Exhibit No.	
Issue:	Accounting, Corporate Services & Cost Allocations
Witness:	Jason M. Spreyer
Type of Exhibit:	Direct Testimony
Sponsoring Party:	Trigen-Kansas City
Case No.	HR-2008-______
Date Testimony Prepared:	February 26, 2008

BEFORE THE PUBLIC SERVICE COMMISSION

STATE OF MISSOURI

DIRECT TESTIMONY

OF

JASON M. SPREYER

TRIGEN-KANSAS CITY ENERGY CORP.

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI
DIRECT TESTIMONY OF JASON M. SPREYER
ON BEHALF OF TRIGEN-KANSAS CITY ENERGY CORP.
CASE NO. HR-2008-_____

Q. Please state your name and business address.

A. My name is Jason M. Spreyer. My business address is 99 Summer Street, Suite 900, Boston, MA 02110.

Q. What is your present occupation?

A. I am presently employed by ThermalSource LLC headquartered in Boston, Massachusetts, as Vice President and Controller and am responsible for all accounting, tax and information system application functions performed for Thermal North America, Inc. ("TNAI") and its subsidiaries.

Q. Please summarize the purpose and content of your testimony.

A. The purpose of my testimony is to sponsor the unadjusted financial results for Trigen-Kansas City Energy Corporation for the period January 1, 2006 through December 31, 2006 as updated through 2007 for known and measurable changes.[1] Further, I will address the accounting separation between Trigen-Kansas City Energy Corporation ("TKC") and Trigen-Missouri Energy Corporation ("TMO"), describe the intercompany transactions that exist between TKC, TMO, ThermalSource, TNAI and any of its subsidiaries, provide an update on the reporting to the Missouri Public Service Commission ("PSC") and explain the plant original cost restatements required to conform to regulatory accounting.

[1] The direct testimony of Trigen witness Steven Carver discusses the test year, including known and measurable changes, in greater detail.

Q. What is your educational background?

A. I received a Bachelor of Science degree in Accounting in 1995 from the University of Massachusetts at Dartmouth in North Dartmouth, Massachusetts. In 2003, I received a Master of Business Administration degree with a concentration in Corporate Finance from Boston University.

Q. Please summarize your professional experience.

A. My professional career began in public accounting in 1996 with Robert Sharkansky & Company of Brockton, Massachusetts. In 1997, I joined a regional public accounting firm, Wolf & Company, PC where I led audit engagements for the commercial client group within the firm until my departure in 1999 to accept a position with Calpine Corporation located in its Boston regional office. I served as the Accounting Manager with Calpine Corporation until 2003, when I assumed the role of Americas' Controller with InterGen Services, Inc. in Burlington, Massachusetts. I left InterGen Services, Inc. in 2006 to join ThermalSource LLC in my current capacity.

Following my public accounting experiences, I have been charged with the responsibility of keeping financial records for multiple entities within the energy industry. These experiences include, but are not limited to, fixed asset accounting, revenue recognition, contract review, preparation and communication of financial results and position, and working in cooperation with external auditors.

I am a Certified Public Accountant in the Commonwealth of Massachusetts and a member of the American Society of Certified Public Accountants and the Massachusetts Society of Certified Public Accountants.

Q. Are you the witness sponsoring TKC's unadjusted test year income statement and balance sheet?

A. Yes. The unadjusted income statement and balance sheet data were provided to Company witness Steven C. Carver for use as the test year starting point for purposes of quantifying the overall revenue deficiency, along with updates for known and measurable changes.

Q. How were the unadjusted test year income statement and balance sheet derived?

A. Pursuant to the settlement agreement in Case No. HM-2004-0618,[2] TNAI committed to maintain the books and records of TKC in conformance with the Federal Energy Regulatory Commission ("FERC") Uniform System of Accounts ("USOA") for electric companies. TKC has reported its financial results in conformance with FERC USOA, as evidenced in its filing of surveillance reports on March 28, 2007 for the period July 2005 through December 2006. Further, TKC filed its surveillance reports for January 2007 through March 2007 on May

[2] In Case No. HM-2004-0618, the Commission approved a transaction whereby Thermal North America, Inc. acquired the stock of Trigen-Kansas City. [See Order Approving Unanimous Stipulation And Agreement And Disclaiming Jurisdiction Over The Chilled Water Operations Of Trigen-Missouri Energy Corporation, Case No. HM-2004-0618, effective December 31, 2004.]

8, 2007, April 2007 through September 2007 on December 21, 2007 and October 2007 through December 2007 on February 14, 2008. TKC is committed to maintaining its financial statements in conformity with FERC USOA (electric) and is open to the recommendations of the Commission for improving its reporting.

Most of the business operations acquired by TNAI from Trigen Energy Corporation ("Seller") on June 28, 2005, were and continue to be unregulated. Thus, the Seller's historical accounting records departed from FERC regulatory accounting rules. As a result, the financial records that existed prior to the date that TNAI purchased TKC did not reflect FERC USOA compliance.

Because ThermalSource initially continued the non-FERC accounting approach during a transitional period following consummation of the acquisition, TKC undertook a process to correct the reporting of its financial statements to conform to the FERC USOA (electric) in February 2007. This process included the revision and remapping of TKC's chart of accounts to include all FERC USOA (electric) accounts, identification of the original cost property records, recalculation of the accumulated depreciation reserve, identification of transactions recorded as required by Generally Accepted Accounting Principles of the United States ("US GAAP") and conforming said transactions to the reporting requirements agreed to in the settlement agreement.

TKC reviewed its chart of accounts with the cooperation of outside consultants to identify deficiencies and errors in its mapping of the FERC USOA (electric) accounts. Upon its review and identification of the corrections required, TKC caused the underlying chart of account tables within PeopleSoft, TKC's general ledger accounting software, to be updated to reflect these corrections and revisions. TKC now periodically reviews the chart of accounts to ensure that it is complete and fits the purpose of the business and complies with the FERC USOA (electric).

Q. **What did you determine as a result of this review?**

A. TKC determined that its financial records for the period July 2005 through December 2006, which includes the test year, contained transactions that were not in conformity with FERC USOA (electric). These non-conforming transactions were identified and revised as necessary in each of the months in which the original transaction was recorded. To accomplish this, TKC restated its financial results for each of these periods and presented the corrected results in the surveillance reports filed on March 28, 2007.

During this review, TKC also identified and corrected other transactions that were required in the settlement agreement but had not been properly recorded. These transactions included the allocation of certain corporate overhead costs and interest expense as well as the allocation of salaries and employee related costs between TKC and TMO. TNAI devised a method to allocate corporate overhead using a ratio of TKC revenue to total TNAI consolidated revenue, resulting in certain costs being recorded as a component of its general and administrative expense. The allocation of interest expense was calculated using a combination of the fair value of the TKC enterprise to the total TNAI enterprise value and the short-term borrowings required for plant additions. The fair value of the TKC enterprise was determined using the independent valuations[3] performed by American Appraisal to document the fair value of the acquisition of the Trigen businesses by TNAI in June 2005.

The final correction was to allocate salaries and employee related costs to TMO. Using the timesheets maintained by plant personnel, the salaries and employee related expenses of certain employees of ThermalSource supporting TNAI's Kansas City operations were partially re-allocated from TKC to TMO using the hours on the timesheets applicable to TMO as the numerator, and the total hours as the denominator. Although time sheet records had been contemporaneously maintained throughout 2005, 2006 and 2007, 100% of the referenced costs had inadvertently been charged directly to TKC.

Each of the corrections and revisions described herein were made in the respective months that the transaction should have originally been recorded. As a result, the surveillance reports TKC began providing to the Commission Staff in March 2007 reflect these correcting adjustments.

[3] In a report dated September 13, 2006, American Appraisal Associates concluded on the valuation of the Trigen businesses acquired by Thermal North America, Inc. on June 28, 2005.

Q. Were these corrected financial results the basis for the unadjusted test year data provided to and relied upon by Mr. Carver?

A. Yes. The financial information that I provided to Mr. Carver were based on the corrected results of operation, including TKC's general ledger, journal entry documentation, vendor invoices and other analytical data.

Q. Please describe the TNAI corporate structure, including TKC's affiliates.

A. The TNAI corporate structure is provided in Schedule JMS-1 attached to this testimony. As illustrated in this schedule, TKC is a wholly-owned subsidiary of TNAI. TNAI also maintains interests in several other corporate entities, most of which are located in jurisdictions outside of the State of Missouri. With few exceptions, TKC does not conduct, transact or enter into any type of related party transaction with these out of state entities. In particular, TKC maintains relationships with TNAI as its parent, TMO and ThermalSource LLC, which is the management services provider to all TNAI operating companies.

Q. Please identify and briefly describe the intercompany transactions that TKC has with either TNAI or ThermalSource.

A. TNAI is the parent company to TKC, TMO, ThermalSource and all other operating entities as illustrated in Schedule JMS-1. TNAI secures insurance policies for all of the operating entities and allocates the related premiums between the benefiting entities using one of three methods: net revenues, salaries or replacement cost values. TNAI secures insurance for property, director and officers, automobile, general, workers' compensation and environmental. Policy premiums are based on information provided to agents by ThermalSource employees acting on TNAI's behalf. This information includes actual data for net revenues, salaries and replacement cost values for each operating entity to price the policies appropriately and accordingly. The use of the actual information in obtaining insurance premiums then becomes the basis for allocating the cost to the operating entities.

In addition to insurance, TNAI allocates interest expense to all operating entities. The test year interest expense is based on third-party debt secured for all of the acquired operating entities. In addition to the third-party debt, TNAI also had available to it a revolver for working capital needs. TNAI calculates interest expense allocated to each of the operating units based on the fair value of the operating unit as determined by the American Appraisal reports in addition to the net borrowings of each of the operating units for working capital needs. This allocation of cost is calculated on a monthly basis and is recorded within the financial statements of each operating unit.

Subsequent to the test year for which this testimony is applicable, TNAI was sold to Veolia Energy North America Holdings, Inc. ("VENAH") on December 13, 2007. Subsequent to the purchase, VENAH directed TNAI to settle the third-party debt using proceeds from a new intercompany loan agreement between

TNAI and VENAH. TNAI will continue to allocate interest expense using the same allocation methods and the latest fair values for each of the operating units.

ThermalSource is the management services company that employs substantially all individuals performing work for the TNAI operating companies. Monthly, ThermalSource directly allocates the salaries of those employees that are physically located in Kansas City working directly for TKC and performs an indirect allocation of employee costs for those individuals performing support services to TKC and all other operating entities owned directly or indirectly by TNAI.

Q. Are the ThermalSource employees located in the Kansas City area only responsible for the direct operation and maintenance of the TKC and TMO business entities or do they also provide additional support services you reference?

A. The day-to-day activities of operating and maintaining the TKC and TMO facilities as well as administrative duties directly related to those entities are the responsibility of ThermalSource employees located in Kansas City. The broader ThermalSource and TNAI support services are not provided by employees located in Kansas City.

Q. Please describe the general support services provided by ThermalSource.

A. These support services include finance, treasury, accounting, tax, legal, human resources, information technology and senior management costs. TNAI is managed and organized in a central structure that provides functional support to all of the plants that it owns either directly or indirectly. The following are the functional areas of support that ThermalSource provides and a brief description of the support services provided:

a. Accounting and tax – Accounting and reporting for operating entities is performed centrally in Boston. Each operating entity is assigned an accountant to process transactions, review and analyze results and to adhere to all reporting requirements for each individual entity. All tax compliance requirements, strategy and management are performed in the Boston office. This includes but is not limited to federal and state income, property and real estate, sales and use and other taxes that are incurred by all operating entities. ThermalSource at times will engage third-party professionals for assistance in adhering to compliance requirements and research of certain special transactions.

b. Finance and treasury – Support from the finance function is primarily the review of investments and assistance in the decision making process for those investments and budgeting and forecasting of the financial operations of each operating unit. The treasury function provides all cash management support for all operating entities and forecasts cash inflows and outflows for managing TNAI's liquidity. In addition, the treasury function couples with the accounting function in reviewing and ensuring that all operating entities are adhering to procurement controls and limits.

c. Legal – The legal department located in Boston is responsible for reviewing and supporting any contract review or negotiation, rate cases and regulatory support and legal disputes and resolution. The legal team at times will engage third-party professionals to assist in performing these support functions on behalf of the operating entities.

d. Human resources – Payroll, benefit administration, recruiting and terminations are all managed by a team of professionals employed by ThermalSource located in the Boston office. The interaction with third-party payroll providers and coordinating the processing of payroll is led by this team. Benefit administration and the negotiation of all benefit plans offered by ThermalSource and any of its operating entities is managed by this same team. The human resources function engages third-party organizations and professionals to assist in the payroll and benefit administration of the organization.

e. Information technology – The information technology team supports both the infrastructure as well as the applications that are employed by all operating entities. Infrastructure support includes hardware, network administration, phone systems, plant controls and all communication devices. This team of professionals provides this support from office locations in Boston and Philadelphia. The applications team supports existing applications run by operating entities to manage the business, including Maximo and PeopleSoft. Maximo is the managed maintenance and procurement systems utilized by operating entities and PeopleSoft is the platform used for general ledger, fixed asset and accounts payable. Further, the organization continues to implement additional applications aimed at improving operations, financial information, working capital and the reliability of information flow. These implementations currently include a centralized billing system and human resources management application as well as the creation of all integration points between these applications.

f. Senior management – The senior management team of TNAI is centrally located in the Boston office. This senior management team is responsible for the oversight and integration of all of the business functions and to manage the TNAI business as a whole.

Q. What intercompany transactions exist between TKC and TMO?

A. TKC and TMO engage in several intercompany transactions, including the sale of steam by TKC to TMO, sharing of office and operating personnel, and the sharing of operating space for equipment used in the chilled water business. TKC sells steam to TMO at the full tariff rate for use in its chilling operation. These transactions are recorded on a monthly basis within the financial statements of each of the operating entities. In addition, rent is charged to TMO by TKC for the use of certain space within the Grand Avenue plant location. TMO uses this space for the chilling equipment used to supply chilling service to customers under separate agreements with TMO. This service is provided through a separate chilling distribution system. The rent transactions are recorded on a monthly basis within the financial statements of both TKC and TMO at a rate previously agreed and contracted. Employees performing office and operating tasks for TKC and TMO track their time spent supporting the operations of each of these operating units. This time is reported monthly and the transaction to charge the time spent on TMO activities is recorded in the financial statements on a monthly basis.

Q. Since the TNAI acquisition of the Trigen businesses, please briefly explain the accounting for corporate support services and the accounting for common costs between TKC and TMO.

A. TNAI allocates corporate support service costs on a monthly basis to TKC. The allocation of the vast majority of these costs is calculated using the pre-tax revenues of TKC for the month as the numerator and the total pre-tax TNAI revenues as the denominator.[4] These costs are allocated to TKC and have the impact of increasing an intercompany liability it has with its parent, TNAI. Other costs, such as insurance discussed above, are allocated using other indirect measures such as net revenues, salaries or tank storage capacity, as appropriate.

[4] Costs allocated using revenues as the basis are general and administrative costs for the accounting, tax, finance, treasury, legal, human resources and information technology functions that are centrally located within the organizations structure.

Common costs[5] between TKC and TMO are allocated using timesheets maintained on a monthly basis by plant personnel. These timesheets separately provide data on a daily basis of the hours worked on TKC and TMO related matters. Using the hours reported for TMO as the numerator and the total reported hours as the denominator, ThermalSource calculates the allocation of salaries and employee related costs that must be allocated to TMO on a monthly basis and records the transaction in the underlying financial statements.

Q. In describing the acquisition settlement agreement in Case No. HM-2004-0618, you referred to original cost accounting. Could you explain that reference in more detail?

A. Yes. Under former ownership, TKC's various parents over the years failed to follow net original cost accounting and employed internal corporate depreciation rates rather than the book depreciation rates prescribed by this Commission. Said departures from regulatory accounting commenced following KCPL's original divestiture of its steam operations in 1990. Since 2002, TKC has had an ongoing effort to correct its plant account balances (i.e., to original cost), depreciation expense accruals, and depreciation reserve balances to reflect integration of traditional regulatory accounting with PSC-approved book depreciation rates – as if those requirements had been followed each year since the original 1990 divestiture.

[5] Common costs include salaries and benefits that are allocated from TKC to TMO. Steam sales and rent expense are recorded based on established tariffs rates and contract terms.

Q. Has TKC actually recorded adjusting journal entities to reflect the corrections for net original cost and the Commission prescribed depreciation rates on its books and records?

A. Yes. After completing our historical accounting review and analysis, TKC has recorded the original cost of the utility plant in service and the related accumulated depreciation reserve, using the book depreciation rates authorized by this Commission. Because of the decision and commitment to maintain its books and records in conformance with the FERC USOA (electric), it was unnecessary for a separate ratemaking adjustment to reflect the regulatory plant accounting convention, as the revised balances are now included in the Company's general ledger.

Q. Did you also provide Mr. Carver with additional accounting and financial information required to develop and/or quantify annualization or normalization adjustments that might have been necessary for ratemaking purposes?

A. Yes. I served as the primary accounting contact for Mr. Carver. We have discussed and exchanged information on a variety of regulatory and accounting matters, including: basic accounting records and transaction detail; net original cost plant accounting (Trigen Adjustment B-1); income taxes and normalization accounting (Trigen Adjustments B-8 and C-10); test year accounting for outside services and regulatory commission expense (Trigen Adjustments C-16 and C-17); the allocation and annualization of corporate overhead costs (Trigen

Adjustment C-18) and insurance premiums (Trigen Adjustment C-14); as well as the annualization of salaries and benefits of the administrative personnel dedicated to TKC (Trigen Adjustment C-13).

Q. Does this conclude your direct testimony?

A. Yes.

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 JASON SPREYER

COMMONWEALTH OF MASSACHUSETTS)
) ss.
COUNTY OF SUFFOLK)

Jason Spreyer, 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 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.

Jason Spreyer
Jason Spreyer

Subscribed and sworn to before me on this 26th day of February, 2008.

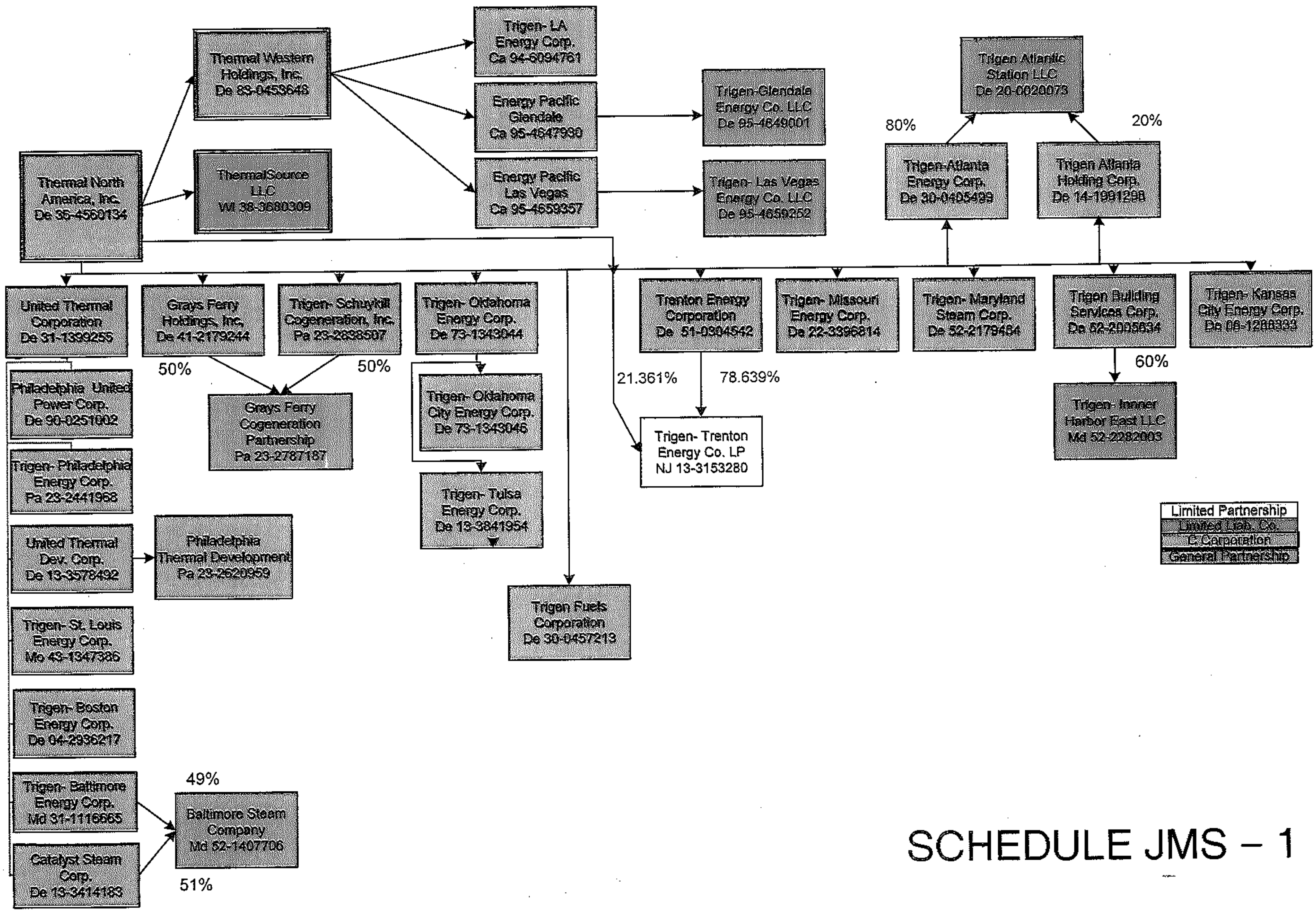
Shauna B. Samperi
Shauna B. Samperi, Notary Public

My commission expires: July 20, 2012

SHAUNA B. SAMPERI
Notary Public
COMMONWEALTH OF MASSACHUSETTS
My Commission Expires
July 20, 2012

DECEMBER 13, 2007

All stock ownership is 100% unless noted.



SCHEDULE JMS – 1