commission in its July 23rd Order Approving Non-Unanimous Stipulation and Agreement settling all issues of the above-captioned case. In support thereof, Staff states as follows:

1. On July 23rd, the Commission issued its *Order Approving Non-Unanimous Stipulation and Agreement* (“Order”) in which it authorized Veolia to file tariff sheets in compliance with the terms of the Non-Unanimous Stipulation and Agreement (“Agreement”)² and the specimen tariff sheets included as Appendix A to the Agreement no later than July 25th. That same day, Veolia filed its *Motion for Acceptance of Settlement Tariffs as Compliance Tariffs* requesting that the Commission accept the tariff sheets filed with its motion (P.S.C. MO. No. 1, assigned Tariff Tracking No. YH-2015-0020) and general rules (P.S.C. MO. No. 2, assigned Tariff Tracking No. YH-2015-0021) as tariff sheets complying with the Commission’s Order.

¹All dates herein refer to calendar year 2014 unless otherwise stated.

² The Non-Unanimous Stipulation and Agreement is treated as a unanimous stipulation and agreement by operation of Commission Rule 4 CSR 240-2.115(2)(C) .

2. On July 24th, the Commission issued its *Order Setting Deadline For Staff's Recommendation On Compliance Tariffs and Objections To Expedited Treatment* directing Staff to file a report on whether Veolia's tariff sheets are in compliance with the terms of the Commission's July 23rd Order no later than July 28.

3. Accordingly, Staff files this recommendation, and the attached *Memorandum* prepared by Mr. Bradley Fortson, Regulatory Economist II within the Economic Analysis Unit of the Commission. The Staff has reviewed the tariff sheets filed by Veolia with its July 23rd Motion. It is Staff's opinion that the tariff sheets filed by Veolia are in compliance with the Commission's *Order Approving Non-Unanimous Stipulation and Agreement*, and therefore should be approved. Staff is also of the opinion that good cause exists for the Commission to approve these tariff sheets on less than thirty days' notice because the August 1, 2014 effective date of the tariffs complies with the effective date permitted in the Commission's Order and the specimen tariff sheets included in the Agreement.

4. Staff has verified that Veolia has filed its annual report and is not delinquent on any assessment. Staff is not aware of any other matter before the Commission that affects or is affected by this filing.

WHEREFORE, for the reasons stated above, Staff recommends the Commission issue an Order approving the tariff sheets as listed in Staff's *Memorandum* and assigned Tracking Nos. YH-2015-0020 and YH-2015-0021, to become effective on August 1, 2014.

Respectfully submitted,

/s/ Akayla J. Jones

Akayla J. Jones

Legal Counsel

Missouri Bar No. 64941

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CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been mailed with first-class postage, hand-delivered, transmitted by facsimile or electronically mailed to all counsel of record this 25th day of July, 2014.

/s/ Akayla J. Jones

MEMORANDUM

TO: Missouri Public Service Commission Official Case File
Case No. HR-2014-0066, Tariff Tracking Nos. YH-2015-0020 and YH-2015-0021
Veolia Energy Kansas City, Inc.

FROM: Bradley Fortson, Regulatory Economist II

/s/ Michael Scheperle 07/25/14
Manager, Economic Analysis / Date

/s/ Akayla J. Jones 07/25/14
General Counsel's Office / Date

SUBJECT: Staff Recommendation to Approve Veolia Energy Kansas City Inc. ("Veolia Kansas City" or "Company") Compliance Tariff Sheets and revised Rules and Regulations filed to comply with the Commission's Order Approving Non-Uniform Stipulation and Agreement and Motion for Acceptance of Settlement Tariffs as Compliance Tariffs.

DATE: July 25, 2014

NON-UNANIMOUS STIPULATION AND AGREEMENT

On June 25, 2014, Veolia Kansas City and other Parties¹ filed a Non-Uniform Stipulation and Agreement ("Agreement") in Case No. HR-2014-0066, the Veolia Kansas City steam case. Because no party objected to the Agreement or requested a hearing, the Agreement became a unanimous stipulation and agreement by operation of Commission Rule 4 CSR 240-2.115(2)(C).

The Agreement approved an increase in Veolia Kansas City's overall Missouri jurisdictional gross annual electric revenues of \$1.0 million or 14.1% to become effective August 1, 2014. The Agreement settled all issues among the Parties for purposes of Case No. HR-2014-0066.

In the Commission Order Approving Non-Uniform Stipulation and Agreement ("Order"), the Order authorized Veolia Kansas City to file tariffs in compliance with the terms of the Agreement and the specimen tariff sheets included as Appendix A to the Agreement no later than July 25, 2014. Veolia Kansas City filed tariff sheets on July 23, 2014, to comply with the Order.

¹ Staff of the Missouri Public Service Commission, Truman Medical Center, and the City of Kansas City, Missouri. Counsel for the Office of Public Counsel ("OPC"), a non-signatory party to the case, has had an opportunity to review the Non-Uniform Stipulation and Agreement and has indicated OPC will not object to it or request a hearing on the issues resolved (Section 17, paragraph (a) of Non-Uniform Stipulation and Agreement). Further, Missouri Gas Energy ("MGE"), a non-signatory party to the case, does not agree with the potential use of the Economic Development Rider to provide discounts to customers to encourage them to fuel-switch to Veolia's steam service. However, owing to the limited amount of the discount, MGE will not oppose the settlement in this case (Section 17, paragraph (b) of Non-Uniform Stipulation and Agreement).

In an accompanying motion², Veolia Kansas City requested the Commission act on an expedited basis to approve the tariff sheets to become effective on August 1, 2014, which is consistent with the terms of the Agreement.

The Agreement outlines that the rate increase will be distributed among the Standard Commercial Service (“SCS”), Large Commercial Service (“LCS”) and Interruptible Heating Service (“IHS”) classes as outlined below:

1. That the Company’s proposed rate design as described in the specimen tariff sheets in Appendix A restructures the LCS and IHS demand charge;
2. That the first step of the IHS demand charge initially proposed by Veolia Kansas City shall be increased by 9.40%; and
3. That the remainder of the rate increase shall be recovered from the usage charge applicable to all classes.

The Agreement outlines a new Production Adjustment Cost Clause (“PACC”) and certain monthly and annual reporting requirements. The PACC outlines a risk sharing percentage of 95% pass-through to customers and 5% is retained by Veolia Kansas City. The PACC tariff sheets shall become effective January 1, 2015³. From the January 1, 2015 effective date of the PACC tariff sheets as long as the PACC is in place the Company shall file a general rate case no later than every four (4) years.

The Agreement outlines Veolia Kansas City’s request for a Certificate of Convenience and Necessity (“CCN”) for expanding its operations into new service areas, subject to the conditions⁴ outlined in the Agreement as required under Section 393.170 RSMO 2000.

The Agreement also outlines new tariff sheet offerings for an Economic Development Rider Tariff (“EDR”), a Capacity Reserve and Emergency Service Tariff (“CR/ES”), a Residential High-Rise Tariff (“RHR”) and a Special Contract Tariff. The Agreement further outlines updating and maintaining plant and depreciation records.

Staff Recommendation

The Commission’s Energy Unit-Tariff, Safety, Economic and Engineering Analysis Department Staff (“Staff”) has reviewed the filed tariff sheets and Rules and Regulations modifications and is of the opinion that they comply with the Commission’s Order. Staff is also of the opinion that good cause exists for the Commission to approve these tariff sheets on less than thirty days’ notice because they comply with the August 1, 2014 effective date of tariffs authorized by the Commission’s Order and the specimen tariff sheets included in the Agreement. Therefore, Staff recommends the Commission approve the following tariff sheets as filed on July 23, 2014, to become effective on August 1, 2014, the requested effective date.

² Veolia Energy Kansas City’s, Inc.’s Motion for Acceptance of Settlement Tariffs as Compliance Tariffs.

³ Non-Unanimous Stipulation and Agreement, Section 4, paragraph (a).

⁴ Conditions contained in Section 5, paragraphs (a) through (h) of the Non-Unanimous Stipulation and Agreement.

P.S.C. MO. No. 1

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P.S.C. MO. No. 2

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OFFICIAL CASE FILE MEMORANDUM

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3rd Revised Sheet No. 31, Cancelling 2nd Revised Sheet No. 31

The Staff has verified that Veolia Kansas City has filed its annual report and is not delinquent on any assessment. The Staff is not aware of any other matter before the Commission that affects or is affected by this filing.


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

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

AFFIDAVIT OF BRADLEY FORTSON

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

Bradley Fortson, of lawful age, on oath states: that he participated in the preparation of the foregoing Staff Recommendation in memorandum form, to be presented in the above case; that the information in the Staff Recommendation was provided to him; that he has knowledge of the matters set forth in such Staff Recommendation; and that such matters are true to the best of his knowledge and belief.


Bradley Fortson

Subscribed and sworn to before me this 25th day of July, 2014.

SUSAN L. SUNDERMEYER
Notary Public - Notary Seal
State of Missouri
Commissioned for Callaway County
My Commission Expires: October 03, 2014
Commission Number: 10942086


Notary Public