Exhibit No.	
Issue:	**Class Cost of Service**
Witness:	**Joseph A. Herz**
Type of Exhibit:	**Direct Testimony**
Sponsoring Party:	**Veolia-Kansas City**
Case No.	**HR-2014-0066**
Date Testimony Prepared:	**November 27, 2013**

BEFORE THE PUBLIC SERVICE COMMISSION

STATE OF MISSOURI

DIRECT TESTIMONY

OF

JOSEPH A. HERZ

VEOLIA ENERGY KANSAS CITY, INC.

NP

TABLE OF CONTENTS
DIRECT TESTIMONY OF
JOSEPH A. HERZ

Section	Testimony Reference
Education and Experience	3
CCOSS Background and Approach	4
Class Cost of Service	7
Class Cost of Service Results	9

Attachments

Schedule JAH-1 Summary of Qualifications

Schedule JAH-2 Projects Involving Regulatory Filings

Schedule JAH-3 Summary Comparison – Class Cost of Service vs. Revenue Distribution for the Test Year Ended June 30, 2013

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

Q. Please state your name and business address.

A. My name is Joseph A. Herz. My business address is 970 W Road, Burr Oak, Kansas 66936.

Q. What is your present occupation?

A. I am Vice-President of Sawvel and Associates, Inc. ("Sawvel") and a registered Professional Engineer in Kansas and Ohio. Sawvel, a professional consulting firm founded in 1951, provides a wide range of services including cost of service and rate studies, economic planning studies, power supply and generation planning, financial planning and analysis, expert testimony, and contract negotiations. In addition to this proceeding, Sawvel is currently providing services for clients in a number of states including Colorado, Hawaii, Indiana, Kansas, Michigan, Missouri, Nebraska, New Mexico, Ohio, and Utah.

Q. On whose behalf are you appearing in this proceeding?

A. I am appearing on behalf of Veolia Energy Kansas City, Inc. (hereinafter "VEKC", "Veolia" or "Company"). Sawvel has been retained by Veolia to prepare a class cost of service study (CCOSS) and file testimony with this Commission regarding the Company's CCOSS.

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

A. The purpose of my testimony is to address the CCOSS prepared for this proceeding and to address how the results of the CCOSS should be considered in the current case.

EDUCATION AND EXPERIENCE

Q. What is your educational background?

A. I graduated from the University of Nebraska with a Bachelor of Science Degree in Electrical Engineering. I am a registered Professional Engineer in Kansas and Ohio. I am a member of American Public Power Association, the Institute of Electrical and Electronics Engineers, Inc., the National Society of Professional Engineers, and the Kansas Society of Professional Engineers.

Q. Please summarize your professional experience.

A. I have over forty years of experience in the areas of public utility planning, financing, operations and management for electric, natural gas, district heating, water and wastewater utility systems. My professional experience includes rate studies, planning and analytical studies, feasibility studies, economic analyses and contract negotiations. I have conducted detailed cost of service studies involving various investor, municipal and cooperative-owned utility systems. I have testified on numerous occasions as an expert witness concerning rates and regulatory matters. Additional information regarding my professional experience and qualifications are summarized in Veolia Schedules JAH-1 and JAH-2.

CCOSS BACKGROUND AND APPROACH

Q. Please describe the approach followed to develop the CCOSS for this proceeding.

A. The approach followed to develop the CCOSS is essentially the same as that used in the Company's last general rate filing Case No. HR-2011-0241. The CCOSS filed in the Company's last rate case is believed to be the first ever CCOSS filed with the Commission for the district heating system serving downtown Kansas City, Missouri. By way of background, the CCOSS filed in the Company's last rate case was the result of a collaborative effort of the parties to a settlement agreement approved by the Commission in Case No. HR-2008-0300.

Q. Who were the parties to the settlement agreement and the collaborative effort?

A. The "Parties" to the settlement agreement and the collaborative effort referenced above, in addition to the Company, are:

- Staff of the Missouri Public Service Commission ("Staff")
- Office of Public Counsel ("OPC")
- Kansas City Power & Light Company ("KCPL")
- City of Kansas City, Missouri ("City")
- Jackson County, Missouri ("County")

The collaborative CCOSS effort began a year before the Company's last rate case filing. The collaborative effort included site visits and a thorough process to familiarize the meeting participants with the Company's facilities and operations, the customer base served by the district heating system and the differing service characteristics of VEKC's customer base for purposes of the collaborative COSS. The parties participating in the

collaborative effort were involved in the approach used to develop the CCOSS model and were provided copies of the model during this collaborative effort. The CCOS used in this proceeding is the same CCOSS model resulting from the collaborative effort, and used in the Company's last general rate case filing.

Q. Please describe VEKC's customer base, and the differing service characteristics.

A. VEKC provides steam service to regulated tariff[1] customers and process steam to two industrial customers[2] under separately negotiated special contracts. As described by Company witness Melcher, the tariff customers for the most part use steam and hot water service to heat and humidify occupied building space, and to heat domestic water for laundry use or in food preparation. The regulated tariff customers includes steam service to an affiliate, Veolia Energy Missouri, Inc. ("VEMO" or "Veolia MO"), at full tariff rates from VEKC for use in the provision of chilled water in limited areas of downtown Kansas City, Missouri. Veolia MO takes steam service at two locations – one is at the plant, the other is on the VEKC distribution system.

There are a number of differing service characteristics between the Company's customers. One example is that the process steam customers and one of the Veolia MO accounts take service, and are metered, at the plant. As a result, these customers do not utilize the VEKC distribution system that is needed to deliver steam from the steam

[1] As discussed by Company witness Melcher, the customer groups are represented by the regulated tariff rate schedules for Standard Commercial Service ("SCS"), Large Commercial Service ("LCS") and Interruptible Heating Service ("IHS").

[2] As discussed by Company witness Carver, the Company's rate case filing in the last case and in this rate case proposes to revenue credit the margins from its process steam line sales for purposes of establishing overall jurisdictional revenue requirements and jurisdictional revenue deficiency.

production plant to the balance of the tariff customers at their service locations. Also, the distribution system losses are not attributable to the process steam customers and the one Veolia MO account because they take service that is metered at the steam production plant.

Another example is that the Veolia MO account at the plant is the only customer that provides condensate return. The make-up water, chemical treatment expenses, sewer expenses and other steam related expenses are much less for the Veolia MO account at the plant because most of the steam used to serve that account is returned in the form of condensate.

Also, as addressed by Company witnesses Carver and Melcher, process steam and a large LCS customer (i.e., Truman Medical Center or "TMC") are high load factor customers that allow VEKC to more efficiently use lower cost per MMBtu coal to meet steam generation needs, especially in the summer months, thereby reducing the use of higher cost per MMBtu natural gas for boiler fuel. Veolia MO's summer usage also contributes to VEKC being able to operate with a favorable fuel mix.

In recognition of the differing service characteristics, a number of parameters are recognized in the collaborative CCOSS model used in this proceeding, including:

- The "classes" in the CCOSS are the three tariff rate classes (i.e., SCS, LCS and IHS) and process steam.

- The LCS class is further separated into subgroups to examine the relative cost of serving Veolia MO and TMC compared to all other LCS customers.
- The CCOSS recognizes the cost of additional facilities, losses, etc., for serving customers located on VEKC's steam distribution system versus customers that take steam service at the plant.
- The CCOSS recognizes that the condensate return from the Veolia MO account located at the plant, reduces the requirements for, and cost of, make-up water, chemicals, sewer charges, fuel requirements, etc., for steam service to that account.

With respect to the favorable fuel mix achieved by serving the high load factor customers, it was proposed in the collaborative process that the CCOSS would not recognize, or assign cost saving benefits, to the high load factor customers – the CCOSS in this proceeding likewise does not give recognition to the benefits provided by high load factor customers.

CLASS COST OF SERVICE

Q. Please describe the class cost of service included in the Company's filing in this rate case.

A. The class cost of service included in the Company's rate filing is a fully allocated class cost of service developed in the collaborative CCOSS process and utilized in the Company's last general rate case filing as described in the previous section. A fully allocated class cost of service consists of three major steps: 1) functionalization, 2) classification, and 3) allocation or direct assignment. Functionalization is the process of categorizing embedded costs by the operating function in which the costs are primarily

associated such as production, distribution, etc. Classification is the process of further defining the functional costs into demand-related (i.e., costs associated with being able to serve customers at system and class peaks), commodity-related (i.e., costs that vary volumetrically with the amount of steam used by customers), and customer-related (i.e., costs that are directly related to the number of customers).

Allocation factors were developed to allocate the functionalized and classified costs described above. Steam production demand costs were allocated using an average and excess demand allocation methodology. Distribution costs were allocated to customers receiving service from VEKC's distribution system using the maximum peak demands for each tariff rate class. Other functionalized/classified components were allocated based upon analysis of the difference in cost type (i.e., meter cost) and time required for billing, reflective of the number of customers served. Fuel and steam expenses were allocated to customer classes using annual steam usage. In summary, costs were allocated using methods which underlie the reason for the expense.

Q. Do any of the class cost of service methods used in this rate case filing differ from the methods used in the Company's last general rate case filing?

A. Yes, there is one difference. The IHS average-excess demand allocation is handled differently in this proceeding to recognize that the Company may begin calling on IHS customers with self-supply capability to serve their loads under certain situations. The CCOSS in this proceeding adjusts the excess demand portion of the average-excess demand factor calculation to "0" which reduces the assignment of steam production

demand related costs to the IHS customers. The CCOSS in the Company's last general rate case filing did not give recognition to the potential for the interruption of service to IHS customers in the allocation of steam production demand related costs.

CLASS COST OF SERVICE RESULTS

Q. Please summarize the class cost of service results in the Company's filing in this rate case.

A. The results of the class cost of service are summarized in Schedule JAH-3 attached to my testimony. Schedule JAH-3 indicates that the proposed rates will move the revenues from the SCS, LCS and IHS tariff rate classes closer to the class cost of service for each of those regulated tariff rate classes. On the other hand, the Company's proposed increase in tariff rates does not have any effect on the process steam revenues or the degree to which those revenues meet the allocated cost of service as quantified in the current CCOSS.

Upon investigation, I observed a signification change in test year tariff sales from the Company's last general rate case filing to this proceeding. Specifically, test year tariff sales are nearly 28% less in this proceeding than the Company's last general rate case filing; and, tariff customer peak demands are approximately 40% less than the last rate case. On the other hand, process steam usage has remained relatively constant with a modest growth of approximately 3% in both sales and peak demand. As a result, the large decline by tariff customers from the last general case filing to the current

proceeding causes a large shift of cost responsibility from the tariff customers to the process steam customers using the collaborative CCOSS methodology.

Q. How should the class cost of service results be utilized in this rate case?

A. In my opinion, the class cost of service provides useful information in assessing the relative cost responsibility of each regulated tariff rate class to its current and proposed revenues. The class cost of service results provide more of an indicator, rather than an absolute, that supports the proposed distribution of the requested rate increase between tariff rate classes. There are, however, a number of shortcomings to the class cost of service study to overcome before its results should solely be relied upon to design rates and revenue responsibilities for each regulated tariff rate class, or to draw any conclusions regarding process steam CCOSS results.

Q. Could you identify and briefly describe those shortcomings?

A. Yes. In my experience, the class cost of service for a utility is generally most useful as a guide to help identify areas where tariff rates can be adjusted or revised to move rates toward cost of service and for rate restructuring. I believe the relative CCOSS results for the tariff customer classes are useful for that purpose in this proceeding.

With respect to the process steam CCOSS results, I previously referenced the large shifting of cost responsibility due to the relative changes in sales and peak demands between tariff and process steam customers since the last rate case. However, any reliance on the current CCOSS to establish that the process steam customers may not

produce sufficient revenues to cover their allocated costs would be remiss without considering and recognizing the benefits of fuel cost savings resulting from large volume, high load factor customers with usage that does not vary significantly between test periods, especially in the summer period. Clearly, the current CCOSS results serve to highlight and bring into question any blind reliance on absolute results or conclusions that may be drawn regarding cost recovery from the process steam customers.

Q. Company witness Melcher recommends that the $1.0 million proposed rate change be implemented by increasing the usage charge from $8.45 to $10.46 per thousand pounds of steam (i.e., MLB). In your opinion, does the current class cost of service study support the resulting distribution of the rate increase between rate classes?

A. Yes. As set forth on Schedule CPM-2 sponsored by Company witness Melcher, VEKC's proposed increases to the usage charge is expected to produce a rate increase of 10.6% for the SCS class, 14.4% for LCS and 16.6% for IHS. Without divulging or disclosing highly confidential information or results, the cost of service study indicates that the relative disparity between costs and rates are the greatest in the IHS class, followed by LCS then SCS. While the design and distribution of the proposed rate increase was not expected to eliminate this disparity, the proposed rate increases appear to reduce and equalize the differential for LCS and SCS and significantly reduce the differential for IHS.

As shown by Schedule JAH-3, the distribution of overall revenues between customer classes represents a movement toward cost of service.

Q. Does this conclude your direct testimony?

A. Yes.

JOSEPH A. HERZ, P.E.

Mr. Herz has over 40 years of experience in the areas of public utility planning, financing, operations and management for electric, natural gas, steam, water and wastewater utilities.

Mr. Herz is a registered Professional Engineer. His professional experience includes planning and analytical studies related to electric power supply, transmission arrangements, feasibility studies, economic analyses and rate studies and contract negotiations. He has conducted detailed cost-of-service, rate, financial, power supply and transmission studies involving various investor, municipal and cooperative-owned systems.

Mr. Herz has testified on numerous occasions as an expert witness concerning regulatory matters. He has participated in more than 100 regulatory proceedings and has testified before 14 state regulatory commissions and the FERC on electric, gas, steam and water utility services.

Mr. Herz is experienced in long-range planning for acquisition and/or expansion of utility systems, engineering, financial and economic feasibility investigations and analyses. Power supply experience includes evaluating the technical and financial feasibility of transmission and power supply resources and related arrangements; power pooling, including integration of transmission and generating facilities; and, preparation and negotiation of related power supply and transmission contracts. Mr. Herz has served as an independent arbitrator on power supply contract disputes.

Education

University of Nebraska
B.S., Electrical Engineering

Registration

Professional Engineer — Kansas and Ohio

Professional Organizations

American Public Power Association
The Institute of Electrical and Electronics Engineers, Inc.
National Society of Professional Engineers
Kansas Society of Professional Engineers

Utility	Docket No.	Issues and/or Scope	Client	Year
Federal Energy Regulatory Commission				
PacifiCorp	ER11-3643-000, 001	Transmission Formula Rate Filing	Utah Municipal Power Agency	2011
Westar Energy, Inc.	EL08-31-000	Incentive Rate Treatment for High Voltage Transmission Projects	Kansas Municipal Utilities	2008
Westar Energy, Inc.	ER05-925-000	Open Access Transmission Tariff rate revisions for transmission and ancillary services	Kansas Municipal Utilities, Kansas Power Pool, Unified Government of Wyandotte County/Kansas City, Kansas, Board of Public Utilities and Kansas Municipal Energy Agency	2005
Westar Energy, Inc., Kansas Gas and Electric Company	ER03-9-002, -003, -004, -005 ER98-2157-002, -003, -004 EL05-64-000	Westar Energy and KGE market power mitigation proposal	Kansas Municipal Utilities and Unified Government of Wyandotte County/Kansas City, Kansas, Board of Public Utilities	2005
Kansas City Power & Light, Company and Great Plains Power, Inc.	ER99-1005-000 ER02-725-000 EL05-3-000	Ability of KCP&L to exercise market power	Unified Government of Wyandotte County/Kansas City, Kansas, Board of Public Utilities	2005
Dayton Power & Light Company	EL00-24-000	Contract dispute and interpretation of certain pricing provisions	Arcanum, Eldorado, Jackson Center, Lakeview, Mendon, Minster, New Bremen, Tipp City, Waynesfield and Yellow Springs, Ohio	2000
Western Resources and Kansas City Power & Light	EC97-56-000	Western Resources Merger Intervention and other related relief	Kansas City, Kansas Board of Public Utilities	1999
Western Resources and Kansas City Power & Light	ER97-4669-000	Western Resources Merger Intervention and other related relief	Kansas City, Kansas Board of Public Utilities	1999
FirstEnergy Operating Companies	EC97-5-000	IEU/FirstEnergy Merger Intervention and other related relief	Industrial Energy Users of Ohio	1997
FirstEnergy Operating Companies	EC97-413-000	IEU/FirstEnergy Merger Intervention and other related relief	Industrial Energy Users of Ohio	1997

Public Utility District No. 2 of Grant County Washington	EL95-35-000	Determine appropriate allocation of power from Priest Rapids Project	Kootenai Electric Cooperative, Inc., Clearwater Power Company, Idaho County Light & Power Cooperative Association, Inc., and Northern Lights, Inc.	1995
PacifiCorp	ER96-8-000	Transmission, cost of service and rate design	Utah Municipal Power Agency Deseret Generation and Transmission Cooperative, Inc.	1995
Dayton Power & Light Company	ER95-83-000	Transmission power services and rates	Arcanum, Eldorado, Jackson Center, Lakeview, Mendon, Minster, New Bremen, Tipp City, Waynesfield and Yellow Springs, Ohio	1995
Dayton Power & Light Company	94-1469-000	Transmission/interconnection/power services and rates	City of Piqua, Ohio	1994
Cincinnati Gas & Electric Company	ER94-1637-000	Transmission service and rates	City of Hamilton, Ohio	1994
Public Service Company of New Mexico	EL-94-6-000	Fuel inventory practices and expense accounting	Plains Electric Generation and Transmission Cooperative	1994
CINergy (merger of Cincinnati Gas & Electric Company and PSI Energy, Inc.)	ER93-6-000	Transmission issues, cost of service and rate design	City of Hamilton, Ohio	1993
American Electric Power Company	ER93-540-000	Transmission issues, cost of service and rate design	City of Hamilton, Ohio	1993
Ohio Power Company and Kentucky Power Company	ER93-295-001	Transmission loss factors	City of Hamilton, Ohio	1993
PacifiCorp Electric Operations	ER93-675-0000	Transmission issues, cost of service and rate design	Utah Municipal Power Agency	1993
PacifiCorp Electric Operations	ER91-494-0000	Transmission issues, cost of service and rate design	Utah Municipal Power Agency	1991

PacifiCorp Electric Operations	ER91-471-0000	Transmission issues, cost of service and rate design	Utah Municipal Power Agency	1991
Ohio Power Company	EL91-1-000 and EL90-42-000	Interconnected utility operations and scheduling matters	City of Hamilton, Ohio	1990
Arizona Public Service Company	ER89-265-000	Transmission issues, cost of service and rate design	Plains Electric Generation and Transmission Cooperative	1989
Cincinnati Gas & Electric Company	ER89-17-000 and ER89-19-000	Transmission service, schedule restrictions and billing for transmission service	City of Hamilton, Ohio	1989
Utah Power and Light Company	EL85-12	PURPA wheeling under Sections 210, 211 and 212 of the Federal Power Act	Utah Municipal Power Agency and City of Manti, Utah	1985
Utah Power and Light Company	ER84-571/572	Transmission issues, cost of service and rate design	Utah Municipal Power Agency and the Cities of Manti and Provo, Utah	1985
Northern Indiana Public Service Company	ER83-396-000	Transmission issues, price squeeze, cost of service and rate design	Argos, Bremen, Brookston, Chalmers, Etna Green, Kingsford Heights, Walkerton and Winamac, Indiana	1983
Utah Power and Light Company	ER83-427-000	Transmission issues, revenue requirement, cost of service and rate design	Manti, Utah	1983
Ohio Power Company	ER82-553-000	Engineering issues, cost of service and rate design	Ohio Power Municipals	1982
Arizona Public Service Company	ER82-481-000	Transmission issues, cost of service and rate design	Plains Electric Generation and Transmission Cooperative	1982
Arizona Public Service Company	ER81-179-000	Wholesale and transmission issues, cost of service and rate design	Plains Electric Generation and Transmission Cooperative	1981
Public Service Company of New Mexico	ER80-313	Engineering issues, cost of service and rate design	The Executive Agencies of the United States	1981
Public Service Company of New Mexico	ER79-478/479	Engineering issues, cost of service and rate design	The Executive Agencies of the United States	1981

Public Service Company of New Mexico	ER78-337/338	Engineering issues, cost of service and rate design	The Executive Agencies of the United States	1980
Northern Indiana Public Service Company	ER78-509	Price squeeze and rate design	Argos, Bremen, Brookston, Chalmers, Etna Green, Kingsford Heights, Walkerton and Winamac, Indiana	1979
Federal Power Commission:				
Ohio Edison Company	E-9497	Engineering issues, cost of service	The Wholesale Consumers of Ohio Edison Company	1976
Colorado Public Utilities Commission:				
Public Service Company of Colorado	1425 Phase II	Engineering issues, cost of service and rate design	The Executive Agencies of the United States	1981
Florida Public Service Commission:				
Florida Power Corporation	80119-EU	Engineering issues, cost of service and rate design	The Executive Agencies of the United States	1980
Gulf Power	010949-EI	Engineering and cost of service issues that have an actual or potential impact on the FEA	The Executive Agencies of the United States	2001
Hawaii Public Utilities Commission: Hawaiian Electric Company, Inc. Maui Electric Company, Ltd. Hawaiian Electric Light Company, Inc.	2011-0206	Investigation of Reliability Standards	Division of Consumer Advocacy, State of Hawaii	2011
Maui Electric Company, Ltd.	2011-0092	MECO 2011 Rate Case: Fuel and Purchased Power Expense, Generation Efficiency Factor (Sales Heat Rate), Fuel Inventory, Energy Cost Adjustment Factor, Purchased Power Adjustment Clause and ACT 162	Division of Consumer Advocacy, State of Hawaii	2011
Hawaiian Electric	2010-0080	HECO 2011 Rate Case: Fuel and	Division of Consumer	2011

Company, Inc.		Purchased Power Expense, Generation Efficiency Factor (Sales Heat Rate), Fuel Inventory, Energy Cost Adjustment Factor, ACT 162 Considerations and Purchased Power Adjustment Clause	Advocacy, State of Hawaii	
Hawaiian Electric Light Company, Inc.	2009-0164	HELCO 2010 Rate Case: Fuel and Purchased Power Expense, Generation Efficiency Factor (Sales Heat Rate), Fuel Inventory, Energy Cost Adjustment Factor, and Purchased Power Adjustment Clause	Division of Consumer Advocacy, State of Hawaii	2010
Maui Electric Company, Ltd.	2009-0163	MECO 2010 Rate Case: Fuel and Purchased Power Expense, Generation Efficiency Factor (Sales Heat Rate), Fuel Inventory, Energy Cost Adjustment Factor and Purchased Power Adjustment Clause	Division of Consumer Advocacy, State of Hawaii	2010
Kauai Island Utility Cooperative	2009-0050	KIUC 2010 Rate Case: Energy Rate Adjustment Clause versus Cost of Power Adjustment, Fuel and Purchased Power Expense, Generation Efficiency Factor (Sales Heat Rate), Fuel Inventory, Energy Cost Adjustment Factor and Act 162 Considerations	Division of Consumer Advocacy, State of Hawaii	2010
Hawaiian Electric Company, Inc. Maui Electric Company, Ltd. Hawaiian Electric Light Company, Inc.	2008-0273	Proceeding to investigate the implementation of Feed-In Tariffs	Division of Consumer Advocacy, State of Hawaii	2008
Hawaiian Electric Company, Inc. Maui Electric Company, Ltd. Hawaiian Electric Light Company, Inc.	2008-0274	Proceeding to investigate implementing a decoupling mechanism-rate design matters	Division of Consumer Advocacy, State of Hawaii	2008
Hawaiian Electric Company, Inc.	2008-0083	HECO 2009 Rate Case: Fuel and Purchased Power Expense, Generation Efficiency Factor (Sales Heat Rate), Fuel Inventory, Energy Cost Adjustment Factor, Power Factor Adjustment in Rate Design, and Purchased Power Adjustment Clause	Division of Consumer Advocacy, State of Hawaii	2008

Hawaiian Electric Company, Inc. Maui Electric Company, Ltd	2008-0021	UPC Hawaii Holding, LLC (UPC Hawaii) and Kaheawa Wind Power II, LLC (KWPII) Complaint and Petition against HECO and MECO (Wind Complaint)	Division of Consumer Advocacy, State of Hawaii	2008
Maui Electric Company, Ltd	2006-0387	MECO 2007 Rate case: Fuel and Purchased Power Expense, Generation Efficiency Factor (Sales Heat Rate), Fuel Inventory, Energy Cost Adjustment Factor and Power Factor Adjustment in Rate Design	Division of Consumer Advocacy, State of Hawaii	2007
Hawaiian Electric Company, Inc.	2006-0386	HECO 2007 Rate Case: Fuel and Purchased Power Expense, Generation Efficiency Factor (Sales Heat Rate), Fuel Inventory, Energy Cost Adjustment Factor and Power Factor Adjustment in Rate Design	Division of Consumer Advocacy, State of Hawaii	2007
Hawaiian Electric Light Company, Inc.	05-0315	HELCO 2005 – 2006 Rate Case: Fuel & Purchased Power Expense, Generation Efficiency Factor (Sales Heat Rate), Fuel Inventory, Energy Cost Adjustment Factor & Power Factor Adjustment in Rate Design	Division of Consumer Advocacy, State of Hawaii	2007
Hawaiian Electric Company, Inc.	05-0145	HECO CIP - Need for CIP project generating unit, type and size of generator, generator fuel, need for transmission line, consumer cost impacts and considerations regarding undergrounding of transmission line.	Division of Consumer Advocacy, State of Hawaii	2006
Hawaiian Electric Company, Inc.	7310	HECO Utilities Avoided Cost Investigation	Division of Consumer Advocacy, State of Hawaii	2005
Hawaiian Electric Company, Inc.	04-0113	Evaluation of application for an increase in rates using a 2005 test year, cost of service and rate design issues	Division of Consumer Advocacy, State of Hawaii	2004
Commission Initiated Generic Investigation	03-0371	Commission initiated generic investigation of distributed generation in Hawaii	Division of Consumer Advocacy, State of Hawaii	2004
Kauai Electric Division	01-0005	Avoided energy costs associated with an Energy Purchase Agreement with Kauai Winds Inc. and inclusion in ERAC	Division of Consumer Advocacy, State of Hawaii	2001

Hawaii Electric Light Company, Inc.	99-0355	Transmission system improvements with IPP purchase power addition	Division of Consumer Advocacy, State of Hawaii	2000
Hawaii Electric Light Company, Inc.	99-0207	Generation and purchase power, operation and maintenance expenses, system losses and engineering issues	Division of Consumer Advocacy, State of Hawaii	2000
Hawaii Electric Light Company, Inc.	99-0346	Need for capacity additions/review of IPP Purchase Power Agreement	Division of Consumer Advocacy, State of Hawaii	1999
Hawaii Electric Light Company, Inc.	98-0013	Need for capacity resource additions, IPP purchase power agreement	Division of Consumer Advocacy, State of Hawaii	1999
Hawaii Electric Light Company, Inc	97-0420	Generation and purchase power, operation and maintenance expenses, system losses and engineering issues	Division of Consumer Advocacy, State of Hawaii	1999
Hawaii Electric Light Company, Inc	97-0349	Integrated resource planning	Division of Consumer Advocacy, State of Hawaii	1999
Kauai Electric Division	KE94-0097	Engineering issues, generation and purchase power, operation and maintenance expenses, system losses and cost of service and rate design	Division of Consumer Advocacy, State of Hawaii	1994
Hawaiian Electric Company, Inc.	7766	Engineering issues, generation and purchase power, operation and maintenance expenses, system losses and cost of service and rate design	Division of Consumer Advocacy, State of Hawaii	1994
Hawaii Electric Light Company, Inc.	7623	Need for capacity resource additions and purchase power contracts	Division of Consumer Advocacy, State of Hawaii	1994
Hawaii Electric Light Company, Inc.	7764	Engineering issues, generation and purchase power, operation and maintenance expenses and system losses	Division of Consumer Advocacy, State of Hawaii	1994
Indiana Public Service Commission				
Wayne County Rural Electric Membership Cooperative	39048	Engineering issues, cost of service and rate design	Wayne County Rural Electric Membership Cooperative	1990
New Carlisle, Indiana	Unknown	Engineering issues, revenue requirements, cost of service and rate design	New Carlisle, Indiana	1975

Kansas Corporation Commission:				
Southwest Power Pool, Inc.	06-SPP-202-COC	Application for the limited purpose of managing and coordinating the use of certain transmission facilities located within the State of Kansas	Kansas Municipal Utilities, Inc., Kansas Municipal Electric Agency, Kansas Corporation Commission, Kansas Public Power,	2006
Westar Energy, Inc. , Kansas Gas and Electric Company, The Empire District Electric, Company, Kansas City Power & Light Company, Aquila, Inc. D/B/A Aquila Networks-WPK Midwest Energy, Inc., Southwestern Public Service Company	06-WSEE-203-MIS	Joint Application for authority to transfer functional control of certain transmission facilities to the Southwest Power Pool, Inc.	Kansas Municipal Utilities, Inc., Kansas Municipal Electric Agency, Kansas Corporation Commission, Kansas Public Power	2006
Western Resources and Kansas City Power & Light	97-WSRE-676-MER	Western Resources Merger Intervention and other related relief	Kansas City, Kansas Board of Public Utilities	1999
Kansas Gas and Electric Company	142-098-U	Engineering issues, cost of service and rate design	McConnell Air Force Base	1985
Michigan Public Service Commission:				
Detroit Thermal	Case No. U-13691	Implement initial default tariff rates for steam service	Detroit Thermal	2004
Michigan Consolidated Gas Company	Case No. U-7895	Engineering issues, cost of service and rate design	Traverse City Light and Power Board	1984
Indiana and Michigan Electric Company	Case No. U-7791	Engineering issues, cost of service and rate design	Auto Specialties, Southern Michigan Cold Storage, Waterville Paper Company, and Whirlpool Corporation	1984
Detroit Edison Company	Case No. U-7232	Interconnection agreements and power sales contract	Michigan Attorney General	1983

Consumers Power Company	Case No. U-6923	Cost of service, rate design and price elasticity	Clark Equipment Company	1982
Indiana and Michigan Electric Company	Case No. U-6927	Engineering issues, cost of service and rate design	Auto Specialties, Clark Equipment Company, and Whirlpool Corporation	1981
Upper Peninsula Power Company	Case No. U-6785	Engineering issues, cost of service and rate design	Michigan Technological University	1981
Upper Peninsula Power Company	Case No. U-6485	Engineering issues, cost of service and rate design	Michigan Technological University	1980
Indiana and Michigan Electric Company	Case No. U-6148	Engineering issues, cost of service and rate design	Auto Specialties, Clark Equipment Company, and Whirlpool Corporation	1980
Missouri Public Service Commission:				
Veolia Energy Kansas City, Inc.	HR-2011-0241	Class Cost of Service	Veolia Energy	2011
Kansas City Power and Light Company	EE-2008-0238	KCP&L Waiver Filing	Trigen-Kansas City Energy Corp.	2008
Kansas City Power and Light Company	ER-2007-0291	Rate Design and Discounted Rates for Space-heating	Trigen-Kansas City Energy Corp.	2007
Kansas City Power and Light Company	ER-2006-0314	Rate Design and special rates for space heating.	Trigen-Kansas City Energy Corp.	2006
Kansas City Power and Light Company	Case No. ER83-49	Engineering issues, cost of service and rate design	The Executive Agencies of the United States	1983
Kansas City Power and Light Company	Case No. EO-78-161	Engineering issues, cost of service and rate design	The Executive Agencies of the United States	1980
Montana Public Service Commission:				
Malmstrom Air Force Base	D2001.10.144	Rate design for customers receiving default power supply and transmission services, and limitations on the ability of qualified customers to return to the default supply services	The Executive Agencies of the United States	2001

New Mexico Service Commission:				
Public Service Company of New Mexico	Case No. 10-00086-UT	Class cost of service and rate design, joint system dispatch.	Albuquerque Bernalillo County Water Utility Authority	2010
Public Service Company Of New Mexico	Case No. 03-00352-UT	Appropriateness of underground projects Rate Rider	Rio Rancho, New Mexico	2004
Otero Electric Cooperative	Case No. 2048	Demand metering and rate design	Otero Electric Cooperative	1987
Gas Company of New Mexico	Case No. 1875	Engineering issues, cost of service and rate design	The Executive Agencies of the United States	1984
Gas Company of New Mexico	Case No. 1787	Engineering issues, cost of service and rate design	The Executive Agencies of the United States	1983
Gas Company of New Mexico	Case No. 1710	Engineering issues, cost of service and rate design	The Executive Agencies of the United States	1982
Gas Company of New Mexico	Case No. 1568	Engineering issues, cost of service and rate design	The Executive Agencies of the United States	1982
Ohio Public Utilities Commission:				
FirstEnergy Operating Companies	Case No. 98-1636-EL-UNC	Transmission system reliability - sale and transfer of generating assets	Industrial Energy Users of Ohio	1999
Ohio Edison Company	Case No. 93-1048-EL-CSS	Cost of service and predatory pricing	Youngstown Thermal, Limited Partnership	1994
Cincinnati Gas & Electric Company	Case No. 87-593-GA-CSS	Metering and billing dispute	Sheraton/Springdale Hotel	1987
Dayton Power and Light Company	Case No. 82-517-EL-AIR	Engineering issues, cost of service and rate design	The Executive Agencies of the United States	1983
Dayton Power and Light Company	Case No. 81-1256-EL-AIR	Revenue requirements, cost of service and rate design	The Executive Agencies of the United States	1982
Dayton Power and Light Company	Case No. 81-1237-EL-CSS	Billing procedures and practices	The Dayton Tire and Rubber Company	1982
Toledo Edison Company	Case No. 81-620-EL-AIR	Determination of billing units and rate design	Seaway Food Town, Inc.	1982
Ohio American Water Company	Case Nos. 81-385-WW-AIR and 81-739-WW-CMR	Engineering issues, cost of service and rate design	City of Tiffin, Ohio	1982

Dayton Power and Light Company	Case No. 81-21-EL-AIR	Engineering issues, revenue requirements, cost of service and rate design	The Executive Agencies of the United States	1981
Dayton Power and Light Company	Case No. 80-687-EL-AIR	Engineering issues, revenue requirements, cost of service and rate design	The Executive Agencies of the United States	1981
Ohio American Water Company	Case No. 79-3143-WW-AIR	Engineering issues, revenue requirements, cost of service and rate design	Cities of Marion and Tiffin, Ohio	1980
Dayton Power and Light Company	Case No. 79-510-EL-AIR	Engineering issues, revenue requirements, cost of service and rate design	The Executive Agencies of the United States	1980
Cincinnati Gas & Electric Company	Case No. 79-11-EL-AIR	Cost of service and rate design	The Ohio Council of Retail Merchants	1979
Columbus and Southern Ohio Electric Company	Case No. 78-1438-EL-AIR	Cost of service and rate design	The Ohio Council of Retail Merchants	1979
Seneca Utilities, Inc.	Case No. 78-287-WW-AIR	Engineering issues, revenue requirements, cost of service and rate design	Lake Seneca Property Owners Association	1979
Dayton Power and Light Company	Case No. 78-92-EL-AIR	Engineering issues, revenue requirements, cost of service and rate design	The Executive Agencies of the United States	1979
Texas Public Utility Commission:				
Houston Lighting & Power Company	5779	Engineering issues, cost of service and rate design	The Executive Agencies of the United States	1984
Utah Public Service Commission:				
Hill Air Force Base	01-035-01	Revenue requirements, cost of service, rate design	The Executive Agencies of the United States	2001
Hill Air Force Base	01-035-23	Revenue requirements, cost of service, rate design	The Executive Agencies of the United States	2001
Hill Air Force Base	01-035-35	Revenue requirements, cost of service, rate design	The Executive Agencies of the United States	2001
Hill Air Force Base	01-035-36	Evaluate power cost adjustment mechanism to determine if it is non-	The Executive Agencies of the United States	2001

		discriminatory, accurately reflects the actual cost of providing the service, and is necessary under the circumstances		
Hill Air Force Base	00-035-15	Revenue requirements, cost of service, rate design	The Executive Agencies of the United States	2001
Wisconsin Public Service Commission:				
Barron Electric Cooperative	Case No. 380-EI-1	Transmission wheeling charges	Barron Electric Cooperative	1982
Wyoming Public Service Commission:				
PacifiCorp	2000-ER-95-99	Revenue requirements, cost of service, rate design and jurisdictional allocations	Marathon Oil Company	1996

VEOLIA ENERGY KANSAS CITY
CASE NO. HR-2014-0066
SUMMARY COMPARISON - CLASS COST OF SERVICE VS. REVENUE DISTRIBUTION
FOR THE TEST YEAR ENDED JUNE 30, 2013

LINE NO.	DESCRIPTION	Allocated Class Cost of Service Distribution	Revenue Distribution Current Rates	Revenue Distribution Proposed Rates
	(A)	(B)	(C)	(D)
1	Standard Commercial Service	2.60%	2.75%	2.89%
2	Large Commercial Service			
3	Veolia-Mo, meter located at:			
4	Plant	1.69%	3.23%	3.51%
5	Distribution	0.49%	1.17%	1.19%
6	Truman Medical Center	9.36%	7.88%	8.85%
7	All Other LCS Customers	18.18%	16.33%	17.51%
8	Subtotal LCS Customers	29.72%	28.61%	31.06%
9	Interruptible Heating Service	6.14%	5.29%	5.86%
10	Process Steam	61.54%	63.35%	60.19%
11	**Total**	100.00%	100.00%	100.00%

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 JOSEPH A. HERZ

STATE OF KANSAS)
) ss
COUNTY OF JEWELL)

I, Joseph A. Herz, being of lawful age, on my oath states as follows:

I participated in the preparation of the foregoing Direct Testimony in question and answer form to be presented in the above case;

I provided the answers in this Direct Testimony;

I have knowledge of the matters set forth in such answers; and

The information presented in this Direct Testimony is true and correct to the best of my knowledge and belief.

Joseph A. Herz

Subscribed and sworn to before me this 21st day of November, 2013.

Notary Public in and for the State of Kansas

[Notary Seal/Stamp]

NOTARY PUBLIC - State of Kansas
ASHLEY UNDERWOOD
My Appt Expires 10-08-17

My commission expires: 10-08-17