

Exhibit No.

**Issue: Business Overview and
Reasons for Rate Case**

Witness: F. Keith Oldewurtel

Type of Exhibit: Direct Testimony

**Sponsoring Party: Veolia Energy Kansas
City, Inc.**

Case No. HR-2011-0241

Date Testimony Prepared: April 22, 2011

BEFORE THE PUBLIC SERVICE COMMISSION

STATE OF MISSOURI

DIRECT TESTIMONY

OF

F. KEITH OLDEWURTEL

VEOLIA ENERGY KANSAS CITY, INC.

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

DIRECT TESTIMONY OF F. Keith Oldewurtel

ON BEHALF OF VEOLIA ENERGY KANSAS CITY, INC.

CASE NO. HR-2011-0241

1 Q. Please state your name and business address.

2

3 A. My name is F. Keith Oldewurtel and my business address is Veolia Energy, 200
4 East Randolph Street, Chicago, IL 60601.

5

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

7 A. I am employed by Veolia Energy North America, LLC as Regional Vice
8 President for the Central/West Region, including Veolia Energy Kansas City, Inc.

9

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

11 A. I am appearing on behalf of Veolia Energy Kansas City, Inc., hereinafter referred
12 to as "Veolia" or "Company".

13

14 Q. Please describe your educational background and professional experience.

15 A. I received an AAS in Water Technology from Bay College in Escanaba Michigan
16 in 1977. I have been employed by Veolia Energy North America in general
17 management capacities since 2008. Prior to that time I was employed in
18 municipal utility operations for 8 years followed by 25 years at a large consulting
19 engineering firm in a variety of progressively more responsible roles ranging from
20 technical positions to senior management positions working extensively on the

1 design, construction, operation and management of large utility plants and
2 business operations.

3

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

5 A. The purpose of my testimony is to provide an overview of the business, its
6 ownership structure, the progress the Company has realized since the last rate
7 case in 2008, the goals and objectives of our rate case, and the reasons for the
8 requested rate increase.

9

10 Q. Have you ever testified before this Commission or any other regulatory
11 commission?

12 A. I have never testified before the Missouri Public Service Commission or any other
13 regulatory commission.

14

15 Q. Please explain the relationship between Trigen-Kansas City Energy Corporation
16 and Veolia Energy Kansas City, Inc.

17 A. The two entities are essentially the same, with Veolia Energy Kansas City, Inc.
18 representing the new “brand” and corporate identity of what formerly was known
19 as Trigen-Kansas City Energy Corporation. The change was part of a broader re-
20 branding initiative that has introduced the Veolia Energy name to a number of
21 former Trigen locations throughout the United States. The Commission approved
22 the Company’s request for the name change in its Order Recognizing Name

1 Change and Approving Tariff Sheets, File No. HN-2011-0286, effective April 10,
2 2011.

3 Q. You previously stated that you are currently employed by Veolia Energy North
4 America, LLC. What is the relationship between Veolia Energy North America,
5 LLC and Veolia Energy Kansas City Inc.?

6 A. Veolia Energy North America LLC and Veolia Energy Kansas City, Inc. are
7 wholly-owned subsidiaries of Thermal North America, Inc. Thermal North
8 America, Inc. is a wholly owned subsidiary of Veolia Energy North America
9 Holdings, Inc. (“VENAH”). Veolia Energy North America, LLC is a
10 management services company for all subsidiaries of VENAH. Veolia Energy
11 Kansas City Inc. is one of these subsidiaries. VENAH is the largest owner of
12 district energy companies in North America.

13

14 Q. Where are the locations of the other Veolia Companies?

15 A. There are subsidiaries located in Los Angeles, California; Atlanta, Georgia;
16 Baltimore, Maryland; Boston, Massachusetts; Grand Rapids, Michigan; St Louis,
17 Missouri; Las Vegas, Nevada; Trenton, New Jersey; New York, New York;
18 Philadelphia, Pennsylvania; Oklahoma City, Oklahoma; Tulsa, Oklahoma;
19 Portland, Oregon; and Houston, Texas.

20

21 Q. What are “The Veolia Companies”?

22 A. “THE VEOLIA COMPANIES” refers to the following operating units: Veolia
23 Energy Glendale, LLC (f/k/a Trigen-Glendale Energy Company, LLC); Veolia

1 Energy Las Vegas, LLC (f/k/a Trigen-Las Vegas Energy Company, LLC); Grays
2 Ferry Cogeneration Partnership; Trenton Energy Company, LLC (f/k/a Trenton
3 Energy Corporation); Veolia Energy Baltimore Corporation (f/k/a Trigen-
4 Baltimore Energy Corporation); Veolia Energy Boston, Inc. (f/k/a Trigen-Boston
5 Energy Corporation); Veolia Energy Building Services Corporation (f/k/a Trigen
6 Building Services Corporation); Veolia Energy Kansas City, Inc. (f/k/a Trigen-
7 Kansas City Energy Corporation); Veolia Energy Los Angeles, Inc. (f/k/a Trigen-
8 LA Energy Corporation); Veolia Energy Missouri, Inc. (f/k/a Trigen-Missouri
9 Energy Corporation); Veolia Energy Oklahoma City, Inc. (f/k/a Trigen-Oklahoma
10 City Energy Corporation); Veolia Energy Philadelphia, Inc. (f/k/a Trigen-
11 Philadelphia Energy Corporation); Trigen-St. Louis Energy Corporation; Veolia
12 Energy Atlantic Station, LLC (f/k/a Trigen Atlantic Station, LLC); Veolia Energy
13 Tulsa, Inc. (f/k/a Trigen-Tulsa Energy Corporation); Veolia Energy Portland,
14 LLC; Veolia Energy Efficiency (PA), LLC; Veolia Energy Baltimore Heating
15 LLP; Veolia Energy Baltimore Cooling LLP; Veolia Energy Trenton, L.P.; Veolia
16 Energy Maryland Steam Corporation; Trigen – Inner Harbor East, LLC; Veolia
17 Energy Grand Rapids, LLC; Veolia Energy Facilities Services, LLC; Veolia
18 Energy Operating Services, LLC; Dalkia Energy Services, LLC; Dalkia Facilities
19 Services, LLC; SourceOne, Inc. (DE); SourceOne Harborside, Inc. and
20 SourceOne APT, Inc. These are the “The Veolia Companies” managed by Veolia
21 Energy North America LLC on behalf of VENAHL.

1 Q. Are costs allocated for the management services provided by Veolia Energy
2 North America, LLC?

3 A. Yes. The costs incurred by both VENA and its subsidiaries and Veolia Energy
4 North America, LLC are either retained at the corporate level or allocated
5 between the Veolia Companies in accordance with the cost allocation manual
6 previously filed with the Commission.¹

7
8 Q. When did the Commission last approve a rate increase for Veolia?

9 A. Veolia Energy Kansas City, Inc. has not adjusted its tariff rates for steam service
10 since 2008.

11
12 Q. Did Veolia complete the Class Cost of Service Study required by the settlement
13 agreement in the 2008 rate case?

14 A. Yes. In 2010 the Company prepared a Class Customer Cost of Service Study to
15 assess the assignment and allocation of costs among customer classes. Company
16 witness Joseph Herz will discuss the study results and summarize how those
17 results should be considered in the current proceeding.

18
19 Q. Why is Veolia Energy Kansas City, Inc. filing for a rate increase at this time?

20 A. During the rate filing in 2008, the Company did not increase rates to cover the
21 entire rate deficiency. Veolia Energy Kansas City, Inc. is seeking to modify its
22 tariffs because of this.

¹ The allocation process is discussed by Company witness Steven Weafer while Company witness Steven Carver describes how these costs were recognized for ratemaking purposes.

1

2 Q. Do the proposed tariffs represent an attempt by the Company to recover the entire
3 revenue deficiency?

4 A. No. The Company has not filed tariffs seeking to increase rates to cover the entire
5 calculated revenue deficiency. While Company witness Dan Dennis will address
6 this subject in greater detail, I would also like to briefly discuss the rationale for
7 the requested rate increase.

8

9 Veolia Energy Kansas City, Inc. has avoided filing a rate increase application for
10 three years to the cumulative benefit of our customers. We have not sought a full
11 rate increase in order to mitigate customer attrition. Unlike many other regulated
12 services, Veolia must compete with other possible forms of heating such as
13 electricity or natural gas. Veolia is limiting its rate increase to maintain its
14 customer base, ultimately to the benefit of all ratepayers. All of our customers
15 have other options for thermal supply and we must move carefully and
16 deliberately in changing rates. This is the primary basis Veolia elected to seek
17 what we believe is a conservative rate increase.

18

19 Q. Please briefly identify the other witnesses sponsoring testimony on behalf of
20 Veolia Energy Kansas City, Inc.

21 A. Mr. Daniel Dennis will discuss the subject of commodity costs, competitive
22 limitations and the proposed rate structure, along with other key elements of the
23 Company's business operations. Mr. Steven Weafer sponsors the Company's

1 accounting records and will address affiliate cost allocations and address related
2 ratemaking considerations. Mr. Steven Carver will provide testimony regarding
3 Veolia's overall revenue deficiency. Mr. Steve Hill will provide testimony
4 regarding Veolia's recommended rate of return. Mr. Joe Herz will provide
5 testimony regarding the recent cost of service study and how those results should
6 be considered in the current rate case.

7
8 Q. Does Veolia have any other cases currently pending before the Commission?

9 A. No.

10

11 Q. Does Veolia Energy Kansas City, Inc. have any unpaid fees or assessments due to
12 the Commission or any overdue reports?

13 A. No.

14

15 Q. Is Veolia Energy Kansas City, Inc. proposing to modify the structure of its
16 existing tariffs?

17 A. No.

18

19 Q. Do you believe that Veolia is a financially viable entity for the foreseeable future?

20 A. Yes, without question. Since mid-2005, Veolia has made significant strides in
21 improving its operations and customer base. As a result, VENAH sees a
22 significant opportunity for the provision of district steam service in Kansas City

1 for many years. However, the long-term viability of Veolia's operations is
2 partially reliant on receiving adequate rate relief.

3

4 Q. Does this conclude your direct testimony?

5 A. Yes.