

Exhibit No.:
Issues: *Recommended Conditions*
Witness: Riaz Q. Siddiqi
Sponsoring Party: Thermal North
America, Inc.
Type of Exhibit: Surrebuttal Testimony
Case No.: HM-2004-0618
Date Testimony Prepared: November 8, 2004

**MISSOURI PUBLIC SERVICE COMMISSION
UTILITY OPERATIONS DIVISION**

**SURREBUTTAL TESTIMONY
OF
RIAZ Q. SIDDIQI**

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

CASE NO. HM-2004-0618

November 2004

Joint Application of)
)
Trigen-Kansas City Energy Corp.)
)
and) Case No. HM-2004-0618
)
Thermal North America, Inc.)
)
For Grant of 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.)

STATE OF _____)
) ss
COUNTY OF _____)

Notary Public

1 **SURREBUTTAL TESTIMONY OF**

2 **RIAZ Q. SIDDIQI**

3 **TRIGEN-KANSAS CITY ENERGY CORP.**

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

5
6 **Q. What is the purpose of your surrebuttal testimony?**

7 A. The purpose of my testimony is to address the conditions recommended by the
8 Missouri Public Service Commission Staff that should be attached to Commission approval
9 of the Application, other than the proposed condition regarding Trigen Missouri Energy
10 Corporation which is addressed by Mr. Zien.

11 **Q. What is the Applicants' position with respect to the majority of conditions**
12 **recommended by the Commission Staff in their rebuttal testimony?**

13 A. It appears to the Applicants that the Staff simply wants to insure the Trigen-KC will
14 follow the existing regulations governing steam heating utilities under the Missouri statutes
15 and the Missouri Code of State Regulations. This covers the majority of Staff's
16 recommended conditions. Under that understanding, these conditions would be acceptable.
17 Trigen-KC and TNAI would agree to obey all the requirements governing steam heating
18 utilities under the Missouri statutes and Code of State regulations including, but not limited
19 to, the regulations governing reporting and record-keeping requirements and the affiliated
20 transaction rules governing steam-heating utilities.

21 **Q. What is the Applicants' position with respect to Condition 7 of Mr. Williams'**
22 **rebuttal testimony requiring the Applicants to maintain and comply in full with the**
23 **FERC Uniform System of Accounts? (Rebuttal Testimony of Phillip Williams, p. 35).**

1 A. The Applicants agree with the condition, and believe that the Commission should
2 include in its order that the FERC Uniform System of Accounts will be the method used by
3 the new owners, and waive any requirement that the 1915 Steam Heating System of
4 Accounts be used for maintaining their records. The 1915 system of accounts is only
5 available in a partially illegible copy, and from what we can tell it no longer conforms to the
6 realities of public utility accounting which are more perfectly embodied in the FERC
7 Uniform Systems of Accounts. Further, both the Staff and the Buyers are very familiar with
8 the latter system, whereas neither have any experience utilizing the 1915 systems of
9 accounts.

10 **Q. What is the Applicants' position regarding Condition 1 of Phillip Williams'**
11 **rebuttal testimony regarding an agreement among the Applicants, Staff and the Public**
12 **Counsel with respect to the value of the assets? (Rebuttal Testimony of Phillip**
13 **Williams, p. 34).**

14 A. The Applicants agree that such an agreement is needed. The Applicants are also
15 willing to accept the original cost and accumulated depreciation balances for regulatory
16 accounting purposes as presented by Phillip Williams in his direct testimony, and
17 subsequently revised on October 28, 2003 (a copy of revised Schedule 7 is attached hereto as
18 Appendix "A"), for the Trigen-Kansas City Energy Corporation balance sheet as of
19 December 31, 2003.

20 **Q. Do you think Appendix "A" represents an accurate portrayal of the value of the**
21 **rate-base of Trigen-Kansas City?**

22 A. We think that it is an appropriate value, and that it is appropriate to require that value
23 to be used in future rate cases.

1 **Q. Why do you think so?**

2 A. We are aware that the Staff was not able to calculate the number with a perfect degree
3 of accuracy. Nevertheless, the costs to both Staff and the utility of trying to determine that
4 number with any further degree of precision would be money needlessly spent. Our
5 understanding is that further effort in this regard would end up having a negligible impact on
6 any actual determination of rates. To save customers the regulatory costs of determining that
7 number in a later rate case, we are willing to stipulate that number today, and request that the
8 Commission include a condition to that effect in its order approving the transaction.

9 **Q. In Conditions 3, 4, 5 and 6 of his rebuttal testimony, Mr. Williams states that the**
10 **Applicants should not recover any acquisition premium from various transfers of**
11 **ownership of Trigen KC in future rate proceedings. (Rebuttal Testimony of Phillip K.**
12 **Williams, p. 35). What is the Applicants' position with respect to these conditions?**

13 A. The Applicants agree and do not expect to recover any acquisition premium from this
14 transaction or from any historical transactions in future rate proceedings.

15 **Q. Please discuss the Applicants' position with respect to Condition 2 of Mr.**
16 **Williams' rebuttal testimony discussing the restatement of the asset impairment that**
17 **was taken under SFAS No. 121. (Rebuttal Testimony of Phillip K. Williams, p. 34).**

18 A. The bookkeeping entries associated with the asset impairment never had any impact
19 on the rates of Trigen KC and apparently were reversed. Staff's perception is that a
20 Commission action is required in order to properly accomplish that reversal; while we may
21 disagree as to whether or not Commission action is actually required, it appears that Staff is
22 willing to recommend that the Commission affirmatively allow the restatement of the asset

Surrebuttal Testimony of
Riaz Q. Siddiqi

1 impairment. In order to prevent this issue from arising again, Applicants would agree to a
2 joint recommendation with Staff that the restatement be approved.

3 **Q. Are there any other Staff recommended conditions which you have not**
4 **addressed?**

5 A. I don't believe so. Nonetheless, I'll state for the record that the Applicants would
6 oppose any condition not addressed in our surrebuttal testimony.

**Trigen Kansas City Energy/
Thermal North America
Steam Sale
Case No. HM-2004-0618**

Prepared By: PKW
Date Prepared: 10/07/2004
Date Printed: 11/4/2004
Time Printed: 11:03 AM

As Originally Recorded

Year	As Originally Recorded Incorrectly						SFAS 144 Not shown			SFAS 144 Asset Impairment Taken Not Restored		
	Total		Total		Total		Total		Total			
	Plant-in-Service December 31	Accumulated Depreciation Res. December 31	Plant-in-Service December 31	Accumulated Depreciation Res. December 31	Plant-in-Service December 31	Accumulated Depreciation Res. December 31	Plant-in-Service December 31	Accumulated Depreciation Res. December 31	Plant-in-Service December 31	Accumulated Depreciation Res. December 31	Net Plant-in-Service December 31	
Mar. 1990 Balances Provided by KCPL												
1990	\$	7,270,056	\$	179,256	\$	7,090,800	\$	21,831,039	\$	21,661,758	\$	169,281
1991	\$	11,453,193	\$	515,954	\$	10,937,239	\$	25,332,158	\$	21,629,580	\$	3,702,578
1992	\$	16,244,735	\$	1,009,963	\$	15,234,772	\$	29,930,225	\$	22,390,233	\$	7,539,992
1993	\$	17,756,941	\$	1,914,289	\$	15,842,652	\$	31,303,830	\$	23,212,023	\$	8,091,807
1994	\$	19,283,111	\$	2,142,964	\$	17,140,147	\$	32,588,121	\$	23,988,239	\$	8,599,882
1995	\$	20,664,161	\$	2,697,086	\$	17,967,075	\$	33,514,584	\$	24,841,200	\$	8,673,384
1996	\$	21,804,206	\$	3,366,786	\$	18,437,420	\$	34,267,627	\$	25,771,278	\$	8,496,349
1997	\$	28,172,367	\$	4,283,950	\$	23,888,417	\$	39,535,933	\$	25,910,441	\$	13,625,492
1998	\$	29,162,082	\$	5,253,676	\$	23,908,406	\$	40,432,215	\$	27,010,296	\$	13,421,919
1999	\$	30,424,689	\$	6,357,398	\$	24,067,291	\$	41,514,381	\$	28,048,867	\$	13,465,514
2000	\$	14,744,111	\$	7,437,268	\$	7,306,843	\$	41,907,355	\$	29,261,140	\$	(4,114,103)
2001	\$	15,176,715	\$	7,665,401	\$	7,513,314	\$	42,754,093	\$	30,275,107	\$	(3,804,351)
2002	\$	48,377,248	\$	35,255,363	\$	13,121,885	\$	42,747,057	\$	31,407,713	\$	(4,467,013)
2003	\$	47,296,729	\$	35,561,989	\$	11,734,740	\$	42,747,057	\$	32,661,941	\$	(5,244,260)
Company's Estimated Net Book Value exceeds Staff's estimated net book value by: 1,649,624												
Company's Estimated Net Book Value exceeds Staff's estimated net book value if asset impairment not reversed: \$ 16,979,000												

Note: A - These balances include a Premium of \$5,535,526. Company has stated they will not seek recovery of the Premium paid in purchase from KCPJ or in the current transaction.