Exhibit No.
Issue: Depreciation Rates
Witness: Peter S. Huck
Type of Exhibit: Direct Testimony
Sponsoring Party: Trigen Kansas City
Case No. HR-
Date Testimony Prepared: January 9, 2008

BEFORE THE PUBLIC SERVICE COMMISSION

STATE OF MISSOURI

DIRECT TESTIMONY

OF

PETER S. HUCK

TRIGEN-KANSAS CITY ENERGY CORPORATION

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DIRECT TESTIMONY OF PETER S. HUCK

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BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI
DIRECT TESTIMONY OF PETER S. HUCK
ON BEHALF OF TRIGEN-KANSAS CITY ENERGY CORP.
CASE NO. HR_____

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. Peter S. Huck, 411 East Wisconsin Avenue, Milwaukee, Wisconsin.

Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

A. I am employed by American Appraisal Associates, Inc. ("American Appraisal") headquartered in Milwaukee, Wisconsin, as Assistant Vice President and Director and am responsible for utility services.

Q. WILL YOU BRIEFLY DESCRIBE AMERICAN APPRAISAL AND THE NATURE OF ITS SERVICES?

A. American Appraisal is a consulting firm employing more than 700 personnel in offices located in 16 countries around the world. American Appraisal has been a leader in the valuation profession since it was founded in 1896. Its services include utility depreciation rate studies, fair market value studies of both tangible and intangible property, business enterprise and capital stock valuations, insurance appraisals, property record studies, cost segregation studies, and other services centered around the valuation and the management of property. Clients include utilities, service companies, industrial companies, financial companies, and public institutions.

Q. WHAT IS YOUR EDUCATIONAL AND PROFESSIONAL EXPERIENCE?

A. I received a Bachelor of Science degree in electrical engineering in 1972 from Marquette University in Milwaukee, Wisconsin. In 1979, I received a Master of Business Administration degree from Marquette University. In addition to formal courses, on a regular basis I attend and speak at seminars and programs relating to utility and related property valuation and utility depreciation rate studies.

Since joining American Appraisal in 1973, I have been engaged in consulting services to utility and other concerns in the area of depreciation rate studies and appraisals. I have been responsible for studies of utility depreciation rates; fair market value appraisals of tangible and intangible assets, capital stock interests, and business enterprises and other work for electric, gas, service, industrial, and financial companies. I have also been responsible for many lifing studies of intangible assets for a variety of companies.

I am registered as a professional engineer in the State of Wisconsin and a member of the American Society of Appraisers with a designation as an Accredited Senior Appraiser in Machinery and Technical Specialties with a subdiscipline of public utility property. I am also a Senior Member in the Society of Depreciation Professionals.

Q. WHAT IS YOUR EXPERIENCE RELATIVE TO DEPRECIATION RATE STUDIES?

A. Since joining American Appraisal, I have made depreciation rate studies for a variety of companies. Among these companies are Alabama Power Company, Central Illinois Light Company, Georgia Power Company, Gulf Power Company, Northern Illinois Gas Company, Indiana and Michigan Electric Company, Michigan Gas Utilities, MidAmerican Energy, Mississippi Power Company, North Carolina Natural Gas Corporation, Piedmont Natural Gas Company, and SEMCO Energy Gas Company. I also have significant experience in telephone depreciation rate studies and intangible asset lifing.

Q. HAVE YOU PREVIOUSLY PRESENTED DEPRECIATION RATE STUDIES BEFORE REGULATORY AGENCIES?

A. I have testified before and/or submitted studies to the Federal Energy Regulatory Commission, the Rural Utilities Service, and regulatory commissions in 13 states, including Alabama, Alaska, Florida, Georgia, Illinois, Iowa, Kansas, Michigan, Minnesota, Mississippi, North Carolina, Ohio, and Virginia.

Q. WHY WAS AMERICAN APPRAISAL ENGAGED BY TRIGEN-KANSAS CITY ENERGY CORPORATION ("TRIGEN KANSAS CITY")?

A. We were engaged to conduct a depreciation rate study of the depreciable steam property of Trigen Kansas City as of October 31, 2006 ("the study date").

Q. WILL YOU DESCRIBE YOUR RESPONSIBILITY AND PARTICIPATION IN THIS ASSIGNMENT?

A. I personally participated in and directed all work performed by my firm, including the initial planning of the work, the calculations, the evaluation of the data analyses, and the preparation of Schedule PSH-1 that forms a part of my testimony. Schedule PSH-2 is the depreciation study report as submitted to Trigen Kansas City.

Q. WILL YOU SUMMARIZE THE SCOPE OF YOUR TESTIMONY?

A. My testimony covers the recommendations I have made relative to the regulated property of Trigen Kansas City with respect to depreciation (capital recovery) rates. I will describe the study procedures and explain the results of the study with the aid of certain exhibits.

Q. BRIEFLY, WHAT ARE YOUR RECOMMENDATIONS?

A. Trigen Kansas City is proposing that the Commission adopt revised depreciation rates based on my analysis of service life and net salvage. The recommended depreciation rates for each Trigen Kansas City plant account are detailed in Schedule PSH-1, which was prepared under my supervision. Comparisons of existing and recommended depreciation rates and annual depreciation based on plant and reserve balances as of October 31, 2006, are also set forth in Schedule PSH-1. My overall recommendations would significantly reduce Trigen Kansas City's depreciation rates from currently authorized rates and are summarized as follows:

Proposed Depreciation Rate	Proposed Annual Depreciation	Present Annual Depreciation	Annual Depreciation Difference
1.11%	$462,766	$1,229,583	($766,817)

The recommendations are based on the study and analysis undertaken for the purpose of developing reasonable and appropriate depreciation rates for the depreciable steam property of Trigen Kansas City as of October 31, 2006. The methods employed and the analysis made used accepted industry practice.

Q. BRIEFLY EXPLAIN THE PURPOSE OF DEPRECIATION.

A. In the accounting sense, depreciation is the recovery of the capital cost of property, allowing for net salvage, at an orderly rate over the life of the property. In this context, the term "capital recovery" is frequently used in place of the term "depreciation." A principal reason for recognizing depreciation is the systematic and rational reflection of the consumption of capital in cost of service or expenses when determining net income.

The importance of full and timely capital recovery is obvious. For example, if the current rate of capital recovery of investment were too rapid, depreciation charges that should be attributable to the provision of utility service to future customers would be shifted to and paid by current customers.

Depreciation expense is an accepted element of utility cost of service, and appropriate capital recovery is accomplished by periodic study and the inclusion of adequate depreciation expense in cost of service and the resulting retail rates.

Unfortunately, the existing authorized depreciation rates for Trigen Kansas City were last studied and approved by the Commission in the late 1980's when the property was still owned by Kansas City Power and Light Company.

Q. WHAT IS THE DEFINITION OF DEPRECIATION YOU HAVE USED IN THIS STUDY?

A. My definition of depreciation is essentially the same as that used by the Federal Energy Regulatory Commission and the National Association of Regulatory Utility Commissioners. The definition of depreciation used is as follows:

> Depreciation, as applied to depreciable utility plant, means the loss in service value not restored by current maintenance, incurred in connection with the consumption or prospective retirement of utility plant in the course of service from causes which are known to be in current operation and against which the utility is not protected by insurance. Among the causes to be given consideration are wear and tear, decay, action of the elements, inadequacy, obsolescence, changes in the art, changes in demand, and requirements of public authorities.

In the accounting sense, depreciation is the recovery of capital cost of property, allowing for net salvage, at an orderly rate over the life of the property.

Q. IN THE STUDY PERFORMED FOR THE COMPANY, DID YOU CONSIDER ALL OF THE FACTORS MENTIONED IN THE DEFINITION OF DEPRECIATION?

A. Yes, I did.

Q. WHAT METHOD WAS USED TO CALCULATE THE DEPRECIATION RATES?

A. Depreciation rates were calculated for all accounts using the capital recovery method known as the Remaining Life Method.

Q. DESCRIBE THE REMAINING LIFE METHOD.

A. The Remaining Life Method, a straight-line depreciation method, recovers the original cost, adjusted for net salvage and the depreciation reserve, over the average remaining life of the plant according to the formula:

$$\text{Annual Depreciation Rate} = \frac{100\% - \text{Net Salvage \%} - \text{Depreciation Reserve \%}}{\text{Average Remaining Life}}$$

A basic assumption used in determining depreciation rates by the Remaining Life Method is that the property will be retired at a specified average remaining life. Of course, this assumption cannot be verified until all of the property units have been retired.

While the remaining life is an assumption, it can be estimated with increased accuracy as the assets age because the date of ultimate retirement can be estimated with more certainty. Making periodic depreciation rate studies allow for the opportunity to reevaluate and update the various depreciation related estimates and assumptions, so as to recognize changes in a timely manner. As noted, however, periodic depreciation rate studies did not occur for Trigen Kansas City under the prior owners. Nevertheless, the Remaining Life Method allows for full capital recovery on a timely basis, consistent with the objectives of

depreciation. For these reasons, I recommend depreciation rates to be calculated based on the commonly used and accepted Remaining Life Method.

Q. BRIEFLY OUTLINE THE STEPS USED IN PERFORMING THE DEPRECIATION STUDY.

A. Several major steps important to the completion of the depreciation rate study are the following:

Assembly of plant accounting data, including study date plant and accumulated depreciation (reserve) balances

Assessment of expected average service lives

Estimation of the remaining lives of the depreciable property

Conclusion of net salvage of the depreciable property

Calculation of annual depreciation amounts and depreciation rates and comparison to existing depreciation rates

Q. WHAT INFORMATION IS GATHERED IN THE FIRST STEP OF THE STUDY?

A. The information gathered in the initial step of the study is certain property accounting data of each plant account. This includes plant and accumulated depreciation (reserve) balances by plant account as of the study date. The most recent property accounting data and the recently completed reconstruction of the property accounting data since March 1990 provided the necessary and appropriate balances as of October 31, 2006.

In a traditional utility depreciation rate study, the property accounting data also includes information used in the determination of historical life and survivor curve indications, such as vintage investment and dated retirements and/or annual additions and retirements. This typical property accounting data is furnished by the company's plant accounting records.

Q. DO THE COMPANY'S PLANT ACCOUNTING RECORDS CONTAIN THE PROPERTY ACCOUNTING DATA TYPICALLY USED TO DEVELOP TO LIFE AND SURVIVOR CURVE INDICATIONS?

A. No, not in the complete form necessary for a traditional life indication analysis, which is based on statistical analyses of historical plant addition and retirement turnover. Property accounting data required for the traditional techniques to produce accurate analyses of historical life requires a complete, consistent history of property accounting data for each plant account. Given the prior property accounting practices and the subject property, I do not believe that the traditional analyses, designed for determining plant mortality statistics, would result in reliable property life indications for purposes of establishing depreciation rates.

Although the preferred data does not appear to exist for Trigen Kansas City, the analyst can make reasonable remaining life estimates for the depreciation rate study by considering available data from a variety of sources and from the current condition and prospective use of the property.

Q. HOW DID YOU DETERMINE THE AVERAGE SERVICE LIVES?

A. The average services lives were determined based on consideration of my knowledge of the average service lives experienced by other utilities for similar utility property and the type and nature of the subject property, such as its age, observed condition, and use.

Q WERE THE DETERMINED AVERAGE SERVICE LIVES USED IN THE CALCULATION OF THE PROPOSED DEPRECIATION RATES?

A No, not directly in the calculation of the depreciation rates; rather, the average service lives were used as one of the factors in determining the average remaining lives. The average service lives shown in Schedule PSH-1 are provided for information purposes only.

Q. HOW DID YOU DETERMINE THE AVERAGE REMAINING LIVES THAT WERE USED IN THE CALCULATION OF THE DEPRECIATION RATES?

A. Remaining life is generally a function of service life retirement pattern, the distribution of the investment by year of installation (that is, the age of the investment), and specific remaining life factors. In this depreciation rate study, an average remaining life for each account was determined from consideration of the type and nature of the property, my knowledge of the property and of service lives used in the utility industry, the age of the original cost investment, and the remaining lives developed in the Trigen fair value appraisal.

To expand on that last point, as part of the acquisition of Trigen as of June

28, 2005, American Appraisal made an appraisal to determine the fair value and remaining useful lives of the acquired assets. The appraisal was made to provide an aid to the allocation of the purchase price for financial reporting purposes. The responsible appraiser for the plant and equipment inspected the Trigen Kansas City property and held discussions with management, among other activities. I was responsible for the overall direction of the Trigen appraisal and I am familiar with the Trigen Kansas City plant and equipment valuation and remaining useful life methods and conclusions.

Informed expert judgment played an important role in the life analysis for the subject depreciation rate study, as it always should in a utility depreciation rate study. Even when most reliance can be placed on life analysis techniques based directly on historical property accounting data, judgment is important to determining reliable life results. Knowledge of the property, assemblage of the property's life facts, and the analyst's depreciation experience combine to create informed expert judgment.

Q. HOW WAS NET SALVAGE CONSIDERED IN YOUR ANALYSIS?

A. Net salvage was concluded at zero for all accounts.

The traditional net salvage method for utility depreciation rates is to relate net salvage (salvage net of cost of removal) to retirements. In this method, the starting point is to relate historical net salvage amounts to historical retirements. For generating facilities, net salvage usually includes the cost of dismantling the facility at its ultimate retirement. For utility property retirements, cost of removal

usually exceeds salvage, resulting in negative net salvage and a resulting higher depreciation rate.

We are not aware of recorded historical net salvage for the subject and it is unclear whether the previous owners of Trigen Kansas City had consistently and accurately recorded net salvage for its property. Further, given that most of the distribution property probably will be abandoned in place at retirement, its net salvage most likely would be limited in amount.

For the reasons noted and the desire for simplicity in this depreciation rate study, the first in many years for this property, I have recommended that net salvage of zero be used for purposes of this study. This approach can be reevaluated in future periodic depreciation rate studies, based on the facts and circumstances existing at that time.

Q. EXPLAIN HOW THE DEPRECIATION RATE IS CALCULATED WITH THE REMAINING LIFE METHOD.

A. Reference is made to the calculations shown in Schedule PSH-1 for such a demonstration. When all the elements of the depreciation rate calculations are known, the annual depreciation rate for each account can be calculated. First, the investment to be recovered as of the study date and representing future depreciation is calculated. The investment to be recovered as of the study date is calculated from the plant balance, less the amount of net salvage, less the amount recovered to date, or the accumulated depreciation reserve. Referring to Schedule PSH-1, the amount to be recovered is shown in column 8 and is calculated from

column 1 minus column 5 minus column 6.

The amount to be recovered is to be accrued on a straight-line basis over the average remaining life of the plant, using the developed depreciation rate. Annual depreciation is calculated by dividing the amount to be recovered by the average remaining life. Referring to Schedule PSH-1 again, annual depreciation expense is calculated by dividing column 8 by column 9. The proposed depreciation rate shown in column 11 in the exhibit is calculated by dividing the annual depreciation (column 10) by the plant investment balance (column 1).

Q. PLEASE EXPLAIN THE PROPOSED DEPRECIATION RATES THAT ARE ZERO ON SCHEDULE PSH-1.

A. As shown on Schedule PSH-1, the amount to be recovered of certain plant accounts is negative. In other words, the reported study date accumulated depreciation reserve exceeds the original cost plant investment, allowing for net salvage. As the investment in these plant account are fully depreciated, additional depreciation for the study date investment is not appropriate. In these cases, it is recommended that a depreciation rate not be applied until such time as future additions cause the plant investment balance to exceed the accumulated depreciation reserve.

Q. ARE THE DEPRECIATION RATES YOU RECOMMEND REASONABLE FOR TRIGEN KANSAS CITY?

A. Yes, the depreciation rates I have recommended are designed to recover, as of the study date, the undepreciated original cost of plant investment over the remaining

useful life of that plant. The recommended depreciation rates, based on an accepted capital recovery method, are a result of our analysis and study of the facts and conditions known to be in existence at the time of the study.

The techniques employed to derive the analyses and to calculate depreciation are accepted practices. The recommended depreciation rates are reasonable and appropriate for the Company's capital recovery.

Q. DOES THAT CONCLUDE YOUR TESTIMONY?

A. Yes, it does.

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-____

AFFIDAVIT OF PETER S. HUCK

STATE OF WISCONSIN)
) ss
COUNTY OF MILWAUKEE)

Peter S. Huck, being of lawful age, on his oath states: that he has participated in the preparation of the foregoing Direct Testimony in question and answer form to be presented in the above case; that the answers in said Direct Testimony were given by him; that he has knowledge of the matters set forth in such answers; and that such matters are true and correct to the best of his knowledge and belief.

Peter S. Huck

Peter S. Huck

Subscribed and sworn to before me this 19 day of February, 2008.

Notary

TRIGEN KANSAS CITY
PROPOSED DEPRECIATION FACTORS AND RATES
AT OCTOBER 31, 2006

Steam Heat Account	Account Name	1 10/31/2006 Plant Balance	2 Average Service Life	3 Life Weight	4 Net Salvage Excl. Dismantling Percent	5 Net Salvage Excl. Dismantling Amount	6 10/31/2006 Accumulated Depreciation Reserve	7 10/31/2006 Accumulated Depreciation Reserve	8 Amount to be Recovered	9 Average Remaining Life	10 Proposed Annual Depreciation	11 Proposed Depreciation Rate	12 Present Rates Depreciation Rate	13 Present Rates Annual Depreciation	14 Difference
		$	Yrs		%	$	$	%	$	Years	$	%	%	$	$
		Input		1 / 2	Input	1x4	Input	6 / 7	1-4-6	Input	8 / 9	10 / 1	Input	12x 1	10-13
														0	
711.0	Structures and Improvements	4,293,600	50.0	85,872	0.0%	0	6,357,974	148.1%	(2,064,374)	20.0	0	0.00%	3.31%	142,118	(142,118)
712.0	Boiler Plant Equipment	19,988,762	50.0	399,776	0.0%	0	22,860,541	114.4%	(2,871,759)	15.0	0	0.00%	3.63%	725,593	(725,593)
314.0	Turbogenerator Units	2,504,069	50.0	50,081	0.0%	0	510,742	20.4%	1,993,327	15.0	132,888	5.31%	3.13%	78,377	54,511
715.0	Accessory Electric Equipment	881,301	50.0	17,626	0.0%	0	1,250,022	141.8%	(368,721)	15.0	0	0.00%	3.23%	28,466	(28,466)
716.0	Misc. Power Plant Equipment	914,848	40.0	22,871	0.0%	0	532,909	58.3%	381,939	12.0	31,828	3.48%	3.50%	32,020	(191)
761.0	Distribution Structures	73,289	50.0	1,466	0.0%	0	90,109	123.0%	(16,820)	20.0	0	0.00%	2.96%	2,169	(2,169)
762.0	Distribution Station Equipment	415,756	50.0	8,315	0.0%	0	316,683	76.2%	99,073	20.0	4,954	1.19%	2.18%	9,063	(4,110)
766.0	Underground Conduit and Manholes	10,521,431	70.0	150,306	0.0%	0	3,008,012	28.6%	7,513,419	40.0	187,835	1.79%	1.33%	139,935	47,900
769.0	Services	1,340,451	55.0	24,372	0.0%	0	615,097	45.9%	725,354	40.0	18,134	1.35%	3.14%	42,090	(23,956)
770.0	Meters	384,178	30.0	12,806	0.0%	0	303,223	78.9%	80,955	15.0	5,397	1.40%	4.31%	16,556	(11,161)
791.0	Office Furniture and Equipment	229,040	15.0	15,269	0.0%	0	(299,308)	-130.7%	528,348	7.0	75,478	32.95%	5.40%	12,368	63,110
794.0	Tools, Shop, and Garage Equipment	10,992	15.0	733	0.0%	0	(4,479)	-40.7%	15,471	7.0	2,210	20.11%	2.61%	287	1,923
798.0	Miscellaneous Equipment	17,005	15.0	1,134	0.0%	0	(3,199)	-18.8%	20,205	5.0	4,041	23.76%	3.16%	537	3,504
	Totals	41,574,742	52.6	790,627	0.0%	0	35,538,327	85.5%	6,036,415	13.04	462,766	1.11%	2.96%	1,229,583	(766,817)
710.0	Land	449,995													
392.0	Transportation Equipment	0					(117,147)								
766.0	Cargill Pipeline	8,982,523													
	Total Plant	51,007,260					35,421,180								

TRIGEN KANSAS CITY

Depreciation Rate Study

As of October 31, 2006

Prepared for

The Trigen Companies
Boston, Massachusetts

American Appraisal Associates®

Schedule PSH-2

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January 11, 2008

The Trigen Companies
Boston, Massachusetts

At your request, American Appraisal Associates, Inc., has conducted a study as of October 31, 2006 ("the study date"), of the annual depreciation (capital recovery) rates for the depreciable steam plant of Trigen Kansas City ("Trigen" or "the Company").

The study was made to express our opinion of the appropriate book depreciation rates to be applied to the plant in service to enable recovery of the plant investment over its useful life for regulatory reporting purposes. The study procedures and results are summarized in this report.

The definition of depreciation used in this study is essentially the same as that used by the Federal Energy Regulatory Commission and that used by the National Association of Regulatory Utility Commissioners:

> Depreciation, as applied to depreciable utility plant, means the loss in service value not restored by current maintenance, incurred in connection with the consumption or prospective retirement of utility plant in the course of service from causes which are known to be in current operation and against which the utility is not protected by insurance. Among the causes to be given consideration are wear and tear, decay, action of the elements, inadequacy, obsolescence, changes in art, changes in demand and requirements of public authorities.

As a firm, we adhere to the methodology, procedures, and standards requirements as set forth by the Uniform Standards of Professional Appraisal Practice ("USPAP"). However, this report provided for this service is not to be considered an appraisal under USPAP, nor should it be considered to be legal advice. This report is specific to your needs as the client and for the intended use stated. American Appraisal Associates, Inc., is not responsible for unauthorized use of its report.

Our report consists of

This letter, presenting the objective of the study, an explanation of the study methods utilized, and the results of the study

Appendices, comprising

Appendix A - Proposed Depreciation Rates and Comparison of Proposed Rates to Present Rates

B - Assumptions and Limiting Conditions

C - Certificate of Analyst

D - Qualifications of Peter S. Huck

The Property

Trigen Kansas City provides steam for a variety of purposes to customers located in the downtown area of Kansas City, Missouri. Certain aspects of its operations are regulated by the Missouri Public Service Commission ("Commission"). The Trigen Kansas City coal-fired Grand Avenue Station has the capacity to produce greater than 1.2 million pounds per hour of steam and 5 megawatts of electricity. The steam is distributed to the customers through approximately 6.5 miles of a distribution system comprising pipe of various diameter sizes. The initial construction of the property dates from the early 1900s, with additions, renovations, and replacements made since then.

Recently, the service territory of Trigen Kansas City was expanded to include an area south of the downtown loop to allow service to the Truman health complex.

This depreciation rate study included the property of the Trigen Kansas City entity. The separate nonregulated legal entity of Trigen Missouri is not included in this study.

Capital Recovery Method

It is recommended that depreciation rates should be calculated using the remaining life method, a generally accepted straight-line method for calculating such rates. The remaining life method is the procedure most frequently used by utilities for calculating depreciation rates, in part, because it adjusts the rate to reflect changing lives and existing reserve conditions.

In the remaining life method, the original cost of the plant less accumulated depreciation reserve, adjusted for net salvage, is recovered over the average remaining life of the plant according to the following formula:

$$\text{Depreciation Rate} = \frac{100\% - \text{Net Salvage \%} - \text{Depreciation Reserve \%}}{\text{Average Remaining Life}}$$

Study Procedures

Several major steps are performed to complete a depreciation rate study, as follows:

Assembly of plant accounting data, including study date plant and accumulated depreciation (reserve) balances

Assessment of expected average service lives

Estimation of the remaining lives of the depreciable property

Conclusion of net salvage of the depreciable property

Calculation of annual depreciation amounts and depreciation rates and comparison to existing depreciation rates

To study the historical characteristics of the average service life, average remaining life, and retirement dispersion pattern in a traditional utility depreciation rate study, plant accounting data are gathered for each plant account. For location-type accounts, the plant accounting data include aged investment and dated retirements. For mass-type accounts, the plant accounting data include either aged investment and dated retirements or annual additions and retirements. These basic accounting data are furnished by plant accounting records.

Trigen has recently completed the reconstruction of the plant and depreciation reserve balances as of June 27, 2005, and updated it through October 31, 2006. The beginning point of the property accounting reconstruction project was stipulated to balances as of March 1990, the date a previous buyer acquired the Kansas City steam property. The reconstruction project resulted in plant additions, retirements, and balances by year by plant account since March 1990. Property accounting data required for the traditional techniques to analyze the historical life require a nearly complete history of the property accounting of each plant account to produce accurate life indications. Based on our investigation, property accounting data are generally not available in the sufficiently detailed format required for traditional life

analysis techniques. Although the preferred historical data are not available, a reasonable estimate of average remaining life can be made for the study by considering available data from other sources and from the current condition and prospective use of the property.

Detailed Analysis

An average remaining life for each account was determined based on consideration of the nature of the property, our knowledge of the property and service lives of the electric and gas utility industry, the age of the original cost investment, and the remaining lives developed in the fair value appraisal. As part of the acquisition of Trigen Kansas City as of June 27, 2005, American Appraisal made an appraisal to determine the fair value of the assets acquired as required for financial reporting. Remaining useful lives were developed for appraisal purposes based on inspection of the assets, nature of the assets, condition, age, and estimated useful life.

For financial reporting purposes, Statement of Financial Accounting Standards ("SFAS") No. 141, Business Combination ("SFAS 141") refers to fair value as the standard to be applied to the valuation of acquired assets. SFAS 141 defines fair value as the amount at which an asset (or liability) could be bought (or incurred) or sold (or settled) in a current transaction between willing parties; that is, other than in a forced or liquidation sale of the assets.

For regulatory purposes, including depreciation, the original cost of the property is used. Original cost is defined as the cost of property when first dedicated to the public use, which in this case is when first placed in service.

The production property of the central steam station is generally old, dating back about 100 years in the case of the building and more than 50 years for most major equipment units. Because of additions and replacements to the equipment, a sizable portion, approximately 50%, of the study date original cost investment has been placed in service since March 1990. As noted, several factors were considered in determining the estimated average remaining life of the property. Based on the consideration of those factors, a 15-year average remaining life was generally concluded for the equipment accounts of the production property, which is consistent with its overall older age.

Most of the investment in the distribution property is in long-life lines and manholes, Account 366. The underground steel pipes, concrete conduits, and manholes for steam

service have generally experienced a significantly long service life. A long service life is consistent with comparable utility property, like electric underground conduit and gas mains that generally are assigned average service lives of approximately 50 to 70 years. Like the production plant, the Trigen Kansas City distribution property dates back many years. Because of a significant replacement project in 1997 of the low-pressure system and other additions and replacements, about 85% of the study date original cost investment has been placed in service since March 1990. The relatively young dollar-weighted age of the distribution assets was considered in the determination of average remaining lives.

Accordingly, based on all the considerations, a 40-year average remaining life was concluded for the underground conduit lines and the services. The average remaining lives of other distribution equipment, such as meters, were concluded at 15 or 20 years, which reflect their shorter average service lives. The average remaining lives of the various general plant property were concluded at five or seven years.

Net salvage (salvage net of cost of removal) was concluded at zero for all accounts. The traditional net salvage method is to relate historical net salvage to historical retirements. For generating facilities, net salvage includes the cost of dismantling the facility at its ultimate retirement. For utility property, net salvage is typically negative, that is, cost of removal exceeds salvage. Given that the distribution property will likely be abandoned in place at retirement, net salvage most likely would be limited in amount. We are not aware of historical net salvage being recorded by Trigen Kansas City.

For the reasons noted and the desire for simplicity in this depreciation rate study, the first in many years for this property, net salvage of zero is recommended for this study. If warranted by its significance or Company accounting practice, the accrual for negative net salvage can be revisited for Trigen Kansas City in a future depreciation rate proceeding.

The details of the proposed depreciation factors and calculated rates are shown in Appendix A. The recommended annual depreciation (column 11) is the amount to be recovered (column 8) divided by the average remaining life (column 9). The amount to be recovered is simply the plant balance (column 1) less the depreciation reserve (column 6), given that net salvage (column 4) is zero.

Where the depreciation reserve of an account is greater than the plant balance, adjusted for net salvage, the proposed depreciation is zero. In those cases, it is recommended that a

depreciation rate not be applied until such time future additions cause the plant investment balance to be greater than the depreciation reserve. In other words, with net salvage equal to zero, the depreciation reserve should not be greater than the original cost plant balance.

A comparison of the proposed rates to present rates (columns 12 and 13) is also shown in Appendix A. The difference in annual depreciation is shown in column 14 of Appendix A.

Study Results

The proposed depreciation rates of the steam property of Trigen Kansas City are presented by plant account in Appendix A. A comparison of the annual depreciation based on the proposed rates and the present rates of the Company, applied to plant balances as of October 31, 2006, is also presented in Appendix A and summarized in a composite form as follows:

	Proposed Depreciation Rate	Proposed Annual Depreciation	Present Annual Depreciation	Annual Depreciation Difference
Trigen Kansas City	1.11%	$462,766	$1,229,583	($766,817)

Based on the study, it is our opinion that the composite depreciation rates as recommended are reasonable and appropriate for Trigen Kansas City's full and timely capital recovery and financial reporting.

It is recommended that depreciation rates be calculated using the remaining life method. Periodic studies of depreciation rates and practices are recommended for Trigen Kansas City so that the most current service life experience, replacement activity, and technological and economic developments may be properly reflected in annual depreciation expense.

Respectfully submitted,
AMERICAN APPRAISAL ASSOCIATES, INC.

January 11, 2008
060877

Peter S. Huck, P.E., ASA
Director and Assistant Vice President

APPENDIX A
Proposed Depreciations Rates and
Comparison of Proposed Rates to Present Rates

(1 page)

TRIGEN KANSAS CITY
PROPOSED DEPRECIATION FACTORS AND RATES
AT OCTOBER 31, 2006

Steam Heat Account	Account Name	1 10/31/2006 Plant Balance	2 Average Service Life	3 Life Weight	4 Net Salvage Excl. Dismantling Percent	5 Net Salvage Excl. Dismantling Amount	6 10/31/2006 Accumulated Depreciation Reserve	7	8 Amount to be Recovered	9 Average Remaining Life	10 Proposed Annual Depreciation	11 Proposed Depreciation Rate	12 Present Rates Depreciation Rate	13 Present Rates Annual Depreciation	14 Difference
		$	Yrs		%	$	$	%	$	Years	$	%	%	$	$
		Input		1 / 2	Input	1x4	Input	6 / 7	1-4-6	Input	8 / 9	10 / 1	Input	12x 1	10-13
														0	
711.0	Structures and Improvements	4,293,600	50.0	85,872	0.0%	0	6,357,974	148.1%	(2,064,374)	20.0	0	0.00%	3.31%	142,118	(142,118)
712.0	Boiler Plant Equipment	19,988,782	50.0	399,776	0.0%	0	22,860,541	114.4%	(2,871,759)	15.0	0	0.00%	3.63%	725,593	(725,593)
314.0	Turbogenerator Units	2,504,069	50.0	50,081	0.0%	0	510,742	20.4%	1,993,327	15.0	132,888	5.31%	3.13%	78,377	54,511
315.0	Accessory Electric Equipment	881,301	50.0	17,626	0.0%	0	1,250,022	141.8%	(368,721)	15.0	0	0.00%	3.23%	28,466	(28,466)
316.0	Misc. Power Plant Equipment	914,848	40.0	22,871	0.0%	0	532,909	58.3%	381,939	12.0	31,828	3.48%	3.50%	32,020	(191)
761.0	Distribution Structures	73,289	50.0	1,466	0.0%	0	90,109	123.0%	(16,820)	20.0	0	0.00%	2.96%	2,169	(2,169)
762.0	Distribution Station Equipment	415,756	50.0	8,315	0.0%	0	316,683	76.2%	99,073	20.0	4,954	1.19%	2.18%	9,063	(4,110)
766.0	Underground Conduit and Manholes	10,521,431	70.0	150,306	0.0%	0	3,008,012	28.6%	7,513,419	40.0	187,835	1.79%	1.33%	139,935	47,900
769.0	Services	1,340,451	55.0	24,372	0.0%	0	615,097	45.9%	725,354	40.0	18,134	1.35%	3.14%	42,090	(23,956)
770.0	Meters	384,178	30.0	12,806	0.0%	0	303,223	78.9%	80,955	15.0	5,397	1.40%	4.31%	16,558	(11,161)
791.0	Office Furniture and Equipment	229,040	15.0	15,269	0.0%	0	(299,308)	-130.7%	528,348	7.0	75,478	32.95%	5.40%	12,368	63,110
794.0	Tools, Shop, and Garage Equipment	10,992	15.0	733	0.0%	0	(4,479)	-40.7%	15,471	7.0	2,210	20.11%	2.61%	287	1,923
798.0	Miscellaneous Equipment	17,005	15.0	1,134	0.0%	0	(3,199)	-18.8%	20,205	5.0	4,041	23.76%	3.16%	537	3,504
	Totals	41,574,742	52.6	790,627	0.0%	0	35,536,327	85.5%	6,036,415	13.04	462,766	1.11%	2.96%	1,229,583	(766,817)
710.0	Land	449,995													
392.0	Transportation Equipment	0					(117,147)								
766.0	Cargill Pipeline	8,982,523													
	Total Plant	51,007,260					35,421,180								

APPENDIX B
Assumptions and Limiting Conditions

(1 page)

ASSUMPTIONS AND LIMITING CONDITIONS

This service was performed with the following general assumptions and limiting conditions.

To the best of our knowledge, all data, including historical financial data, if any, relied upon in reaching opinions and conclusions or set forth in this report are true and accurate. Although gathered from sources that we believe are reliable, no guarantee is made nor liability assumed for the truth or accuracy of any data, opinions, or estimates furnished by others that have been used in this analysis.

No responsibility is assumed for matters legal in nature. No investigation has been made of the title to or any liabilities against the property appraised. We have assumed that the owner's claim is valid, the property rights are good and marketable, and there are no encumbrances that cannot be cleared through normal processes, unless otherwise stated in the report.

The date to which the conclusions and opinions expressed apply is set forth in the report.

This report has been made only for the use or uses stated, and it is neither intended nor valid for any other use.

Possession of this report or any copy thereof does not carry with it the right of publication. No portion of this report (especially any conclusion, the identity of any individuals signing or associated with this report or the firms with which they are connected, or any reference to the professional associations or organizations with which they are affiliated or the designations awarded by those organizations) shall be disseminated to third parties through prospectus, advertising, public relations, news, or any other means of communication without the written consent and approval of American Appraisal.

Unless stated to the contrary in the report, no environmental impact study has been ordered or made. Full compliance with all applicable laws and governmental regulations is assumed unless otherwise stated, defined, and considered in the report. We have also assumed responsible ownership and that all required licenses, consents, or other legislative or administrative authority from any applicable government or private entity organization either have been or can be obtained or renewed for any use that is relevant to this analysis.

APPENDIX C
Certificate of Analyst

(1 page)

CERTIFICATE OF ANALYST

I certify that, to the best of my knowledge and belief

The statements of fact contained in this report are true and correct.

The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and represent the impartial and unbiased professional analyses, opinions, and conclusions of American Appraisal Associates, Inc.

American Appraisal Associates, Inc., and I personally have no present or prospective interest in or bias with respect to the property that is the subject of this report and have no personal interest or bias with respect to the parties involved.

The engagement of American Appraisal Associates, Inc., and myself personally in this assignment and compensation for American Appraisal Associates, Inc., are not contingent on the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.

The analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice and the Principles of Appraisal Practice and Code of Ethics of the American Society of Appraisers.

No one has provided me with significant professional assistance.

The American Society of Appraisers has a mandatory recertification program for all of its senior members. I am in compliance with the requirements of that program.

Peter S. Huck, P.E., ASA

APPENDIX D
Qualifications of Peter S. Huck

(3 pages)

Peter S. Huck, P.E., ASA

Assistant Vice President and Principal

Position

Peter S. Huck serves as an Assistant Vice President and Principal for the Milwaukee Financial Valuation Group of American Appraisal Associates, Inc. He specializes in, and is a director of, the Electric and Gas Utilities Practice.

Experience

Valuation

Mr. Huck has extensive experience in depreciation rate studies of utility property and in fair market value appraisals of the business and assets of electric and gas utilities and the electric power industry for a variety of valuation purposes. He also performs fair market value appraisals for energy, industrial, and financial corporations. In addition, Mr. Huck specializes in intangible asset lifing studies

Court

Mr. Huck has presented testimony or studies to the Federal Energy Regulatory Commission and Rural Utilities Service and to utility regulatory bodies in Arkansas, Connecticut, Florida, Georgia, Illinois, Iowa, Kansas, Minnesota, Mississippi, North Carolina, Oregon, South Dakota, Texas, and Wisconsin.

He has also testified before the U.S. Tax Court; the U.S. Bankruptcy Court; the Delaware Court of Chancery; Property Tax Appeals Boards in Alaska, California, Illinois, Maine, and Utah; Circuit Courts of Grant County, Wisconsin, and Cook County, Illinois; and the American Arbitration Association.

Business

Mr. Huck joined American Appraisal in 1973 as an associate appraiser specializing in public utilities. Since then, he has continuously held various consulting and management positions with the firm regarding utilities and related industries. He was promoted to Principal and appointed Assistant Vice President in 1999.

Education

Marquette University
Master of Business Administration
Bachelor of Science - Electrical Engineering

Professional Affiliations	American Society of Appraisers, Accredited Senior Appraiser ASA Designation - Machinery and Technical Specialties/ Public Utilities Registered Professional Engineer, State of Wisconsin American Gas Association Depreciation Committee Society of Depreciation Professionals, Senior Member
Valuation and Special Courses	American Society of Appraisers Advanced Business Valuation and various other seminars Wichita State University Appraisal of Utility and Railroad Property for Ad Valorem Taxation Depreciation Programs, Inc., at Western Michigan University Depreciation Programs III and V Various electric generating and utility industry seminars and conferences concerning cost of capital, valuation, and property tax
Speeches	Mr. Huck has been a guest speaker at the ABA/IPT Advanced Property Tax Seminar, at the Texas A&M Ad Valorem Taxation Seminar, at the ASA International Appraisal Conference, at the CBI Nuclear Power conference, before property tax managers of a multi-state telephone company, and before the New York State Association of Utility Property Tax Managers.

CLIENTS SERVED BY MARKET

Electric and Gas Utilities	Alabama Power Company American Electric Power Corp. Bangor Hydro-Electric Company Central Illinois Light Company Constellation Energy Group Detroit Edison Company Dominion Resources Duquesne Light Company Energy East Corp. Georgia Power Company MidAmerican Energy North Carolina Natural Gas Corp. Piedmont Natural Gas Company PPL Corporation Reliant Energy, Inc. SEMCO Energy Gas Company Sierra Pacific Power Wabash Valley Power Association Wisconsin Energy Wisconsin Power and Light Company Wisconsin Public Service Corp.
Electric Power Plant and Cogeneration	The AES Corporation Beaver Wood Power Company Centennial Energy Duke Energy Dynegy Electric Generating Authority of Thailand Elkem Metals Entergy Services Florida Power and Light Company General Electric Capital Hopewell Energy (Consolidated Electric Power of Asia Ltd.) Mirant Corporation Trigen Energy US West Financial Services Windpower Partners Wisconsin Electric Power Company Wolverine Power Supply Cooperative