

*Exhibit No.:*  
*Issue:* *Financial Analysis*  
*Witness:* *John M. Kiebel II, CPA, CMA, CIA, CFM*  
*Sponsoring Party:* *MoPSC Staff*  
*Type of Exhibit:* *Rebuttal Testimony*  
*Case Nos.:* *HM-2004-0618*  
*Date Testimony Prepared:* *October 14, 2004*

**MISSOURI PUBLIC SERVICE COMMISSION**

**UTILITY SERVICES DIVISION**

**REBUTTAL TESTIMONY**

**OF**

**JOHN M. KIEBEL II, CPA, CMA, CIA, CFM**

**TRIGEN-KANSAS CITY ENERGY CORP. and  
THERMAL NORTH AMERICA, INC.**

**CASE NO. HM-2004-0618**

*Jefferson City, Missouri*  
*October 2004*

**\*\*Denotes Highly Confidential Information\*\***

**NP**

**BEFORE THE PUBLIC SERVICE COMMISSION**  
**OF THE STATE OF MISSOURI**

In The Matter of the Joint Application of Trigen- )  
Kansas City Energy Corp. and Thermal North )  
America, Inc. for the Authority Necessary for )  
the Transfer of Control, and Sale of All Stock )  
Currently Owned by Trigen Energy Corporation, )  
Inc. to Thermal North America, Inc. )

Case No. HM-2004-0618

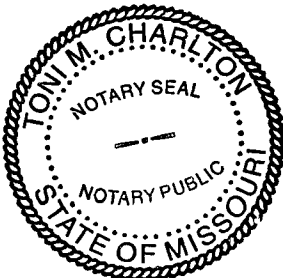
AFFIDAVIT OF JOHN M. KIEBEL, II

STATE OF MISSOURI     )  
                                  )     ss.  
COUNTY OF COLE     )

John M. Kiebel, II, being of lawful age, on his oath states: that he has participated in the preparation of the following Rebuttal Testimony in question and answer form, consisting of 9 pages to be presented in the above case; that the answers in the following Rebuttal Testimony were given by him; that he has knowledge of the matters set forth in such answers; and that such matters are true and correct to the best of his knowledge and belief.

  
John M. Kiebel, II

Subscribed and sworn to before me this 14<sup>th</sup> day of October 2004.





TONI M. CHARLTON  
NOTARY PUBLIC STATE OF MISSOURI  
COUNTY OF COLE  
My Commission Expires December 28, 2004



1           Q.     Describe your professional background.

2           A.     I worked for the Office of the Comptroller of the Currency in Sioux City,  
3 Iowa, from January 1980 through February 1982. I was an assistant national bank examiner,  
4 participating in the examination of approximately 40 national banks in northwest Iowa and  
5 northeast Nebraska. The examinations focused on a review of the banks' capital structure,  
6 quality of assets, overall opinion of management, adequacy of earnings, and the composition  
7 of the banks' liquidity.

8           I worked for Central Banccompany, Incorporated, in Jefferson City, Missouri, from  
9 February 1982 through July 1984. I was an assistant internal auditor for a large Missouri  
10 privately held multi-bank holding company. My responsibilities included performing  
11 operational audits in the banks' major balance sheet classifications. I also assisted the firm of  
12 Peat Marwick (now KPMG) in its annual audit of the holding company's financial  
13 statements.

14           I worked for State Fair Community College (SFCC) in Jefferson City, Missouri, from  
15 January 2000 through December 2003. I was an adjunct accounting instructor, teaching the  
16 first semester of Financial Accounting. I also served on the SFCC Accounting Advisory  
17 Committee for two years.

18           I have been working as a subcontractor for American College Testing (ACT),  
19 Incorporated, in Iowa City, Iowa, since January 2002. I wrote and reviewed examination  
20 questions for three of the four sections of the computerized CPA examination test bank being  
21 developed by ACT and the American Institute of Certified Public Accountants (AICPA).

22           I have been working for the Commission's Management Services Department (MSD)  
23 since August 1984, assessing management controls and operational efficiencies. I transferred

1 to the Accounting Department in January 1996, and transferred back to MSD in January  
2 1998. The MSD was renamed in February 2000 to the Engineering and Management  
3 Services Department (EMSD).

4 Q. What has been the nature of your duties while in the employ of the  
5 Commission?

6 A. I have conducted and jointly participated in numerous docketed and  
7 undocketed cases over the past 20 years. I have participated in several operational reviews of  
8 utility companies, including many focused reviews of utility customer service practices.

9 I worked on a temporary basis in the Commission's Financial Analysis Department  
10 for approximately four months during 1998. In addition to my present duties in EMSD, I am  
11 temporarily assisting the Financial Analysis Department on various issues, including the  
12 determination of the appropriate cost of capital.

13 Q. Have you previously filed testimony before this Commission?

14 A. Yes, I have. Please refer to Schedule 1, which is attached to my Rebuttal  
15 testimony, for a list of cases and issues in which I have previously filed testimony.

16 Q. What is the purpose of your testimony?

17 A. The primary purpose of this testimony is to present the analysis of the Staff's  
18 Financial Analysis Department on whether, from a financial perspective, the proposed sale to  
19 Thermal North America, Inc. (Thermal) of Trigen Energy Corporation's (Trigen Energy's)  
20 subsidiaries, which include Trigen Kansas City Energy Corporation (Trigen Kansas City) and  
21 Trigen Missouri Energy Corporation (Trigen Missouri), will not be detrimental to the public  
22 in Missouri, i.e., Trigen Kansas City's Missouri regulated utility customers.

23 Q. What is the not detrimental to the public standard that you refer to?

1           A.     Staff witness Philip K. Williams will address the not detrimental to the public  
2 standard. The basic tenet of the not detrimental to the public standard is that regulated  
3 Missouri customers affected by the proposed transaction will not be harmed due to the  
4 transaction.

5           Q.     Who is Thermal?

6           A.     Thermal is a new corporate entity that did not exist prior to 2004. Thermal is  
7 a privately held corporation that was created for the purpose of acquiring Trigen Energy's  
8 district energy systems located throughout the United States, both steam heating and chilled  
9 water systems.

10          Q.     How does Thermal plan to effectuate the transaction?

11          A.     Thermal plans to acquire the equity interest in various business units from  
12 Trigen Energy via a stock purchase agreement with \*\* \_\_\_\_\_ \*\*. Representatives of  
13 Thermal have stated that it does have the necessary cash on hand, and that there are no plans  
14 to \*\* \_\_\_\_\_ \*\* at the closing. However, the certainty of the amounts and valuations are  
15 preliminary and the allocation of the purchase price will not be final until closing.

16          Q.     Does Thermal anticipate any change in this plan by the end of 2005?

17          A.     Yes. Thermal anticipates partially leveraging its equity purchase with debt  
18 some time after the close. The amount, type and interest rate of the debt is not known at this  
19 time. Thermal has stated that it would not have a highly leveraged capital structure.

20          Q.     Does Thermal's status as a new corporate entity and as a privately held  
21 corporation concern the Financial Analysis Department?

22          A.     Yes. There is not a complete set of current or *pro forma* financial statements  
23 for Thermal at this time. There are no reports that have been filed or that will be filed with

1 the Securities and Exchange Commission (SEC). As a result, it is difficult to ascertain the  
2 financial wherewithal of Thermal.

3 Q. Does Thermal have a credit rating with any of the major rating agencies?

4 A. No. Thermal does not have a credit rating with any of the major rating  
5 agencies. Thermal stated, at the October 6, 2004 technical conference in this case held at  
6 Jefferson City and during a transcribed interview on October 12, 2004, that it has been in  
7 contact with at least one rating agency. Thermal anticipates a credit rating to be issued  
8 during the fourth quarter of 2004 or the first quarter of 2005. According to Thermal, there  
9 have been active discussions, but no reports to or from credit rating agencies, security  
10 analysts, or other third parties have been generated.

11 Q. What was Trigen Kansas City's net income for the period 2001 through 2003?

12 A. According to Trigen Kansas City's unaudited financial statements, Trigen  
13 Kansas City has posted a cumulative \*\* \_\_\_\_\_ \*\* for 2001  
14 through 2003. This includes \*\* \_\_\_\_\_ \*\* during 2001, a \*\* \_\_\_\_  
15 \_\_\_\_\_ \*\* during 2002, and \*\* \_\_\_\_\_ \*\* during 2003.

16 Q. Can you summarize Trigen Kansas City's income statement for 2003?

17 A. Yes. Trigen Kansas City reported a net utility operating \*\* \_\_\_\_\_  
18 \_\_\_\_\_ \*\* for 2003. In addition, the interest expense on the debt from the  
19 advances from associated companies was almost \*\* \_\_\_\_\_ \*\*. The impact of this  
20 resulted in a net \*\* \_\_\_\_\_ \*\* during 2003.

21 Q. Can you summarize Trigen Kansas City's balance sheet as of December 31,  
22 2003?

1           A.     Yes. Advances from associated companies are in excess of \*\* \_\_\_\_\_  
2           \*\*\_. The amount of debt is about \*\* \_\_\_\_\_ \*\* than the Trigen Kansas City's  
3     total assets of \*\* \_\_\_\_\_ \*\* as of December 31, 2003. Trigen Kansas City's total  
4     equity balance is \*\* \_\_\_\_\_ \*\*.

5           Q.     Can you summarize Trigen Kansas City's statement of cash flows for 2003?

6           A.     Yes. According to the financing activities section of the statement of cash  
7     flows, there was an inter-company \*\* \_\_\_\_ \*\* infusion of approximately \*\* \_\_\_\_  
8     \*\* during 2003.

9           Q.     What financial ratios does the Financial Analysis Department use to determine  
10    a utility's overall financial position?

11          A.     The Financial Analysis Department primarily uses three ratios. These ratios  
12    include the total debt/total capital ratio, the funds from operation (FFO)/total debt ratio, and  
13    the FFO/interest coverage ratio.

14          Q.     What was the total debt/total capital ratio for Trigen Kansas City during 2003?

15          A.     Trigen Kansas City's total debt for 2003 was approximately \*\* \_\_\_\_\_  
16    \*\* and total capital was \*\* \_\_\_\_\_ \*\*. The total debt/total capital ratio of  
17    \*\* \_\_\_\_\_ \*\* was calculated to be \*\* \_\_\_\_\_ \*\*.

18          Q.     Would a total debt/total capital ratio of almost \*\* \_\_\_\_\_ \*\* be considered  
19    \*\* \_\_\_\_\_ \*\* investment grade?

20          A.     \*\* \_\_\_\_ \*\*. The guideline for an investment grade total debt/total capital ratio  
21    at the upper end would be 60% for an average business risk electric utility. The electric  
22    industry is used for the analysis since there is no comparable group of steam companies.



1 Trigen Kansas City's total debt/total capital ratio is \*\* \_\_\_\_\_ \*\* what would be  
2 considered as a guideline to be deemed investment grade.

3 Q. What was the FFO/total debt ratio for Trigen Kansas City during 2003?

4 A. Trigen Kansas City's FFO for 2003 was almost \*\* \_\_\_\_\_ \*\* and its total  
5 debt was approximately \*\* \_\_\_\_\_ \*\*. The FFO/total debt ratio of  
6 \*\* \_\_\_\_\_ \*\* was calculated to be \*\* \_\_\_\_\_ \*\*.

7 Q. Would an FFO/total debt ratio of \*\* \_\_\_\_\_ \*\* be considered \*\* \_\_\_\_\_  
8 \_\_\_\_\_ \*\* investment grade?

9 A. \*\* \_\_\_\_\_ \*\*. The guideline for an investment grade FFO/total debt ratio would  
10 be between 15% and 22% for an average business risk electric utility. Trigen Kansas City's  
11 FFO/total debt ratio is about \*\* \_\_\_\_\_ \*\* of what would be considered as a guideline to  
12 be deemed investment grade.

13 Q. What was the FFO/interest coverage ratio for Trigen Kansas City during  
14 2003?

15 A. Trigen Kansas City's FFO for 2003 was almost \*\* \_\_\_\_\_ \*\* and its  
16 interest expense was almost \*\* \_\_\_\_\_ \*\*. The FFO/interest coverage ratio of  
17 \*\* \_\_\_\_\_ \*\* was calculated to be \*\* \_\_\_\_\_ \*\*. In other words, \*\* \_\_\_\_\_  
18 \_\_\_\_\_ \*\* of Trigen Kansas City's interest expense could be covered by Trigen  
19 Kansas City's FFO.

20 Q. Would the FFO/interest coverage ratio of \*\* \_\_\_\_\_ \*\* be considered  
21 \*\* \_\_\_\_\_ \*\* investment grade?

22 A. \*\* \_\_\_\_\_ \*\*. The guideline for an investment grade FFO/interest coverage ratio  
23 would be between 2.8 times to 3.8 times for an average business risk electric utility. In other

1 words, the annual interest expense should be covered from a firm's FFO by an order of 2.8 to  
2 3.8 times. Trigen Kansas City's FFO/interest coverage ratio is about \*\* \_\_\_\_\_ \*\* of what  
3 would be considered as a guideline to be deemed investment grade.

4 Q. Has Trigen Kansas City sought rate relief from the PSC in recent years?

5 A. No. Trigen Kansas City has not filed for a request for rate relief since 1993 in  
6 Case No. HR-93-278. Trigen Kansas City withdrew its 1993 case.

7 Q. Has Thermal provided any financial statements to the Staff?

8 A. Yes. Thermal provided a projected statement of financial position as of  
9 December 31, 2003. Thermal's projected opening balance sheet consists entirely of the  
10 assets, liabilities and stockholders' equity of the combined Trigen Energy properties  
11 throughout the U.S. The projected balance sheet indicates total assets of \*\* \_\_\_\_\_  
12 \_\_\_\_\_ \*\*, total liabilities of \*\* \_\_\_\_\_ \*\* and total stockholder's equity of  
13 \*\* \_\_\_\_\_ \*\*.

14 However, Thermal has not provided Staff with a projected income statement or a  
15 projected statement of cash flows.

16 Q. Has Staff's concern over the lack of a complete set of *pro forma* financial  
17 statements been made known to Thermal?

18 A. Yes. This concern was noted by me at the Technical Conference in Jefferson  
19 City on October 6, 2004. Thermal stated that a complete set of *pro forma* financial  
20 statements would be available to Staff within a day or two following the Technical  
21 Conference. Staff has not received the *pro forma* financial statements as of October 13,  
22 2004. Staff will make a concerted effort to file Supplemental Rebuttal testimony within five  
23 business days of the receipt of a complete set of *pro forma* financial statements.

1 Q. Has Thermal requested expedited treatment in this application?

2 A. Yes. Thermal wants to receive the necessary regulatory approvals in order to  
3 complete this transaction by December 31, 2004. I submitted on July 23, 2004 Staff Data  
4 Request No. 21 asking for “[a] copy of Thermal North America’s balance sheet, income  
5 statement and statement of cash flows to include the *pro forma* effects of the transaction.” I  
6 have yet to receive from Thermal a complete response to Staff Data Request No. 21.

7 Q. What is the Financial Analysis Department’s opinion respecting the *pro forma*  
8 financial statements that have been provided by Thermal?

9 A. The Financial Analysis Department does not have an opinion on the *pro forma*  
10 financial statements of Thermal since a complete set of financials has not yet been provided  
11 to Staff.

12 Q. What is the Financial Analysis Department’s opinion respecting the proposed  
13 transaction?

14 A. The Financial Analysis Department does not have an opinion on this proposed  
15 transaction given the lack of *pro forma* financial statements available for review.

16 Q. Would the Financial Analysis Department be able to render an opinion upon  
17 receipt of a complete set of Thermal *pro forma* financial statements?

18 A. Yes.

19 Q. Does this conclude your Rebuttal testimony?

20 A. Yes, it does at this time. I intend to file Supplemental Rebuttal testimony  
21 within five business days of the receipt of a complete set of *pro forma* financial statements  
22 from Thermal.

## CASE PARTICIPATION

### JOHN M. KIEBEL, II

Date Filed	Issues	Case Number	Exhibit	Case Name
9/20/2004	Customer Service	ER-2004-0570	Direct	Empire District Electric Company
06/21/00	Customer Service	EM-2000-369	Rebuttal	UtiliCorp United Inc. / Empire District Electric Company
03/13/98	Automated Meter Reading	GR-98-140	Direct	Missouri Gas Energy, A Division of Southern Union Company
09/05/97	Payroll Taxes; Pension; Payroll; Post Retirement Benefits	GR-97-393	Direct	Union Electric Company
02/13/97	Cash Working Capital; Property Taxes; Misc. Taxes	ER-97-81	Direct	The Empire District Electric Company
06/05/90	Management Duplication	ER-90-101	Direct	Missouri Public Service
03/22/90	Management Efficiency/Service Line Replacement Program	GR-90-50	Direct	Kansas Power & Light Company of Topeka, Kansas
08/12/89	Affiliated Companies	TC-8-914	Direct	Southwestern Bell Telephone Company