

Exhibit No. _____
Issue: Support of Extension Application
Witness: David A. Wagner
Type of Exhibit: Direct Testimony
Sponsoring Party: Truman Medical Center, Incorporated
Case No. HA-2006-0294
Date Testimony Prepared: March 16, 2006

Before the Public Service Commission

of the State of Missouri

FILED³

MAY 19 2006

Direct Testimony

**Missouri Public
Service Commission**

of

David A. Wagner

March 2006

Exhibit No. 4
Case No(s) HA-2006-0294
Date 5-15-06 Rptr KF

DIRECT TESTIMONY
OF
DAVID A. WAGNER
TRUMAN MEDICAL CENTER, INCORPORATED
BEFORE THE
MISSOURI PUBLIC SERVICE COMMISSION
CASE NO. HA-2006-0294

1 Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

2 A. David A. Wagner, 2301 Holmes, Kansas City, Missouri 64108.

3 Q. WHO IS YOUR EMPLOYER AND WHAT POSITION DO YOU HOLD?

4 A. Truman Medical Center, Incorporated ("TMC" or "Company") is my employer. I hold the
5 position of Senior Director of Support Services.

6 Q. PLEASE SUMMARIZE YOUR EDUCATIONAL BACKGROUND.

7 A. I received a BS degree in 1974 Truman State University and MPA in Hospital
8 Administration in 1984 University of Missouri Kansas City.

9 Q. PLEASE DESCRIBE YOUR PROFESSIONAL EXPERIENCE.

10 A. I have worked in healthcare since 1978. I started as a maintenance engineer and have held
11 positions of progressively greater responsibility. I have been responsible for facilities
12 management, including maintenance and repair and property management functions for over 20
13 years. I also am a Certified Property Manager. I joined TMC in 2000 as Associate
14 Administrator for Facilities at TMC's Hospital Hill campus. I am currently a member of the
15 Executive Leadership Team at TMC with corporate-wide responsibilities.

16 Q. HAVE YOU PREVIOUSLY PRESENTED TESTIMONY BEFORE THIS OR ANY
17 OTHER REGULATORY BODY?

18 A. No

1 Q. MR. WAGNER, WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY?

2 A. The purpose of my testimony is to provide the background of TMC and the reasons why it
3 has intervened in this proceeding in support of Trigen-Kansas City Energy Corporation's
4 ("Trigen") application in this case.

5 Q. PLEASE DESCRIBE TMC.

6 A. TMC is a Missouri non-profit corporation that serves as a safety net healthcare provider to its
7 catchment area. Additionally, TMC is the primary teaching hospital for the University of
8 Missouri Kansas City Schools of Health Sciences.

9 Q. YOU USED THE TERM "CATCHMENT AREA" IN YOUR PREVIOUS ANSWER.
10 WHAT IS A CATCHMENT AREA.

11 A. Catchment area in the healthcare context is the same as a service area for other businesses.
12 TMC contracts with Kansas City, Missouri and Jackson County, Missouri to provide indigent
13 care at its facilities in that defined City and County area. Thus, that is TMC's catchment area.

14 Q. PLEASE DESCRIBE TMC'S CATCHMENT AREA AND ITS SERVICE TO THE
15 INDIGENT OF THAT CATCHMENT AREA.

16 A. TMC's catchment area is Kansas City, Missouri and Jackson County, Missouri. TMC
17 provides healthcare, both inpatient and outpatient, for this area regardless of the patient's ability
18 to pay.

19 Q. EXPLAIN, GENERALLY, TMC'S SUPPORT FOR TRIGEN'S APPLICATION.

20 A. Obtaining steam from Trigen will allow TMC to operate its utility system in a more
21 economical manner. This connection will save TMC significant operating expense. These
22 dollars will then be available to provide healthcare for the indigent of Kansas City and Jackson
23 County -- thus being a good steward of tax payer's money. Beyond the cost savings, Trigen's

1 steam will provide a redundant energy source to assure uninterrupted operations at TMC. As a
2 Level 1 Trauma Center, TMC is vital to the healthcare infrastructure of Kansas City and is a
3 leader in Emergency Care for all of Kansas City. Securing uninterrupted operation at a cost
4 savings to TMC makes solid business sense and is very important to TMC's continued operation.

5 Q. PLEASE DESCRIBE WHAT ANALYSIS TMC HAS DONE REGARDING THE
6 FINANCIAL IMPACT TO TMC OF TRIGEN'S APPLICATION.

7 A. TMC has taken the daily average cost of natural gas over the last year and calculated the cost
8 based on usage history. TMC then did the same thing based on the tariff rate from Trigen.

9 Q. WHAT CONCLUSIONS DID TMC REACH REGARDING THE FINANCIAL IMPACT
10 TRIGEN'S DELIVERY OF STEAM HEAT WOULD HAVE ON TMC?

11 A. The result of having Trigen steam delivered to TMC would create a significant annual
12 savings over using natural gas to produce the steam with our boilers. In addition, with Trigen
13 steam, TMC would be relieved of running its boilers on a 24 hour basis. This would free up
14 approximately six full time equivalent employees who could be deployed to different areas of
15 TMC's operation. Thus, TMC would realize additional personnel cost savings.

16 Q. HOW DOES THE FINANCIAL IMPACT RELATE TO TMC'S OVERALL FINANCIAL
17 PROFILE?

18 A. The annual savings could fund much needed capital improvements to the HVAC system at
19 TMC. That system is over 30 years old and needs to be replaced. Presently those capital dollars
20 are not available. Due to Medicare and Medicaid cuts, dollars that would typically have been
21 used for such capital expenditures have been used to cover the ever-shrinking Medicare and
22 Medicaid revenues available to TMC.

1 Q. HOW DO COST SAVINGS IN TMC OPERATIONS AFFECT THE PROVISION OF
2 CARE TO THE INDIGENT OF TMC'S CATCHMENT AREA?

3 A. Cuts in Medicare and Medicaid mean there are now more people in TMC's catchment area
4 that do not have financial sponsorship for their medical care. Yet, these people still need
5 healthcare and TMC is the primary provider for this population. Any cost savings TMC can
6 realize in its operations result in more resources being available to fulfill TMC's mission of
7 providing quality care for everyone, regardless of their ability to pay. The medically
8 underserved and unserved population in TMC's catchment area continues to grow while TMC's
9 payment for its charitable services continues to shrink. Thus, all operational cost savings directly
10 impact how TMC can serve its patient population.

11 Q. HOW DOES TRIGEN'S APPLICATION AND ITS PROVISION OF STEAM HEAT TO
12 TMC AFFECT TMC IN THE FUTURE?

13 A. The provision of steam from Trigen will continue to provide heat for various utility purposes
14 at TMC at the most economical level in the future. And if for some reason, natural gas prices
15 fall, then TMC has the opportunity to choose which avenue will serve them the best for the
16 future. Right now there is no choice of service to TMC and natural gas prices are at an all time
17 high with no evidence of decreasing in the future.

18 Q. SUBJECT TO CONFIDENTIALITY PROVISIONS, CAN YOU APPROXIMATE THE
19 AMOUNT OF ANNUAL REVENUE THAT MGE RECEIVES FROM TMC AND WOULD
20 THEREFORE PURPORTEDLY FORGO IF TMC WERE TO REDUCE ITS GAS
21 CONSUMPTION BY CONNECTING TO TRIGEN?

22 A. First and foremost, TMC is a transportation customer of MGE. TMC does not buy its natural
23 gas from MGE. Rather, TMC pays MGE to transport natural gas from MGE's hub to TMC for

1 consumption. So, there would be little financial impact, if any, on MGE's gas business based on
2 Trigen's provision of steam utility to TMC. TMC payments to MGE for calendar year 2005
3 totaled \$157,146.81. TMC would anticipate remaining a customer of MGE and would envision
4 its transportation costs being approximately ten percent of the calendar year 2005 amount.

5 Q. IN RELATIVE TERMS, HOW DOES THIS DOLLAR AMOUNT OF LOST MGE
6 REVENUE COMPARE TO THE SAVINGS THAT TMC WOULD REALIZE BY
7 CONNECTION TO TRIGEN DISTRICT STEAM SERVICE?

8 A. Again, MGE's lost revenue will be in the transportation costs paid by TMC to MGE. TMC
9 believes that MGE will suffer little, if any, revenue loss from a diminished sale of natural gas to
10 TMC. TMC's natural gas cost savings is somewhat dynamic given the fluctuations in the natural
11 gas commodity market. Conservatively, TMC envisions its annual natural gas savings to be in
12 the hundreds of thousands of dollars. That natural gas savings would be compared to the
13 transportation costs paid to MGE. Comparatively, however, TMC would conservatively estimate
14 its savings to be almost five times the purported lost MGE revenue.

15 Q. ARE THERE ANY OTHER COMMENTS YOU WOULD LIKE TO MAKE?

16 A. As a steward of tax payers' money, TMC looks at all options that are available for it to
17 continue to provide quality service for the lowest operational cost. The option of having Trigen
18 provide steam for TMC's utility needs will allow TMC choices for its energy needs. Those
19 choices should translate into significant, ongoing cost savings. Those cost savings permit more
20 money to be dedicated to direct patient care of the people TMC serves.

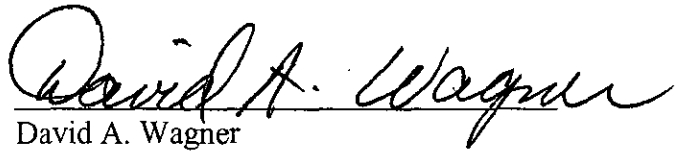
21 Q. DOES THIS CONCLUDE YOUR PREPARED DIRECT TESTIMONY AT THIS TIME?

22 A. Yes, it does.

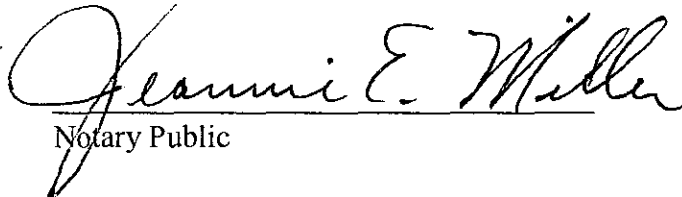
AFFIDAVIT

STATE OF MISSOURI)
)
COUNTY OF JACKSON) ss

I, David A. Wagner, having been duly sworn upon my oath, state that I am the Senior Director of Support Services of Truman Medical Center, Incorporated ("TMC"), that I am duly authorized to make this affidavit on behalf of TMC, and that the matters and things set forth in the foregoing direct testimony are true and accurate to the best of my information, knowledge and belief.


David A. Wagner

Subscribed and sworn to before me this 16th day of March, 2006.


Notary Public

My commission expires: 10-6-07

