MISSOURI PUBLIC SERVICE COMMISSION

STAFF REPORT

COST OF SERVICE

TRIGEN KANSAS CITY ENERGY CORPORATION

CASE NO. HR-2008-0300

Jefferson City, Missouri
August 1, 2008

****<u>Denotes Highly Confidential Information</u>****

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COST-OF-SERVICE REPORT

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I. Executive Summary

The Cost of Service Report provides the results of Staff's review into the general rate increase request made by Trigen Kansas City on March 11, 2008. Staff's review involved several members of the Commission Staff who examined all relevant and material components making up the revenue requirement calculation. These items can be broadly defined as capital structure and return on investment, rate base investment and income statement results including revenues, operating and maintenance expenses, depreciation expense, and related taxes, including income taxes.

Staff recommends that Trigen Kansas City be permitted to increase its steam rates by $1,228,000, the amount requested by Trigen Kansas City in its general rate increase case filed on March 11, 2008. While Trigen Kansas City has limited its revenue requirement increase request to the $1,228,000, or 19.5 % overall increase, Staff's findings based on its review of Trigen's current cost structure is approximately $2.1 million using Staff's mid-range of the rate of return, and the latest information available through June 30, 2008, for the material items affecting the revenue requirement calculation. Trigen Kansas City calculated a revenue requirement of $2.7 million based on use of a 2006 test year, updated through the end of 2007.

Staff recommends, however, the Commission grant Trigen Kansas City its actual tariff request of $1,228,000 even though that amount is less than the revenue shortfall Staff determined using information through June 30, 2008.

II. Background of Trigen Kansas City Energy Corporation

Trigen Kansas City Energy Corporation (Trigen, Trigen Kansas City, or Company) is a steam production and distribution company, serving the downtown central district of the City of Kansas City, Missouri, and two industrial process steam users. Originally, Trigen's steam operations were owned and operated by Kansas City Power & Light Company (KCPL). Trigen purchased the Grand Avenue production facilities and the distribution system from KCPL in 1990. The Commission approved the sale in Case No. HA-90-5.

Trigen Missouri (Trigen MO) is a non-regulated affiliate of Trigen Kansas City which serves customers in the central downtown district of Kansas City. Trigen Kansas City and Trigen Missouri are wholly owned subsidiaries of Thermal North America Inc. (Thermal North America or TNAI). ThermalSource LLC, a management service company, is a wholly owned subsidiary of Thermal North America. Thermal North America was purchased by Veolia Energy North America Holdings, Inc., in December 2007. Thermal North America has several other wholly owned subsidiaries managed by ThermalSource, and is referred to, herein, as the Trigen Companies. Certain corporate costs incurred by ThermalSource are directly assigned to or allocated to the Trigen Companies by ThermalSource.

The Trigen Companies are located in the following locations: Baltimore, Maryland; Boston, Massachusetts; Trenton, New Jersey; Philadelphia, Pennsylvania; Oklahoma City, Oklahoma; Tulsa, Oklahoma; St. Louis, Missouri; Kansas City, Missouri; Las Vegas, Nevada; Atlanta, Georgia; and Los Angeles, California. The Trigen Companies located in Philadelphia, Pennsylvania, St. Louis, Missouri and Kansas City, Missouri are subject to state or local regulation. Trigen currently serves approximately 56 retail customers all located in the downtown central district of the City of Kansas City, otherwise known as the “downtown loop.”[1] In addition to the retail customers, Trigen also sells process steam to two large industrial customers which are located outside the downtown loop and take steam metered at the Grand Avenue production facility.

A. Trigen Kansas City Energy Corporation 2008 Rate Case

On March 11, 2008, Trigen Kansas City filed a general rate increase case for $1,228,000, a 19.5% increase. This is the second rate increase request that Trigen has filed since taking over the steam operations in 1990. However, the Company withdrew its first rate increase request, filed in the early 1990's. As such, this is the first full rate relief of the Company's rates since acquiring the steam system in Kansas City in early 1990.

Trigen's customers have not experienced a rate increase since Kansas City Power & Light Company (KCPL) owned the steam operations, occurring in 1982, in Case No. HR-82-67.

B. Test Year

The test year used in this case is calendar year 2006. The Commission authorized the use of the test year in its Ordered Adopting Procedural Schedule and Test Year issued April 28, 2008. In this Order the Commission stated the following regarding the test year:

[1] The downtown KC area is no longer served by a true “loop.” In the construction of the Sprint Arena, a steam pipe was truncated in Case No. HC-2005-0331.

> The test year is a central component in the ratemaking process. Rates are usually established based upon a historical test year which focused on four factors: (1) the rate of return the utility has an opportunity to earn; (2) the rate base upon which a return may be earned; (3) the depreciation costs of plant and equipment; and (4) allowable operating expenses. From these four factors is calculated the "revenue requirement," which, in the context of rate setting, is the amount of revenue ratepayers must generate to pay the costs of producing the utility service they receive while yielding a reasonable rate of return to the investors. A historical test year is used because the past expenses of a utility can be used as a basis for determining what rate is reasonable to be charged in the future.
>
> The parties have agreed to a historical test year consisting of calendar year 2006. The parties further agree that if an anticipated customer addition is completed in time to gather a month's worth of that customer's data (that data is presently predicted to be available by approximately July 16) the parties do not believe that true-up will be necessary. However, should a need arise for a true-up hearing, the parties request that the dates set for that hearing be December 2-3, as opposed to the dates currently reserved by the Commission, i.e. November 20-21.
>
> The proposed test year recommended by parties is suitable and no party has objected to it. The Commission will therefore adopt the test year recommended by the parties. Because the parties have not solidified their positions regarding true-up, the Commission will reserve dates for a true-up hearing.
> [Commission Order issued April 28, 2008, page 1; footnotes omitted.]

Staff is updating the test year for known and measurable changes for the period through June 30, 2008. Known and measurable changes are ratemaking events that have occurred subsequent to the test year. These events are certain to occur, or have occurred, and can be quantified for measurement.

III. Rate of Return and Capital Structure

Staff Expert: David Murray

A. Summary

The Financial Analysis Department Staff recommends that the Commission authorize an overall rate of return (ROR) of 7.66 percent to 7.78 percent for Trigen Kansas City. The Staff's ROR recommendation is based on a recommended return on common equity (ROE) of 9.25 percent to 9.50 percent applied to a hypothetical common equity ratio of 47 percent. The hypothetical common equity ratio is derived from Company witness Stephen G. Hill's proxy group's approximate average common equity ratio. That proxy group consists of nine natural gas distribution companies. The Staff's recommended ROE range generally coincides with Company witness Hill's proxy group cost of equity estimation of 9.00 percent to 9.50 percent. Based on Staff's own cost of equity study, Staff believes Mr. Hill's estimate of the natural gas proxy group's cost of equity is fair and reasonable. Staff recommends the Commission authorize an ROE in the upper end of Mr. Hill's range due to Trigen Kansas City's increased business risk relative to the proxy group's business risk.

The Staff's embedded cost of debt recommendation of 6.25 percent is based on Staff's estimate of the cost of long-term debt for Mr. Hill's proxy group. Staff used information from the 2007 fiscal year annual reports and SEC Form 10-K filings for Mr. Hill's proxy group to arrive at this estimated embedded cost of debt.

The Staff's capital structure recommendation is based on the approximate 47 percent average 2007 fiscal year common equity ratio of Mr. Hill's proxy group. Instead of breaking out the remaining 53 percent of capital into the other three traditional capital categories (preferred stock, short-term debt and long-term debt), Staff believes it is reasonable to simply assign the remaining 53 percent as a broad debt category.

Because Staff accepts the upper end of Mr. Hill's recommended cost of common equity range based on his proxy group, Staff will not, at this time, include all the details normally included in its cost of common equity direct filing. Staff's workpapers in this case include the schedules Staff would normally attach to its direct filing. These workpapers support Mr. Hill's recommended cost of common equity. Because Staff found it appropriate to use the proxy group's capital structure for ratemaking purposes, Staff had to estimate a cost of debt to apply to the debt ratio in this case. Attached to this report are schedules that provide the derivation of this debt cost estimate.

B. Capital Structure and Embedded Costs

The capital structure the Staff used for this case is a hypothetical capital structure based on the average common equity ratio of Mr. Hill's proxy group, with the remaining capital assigned to debt. Schedule 2 presents the 2007 fiscal year average capital structures for Mr. Hill's proxy group. Staff rounded the common equity ratio up to 47 percent and assigned the remaining 53 percent to a general debt category.

Staff decided to apply a hypothetical capital structure in this case because of recent changes that occurred in the ownership and capitalization of Trigen Kansas City's parent company, Thermal North America, Inc. (TNAI). If this transaction had not occurred, Staff would have used the same approach as Mr. Hill, which was to use the parent company's consolidated capital structure for purposes of estimating a ROR. Because of the change in ownership in December 2007, Staff believes this approach is no longer appropriate. (It is Staff's understanding that Mr. Hill's testimony did not address the change in ownership because he was not aware of the transaction or the possibility of the transaction.)

On or about December 13, 2007, France-based Veolia Environment S.A. acquired TNAI through its wholly-owned subsidiary, Veolia Energy. In response to Staff Data Request No. 83, provided by Trigen Kansas City in spite of its objection, Trigen Kansas City provided year-end 2007 financial statements for TNAI. According to TNAI's year-end 2007 balance sheet it is now capitalized with ** _____ ** percent common equity ** _____ ** percent long-term debt and ** ____ ** percent short-term debt. The long-term debt is an affiliate loan and carries a cost based on the ** ____

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______________________________ ** Based on Mr. Hill's proxy group's cost of long-term debt and Staff's general knowledge of the credit markets, this is not a market-based cost of long-term debt. TNAI's capital structure is no longer market-based because third-party investors no longer rely on it as a primary factor in decisions to invest in TNAI. In fact, to Staff's knowledge, there are no third-party investors currently invested in TNAI. The only way to invest in TNAI is through Veolia Environment S.A., which exposes the investor to all of Veolia Environment S.A.'s business and financial risks. As further support that TNAI is no longer marketed as a separate entity, on May 13, 2008, Standard & Poor's (S&P) withdrew its corporate credit rating on TNAI because there currently is no rated debt.

Staff considered evaluating Veolia Environment S.A.'s capital structure for ratemaking purposes, but because Veolia is a French company with its accompanying economic and capital market influences, Staff believed the best approach was to recommend a hypothetical capital structure based on natural gas distribution companies that operate in a similar economic and capital market environment as Trigen Kansas City. Staff does note that globalization of the economy is now making it possible to at least consider the costs of capital available to United States' companies from affiliates in other countries.

Staff estimated a cost of debt by analyzing the costs of long-term debt of Company witness Hill's proxy group by reviewing each company's 2007 fiscal year annual reports and SEC Form 10-Ks. Although the information available to Staff for purposes of calculating a hypothetical embedded cost of debt was not as comprehensive as it would receive through discovery when calculating a company-specific cost of debt, Staff believes the information was sufficient to approximate a reasonable cost of debt. It could be argued that this cost of debt should be increased to consider the amortization of issuance costs, but because Staff did not include an amount of short-term debt and its associated cost in its recommended ROR, which would have likely lowered the ROR, Staff believes this adjustment is not needed. Consequently, Staff applied a cost of debt of 6.25 percent to a debt ratio of 53 percent for purposes of its recommendation (see Schedules 3-1 through 3-10). Although the average cost of debt rounded to the nearest basis point was 6.24 percent, because the cost of debt used in this case is an approximation, Staff simply rounded this cost up to 6.25 percent for purposes of simplicity.

C. Authorized ROEs and RORs

Although the Staff advises the Commission to rely on the upper end of Mr. Hill's cost-of-common-equity recommendation, the Staff recognizes that the Commission has expressed a preference to give some consideration to average authorized returns (Report and Orders) in the following rate cases: MGE, Case No. GR-2004-0209; The Empire District Electric Company, Case Nos. ER-2004-0570 and ER-2006-0315; Kansas City Power & Light

Company, Case Nos. ER-2006-0314 and ER-2007-0291; Union Electric Company, Case No. ER-2007-0002; and Aquila, Inc., Case No. ER-2007-0004).

To Staff's knowledge there are no sources that publish authorized returns for steam operations. However, because natural gas distribution companies have been used as a proxy for estimating the ROR for Trigen Kansas City's operations, it is reasonable to review recent authorized returns for the regulated natural gas distribution industry.

According to the Regulatory Research Associates (RRA), the average authorized ROE for natural gas distribution companies for 2007 was 10.24 percent based on 37 decisions (first quarter – 10.44 percent based on 10 decisions; second quarter – 10.12 percent based on 4 decisions; third quarter – 10.03 percent based on 8 decisions; and fourth quarter, 10.27 percent based on 15 decisions).

The average authorized ROE for natural gas distribution companies for 2008 year-to-date was 10.35 percent based on 9 decisions (first quarter – 10.38 percent based on 7 decisions; and second quarter – 10.25 percent based on 2 decisions).

Although average authorized ROEs tend to garner the most attention in rate cases, it is also important to consider average authorized rates of return (ROR) to provide some context for average authorized ROEs. Some companies' costs of debt may cause their ultimate authorized return to be somewhat higher than the average. Although the cost of debt is only adjusted in extraordinary circumstances (for instance in Aquila Inc.'s recent rate cases, the cost of debt had been adjusted to make it consistent with investment grade costs), there may be concerns about the reasonableness of these costs. Because it is the overall ROR (not the quoted average authorized ROE) that is applied to rate base to determine the revenue requirement, it would appear that this average would also be important in testing the reasonableness of the total cost of capital.

The average authorized ROR for natural gas utilities in 2007 was 8.12 percent based on 32 decisions (first quarter – 8.40 percent based on 10 decisions; second quarter – 8.32 percent based on 3 decisions; third quarter – 7.88 percent based on 7 decisions; fourth quarter – 7.97 percent based on 12 decisions).

The average authorized ROR for natural gas utilities for 2008 was 8.65 percent based on 9 decisions (first quarter – 8.78 percent based on seven decisions; second quarter – 8.22 percent based on two decisions).

It is important to note that Staff has not researched the specifics of the cases cited in the RRA reports.

D. Conclusion

Under the cost of service ratemaking approach, a WACC in the range of 7.66 to 7.78 percent was developed for Trigen Kansas City's steam utility operations (see Schedule 4). This rate was calculated by applying a cost of debt of 6.25 percent and a cost of common equity range of 9.25 percent to 9.50 percent to a capital structure consisting of 53.00 percent long-term debt and 47.00 percent common equity.

Staff believes its approach in this case allows for a fair and reasonable return, which, when applied to Trigen Kansas City's jurisdictional rate base, will allow the Company the opportunity to earn the revenue requirement developed in this rate case. (Accounting Schedule 1-2, Weighted Cost of Capital.)

Staff Expert: David Murray

IV. Rate Base

A. Plant-in-Service

Staff Expert: Phillip Williams

The plant-in-service and accumulated depreciation reserve balances being filed in this rate case are a reasonable representation of the appropriate balances on which rates should be set for the future. A brief history is necessary to explain the context of Staff's position on this issue.

In 2004, Trigen filed an asset transfer case, Case No. HM-2004-0618, regarding a pending sale of the Trigen Companies to TNAI. In rebuttal testimony filed in that case, Staff identified numerous problems with Trigen's record keeping system, affecting specifically the Company's plant and depreciation reserve valuations. Staff also recognized that the Company did not use the original cost theory to establish plant-in-service values at the time Trigen acquired the district heating and industrial assets from Kansas City Power & Light Company (KCPL) in 1990. In addition, Staff discovered that Trigen did not use or recognize the Federal Energy Regulatory Commission (FERC) Uniform System of Accounts (USOA). Set forth below is the following information concerning the Plant-in-Service and the Accumulated Depreciation Reserve for Trigen's Kansas City operations.

Trigen Kansas City Energy Corporation purchased the steam assets from KCPL in March 1990. From the start of its ownership, Trigen set up the books and records incorrectly and was never in compliance with the USOA. Trigen instead recorded the plant balances at the purchased price amount paid for the property and not the "original cost" amount. This recording of the plant assets was incorrect, and that error continued to be carried forward yearly with additions and retirements until the Company tried to correct this problem during 2003. This correction will be discussed in greater detail later in this report.

Prior to the end of 2000, Trigen requested Staff perform a review of its books and records to determine if a change in steam rates was necessary. As Staff frequently does, resources permitting, Staff met with the Company many times over a period of several years regarding the Company's books and records, and the potential need for a rate change. Specifically, in early 2001, Staff members in the Commission's Kansas City Office (Regulatory Auditors Cary Featherstone, Phillip Williams, and William (Bill) Harris) met with the Company at their downtown offices to discuss the information necessary to determine a revenue requirement calculation. Trigen wanted Staff to do an earnings review to determine the adequacy of its steam rates. During one of the meetings, the Company indicated that its corporate office was considering writing down[2] plant assets because of a belief that an impairment[3] of the assets existed under Financial Accounting Standards Board Statement 144 (FAS 144). Staff told the Company that writing down the assets would eliminate a substantial part of its rate base investment upon which a return could be earned. Essentially, if Trigen took this action, the Company would no longer have a rate base upon which to earn a return. The Company representatives informed Staff that they believed that the Trigen Energy Corporation had already written down the assets as impaired. Since the Company had never requested rate relief and undergone the rigorous auditing that occurs in a rate case, Staff believed that Trigen and its external auditors were not in a position to determine the true value of the assets of the Trigen Kansas City operations.

Subsequently, Staff developed preliminary revenue requirement calculations using both the full value of the existing plant (plant values that Staff later discovered were in error and

[2] "Writing down" refers to reducing the value of the plant on the books to reflect a decline in perceived value.

[3] The Company external auditors believed that the Trigen Companies' assets were not valued at the fair value of those assets.

inaccurate) and the value of the assets after any expected write down of those assets. Staff discussed the preliminary findings with Trigen and shortly thereafter, Trigen informed Staff that there was no need for further rate review.

As part of the review process of the Company's books and records for the asset sale application in Case No. HM-2004-0618, Staff made an inquiry into the plant-in-service balances and accumulated depreciation accounts of the Company. Staff discovered that the Company's plant-in-service and accumulated depreciation reserve balances had been incorrectly recorded ever since Trigen first purchased the downtown district heating steam system from KCPL in 1990. Trigen incorrectly recorded the plant-in-service balances at the net book value with the accumulated depreciation reserve starting with a zero balance. Compounding the problem, Trigen added the amount of the premium paid for the assets to KCPL into the plant-in-service balances. This resulted in the plant asset balances being inflated for what is referred to as an "acquisition adjustment." An acquisition adjustment is a premium paid over the net original cost of those assets. The net original cost value is plant less accumulated depreciation reserve. The USOA requires that any acquisition adjustment would be accounted for in FERC Account 114 - Electric Plant Acquisition Adjustments. By ignoring net original costs concepts, Trigen in essence accounted for the premium paid to KCPL for the 1990 purchase transaction by spreading the acquisition adjustment to individual plant accounts, which is not permitted by the USOA requirements for plant asset acquisitions.

The FERC USOA Account 114 states, in part, that:

> This account shall include the difference between (1) the cost to the accounting utility of electric plant acquired as an operating unit or system by purchase, merger, consolidation, liquidation, or otherwise, and (2) the original cost, estimated, if not known, of such property, less the amount or amounts credited by the accounting utility at the time of acquisition to accumulated

> provisions for depreciation and amortization and contributions in aid of construction with respect to such property.

As such, Trigen's plant and depreciation reserve books and records were incorrect from the very beginning of the Company's ownership of this utility system.

To compound the issue of what the proper plant valuation should be, the Company never used Commission-authorized depreciation rates to depreciate the utility property. Trigen also did not properly retire plant from its plant and depreciation books and records as property was removed from utility service. Trigen did not properly identify and value its plant records using correct capitalization and expense concepts prescribed in the FERC USOA. In some cases Trigen Kansas City's plant was understated or overstated depending on whether costs should have been treated as plant or if the costs should have been charged to expense. This caused plant not to be properly valued in rate base, and since plant in rate base is subject to depreciation, this too caused the accumulated depreciated reserve to be incorrect. As a result of all the errors and improper accounting of the plant assets and resulting depreciation reserve, the Company's asset valuation was incorrect. Also, using improper depreciation rates resulted in an overstatement of depreciation expense that caused an understatement of earnings for most years until the corrections were made. Thus, the need for the correction and restatement of Trigen Kansas City's books and records was recognized, and ameliorative action was undertaken by the Company.

As noted above, during 2000 Trigen initially took an asset impairment write-down of their plant assets under FAS 144 (Accounting for the Impairment or Disposal of Long-Lived Assets). The Company wrote-down the value of the assets on their financial statements and on its FERC Form 1 filing for the 12-months ended December 31, 2000. The Company’s Financial Statements and the FERC Form 1 for the years 2000, 2001 and 2002, included the plant balances at the written-down values. During the spring of 2003, while completing the 2002 FERC Form 1, the Company requested an extension of time to file. The Company performed a historical analysis of the books and records and determined the need to restate the plant-balances starting when the assets were purchased from KCPL. The Company restated the FERC Form 1 balances as if the assets were never written-down under FAS 144 resulting in a reversal of this write-down.

Case No. HM-2004-0618 resulted in a Commission-approved agreement with Trigen to reflect in that case any write-down of the assets that the corporate office may have made. As such, Trigen Kansas City's books and records needed to be restated and corrected to remove any effects of those so-called write-downs.

B. Recommendations made by Staff in Case No. EM-2004-0618

The following recommendations are a summary of the recommendations make in Case No. EM-2004-0618. The recommendations can be found starting on Page 34 of my rebuttal testimony in Case No. EM-2004-0618.

1. That the Company be ordered to restate the plant-in-service and accumulated depreciation reserve balances at original costs without the premium balance added to the plant.
2. That the Company record those balances in the proper FERC accounts.
3. That the amount of the original premium and transaction costs be recorded in the proper account as an acquisition premium.
4. That the Company restate the depreciation reserve to properly reflect the Commission authorized depreciation rates.

5. That no premium associated with this transaction be allowed to be recovered in rates either directly or indirectly thru the calculation of cost savings recovery.

6. That the Commission determine if the Company should be allowed to restate the books and records to reinstate the plant balances that were written-off as an asset impairment during 2000.

At page 3, the Commission's Report and Order identified substantive provisions of the Stipulation and Agreement in Case No. HM-2004-0618 as follows:

7. 2) The Commission is asked to waive the requirement found in its regulation that Trigen Kansas City maintain its accounts based on the 1915 Uniform System of Accounts. Instead, Trigen Kansas City will maintain its accounts based on the Federal Energy Regulatory Commission Uniform System of Accounts for electric companies;

8. 3) The parties agree that it is appropriate to use net original cost for valuing rate base. The parties further agree that no acquisition adjustment from this transaction is to be considered in any future Trigen Kansas City ratemaking proceeding;

9. 4) The parties agree that an asset impairment write-down recorded by Trigen Kansas City and Trigen Missouri in 2000 should not have been taken. The parties ask the Commission to order that the asset impairment be reversed for accounting and ratemaking purposes;

10. 5) The parties agree that for future ratemaking purposes, the original cost of the property purchased by Trigen Kansas City from Kansas City Power & Light Company as of the March 1990 closing should be set at $21,722,306 for gross plant in service and $21,113,902 for the accumulated depreciation reserve. The parties also state their agreement regarding the depreciation rates and balances maintained by Trigen Kansas City;

The Commission, in its Order in Case No. HM-2004-0618 Approving Unanimous Stipulation and Agreement and Disclaiming Jurisdiction Over The Chilled Water Operation of Trigen Missouri Energy Corporation, ordered the following:

11. 1). That the Unanimous Stipulation and Agreement filed on November 19, 2004, is approved, and the signatory parties are ordered to comply with its terms.

12. 5). That the requirements of 4 CSR 240-80.020 are waived for Trigen Kansas City Energy Corporation, and it is directed to comply instead with the Federal Energy Regulatory Commission Uniform System of Accounts for electric companies.

13. 6). That the asset impairment taken by Trigen Kansas City Energy Corporation. in 2000 should not have been recorded by Trigen Kansas City Energy Corporation, and shall be reversed for accounting and ratemaking purposes.

C. Staff Review of Plant Records in this Rate Case

Staff's review of Plant-in-Service and Accumulated Depreciation Reserve has been completed during this current rate case.

Staff notes that the Company, as a result of discussions with Staff in the past and in compliance with the Commissions Order Approving The Stipulation and Agreement in Case HM-2004-0618, has made considerable effort and a good faith attempt to correct the problems concerning the Plant-in-Service and Accumulated Depreciation Reserve, that were a result of the incorrect booking of the original purchase of the plant in 1990, and the subsequent booking errors that occurred over the ensuing years since Trigen Kansas City came into existence. Over the years, the Company has hired consultants and regulatory experts to review the plant and depreciation reserve and the additions and retirements by year to determine the proper balances for regulatory purposes. The Company, in this effort to correct the plant and depreciation reserve, has spent considerable time and money to correct these problems. The Company has reviewed work orders (work type summary reports), vendor invoices, vendor payment histories, general ledger activity reports and general ledger entries.

The Company's analysis started with the balances for plant-in-service and accumulated depreciation reserve agreed to in Case HM-2004-0618 and ordered by the Commission. The Company then identified the proper additions and removed retired plant by year for each year back to approximately 1995. While the acquisition of the property occurred in March, 1990, since Trigen Kansas City agreed to use the net original cost investment at the time of the transfer of assets from KCPL, it was believed that it would be cost prohibitive and not worthwhile to go back to the beginning of its ownership. Trigen Kansas City's detailed analysis reviewed over 75% of the total plant additions made during the ensuing years. The analysis looked at over

$26,000,000 in gross plant. The Company determined that there was approximately $1.4 million in cost that should have been expensed and not capitalized.

The analysis performed by the Company was updated each month and continues to be revised as new plant additions and retirements occur. The subsequent corrections made by the Company to the plant and depreciation records resulted in the Company making the necessary correcting entries to reflect the proper adjustments in October, 2007. These corrections became the foundation for the asset ledger currently being used by the Company, and was the basis for plant and depreciation reserve balances used by Staff for the revenue requirement calculation as of June 30, 2008.

Staff, as a part of its review, has reviewed the Company's and consultants' work to correct the plant and depreciation reserve. Staff reviewed information and related documents identified by the Company's consultants for this analysis. In response to Data Request No. 33, the Company provided the analysis performed to restate the plant and depreciation reserve. During its audit, Staff reviewed each of the summaries provided by the Company in support of its analysis. This review by Staff has included each of the general ledger activity reports for each plant entry and the documentation which Company has included for support. This support included work orders, vendor invoices, vendor payment histories and general ledger entries. Staff examined the supporting material and recalculated the entries to tie back or match the plant and depreciation reserve balances identified in the consultants' work papers.

Staff believes that the analysis performed by the Company is the best representation of the true plant-in-service at this time that could be calculated.

In response to Data Request No. 111, Trigen Kansas City indicated Trigen has already spent in excess of 1600 hours to perform its analysis for plant and depreciation reserve records and this amount was conservative. Staff does not believe that spending additional time and expense would materially improve the accuracy of the plant and depreciation reserve balances.

The plant-in-service, and accumulated depreciation reserve have been restated starting with the original costs of the assets that were transferred to Trigen in 1990 from Kansas City Power & Light. Trigen is currently booking plant and reserve balances to reflect the proper USOA accounts. Trigen is currently using the depreciation rates currently authorized by the Commission. Therefore, Trigen is in compliance with the requirements as set forth in Case No. HM-2004-0618.

D. Plant in Service and Accumulated Depreciation Reserve in this Case

Staff has included the plant-in-service and accumulated depreciation reserve balances in this case as of June 30, 2008 which was taken from the Company's Fixed Asset Subledger – Regulated Basis. As can be seen on Schedule 6-- Accumulated Depreciation Reserve, there are several depreciation reserve accounts that exceed the plant balances identified on Schedule 3-- Plant in Service.

Staff has calculated the depreciation expense in this case based upon the June 30, 2008 plant and the depreciation rates recommended by Staff witness Guy Gilbert of the Engineering and Management Services Department. The depreciation rates for the accounts that have been fully depreciated have a zero depreciation rate as explained by Mr. Gilbert.

E. Truman Medical Center Pipeline

Trigen came before the Commission in early 2006 to request permission to expand its district heating service area to allow the Company to run a service line to the Truman Medical Center complex. In its May 25, 2006 Order in Case No. HA-2006-0294, the Commission authorized the expansion of Trigen's district heating service area. The Commission's order required Truman to pay for the entire construction costs of the steam distribution pipeline. Truman and Trigen entered into a Highly Confidential agreement entitled ** ____

__________ ** This agreement provides for ** ________________________________

____

____. **

On May 21, 2007, Trigen filed its Compliance Filing regarding Case NO. HA-2006-0294 which included two highly confidential documents: 1) ** ______________________

_____________ **, 2) ** ____

________ **. On June 11, 2007, Staff filed its Recommendation with the Commission stating that Trigen had met all the requirements imposed on the Company by the Commission in Case No. HA-2006-0294.

Staff has reviewed the construction invoices submitted to Truman for payment to Trigen for the construction of this pipeline. The pipeline construction costs were treated as construction work in progress (CWIP) and were transferred to plant-in-service as of June 30, 2008 as the result of Truman taking steam service June 16, 2008. Since Truman agreed to pay for construction costs of pipeline, Staff has included the amount paid as a Customer Advances for Construction (FERC Account 252) (Customer Advances) as an off-set to rate base. Since the amount of the advance for the pipeline construction costs is also reflected in the Customer Advance, the effect of this treatment is to not permit a return on rate base amounts not provided or invested by the Company. Depreciation expense is also excluded for the Truman pipeline.

Trigen Kansas City is responsible for all maintenance and operational costs associated with the Truman distribution pipeline, including property taxes. These costs will be analyzed in future rate cases.

F. Cargill Pipeline

During 2006 Trigen constructed and paid for a distribution pipeline to connect and serve the Cargill process steam load which started in 2006. Cargill did not fund the construction of this distribution pipeline.

Construction for the Cargill distribution pipeline was completed during the spring of 2006 and, at that time, the pipeline was transferred from construction work in progress (CWIP) to plant-in-service. Staff has included the Cargill distribution pipeline in plant and depreciation reserve and also an amount for depreciation expense in the revenue requirement calculation. Like any other plant investment included in rate base, and not offset by a Customer Advance, Trigen Kansas City will earn a return on this investment. (Accounting Schedule 2.)

G. Recommendation Concerning Plant-in-Service and Accumulated Depreciation Reserve

Staff recommends that for regulatory purposes, the current plant and depreciation reserves be adopted as modified, restated, corrected, and revised by Trigen. Trigen should continue to maintain its plant and depreciation reserve accounts based on the FERC USOA for electric companies using Commission approved depreciation rates. Trigen must continue to maintain new plant additions and retirements according to the USOA as identified in the Electric Plant Instructions. Trigen should maintain its books and records in compliance with proper capitalization concepts.

Staff Expert: Phillip Williams

Trigen Kansas City should also maintain the supporting documentation relating to the modifications and restatement of the plant and depreciation reserve as part of its regulated books and records should the need arise to review this material in the future. (Accounting Schedule 3.)

H. Fuel Inventories

Staff Expert: Keith Majors

Coal is the only boiler fuel Trigen Kansas City maintains in inventory at its Grand Avenue plant. The Company stores its coal in an area adjacent to the production facility. Trigen transports coal to the fuel yard by truck, daily Monday through Friday, most weeks of the year.

Staff reviewed the monthly balances for coal stocks over the last several years and determined that a thirteen month average was the appropriate amount to be included in rate base for coal inventories. A thirteen month average was used because of fluctuations in the account balances from one month to the next, although there was no discernable trend in the monthly coal inventory account balances. By using a thirteen month average, Staff was able to smooth out any of the fluctuations that occurred during the year. (Accounting Schedule 2.)

Staff Expert: Keith Majors

I. Prepayments

Prepayments are amounts for certain costs made by the Company and paid in advance of their use. Prepayments are treated as an asset investment of the Company and typically are reflected in the rate base of the utility.

Staff removed nearly all of the prepayment amounts included by the Company in rate base from Staff's calculation of rate base. Through Company testimony and Staff discovery, Staff determined that a large portion of the prepayment balance was attributable to a prepaid coal agreement with Ricci Mining. In Case No. HO-2007-0419, Trigen requested that the

Commission not assert any authority over the sale and transfer of its rights to a coal supply agreement to either a third party or a non-regulated Trigen affiliate. Trigen found that the coal was not suitable to burn in its existing power plant and the quantities anticipated did not materialize so the Company decided it would no longer pursue this fuel source. In Case No. HO-2007-0419, the Commission determined that no action was required for the transfer of the coal contract. Furthermore, Trigen asserted that no rate relief would be sought for its capital investment under that coal contract in any future rate case filed before the Commission. Therefore, Staff excluded the balance of these specific prepayments identified by the Company from rate base. Staff determined the remaining prepayments balance to be routine amounts attributable to the normal course of Trigen's steam operations. Staff used a thirteen month average to reflect a proper level of investment for prepayments in rate base. A thirteen month average was used because of fluctuations in the account balances from one month to the next, and no trend in the monthly prepayment account balances was discernable. By using a thirteen month average, Staff was able to smooth out any of the fluctuations that occurred during the year. (Accounting Schedule 2.)

Staff Expert: Keith Majors

J. Materials and Supplies

Materials and supplies include spare parts and other miscellaneous items used in daily operations and maintenance activities. Staff reviewed the monthly balances for materials and supplies over the last several years and determined that a thirteen month average was appropriate amount to be included in rate base for this inventory item. A thirteen month average was used because of fluctuations in the account balances from one month to the next, although there was no discernable trend in the monthly material and supplies inventory account balances. By using a thirteen month average, Staff was able to smooth out any of the fluctuations that occurred during the year.

During the audit, Staff determined the Company had inadvertently combined the materials and supplies balances of Trigen Kansas City and its unregulated affiliate, Trigen Missouri, during the test year 2006 and through the update period. The amounts of material and supplies relating to Trigen Missouri were removed from the total inventory month ending balances to include only inventory relating to Trigen Kansas City's steam operations. A corresponding adjustment was necessary for Trigen Kansas City's operational and maintenance expenses, discussed in that section of the Staff Report. (Accounting Schedule 2.)

Staff expert: Keith Majors

V. Depreciation

Staff Expert: Guy Gilbert

The purpose of regulatory depreciation is to return to the utility its investment in plant and equipment, less net salvage, during the period of time that the plant and equipment are in service. In rate cases, Staff typically performs a depreciation study to determine the appropriate return to the utility of its investment and net salvage by actuarial analysis and engineering study.

Staff was unable to perform a traditional depreciation rate study for this rate case because Trigen has inadequate records for the period prior to 2004. Sufficient accounting detail consistent with FERC USOA for rate making purposes was not kept until 2004. The dates and costs of individual property additions, retirements, transfers, and sales are either missing or considered unreliable. Thus, Staff determined that a sufficiently reliable data base of individual plant property account records for use in statistical analysis to determine mortality characteristics does not exist.

In Case No. HR-2008-0300, Company witness Charles Abbott (representing current ownership of Trigen), filed testimony on March 3, 2008, that at page 5, explains the reasons for the lack of information in his testimony:

> In the eighteen years that Trigen's steam tariff rates have been in effect, the ownership of Trigen Kansas City has changed several times. Our existing book depreciation rates were authorized by the commission in late 1980's, when the steam distribution system and steam production facilities were owned by KCPL. Under prior ownership, Trigen had inadvertently overlooked the regulatory requirement that our plant accounting needed to conform to net original cost starting with the purchase of steam properties in 1990.

In Case No. HM-2004-0618, the Commission approved Thermal North America Inc.'s purchase of Trigen. The parties to that case entered into a Stipulation and Agreement (Stipulation) (dated November 19, 2004) which recognized that the physical plant accounting records for Trigen Kansas City were deficient for regulatory purposes. The parties to the Stipulation used a reconstruction of records to arrive at overall account balances. The parties also stipulated that the original cost of the property purchased from KCPL, as of March 1990, be set at $21,722,306 for gross plant in service, and $21,113,902 for the depreciated plant reserve. The Stipulation also states "Trigen Kansas City did not use Commission prescribed depreciation rates and did not properly account for plant additions and retirements. It will be necessary to 'restate' Trigen Kansas City's books and records to conform them to the proper treatment of past plant additions and retirements." Stipulation at section *II. Conditions of Approval*, 5. ORIGINAL COST AND DEPRECIATION RATES, *B. Depreciation Rates* (there are no page numbers in the Stipulation).

Although Trigen Kansas City's books have been restated to reflect Commission ordered depreciation rates starting in 1990, a reliable detail of the cost of and dates for individual property additions and retirements for each account type is not available from 1990 through

2004. The data base, starting 2005 to present, does not provide enough data points to conduct a reliable statistical analysis.

Various accounts are used for different types of property because each type may have a different depreciation rate. For example, computer equipment would have a different depreciation rate than steam piping. As a result of these record keeping and data inadequacies, Staff initially recommends continuation of the existing depreciation rates, except for the accounts discussed below. In its review of the reserves for depreciation by account, Staff observed that a number of accounts are either over accrued or near fully accrued under the current depreciation rates. Therefore, Staff recommends a redistribution of the reserves for these accounts.

In aggregate, the Production Plant accounts 311 Structures and Improvements, 312 Boiler Plant Equipment, 314 Turbogenerator Units, 315 Accessory Electrical Equipment, and 316 Miscellaneous Power Plant Equipment are over accrued, meaning that Trigen has collected too much in these accounts. The attached Appendix 2 indicates how the excess depreciation reserve was distributed among these accounts. An additional $410,000 was redistributed to the General Plant accounts 391 - Office Furniture and Equipment, 394 - Tools, Shop, and Garage Equipment, and 398 - Miscellaneous Equipment to correct for reserve imbalances. As a result, Appendix 3, Schedule GCG-2, indicates that no further accrual for depreciation is necessary for the Production Plant accounts at this time. As of June 30, 2008, the Production Plant accounts in aggregate are over accrued by $1,094,258.

For the Steam Distribution accounts, the St. Joseph Light and Power (Steam) (SJS) average service lives were used. The one exception is account 766 - Underground Conduit and Manholes, where Staff used an average service life of 50 years with a negative one percent (-1%)

salvage rate as being more representative of Trigen's primarily underground system, as opposed to SJS's surface system.

Regarding Account 766.2, ** ____ ____ ** Under the contract, ** ________________ ____ _____________ ** This is commonly called a "customer advance". ** __________________ ____ ____ ____ ____ ____ ____ ____ ** Additional detail concerning that potential amount is included on Appendix 3.

In addition to the General Plant accounts discussed above, SJS depreciation rates were used as a reasonable surrogate to determine depreciation rates for account 397 - Communications Equipment, as detailed in Appendix 3. (Accounting Schedule 5.)

Staff Expert: Guy Gilbert

V. Income Statement

A. Developing Weather Normals

Staff expert: Manisha Lakhanpal

Steam rates, similar to electric or gas rates, are based on an expectation of "normal" weather. (Normal weather is defined as the average daily temperatures over a 30-year period.) The weather experienced during the test year, like every year, is unique and unlikely to be repeated in the years when the new rates from this case are in effect. Weather variance in the test year impacts the volume of steam required by weather-sensitive customers, and so weather normalization of test year sales is an adjustment to both revenues and fuel costs to a level that would be expected under "normal" weather.

Both Staff and Company used Kansas City International Airport weather station as their data source. The time period used in determining the normal values of weather variables is the 30-year period (January 1, 1971- December 30, 2000), which is used by the National Oceanic and Atmospheric Administration (NOAA) and the World Meteorological Organization (WMO) to calculate normal weather variables. NOAA makes adjustments to monthly temperatures over the 30-year normals period due to changes in circumstances (e.g., an old thermometer is replaced, the location that the measurements are taken changes). However, daily normal temperatures are needed to adjust steam usage to normal levels. Therefore, Staff adjusts the historical actual daily data series to correspond with NOAA's monthly average.

For this case daily Normal Heating Degree Days (HDD)[4] and Normal Cooling Degree Days (CDD)[5] were determined by averaging the adjusted daily actual HDDs or CDDs for each calendar date, without respect to the year. For example, the 30 observations of actual HDDs for January 1 of each year were averaged to determine the Normal HDDs for January 1. The Normal Peak-Day CDDs for each of the 12 months were calculated as the average of the CDDs of the hottest day in each of the 12 months. The Normal Peak-Day HDDs for each of the 12 months were calculated as the average of the HDDs of the coldest day in each of the 12 months. Trigen has a unique customer, its unregulated affiliate Trigen MO, which uses steam at peak levels during summer months and so, Normal CDDs were also calculated to measure the effect of weather on those sales.

Staff expert: Manisha Lakhanpal

B. Developing Factors Used for Weather Normalization of Sales

Staff expert: Manisha Lakhanpal

Weather data shows that the test year in this case (January 2006 - December 2006) had a mild winter and a hot summer, compared to normal. The warmer than normal temperatures in winter would result in decreased energy consumption in the winter months due to lower than normal heating usage. The summer months of June through September 2006 were warmer than normal. These warmer than normal temperatures would result in increased energy consumption in the summer due to higher than normal cooling usage.

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4 Heating Degree Days (HDD) is used as an index to estimate the amount of energy required for heating during the winter season. HDD=65^{o}F – Daily Mean Temp. If Mean Temp > 65^{o}F, HDD=0

5 Cooling Degree Days (CDD) is used as an index to estimate the amount of energy required for cooling during the summer season. CDD= Daily Mean Temp. – 65^{o}F. If Mean Temp < 65^{o}F, CDD=0

In order to weather normalize energy usage both Staff and Trigen used a regression model to measure the impact of weather on average monthly usage per customer, which resulted in monthly weather normalization factors. Since only one customer required normalization in the summer months, Staff ran a separate regression model for that customer to evaluate the impact of Normal CDD on this customer.

The Staff's weather normalization factors for both Normal HDD and CDD adjustments are very close to Trigen's result. Therefore, the Staff recommends that the Commission accept Trigen's weather normalization factors[6].

This analysis has been provided to Staff witness Ms. Anne Ross to be used in her calculations of Normalized Weather.

Staff expert: Manisha Lakhanpal

C. Large Customer Adjustments

Staff Expert: Anne Ross

Revenue annualization adjustments are made to account for changes to Trigen's revenues, typically due to large customers leaving or coming onto the system during the test year.

Starting with individual customers' actual monthly usage for the 2006 test year, Staff annualized monthly usage and the associated rate revenues through June 2008 for changes to Trigen's large customer base.

Five customers left the Trigen system during the test year or update period, and these customers' billing units and rate revenues were removed from the test year billing units and

[6] Weather Normalization factor is the ratio of Normalized Sales to Actual Sales

revenues. Two customers began taking service from Trigen during the update period, and billing units and revenues were increased to reflect these customers' anticipated usage.

The net revenue effect of these changes to Trigen's customer base is reflected as an annualization adjustment of $1,211,615 to Trigen's test year revenue. This adjustment was provided to Staff expert Phillip Williams.

Finally, Staff performed a weather normalization calculation. Using monthly weather normalization factors provided by Staff expert Manisha Lakhanpal, customer test year usage was adjusted. One customer uses Trigen's service for cooling purposes; a similar adjustment was made to this customer's monthly usage using weather normalization factors provided by Ms. Lakhanpal. The $179,100 revenue adjustment associated with these calculations was provided to Staff expert Phillip Williams.

The adjusted billing units were provided to Staff witness Curt Wells for use in the Rate Design portion of the case. (Accounting Adjustments S-1.1 and S-1.2.)

D. Annualization of Special Customer Revenues

Staff Expert: Phillip Williams

Staff annualized the revenues associated with National Starch and Cargill separately. National Starch was annualized using the loads for the 12 months ended June 30, 2008. Cargill was annualized using the total actual load for the months April, May, and June, 2008 multiplied by four to arrive at the annual load. Staff calculated the revenues by pricing the annualized load times the average price charged to Cargill during the months of April, May, and June 2008. (Accounting Adjustments S-1.3 and S-1.4.)

E. Trigen Kansas City Lease Space at Grand Avenue

Trigen Kansas City currently leases approximately ** ______ ** square feet of space in their production facility to their non-regulated affiliate, Trigen Missouri. Trigen Missouri produces and distributes chilled brine to several customers located in Trigen Kansas City's service territory. Trigen Kansas City currently leases this space to Trigen Missouri at a rate of ** _____ ** per square foot. Staff believes that the amount charged to Trigen Missouri is not reasonable and has made an adjustment to increase the cost of this lease to ** _____ ** per square foot. Staff has based this cost upon an appraisal made by Manufacturer's Appraisal when the Company was acquired in 1990. [Data Request No. 107]. The 1990 market value valuation showed the production facility to be worth approximately ** _____ ** per cubic foot. Staff believes based upon the information supplied by Company that a rate of ** ____ **per square foot is reasonable. (Accounting Adjustment S-2.1.)

Staff expert: Phillip Williams

1. Grand Avenue Station's Production Expenses

Fuel, purchased power, and consumables expenses are costs that the Company incurs to operate the steam production equipment at the Grand Avenue Station. Purchased power costs in this context relate to the exchange of electricity between KCPL and Trigen Kansas City to operate the Grand Avenue Station's auxiliary systems.

2. Fuel Expense

Staff Experts: Daniel Beck and Cary Featherstone

The annualized fuel costs are determined by making adjustments to reflect Staff's annualized load and current fuel prices. The Staff's basic methodology used to calculate fuel expense is consistent with the Company's methodology. This methodology starts with the sales in units of Mlbs., referred to as "loads", provided by Staff members Anne Ross and Phillip Williams, and includes the following inputs:

1) Distribution System Losses;
2) Station Losses and Auxiliaries;
3) Plant Heat Rate;
4) Fuel Mix;
5) Fuel Heat Rate for Coal;
6) Delivered Coal Price per Ton;
7) Coal Handling;
8) Coal Hauling and Disposal Factor;
9) Ash Hauling and Disposal per Ton; and
10) Cost of Natural Gas.

Staff used the same factors as the Company for most of these inputs. These inputs are based on actual data of one to five years, depending on the consistency of the historical values for that input. Specifically, the distribution system losses and station losses and auxiliaries are based on calendar year 2007, the plant heat rate is based on the average heat rate for the 5-year period of 2002-2006, the fuel heat rate for coal is based on 11,000 btu per pound deliveries, the coal hauling and disposal factor is based on calendar year 2006, and the ash hauling and disposal per ton is based on calendar year 2006, escalated by 3%.

The fuel mix input reflects the percentage of fuel that is coal and the percentage that is natural gas. The Company used the average percentages for the 5-year period of 2002-2006. Within this 5-year period, the annual percentages varied significantly. However, the values for calendar years 2006 and 2007 were nearly identical, so Staff used the average of the 2006 and 2007 calendar years to determine the fuel mix percentages.

The prices used for the delivered coal price per ton and the cost of natural gas are the actual prices as of June 30, 2008. These were provided by Staff witness Cary Featherstone and are explained in his testimony.

For coal handling, the Company gave Staff updated prices that reflect the current contract for coal handling. Staff used the current prices for coal handling.

Two factors were estimated by the Company to reflect the fuel costs related to the addition of the Truman Medical Center load. These factors were the distribution system losses and the fuel mix percentages. Since no historical values are available, Staff has reviewed the Company's discrete estimates and finds these estimates to be reasonable. (Accounting Adjustments S-8.1, S-9.1, S-10.1, S-10.2, S-12.1 and S-12.2.)

Staff Experts: Daniel Beck and Cary Featherstone

3. Consumables Expense Adjustments

Staff Expert: Keith Majors

Trigen requires water purchased from Kansas City's Water Department (Water Department) for the production of steam at its Grand Avenue Station. The steam system does not have a dedicated system to return the water that is left when the steam cools and condenses. Therefore, Trigen must pay the Water Department for the water sent to the sewer lines. Staff examined the actual Water Department's water bills for the period 2006 to June 2008 and determined that the relationship developed by Trigen Kansas City is reasonable. Therefore, the water and sewer consumables adjustment made by the Company was made on a similar basis and included as part of operational expenses.

Water expense is unique to Trigen in that it is a variable cost based on the total amount of steam produced. Therefore, annual water expense is calculated similarly to the calculation of other direct consumables such as fuel. In Trigen's case, its sewer cost is also a variable cost resulting from the surrounding municipality's billing procedures. Based on an analysis of historical water usage and steam production, Staff determined a historical usage ratio of water based on total steam production. This ratio was applied to Staff's annual steam production figure to obtain annual water usage. This annual usage was used to determine sewer expense based on the local water authority's billing system. Staff also included other costs associated with water and sewer service, such as meter, stormwater, and primacy charges. The water and sewer costs were included in the Fuel Expense calculation.

Other consumables, such as ammonia and salt, were annualized similarly to water and sewer. A historical ratio of these expenses to the amount of steam produced was determined and applied to Staff's annual steam production to calculate the annual consumable expense. The other consumable costs were included in the Fuel Expense calculation. (Accounting Adjustments S-14.1, S-15.1, S-16.1, S-17.1, S-18.1, S-19.1, S-20.1 and S-21.1.)

Staff Expert: Keith Majors

4. Purchased Power

In order to meet its own energy needs, Trigen must either generate electricity using a small 5-megawatt steam turbine generator located at Grand Avenue Station, or purchase electricity from KCPL. When it purchases electricity from KCPL, that transaction is considered purchased power. Whenever the opportunity presents itself, Trigen Kansas City sells any excess electricity it produces to KCPL at an agreed upon rate. There is a significant difference between the rates KCPL charges Trigen Kansas City for electricity and the amount Trigen Kansas City charges KCPL for electricity. This is accounted for in Staff's annualization of purchased power expense and the annualization of the revenues associated with Trigen's sale of electricity to KCPL.

Staff has analyzed the purchases from KCPL for electricity and identified a level of appropriate purchases based on actual levels. Staff annualized the purchased power using KCPL's electric rates as of January 1, 2008. (Accounting Adjustments S-6.1 and S-11.1.)

Staff Expert: Phillip Williams

5. Environmental Fees

Environmental fees were adjusted to reflect the current emission fee as invoiced by the Missouri Department of Natural Resources (DNR) with a due date of June 1, 2008. The environmental fees reflect the latest invoice from DNR for the emission year of 2007 which was paid June 1, 2008. (Accounting Adjustment S-13.1.)

Staff Expert: Keith Majors

B. Payroll, Related Benefits, and Payroll Taxes

Trigen payroll and payroll related benefits and taxes included in the revenue requirement calculation are based on the Company's current employee levels and wage rates as of March 31, 2008, the known and measurable date selected for this case and used for the Staff's direct filing. The annualization included an annual 3% increase effective January 2008 for all 38 Trigen employees. The Company confirmed there will be no additional increases during 2008.

Utilizing the most current wage rates provided by the Company, Staff was able to adjust the Company payroll, payroll tax, and benefits to an annualized level.

1. Johnson Controls

During the test year period of January 1, 2006 through December 31, 2006, Johnson Controls was under contract with Trigen to provide maintenance and operational support for the Grand Avenue Plant. The contract also included labor. The only labor costs the company actually incurred during this time frame were management salaries. The labor costs billed on behalf of Johnson Control was recorded in Account 500, 510 and 590 during the test year period. Since the contract with Johnson Control ended in October 2007, Staff made an adjustment to eliminate all costs related to this outside labor contract including labor costs recorded in accounts 500, 510, 590 as well as all other non-labor costs charged to various FERC accounts. (Accounting Adjustments S-7.1, S-24.1 and S-30.1.)

Staff Expert: Karen Herrington

2. Base Payroll

Base payroll was calculated by multiplying each active employee's monthly salary or wage rate as of March 31, 2008 by 12 months to obtain an annualized amount. Due to the Johnson Control contract, there was no overtime during the test year. During the period of July 2005 through September 2007, Johnson Controls was contracted by Trigen to manage their maintenance and operations. In September 2007 the Johnson Controls contract was terminated, at which time Johnson Controls employees were transferred to Trigen. The Company began to incur overtime effective October 2007. Staff used an average monthly overtime amount for the period of October 2007 through March 2008 and multiplied this amount by 12 months to obtain an annualized amount of overtime for inclusion in Base Payroll.

Staff Expert: Karen Herrington

3. Allocation between Trigen Kansas City and Trigen Missouri

Staff reviewed Trigen's employee timesheets from October 2007 to May 2008 to determine the employees who had dedicated a portion of their time to Trigen Missouri, a non-regulated affiliate. Each employee is required to document and allocate his/her time on a weekly basis between Trigen Kansas City and Trigen Missouri. Time dedicated to Trigen Missouri should not be included in rates charged to the steam customers since this is a non-regulated affiliate of Trigen. Staff chose the previously identified time frame because this period represented the post-Johnson Control contract. Prior to October 2007, contract labor costs were included in the books of Trigen's steam operations for the Johnson Control Contract. Staff calculated the allocation factor on an individual employee basis for time actually dedicated to the regulated steam operations of Trigen and applied each allocation factor to individual annualized wage rates. This is the same as the process that was used to develop the amounts for the annualization of overtime hours. Corporate wages and allocations were annualized separately and are not included in this calculation. Corporate wage calculations are discussed in detail later in this report, by Karen Herrington.

Staff Expert: Karen Herrington

4. Allocation between Expense and Construction

In general, public utilities are capital intensive entities where ongoing construction activity is necessary to meet the energy needs of current and future customers; therefore, construction is a significant and on-going activity of a utility company. Construction activity not only involves actual physical construction, but also requires planning, budgeting, monitoring and record keeping along with other activities. Utility management provides oversight of the construction activities of a public utility including the approval of all construction projects. Some of these activities can be directly identifiable with specific construction projects, while some of these activities cannot be directly identified with a specific project. The fact that the activity cannot be directly identified with a project does not mean that the activity was not performed in support of the construction. Where construction activities take place and funds are expended, indirect administrative and general (A&G) costs occur. The payroll expense ratio should reflect a proper allocation of total payroll cost between operations and maintenance activity (expensed in the current year) and construction activity (capitalized to plant in service). Executive management has oversight responsibility for all of Trigen operations including construction. Trigen had significant construction activity during 2006 and 2007 with the addition of three customers, Cargill, the Sprint Center, and Truman Medical Center. Although the Company does not anticipate large projects in the near future, the Company would still incur some construction costs going forward, which would include payroll related costs. The Staff found, through researching Trigen records and discussions with the Company personnel, that payroll related costs relating to construction activities were not capitalized and recorded on the books prior to March 2008. Since Staff did not have data prior to March 2008, an annualized amount was calculated by taking a monthly average of the capitalized payroll amounts booked from March 2008 through June 2008. Based on Staff's calculations, 3.39% of Trigen Kansas City's payroll should be allocated to construction activities.

Staff Expert: Karen Herrington

5. FERC Account Distribution

After the payroll allocation between Trigen and Trigen Misssouri and the allocation between expense and construction, the adjustment for payroll was distributed by FERC USOA account. The Company currently distributes payroll between Account 500, 510, and 920 which does not include all the appropriate FERC accounts. The following statement was taken directly for the Uniform System of Accounts referring to account 500; "For Major Utilities, this account shall include the cost of labor and expenses incurred in the general supervision and direction of the operations of steam power generating stations. Direct supervision and direction of specific activities, such as fuel handling, boiler room operations, generator operations, etc., shall be charged to the appropriate account." Staff would recommend Trigen in the future distribute payroll to all the appropriate FERC accounts. Staff does not have the necessary information to properly distribute the payroll costs to the various FERC accounts. Staff would need this information to be able to properly distribute in the future. The adjustment for each account is based on actual account distributions for the period of October 2007 through March 2008, which is the period after the termination of the Johnson Control contract. (Accounting Adjustments S-7.2, S-24.2, S-36.1 and 36.2.)

Staff Expert: Karen Herrington

6. 401K, Defined Contribution Plan and Group Benefits

The Trigen Companies provides an opportunity for employees to contribute to a 401K deferred compensation plan. The 401K benefit costs were annualized by applying a ratio that was developed based on the period of October 2007 through March 2008. The Trigen Companies do not have a pension plan in the traditional sense, but contribute to what the company refers to as a tax deferred defined contribution plan. The Company's contributes 5% of the employee's base compensation for a given year into the defined contribution plan during the first quarter of the next year. Base compensation for calculating the 5% includes, overtime pay, bonuses, commissions, and severance pay. Staff applied 5% to the annualized payroll amount to determine an annualized amount for the Defined Contribution Plan. Group benefits significantly changed in October 2007 as a result of the termination of the Johnson Control Contract. The transfer led to an increase in the number of Trigen Kansas City employees which resulted in higher payroll benefits. Staff calculated an average monthly amount from the period of October

2007 through March 2008, and that amount was multiplied by 12 months to determine an annualized amount. (Accounting Adjustments S-41.1, S-42.1 and S-61.1.)

Staff Expert: Karen Herrington

7. Payroll Tax

The adjustments made to payroll taxes serve to ensure the appropriate level of Social Security (FICA) and Medicare taxes associated with the Staffs annualized payroll is included in rates. The current 2008 tax rates for the individual tax components were used for this calculation. Applying these rates to the current annualized level of payroll expense produces the best available allowance for payroll taxes on a going forward basis. (Accounting Adjustment S-53.1.)

Staff Expert: Karen Herrington

8. General Payroll Analysis

With regard to general payroll analysis, Staff compared the number and salaries of Johnson Control employees prior to the termination of the Johnson Controls contract to the number and salaries of Johnson Control employees transferred to Trigen following the termination of the JCI contract. Staff determined there was not a significant change in the number or salaries of the employees after the transition to Trigen. Staff also reviewed industry salaries via a salary survey provided by the Company and the Department of Economic Development. Staff determined the salaries were comparable to industry standards.

Staff Expert: Karen Herrington

9. Corporate Cost Allocations

Thermal North America and Thermal Sources, LLC provides executive management and centralized support services to its Trigen subsidiaries. These services primarily include general administrative duties and the operating costs related to these duties. These costs are allocated to each Trigen company based on an allocation factor calculated using revenues of each Trigen company. A Corporate Cost analysis was determined to be relevant in this case because of the large number of subsidiaries currently owned by Thermal North America, Inc. Staff sought to verify the Corporate Costs were being distributed between all of the Thermal North America Inc subsidiaries, and distributed at an acceptable percentage.

During the audit, Staff performed an analysis to determine an acceptable percentage for allocating Corporate Costs. Staff reviewed the allocation process performed by the Company and determined TNAI Corporate Costs were allocated based on net revenues. In addition to net revenues, Staff performed an analysis using net plant and net income as an allocation factor. When researching these methods, Staff determined the net income and plant allocators varied significantly between the Trigen Companies. Because of the inconsistency with net income and net plant, Staff determined that using revenues to substantiate an allocation factor was acceptable. Furthermore, Staff reviewed the allocation factors used for each of the Trigen subsidiaries to ensure the allocation policy used by TNAI was consistent with all the regulated and non regulated Trigen subsidiaries. Staff confirmed the allocation was consistent throughout each subsidiary. The allocation factor used by the Company is 3.1463%. For purposes of this case, Staff believes this allocation is reasonable and has used this same factor to allocate the corporate costs to Trigen Kansas City.

Once the allocation factor was verified, Staff reviewed the Corporate Costs allocated to Trigen Kansas City from Thermal North America, Inc. and Thermal Source LLC. A large portion of the costs reported by the Company were accepted because the amounts involved were immaterial. However, Staff felt a more thorough analysis was needed for the amount of Corporate salaries allocated to Trigen Kansas City. Staff reviewed the current Corporate wage rates through March 31, 2008 and was able to develop an annualized amount. This amount was used in addition to the remaining Corporate Costs to distribute the costs to the following FERC accounts: 920, 921, 930, and 923. (Accounting Adjustments S-36.3, S-37.1, S-38.3 and 46.1.)

Staff Expert: Karen Herrington

C. Operations and Maintenance Expense, Non-Wage

Staff Expert: Keith Majors

Operations and maintenance expenses reflect costs to operate and maintain Trigen's Grand Avenue production facilities as well the steam distribution plant. Utility companies typically incur two types of costs for this type of expense: labor costs to pay Trigen employees for operations and maintenance of these plant facilities and costs incurred for non-payroll charges, or non-wages. Staff witness Karen Herrington is responsible for the payroll component of operations and maintenance costs while Keith Majors determined the proper level of costs relating to the non-wage component.

Staff examined the monthly balances of the operation and maintenance costs for several years through March 2008. Staff's analysis divided these costs between wage and non-wage expenses.

The 2006 test year utilized for this rate case contained costs related to the terminated Johnson Controls contract for the entirety of its operations and maintenance. Since Trigen transferred all work activity performed under this contract in-house as of October 2007, none of the costs relating to the test year were an appropriate representation of ongoing costs. Therefore, Staff made an adjustment to remove all the costs for Johnson Control in 2006. Staff utilized the six month period from October 1, 2007 through March 31, 2008, of non-wage maintenance costs incurred by the Company performing its own operations and maintenance as basis for on-going expense levels. To reflect a full twelve months of operation and maintenance expense, Staff multiplied the six month ending March 31, 2008 level times two for the annualization of these expenses.

Another adjustment to non wage maintenance expense was required as result of an inadvertent intermixing of materials and supplies of Trigen Kansas City and its unregulated affiliate Trigen Missouri. This adjustment was applied to each applicable account based on its portion of total non wage expense. (Accounting Adjustments S-25.1, S-26.1, S-26.2, S-27.1, S-27.2, S-31.1,S-32.1, S-32.2, S-33.1, S-33.2, S-34.1 and S-34.2.)

Staff Expert: Keith Majors

D. Outside Services and Regulatory Commission Expense

Outside services are amounts paid to consultants and to non-Trigen employees hired by the Company to perform specific tasks and functions. Regulatory commission expenses are amounts paid to consultants and legal counsel involved in regulatory activities in to which the Company is a party.

Company records and testimony revealed several necessary adjustments to the test year. Among these were costs incurred in conjunction with the current rate case. These costs were removed from ongoing expense and will be discussed in the next section of the report. The residual Outside Services costs and Regulatory Commission Expense were determined to be represented of ongoing costs and annualized for Staff's case. (Accounting Adjustments S-38.1, S-38.2, S-45.1 and S-45.2.)

Staff Expert: Keith Majors

E. Rate Case Expense

Rate case expenses are costs incurred by the company in preparation and performance of its filing for rate relief. In this case, the Company has incurred expenses in conjunction with legal counsel, regulatory consulting, and hired expert witnesses.

Staff utilized Company records and responses to data requests to determine the correct amount of Rate Case expense for inclusion in rates. Amounts from both Outside Services and Regulatory Expense accounts were taken into consideration as the Company determined they were incurred for the current rate case. Staff requested actual billings and invoices from the Company to examine the reasonableness of the costs incurred. The Company has invoked its attorney client privilege in denying Staff access to its invoices for legal fees related to the current case. Staff has included in this case actual amounts determined to be reasonable costs based on invoices that were provided that do relate to the preparation of Trigen's rate case filing through June 30, 2008. Staff also included the Company's incurred cost for the depreciation and rate of return experts for the current rate case. As the Company incurs additional costs for this case, Staff will include actual costs deemed to be reasonable and prudent to develop an amount of on-going rate case expense level which it will recommend for recovery in rates.

Staff has determined that the Company should be allowed to recover its prudently incurred verified Rate Case expenses as an on-going and recurring level. (Accounting Adjustment S-45.3.)

Staff Expert: Keith Majors

F. Missouri Public Service Commission Assessment Expense

The Commission assessment is an amount levied on every regulated utility for the recapture of expenses incurred for Missouri jurisdictional regulation. The amount is determined by several factors.

Staff annualized the Commission Assessment to reflect the latest assessment available for the current fiscal year. The test year Commission Assessment was updated to the current FY 2009 amount based on records from Commission. (Accounting Adjustment S-45.4)

Staff Expert: Keith Majors

G. Insurance

Insurance expense is the cost of protection obtained from third parties by utilities against the risk of financial loss associated with unanticipated events or occurrences. Utilities, like non-regulated entities, routinely incur insurance expense in order to minimize their liability associated with unanticipated losses. Likewise, certain forms of insurance reduce ratepayer's exposure to risk. Premiums for insurance are normally pre-paid by utilities; i.e., payment is made by the utility to the insurance vendor in advance of the policy going into effect. Insurance payments are normally treated as prepayments, with the amount of the premium being booked as an asset and amortized to expense ratably over the life of the period. The unamortized balance of the prepaid insurance account (either the period-ending balance or a 13-month average balance) is included in rate base, with an annualized level of insurance expense included in rates. The unamortized balance of the prepaid insurance will be addressed by Staff witness Keith Majors.

During the audit, Staff reviewed the Company's insurance policies for the following forms of insurance; General Liability, Fire, Storage Tank Liability, Worker's Compensation, and Property Insurance. The coverage period for the policies was April 2007 through April 2008. In addition, the Company provided insurance amounts for the coverage period beginning April

2008. However, the Company did not provide the supporting insurance policies for April 2008 through April 2009. Based on the information provided by the Company, an annualized insurance amount was calculated by using the insurance premiums for April 2007 through April 2008 which were provided in the insurance policies. (Accounting Adjustments S-39.1, S-40.1 and S-40.2.)

Staff Expert: Karen Herrington

H. Miscellaneous Expenses

Staff annualized several miscellaneous expenses. Among these were office equipment leases, general plant maintenance, and other administrative expenses. Staff applied a 24 month average ending June 30, 2008 as applicable to these expenses for an annual recovery amount. (Accounting Adjustments S-22.1, S-23.1, S-28.1, S-29.1, S-35.1, S-37.2, S-43.1, S-44.1, S-47.1 and S-50.1.)

Staff Expert: Keith Majors

I. Property Taxes

Staff annualized real and personal property taxes based on information from Trigen's tax records. Business property taxes were based on the 2008 declaration forms for property owned on January 1, 2008. Real property taxes were determined from 2007 tax bills and annualized.

Staff developed a ratio of property taxes paid to the amount of assessed values and applied this ratio to the January 1, 2008 plant levels to determine the proper level of property tax expense to include in this rate case. (Accounting Adjustments S-51.1 and S-52.1.)

Staff Expert: Keith Majors

VII. INCOME TAXES

Staff Expert: Cary Featherstone

Staff calculated the revenue requirement in this case for income taxes using two components for the income statement and one component for the rate base.

A. Income Taxes in the Income Statement

1. Interest Expense Deduction

Staff calculated the interest expense deduction using a method it has used since early in the 1980's called "interest synchronization." This method identifies the interest expense amount utility customers pay in rates through the rate of return calculation. The rate of return developed by Staff witness David Murray includes a debt component. When applied to the recommended rate base, that debt component provides the Company an amount to pay interest on its debt service. Since this is the amount customers are responsible for in rates, this interest expense is also used as the income tax deduction for tax purposes.

The interest expense deduction is calculated by taking the weighted costs of debt times the recommended rate base. This is the amount that is taken as a deduction on Schedule 10 - Income Taxes of the revenue requirement model. This methodology assures that the amount of interest expense used in the calculation of income tax expense, for ratemaking purposes, equals the interest expense the ratepayer is required to provide the Company in rates. Since the revenue requirement recommended by the Staff is based on a rate of return computation, the interest synchronization method allows an interest deduction consistent with the rate of return computation that is applied to rate base.

This methodology was first utilized by the Staff and adopted by the Commission in Kansas City Power and Light Company's 1980 electric rate case, Case No. ER-80-48, and has been used consistently by Staff and adopted by the Commission since that case.

2. Depreciation Expense Deduction for Income Taxes Purposes

Staff used the amount of annualized book depreciation expense determined on a straight-line basis as the deduction for depreciation for calculating income tax expense. The amount identified in Schedule 10- Income Taxes as the "Add Back" for depreciation was also used as the deduction for income tax purposes, found in Schedule 10- Income Taxes.

Staff used the "Add Back" amount for the depreciation deduction since the Company was essentially treated as a "start-up" company after the 2005 purchase by Thermal North America Inc. After the sale of the Trigen Companies to Thermal, the assets of the companies were treated as a new company as though they didn't exist prior to acquisition. As such, Trigen Kansas City no longer had any basis differences[7] that would normally need to be considered in the calculation of the depreciation deduction used in the income tax calculation. Typically, any income tax deduction previously taken can not be taken again, so those amounts are excluded from the tax basis of the property used in calculating the straight-line depreciation deduction for ratemaking purposes. In addition, since the Company essentially started over as a new company in 2005, all accumulated deferred income tax reserves were reduced to zero and, consistent with this treatment, no basis differences existed for tax depreciation. Staff has taken the annualized book depreciation expense that is calculated on a straight line basis using the proposed rates recommended by Staff witness Guy Gilbert. Staff's annualized depreciation amount is being used as the tax deduction for depreciation found on Schedule 10 without reflecting any basis

[7] "Basis differences" are amounts that had already been taken as a previous deduction.

differences for prior years deductions. As noted, the reason for not reflecting any basis differences was that the 2005 purchase resulted, in essence, the new company was treated as a start-up company.

There is a question whether there have been any basis differences at all based on prior tax treatment of timing differences. Staff believes that to the extent that timing differences were ever identified, no current income tax deduction was ever taken, in other words, those deductions for the timing differences were very likely normalized. KCPL was one of two utilities in the state that used normalization treatment of its timing differences. The “normalization” method (which was not typically used in determining utility rates in this state in the past) provided for a deferral of the deduction of the timing differences in the ratemaking process. While the companies were able to take the tax deductions of certain costs currently to determine the amount of income taxes owed to the IRS, the normalization method did not reflect those current deductions in the ratemaking process. Under normalization, the deductions were deferred and taken over the life of the assets. Generally, because of these deferred deductions, income tax expense was higher for ratemaking purposes under the normalization method than it would have been under the flow-through method.

Under the "flow-through” method, the tax timing differences for the tax deductions were treated consistent with the period used in calculating current income tax expense. This treatment was commonly referred to as the “flow-through” method. Conversely, reflecting the tax deduction for tax timing differences consistent with the period used for recognizing the cost as an expense for financial reporting purposes is referred to as the “normalization” method.

Staff generally used the “flow-through” method of determining income tax expense for ratemaking purposes. This method was used to give the customers the same deduction as the company took on its tax return. Taking the capitalized overhead costs as a current deduction for ratemaking purposes that were taken as a current deduction in the company's calculation of its income taxes ensured that the current utility customers received the tax benefit for these deductions. (Accounting Schedule 10.)

B. Income Taxes in the Rate Base

1. Accumulated Deferred Income Tax Reserves

The amount for accumulated deferred income tax reserve is based on the level of reserves on Trigen Kansas City's books as of June 30, 2008. Staff was unable to determine what the proper levels for accumulated deferred income taxes were for this case, because of the manner the accumulated reserve was treated in the 2005 sale. After the 2005 sale closed, Trigen Kansas City's deferred income tax reserve balance was reduced to zero, in effect the Company's deferred income tax reserves started over.

Deferred income tax reserves result from providing normalization treatment for tax timing differences. The tax timing difference for depreciation occurs because utilities are allowed to use an accelerated method for depreciation for tax purposes rather than the straight-line method used for financial reporting and ratemaking determination. Each year utilities must maintain the proper identification of these tax timing differences and calculate the proper levels of deferred income taxes on their books. Trigen simply did not do this and as such, the proper level of deferred income tax reserves is impossible to determine.

The significance of the deferred income tax reserves is that rate payers are required to pay an amount for these deferrals up front to the Company prior to the point when the utility must pay for those taxes to the Internal Revenue Service (IRS). As such, the Company has use of these deferred income taxes before they are owed and paid to the IRS. In reality, the

Company is allowed a greater tax deduction for depreciation expense based on accelerated depreciation methods than the depreciation tax deduction the utility customers are allowed for rate setting purposes. Since the Company has use of this "interest free" money (the income tax deferrals) customers are given the benefit of the deferred income tax reserves by treating those amounts as an off-set to rate base. What the seller did was capture those deferred income taxes as part of the transaction and, therefore, the deferred income taxes paid by the customers were lost to them. The newly acquired company customers "lost" the benefits of the accumulated deferred income reserves that had accumulated over the years from Trigen Kansas City's steam customers.

Further, the records of the deferred income tax reserves prior to the 2005 sale transaction were not reliably maintained. Trigen Kansas City reported large positive and large negative balances over a period of time from one year to the next. Staff examined the FERC Form 1's for the period 1997 to 2007 but was not convinced that the amounts reflected in these annual reports were ever correct. As discussed in the section regarding plant investment, Trigen Kansas City did not maintain property accounting records for much of time it has owned the steam system. In addition to plant, depreciation reserve, and depreciation expense being incorrect, it appears the deferred income tax reserve was also subject to inadequate or improper accounting.

As noted above in the section "Depreciation Expense Deduction," the Trigen Companies, including Trigen Kansas City, were treated as though the companies were new start-up companies. As such, all accumulated deferred income tax reserves were reduced to zero. Since the deferred income tax reserves were "started over", Staff is consistently using the same approach with the treatment of tax depreciation, discussed above, in that the newly acquired company no longer had any basis differences, to the extent that those basis differences ever existed. (Accounting Schedule 2.)

Staff Expert: Cary Featherstone

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of the Tariff Filing of Trigen-Kansas City Energy Corporation to Implement a General Rate Increase for Regulated Steam Heating Service Provided to Customers in the Company's Missouri Service Area	)))))	Case No. HR-2008-0300

AFFIDAVIT OF DANIEL I. BECK

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

Daniel I. Beck, of lawful age, on his oath states: that he has participated in the preparation of the foregoing Staff Report in pages 34 to 35; that he has knowledge of the matters set forth in such Report; and that such matters are true to the best of his knowledge and belief.

Daniel I Beck

Daniel I. Beck

Subscribed and sworn to before me this 31st day of July 2008.

Susan L Sundermeyer

Notary Public

NOTARY PUBLIC NOTARY SEAL STATE OF MISSOURI

SUSAN L. SUNDERMEYER
My Commission Expires
September 21, 2010
Callaway County
Commission #06942086

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of the Tariff Filing of Trigen-Kansas City Energy Corporation to Implement a General Rate Increase for Regulated Steam Heating Service Provided to Customers in the Company's Missouri Service Area)	Case No. HR-2008-0300

AFFIDAVIT OF CARY G. FEATHERSTONE

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

Cary G. Featherstone, of lawful age, on his oath states: that he has participated in the preparation of the foregoing Staff Report in pages 34, 35, 49-55 ; that he has knowledge of the matters set forth in such Report; and that such matters are true to the best of his knowledge and belief.

Cary G Featherstone

Cary G. Featherstone

Subscribed and sworn to before me this 31st day of July 2008.

NIKKI SENN
Notary Public - Notary Seal
State of Missouri
Commissioned for Osage County
My Commission Expires: October 01, 2011
Commission Number: 07287016

Nikki Senn

Notary Public

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of the Tariff Filing of Trigen-Kansas City Energy Corporation to Implement a General Rate Increase for Regulated Steam Heating Service Provided to Customers in the Company's Missouri Service Area	))))	Case No. HR-2008-0300

AFFIDAVIT OF GUY C. GILBERT, MS, PE, RG

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

Guy C. Gilbert, of lawful age, on his oath states: that he has participated in the preparation of the foregoing Staff Report in pages 25 to 28 ; that he has knowledge of the matters set forth in such Report; and that such matters are true to the best of his knowledge and belief.

G. C. Gilbert

Guy C. Gilbert, MS, PE, RG

Subscribed and sworn to before me this 31st day of July 2008.

NIKKI SENN
Notary Public - Notary Seal
State of Missouri
Commissioned for Osage County
My Commission Expires: October 01, 2011
Commission Number: 07287016

Nikki Senn

Notary Public

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of the Tariff Filing of Trigen-Kansas City Energy Corporation to Implement a General Rate Increase for Regulated Steam Heating Service Provided to Customers in the Company's Missouri Service Area	))))	Case No. HR-2008-0300

AFFIDAVIT OF KAREN HERRINGTON

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

Karen Herrington, of lawful age, on her oath states: that she has participated in the preparation of the foregoing Staff Report in pages 37-44, 47-48; that she has knowledge of the matters set forth in such Report; and that such matters are true to the best of her knowledge and belief.

Karen Herrington

Karen Herrington

Subscribed and sworn to before me this 31st day of July 2008.

NIKKI SENN
Notary Public - Notary Seal
State of Missouri
Commissioned for Osage County
My Commission Expires: October 01, 2011
Commission Number: 07287016

Nikki Senn

Notary Public

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of the Tariff Filing of Trigen-Kansas City Energy Corporation to Implement a General Rate Increase for Regulated Steam Heating Service Provided to Customers in the Company's Missouri Service Area	)))))	Case No. HR-2008-0300

AFFIDAVIT OF MANISHA LAKHANPAL

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

Manisha Lankhanpal, of lawful age, on her oath states: that she has participated in the preparation of the foregoing Staff Report in pages 29 to 31; that she has knowledge of the matters set forth in such Report; and that such matters are true to the best of her knowledge and belief.

Manisha Lakhanpal

Manisha Lakhanpal

Subscribed and sworn to before me this 31st day of July 2008.

NIKKI SENN
Notary Public - Notary Seal
State of Missouri
Commissioned for Osage County
My Commission Expires: October 01, 2011
Commission Number: 07287016

Nikki Senn

Notary Public

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of the Tariff Filing of Trigen-Kansas City Energy Corporation to Implement a General Rate Increase for Regulated Steam Heating Service Provided to Customers in the Company's Missouri Service Area	)))))	Case No. HR-2008-0300

AFFIDAVIT OF KEITH A. MAJORS

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

Keith A. Majors, of lawful age, on his oath states: that he has participated in the preparation of the foregoing Staff Report in pages 23-25, 35-37, 44-48 that he has knowledge of the matters set forth in such Report; and that such matters are true to the best of his knowledge and belief.

Keith A. Majors

Keith A. Majors

Subscribed and sworn to before me this 31st day of July 2008.

NIKKI SENN
Notary Public - Notary Seal
State of Missouri
Commissioned for Osage County
My Commission Expires: October 01, 2011
Commission Number: 07287016

Nikki Senn

Notary Public

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of the Tariff Filing of Trigen-Kansas City Energy Corporation to Implement a General Rate Increase for Regulated Steam Heating Service Provided to Customers in the Company's Missouri Service Area	)))))	Case No. HR-2008-0300

AFFIDAVIT OF DAVID MURRAY

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

David Murray, of lawful age, on his oath states: that he has participated in the preparation of the foregoing Staff Report in pages 5 to 10 ; that he has knowledge of the matters set forth in such Report; and that such matters are true to the best of his knowledge and belief.

David Murray

David Murray

Subscribed and sworn to before me this 31st day of July 2008.

NIKKI SENN
Notary Public - Notary Seal
State of Missouri
Commissioned for Osage County
My Commission Expires: October 01, 2011
Commission Number: 07287016

Nikki Senn

Notary Public

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of the Tariff Filing of Trigen-Kansas City Energy Corporation to Implement a General Rate Increase for Regulated Steam Heating Service Provided to Customers in the Company's Missouri Service Area	)))))	Case No. HR-2008-0300

AFFIDAVIT OF ANNE E. ROSS

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

Anne E. Ross, of lawful age, on her oath states: that she has participated in the preparation of the foregoing Staff Report in pages 31 to 32; that she has knowledge of the matters set forth in such Report; and that such matters are true to the best of her knowledge and belief.

Anne E. Ross

Anne E. Ross

Subscribed and sworn to before me this 1st day of August 2008.

Susan L. Sundermeyer

Notary Public

NOTARY PUBLIC STATE OF MISSOURI NOTARY SEAL

SUSAN L. SUNDERMEYER
My Commission Expires
September 21, 2010
Callaway County
Commission #06942086

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of the Tariff Filing of Trigen-Kansas City Energy Corporation to Implement a General Rate Increase for Regulated Steam Heating Service Provided to Customers in the Company's Missouri Service Area)	Case No. HR-2008-0300

AFFIDAVIT OF PHILLIP K. WILLIAMS

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

Phillip K. Williams, of lawful age, on his oath states: that he has participated in the preparation of the foregoing Staff Report in pages 11-22, 32-33, 36-37; that he has knowledge of the matters set forth in such Report; and that such matters are true to the best of his knowledge and belief.

Phillip K. Williams

Phillip K. Williams

Subscribed and sworn to before me this 31st day of July 2008.

NIKKI SENN
Notary Public - Notary Seal
State of Missouri
Commissioned for Osage County
My Commission Expires: October 01, 2011
Commission Number: 07287016

Nikki Senn

Notary Public

APPENDIX I

STAFF CREDENTIALS

Daniel I. Beck

Guy C. Gilbert, MS, PE, RG

Karen Herrington

Manisha Lakhanpal

Keith Majors

David Murray

Anne E. Ross

Phillip K. Williams

Daniel I. Beck, P.E.
Supervisor of the Engineering Analysis Section of the Energy Department
Utility Operations Division

Missouri Public Service Commission
P.O. Box 360
Jefferson City, MO 65102

I graduated with a Bachelor of Science Degree in Industrial Engineering from the University of Missouri at Columbia. Upon graduation, I was employed by the Navy Plant Representative Office in St. Louis, Missouri as an Industrial Engineer. I began my employment at the Commission in November, 1987, in the Research and Planning Department of the Utility Division (later renamed the Economic Analysis Department of the Policy and Planning Division) where my duties consisted of weather normalization, load forecasting, integrated resource planning, cost-of-service and rate design. In December, 1997, I was transferred to the Tariffs/Rate Design Section of the Commission's Gas Department where my duties include weather normalization, annualization, tariff review, cost-of-service and rate design. Since June 2001, I have been in the Engineering Analysis Section of the Energy Department, which was created by combining the Gas and Electric Departments. I became the Supervisor of the Engineering Analysis Section, Energy Department, Utility Operations Division in November 2005.

I am a Registered Professional Engineer in the State of Missouri. My registration number is E-26953.

List of Cases in which prepared testimony was presented by:
DANIEL I. BECK

Company Name	**Case No.**
Union Electric Company	EO-87-175
The Empire District Electric Company	EO-91-74
Missouri Public Service	ER-93-37
St. Joseph Power & Light Company	ER-93-41
The Empire District Electric Company	ER-94-174
Union Electric Company	EM-96-149
Laclede Gas Company	GR-96-193
Missouri Gas Energy	GR-96-285
Kansas City Power & Light Company	ET-97-113
Associated Natural Gas Company	GR-97-272
Union Electric Company	GR-97-393
Missouri Gas Energy	GR-98-140
Missouri Gas Energy	GT-98-237
Ozark Natural Gas Company, Inc.	GA-98-227
Laclede Gas Company	GR-98-374
St. Joseph Power & Light Company	GR-99-246
Laclede Gas Company	GR-99-315
Utilicorp United Inc. & St. Joseph Light & Power Co.	EM-2000-292
Union Electric Company d/b/a AmerenUE	GR-2000-512
Missouri Gas Energy	GR-2001-292
Laclede Gas Company	GR-2001-629
Union Electric Company d/b/a AmerenUE	GT-2002-70
Laclede Gas Company	GR-2001-629
Laclede Gas Company	GR-2002-356
Union Electric Company d/b/a AmerenUE	GR-2003-0517
Missouri Gas Energy	GR-2004-0209
Atmos Energy Corporation	GR-2006-0387
Missouri Gas Energy	GR-2006-0422
Union Electric Company d/b/a AmerenUE	GR-2007-0003
The Empire District Electric Company	EO-2007-0029/EE-2007-0030
Laclede Gas Company	GR-2007-0208
The Empire District Electric Company	EO-2008-0043
Missouri Gas Utility, Inc.	GR-2008-0060
The Empire District Electric Company	ER-2008-0093

GUY C. GILBERT, MS, PE, RG

PROFESSIONAL EXPERIENCE

State of Missouri, Public Service Commission
Utility Regulatory Engineer I, 1994 -2000, 2004-present

Prepare depreciation studies, cost studies, valuations and engineering analysis of utility assets. Conduct special projects in conjunction with the FCC and the FERC.

Linn State Technical College
Chair, Civil / Construction Engineering Management Technology Department
Director, Material and Safety Institute
2000 - 2004

Department Chair and faculty instructor for courses in civil engineering technology, construction methods and techniques, surveying, engineering economics, materials, material testing, estimating, scheduling and project management.
Direct and manage activities of the Material and Safety Institute that provides resources and training for business and industry in the areas of quarry/materials acceptance certification as mandated by the Federal Highway Administration and OSHA/MSHA safety training.

State of Illinois, Department of Energy and Natural Resources
Project Engineer 1991 - 1994

Managed Clean Coal Technology Demonstration projects; often in concert with U.S.DOE projects. Represented Illinois in over $1.1 billion of projects ranging from pre-combustion technologies to combustion and post combustion technologies. Performed cost benefit analysis of the environmental and economic impacts and procured benefits to the state.

CW3M Company, Inc.
Consulting Project Engineer 1993 –1994 (part time contract)

Conducted geotechnical evaluation of leaking underground storage tank sites. Designed equipment for containment and treatment of contaminated ground water.

Illinois Commerce Commission
Management Analyst 1988 – 1991

Managed consultant conducted comprehensive management audits of operational aspects of public utilities. Assessed least cost planning programs of public utilities and provided recommendations on risk assessment and cost estimating of various externalities. Have reviewed and provided recommendations to utilities within the management function areas of Operations, Operations Planning, Power Production (fossil and nuclear), Fuels Management (fossil and nuclear), Transmission and Distribution (electric and gas), Engineering and Construction (electric, gas, and telephone), Gas Supply, Network Operations Planning, Network Operations and Information Services.

Freeman United Coal Mining Company (General Dynamics)
Assistant to the Superintendent 1982 - 1987

Produced annual mining plans and budget for 2+ million ton per year underground mining facility. Assessed geologic aspects of the mine environment to optimize safety and productivity. Prepared economic feasibility studies and justification for new and alternative capital expenditures. Developed and implemented microcomputer based on site operations information systems encompassing maintenance, materials, manpower, and costs. Administered UMWA-BCOA Labor Agreement: grievance procedures, attendance control and benefits programs. Special projects involving production methods, structures, ventilation, and materials engineering. Provided certification of operating compliance with Federal and State regulations as required.

Peabody Coal Company
Coal Miner, UMWA 1976-1980

EDUCATION:

Bachelor of Science Economics, University of Missouri-Rolla
Bachelor of Science Mining Engineering, University of Missouri-Rolla
National Science Foundation Research Grant participant (NSF GY 9841)
Master of Science, Career & Technology Education, Central Missouri State University
Graduate Speaker, Central Missouri State University
Outstanding Graduate Student Leadership Award, Central Missouri State University

Advisory Board Member, Economics & Finance Department, University of Missouri-Rolla
Facilities and Planning Committee for construction of Calvary Lutheran High School
School Board Member Trinity Lutheran Grade School

Continuing Education

Management Analyst Training
Basic Depreciation Concepts
Models Used In Life and Salvage Studies
Forecasting Life and Salvage
Advanced Topics in Analysis and Forecasting
Business and Technical Writing
Communicating Effectively
Auditing in Telecommunications
Introduction to EDP Auditing
Network Certification
Asbestos Training for Maintenance Employees, #40 CFR 763.92(a)(2)(i thru iv)
Red Cross First Aid Adult/AED/Child/Infant CPR Instructor, Expired
Redirecting Employee Performance
Basic Supervision
Humboldt Radiation Safety Training Class

CERTIFICATIONS:

by United States Department of Labor

Noise Level Testing
Dust Sampling
Dust Sampling Equipment Calibration
Electricity Low/Medium/High Voltage, Expired
Dam and Refuse Impoundment Inspector
Dam and Refuse Impoundment Inspection Instructor
OSHA Safety Instructor (10 & 30 Hour), Expired

by State of Missouri

State Board of Geologist Registration, member
Registered Professional Engineer, No. EN 026908
Registered Professional Geologist, No. RG 0976
SAVE/SEMA Structural Inspector I
Vocational Teaching Certificate, No. 0238934
Department of Transportation, Trainer Certified Materials Technician Level 1
Department of Transportation, Trainer Certified Level 2 Aggregate
Department of Transportation, Trainer Certified Level 2 Soils
Department of Transportation, Trainer Certified Level 2 Concrete
Department of Transportation, Trainer Certified Profilograph

by State of Illinois

Mine Manager, No. 6634
Mine Examiner, No. 10324
Electrical Hoisting Engineer, No. 2427
Sewage Treatment Plant Operator, Class K
Industrial Wastewater Treatment Works Operator, Class K
State of Illinois Mine Rescue Team, Springfield Station, No. 2
Certified Benchman for Mine Rescue Equipment
Emergency Medical Technician-Ambulance, Expired

Demonstration Projects

- Energy & Environmental Research Corporation - Hennepin Station (GR-SI)
- Energy & Environmental Research Corporation - City Water Light and Power
- Pircon-Peck Process - Western Illinois University
- Combustion Engineering - Integrated Gasification Combined Cycle (IGCC) - City Water, Light and Power Springfield
- Southern Illinois University Refurbishment Repowering Project
- Tecogen's Development and Testing of a Commercial Scale Coal-Fired Combustion System - Illinois Coal Development Park

- TCS Incorporated's Micronized Coal System at Rochelle Municipal Utilities
- IGT - Kerr-McGee MildGas
- Radian's Characterization of Disposed Wastes from Advanced Coal Combustion Residues

Investigations

- NovaCon Sorbent: U.S. DOE and EERC
- Sargent & Lundy Combustion 2000:
- Tecogen: moving bed copper oxide flue gas cleaning process
- Air Purification's RotorFilter Technology:
- Tampa Electric Company: Use of Illinois high sulfur coal

Management Audits

Central Illinois Light Company, Peoria, Illinois
Commonwealth Edison, Chicago, Illinois
GTE Telephone Company, Dallas, Texas
GTE Data Systems, Tampa Florida

CASE PARTICIPATION

GUY C. GILBERT, MS, PE, RG

Date Filed	Issue	Case Number	Exhibit	Case Name
17-Jun-94	Modernization	TO-93-309		Farber Telephone
17-Nov-95	Certificate (Sewer) - Case dismissed	SA-94-54		Osage County Water (sewer)
01-Oct-94	Certificate	GA-94-127		Southern MO Gas Co
12-Oct-94	Transfer of assets	GM-94-252		Missouri Public Service
30-Aug-94	HB 360 & extr. ret.	TAO 992		Holway Telephone
30-Aug-94	Extraordinary retirement amortization	TAO 993		New Florence Telephone
03-Jan-95	Waiver from Rule	GO-95-104		Fidelity Natural Gas
11-Jul-95	Purchase of GTE exchanges	TM-95-134		Ozark Telephone
11-Jul-95	Purchase of GTE exchanges	TM-95-135		BPS Telephone
11-Jul-95	Purchase of GTE exchanges	TM-95-142		Modern Telecommunications
19-Sep-95	General rate case	WR-95-145		St. Louis County Water
11-Jul-95	Purchase of GTE exchanges	TM-95-163		Cass County Telephone
22-Mar-96	Certificate	SA-96-40		Taneycomo Highlands (Sewer)
14-Feb-96	Certificate	SA-96-91		S.T. Ventures (Sewer)
09-May-96	Certificate (Water & Sewer)	WA-96-96		Emerald Pointe Utilities
24-Sep-96	Certificate	GA-96-264		Ozark Natural Gas
31-Jul-96	General rate case (Water)	WR-96-407		Taney County
16-Jan-96	Depreciation rates & amortization	TAO 998		Fidelity Telephone
16-Jan-96	Depreciation rates & amortization	TAO 999		Bourbeuse Telephone
31-Jan-96	Depreciation rates	TAO 1001		Northeast Missouri Rural Telephone
15-Nov-96	Variance from prior order	GO-97-30		Southern Missouri Gas
12-Dec-96	HB360 rates	TAO 1004		Kingdom Telephone

Date Filed	Issue	Case Number	Exhibit	Case Name
1/31/97	Extraordinary retirement of COE	TAO 1005		Iamo Telephone
3/28/97	Depreciation of Plant	EC97362	Direct	UtiliCorp United Inc. d/b/a MO Public Service
3/28/97	Depreciation of Plant	EO97144	Direct	UtiliCorp United Inc. d/b/a MO Public Service
9/16/97	Depreciation of Plant	ER97394	Direct	Missouri Public Service, A Division of UtiliCorp United Inc.
9/30/97	Sale of Plant	GM97435	Rebuttal	Missouri Public Service, A Division of UtiliCorp United Inc.
10/17/97	Depreciation of Plant	ER97394	Rebuttal	UtiliCorp United Inc. d/b/a MO Public Service
11/21/97	Amortization of accounts, Depreciation, Depreciation Recommendations	ER97394	Surrebuttal	UtiliCorp United Inc. d/b/a MO Public Service
5/15/98	Depreciation	GA98227	Rebuttal	Ozark Natural Gas Company, Inc.
10/08/98	Depreciation of Plant	EC98573	Direct	St. Joseph Light and Power Company
11/30/98	Depreciation of Plant	WA97410	Rebuttal	George Hoesch
5/13/99	Depreciation of Plant	ER99247	Direct	St. Joseph Light & Power Company
5/13/99	Depreciation of Plant	EC98573	Direct	St. Joseph Light & Power Company
8/08/00	Depreciation of Plant	GR2000512	Direct	Union Electric Company d/b/a AmerenUE
11/04/04	Depreciation of Plant	ER-2004-0570	Rebuttal	Empire District Electric Company
9/11/06	Depreciation of Plant	GR-2005-0387	Direct	Atmos Energy Company
12/11/06	Depreciation of Plant	GR-2005-0422	Rebuttal	Missouri Gas Energy
7/31/07	Depreciation of Plant	WR-2007-0216	Surrebuttal	Missouri American Water Company

Karen K. Herrington

Educational and Employment Background and Credentials

I am currently employed as a Utility Regulatory Auditor II for the Missouri Public Service Commission (Commission). I was employed by the Commission in April 2007. Previously, I was employed by AT&T as a Regulatory Complaint Manager from December 1999 to February 2007. In that capacity I was responsible for addressing consumer and business complaints filed with various state and federal regulatory agencies. I earned a Bachelor of Science degree in Management Accounting from Park University in May 2005. I am currently enrolled in a master's program at Park University. I am seeking a Masters in Business Administration with an expected graduation in May 2009.

As a Utility Regulatory Auditor, I perform rate audits and prepare miscellaneous filings as ordered by the Commission. In addition, I review all exhibits and testimony on assigned issues, develop accounting adjustments and issue positions which are supported by workpapers and written testimony. For cases that do not require prepared testimony, I prepare Staff Recommendation Memorandums.

Other cases I have been assigned are: Case No. QW-2008-0003, Spokane Highlands Water Company and Case No. GO-2008-0113, Missouri Gas Energy - Infrastructure Service Replacement Surcharge (ISRS).

Manisha Lakhanpal

Present Position:

I joined Missouri Public Service Commission in August 2007 as a Regulatory Economist II in the Economic Analysis Section of the Energy Department, Operations Division.

Educational Background:

In December 2005, I graduated with a Masters of Science in Applied Economics, specializing in Electricity, Natural Gas and Telecommunication, from Illinois State University, Normal, Illinois. I have a Post Graduate Diploma in Business Management from Chetana's Institute of Management and Research, Mumbai, and an undergraduate degree in Political Science and History from University of Delhi, New Delhi, India.

Work Experience:

I first joined Missouri Public Service Commission as an intern in 2006 (May 2006 - August 2006). Prior to returning to PSC I was employed by the Indiana Utility Regulatory Commission, Indianapolis, as a Utility Analyst (September 2006- August 2007). During my time in Indiana I worked on a variety of cases and projects, including a major rate case, wholesale power cost trackers for municipal utilities, environmental cost recovery cases, a certificate of need for the first wind power project in Indiana as well as a related case involving the purchase of output from the facility, and annual report to the legislature on the state of the industry in Indiana.

In the summer of 2005 (May 2005-July 2005), I worked as an Intern at CommonWealth Edison, Chicago, on projects related to deregulation of electric markets in Illinois.

In India I have worked as an Operations Executive for an insurance company (June 2001 - December 2003).

Case Proceeding Participation

Company	Case Number	Filing Type/ Issue
Missouri Gas Utility	GR-2008-0060	Provided weather normal variables for weather normalization
Empire District Electric Company	ER-2008-0093	Provided weather normal variables for weather normalization and Large Customer Annualization

Keith A. Majors

Educational and Employment Background and Credentials

I am currently employed as a Utility Regulatory Auditor II for the Missouri Public Service Commission (Commission). I was employed by the Commission in June 2007. I earned a Bachelor of Science degree in Accounting from Truman State University in May 2007.

As a Utility Regulatory Auditor, I perform rate audits and prepare miscellaneous filings as ordered by the Commission. In addition, I review all exhibits and testimony on assigned issues, develop accounting adjustments and issue positions which are supported by workpapers and written testimony. For cases that do not require prepared testimony, I prepare Staff Recommendation Memorandums.

Other cases I have been assigned are: Case No. QW-2008-0003, Spokane Highlands Water Company and Case No. GO-2008-0113, Missouri Gas Energy - Infrastructure Service Replacement Surcharge (ISRS).

David Murray

Educational and Employment Background and Credentials

I am employed as a Utility Regulatory Auditor IV for the Missouri Public Service Commission (Commission). I accepted the position of a Public Utility Financial Analyst in June 2000 and my position was reclassified in August 2003 to an Auditor III. I briefly served as Interim Manager of the Financial Analysis Department in April 2006 and accepted the position of Auditor IV, effective July 1, 2006. I was employed by the Missouri Department of Insurance in a regulatory position before I began my employment at the Missouri Public Service Commission.

In May 1995, I earned a Bachelor of Science degree in Business Administration with an emphasis in Finance and Banking, and Real Estate from the University of Missouri-Columbia. I earned a Masters in Business Administration from Lincoln University in December 2003.

I have been awarded the professional designation Certified Rate of Return Analyst (CRRA) by the Society of Utility and Regulatory Financial Analysts (SURFA). This designation is awarded based upon experience and successful completion of a written examination, which I completed during my attendance at a SURFA conference in April 2007.

I am pursuing the Chartered Financial Analyst (CFA) designation. I passed the examinations for Levels I and II of the CFA Program and I am currently a Level III candidate. In order to receive the CFA designation, I must pass the Level III examination and also have four years of relevant professional work experience.

CASE PROCEEDING PARTICIPATION

DAVID MURRAY

Date Filed	Case Number	Company Name	Testimony Type	Issue(s)
1/18/2008	GR-2008-0060	Missouri Gas Utility, Inc.	Cost of Service Report	Rate of Return Capital Structure
7/31/2007	WR-2007-0216	Missouri-American Water Company	Surrebuttal	Rate of Return Capital Structure
7/13/2007	WR-2007-0216	Missouri-American Water Company	Rebuttal	Rate of Return Capital Structure
06/05/2007	WR-2007-0216	Missouri-American Water Company	Direct	Rate of Return Capital Structure
12/27/2006	GR-2006-0422	Missouri Gas Energy	True-up Direct	Rate of Return Capital Structure
12/11/2006	GR-2006-0422	Missouri Gas Energy	Surrebuttal	Rate of Return Capital Structure
11/21/2006	GR-2006-0422	Missouri Gas Energy	Rebuttal	Rate of Return Capital Structure
10/13/2006	GR-2006-0422	Missouri Gas Energy	Direct	Rate of Return Capital Structure
08/18/2006	ER-2006-0315	Empire District Electric Co.	Surrebuttal	Rate of Return Capital Structure
07/28/2006	ER-2006-0315	Empire District Electric Co.	Rebuttal	Rate of Return Capital Structure
06/23/06	ER-2006-0315	Empire District Electric Co.	Direct	Rate of Return Capital Structure
12/13/05	ER-2005-0436	Aquila, Inc. dba Aquila Networks-MPS and Aquila Networks-L&P	Surrebuttal	Rate of Return Capital Structure
11/18/05	ER-2005-0436	Aquila, Inc. dba Aquila Networks-MPS and Aquila Networks-L&P	Rebuttal	Rate of Return Capital Structure
10/14/05	ER-2005-0436	Aquila, Inc. dba Aquila Networks-MPS and Aquila Networks-L&P	Direct	Rate of Return Capital Structure
11/24/04	ER-2004-0570	Empire District Electric Co.	Surrebuttal	Rate of Return Capital Structure
11/04/04	ER-2004-0570	Empire District Electric Co.	Rebuttal	Rate of Return Capital Structure
9/20/04	ER-2004-0570	Empire District Electric Co.	Direct	Rate of Return
7/19/04	GR-2004-0209	Missouri Gas Energy	True-Up	Rate of Return

CASE PROCEEDING PARTICIPATION

DAVID MURRAY

Date Filed	Case Number	Company Name	Testimony Type	Issue(s)
			Direct	Capital Structure
6/14/04	GR-2004-0209	Missouri Gas Energy	Surrebuttal	Rate of Return Capital Structure
5/24/04	GR-2004-0209	Missouri Gas Energy	Rebuttal	Rate of Return Capital Structure
4/15/2004	GR-2004-0209	Missouri Gas Energy	Direct	Rate of Return Capital Structure
3/11/2004	IR-2004-0272	Fidelity Telephone Company	Direct	Rate of Return Capital Structure
2/13/2004	GR-2004-0072	Aquila, Inc. dba Aquila Networks-MPS and Aquila Networks-L&P	Rebuttal	Rate of Return Capital Structure
2/13/2004	ER-2004-0034	Aquila, Inc. dba Aquila Networks-MPS and Aquila Networks-L&P	Surrebuttal	Rate of Return Capital Structure
2/13/2004	HR-2004-0024	Aquila, Inc. dba Aquila Networks-MPS and Aquila Networks-L&P	Surrebuttal	Rate of Return Capital Structure
1/26/2004	HR-2004-0024	Aquila, Inc. dba Aquila Networks-MPS and Aquila Networks L&P	Rebuttal	Rate of Return Capital Structure
1/26/2004	ER-2004-0034	Aquila, Inc. dba Aquila Networks-MPS and Aquila Networks L&P	Rebuttal	Rate of Return Capital Structure
1/9/2004	WT-2003-0563	Osage Water Company	Rebuttal	Rate of Return Capital Structure
1/9/2004	ST-2003-0562	Osage Water Company	Rebuttal	Rate of Return Capital Structure
1/6/2004	GR-2004-0072	Aquila, Inc.	Direct	Rate of Return Capital Structure
12/19/2003	ST-2003-0562	Osage Water Company	Direct	Rate of Return Capital Structure
12/19/2003	WT-2003-0563	Osage Water Company	Direct	Rate of Return Capital Structure
12/9/2003	ER-2004-0034	Aquila, Inc.	Direct	Rate of Return Capital Structure
12/9/2003	HR-2004-0024	Aquila, Inc.	Direct	Rate of Return Capital Structure
12/5/2003	WC-2004-0168	Missouri-American Water Co	Surrebuttal	Rate of Return Capital

CASE PROCEEDING PARTICIPATION

DAVID MURRAY

Date Filed	Case Number	Company Name	Testimony Type	Issue(s)
				Structure
12/5/2003	WR-2003-0500	Missouri-American Water Co	Surrebuttal	Rate of Return Capital Structure
11/10/2003	WR-2003-0500	Missouri-American Water Company	Rebuttal	Rate of Return Capital Structure
11/10/2003	WC-2004-0168	Missouri-American Water Company	Rebuttal	Rate of Return Capital Structure
10/3/2003	WC-2004-0168	Missouri-American Water Company	Direct	Rate of Return Capital Structure
10/3/2003	WR-2003-0500	Missouri-American Water Company	Direct	Rate of Return Capital Structure
3/17/2003	GM-2003-0238	Southern Union Co. dba Missouri Gas Energy	Rebuttal	Insulation
10/16/2002	ER-2002-424	The Empire District Electric Company	Surrebuttal	Rate of Return Capital Structure
9/24/2002	ER-2002-424	The Empire District Electric Company	Rebuttal	Rate of Return Capital Structure
8/16/2002	ER-2002-424	The Empire District Electric Company	Direct	Rate of Return Capital Structure
8/6/2002	TC-2002-1076	BPS Telephone Company	Direct	Rate of Return Capital Structure
1/22/2002	EC-2002-265	UtiliCorp United Inc. dba Missouri Public Service	Surrebuttal	Rate of Return Capital Structure
1/22/2002	ER-2001-265	UtiliCorp United Inc. dba Missouri Public Service	Surrebuttal	Rate of Return Capital Structure
1/8/2002	ER-2001-672	UtiliCorp United Inc. dba Missouri Public Service	Rebuttal	Rate of Return Capital Structure
1/8/2002	EC-2002-265	UtiliCorp United Inc. dba Missouri Public Service	Rebuttal	Rate of Return Capital Structure
12/6/2001	ER-2001-672	UtiliCorp United Inc. dba Missouri Public Service	Direct	Rate of Return Capital Structure
12/6/2001	EC-2002-265	UtiliCorp United Inc. dba Missouri Public Service	Direct	Rate of Return Capital Structure
5/22/2001	GR-2001-292	Missouri Gas Energy, A Division of Southern Union Company	Rebuttal	Rate of Return Capital Structure
4/19/2001	GR-2001-292	Missouri Gas Energy, A Division of Southern Union Company	Direct	Rate of Return Capital Structure

CASE PROCEEDING PARTICIPATION

DAVID MURRAY

Date Filed	Case Number	Company Name	Testimony Type	Issue(s)
3/1/2001	TT-2001-328	Oregon Farmers Mutual Telephone Company	Rebuttal	Rate of Return Capital Structure
2/28/2001	TR-2001-344	Northeast Missouri Rural Telephone Company	Direct	Rate of Return Capital Structure
1/31/2001	TC-2001-402	Ozark Telephone Company	Direct	Rate of Return Capital Structure

Anne E. Ross

EDUCATION

Bachelor of Science – Business Administration
University of Missouri, Columbia, MO – May 1986

Master of Science – Business Administration
University of Missouri, Columbia, MO – May 1989

PROFESSIONAL EXPERIENCE

Missouri Public Service Commission
Regulatory Economist II
September 1989 – Present

Member – Missouri Weatherization Policy Advisory Committee
2004 - Present

CASE PARTICIPATION

Case Number	Company Name	Testimony Issues
GR-90-50	Kansas Power and Light	Class Cost-of-Service
GR-90-120	Laclede Gas Company	Class Cost-of-Service
GR-90-152	Associated Natural Gas	Class Cost-of-Service
GR-90-198	Missouri Public Service	Class Cost-of-Service
GR-91-249	United Cities Gas Company	Class Cost-of-Service
GR-91-291	Kansas Power and Light	Class Cost-of-Service
GR-92-165	Laclede Gas Company	Class Cost-of-Service
GR-93-42	St. Joseph Light and Power	Class Cost-of-Service
GR-93-47	United Cities Gas Company	Class Cost-of-Service
GR-93-172	Missouri Public Service	Class Cost-of-Service
GR-93-240	Western Resources	Class Cost-of-Service
GR-94-0220	Laclede Gas Company	Class Cost-of-Service
GA-94-0127	Tartan Energy Company	Reviewed Application
GR-95-0160	United Cities Gas Company	Class Cost-of-Service
GR-96-0193	Laclede Gas Company	Class Cost-of-Service
GR-96-0285	Missouri Gas Energy	Class Cost-of-Service
GR-99-0042	St. Joseph Light and Power	Class Cost-of-Service

CASE PARTICIPATION (cont'd)

Case Number	Company Name	Testimony Issues
GR-2002-0356	Laclede Gas Company	Class Cost-of-Service, Large Customer Analysis
GR-2003-517	AmerenUE	Class Cost-of-Service, Large Customer Analysis, Low-Income Customer Assistance
GR-2004-0072	Aquila Networks	Class Cost-of-Service, Large Customer Analysis, Low-Income Customer Assistance
GR-2004-0209	Missouri Gas Energy	Class Cost-of-Service, Large Customer Analysis, Low-Income Customer Assistance
GR-2005-0284	Laclede Gas Company	Class Cost-of-Service, Large Customer Analysis, Low-Income Customer Assistance
GR-2006-0387	Atmos Energy Corporation	Large Customer Analysis, Rate Design, Customer Conservation Programs
GR-2006-0422	Missouri Gas Energy	Large Customer Analysis, Rate Design, Customer Conservation Programs
GR-2007-0003	AmerenUE	Large Customer Analysis, Rate Design, Customer Conservation Programs
GR-2007-0208	Laclede Gas Company	Large Customer Analysis, Rate Design, Low-Income Customer Assistance
GR-2008-0060	Missouri Gas Utilities	Rate Design, Low-Income Customer Assistance, Customer Conservation Programs

Background, Education and Credentials

Phil Williams

I am a Regulatory Auditor IV for the Missouri Public Service Commission (Commission or MoPSC). I graduated from Central Missouri State University (CMSU), now know as the University of Central Missouri) at Warrensburg, Missouri, in August of 1976, with a Bachelor of Science degree in Business Administration. My functional major was Accounting. Upon completion of my undergraduate degree, I entered the masters program at CMSU. I received a Masters of Business Administration degree from CMSU in February 1978, with an emphasis in Accounting. In May 1989, I passed the Uniform Certified Public Accountant (CPA) examination. I am currently licensed as a Certified Public Accountant in the state of Missouri, Certificate No. 013736. In May 1994, I passed the Certified Internal Auditors (CIA) examination, and received my CIA designation.

Please refer to Schedule PKW-1 for a list of the case in which I have filed testimony before this Commission. I have acquired general knowledge of these topics through my experience and analyses in prior rate cases and merger cases before this Commission. I have also acquired knowledge of these topics through review of Staff workpapers for prior rate cases brought before this Commission. I have reviewed prior Commission decisions with regard to these areas. I have reviewed the Company's testimony, workpapers and responses to Staff's data requests addressing these topics. In addition, my college coursework included accounting and auditing classes. Additionally, I received a Masters in Business Administration degree. I have also successfully passed the Certified Public Accountants Exam, which included sections on accounting practice and theory, as well as, auditing. I currently hold a license to practice in Missouri. I also successfully passed the Certified Internal Auditors Exam. Since commencing employment with the Commission in September, 1980, I have attended various in-house training seminars and NARUC conferences. I have participated in approximately 40 formal rate case proceedings. I have also participated in and supervised the work on a number of informal rate proceedings. As a senior auditor and the Lead Auditor on a number of cases I have participated in the supervision and instruction of new accountants and auditors within the Utility Services Division.

CASE PROCEEDING PARTICIPATION

PHILLIP K. WILLIAMS, CPA, CIA

Date Filed	Issue	Case Number	Exhibit	Company Name
	Advertising, Dues & Donations, Plant, Depreciation Reserve, Property Taxes	ER-81-42		Kansas City Power & Light Company
	Material and Supplies, Cash Working Capital	GR-81-155		The Gas Service Company
	Cash Working Capital	TR-81-302		United Telephone Company
	Payroll, O&M Expenses	GR-81-332		Rich Hill-Hume Gas Company
	Cash Working Capital	ER-82-39		Missouri Public Service Company
	Cash Working Capital	WR-82-50		Missouri Public Service Company
	Cash Working Capital	GR-82-151		The Gas Service Company
		GR-82-194		Missouri Public Service Company
	Revenues	WR-82-279		Missouri Water Company-Lexington Division
	Fuel Expense	ER-83-40		Missouri Public Service Company
	Cash Working Capital	GR-83-225		The Gas Service Company
	Revenues	GR-84-24		Rich Hill-Hume Gas Company
	Unit 3/Extra Work, Unit 3/Back charges; Phase IV	ER-85-128		Kansas City Power & Light Company
	Unit 3/Extra Work, Unit 3/Back charges; Phase IV	ER-85-185		Kansas City Power & Light Company
06-16-86	Payroll, Payroll Taxes, Pensions	GR-86-76	Direct	KPL Gas Service Company
12-22-86	Payroll, Payroll Taxes	TC-87-57	Direct	General Telephone Company of the Midwest
07-29-88	Pensions	GR-88-194	Direct	Missouri Public Service Company

Date Filed	Issue	Case Number	Exhibit	Company Name
11-03-88 12-08-88	Revenues, Pumping Power Expense, Chemical Expense, Vehicle Lease Expense, Interest Expense on Customer Deposits, Bad Debt Expense, Materials & Supplies, Prepayments, Customer Advances, Contributions in Aid of Construction	WR-88-255	Direct Surrebuttal	U.S. Water/Lexington, Missouri, Inc.
03-22-90	Cash Working Capital	GR-90-50	Direct	KPL Gas Service
01-26-90 05-11-90 06-22-90		ER-90-101	Direct Supplemental Rebuttal	UtiliCorp United, Inc., d/b/a Missouri Public Service
09/06/1991	Deferred Income Taxes; Liability Insurance Expense; Commission Assessment Expense; Income Taxes; Injuries & Damages Accrual; WOMAC Employee Expense; Exempt Employee Compensation Study Expense; Rate Case Expense; Employee Relocation Expense	GR-91-291	Direct	Kansas Power and Light Company Gas Service Division
04-02-93	Revenue Requirement, Project Feasibility	GA-92-269	Direct	Missouri Public Service Company, a Division of UtiliCorp United, Inc.
04-24-92	Payroll, Employee Benefits, Payroll Taxes, Administrative & General Expense, Donations, Board Fees, Outside Services, Rate Case Expense	WR-92-85	Direct	Raytown Water Company
06-29-92	Payroll, Salary Increases	WR-92-85	Surrebuttal	Raytown Water Company
09-01-93		GR-93-240	Direct	Western Resources, Inc., d/b/a Gas Service

Date Filed	Issue	Case Number	Exhibit	Company Name
01/22/1993	Ralph Green No. 3 Lease Expense; Injuries & Damages Expense; Property Tax Expense ; Interest Expense on Customer Deposits; Customer Deposits; Customer Advances; Prepayments; Materials & Supplies; Depreciation Expense; Plant in Service; Amortization Expense; Rate Base; Depreciation Reserve	ER-93-37	Direct	UtiliCorp United Inc., d/b/a Missouri Public Service
05/28/1993	Plant in Service; Accounting Authority Order; Corporate Overheads; Injuries & Damages Expense; Property Tax Expense; Interest Expense on Customer Deposits; Customer Deposits; Customer Advances; Prepayments; Materials & Supplies; Amortization Expense; Depreciation Reserve; Rate Base; Depreciation Expense	GR-93-172	Direct	Missouri Public Service, a Division of UtiliCorp United, Inc.
06-29-94	Payroll, Payroll Taxes, Insurance, Employee Benefits, Materials and Supplies, Prepayments, Customer Deposits, PSC Assessment, Maintenance Expense, Admin and General Expenses, Donations, Board Fees	WR-94-211	Direct	Raytown Water Company
10-11-96		GR-96-285	Surrebuttal	Missouri Gas Energy

Date Filed	Issue	Case Number	Exhibit	Company Name
03/28/1997	Plant; Amortization of Authority Orders; Sale of Accounts Receivable; Property Taxes; Customer Advances; Customer Deposits; Prepayments; Materials and Supplies; Depreciation Reserve; Depreciation Expense	EO-97-144	Direct	UtiliCorp United Inc. d/b/a MO Public Service
03/28/1997	Prepayments; Amortization of Authority Orders; Sale of Accounts Receivable; Plant; Property Taxes; Customer Advances; Customer Deposits; Materials and Supplies; Depreciation Reserve; Depreciation Expense	EC-97-362	Direct	UtiliCorp United Inc. d/b/a MO Public Service
09/16/1997	Plant; Property Taxes; Depreciation Reserve; Depreciation Expense; Accounting Authority Order Amortization; Accounts Receivable Sales; Property Taxes	ER-97-394	Direct	Missouri Public Service, a Division of UtiliCorp United Inc.
09/30/1997	Gain on Sale of Assets	GM-97-435	Rebuttal	Missouri Public Service, a Division of UtiliCorp United Inc.
05/15/1998	Public Affairs and Community Relations	GR-98-140	Surrebuttal	Missouri Gas Energy, a Division of Southern Union Company
07/10/1998	Staffs' Accounting Schedules; True-Up Methodology; Payroll; Payroll Taxes; Payroll Expense Ratio; AMR Employee Savings	GR-98-140	True-Up	Missouri Gas Energy, a Division of Southern Union Company

Date Filed	Issue	Case Number	Exhibit	Company Name
01/04/1999	Gross Down Factor; Gross Up	GR-98-140	Rehearing Rebuttal	Missouri Gas Energy, a Division of Southern Union Company
04/26/1999	Rate Disparity; Advertising Savings; Insurance Savings; Vehicle Savings; Facility Savings; Administrative and General Savings	EM-97-515	Rebuttal	Western Resources Inc. and Kansas City Power and Light Company
05/02/2000	Historical Rate Increases/ Reductions; Cost per kWh Comparison	EM-2000-292	Rebuttal	UtiliCorp United Inc. / St. Joseph Light and Power
06/21/2000	Historical Rate Increases/ Reductions; Cost Per kWh Comparisons	EM-2000-369	Rebuttal	UtiliCorp United Inc. / Empire District Electric Company
11/30/2000	Revenue Requirements	TT-2001-116	Rebuttal	Iamo Telephone Company
04/03/2001	Postage Expense; Test Year/True Up; Iatan Maintenance Expense; Bad Debt; Banking Fees; State Line Plant Maintenance Expense; Interest on Customer Deposits; Injuries and Damages;	ER-2001-299	Direct	The Empire District Electric Company
08/07/2001	Maintenance Expense	ER-2001-299	True-up Direct	The Empire District Electric Company
12/06/2001	AFUDC; Test Year; Sale of Accounting Receivable; Plant; True-Up; Jurisdictional Allocations; Cost per Kwh Comparison; Historical Rate Increases/Decreases; Cash Working Capital; Depreciation Expense/Depreciation Reserve; Accounting Authority Order; Pensions and OPEBS	ER-2001-672	Direct	UtiliCorp United Inc. d/b/a Missouri Public Service
01/22/2002	Cost Per kWh Comparison	ER-2001-672	Surrebuttal	UtiliCorp United Inc. d/b/a Missouri Public Service

Date Filed	Issue	Case Number	Exhibit	Company Name
12/06/2001	Accounting Authority Order; Test Year; True-Up Jurisdictional Allocations; Historical Rate Increases/Decreases; Depreciation Expense/ Depreciation Reserve; Cost per Kwh Comparison; Revenues; Uncollectible Expense; AFUDC and Sale of Accounts Receivable; Cash Working Capital Plant	EC-2002-265	Direct	UtiliCorp United Inc. d/b/a Missouri Public Service
01/22/2002	Cost Per kWh Comparison	EC-2002-265	Surrebuttal	UtiliCorp United Inc. d/b/a Missouri Public
08/16/2002	Test Year; Jurisdictional Allocators; State Line Maintenance Contract; State Line 1 and Energy Center 1 & 2 Maintenance Contract; Iatan Maintenance Expense; Asbury Maintenance Expense; Miscellaneous Expenses & Banking Fees;	ER-2002-424	Direct	The Empire District Electric Company
09/24/2002	Security Rider	ER-2002-424	Rebuttal	The Empire District Electric Company
12/09/2003	Test Year; Jurisdictional Allocations; Revenue Requirement; Rate History	ER-2004-0034 and HR-2004-0024	Direct	Aquila, Inc. d/b/a Aquila Networks-MPS and Aquila Networks-L&P
01/06/2004	Test Year, Jurisdictional Allocation Factors, Asset Impairment Write-Down of Eastern System	GR-2004-0072	Direct	Aquila, Inc. d/b/a Aquila Networks MPS Gas and Aquila Networks-L&P Gas
01/26/2004	Test Year; Jurisdictional Allocations; Revenue Requirement; Rate History	ER-2004-0034 and HR-2004-0024	Rebuttal	Aquila, Inc. d/b/a Aquila Networks-MPS and Aquila Networks-L&P
02/27/2004	Test Year; Jurisdictional Allocations; Revenue Requirement; Rate History	ER-2004-0034 and HR-2004-0024	Modified Direct	Aquila, Inc. d/b/a Aquila Networks-MPS and Aquila Networks-L&P
02/27/2004	Test Year; Jurisdictional Allocations; Revenue Requirement; Rate History	ER-2004-0034 and HR-2004-0024	Modified Rebuttal	Aquila, Inc. d/b/a Aquila Networks-MPS and Aquila Networks-L&P

Date Filed	Issue	Case Number	Exhibit	Company Name
10/14/2004	Merger Recommendations, Asset Impairment Write-down, Original Cost of Rate Base, Description of Chilled Water System, Acquisition Premium, Affiliated Transactions	HM-2004-0618	Rebuttal	Trigen-Kansas City Energy Corp. and Thermal North American, Inc.
06/13/2005	Asset Impairment, Write-down of the three Natural Gas Combustion Turbines, Regulatory Accounting	EO-2005-0156	Rebuttal	Aquila, Inc. d/b/a Aquila Networks – MPS
10/14/2005	Test Year; Jurisdictional Allocations; Revenue Requirement; Plant in Service; Depreciation Expense; Depreciation Reserve; Accounting Authority Orders; Property Taxes; South Harper Construction Costs; South Harper Maintenance	ER-2005-0436	Direct	Aquila, Inc. d/b/a Aquila Networks – MPS and Aquila Networks - L&P
11/18/2005	Accounting Authority Orders (AAOs)	ER-2005-0436	Rebuttal	Aquila, Inc. d/b/a Aquila Networks – MPS and Aquila Networks - L&P
12/13/2005	Cash Working Capital; Chapter 100 Ratemaking Treatment; South Harper Construction Costs; South Harper AFUDC; Accounting Authority Orders (AAOs)	ER-2005-0436	Surrebuttal	Aquila, Inc. d/b/a Aquila Networks – MPS and Aquila Networks - L&P

Date Filed	Issue	Case Number	Exhibit	Company Name
08/08/2006	Test Year; Jurisdictional Allocations; Revenue Requirement; Plant in Service; Depreciation Expense; Depreciation Reserve; Accounting Authority Orders; Cash Working Capital; Property Taxes; Expense; Customer Advances; Customer Deposit; Materials & Supplies; Prepayments, Lobbying; Accounting Treatment of Hawthorne 5; and Dues and Donations	ER-2006-0314	Direct	Kansas City Power & Light Company
10/06/2006	Hawthorn 5 AFDC and Depreciation Expense, Lobbying Expenses, Cash Working Capital and EEI	ER-2006-0314	Surrebuttal	Kansas City Power & Light Company
01/24/2007	Test Year; Jurisdictional Allocations; Revenue Requirement; Plant in Service; Depreciation Expense; Depreciation Reserve; Accounting Authority Orders; Property Taxes; South Harper Construction Costs; South Harper Maintenance Expense; Cash Working Capital; Rate History	ER-2007-0004	Direct	Aquila, Inc. d/b/a Aquila Networks – MPS and Aquila Networks - L&P
02/20/2007	Accounting Authority Work Order	ER-2007-0004	Rebuttal	Aquila, Inc. d/b/a Aquila Networks – MPS and Aquila Networks - L&P
03/20/2007	Accounting Authority Work Order	ER-2007-0004	Surrebuttal	Aquila, Inc. d/b/a Aquila Networks – MPS and Aquila Networks - L&P

AN ANALYSIS OF THE COST OF CAPITAL

FOR

TRIGEN-KANSAS CITY ENERGY CORPORATION

CASE NO. HR-2008-0300

SCHEDULES

BY

DAVID MURRAY

UTILITY SERVICES DIVISION

MISSOURI PUBLIC SERVICE COMMISSION

AUGUST 2008

Appendix 2

TRIGEN-KANSAS CITY ENERGY CORPORATION
CASE NO. HR-2008-0300

List of Schedules

Schedule Number	Description of Schedule
1	List of Schedules
2	Capital Structures of Proxy Group for 2007 Fiscal Year
3-1	AGL Resources, Inc. Stated Cost of Long-Term Debt for Fiscal Year Ended December 31, 2007
3-2	Atmos Energy Corporation Stated Cost of Long-Term Debt for Fiscal Year Ended September 30, 2007
3-3	The Laclede Group, Inc. Stated Cost of Long-Term Debt for Fiscal Year Ended September 30, 2007
3-4	NICOR, Inc. Stated Cost of Long-Term Debt for Fiscal Year Ended December 31, 2007
3-5	Northwest Natural Gas Company Stated Cost of Long-Term Debt for Fiscal Year Ended December 31, 2007
3-6	Piedmont Natural Gas Company, Inc. Stated Cost of Long-Term Debt for Fiscal Year Ended October 31, 2007
3-7	South Jersey Industries Stated Cost of Long-Term Debt for Fiscal Year Ended December 31, 2007
3-8	Southwest Gas Corporation Stated Cost of Long-Term Debt for Fiscal Year Ended December 31, 2007
3-9	WGL Holdings, Inc. Stated Cost of Long-Term Debt for Fiscal Year Ended September 30, 2007
3-10	Stated Cost of Long-Term Debt for the Natural Gas Proxy Group as of Most Recent Fiscal Year End
4	Weighted Cost of Capital for Trigen-Kansas City Energy Corporation

Capital Structures of Proxy Group for 2007 Fiscal Year

(*in thousands*)

Capital Components	AGL	Atmos	Laclede	NICOR	NW Natural Gas	Piedmont	South Jersey	Southwest Gas	WGL Holdings
Common Equity	$1,661,000	$1,965,754	$428,325	$945,200	$594,751	$878,374	$481,080	$983,673	$980,767
Preferred Stock	$0	$0	$627	$600	$0	$0	$0	$100,000	$28,173
Long-Term Debt	$1,674,000	$2,130,146	$395,682	$497,800	$517,000	$824,887	$358,002	$1,304,146	$637,513
Short-Term Debt	$580,000	$150,599	$211,400	$369,000	$143,100	$195,500	$118,290	$9,000	$184,247
Total	$3,915,000	$4,246,499	$1,036,034	$1,812,600	$1,254,851	$1,898,761	$957,372	$2,396,819	$1,830,700

Capital Structure	AGL	Atmos	Laclede	NICOR	NW Natural Gas	Piedmont	South Jersey	Southwest Gas	WGL Holdings	**Average**
Common Equity	42.43%	46.29%	41.34%	52.15%	47.40%	46.26%	50.25%	41.04%	53.57%	**46.75%**
Preferred Stock	0.00%	0.00%	0.06%	0.03%	0.00%	0.00%	0.00%	4.17%	1.54%	**0.64%**
Long-Term Debt	42.76%	50.16%	38.19%	27.46%	41.20%	43.44%	37.39%	54.41%	34.82%	**41.09%**
Short-Term Debt	14.81%	3.55%	20.40%	20.36%	11.40%	10.30%	12.36%	0.38%	10.06%	**11.51%**
Total	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	**100.00%**

Source: 2007 Fiscal Year Annual Reports and Form 10-Ks

SCHEDULE 2

TRIGEN-KANSAS CITY ENERGY CORPORATION
CASE NO. HR-2008-0300

AGL Resources, Inc.
Stated Cost of Long-Term Debt
for Fiscal Year Ended December 31, 2007

Long-term debt	Weighted Average Interest Rate	Amount Outstanding
Senior Notes	5.80%	$ 1,275,000,000
Gas Facility Revenue Bonds	4.30%	$ 199,000,000
Medium-term notes	7.80%	$ 196,000,000
AGL Capital interest rate swaps	8.80%	$ (2,000,000)
Total		**$ 1,668,000,000**

Cost of Long-Term Debt[1,2] **5.85%**

Source: AGL Resources Form 10-K for December 31, 2007.

Notes: 1. The cost of long-term debt does not include capital leases.
2. An average cost of long-term debt of 6.1% was found in the SEC Form 10-K.

TRIGEN-KANSAS CITY ENERGY CORPORATION
CASE NO. HR-2008-0300

Atmos Energy Corporation
Stated Cost of Long-Term Debt
for Fiscal Year Ended September 30, 2007

Long-term debt	Interest Rate	Amount Outstanding	Interest Expense
4.00% Senior Notes, due 2009	4.00%	$ 400,000,000	$ 16,000,000
7.375% Senior Notes, due 2011	7.38%	$ 350,000,000	$ 25,812,500
10.00% Senior Notes, due 2001	10.00%	$ 2,303,000	$ 230,300
5.125% Senior Notes, due 2013	5.13%	$ 250,000,000	$ 12,812,500
4.95% Senior Notes, due 2014	4.95%	$ 500,000,000	$ 24,750,000
6.35% Senior Notes, due 2017	6.35%	$ 250,000,000	$ 15,875,000
5.95% Senior Notes, due 2034	5.95%	$ 200,000,000	$ 11,900,000
Medium Term Notes:			
Series A 1995-2, 6.27%, due 2010	6.27%	$ 10,000,000	$ 627,000
Series A 1995-1, 6.67%, due 2025	6.67%	$ 10,000,000	$ 667,000
Unsecured 6.75% Debentures, due 2028	6.75%	$ 150,000,000	$ 10,125,000
First Mortgage Bonds Series P, 10.43% due 2013	10.43%	$ 7,500,000	$ 782,250
Less:			
Original Issue Discount		$ (3,547,000)	
Total Amount Outstanding		**$ 2,126,256,000**	**$ 119,581,550**

Cost of Long-Term Debt[1] **5.62%**

Source: Atmos Energy Corporation Form 10-K for September 30, 2007.

Notes: 1. The cost of long-term debt does not include notes in which an interest rate was not provided.

TRIGEN-KANSAS CITY ENERGY CORPORATION
CASE NO. HR-2008-0300

The Laclede Group, Inc.
Stated Cost of Long-Term Debt
for Fiscal Year Ended September 30, 2007

Long-term debt	Interest Rate	Amount Outstanding		Interest Expense	
First Mortgage Bonds:					
6.50% Series, due November 15, 2010	6.50%	$	25,000,000	$	1,625,000
6.50% Series, due October 15, 2012	6.50%	$	25,000,000	$	1,625,000
5.50% Series, due May 1, 2019	5.50%	$	50,000,000	$	2,750,000
7.00% Series, due June 1, 2029	7.00%	$	25,000,000	$	1,750,000
7.90% Series, due September 15, 2030	7.90%	$	30,000,000	$	2,370,000
6.00% Series, due May 1, 2034	6.00%	$	100,000,000	$	6,000,000
6.15% Series, due June 1, 2036	6.15%	$	55,000,000	$	3,382,500
Less:					
Unamortized discount, net of premium		$	(878,000)		
Total Amount Outstanding		**$**	**309,122,000**	**$**	**19,502,500**

Cost of Long-Term Debt **6.31%**

Source: The Laclede Group, Inc. Form 10-K for September 30, 2007.

NICOR, Inc.
Stated Cost of Long-Term Debt
for Fiscal Year Ended December 31, 2007

Long-term debt	Interest Rate	Amount Outstanding	Interest Expense
First Mortgage Bonds:			
5.875% Series, due 2008	5.88%	$ 75,000,000	$ 4,406,250
5.37% Series, due 2009	5.37%	$ 50,000,000	$ 2,685,000
6.625% Series, due 2011	6.63%	$ 75,000,000	$ 4,968,750
7.20% Series, due 2016	7.20%	$ 50,000,000	$ 3,600,000
5.80% Series, due 2023	5.80%	$ 50,000,000	$ 2,900,000
6.58% Series, due 2028	6.58%	$ 50,000,000	$ 3,290,000
5.90% Series, due 2032	5.90%	$ 50,000,000	$ 2,950,000
5.90% Series, due 2033	5.90%	$ 50,000,000	$ 2,950,000
5.85% Series, due 2036	5.85%	$ 50,000,000	$ 2,925,000
Less:			
Unamortized debt discount		$ (2,200,000)	
Total Amount Outstanding		**$ 497,800,000**	**$ 30,675,000**

Cost of Long-Term Debt **6.16%**

Source: NICOR, Inc. Form 10-K for December 31, 2007.

Northwest Natural Gas Company
Stated Cost of Long-Term Debt
for Fiscal Year Ended December 31, 2007

Long-term debt	Interest Rate	Amount Outstanding		Interest Expense	
First Mortgage Bonds:					
6.50% Series B, due 2008	6.50%	$	5,000,000	$	325,000
4.11% Series B, due 2010	4.11%	$	10,000,000	$	411,000
7.45% Series B, due 2010	7.45%	$	25,000,000	$	1,862,500
6.665% Series B, due 2011	6.67%	$	10,000,000	$	666,500
7.13% Series B, due 2012	7.13%	$	40,000,000	$	2,852,000
8.26% Series B, due 2014	8.26%	$	10,000,000	$	826,000
4.70% Series B, due 2015	4.70%	$	40,000,000	$	1,880,000
5.15% Series B, due 2016	5.15%	$	25,000,000	$	1,287,500
7.00% Series B, due 2017	7.00%	$	40,000,000	$	2,800,000
6.60% Series B, due 2018	6.60%	$	22,000,000	$	1,452,000
8.31% Series B, due 2019	8.31%	$	10,000,000	$	831,000
7.63% Series B, due 2019	7.63%	$	20,000,000	$	1,526,000
9.05% Series A, due 2021	9.05%	$	10,000,000	$	905,000
5.62% Series B, due 2023	5.62%	$	40,000,000	$	2,248,000
7.72% Series B, due 2025	7.72%	$	20,000,000	$	1,544,000
6.52% Series B, due 2025	6.52%	$	10,000,000	$	652,000
7.05% Series B, due 2026	7.05%	$	20,000,000	$	1,410,000
7.00% Series B, due 2027	7.00%	$	20,000,000	$	1,400,000
6.65% Series B, due 2027	6.65%	$	20,000,000	$	1,330,000
6.65% Series B, due 2028	6.65%	$	10,000,000	$	665,000
7.74% Series B, due 2030	7.74%	$	20,000,000	$	1,548,000
7.85% Series B, due 2030	7.85%	$	10,000,000	$	785,000
5.82% Series B, due 2032	5.82%	$	30,000,000	$	1,746,000
5.66% Series B, due 2033	5.66%	$	40,000,000	$	2,264,000
5.25% Series B, due 2035	5.25%	$	10,000,000	$	525,000
Total Amount Outstanding		**$**	**517,000,000**	**$**	**33,741,500**

Cost of Long-Term Debt **6.53%**

Source: Northwest Natural Gas Company Form 10-K for December 31, 2007.

Piedmont Natural Gas Company, Inc.
Stated Cost of Long-Term Debt
for Fiscal Year Ended October 31, 2007

Long-term debt	Interest Rate	Amount Outstanding		Interest Expense	
Senior Notes					
8.51%, due 2017	8.51%	$	35,000,000	$	2,978,500
Insured Quarterly Notes:					
6.25% due 2036	6.25%	$	199,887,000	$	12,492,938
Medium-Term Notes					
7.35%, due 2009	7.35%	$	30,000,000	$	2,205,000
7.80%, due 2010	7.80%	$	60,000,000	$	4,680,000
6.55%, due 2011	6.55%	$	60,000,000	$	3,930,000
5.00%, due 2013	5.00%	$	100,000,000	$	5,000,000
6.87%, due 2023	6.87%	$	45,000,000	$	3,091,500
8.45%, due 2024	8.45%	$	40,000,000	$	3,380,000
7.40%, due 2025	7.40%	$	55,000,000	$	4,070,000
7.50%, due 2026	7.50%	$	40,000,000	$	3,000,000
7.95%, due 2029	7.95%	$	60,000,000	$	4,770,000
6.00%, due 2033	6.00%	$	100,000,000	$	6,000,000
Total Amount Outstanding		**$**	**824,887,000**	**$**	**55,597,938**

Cost of Long-Term Debt **6.74%**

Source: Piedmont Natural Gas Company, Inc. Form 10-K for October 31, 2007.

TRIGEN-KANSAS CITY ENERGY CORPORATION
CASE NO. HR-2008-0300

South Jersey Industries
Stated Cost of Long-Term Debt
for Fiscal Year Ended December 31, 2007

Long-term debt	Interest Rate	Amount Outstanding		Interest Expense	
First Mortgage Bonds: (B)					
6.12%, due 2010	6.12%	$	10,000,000	$	612,000
6.74%, due 2011	6.74%	$	10,000,000	$	674,000
6.57%, due 2011	6.57%	$	15,000,000	$	985,500
4.46%, due 2013	4.46%	$	10,500,000	$	468,300
5.027%, due 2013	5.03%	$	14,500,000	$	728,915
4.52%, due 2014	4.52%	$	11,000,000	$	497,200
5.115%, due 2014	5.12%	$	10,000,000	$	511,500
5.387%, due 2015	5.39%	$	10,000,000	$	538,700
5.437%, due 2016	5.44%	$	10,000,000	$	543,700
6.50%, due 2016	6.50%	$	9,873,000	$	641,745
4.60%, due 2016	4.60%	$	17,000,000	$	782,000
4.657%, due 2017	4.66%	$	15,000,000	$	698,550
7.97%, due 2018	7.97%	$	10,000,000	$	797,000
7.125%, due 2018	7.13%	$	20,000,000	$	1,425,000
5.587%, due 2019	5.59%	$	10,000,000	$	558,700
7.70%, due 2027	7.70%	$	35,000,000	$	2,695,000
5.55%, due 2033	5.55%	$	32,000,000	$	1,776,000
6.213%, due 2034	6.21%	$	10,000,000	$	621,300
5.45%, due 2035	5.45%	$	10,000,000	$	545,000
Total Amount Outstanding		**$**	**269,873,000**	**$**	**16,100,110**

Cost of Long-Term Debt[1] **5.97%**

Source: South Jersey Industries 2007 Annual Report.

Notes: 1. Excludes Series A Variable Rate Bonds, Marina Energy LLC Bonds and AC Landfill Energy, LLC Bonds

TRIGEN-KANSAS CITY ENERGY CORPORATION
CASE NO. HR-2008-0300

Southwest Gas Corporation
Stated Cost of Long-Term Debt
for Fiscal Year Ended December 31, 2007

Long-term debt	Interest Rate	Amount Outstanding	Interest Expense
Debentures:			
Notes, 8.375%, due 2011	8.38%	$ 200,000,000	$ 16,750,000
Notes, 7.625%, due 2012	7.63%	$ 200,000,000	$ 15,250,000
8.00% Series, due 2026	8.00%	$ 75,000,000	$ 6,000,000
Medium-term notes, 6.27%, due 2008	6.27%	$ 25,000,000	$ 1,567,500
Medium-term notes, 7.59%, due 2017	7.59%	$ 25,000,000	$ 1,897,500
Medium-term notes, 7.78%, due 2022	7.78%	$ 25,000,000	$ 1,945,000
Medium-term notes, 7.92%, due 2027	7.92%	$ 25,000,000	$ 1,980,000
Medium-term notes, 6.76%, due 2027	6.76%	$ 7,500,000	$ 507,000
Fixed-rate bonds:			
6.10% 1999 Series A, due 2038	6.10%	$ 12,410,000	$ 757,010
5.95% 1999 Series C, due 2016	5.95%	$ 14,320,000	$ 852,040
5.55% 1999 Series D, due 2038	5.55%	$ 8,270,000	$ 458,985
5.45% 2003 Series C, due 2038	5.45%	$ 30,000,000	$ 1,635,000
5.25% 2003 Series C, due 2038	5.25%	$ 20,000,000	$ 1,050,000
5.80% 2003 Series E, due 2038	5.80%	$ 15,000,000	$ 870,000
5.25% 2004 Series A, due 2034	5.25%	$ 65,000,000	$ 3,412,500
5.00% 2004 Series B, due 2033	5.00%	$ 75,000,000	$ 3,750,000
4.85% 2005 Series A, due 2035	4.85%	$ 100,000,000	$ 4,850,000
4.75% 2006 Series A, due 2036	4.75%	$ 56,000,000	$ 2,660,000
Less:			
Unamortized discount		$ (7,974,000)	
Total Amount Outstanding		**$ 970,526,000**	**$ 66,192,535**

Cost of Long-Term Debt[1] **6.82%**

Source: Southwest Gas Corporation's 2007 Form 10-K.

Notes: 1. Excludes Variable Rate Bonds

TRIGEN-KANSAS CITY ENERGY CORPORATION
CASE NO. HR-2008-0300

WGL Holdings, Inc.
Stated Cost of Long-Term Debt
for Fiscal Year Ended September 30, 2007

Long-term debt	Interest Rate	Amount Outstanding	Interest Expense
Unsecured Medium-Term Notes			
6.51% to 6.61%, due 2008	6.56%	$ 20,100,000	$ 1,318,560
5.49% to 6.92%, due 2009	6.21%	$ 75,000,000	$ 4,653,750
7.50% to 7.70%, due 2010	7.60%	$ 24,000,000	$ 1,824,000
6.64%, due 2011	6.64%	$ 30,000,000	$ 1,992,000
5.90% to 6.05%, due 2012	5.98%	$ 77,000,000	$ 4,600,750
4.88% to 5.17%, due 2014	5.03%	$ 67,000,000	$ 3,366,750
4.83%, due 2015	4.83%	$ 20,000,000	$ 966,000
5.17%, due 2016	5.17%	$ 25,000,000	$ 1,292,500
6.65%, due 2023	6.65%	$ 20,000,000	$ 1,330,000
5.44%, due 2025	5.44%	$ 40,500,000	$ 2,203,200
6.40% to 6.82%, due 2027	6.61%	$ 125,000,000	$ 8,262,500
6.57% to 6.85%, due 2028	6.71%	$ 52,000,000	$ 3,489,200
7.50%, due 2030	7.50%	$ 8,500,000	$ 637,500
5.70% to 5.78%, due 2036	5.74%	$ 50,000,000	$ 2,870,000
Less:			
Unamortized discount		$ (96,000)	
Total Amount Outstanding		**$ 634,004,000**	**$ 38,806,710**

Cost of Long-Term Debt[1] **6.12%**

Source: WGL Holdings, Inc.'s 2007 Form 10-K.

Notes: 1. Excludes "Other" long-term debt.

Stated Cost of Long-Term Debt for the Natural Gas Proxy Group as of Most Recent Fiscal Year End

Company Name	Stated Cost of Long-term Debt
AGL Resources, Inc.	5.85%
Atmos Energy Corp.	5.62%
The Laclede Group	6.31%
NICOR, Inc.	6.16%
Northwest Natural Gas	6.53%
Piedmont Natural Gas Company, Inc.	6.74%
South Jersey Industries, Inc.	5.97%
Southwest Gas Corporation	6.82%
WGL Holdings, Inc.	6.12%
Average	**6.24%**

SCHEDULE 3-10

TRIGEN-KANSAS CITY ENERGY CORPORATION
CASE NO. HR-2008-0300

Weighted Cost of Capital for Trigen-Kansas City Energy Corporation

Capital Component	Percentage of Capital	Embedded Cost	Weighted Cost of Capital Using Common Equity Return of:		
			9.25%	**9.38%**	**9.50%**
Common Stock Equity	47.00%	-----	4.35%	4.41%	4.47%
Long-Term Debt	53.00%	6.25%	3.31%	3.31%	3.31%
	100.00%		**7.66%**	**7.72%**	**7.78%**

TRIGEN-KANSAS CITY ENERGY CORPORATION
CASE NO. HR-2008-0300
PSC PROPOSED DEPRECIATION FACTORS AND RATES
AT June 30, 2008

FERC Electric Account	Steam Heat Account	Account Name	1 6/30/2008 Plant Balance	2 Average Service Life	3 Life Weight	4 Net Salvage Excl. Dismantling Percent	5 Net Salvage Excl. Dismantling Amount	6 6/30/2008 Accumulated Depreciation Reserve	7	8 Amount to be Recovered	9 Reallocation from Reserve	10 New Amount to be Recovered	11 Recommended Depreciation Rate	12 Annual Depreciation
			$	Yrs		%	$	$	%	$			%	$
			Input		1 / 2	Input	1x4	Input	6 / 1	1-5-6			Input	11x 1
												(1,094,258)		
311.0	711.0	Structures and Improvements	$ **5,041,250**	30.5	165,287	-1.0%	(50,413)	$ **6,595,869**	130.8%	(1,504,207)	(1,400,000)	(104,207)	0.00%	0
312.0	712.0	Boiler Plant Equipment	$ **21,296,550**	28.6	744,635	-4.0%	(851,862)	$ **24,065,252**	113.0%	(1,916,840)	(1,500,000)	(416,840)	0.00%	0
314.0	314.0	Turbogenerator Units	$ **2,736,667**	32.3	84,727	-1.0%	(27,367)	$ **650,168**	23.8%	2,113,866	2,220,000	(106,134)	0.00%	0
315.0	715.0	Accessory Electric Equipment	$ **881,301**	31.3	28,157	-1.0%	(8,813)	$ **1,297,466**	147.2%	(407,352)	0	(407,352)	0.00%	0
316.0	716.0	Misc. Power Plant Equipment	$ **914,848**	28.0	32,673	2.0%	18,297	$ **586,276**	64.1%	310,275	370,000	(59,725)	0.00%	0
361.0	761.0	Distribution Structures	$ **73,289**	32.0	2,290	-1.0%	(733)	$ **93,725**	127.9%	(19,703)	0	(19,703)	0.00%	0
362.0	762.0	Distribution Station Equipment	$ **415,756**	42.0	9,899	-1.0%	(4,158)	$ **331,789**	79.8%	88,125	0	88,125	2.40%	9,998
366.0	766.0	Underground Conduit and Manholes	$ **19,680,776**	50.0	393,616	-1.0%	(196,808)	$ **3,485,240**	17.7%	16,392,344	0	16,392,344	2.02%	397,552
369.0	769.0	Services	$ **1,340,451**	40.0	33,511	0.0%	0	$ **685,247**	51.1%	655,204	0	655,204	2.50%	33,511
370.0	770.0	Meters	$ **407,991**	21.0	19,428	0.0%	0	$ **332,060**	81.4%	75,931	0	75,931	4.76%	19,428
391.0	791.0	Office Furniture and Equipment	$ **110,487**	24.0	4,604	0.0%	0	$ **(433,409)**	-392.3%	543,896	301,000	242,896	4.17%	4,604
394.0	794.0	Tools, Shop, and Garage Equipment	$ **10,992**	28.0	393	-3.0%	(330)	$ **(4,001)**	-36.4%	15,323	5,000	10,323	3.68%	404
397.0	797.0	Communications Equipment	$ **13,664**	27.0	506	0.0%	0	$ **683**	5.0%	12,981	0	12,981	3.70%	506
398.0	798.0	Miscellaneous Equipment	$ **17,005**	24.0	709	11.0%	1,871	$ **(2,304)**	-13.5%	17,438	4,000	13,438	3.71%	631
		Totals	52,941,027	34.8	1,520,433	-2.1%	(1,120,315)	37,684,061	71.2%	16,377,281	0	16,377,281	0.88%	466,634
	710.0	Land	449,995											
	392.0	Transportation Equipment	0					(117,147)						
	766.0	Cargill Pipeline	now in Acct. 766											
	766.2 **	**	** **											

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Appendix 3