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BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Akron Thermal, Limited Partnership for an Emergency Increase in its Rates and Charges for Steam and Hot Water Service.	)	Case No. 09-453-HT-AEM
In the Matter of the Application of Akron Thermal, Limited Partnership for Approval of a Modification to an Existing Arrangement.	)	Case No. 09-442-HT-AEC
In the Matter of the Application of Akron Thermal, Limited Partnership for Approval of an Arrangement with an Existing Customer.	)	Case No. 09-441-HT-AEC
In the Matter of the Application of Akron Thermal, Limited Partnership to Issue Three Promissory Long-Term Notes.	)	Case No. 09-414-HT-AIS
In the Matter of the Application of Akron Thermal, Limited Partnership for Approval of Revised Tariffs.	)	Case No. 09-315-HT-ATA

Testimony of

Shahid Mahmud
Capital Recovery and Financial Analysis Division
Utilities Department
The Public Utilities Commission of Ohio

Staff Exhibit __

July 8, 2009

TESTIMONY OF SHAHID MAHMUD

1 Q. Please state your name and business address.

A. My name is Shahid U. Mahmud. My business address is 180 East Broad Street, Columbus, OH 43215.

2. Q. By whom are you employed?

A. I am employed by the Public Utilities Commission of Ohio (PUCO).

3. Q. What is your current position with the Public Utilities Commission of Ohio and what are your duties?

A. My current position is Senior Utility Specialist in the Capital Recovery and Financial Analysis Division of the Utilities Department. My duties include processing: (1) applications to issue securities, (2) applications for certifications of providers of Competitive Retail Electric and Gas Service (3) applications for emergency rate increase, and (4) participating in other inter-divisional reviews and projects.

4. Q. Would you briefly state your educational background and work experience?

A. I have an undergraduate degree in Accounting and a Masters Degree in Business Management from the University of Chittagong, Bangladesh. I have a Masters Degree in Business Administration (International Business) from the Ohio State University, Columbus, Ohio and a Masters Degree in Development Studies (International Affairs) from Ohio University, Athens, Ohio.

I was employed by this Commission as a Utility Rate Analyst in the Performance Analysis Division in May 1990 and became a Utility Rate Analyst Coordinator in September 1996. In February 1999, I became a Utility Specialist in the Electricity Division. In December 2008, I became a Senior Utility Specialist in the Capital Recovery and Financial Analysis Division. During the course of my employment with PUCO, I have undergone several training courses and have attended many utility regulatory seminars and conferences.

I primarily review and analyze applications for issuance of securities and certification of competitive retail electric and gas service providers.

I assisted in the review, analysis and in the preparation of Staff Comments and Recommendations of the Lakeland Utilities Company's application for an emergency rate increase (Case No. 90-1613-WS-AEM), Akron Thermal, Limited Partnership's application for an emergency rate increase (Case No. 00-2260-HT-AEM) and Southeastern Natural Gas Company's application for an emergency rate increase (Case No. 01-140-GA-AEM).

5. Q. What are your responsibilities in this proceeding?

A. I reviewed Applicant's application for authority to issue debt securities, Case No. 09-414-HT-AIS, and Applicant's application for emergency rate relief, Case No. 09-453-HT-AEM. The results of my review and recommendations are presented below.

6. Q. What is the Staff's role in reviewing applications for issuance of Securities (AIS)?

A. The Staff's role in reviewing the applications, in general, focuses on, among other things, the reasonableness of the amount and the terms of the proposed securities, applicant's proposed use of proceeds from the securities issuance and an assessment of applicant's ability to meet the servicing of the debt obligations.

7. Q. Please describe the Applicant's application for authority to issue long term notes as filed in Case No. 09-414-HT-AIS.

A. Akron Thermal states that it has entered into three long-term promissory notes with: (a) Creditors Trusts of Cleveland, Ohio for $2,060,000 less a reduction amount which shall be an amount equal to the cash payment made to class 3.1 claimants under the Plan; (b) the Treasurer of State of Ohio for $1,350,000; and, (c) the Company's limited partner, Thermal Ventures II, L.P., a Delaware limited partnership, for $250,000 that relate to the restructuring of its indebtedness through the bankruptcy proceeding. . All 3 notes have an interest rate of 5% per annum. The notes to Creditors' Trust and the State of Ohio require 8 semi-annual installments of principal and accrued interest in the amounts of $293,055.76 and $197,812.67, respectively, beginning 18 months after the effective date of the Plan of Reorganization of Applicant in Case No. 07-51884 (Bankr. N.D. Ohio). The note to Thermal Ventures II, L.P. specifies payment of principal and accrued interest on April 30, 2010.

8. Q. What is the purpose of these notes?

A. The Staff understands that the three long-term notes represent Akron Thermal's debt obligations under the Plan of Reorganization ordered under Akron Thermal's bankruptcy proceeding in Case No. 07-51884. The bankruptcy order was issued on January 26, 2009 by the U.S. Bankruptcy Court for the Northern District of Ohio Eastern Division.

9. Q. What concern does the Staff have with regard to these notes?

A. The Staff's primary concern is Akron Thermal's ability to meet the interest and principal repayment obligations beginning 2010. Akron Thermal will incur about $1.2 million in annual principal and interest payments in 2010. (Attachment SUM-1) However, a comparison of Akron Thermal's cash flow projections based on the Company's current and proposed rates (Attachments-SUM-2 & SUM-3) indicates that even under the cash flow projections based on the Company proposed rates, it will not be able to meet the debt service needs in 2010.

The Staff is of the opinion that the debt service obligations will only exasperate the Company's cash flow situation as the principal and interest payments become due beginning 2010.

10. Q. What is your recommendation regarding Akron Thermal's application in Case No. 09-414-HT-AIS.

A. To the extent Akron Thermal's cash flow projections under the Company proposed rates appear to be insufficient to meet its debt service obligations, I recommend that the Company's request for Commission approval of the debt obligations be denied.

11. Q. Does this conclude your testimony?

A. Yes, it does.

CERTIFICATE OF SERVICE

The undersigned hereby certifies that a true and accurate copy of the **Testimony of Shahid Mahmud** was served this 8th day of July, 2009 by electronic mail or, where no e-mail address is available, by regular U.S. mail, postage prepaid, or by hand delivery, upon the persons listed below.

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Attachment-D

	Steam Tariff	% increase	Hot Water Tariff	% increase	Children's Hospital	Canal Place	Total	% increase
Revenues	$5,747,765		$108,293		$2,084,188	$838,119	$8,778,366	
	65.48%		1.23%		23.74%	9.55%	100.00%	
Proposed increase in Revenue	$4,117,975	71.60%	$77,586	71.60%			$4,195,561	47.80%
	98.15%		1.85%		0.00%	0.00%	100.00%	
Proposed debt service cost	$1,221,228		$23,009				$1,244,237	
Total Increse of revenue							$5,439,798	
Overall increase in %	93%		93%		0%	0%	62%	

Attachment-SUM-1

AKRON THERMAL, LIMITED PARTNERSHIP
Case No. 09-453-HT-AEM
Calculation of debt service cost in 2010

	(a)	(b)	(c)	(d)	
No.	Creditors	Principal Amount	Annual Interest Rate.	Annual Interest Plus Principal Payment	
1	Creditors Trust of Cleveland, Ohio	$2,060,000	5%	$586,112.00	*
2	Treasurer, State of Ohio	$1,350,000	5%	$395,625.00	**
3	Thermal Venture II, L.P.	$250,000	5%	$262,500.00	
4	Total	$3,660,000		$1,244,237.00	

*Annual Interest plus principal payment is calculated based on 8 semi-annual installments of $293,055.76, of principal and interest, as described in the Case No. 09-414-HT-AIS Application (Page 2, Paragraph No. 5 of the Application).

**Annual interest plus principal payment is calculated based on 8 semi-annual installments of of $197,812.67, of principal and interest, as described in the Case No.09-414-HT-AIS Application (Page 3, Paragraph 6 of the Application).

AKRON THERMAL, LP
Case No. 09-453-HT-AEM
CASH FLOW AT CURRENT RATES
2009 FOUR MONTHS ACTUAL/EIGHT MONTHS PROJECTION

Line#	Month/Year	(-1-) Beginning Cash Balance	(-2-) Total Revenue	(-3-) Total Operating Costs/ Expenses	(-4-) Less Depreciation	(-5-) Cash Flow Operations	(-6-) Working Capital Changes	(-7-) Cash Flow From Investing	(-8-) Cash Flow From Financing/ Payments for Reorganization	(-9-) Ending Cash Balance
1	Jan-09	$350,161	$2,327,768	($2,089,571)	$34,664	$272,861	($428,611)	($77,385)	$0	$117,026
2	Feb-09	$117,026	$1,904,297	($2,076,304)	$34,814	($137,193)	($37,184)	($70,986)	$294,074	$165,737
3	Mar-09	$165,737	$1,839,890	($1,586,956)	$36,509	$289,443	($269,978)	($155,714)	$103,752	$133,240
4	Apr-09	$133,240	$1,298,442	($1,378,799)	$37,747	($42,610)	$422,305	($72,858)	$13,937	$454,014
5	May-09	$454,014	$632,223	($1,012,020)	$38,000	($341,797)	$673,245	($10,877)	$12,845	$787,430
6	Jun-09	$787,430	$553,872	($874,709)	$38,000	($282,837)	($429,042)	($1,674)	$12,369	$86,246
7	Jul-09	$86,246	$598,000	($886,224)	$38,000	($250,224)	($110,298)	($176,000)	($2,178)	($452,454)
8	Aug-09	($452,454)	$583,008	($838,523)	$39,720	($215,795)	($106,870)	($40,000)	$12,809	($802,310)
9	Sep-09	($802,310)	$618,970	($852,403)	$40,020	($193,413)	($58,239)	($109,000)	$12,334	($1,150,628)
10	Oct-09	($1,150,628)	$777,238	($962,707)	$41,520	($143,949)	($389,065)	($95,000)	$12,786	($1,765,856)
11	Nov-09	($1,765,856)	$1,149,562	($1,254,116)	$41,420	($63,134)	($197,967)	$0	$12,309	($2,014,648)
12	Dec-09	($2,014,648)	$1,484,059	($1,436,622)	$41,420	$88,857	($117,029)	$0	$12,762	($2,030,058)

Source: Applicant's response to Staff Data Request # 6

Column-1: Applicant's Response to Information Request # 6 Page 3 of 3 Statement of Cash Flow - Base Case
Column-2: Applicant's Response to Information Request # 6 Page 1 of 3 Statement of Cash Flow - Base Case Total Revenue
Column-3: Applicant's Response to Information Request # 6 Page 1 of 3 Statement of Cash Flow - Base Case Total Cost of Revenue+Total Operating Expense+Total Other Expense
Column-4: Applicant's Response to Information Request # 6 Page 3 of 3 Statement of Cash Flow - Base Case Depreciation and Amortization
Column-5: Cash flow from operations = Column (2) + (3) + (4)
Column-6: Applicant's Response to Information Request # 6 Page 3 of 3 Statement of Cash Flow - Base Case
Column-7: Applicant's Response to Information Request # 6 Page 3 of 3 Statement of Cash Flow - Base Case
Column-8: Applicant's Response to Information Request # 6 Page 3 of 3 Statement of Cash Flow - Base Case
Column-9: Ending Cash Balance = Column (1)+(5)+(6)+(7)+(8)

AKRON THERMAL, LP
Case No. 09-453-HT-AEM
CASH FLOW AT CURRENT RATES
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1	Jan-09	$350,161	$2,327,768	($2,089,571)	$34,664	$272,861	($428,611)	($77,385)	$0	$117,026
2	Feb-09	$117,026	$1,904,297	($2,076,304)	$34,814	($137,193)	($37,184)	($70,986)	$294,074	$165,737
3	Mar-09	$165,737	$1,839,890	($1,586,956)	$36,509	$289,443	($269,978)	($155,714)	$103,752	$133,240
4	Apr-09	$133,240	$1,298,442	($1,378,799)	$37,747	($42,610)	$422,305	($72,858)	$13,937	$454,014
5	May-09	$454,014	$632,223	($1,012,020)	$38,000	($341,797)	$673,245	($10,877)	$12,845	$787,430
6	Jun-09	$787,430	$553,872	($874,709)	$38,000	($282,837)	($429,042)	($1,674)	$12,369	$86,246
7	Jul-09	$86,246	$598,000	($886,224)	$38,000	($250,224)	($110,298)	($176,000)	($2,178)	($452,454)
8	Aug-09	($452,454)	$933,008	($838,523)	$39,720	$134,205	($456,870)	($40,000)	$12,809	($802,310)
9	Sep-09	($802,310)	$968,970	($852,403)	$40,020	$156,587	($58,239)	($109,000)	$12,334	($800,628)
10	Oct-09	($800,628)	$1,127,238	($962,707)	$41,520	$206,051	($389,065)	($95,000)	$12,786	($1,065,856)
11	Nov-09	($1,065,856)	$1,499,562	($1,254,116)	$41,420	$286,866	($197,967)	$0	$12,309	($964,648)
12	Dec-09	($964,648)	$1,834,059	($1,436,622)	$41,420	$438,857	($117,029)	$0	$12,762	($630,058)

Source: Applicant's response to Staff Data Request # 6

Column-1: Applicant's Response to Information Request # 6 Page 3 of 3 Statement of Cash Flow - Proposed Revenue
Column-2: Applicant's Response to Information Request # 6 Page 1 of 3 Statement of Cash Flow - Proposed Revenue Total Revenue
Column-3: Applicant's Response to Information Request # 6 Page 1 of 3 Statement of Cash Flow - Proposed Revenue Total Cost of Revenue+Total Operating Expense+Total Other Expense
Column-4: Applicant's Response to Information Request # 6 Page 3 of 3 Statement of Cash Flow - Proposed Revenue Depreciation and Amortization
Column-5: Cash flow from operations = Column (2) + (3) + (4)
Column-6: Applicant's Response to Information Request # 6 Page 3 of 3 Statement of Cash Flow - proposed Revenue
Column-7: Applicant's Response to Information Request # 6 Page 3 of 3 Statement of Cash Flow - Proposed Revenue
Column-8: Applicant's Response to Information Request # 6 Page 3 of 3 Statement of Cash Flow - Proposed Revenue
Column-9: Ending Cash Balance = Column (1)+(5)+(6)+(7)+(8)