

1
2 **BEFORE THE PUBLIC SERVICE COMMISSION**
3 **OF THE STATE OF MISSOURI**
4
5
6

7 **In the Matter of the Application of**)
8 **The Cathedral Square Corporation,**)
9 **a Missouri Non-Profit Corporation,**)
10 **For a Variance from Kansas City**) **Case No. EO-2012-0141**
11 **Power & Light Company's**)
12 **General Rules and Regulations**)
13 **Requiring Individual Metering**)
14
15

16 **DIRECT TESTIMONY OF WILLIAM L. FOREMAN, SR.**
17 **REPRESENTATIVE OF THE CATHEDRAL SQUARE CORPORATION**
18
19

20 COMES NOW, Applicant, The Cathedral Square Corporation, a Missouri Non-Profit
21 Corporation ("CSC"), by and through its counsel Shawn E. Stewart, and hereby submits the
22 following Direct Testimony of William L. Foreman, Sr., affirmed and attested to under oath.

23 I, William L. Foreman, Sr., now being duly sworn and of legal age, hereby testify as
24 follows:

25 **DIRECT EXAMINATION ("Q") BY SHAWN E. STEWART:**

26 **Q. Please state your name for the record.**

27 A. William L. Foreman, Sr.

28 **Q. Please state who you are employed by.**

29 A. Yarco Company, Inc.

30 **Q. Please describe your work experience with Yarco Company, Inc. ("Yarco").**

31 A. I have been employed by Yarco for more than 30 years, since 1981. I am a Vice President
32 with Yarco, and I am the Regional Property Manager. I have been given the responsibility for
33 the overseeing and managing the operations of several properties in the Kansas City metropolitan

34 area. I am a professional Managing Agent under contract with The Cathedral Square
35 Corporation, as their managing agent to administer their business.

36 **Q. In your management of the business and operations of the Cathedral Square
37 Towers building, are you familiar with the corporate entity structure of The Cathedral
38 Square Corporation (which sometimes may be referred to hereinafter as “CSC”)?**

39 A. Yes.

40 **Q. Please explain what type of entity that CSC is.**

41 A. CSC is a non-profit corporation, organized under the provisions of the Missouri
42 Nonprofit Corporation Act, being active and in good standing with the office of the Missouri
43 Secretary of State.

44 **Q. I am providing you with a copy of a Certificate of Good Standing issued by the
45 office of the Missouri Secretary of State on February 7, 2012, and marked as Exhibit A. Is
46 it your belief and understanding that CSC is in good standing, having fully complied with
47 all the requirements of the Secretary of the State of Missouri?**

48 A. Yes, Yarco is the Registered Agent for CSC and we file all annual reports with the
49 Secretary of State.

50 **Q. I am providing you with a copy of a Certificate of Corporate Records issued by the
51 office of the Missouri Secretary of State (which sometimes may be referred to hereinafter
52 as “SOS”) on February 7, 2012, and marked as Exhibit B. Is it your belief and
53 understanding that the Articles of Incorporation of The Cathedral Square Corporation
54 attached to the Certificate of Corporate Records is a full, true and complete copy of the
55 original Articles of Incorporation of CSC that was filed with the SOS on or about
56 December 27, 1972?**

57 A. Yes.

58 **Q. I am providing you with a copy of a Certificate of Corporate Records issued by the**
59 **office of the SOS on February 7, 2012, and marked as Exhibit C. Is it your belief and**
60 **understanding that the Articles of Amendment to the Articles of Incorporation of a**
61 **General Not For Profit Corporation Law attached to the Certificate of Corporate Records**
62 **is a full, true and complete copy of the original of that same document, that was filed with**
63 **the SOS on or about January 28, 1977?**

64 A. Yes.

65 **Q. Are you familiar with the purpose for which CSC exists and operates?**

66 A. Yes.

67 **Q. What is that purpose?**

68 A. CSC was formed and organized, and today still exists exclusively for charitable purposes
69 to provide help and benefits to people in the Kansas City area that are in need.

70 **Q. Are those charitable purposes set forth in the Articles of Incorporation set forth on**
71 **Exhibit B, and as amended in the Articles of Amendment to the Articles of Incorporation**
72 **set forth on Exhibit C?**

73 A. Yes.

74 **Q. Please state what the charitable purposes of CSC are.**

75 A. Pursuant to the Articles of Amendment to the Articles of Incorporation, the primary
76 purpose or purposes for which CSC exists is the following:

77 (a) To provide, on a non-profit basis, rental housing and related facilities and
78 services for lower income families, elderly and handicapped families and individuals
79 pursuant to Section 202 of the Housing Act of 1959, as amended, (12 U.S.C. 1701Q of

80 the National Housing Act) and pursuant to the provisions of Section 8 of the U.S.
81 Housing Act of 1937, and to provide on a non-profit basis rental housing and related
82 facilities and services for lower income, elderly and handicapped families and individuals
83 pursuant to any other section of the National Housing Act which purpose is to provide
84 housing projects to serve lower income, elderly and handicapped families and
85 individuals.

86 (b) To plan, construct, operate, maintain, rehabilitate, alter, convert, and
87 improve rental housing and related facilities and services on a non-profit basis, for lower
88 income families and elderly and handicapped families and elderly and handicapped
89 persons, and to engage in programs and activities conducive to the physical, social and
90 psychological well being of the aged, handicapped, lower and moderate income, and
91 disadvantaged persons and families, and which will beneficially contribute to their health,
92 security, happiness and general welfare.

93 In general, CSC is able to engage in any kind of activity, and to enter into, perform and
94 carry out contracts of any kind, necessary or in connection with, or incidental to the
95 accomplishment of any one or more of the non-profit purposes of the corporation.

96 **Q. Where is the Cathedral Square Towers property located?**

97 A. The building is at 444 W. 12th Street, in Kansas City, Jackson County, Missouri
98 (sometimes referred to hereinafter as “the 444 W. 12th Street property” and/or the “Cathedral
99 Square Towers”.)

100 **Q. I have provided you with a copy of a Warranty Deed dated September 20, 1977 and**
101 **recorded September 22, 1977 in Book K788, at Page 691, in the office of the Recorder of**
102 **Deeds for Jackson County, Missouri, which document has been marked as Exhibit D. Is**

103 **this the conveyance deed by which CSC acquired the property at 444 W. 12th Street in**
104 **Kansas City, Missouri?**

105 A. Yes.

106 **Q. After CSC acquired the 444 W. 12th Street property in 1977, did it construct any**
107 **buildings thereon?**

108 A. Yes. In that same year, 1977, CSC commenced the construction of a 156 apartment unit
109 building known as Cathedral Square Towers. Upon the completion of the building in January
110 1979, the first resident moved into the building in that same month.

111 **Q. Based upon your answer, the footings for the Cathedral Square Towers were**
112 **poured prior to June 1, 1981?**

113 A. Yes, the footings were poured in 1977.

114 **Q. What has CSC used the Cathedral Square Towers building for?**

115 A. In connection with the mission and purpose of CSC to provide rental housing and related
116 facilities and services on a non-profit basis, for lower income people, elderly and handicapped
117 people, as set forth in the CSC Articles of Amendment to the Articles of Incorporation,
118 beginning in 1979 and continuing through today, CSC has operated the Cathedral Square Towers
119 building at 444 W. 12th Street to provide housing opportunities to qualified low-income seniors.
120 The Cathedral Square Towers has been uniquely designed for its residents, featuring affordable
121 rent, secure facilities, recreational opportunities, and access to local amenities.

122 **Q. During the construction of the Cathedral Square Towers in 1977, did CSC**
123 **voluntarily elect to install multiple and separate electric meters for each of the 156**
124 **residential units?**

125 A. Yes.

126 **Q. Did any electric utility or other governmental agency require CSC to install**
127 **separate electric meters?**

128 A. No.

129 **Q. Are those individual, multiple electric meters still in operation by CSC at the**
130 **Cathedral Square Towers today?**

131 A. Yes.

132 **Q. Is it the desire of CSC to consolidate the multiple electric metering of the Cathedral**
133 **Square Towers building into a single, master electric meter to measure the electricity used**
134 **for the entire building?**

135 A. Yes.

136 **Q. Why does CSC desire to consolidate the metering into a single, master electric**
137 **meter?**

138 A. In 2009, Yarco, on behalf of CSC contracted with Energy Solutions Professionals, LLC
139 (sometimes referred to hereinafter as “ESP”) to (1) identify and quantify energy and facility
140 improvement opportunities to the Cathedral Square Towers that could be paid for by savings;
141 and (2) obtain information about various options for implementing the improvements, including
142 guaranteed savings energy performance contract and available rebates, and identify the financial
143 impacts of each approach. CSC desired to obtain information in order to make informed
144 decisions about the steps that it could take to reduce its operating costs by being energy efficient,
145 and to obtain details that demonstrated the value of each implementation plan.

146 **Q. Did ESP perform those services and provide that information to CSC?**

147 A. Yes.

148 **Q. I am providing you with a copy of an Investment Grade Audit Report prepared for**
149 **Cathedral Square Towers by ESP, dated July 6, 2009, which is marked as Exhibit E**
150 **(sometimes referred to hereinafter as the “ESP Report”). Is this the Report that ESP**
151 **prepared and provided to you?**

152 A. Yes.

153 **Q. Do you believe the ESP Report accurately assessed and identified the energy-**
154 **consuming systems of the Cathedral Square Towers and the steps that should be taken to**
155 **implement and achieve the energy savings?**

156 A. Yes.

157 **Q. Is it your belief that in order for CSC to continue providing low-cost housing to the**
158 **elderly, with the valuable amenities currently available at Cathedral Square Towers, it is**
159 **vitaly important that CSC take the steps that ESP recommended in order to dramatically**
160 **reduce the operating costs at the Cathedral Square Towers?**

161 A. Yes.

162 **Q. For CSC to continue its providing to the low-income elderly the residential facility**
163 **and services at the Cathedral Square Towers in the future, is it important that CSC**
164 **consolidate the Towers’ multiple individual electric meters into a single, master meter?**

165 A. Yes.

166 **Q Do you believe that the long-run benefits to the Cathedral Square Towers’ residents**
167 **will exceed the costs of maintaining and continuing the operation of the separate electric**
168 **meters.**

169 A. Yes.

170 **Q. Why do you believe that?**

171 A. Because of the cost reductions related to the meter consolidation, it will be able to
172 continue to keep the rent amount at a drastically low amount for the residents, thereby enabling
173 them to continue residing in the Cathedral Square Towers.

174 **Q. What is CSC’s standard for a resident with a “low income”?**

175 A. The annual income for one person is not to exceed Twenty Three Thousand Nine
176 Hundred Fifty Dollars (\$23,950.00) for one person, or Twenty Seven Thousand Three Hundred
177 Fifty Dollars (\$27,350.00) for two persons.

178 **Q. What is the minimum age required for occupancy at the Cathedral Square Towers?**

179 A. The minimum age required for occupancy is sixty-two (62) and over, unless the person is
180 disabled or eligible to receive disability, which conditions shall also constitute eligibility for
181 residency without regard to the minimum age requirement.

182 **Q. What is the average age of the residents at Cathedral Square Towers?**

183 A. 74 years of age.

184 **Q. Are there any additional facts that support your position that the long-run benefits
185 to its residents will exceed the costs of maintaining and continuing the operation of the
186 separate electric meters?**

187 A. Yes.

188 **Q. And what would those be?**

189 A. CSC is providing the housing at the Tower to low-income elderly, whose average age is
190 74 for the vast majority of its units (all but six residents pay below market rent) at a below-
191 market rent structure that collectively falls short of paying for CSC’s monthly expenses for the
192 Tower. The amount of each tenant’s rent is fixed, based upon their income. The average
193 monthly rent paid by the tenants is \$292 and is subsidized. The housing offered is not intended

194 to generate any income or revenue for CSC, but to meet a housing need for humanity in the
195 Kansas City area.

196 **Q. How does the subsidy program at Cathedral Square Towers work?**

197 A. The Department of Housing and Urban Development (“HUD”) subsidizes CSC for the
198 revenue shortfall. However, HUD has presently agreed to guarantee the payment of the
199 subsidies on year-to-year basis, only through 2012. Beyond that, HUD has not committed to any
200 subsidies to CSC, and will merely wait-and-see if they have sufficient resources before they
201 determine whether they will fully subsidize properties like Cathedral Square Towers.

202 **Q. Does the mission and purpose of CSC in providing low-income housing necessitate
203 CSC being proactive in reducing its operating costs?**

204 A. Yes. CSC has to continually and actively seek ways in which to lower its monthly
205 overhead costs in order to be able to continue to provide the housing at the substantially lower-
206 than-market rent rate to the elderly.

207 **Q. Is the consolidation of metering into one master meter a way to assist in achieving
208 that reduction in costs?**

209 A. Yes, it is a means in reducing CSC’s costs incurred as a result of the individual meters. If
210 CSC is not able to continue to minimize its costs, the end result would affect the ability to
211 provide the housing at the existing level to the tenants. The economic savings that will result
212 from meter consolidation will be used by CSC to pay for electrical energy-efficiency
213 improvements to the Tower, which will benefit the Tower’s residents. There will be new lighting
214 in the common areas and in the individual units, and CSC is installing new high-efficiency
215 chillers to cool the Tower complex. The annual savings from the meter consolidation will pay for
216 over \$300,000 in electrical energy-efficient improvements that in turn will generate additional

217 electrical energy savings of \$23,300, above and beyond the savings associated with consolidating
218 the electric meters.

219 **Q. Do the residents review their electric bills?**

220 A. No. The residents never see or pay an individual utility bill.

221 **Q. Do the residents have control over a portion of the electric energy used in their unit?**

222 A. Yes, each of the residents control their use of all electric energy used in their unit for
223 heating and cooling, lighting, kitchen appliances and all other uses.

224 **Q. Do you believe there would be any difference in use or conservation of energy
225 associated with an individual meter for each apartment unit compared to a single, master
226 meter?**

227 A. No.

228 **Q. Why do you believe that?**

229 A. The residents never see, review or pay for their electric bills. Their use is substantially
230 lower than the most users, given their age and condition. The residents of the Cathedral Square
231 Towers are elderly and desire a worry-free living environment. They are generally conscious of
232 their use of electricity and while they may not have a clear monetary incentive to conserve
233 electricity, seniors are generally not wasteful in their use of electricity, and overall they consume
234 far less electricity than other age groups of the public in general. They do not review the utility
235 bills, nor is their rent determined by their usage of electricity. There is no upside to the
236 individual electric meters – only a downside in increased costs to the non-profit charitable
237 organization of CSC. In this case, the consumers of electricity are no more or less likely to
238 restrict their use of that resource if they have electric meters.

239 **Q. Are there any other direct monetary incentives that you believe could make the**
240 **residents conserve electricity.**

241 A. Given the average monthly rent of \$292 is substantially below-market and is already
242 subsidized, it is impractical and unrealistic to provide any further monetary incentive, such as a
243 reduction or increase in rent, for the residents' conservation of electricity. There are other ways
244 to encourage and foster an atmosphere of electricity conservation than merely financial
245 incentives, such as educational materials, and given the age and physical condition of some of
246 the residents, their usage of electricity is far less than the typical user of electricity in society.
247 Consequently, requiring us to process and administer 156 bills from KCP&L is an unnecessary
248 operational cost and a truly inefficient and unresourceful use of time, money and assets.

249 **Q. So the long-run benefits to electric consumers in the building exceed the costs of**
250 **maintaining and continuing the operation of the separate meters?**

251 A. Yes, it is indeed true that the long-run benefits to electric consumers in the building – that
252 is, their ability to keep their low-income housing – exceed the costs of maintaining and
253 continuing the operation of the separate meters, and the electric consumers would be benefitted
254 by having their individual electric meters replaced by a single master meter. I believe that
255 having a master meter in the Cathedral Square Towers will reduce the annual operating costs by
256 nearly \$41,000.

257 **Q. I am providing you with copies of invoices from KCP&L, which are marked**
258 **collectively as Exhibit F. Are these the invoices that KCP&L billed for the electric usage at**
259 **the Cathedral Square Towers for service from 10/12/2011 to 11/09/2011?**

260 A. Yes, we reviewed these invoices of KCP&L.

261 **Q. What is the total meter charges and fees that CSC is billed by KCPL?**

262 A. \$9 per month per unit, which results in annual meter charges/fees in the amount of
263 \$16,848.

264 **Q. Are there any late fees billed by KCPL?**

265 A. Yes, approximately \$1,900 per year.

266 **Q. What are the administrative costs that CSC incurs in reviewing and paying the
267 electric bills to KCPL?**

268 A. The annual administrative costs of reviewing 156 monthly invoices is \$9,630, which
269 results from a calculation of 15 minutes of processing per bill, at the rate of \$20/hour of
270 administrative time.

271 **Q. Do you believe that switching from residential service rates to a medium general
272 service rate would reduce its operating costs?**

273 A. Yes, I believe the change of service rate would also reduce its operating costs by
274 approximately \$12,764.

275 **Q. Are there residents who are physically or mentally impaired or disabled who reside
276 at the Cathedral Square Towers?**

277 A. Yes. Presently, there are 31 residents with physical disabilities (10 with power chairs, 21
278 with walkers). The number of residents who are mentally impaired is estimated at 19.

279 **Q. What is the average total square footage of the living space of each rental unit at the
280 CSC rental housing facility?**

281 A. 525 sq. ft. for a one bedroom; 626 sq. ft. for a two bedroom.

282 **Q. Are there communal meals prepared for the residents?**

283 A. Yes. While communal dining is not provided on a daily basis, there is a large dining area
284 and kitchen where communal meals are prepared for parties and on special occasions.

285 **Q. What is the percentage of the communal living area space in the Cathedral Square**
286 **Towers?**

287 A. 29,066 square feet, which is twenty-two percent (22%) of the Tower.

288 **Q. Please describe each and every design feature available to accommodate the elderly,**
289 **infirm or disabled residents at Cathedral Square Towers.**

290 A. Numerous local organizations work closely with the CSC Service Coordinator to meet
291 the needs of residents such as homemaking services, blood pressure checks, rides to and from
292 appointments and dinners quarterly for residents. Those services include: regular health clinics
293 for blood pressure, flu shots, podiatry, etc.; all utilities includes; high-speed internet access and
294 cable available; controlled access for safety; regular van and bus trips to grocery and
295 convenience stores; trash pickup; exterminator services; full maintenance; public transportation
296 stops right in front of the building; there are coordinated activities (bingo, movies, monthly
297 speakers, tours, socials, etc.); there is a fitness center; laundry facilities; a business center; and
298 crafts and recreation.

299 **Q. Do you believe it is necessary for the continued success of the mission and purpose**
300 **of the Cathedral Square Towers to provide housing to low-income elderly and disabled for**
301 **the variance to the KCP&L tariffs be granted?**

302 A. Yes. It is vitally important for CSC to take steps that will reduce operating costs,
303 specifically energy consuming systems such as the individual electric metering system.
304 Decreasing CSC's overhead costs in the operation of the Cathedral Square Towers for low-
305 income seniors, which the variance will do, will help to ensure that CSC continues to be able to
306 provide these essential residential services to the low-income, elderly and disabled community of
307 the Kansas City, Missouri metropolitan area.

308 **Q. Does this conclude your testimony?**

309 **A. Yes, it does.**

310 **Q. I have no further questions at this time for this witness. Thank you.**

311 Dated this 14th day of February, 2012.

312 Signature: William E. Foreman, Sr.

313 **William E. Foreman, Sr.,**

314 **Managing Agent for The Cathedral Square Corporation**

315
316
317
318
319
320
321
322
323
324
325
326
327
328
329
330
331
332
333
334
335
336
337
338
339
340
341
342
343
344
345
346

347
348
349 **BEFORE THE PUBLIC SERVICE COMMISSION**
350 **OF THE STATE OF MISSOURI**
351
352
353

354 **In the Matter of the Application of**)
355 **The Cathedral Square Corporation,**)
356 **a Missouri Non-Profit Corporation,**)
357 **For a Variance from Kansas City**)
358 **Power & Light Company's**)
359 **General Rules and Regulations**)
360 **Requiring Individual Metering**)

Case No. EO-2012-0141

361
362
363 **AFFIDAVIT OF WILLIAM L. FOREMAN, SR.**

364
365
366 **STATE OF MISSOURI**)
367) **SS**
368 **COUNTY OF JACKSON**)
369

370 WILLIAM L. FOREMAN, SR., being duly sworn on his oath, states:

371 1. My name is William L. Foreman, Sr.. I am employed by Yarco Company,
372 Inc., and am the Managing Agent for the Cathedral Square Towers, which Yarco represents its
373 owner, The Cathedral Square Corporation.

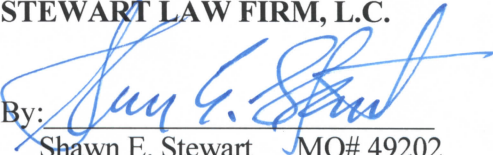
374 2. Attached hereto and made apart hereof by reference as if fully set forth
375 herein, for all purposes is my Direct Testimony on behalf of The Cathedral Square Corporation,
376 Inc., including all attached Exhibits which are also attached hereto and made apart hereof by
377 reference as if fully set forth herein, said Direct Testimony having been prepared in written form
378 for introduction as evidence on and for Case No. EO-2012-0141, styled *In the Matter of the*
379 *Application of The Cathedral Square Corporation, a Missouri Non-Profit Corporation, for a*
380 *Variance from Kansas City Power & Light Company's General Rules and Regulations Requiring*
381 *Individual Metering.*

415 **WHEREFORE**, Applicant, The Cathedral Square Corporation, submits the foregoing
416 Direct Testimony of William L. Foreman, Sr. for the introduction into evidence for this case.

417
418
419
420
421
422
423
424
425
426
427
428
429
430
431
432
433
434
435
436
437
438
439
440
441
442
443
444
445
446
447
448
449
450
451
452
453
454
455
456
457
458

Respectfully submitted,

STEWART LAW FIRM, L.C.

By: 

Shawn E. Stewart MO# 49202
8347 Melrose Drive
Overland Park, Kansas 66214
Telephone: (913) 302-6517
Facsimile: (913) 307-3497

ATTORNEY FOR APPLICANT

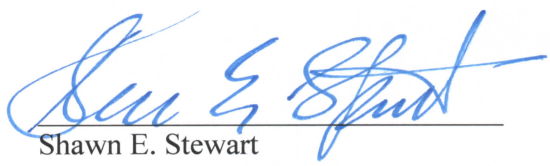
CERTIFICATE OF SERVICE

This is to certify that on this 14 day of February, 2012, a copy of the foregoing was sent via electronic mail to:

KANSAS CITY POWER & LIGHT
ROGER W. STEINER
1200 Main Street
P.O. Box 418679
Kansas City, MO 64105-9679
roger.steiner@kcpl.com
ATTORNEYS FOR KCPL

MISSOURI PUBLIC SERVICE COMMISSION
John Borgmeyer, Legal Counsel
Staff Counsel Division
Missouri Public Service Commission
Ph: (573) 751-5472
Fax: (573) 751-9285
john.borgmeyer@psc.mo.gov

OFFICE OF THE PUBLIC COUNSEL
Lewis Mills
200 Madison Street, Suite 650
P.O. Box 2230
Jefferson City, MO 65102
opcservice@ded.mo.gov


Shawn E. Stewart