

Exhibit No.

Issue: Adjustment to PACC Rate

Witness: Matthew J.
DiGeronimo

Type of Exhibit: Direct Testimony

Sponsoring Party: Veolia Energy Kansas
City Inc.

Case No. HR-2017-____

Date Testimony Prepared: February 1, 2017

BEFORE THE PUBLIC SERVICE COMMISSION

STATE OF MISSOURI

DIRECT TESTIMONY

OF

MATTHEW J. DIGERONIMO

VEOLIA ENERGY KANSAS CITY, INC.

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DIRECT TESTIMONY OF
MATTHEW J. DIGERONIMO

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**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI
DIRECT TESTIMONY OF MATTHEW J. DIGERONIMO
ON BEHALF OF VEOLIA ENERGY KANSAS CITY, INC.
CASE NO. HR-2017-_____**

1 **OVERVIEW**

2 Q. Please state your name and business address.

3 A. My name is Matthew J. DiGeronimo and my business address is Veolia Energy
4 Kansas City, Inc., 115 Grand Blvd., Kansas City MO 64106.

5

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

7 A. I am employed by Veolia North America as the Vice President and General
8 Manager of Veolia Energy Kansas City, Inc. My duties and responsibilities
9 include the management and oversight of Veolia Energy Kansas City, Inc.
10 (referred to herein as “Veolia”).

11

12 Q. Have you ever testified before this Commission or any other regulatory
13 commission?

14 A. Yes, in filing YH-2016-0192.

15

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

17 A. Veolia’s Production Adjustment Cost Clause (PACC) became effective on
18 January 1, 2015, which includes Veolia’s obligation to file an annual, with an
19 option for semi-annual, rate adjustments to reflect 95% of the changes to

1 production costs. The purpose of my testimony is in support of Veolia’s annual
2 PACC filing (including, but not limited to, the 2nd revised sheet No. 36 and 2nd
3 revised sheet No. 37) as required by the Non-unanimous Stipulation and
4 Agreement in Case No. HR-2014-0066 and PACC tariff, to adjust customer rates
5 for changes in Veolia’s PACC production costs experienced during the
6 accumulation period January 2016 through December 2016.

7
8 The costs passed through this PACC filing reflect ninety-five percent (95%) of the
9 difference between actual fuel, purchased power, and consumable costs and these
10 costs as set in base rates. The base rates were set in Case No. HR-2014-0066 at
11 seven dollars and sixty-nine cents per thousand pounds of steam (\$7.69/mlb). On
12 March 16, 2016, the Public Service commission issued an order approving a
13 PACC filing decreasing (refunding) rates \$0.17905 per Mlb, effective April 1,
14 2016. The PACC production costs included in this filing (including regulatory
15 accounts) are: (a) fuel costs: (i) 5011 Fuel expense – natural gas; (ii) 5012 Fuel
16 expense – natural gas transport; (iii) 5013 Fuel expense – coal (including delivery,
17 handling & testing); (iv) 5017 Fuel expense – purchased electricity; (b)
18 consumable costs: 5021 Consumable expense – water; (ii) 5022 Consumable
19 expense – sewer. In accordance with the terms of the PACC tariff, no capital
20 costs or internal company labor has been included in actual production costs
21 reported during the Accumulation Period.

22

1 The Recovery Period applicable to this filing will consist of the billing months
2 April 2017 – March 2018. Pursuant to the reporting requirements contained in the
3 Non-unanimous Stipulation and Agreement, the testimony will address: (1) Mlb
4 sales by rate class and by individual customer, separately showing steam sales to
5 Veolia Missouri and the process steam customers; (2) Fuel, purchased electricity
6 and consumable costs included in base rates, the amount of such costs includable
7 in the PACC and the variance of eligible costs during the Accumulation Period;
8 and (3) calculation of the proposed PACC collection rates, along with supporting
9 work papers.

10

11 Q. What adjustment is being made in this filing?

12 A. Customer rates will decrease (refund) \$0.44575 per Mlb driven primarily by
13 decreases in the cost of fuel as well as implementation of system efficiencies such
14 as maintenance on Boiler 1A Controls. These projects increased Veolia's
15 efficiency which will result in a reduction (refund) of customer rates. The refund
16 represents ninety-five percent (95%) of the total company PACC variance from
17 PACC base cost. The PACC will appear as a separate line item on the customer's
18 bills starting with April 2017, when the Recovery Period applicable to the subject
19 Accumulation Period begins.

20

21 Q. How did Veolia calculate the PACC adjustments requirements contained in the
22 Non-unanimous stipulation and agreement in Case No. HR-2014-0066 and
23 Veolia's PACC Tariff?

1 A. In order to address the specific PACC filing requirements contained in the Non-
2 unanimous stipulation and agreement in Case No. HR-2014-0066 and Veolia's
3 PACC Tariff, the following information associated with the filing of this case was
4 prepared by me or under my direction and supervision:

5 1. Base Costs attached as Schedule MJD-1. This schedule details the
6 regulatory accounts filed under Case No. HR-2014-0066 Base Amount,
7 the accounts in the applicable Accumulation Period, and the variance. The
8 schedule also details steam sales per customer class.

9 2. PACC Rider attached as Schedule MJD-2. This schedule details
10 the calculation of the production adjustment pursuant to the PACC tariff
11 rider.

12 3. Customer Sales attached as Schedule MJD-3. This schedule
13 details customer accounts, sales (in Mlbs), the impact of the PACC rate
14 adjustment in the Recovery Period and the monthly PACC adjustment
15 (refund).

16

17 **MLB SALES BY RATE CLASS AND BY INDIVIDUAL CUSTOMER,**
18 **SEPARATELY SHOWING STEAM SALES TO VEOLIA MISSOURI AND THE**
19 **PROCESS STEAM CUSTOMERS**

20 Q. Please detail Mlb sales by rate class and by individual customer, separately
21 showing steam sales to Veolia Missouri and the process steam customers.

22 A. Please see Schedule MJD-1 for Mlb sales by rate class. Please see Schedule
23 MJD-3 for sales by individual customer (detailed as Tariff Customer account

1 codes). The steam sales to Veolia Missouri are shown in Schedule MJD-3
2 customer account numbers K1174 and K1210 and total sales to Veolia Missouri
3 during the Accumulation Period is shown in note (e) to Schedule MJD-3. Please
4 see Schedule MJD-3 for steam sales to process steam customers during the
5 Accumulation Period.

6

7 **FUEL, PURCHASED ELECTRICITY AND CONSUMABLE COSTS INCLUDED**
8 **IN BASE RATES, THE AMOUNT OF SUCH COSTS INCLUDABLE IN THE**
9 **PACC, AND THE VARIANCE OF ELIGIBLE COSTS DURING THE**
10 **ACCUMULATION PERIOD**

11 Q. Please detail fuel, purchased electricity and consumable costs included in base
12 rates, the amount of such costs includable in the PACC, and the variance of
13 eligible costs during the Accumulation Period.

14 A. Please see Schedule MJD-1 for fuel, purchased electricity and consumable costs
15 included in base rates. Please see Schedule MJD-2 for the amount of such costs
16 includable in the PACC and the variance of eligible costs during the
17 Accumulation Period.

18

19 **CALCULATION OF THE PROPOSED PACC COLLECTION RATES, ALONG**
20 **WITH SUPPORTING WORK PAPERS**

21 Q. Please detail the calculation of the proposed PACC collection rates, along with
22 supporting work papers.

1 A. Please see Schedule MJD-1, Schedule MJD-2 and Schedule MJD-3 for the
2 calculation of the proposed PACC collection rates.

3 Q. Does Veolia seek application of the PACC Rider to the Residential High-Rise
4 class at this time?

5 A. No, however that decision shall not be interpreted as a waiver by Veolia to seek
6 future application of the PACC Rider to the Residential High-Rise customer class
7 in the future.

8

9 Q. Does this conclude your direct testimony?

10 A. Yes.