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BEFORE THE
PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of:

In the Matter of the Application of)	
Columbus Southern Power Company and)	
Ohio Power Company for Authority to)	Case No. 11-346-EL-SSO
Establish a Standard Service Offer)	Case No. 11-348-EL-SSO
Pursuant to §4928.143, Ohio Rev. Code,)	
In the Form of an Electric Security Plan.)	
In the Matter of the Application of)	
Columbus Southern Power Company and)	Case No. 11-349-EL-AAM
Ohio Power Company for Approval of)	Case No. 11-350-EL-AAM
Certain Accounting Authority.)	

DIRECT TESTIMONY
AND EXHIBITS
OF
LANE KOLLEN

ON BEHALF OF
THE OHIO ENERGY GROUP

J. KENNEDY AND ASSOCIATES, INC.
ROSWELL, GEORGIA

June 2011

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DIRECT TESTIMONY OF LANE KOLLEN

I. QUALIFICATIONS AND SUMMARY

1

2 **Q. Please state your name and business address.**

3 A. My name is Lane Kollen. My business address is J. Kennedy and Associates, Inc.
4 ("Kennedy and Associates"), 570 Colonial Park Drive, Suite 305, Roswell,
5 Georgia 30075.

6

7 **Q. Please state your occupation and employer.**

8 A. I am a utility rate and planning consultant holding the position of Vice President
9 and Principal with the firm of Kennedy and Associates.

10

11 **Q. Please describe your education and professional experience.**

1 A. I earned a Bachelor of Business Administration in Accounting degree and a
2 Master of Business Administration degree from the University of Toledo. I also
3 earned a Master of Arts degree from Luther Rice University. I am a Certified
4 Public Accountant ("CPA"), with a practice license, and a Certified Management
5 Accountant ("CMA"). In addition, I am a member of numerous professional
6 organizations.

7 I have been an active participant in the utility industry for more than thirty
8 years, as a consultant in the industry since 1983 and as an employee of The
9 Toledo Edison Company from 1976 to 1983. I have testified as an expert witness
10 on planning, ratemaking, accounting, finance, and tax issues in proceedings
11 before regulatory commissions and courts at the federal and state levels on nearly
12 two hundred occasions, including proceedings before the Public Utilities
13 Commission of Ohio. My qualifications and regulatory appearances are further
14 detailed in my Exhibit___(LK-1).

15

16 **Q. On whose behalf are you testifying?**

17 A. I am testifying on behalf of the Ohio Energy Group ("OEG"), a group of large
18 industrial customers of Columbus Southern Power Company ("CSP") and Ohio
19 Power Company ("OPC"), hereinafter referred to as "the Companies" or "AEP."
20 The members of OEG who take service from the Companies are: Airgas, AK Steel
21 Corporation, ArcelorMittal USA, Brush Wellman, BP-Husky Refining, LLC., E.I.
22 duPont de Nemours and Company, Ford Motor Co., GE Aviation, Griffin Wheel,
23 RG Steel, The Procter and Gamble Co., the Timken Company and Worthington

1 Industries.

2

3 **Q. What is the purpose of your testimony?**

4 A. The purpose of my testimony is: 1) to propose and describe an Equity
5 Stabilization Incentive Plan ("ESIP") as a refinement of the present ratemaking
6 framework that will bring greater stability and certainty for the Companies and
7 consumers, both consumers who take service pursuant to the standard service
8 offer ("SSO") and for consumers who shop, 2) to describe the present combined
9 earnings of CSP and OP and demonstrate that the Companies' earnings are
10 reasonable without their proposed rate increases, all else equal, 3) to address and
11 make recommendations to incorporate accumulated deferred income taxes
12 ("ADIT") in the computation of the Companies' cost-based tariffs, including the
13 proposed Phase-In Recovery Rider ("PIRR") and the Distribution Investment
14 Rider ("DIR"), 4) to recommend that the Commission direct the Companies to
15 pursue securitization financing for the deferred Fuel Adjustment Clause ("FAC")
16 amounts and to reflect the savings in the computation of the Companies' PIRR
17 tariff designed to recover these deferred fuel costs over the seven year period
18 from 2012 through 2018.

19

20 **Q. Please summarize your testimony.**

21 A. I recommend that the Commission adopt an Equity Stabilization Incentive Plan
22 that will provide greater stability and certainty to the Companies and consumers,
23 both consumers who take service pursuant to the SSO and for consumers who

shop. The Commission, Companies and consumers cannot control the uncertainty of environmental regulations, wholesale market costs for capacity or energy, fuel costs, or other requirements and costs, but the Commission does have statutory authority to control the ratemaking process for recovery of such costs and in that manner provide greater stability and certainty for the Companies and consumers. The ESIP specifically recognizes the state policy objective set forth in 4928.02(A) to “[e]nsure the availability to consumers of adequate, reliable, safe, efficient, nondiscriminatory, and reasonably priced electric service” and provides the Commission with the means to implement this state policy objective within the statutory authorization for ESPs to “include terms, conditions, or charges as would have the effect of stabilizing or providing certainty regarding retail electric service.” The components of the ESIP are as follows:

1. The ESIP would work in conjunction with the Significantly Excessive Earnings Test (“SEET”) calculations to also include an ESIP test that would result in a credit or charge each year based on an earnings calculation.
2. The ESIP credit or ESIP charge would be determined based on total company earnings above or below the upper and lower thresholds of a deadband of 300 basis points above and below the comparable group earnings. For example, if the comparable group return on equity is 11%, then the deadband would range from 8% to 14%.
3. Earnings generally would be calculated on the same basis as the SEET, with the exception of off-system sales (“OSS”) margins. Deferrals and the related amortization expense would be included. Extraordinary and nonrecurring items would be excluded, including power plant retirements (unless the PUCO authorizes a deferral and establishment of a regulatory asset). OSS margins would be included in earnings; however, if OSS margins are excluded from earnings as is presently the case with SEET, then

1 the OSS margins should be properly excluded from both the
2 numerator and denominator.

3 4. The selection of companies for the comparable group would be
4 standardized and weighted more heavily toward regulated electric
5 utilities. This would result in a relatively stable comparable return
6 on equity from year to year.

7 5. The ESIP credit or ESIP charge would be nonbypassable (both
8 SSO and shopping consumers receive any credit or pay any
9 charge) and the allocation would be made on a kWh basis. This
10 maintains shopping options for all consumers, but reduces AEP's
11 shopping risk.

12 6. The annual SEET procedural schedule would remain unchanged,
13 but would incorporate the ESIP as well.

14
15 The ESIP I propose provides a comprehensive and efficient ratemaking
16 framework based on total company earnings that improves the stability and
17 certainty of retail electric service and equitably balances the interests of the
18 Companies and consumers. The ESIP reduces the need for an extensive array of
19 riders, including the POLR rider; reduces AEP's exposure in funding economic
20 development rates without EDR recovery, such as the proposed Rate Security
21 Rider; improves the Companies' ability to obtain timely rate relief while
22 improving the consumer protections afforded by the SEET; provides financial
23 incentives for the Companies to control costs so that earnings remain within the
24 deadband; reduces borrowing costs to AEP due to lower risks, which benefits all
25 consumers; and reduces the administrative burden on the Commission Staff
26 ("Staff") of auditing and potentially litigating numerous riders, thus allowing the
27 Staff to focus more on a comprehensive earnings review in the annual

1 proceedings. All consumers would retain the right to shop for competitive
2 generation, subject to the receipt of an ESIP credit or the payment of an ESIP
3 charge.

4 I conclude that the rate increases requested through the various proposed
5 riders in this proceeding are not necessary in order for the Companies to earn a
6 reasonable return on equity, based on Companies' combined return on equity for
7 2010. The Companies' combined return on equity for 2010 was 13.44%, which
8 significantly exceeds the 11.0% found reasonable by the Commission in Case No.
9 10-1261-EL-UNC, the most recent SEET proceeding.

10 I recommend that the Commission incorporate the relevant ADIT amounts
11 into each cost-based rider, including, but not limited to, the PIRR to recover the
12 phase-in FAC deferrals and the DIR to recover the costs of new distribution
13 investment. ADIT traditionally is subtracted from rate base in cost-based tariffs
14 because it represents amounts that the utility did not have to finance due to related
15 income tax savings. The Companies have not properly subtracted ADIT in the
16 calculation of the carrying costs on the FAC deferrals to date and propose no
17 change in their calculations going forward in the PIRR, ostensibly on the basis of
18 their "understanding" of the Commission's Order in Case Nos. 08-917-SSO and
19 08-EL-918-SSO ("ESP Order"), although the Order made no explicit finding on
20 this issue. Contrary to this methodology, the Companies' witness in this and the
21 prior ESP proceeding, as well as in West Virginia, agrees that the ADIT should be
22 subtracted from the deferred FAC amounts in cost-based rates, although he
23 incorrectly argued in the prior ESP proceeding that the FAC was not a cost-based

1 rate. It is. Thus, the Commission should direct the Companies to modify their
2 calculations going forward for the deferred FAC recoveries through the PIRR and
3 the DIR.

4 Finally, I recommend that the Commission direct the Company to pursue
5 securitization financing of the deferred FAC amount, including seeking any
6 necessary legislation to do so. Securitization financing will minimize the cost to
7 ratepayers while ensuring the Companies full recovery of the deferred FAC
8 amount. The Companies estimate that the one year savings could be \$57 million
9 or 75% compared to their weighted average cost of capital. Total savings over the
10 proposed seven year recovery period could be as much as \$200 million.

11 The remainder of my testimony is organized sequentially to address each
12 of these issues.

13
14 **II. EQUITY STABILIZATION INCENTIVE PLAN**
15

16 **Q. Please describe the present regulatory framework.**

17 A. The present retail regulatory framework is comprised of a combination of non-
18 cost-based generation rates and cost-based generation rates, transmission rates,
19 and distribution rates. These rates presently include numerous riders, and would
20 be expanded to include additional riders, all of which are listed on Companies'
21 witness Mr. Roush's Exhibit DMR-4.

22
23 **Q. Does the present regulatory framework ensure that overall rates are just and**

1 **reasonable?**

2 A. No. The present framework ensures only that the totality of the ESP rates
3 generally are less than an estimate of what a Market Rate Offer ("MRO") might
4 yield, subject to the statutory limitation that the Companies do not earn
5 significantly excessive earnings as measured by the SEET. The present
6 framework encourages the Companies to devise numerous riders in order to
7 maximize their revenues so long as the ESP rates generally are less than a
8 projected MRO. This results in a confusing array of riders, both existing and
9 proposed, many of which are not cost-based, but which were confected to
10 maximize revenues rather than to recover costs, including a reasonable return.

11

12 **Q. Are there other problems with the present framework?**

13 A. Yes. The present framework results in a lack of stability and certainty for the
14 Companies and consumers, spawning an ever-increasing and confusing array of
15 non-bypassable riders and bypassable riders; results in piecemeal ratemaking;
16 results in unnecessary administrative complexity for the Companies, consumers,
17 and the Staff due to the numerous cost-based and non-cost-based riders;
18 potentially results in excessive rates, subject only to the SEET; and potentially
19 results in insufficient rates that may not result in a reasonable return on invested
20 capital.. In short, the present ratemaking process is not efficient or reasonable.

1

2 **Q. Is it state policy to promote efficient and reasonably priced rates pursuant to an**
3 **ESP?**

4 A. Yes. It is state policy to “[e]nsure the availability to consumers of adequate,
5 reliable, safe, efficient, nondiscriminatory, and reasonably priced retail electric
6 service,” according to § 4928.02(A).

7

8 **Q. Is the Commission authorized by statute to include terms, conditions, or**
9 **charges in conjunction with an ESP that would have the effect of stabilizing**
10 **or providing certainty of ESP rates?**

11 A. Yes. The Commission may include terms, conditions, or charges as would have
12 the effect of stabilizing or providing certainty regarding retail electric service,
13 according to § 4928.143(B)(2)(d), which states:

14 (d) Terms, conditions, or charges relating to limitations on customer
15 shopping for retail electric generation service, bypassability, standby,
16 back-up, or supplemental power service, default service, carrying
17 costs, amortization periods, and accounting or deferrals, including
18 future recovery of such deferrals, as would have the effect of
19 stabilizing or providing certainty regarding retail electric service;

20

21 **Q. Is the Commission also authorized by statute to provide incentive ratemaking**
22 **or other plans for the recovery of costs pursuant to an ESP?**

23 A. Yes. The Commission may provide for, or include, without limitation, incentive
24 ratemaking or other plans for the recovery of costs, according to
25 §4928.143(B)(2)(h) and (i), which state that the:

1 **h) Provisions regarding the utility's distribution service,**
2 **including, without limitation and notwithstanding any**
3 **provision of Title XLIX of the Revised Code to the contrary,**
4 **provisions regarding single issue ratemaking, a revenue**
5 **decoupling mechanism or any other incentive ratemaking, and**
6 **provisions regarding distribution infrastructure and**
7 **modernization incentives for the electric distribution utility.**
8 **The latter may include a long-term energy delivery**
9 **infrastructure modernization plan for that utility or any plan**
10 **providing for the utility's recovery of costs, including lost**
11 **revenue, shared savings, and avoided costs, and a just and**
12 **reasonable rate of return on such infrastructure**
13 **modernization. As part of its determination as to whether to**
14 **allow in an electric distribution utility's electric security plan**
15 **inclusion of any provision described in division (B)(2)(h) of this**
16 **section, the commission shall examine the reliability of the**
17 **electric distribution utility's distribution system and ensure**
18 **that customers' and the electric distribution utility's**
19 **expectations are aligned and that the electric distribution**
20 **utility is placing sufficient emphasis on and dedicating**
21 **sufficient resources to the reliability of its distribution system.**

22 **(i) Provisions under which the electric distribution utility may**
23 **implement economic development, job retention, and energy**
24 **efficiency programs, which provisions may allocate program**
25 **costs across all classes of customers of the utility and those of**
26 **electric distribution utilities in the same holding company**
27 **system.**

28
29 **Q. Please describe the ESIP in greater detail and how it would operate in**
30 **conjunction with the annual SEET proceedings.**

31 **A. The structure of the ESIP generally would retain the existing SSO rates, including**
32 **the existing riders and the SEET, but would not include several of the Companies'**
33 **proposed riders as discussed by OEG witness Mr. Baron. The ESIP would work in**
34 **conjunction with the general framework established by the Commission for the**
35 **annual SEET review. It would expand and refine that framework to include a lower**

1 earnings threshold and ESIP charge in the event that the Companies' earnings are
2 less than the lower threshold, to establish an upper earnings threshold and ESIP
3 credit in the event that the Companies' earnings are greater than the upper threshold,
4 and to incorporate other improvements. The annual SEET review would continue as
5 required by statute.

6 I propose that the ESIP earnings bandwidth initially be set at 300 basis
7 points above and below the comparable group earnings. However, as with any
8 aspect of my proposed ESIP, the Commission would have the discretion to make
9 modifications as circumstances warrant. If earnings are within the ESIP
10 bandwidth, then there would be no rate changes other than those that operate to
11 recover defined costs, such as the FAC. If earnings are below the lower threshold,
12 then the Companies would be allowed to increase their rates through an ESIP charge
13 sufficient to increase their earnings to the lower threshold. If earnings are above the
14 upper threshold, then they would credit the excess earnings to customers through an
15 ESIP credit, similar to the present SEET refund process. For example, if the return
16 on equity of the comparable group is 11.0%, then the lower threshold would be 8.0%
17 and the upper threshold would be 14.0%.

18 Earnings generally would be calculated on the same basis as the SEET,
19 methodology, with the exception of a change to incorporate off-system sales
20 ("OSS") margins in the earnings calculations. Deferrals and the related
21 amortization expense would be included in the earnings, consistent with the SEET
22 methodology adopted by the Commission. Extraordinary, nonrecurring, and
23 special items would be excluded, consistent with the SEET methodology adopted

1 by the Commission. Such items would include power plant retirements (unless
2 the PUCO authorizes a deferral and establishment of a regulatory asset). OSS
3 margins would be included in earnings; however, if OSS margins are excluded
4 from earnings as is presently the case with the SEET, then the OSS margins
5 would be properly excluded from both the numerator and denominator. OSS
6 margins should be included because all of the costs incurred by the Companies to
7 generate the OSS sales and margins would be included in the calculation of
8 earnings. Any credit or charge from the prior year would be excluded in the
9 calculation of earnings for the current year, consistent with the SEET
10 methodology adopted by the Commission.

11 In addition, the selection of companies for the comparable group would be
12 standardized and weighted more heavily toward regulated electric utilities. This
13 would result in a relatively stable comparable return on equity from year to year.
14

15 **Q. Would any ESIP credit or ESIP charge be nonbypassable?**

16 A. Yes. The ESIP credit or ESIP charge would be nonbypassable. Both consumers
17 who take service pursuant to the SSO and customers who shop would receive any
18 ESIP credit, as is presently the case with a SEET refund, or pay any ESIP charge.
19 This maintains shopping options for all customers, but reduces AEP's shopping
20 risk. I believe that this structure is sustainable in the long-run.
21

22 **Q. Do you propose that any ESIP charge or credit be allocated on a kWh basis**
23 **similar to the SEET refund?**

1 A. Yes. The charge or credit would be allocated in the same manner.

2

3 **Q. Do you propose any change in the annual SEET process?**

4 A. No. The annual SEET process would continue to operate just as it does now, but
5 would be expanded to include the ESIP review.

6

7 **Q. Why should the Commission adopt the ESIP?**

8 A. The primary reason is that it improves the present regulatory framework, not only to
9 ensure that rates are just and reasonable, but also to provide greater rate stability and
10 certainty for both the Companies and consumers in an environment of seemingly
11 increasing uncertainty as to non-ratemaking regulatory requirements and costs. The
12 ESIP provides a comprehensive ratemaking framework that equitably balances
13 the interests of the Companies and consumers. The ESIP retains and improves
14 upon the consumer protection through the SEET, while establishing earnings
15 protection for the Companies through the ESIP.

16 The ESIP improves upon the practical application of the SEET by refining
17 the definition of the comparable group, reducing the variability of the comparable
18 group returns from year to year, and refining the calculation of earnings.

19 The ESIP reduces the need for an ever-increasing array of riders, including
20 the need for the POLR rider, and provides an alternative to certain of the new
21 proposed riders that OEG opposes and other riders that are not consistent with the
22 recent Ohio Supreme Court decision. It also reduces AEP's exposure in funding
23 economic development rates without EDR recovery, such as the proposed Rate

1 Security Rider.

2 The ESIP also provides financial incentives for the Companies to control
3 costs so that earnings remain within the deadband in an increasing cost
4 environment. In addition, the ESIP should reduce the Companies' borrowing costs
5 due to lower risk, which benefits all consumers.

6 Finally, the ESIP improves ratemaking efficiency by reducing the need for
7 certain riders and thus, the administrative complexity and burden on the Staff to
8 audit these riders. The ESIP would allow the Staff to focus more on the
9 Companies' annual earnings and overall rates to consumers.

10

11 **Q. Duke Energy Ohio recently filed a request for an ESP in which it proposes a**
12 **nonbypassable capacity charge to recover the embedded cost of service**
13 **associated with its legacy generation resources as well as the cost of new**
14 **generation resources obtained to meet reserve requirements (Case No. 11-**
15 **3549-EL-SSO). How does the OEG proposal, including the ESIP, compare**
16 **to Duke's proposal?**

17 **A.** The OEG proposal, including the ESIP, is a superior approach. OEG witness Mr.
18 Stephen Baron addresses the OEG proposal and explains why the OEG approach
19 is superior; nevertheless, I have a few additional comments specifically with
20 respect to the ESIP.

21 The Duke proposal is inferior for a number of reasons. While the OEG
22 ESIP builds upon the existing ratemaking framework, the Duke ESP seeks a
23 radical overhaul on an expedited basis. The Duke proposal guarantees cost-based

1 pricing (including a premium return on equity because of the retention of a
2 significant portion of profits from off-system sales) for generation resources, and
3 thus lacks the market discipline of the OEG proposal. The Duke proposal is
4 inferior because it does not include regulatory incentives to control costs through
5 the use of an earnings dead band. In contrast to the OEG ESIP, the Duke proposal
6 provides and apparently unconstrained recovery of generation costs through a
7 rider that could encourage Duke to incur excessive and/or imprudent costs. The
8 Duke proposal is inferior because the generating resources would not be dedicated
9 to retail customers for the lives of the resources. The Duke proposal is inferior
10 because it would immediately impose significant additional costs on shopping
11 customers. In contrast to the Duke proposal, the OEG ESIP would charge or
12 credit all customers, both shopping and SSO.

13
14 **III. COMPANIES' CURRENT EARNINGS ARE ADEQUATE AND ARGUE**
15 **AGAINST FURTHER RATE INCREASES**

16
17
18 **Q. What was the combined Companies' most recent calendar year return on**
19 **common equity?**

20 **A.** The combined Companies' 2010 actual return on common equity was 13.44%,
21 computed in accordance with the determinations in the Commission's Orders in
22 Case No. 09-786-EL-UNC and Case No. 10-1261-EL-UNC, except for the
23 exclusion of the OSS margins, which I computed in accordance with the
24 methodology that I previously described for the ESIP if OSS margins are

1 incorporated. The computations for each Company and the combined Companies
2 are detailed on my Exhibit___(LK-2).

3 The Order in Case No. 09-786-EL-UNC required that the earned return
4 exclude any SEET refunds “to avoid distorting the electric utility’s income”
5 [Order at 15] and that it exclude “any non-recurring, special, and extraordinary
6 items.” [Order at 18]. Consequently, I removed the after-tax effects of the SEET
7 refund for CSP from its earnings. I also removed the effects of the one-time
8 charge by AEP for its “Cost Reduction Initiative.” These adjustments are
9 reflected in the computations on my Exhibit___(LK-2) and are separately
10 quantified in the footnotes.

11 The Order in Case No. 10-1261-EL-UNC specified that deferrals and the
12 related amortization expense were to be included [Order at 31] and that off-
13 system sales margins were to be excluded [Order at 29-30]. Consequently, I
14 made no adjustment for deferrals or any related amortization expense. I made no
15 adjustment to exclude OSS margins; however, the exclusion would have no effect
16 if the margins were excluded on a consistent basis from both the numerator and
17 the denominator in the calculation under the assumption that the off-system sales
18 had the same margin as other sales.

19
20 **Q. What is the significance of the combined Companies’ 2010 return on equity?**

21 A. The significance is that the combined Companies’ earned return is already
22 reasonable when compared to the Commission’s most recent determination of
23 11.0% for the SEET computation in Case No. 10-1261-EL-UNC and that the

1 Companies' requested rate increases through various riders in this proceeding are
2 not necessary in order for them to earn a reasonable return on equity, all else
3 equal. It is important for the Commission to maintain an overall perspective when
4 considering the perpetuation of and/or increases in numerous riders and the
5 Companies' numerous proposed new riders. The return on equity provides a
6 sanity check on the overall reasonableness of the Companies' requests for the
7 separate rate increases proposed through the ever-increasing number of surcharge
8 riders.

9
10 **Q. What effect does each \$10 million in rate increases have on the combined**
11 **Companies' return on common equity, all else equal?**

12 **A.** The effect is to increase the combined Companies' return on common equity by
13 0.22% for every \$10 million in rate increases, all else equal. If there is an equal
14 and offsetting increase in expense that matches the rate increase, such as the
15 amortization of the FAC deferrals, excluding any carrying charge effect, then
16 there is no change in the combined Companies' return on common equity, all else
17 equal.

18

19 **IV. ACCUMULATED DEFERRED INCOME TAXES SHOULD BE**
20 **REFLECTED IN COST-BASED RIDERS**
21

22 **Q. Please describe the Companies' proposed methodology to calculate the**
23 **carrying charges on the deferred FAC amounts that will be recovered**
24 **through the PIRR rider.**

1 A. The Companies project that the deferred FAC amount will be \$642.623 million at
2 December 31, 2011, according to Companies witness Mr. Nelson. This amount
3 consists of the cumulative underrecoveries in FAC expense and the related
4 carrying charges on those underrecoveries, according to Mr. Nelson's workpaper
5 identified as PJN p. 8, a copy of which I have attached as my Exhibit___(LK-3).

6 The Companies calculated the carrying charges through December 31,
7 2011 using a grossed-up weighted average cost of capital applied to the gross
8 deferred FAC amounts. The Companies did not reduce the deferred FAC
9 amounts by the related ADIT.

10 The Companies propose to use this same methodology prospectively.
11 They propose no reduction for ADIT on either the prior amounts projected
12 through December 31, 2011 or on the ongoing amounts through the end of the
13 amortization period in 2018.

14

15 **Q. What does the ADIT represent and why should it be subtracted from the**
16 **gross deferred FAC amount?**

17 A. The ADIT represents a reduction in the income taxes paid by the Companies. The
18 income savings were due to the fact that the Companies deducted the fuel expense
19 as it was incurred for income tax purposes, but did not have any matching revenue
20 (income) due to the phase-in of the FAC rate increases. The Companies will not
21 receive this revenue (income) until they receive recovery of the deferred FAC
22 amounts in the years 2012 through 2018. At that time, they will have no

1 deductions against the income and only then will they pay the income taxes that
2 they did not pay during the deferral period..

3 This means that the Companies did not have to finance the entirety of the
4 deferred FAC amounts, but rather only had to finance the amounts, net of the
5 income tax savings. In essence, the federal and state governments provided
6 interest free loans during the deferral period that will only be paid back as the
7 deferred FAC amounts are finally recovered by the Companies.

8 The ADIT amount is referred to as the "tax shield" and is an essential
9 component of any analysis of the economic and financial effects of regulation.
10 For example, the rate base for a utility regulated on a cost-basis includes net plant,
11 but the rate base also is reduced by the ADIT effects of accelerated tax
12 depreciation in excess of straight line tax depreciation. The reason for this is that
13 the federal and state governments provide an interest free loan through the ability
14 to reduce taxable income by the accelerated tax depreciation.

15
16 **Q. Did the Commission actually decide this issue in Case Nos. 08-917-EL-SSO**
17 **and 08-918-EL-SSO?**

18 A. In my opinion, it did not. In the Companies' opinion, it did. The Commission's
19 Order made no explicit finding on the deductibility of the ADIT prior to the
20 application of the carrying charge rate. The only explicit finding that it made was
21 that the Companies should use the grossed up weighted average cost of capital as
22 the carrying charge rate for purposes of the deferrals associated with the phase-in
23 of the FAC. [Order at 23-24]. Although the Order identified the ADIT as an

1 issue and described the positions of OCC, the Commercial Group and the
2 Companies, it did not explicitly state the Commission's resolution of the issue, if
3 any, or provide reasons for such a resolution, if any.

4 The Order did state that the Company opposed the subtraction of the
5 ADIT on the basis that this methodology was appropriate only under a traditional
6 cost-of-service ratemaking approach and that the FAC was not a cost based rate
7 within the context of the ESP. [Order at 21 citing Tr. Vol IV at 158-160; hearing
8 testimony of Companies' witness Mr. Leonard Assante]. It should be noted that
9 the Company did not explicitly propose that there be no subtraction of the ADIT
10 in its filing and had no written testimony on this issue.

11
12 **Q. Did Mr. Assante confirm at the hearing in Case Nos. 08-917-EL-SSO and 08-**
13 **918-EL-SSO that it was proper to subtract ADIT in the determination of**
14 **cost-based rates?**

15 **A.** Yes. He not only confirmed this as a matter of principle, but also confirmed that
16 this was the methodology in AEP's other jurisdictions where its utilities were
17 subject to cost-based rates. I have attached the relevant pages from the hearing
18 transcript as my Exhibit____(LK-4).

19
20 **Q. Was Mr. Assante correct that the FAC is not a cost-based rate and that the**
21 **traditional cost-of-service ratemaking approach is not relevant with respect**
22 **to an ESP?**

1 A. No. The FAC is a cost-based rate by definition because it provides current or
2 deferred recovery on the basis of the actual FAC costs incurred. The FAC is not
3 an arbitrary or market-based rate. Further, the carrying charge applied to the
4 deferred FAC amounts also is cost-based. The fact that this is a cost-based rate,
5 not the fact that this is a rate within the ESP, is the determinative factor. Thus, the
6 ADIT should be subtracted consistent with traditional cost of service used to
7 develop cost-based rates.

8

9 **Q. Is Mr. Assante's testimony that it is appropriate to subtract ADIT for cost-**
10 **based rates further supported by Companies' witness Mr. Mitchell in recent**
11 **testimony in West Virginia?**

12 A. Yes. In a recent Appalachian Power Company ("APCo") ENEC (Expanded Net
13 Energy Cost) proceeding,¹ Mr. Mitchell agreed that it is appropriate to subtract
14 ADIT for cost-based rates. In the West Virginia proceeding, APCo initially failed
15 to reduce the deferred ENEC amounts by the related ADIT before it applied the
16 grossed-up weighted average cost of capital to determine the carrying charges.
17 When confronted with this error, Mr. Mitchell conceded that it was appropriate to
18 subtract ADIT from the deferred ENEC amounts when the grossed-up weighted
19 average cost of capital was used as the carrying charge rate. The deferred FAC
20 amounts in Ohio are no different in concept than the deferred ENEC amounts in

¹ The APCo ENEC is the West Virginia analog of the FAC for the Companies in Ohio. Similar to the Companies' FAC, the APCo ENEC is a cost-based rate.

1 West Virginia. I have attached a copy of the relevant pages from Mr. Mitchell's
2 written testimony as my Exhibit___(LK-5).
3

4 **Q. Do you have any further evidence that it is appropriate to subtract ADIT**
5 **from the deferred FAC amounts?**

6 A. Yes. This point was made recently by the auditors in the Staff Report entitled
7 *Report of the Management/Performance and Financial Audits of the FAC of the*
8 *Columbus Southern Power Company and the Ohio Power Company* dated May
9 26, 2011. In that *Report*, the auditors explained why the Companies' calculations
10 should have reflected a subtraction of ADIT from the deferred FAC amounts and
11 quantified the effect for the audit period. The auditors cited the Companies'
12 "understanding" of the Commission's Order in Case Nos. 08-917-EL-SSO and
13 08-918-EL-SSO, but did not agree that this "understanding" was correct. I have
14 attached a copy of the relevant pages from that report as my Exhibit___(LK-6).
15

16 **Q. What is your recommendation?**

17 A. I recommend that the Commission reduce the deferred FAC amounts by the ADIT
18 to calculate the PIRR going forward to reflect the Company's actual carrying
19 charges on the deferred FAC amounts. I also recommend that the Commission
20 reflect the ADIT amounts in all other cost based rates, such as the Companies'
21 proposed DIR.
22
23

24 **V. SECURITIZATION OF FAC DEFERRALS**

1

2 **Q. The Companies propose to securitize the deferred FAC costs and, if they are**
3 **able to do, reduce the PIRR to reflect the savings. Do you agree with this**
4 **proposal?**

5 A. Yes. The Companies estimate an annual potential savings of \$57 million, or 75%
6 compared to financing the deferred FAC amounts at their grossed-up weighted
7 average cost of capital, according to Companies witness Ms. Hawkins. [Hawkins
8 Direct at 7]. Over the seven year recovery period, the savings from securitization
9 would be hundreds of millions of dollars.

10

11 **Q. What is the industry experience with securitization?**

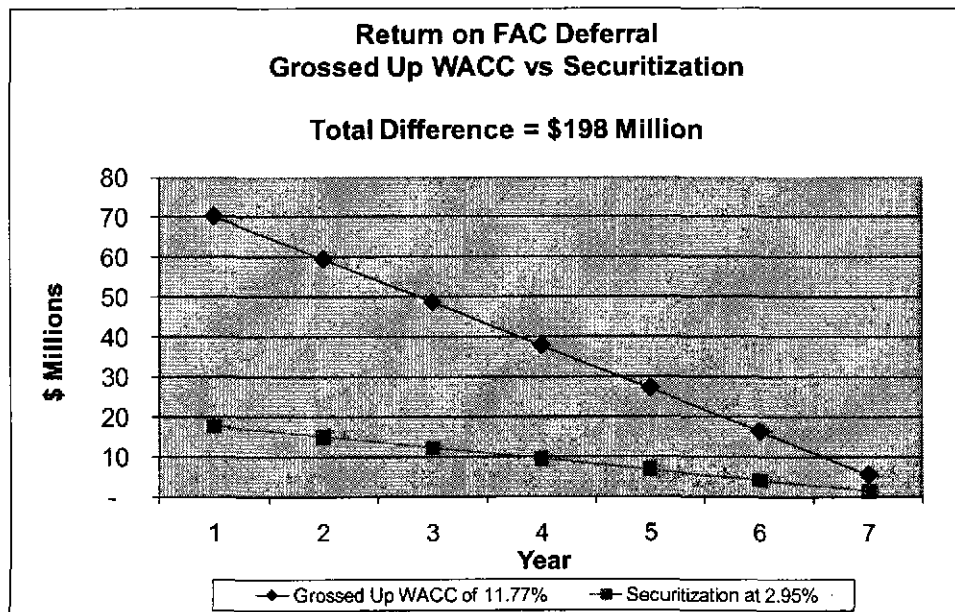
12 A. The utility industry has used securitization financing to reduce the costs to
13 consumers for environmental costs, storm damage costs, and other costs. The
14 savings result from greater debt leverage and from lower cost debt compared to
15 traditional utility financing.

16

17 **Q. Please provide an illustration of the savings from securitization compared to**
18 **the Companies' grossed-up weighted average cost of capital over the seven**
19 **year deferred FAC recovery period.**

20 A. The following graph illustrates the savings from securitization financing based on
21 the Companies' methodology for calculating the carrying costs (no reduction for
22 ADIT) and using the Companies' proposed 11.77% grossed-up weighted average

1 cost of capital and its assumed 2.95% cost of securitization financing relied on by
2 Ms. Hawkins for her savings calculations.
3



4
5
6 **Q. What is your recommendation?**

7 A. I recommend that the Commission direct the Companies to aggressively pursue
8 securitization financing, including the enactment of any legislation that is
9 necessary to do so. In addition, I recommend that the Commission direct the Staff
10 to work closely with the Companies and other parties on a cooperative basis to
11 ensure that the necessary orders are issued and that the securitization financing is
12 implemented.
13

14 **Q. Does this complete your testimony?**

15 A. Yes.

**BEFORE THE
PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of:

In the Matter of the Application of)	
Columbus Southern Power Company and)	
Ohio Power Company for Authority to)	Case No. 11-346-EL-SSO
Establish a Standard Service Offer)	Case No. 11-348-EL-SSO
Pursuant to §4928.143, Ohio Rev. Code,)	
In the Form of an Electric Security Plan.)	
In the Matter of the Application of)	
Columbus Southern Power Company and)	Case No. 11-349-EL-AAM
Ohio Power Company for Approval of)	Case No. 11-350-EL-AAM
Certain Accounting Authority.)	

<p style="text-align: center;">EXHIBITS</p> <p style="text-align: center;">OF</p> <p style="text-align: center;">LANE KOLLEN</p>

**ON BEHALF OF
THE OHIO ENERGY GROUP**

**J. KENNEDY AND ASSOCIATES, INC.
ROSWELL, GEORGIA**

June 2011

EXHIBIT ____ (LK-1)

RESUME OF LANE KOLLEN, VICE PRESIDENT

EDUCATION

University of Toledo, BBA
Accounting

University of Toledo, MBA

Luther Rice University, MA

PROFESSIONAL CERTIFICATIONS

Certified Public Accountant (CPA)

Certified Management Accountant (CMA)

PROFESSIONAL AFFILIATIONS

American Institute of Certified Public Accountants

Georgia Society of Certified Public Accountants

Institute of Management Accountants

More than thirty years of utility industry experience in the financial, rate, tax, and planning areas. Specialization in revenue requirements analyses, taxes, evaluation of rate and financial impacts of traditional and nontraditional ratemaking, utility mergers/acquisition and diversification. Expertise in proprietary and nonproprietary software systems used by utilities for budgeting, rate case support and strategic and financial planning.

J. KENNEDY AND ASSOCIATES, INC.

RESUME OF LANE KOLLEN, VICE PRESIDENT

EXPERIENCE

1986 to

Present:

J. Kennedy and Associates, Inc.: Vice President and Principal. Responsible for utility stranded cost analysis, revenue requirements analysis, cash flow projections and solvency, financial and cash effects of traditional and nontraditional ratemaking, and research, speaking and writing on the effects of tax law changes. Testimony before Connecticut, Florida, Georgia, Indiana, Louisiana, Kentucky, Maine, Maryland, Minnesota, New York, North Carolina, Ohio, Pennsylvania, Tennessee, Texas, West Virginia and Wisconsin state regulatory commissions and the Federal Energy Regulatory Commission.

1983 to

1986:

Energy Management Associates: Lead Consultant.

Consulting in the areas of strategic and financial planning, traditional and nontraditional ratemaking, rate case support and testimony, diversification and generation expansion planning. Directed consulting and software development projects utilizing PROSCREEN II and ACUMEN proprietary software products. Utilized ACUMEN detailed corporate simulation system, PROSCREEN II strategic planning system and other custom developed software to support utility rate case filings including test year revenue requirements, rate base, operating income and pro-forma adjustments. Also utilized these software products for revenue simulation, budget preparation and cost-of-service analyses.

1976 to

1983:

The Toledo Edison Company: Planning Supervisor.

Responsible for financial planning activities including generation expansion planning, capital and expense budgeting, evaluation of tax law changes, rate case strategy and support and computerized financial modeling using proprietary and nonproprietary software products. Directed the modeling and evaluation of planning alternatives including:

Rate phase-ins.

Construction project cancellations and write-offs.

Construction project delays.

Capacity swaps.

Financing alternatives.

Competitive pricing for off-system sales.

Sale/leasebacks.

J. KENNEDY AND ASSOCIATES, INC.

RESUME OF LANE KOLLEN, VICE PRESIDENT

CLIENTS SERVED

Industrial Companies and Groups

Air Products and Chemicals, Inc.	Lehigh Valley Power Committee
Airco Industrial Gases	Maryland Industrial Group
Alcan Aluminum	Multiple Intervenors (New York)
Armco Advanced Materials Co.	National Southwire
Armco Steel	North Carolina Industrial
Bethlehem Steel	Energy Consumers
Connecticut Industrial Energy Consumers	Occidental Chemical Corporation
ELCON	Ohio Energy Group
Enron Gas Pipeline Company	Ohio Industrial Energy Consumers
Florida Industrial Power Users Group	Ohio Manufacturers Association
Gallatin Steel	Philadelphia Area Industrial Energy
General Electric Company	Users Group
GPU Industrial Intervenors	PSI Industrial Group
Indiana Industrial Group	Smith Cogeneration
Industrial Consumers for	Taconite Intervenors (Minnesota)
Fair Utility Rates - Indiana	West Penn Power Industrial Intervenors
Industrial Energy Consumers - Ohio	West Virginia Energy Users Group
Kentucky Industrial Utility Customers, Inc.	Westvaco Corporation
Kimberly-Clark Company	

Regulatory Commissions and Government Agencies

Cities in Texas-New Mexico Power Company's Service Territory
Cities in AEP Texas Central Company's Service Territory
Cities in AEP Texas North Company's Service Territory
Georgia Public Service Commission Staff
Kentucky Attorney General's Office, Division of Consumer Protection
Louisiana Public Service Commission Staff
Maine Office of Public Advocate
New York State Energy Office
Office of Public Utility Counsel (Texas)

J. KENNEDY AND ASSOCIATES, INC.

RESUME OF LANE KOLLEN, VICE PRESIDENT

Utilities

Allegheny Power System
Atlantic City Electric Company
Carolina Power & Light Company
Cleveland Electric Illuminating Company
Delmarva Power & Light Company
Duquesne Light Company
General Public Utilities
Georgia Power Company
Middle South Services
Nevada Power Company
Niagara Mohawk Power Corporation

Otter Tail Power Company
Pacific Gas & Electric Company
Public Service Electric & Gas
Public Service of Oklahoma
Rochester Gas and Electric
Savannah Electric & Power Company
Seminole Electric Cooperative
Southern California Edison
Talquin Electric Cooperative
Tampa Electric
Texas Utilities
Toledo Edison Company

**Expert Testimony Appearances
of
Lane Kollen
As of July 2011**

Date	Case	Jurisdct.	Party	Utility	Subject
10/86	U-17282 Interim	LA	Louisiana Public Service Commission Staff	Gulf States Utilities	Cash revenue requirements financial solvency.
11/86	U-17282 Interim Rebuttal	LA	Louisiana Public Service Commission Staff	Gulf States Utilities	Cash revenue requirements financial solvency.
12/86	9613	KY	Attorney General Div. of Consumer Protection	Big Rivers Electric Corp.	Revenue requirements accounting adjustments financial workout plan.
1/87	U-17282 Interim	LA 19th Judicial District Ct.	Louisiana Public Service Commission Staff	Gulf States Utilities	Cash revenue requirements, financial solvency.
3/87	General Order 236	WV	West Virginia Energy Users' Group	Monongahela Power Co.	Tax Reform Act of 1986.
4/87	U-17282 Prudence	LA	Louisiana Public Service Commission Staff	Gulf States Utilities	Prudence of River Bend 1, economic analyses, cancellation studies.
4/87	M-100 Sub 113	NC	North Carolina Industrial Energy Consumers	Duke Power Co.	Tax Reform Act of 1986.
5/87	86-524-E- SC	WV	West Virginia Energy Users' Group	Monongahela Power Co.	Revenue requirements. Tax Reform Act of 1986.
5/87	U-17282 Case In Chief	LA	Louisiana Public Service Commission Staff	Gulf States Utilities	Revenue requirements, River Bend 1 phase-in plan, financial solvency.
7/87	U-17282 Case In Chief Surrebuttal	LA	Louisiana Public Service Commission Staff	Gulf States Utilities	Revenue requirements River Bend 1 phase-in plan, financial solvency.
7/87	U-17282 Prudence Surrebuttal	LA	Louisiana Public Service Commission Staff	Gulf States Utilities	Prudence of River Bend 1, economic analyses, cancellation studies.
7/87	86-524 E-SC Rebuttal	WV	West Virginia Energy Users' Group	Monongahela Power Co.	Revenue requirements, Tax Reform Act of 1986.

J. KENNEDY AND ASSOCIATES, INC.

**Expert Testimony Appearances
of
Lane Kollen
As of July 2011**

Date	Case	Jurisdct.	Party	Utility	Subject
8/87	9885	KY	Attorney General Div. of Consumer Protection	Big Rivers Electric Corp.	Financial workout plan.
8/87	E-015/GR- 87-223	MN	Taconite Intervenors	Minnesota Power & Light Co.	Revenue requirements, O&M expense, Tax Reform Act of 1986.
10/87	870220-EI	FL	Occidental Chemical Corp.	Florida Power Corp.	Revenue requirements, O&M expense, Tax Reform Act of 1986.
11/87	87-07-01	CT	Connecticut Industrial Energy Consumers	Connecticut Light & Power Co.	Tax Reform Act of 1986.
1/88	U-17282	LA 19th Judicial District Ct.	Louisiana Public Service Commission	Gulf States Utilities	Revenue requirements, River Bend 1 phase-in plan, rate of return.
2/88	9934	KY	Kentucky Industrial Utility Customers	Louisville Gas & Electric Co.	Economics of Trimble County completion.
2/88	10064	KY	Kentucky Industrial Utility Customers	Louisville Gas & Electric Co.	Revenue requirements, O&M expense, capital structure, excess deferred income taxes.
5/88	10217	KY	Alcan Aluminum National Southwire	Big Rivers Electric Corp.	Financial workout plan.
5/88	M-87017 -1C001	PA	GPU Industrial Intervenors	Metropolitan Edison Co.	Nonutility generator deferred cost recovery.
5/88	M-87017 -2C005	PA	GPU Industrial Intervenors	Pennsylvania Electric Co.	Nonutility generator deferred cost recovery.
6/88	U-17282	LA 19th Judicial District Ct.	Louisiana Public Service Commission	Gulf States Utilities	Prudence of River Bend 1 economic analyses, cancellation studies, financial modeling.
7/88	M-87017- 1C001 Rebuttal	PA	GPU Industrial Intervenors	Metropolitan Edison Co.	Nonutility generator deferred cost recovery, SFAS No. 92

J. KENNEDY AND ASSOCIATES, INC.

**Expert Testimony Appearances
of
Lane Kollen
As of July 2011**

Date	Case	Jurisdct.	Party	Utility	Subject
7/88	M-87017- 2C005 Rebuttal	PA	GPU Industrial Intervenors	Pennsylvania Electric Co.	Nonutility generator deferred cost recovery, SFAS No. 92
9/88	88-05-25	CT	Connecticut Industrial Energy Consumers	Connecticut Light & Power Co.	Excess deferred taxes, O&M expenses.
9/88	10064 Rehearing	KY	Kentucky Industrial Utility Customers	Louisville Gas & Electric Co.	Premature retirements, interest expense.
10/88	88-170- EL-AIR	OH	Ohio Industrial Energy Consumers	Cleveland Electric Illuminating Co.	Revenue requirements, phase-in, excess deferred taxes, O&M expenses, financial considerations, working capital.
10/88	88-171- EL-AIR	OH	Ohio Industrial Energy Consumers	Toledo Edison Co.	Revenue requirements, phase-in, excess deferred taxes, O&M expenses, financial considerations, working capital.
10/88	8800 355-EI	FL	Florida Industrial Power Users' Group	Florida Power & Light Co.	Tax Reform Act of 1986, tax expenses, O&M expenses, pension expense (SFAS No. 87).
10/88	3780-U	GA	Georgia Public Service Commission Staff	Atlanta Gas Light Co.	Pension expense (SFAS No. 87).
11/88	U-17282 Remand	LA	Louisiana Public Service Commission Staff	Gulf States Utilities	Rate base exclusion plan (SFAS No. 71)
12/88	U-17970	LA	Louisiana Public Service Commission Staff	AT&T Communications of South Central States	Pension expense (SFAS No. 87).
12/88	U-17949 Rebuttal	LA	Louisiana Public Service Commission Staff	South Central Bell	Compensated absences (SFAS No. 43), pension expense (SFAS No. 87), Part 32, income tax normalization.
2/89	U-17282 Phase II	LA	Louisiana Public Service Commission Staff	Gulf States Utilities	Revenue requirements, phase-in of River Bend 1, recovery of canceled plant.

J. KENNEDY AND ASSOCIATES, INC.

**Expert Testimony Appearances
of
Lane Kollen
As of July 2011**

Date	Case	Jurisdct.	Party	Utility	Subject
6/89	881602-EU 890326-EU	FL	Talquin Electric Cooperative	Talquin/City of Tallahassee	Economic analyses, incremental cost-of-service, average customer rates.
7/89	U-17970	LA	Louisiana Public Service Commission Staff	AT&T Communications of South Central States	Pension expense (SFAS No. 87), compensated absences (SFAS No. 43), Part 32.
8/89	8555	TX	Occidental Chemical Corp.	Houston Lighting & Power Co.	Cancellation cost recovery, tax expense, revenue requirements.
8/89	3840-U	GA	Georgia Public Service Commission Staff	Georgia Power Co.	Promotional practices, advertising, economic development.
9/89	U-17282 Phase II Detailed	LA	Louisiana Public Service Commission Staff	Gulf States Utilities	Revenue requirements, detailed investigation.
10/89	8880	TX	Enron Gas Pipeline	Texas-New Mexico Power Co.	Deferred accounting treatment, sale/leaseback.
10/89	8928	TX	Enron Gas Pipeline	Texas-New Mexico Power Co.	Revenue requirements, imputed capital structure, cash working capital.
10/89	R-891364	PA	Philadelphia Area Industrial Energy Users Group	Philadelphia Electric Co.	Revenue requirements.
11/89 12/89	R-891364 Surrebuttal (2 Filings)	PA	Philadelphia Area Industrial Energy Users Group	Philadelphia Electric Co.	Revenue requirements, sale/leaseback.
1/90	U-17282 Phase II Detailed Rebuttal	LA	Louisiana Public Service Commission Staff	Gulf States Utilities	Revenue requirements detailed investigation.
1/90	U-17282 Phase III	LA	Louisiana Public Service Commission Staff	Gulf States Utilities	Phase-in of River Bend 1, deregulated asset plan.
3/90	890319-EI	FL	Florida Industrial Power Users Group	Florida Power & Light Co.	O&M expenses, Tax Reform Act of 1986.

J. KENNEDY AND ASSOCIATES, INC.

**Expert Testimony Appearances
of
Lane Kollen
As of July 2011**

Date	Case	Jurisdic.	Party	Utility	Subject
4/90	890319-El Rebuttal	FL	Florida Industrial Power Users Group	Florida Power & Light Co.	O&M expenses, Tax Reform Act of 1986.
4/90	U-17282	LA 19th Judicial District Ct.	Louisiana Public Service Commission	Gulf States Utilities	Fuel clause, gain on sale of utility assets.
9/90	90-158	KY	Kentucky Industrial Utility Customers	Louisville Gas & Electric Co.	Revenue requirements, post-test year additions, forecasted test year.
12/90	U-17282 Phase IV	LA	Louisiana Public Service Commission Staff	Gulf States Utilities	Revenue requirements.
3/91	29327, et. al.	NY	Multiple Intervenors	Niagara Mohawk Power Corp.	Incentive regulation.
5/91	9945	TX	Office of Public Utility Counsel of Texas	El Paso Electric Co.	Financial modeling, economic analyses, prudence of Palo Verde 3.
9/91	P-910511 P-910512	PA	Allegheny Ludlum Corp., Armco Advanced Materials Co., The West Penn Power Industrial Users' Group	West Penn Power Co.	Recovery of CAAA costs, least cost financing.
9/91	91-231 -E-NC	WV	West Virginia Energy Users Group	Monongahela Power Co.	Recovery of CAAA costs, least cost financing.
11/91	U-17282	LA	Louisiana Public Service Commission Staff	Gulf States Utilities	Asset impairment, deregulated asset plan, revenue require- ments.
12/91	91-410- EL-AIR	OH	Air Products and Chemicals, Inc., Armco Steel Co., General Electric Co., Industrial Energy Consumers	Cincinnati Gas & Electric Co.	Revenue requirements, phase-in plan.
12/91	10200	TX	Office of Public Utility Counsel of Texas	Texas-New Mexico Power Co.	Financial integrity, strategic planning, declined business affiliations.

J. KENNEDY AND ASSOCIATES, INC.

**Expert Testimony Appearances
of
Lane Kollen
As of July 2011**

Date	Case	Jurisdct.	Party	Utility	Subject
5/92	910890-EI	FL	Occidental Chemical Corp.	Florida Power Corp.	Revenue requirements, O&M expense, pension expense, OPEB expense, fossil dismantling, nuclear decommissioning.
8/92	R-00922314	PA	GPU Industrial Intervenors	Metropolitan Edison Co.	Incentive regulation, performance rewards, purchased power risk, OPEB expense.
9/92	92-043	KY	Kentucky Industrial Utility Consumers	Generic Proceeding	OPEB expense.
9/92	920324-EI	FL	Florida Industrial Power Users' Group	Tampa Electric Co.	OPEB expense.
9/92	39348	IN	Indiana Industrial Group	Generic Proceeding	OPEB expense.
9/92	910840-PU	FL	Florida Industrial Power Users' Group	Generic Proceeding	OPEB expense.
9/92	39314	IN	Industrial Consumers for Fair Utility Rates	Indiana Michigan Power Co.	OPEB expense.
11/92	U-19904	LA	Louisiana Public Service Commission Staff	Gulf States Utilities/Entergy Corp.	Merger.
11/92	8649	MD	Westvaco Corp., Eastalco Aluminum Co.	Potomac Edison Co.	OPEB expense.
11/92	92-1715-AU-COI	OH	Ohio Manufacturers Association	Generic Proceeding	OPEB expense.
12/92	R-00922378	PA	Armco Advanced Materials Co., The WPP Industrial Intervenors	West Penn Power Co.	Incentive regulation, performance rewards, purchased power risk, OPEB expense.
12/92	U-19949	LA	Louisiana Public Service Commission Staff	South Central Bell	Affiliate transactions, cost allocations, merger.

J. KENNEDY AND ASSOCIATES, INC.

**Expert Testimony Appearances
of
Lane Kollen
As of July 2011**

Date	Case	Jurisdct.	Party	Utility	Subject
12/92	R-00922479	PA	Philadelphia Area Industrial Energy Users' Group	Philadelphia Electric Co.	OPEB expense.
1/93	8487	MD	Maryland Industrial Group	Baltimore Gas & Electric Co., Bethlehem Steel Corp.	OPEB expense, deferred fuel, CWIP in rate base
1/93	39498	IN	PSI Industrial Group	PSI Energy, Inc.	Refunds due to over-collection of taxes on Marble Hill cancellation.
3/93	92-11-11	CT	Connecticut Industrial Energy Consumers	Connecticut Light & Power Co.	OPEB expense.
3/93	U-19904 (Surrebuttal)	LA	Louisiana Public Service Commission Staff	Gulf States Utilities/Entergy Corp.	Merger. Corp.
3/93	93-01 EL-EFC	OH	Ohio Industrial Energy Consumers	Ohio Power Co.	Affiliate transactions, fuel.
3/93	EC92-21000 ER92-806-000	FERC	Louisiana Public Service Commission	Gulf States Utilities/Entergy Corp.	Merger.
4/93	92-1464- EL-AIR	OH	Air Products Armco Steel Industrial Energy Consumers	Cincinnati Gas & Electric Co.	Revenue requirements, phase-in plan.
4/93	EC92-21000 ER92-806-000 (Rebuttal)	FERC	Louisiana Public Service Commission	Gulf States Utilities/Entergy Corp.	Merger.
9/93	93-113	KY	Kentucky Industrial Utility Customers	Kentucky Utilities	Fuel clause and coal contract refund.
9/93	92-490, 92-490A, 90-360-C	KY	Kentucky Industrial Utility Customers and Kentucky Attorney General	Big Rivers Electric Corp.	Disallowances and restitution for excessive fuel costs, illegal and improper payments, recovery of mine closure costs.
10/93	U-17735	LA	Louisiana Public Service Commission	Cajun Electric Power Cooperative	Revenue requirements, debt restructuring agreement, River Bend

J. KENNEDY AND ASSOCIATES, INC.

**Expert Testimony Appearances
of
Lane Kollen
As of July 2011**

Date	Case	Jurisdic.	Party	Utility	Subject
1/94	U-20647	LA	Staff Louisiana Public Service Commission Staff	Gulf States Utilities Co.	cost recovery. Audit and investigation into fuel clause costs.
4/94	U-20647 (Surrebuttal)	LA	Louisiana Public Service Commission Staff	Gulf States Utilities	Nuclear and fossil unit performance, fuel costs, fuel clause principles and guidelines.
5/94	U-20178	LA	Louisiana Public Service Commission Staff	Louisiana Power & Light Co.	Planning and quantification issues of least cost integrated resource plan.
9/94	U-19904 Initial Post- Merger Earnings Review	LA	Louisiana Public Service Commission Staff	Gulf States Utilities Co.	River Bend phase-in plan, deregulated asset plan, capital structure, other revenue requirement issues.
9/94	U-17735	LA	Louisiana Public Service Commission Staff	Cajun Electric Power Cooperative	G&T cooperative ratemaking policies, exclusion of River Bend, other revenue requirement issues.
10/94	3905-U	GA	Georgia Public Service Commission Staff	Southern Bell Telephone Co.	Incentive rate plan, earnings review.
10/94	5258-U	GA	Georgia Public Service Commission Staff	Southern Bell Telephone Co.	Alternative regulation, cost allocation.
11/94	U-19904 Initial Post- Merger Earnings Review (Rebuttal)	LA	Louisiana Public Service Commission Staff	Gulf States Utilities Co.	River Bend phase-in plan, deregulated asset plan, capital structure, other revenue requirement issues.
11/94	U-17735 (Rebuttal)	LA	Louisiana Public Service Commission Staff	Cajun Electric Power Cooperative	G&T cooperative ratemaking policy, exclusion of River Bend, other revenue requirement issues.
4/95	R-00943271	PA	PP&L Industrial Customer Alliance	Pennsylvania Power & Light Co.	Revenue requirements. Fossil dismantling, nuclear decommissioning.

J. KENNEDY AND ASSOCIATES, INC.

**Expert Testimony Appearances
of
Lane Kollen
As of July 2011**

Date	Case	Jurisdct.	Party	Utility	Subject
6/95	3905-U Rebuttal	GA	Georgia Public Service Commission	Southern Bell Telephone Co.	Incentive regulation, affiliate transactions, revenue requirements, rate refund.
6/95	U-19904 (Direct)	LA	Louisiana Public Service Commission Staff	Gulf States Utilities Co.	Gas, coal, nuclear fuel costs, contract prudence, base/fuel realignment.
10/95	95-02614	TN	Tennessee Office of the Attorney General Consumer Advocate	BellSouth Telecommunications, Inc.	Affiliate transactions.
10/95	U-21485 (Direct)	LA	Louisiana Public Service Commission Staff	Gulf States Utilities Co.	Nuclear O&M, River Bend phase-in plan, base/fuel realignment, NOL and AltMin asset deferred taxes, other revenue requirement issues.
11/95	U-19904 (Surrebuttal)	LA	Louisiana Public Service Commission Staff	Gulf States Utilities Co. Division	Gas, coal, nuclear fuel costs, contract prudence, base/fuel realignment.
11/95	U-21485 (Supplemental Direct)	LA	Louisiana Public Service Commission Staff	Gulf States Utilities Co.	Nuclear O&M, River Bend phase-in plan, base/fuel realignment, NOL and AltMin asset deferred taxes, other revenue requirement issues.
12/95	U-21485 (Surrebuttal)				
1/96	95-299- EL-AIR 95-300- EL-AIR	OH	Industrial Energy Consumers	The Toledo Edison Co. The Cleveland Electric Illuminating Co.	Competition, asset writeoffs and revaluation, O&M expense, other revenue requirement issues.
2/96	PUC No. 14965	TX	Office of Public Utility Counsel	Central Power & Light	Nuclear decommissioning.
5/96	95-485-LCS	NM	City of Las Cruces	El Paso Electric Co.	Stranded cost recovery, municipalization.
7/96	8725	MD	The Maryland Industrial Group and Redland Genstar, Inc.	Baltimore Gas & Electric Co., Potomac Electric Power Co. and Constellation Energy Corp.	Merger savings, tracking mechanism, earnings sharing plan, revenue requirement issues.

J. KENNEDY AND ASSOCIATES, INC.

**Expert Testimony Appearances
of
Lane Kollen
As of July 2011**

Date	Case	Jurisdct.	Party	Utility	Subject
9/96 11/96	U-22092 U-22092 (Surrebuttal)	LA	Louisiana Public Service Commission Staff	Entergy Gulf States, Inc.	River Bend phase-in plan, base/fuel realignment, NOL and AltMin asset deferred taxes, other revenue requirement issues, allocation of regulated/nonregulated costs.
10/96	96-327	KY	Kentucky Industrial Utility Customers, Inc.	Big Rivers Electric Corp.	Environmental surcharge recoverable costs.
2/97	R-00973877	PA	Philadelphia Area Industrial Energy Users Group	PECO Energy Co.	Stranded cost recovery, regulatory assets and liabilities, intangible transition charge, revenue requirements.
3/97	96-489	KY	Kentucky Industrial Utility Customers, Inc.	Kentucky Power Co.	Environmental surcharge recoverable costs, system agreements, allowance inventory, jurisdictional allocation.
6/97	TO-97-397	MO	MCI Telecommunications Corp., Inc., MCImetro Access Transmission Services, Inc.	Southwestern Bell Telephone Co.	Price cap regulation, revenue requirements, rate of return.
6/97	R-00973953	PA	Philadelphia Area Industrial Energy Users Group	PECO Energy Co.	Restructuring, deregulation, stranded costs, regulatory assets, liabilities, nuclear and fossil decommissioning.
7/97	R-00973954	PA	PP&L Industrial Customer Alliance	Pennsylvania Power & Light Co.	Restructuring, deregulation, stranded costs, regulatory assets, liabilities, nuclear and fossil decommissioning.
7/97	U-22092	LA	Louisiana Public Service Commission Staff	Entergy Gulf States, Inc.	Depreciation rates and methodologies, River Bend phase-in plan.
8/97	97-300	KY	Kentucky Industrial Utility Customers, Inc.	Louisville Gas & Electric Co. and Kentucky Utilities Co.	Merger policy, cost savings, surcredit sharing mechanism, revenue requirements, rate of return.

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Date	Case	Jurisdct.	Party	Utility	Subject
8/97	R-00973954 (Surrebuttal)	PA	PP&L Industrial Customer Alliance	Pennsylvania Power & Light Co.	Restructuring, deregulation, stranded costs, regulatory assets, liabilities, nuclear and fossil decommissioning.
10/97	97-204	KY	Alcan Aluminum Corp. Southwire Co.	Big Rivers Electric Corp.	Restructuring, revenue requirements, reasonableness
10/97	R-974008	PA	Metropolitan Edison Industrial Users Group	Metropolitan Edison Co.	Restructuring, deregulation, stranded costs, regulatory assets, liabilities, nuclear and fossil decommissioning, revenue requirements.
10/97	R-974009	PA	Penelec Industrial Customer Alliance	Pennsylvania Electric Co.	Restructuring, deregulation, stranded costs, regulatory assets, liabilities, nuclear and fossil decommissioning, revenue requirements.
11/97	97-204 (Rebuttal)	KY	Alcan Aluminum Corp. Southwire Co.	Big Rivers Electric Corp.	Restructuring, revenue requirements, reasonableness of rates, cost allocation.
11/97	U-22491	LA	Louisiana Public Service Commission Staff	Entergy Gulf States, Inc.	Allocation of regulated and nonregulated costs, other revenue requirement issues.
11/97	R-00973953 (Surrebuttal)	PA	Philadelphia Area Industrial Energy Users Group	PECO Energy Co.	Restructuring, deregulation, stranded costs, regulatory assets, liabilities, nuclear and fossil decommissioning.
11/97	R-973981	PA	West Penn Power Industrial Intervenors	West Penn Power Co.	Restructuring, deregulation, stranded costs, regulatory assets, liabilities, fossil decommissioning, revenue requirements, securitization.
11/97	R-974104	PA	Duquesne Industrial Intervenors	Duquesne Light Co.	Restructuring, deregulation, stranded costs, regulatory assets, liabilities, nuclear and fossil decommissioning, revenue requirements, securitization.

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Date	Case	Jurisdic.	Party	Utility	Subject
12/97	R-973981 (Surrebuttal)	PA	West Penn Power Industrial Intervenor	West Penn Power Co.	Restructuring, deregulation, stranded costs, regulatory assets, liabilities, fossil decommissioning, revenue requirements.
12/97	R-974104 (Surrebuttal)	PA	Duquesne Industrial Intervenor	Duquesne Light Co.	Restructuring, deregulation, stranded costs, regulatory assets, liabilities, nuclear and fossil decommissioning, revenue requirements, securitization.
1/98	U-22491 (Surrebuttal)	LA	Louisiana Public Service Commission Staff	Entergy Gulf States, Inc.	Allocation of regulated and nonregulated costs, other revenue requirement issues.
2/98	8774	MD	Westvaco	Polomac Edison Co.	Merger of Duquesne, AE, customer safeguards, savings sharing.
3/98	U-22092 (Allocated Stranded Cost Issues)	LA	Louisiana Public Service Commission Staff	Entergy Gulf States, Inc.	Restructuring, stranded costs, regulatory assets, securitization, regulatory mitigation.
3/98	8390-U	GA	Georgia Natural Gas Group, Georgia Textile Manufacturers Assoc.	Atlanta Gas Light Co.	Restructuring, unbundling, stranded costs, incentive regulation, revenue requirements.
3/98	U-22092 (Allocated Stranded Cost Issues) (Surrebuttal)	LA	Louisiana Public Service Commission Staff	Entergy Gulf States, Inc.	Restructuring, stranded costs, regulatory assets, securitization, regulatory mitigation.
10/98	97-596	ME	Maine Office of the Public Advocate	Bangor Hydro- Electric Co.	Restructuring, unbundling, stranded costs, T&D revenue requirements.
10/98	9355-U	GA	Georgia Public Service Commission Adversary Staff	Georgia Power Co.	Affiliate transactions.
10/98	U-17735	LA	Louisiana Public Service Commission Staff	Cajun Electric Power Cooperative	G&T cooperative ratemaking policy, other revenue requirement issues.

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Date	Case	Jurisdct.	Party	Utility	Subject
11/98	U-23327	LA	Louisiana Public Service Commission Staff	SWEPCO, CSW and AEP	Merger policy, savings sharing mechanism, affiliate transaction conditions.
12/98	U-23358 (Direct)	LA	Louisiana Public Service Commission Staff	Entergy Gulf States, Inc.	Allocation of regulated and nonregulated costs, tax issues, and other revenue requirement issues.
12/98	98-577	ME	Maine Office of Public Advocate	Maine Public Service Co.	Restructuring, unbundling, stranded cost, T&D revenue requirements.
1/99	98-10-07	CT	Connecticut Industrial Energy Consumers	United Illuminating Co.	Stranded costs, investment tax credits, accumulated deferred income taxes, excess deferred income taxes.
3/99	U-23358 (Surrebuttal)	LA	Louisiana Public Service Commission Staff	Entergy Gulf States, Inc.	Allocation of regulated and nonregulated costs, tax issues, and other revenue requirement issues.
3/99	98-474	KY	Kentucky Industrial Utility Customers, Inc.	Louisville Gas and Electric Co.	Revenue requirements, alternative forms of regulation.
3/99	98-426	KY	Kentucky Industrial Utility Customers, Inc.	Kentucky Utilities Co.	Revenue requirements, alternative forms of regulation.
3/99	99-082	KY	Kentucky Industrial Utility Customers, Inc.	Louisville Gas and Electric Co.	Revenue requirements.
3/99	99-083	KY	Kentucky Industrial Utility Customers, Inc.	Kentucky Utilities Co.	Revenue requirements.
4/99	U-23358 (Supplemental Surrebuttal)	LA	Louisiana Public Service Commission Staff	Entergy Gulf States, Inc.	Allocation of regulated and nonregulated costs, tax issues, and other revenue requirement issues.
4/99	99-03-04	CT	Connecticut Industrial Energy Consumers	United Illuminating Co.	Regulatory assets and liabilities, stranded costs, recovery mechanisms.
4/99	99-02-05	CT	Connecticut Industrial Utility Customers	Connecticut Light and Power Co.	Regulatory assets and liabilities stranded costs, recovery

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Date	Case	Jurisdct.	Party	Utility	Subject
5/99	98-426 99-082 (Additional Direct)	KY	Kentucky Industrial Utility Customers, Inc.	Louisville Gas and Electric Co.	mechanisms. Revenue requirements.
5/99	98-474 99-083 (Additional Direct)	KY	Kentucky Industrial Utility Customers, Inc.	Kentucky Utilities Co.	Revenue requirements.
5/99	98-426 98-474 (Response to Amended Applications)	KY	Kentucky Industrial Utility Customers, Inc.	Louisville Gas and Electric Co. and Kentucky Utilities Co.	Alternative regulation.
6/99	97-596	ME	Maine Office of Public Advocate	Bangor Hydro- Electric Co.	Request for accounting order regarding electric industry restructuring costs.
6/99	U-23358	LA	Louisiana Public Public Service Comm. Staff	Entergy Gulf States, Inc.	Affiliate transactions, cost allocations.
7/99	99-03-35	CT	Connecticut Industrial Energy Consumers	United Illuminating Co.	Stranded costs, regulatory assets, tax effects of asset divestiture.
7/99	U-23327	LA	Louisiana Public Service Commission Staff	Southwestern Electric Power Co., Central and South West Corp. and American Electric Power Co.	Merger Settlement and Stipulation.
7/99	97-596 Surrebuttal	ME	Maine Office of Public Advocate	Bangor Hydro- Electric Co.	Restructuring, unbundling, stranded cost, T&D revenue requirements.
7/99	98-0452- E-GI	WV	West Virginia Energy Users Group	Monongahela Power, Potomac Edison, Appalachian Power, Wheeling Power	Regulatory assets and liabilities.
8/99	98-577 Surrebuttal	ME	Maine Office of Public Advocate	Maine Public Service Co.	Restructuring, unbundling, stranded costs, T&D revenue requirements.
8/99	98-426 99-082	KY	Kentucky Industrial Utility Customers, Inc.	Louisville Gas and Electric Co.	Revenue requirements.

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Date	Case	Jurisdct.	Party	Utility	Subject
8/99	Rebuttal 98-474 98-083 Rebuttal	KY	Kentucky Industrial Utility Customers, Inc.	Kentucky Utilities Co.	Revenue requirements.
8/99	98-0452- E-GI Rebuttal	WV	West Virginia Energy Users Group	Monongahela Power, Polomac Edison, Appalachian Power, Wheeling Power	Regulatory assets and liabilities.
10/99	U-24182 Direct	LA	Louisiana Public Service Commission Staff	Entergy Gulf States, Inc.	Allocation of regulated and nonregulated costs, affiliate transactions, tax issues, and other revenue requirement issues.
11/99	21527	TX	Dallas-Ft. Worth Hospital Council and Coalition of Independent Colleges and Universities	TXU Electric	Restructuring, stranded costs, taxes, securitization.
11/99	U-23358 Surrebuttal Affiliate Transactions Review	LA	Louisiana Public Service Commission Staff	Entergy Gulf States, Inc.	Service company affiliate transaction costs.
04/00	99-1212-EL-ETPOH 99-1213-EL-ATA 99-1214-EL-AAM		Greater Cleveland Growth Association	First Energy (Cleveland Electric Illuminating, Toledo Edison)	Historical review, stranded costs, regulatory assets, liabilities.
01/00	U-24182 Surrebuttal	LA	Louisiana Public Service Commission Staff	Entergy Gulf States, Inc.	Allocation of regulated and nonregulated costs, affiliate transactions, tax issues, and other revenue requirement issues.
05/00	2000-107	KY	Kentucky Industrial Utility Customers, Inc.	Kentucky Power Co.	ECR surcharge roll-in to base rates.
05/00	U-24182 Supplemental Direct	LA	Louisiana Public Service Commission Staff	Entergy Gulf States, Inc.	Affiliate expense proforma adjustments.
05/00	A-110550F0147 PA		Philadelphia Area Industrial Energy Users Group	PECO Energy	Merger between PECO and Unicom.

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Date	Case	Jurisdct.	Party	Utility	Subject
07/00	22344	TX	The Dallas-Fort Worth Hospital Council and The Coalition of Independent Colleges and Universities	Statewide Generic Proceeding	Escalation of O&M expenses for unbundled T&D revenue requirements in projected test year.
05/00	99-1658-EL-ETP	OH	AK Steel Corp.	Cincinnati Gas & Electric Co.	Regulatory transition costs, including regulatory assets and liabilities, SFAS 109, ADIT, EDIT, ITC.
07/00	U-21453	LA	Louisiana Public Service Commission	SWEPCO	Stranded costs, regulatory assets and liabilities.
08/00	U-24064	LA	Louisiana Public Service Commission Staff	CLECO	Affiliate transaction pricing ratemaking principles, subsidization of nonregulated affiliates, ratemaking adjustments.
10/00	PUC 22350 SOAH 473-00-1015	TX	The Dallas-Ft. Worth Hospital Council and The Coalition of Independent Colleges And Universities	TXU Electric Co.	Restructuring, T&D revenue requirements, mitigation, regulatory assets and liabilities.
10/00	R-00974104 Affidavit	PA	Duquesne Industrial Intervenor	Duquesne Light Co.	Final accounting for stranded costs, including treatment of auction proceeds, taxes, capital costs, switchback costs, and excess pension funding.
11/00	P-00001837 R-00974008 P-00001838 R-00974009	PA	Metropolitan Edison Industrial Users Group Penelec Industrial Customer Alliance	Metropolitan Edison Co. Pennsylvania Electric Co.	Final accounting for stranded costs, including treatment of auction proceeds, taxes, regulatory assets and liabilities, transaction costs.
12/00	U-21453, U-20925, U-22092 (Subdocket C) Surrebuttal	LA	Louisiana Public Service Commission Staff	SWEPCO	Stranded costs, regulatory assets.
01/01	U-24993 Direct	LA	Louisiana Public Service Commission Staff	Entergy Gulf States, Inc.	Allocation of regulated and nonregulated costs, tax issues, and other revenue requirement issues.

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Date	Case	Jurisdic.	Party	Utility	Subject
01/01	U-21453, LA U-20925, U-22092 (Subdocket B) Surrebuttal		Louisiana Public Service Commission Staff	Entergy Gulf States, Inc.	Industry restructuring, business separation plan, organization structure, hold harmless conditions, financing.
01/01	Case No. KY 2000-386		Kentucky Industrial Utility Customers, Inc.	Louisville Gas & Electric Co.	Recovery of environmental costs, surcharge mechanism.
01/01	Case No. KY 2000-439		Kentucky Industrial Utility Customers, Inc.	Kentucky Utilities Co.	Recovery of environmental costs, surcharge mechanism.
02/01	A-110300F0095 PA A-110400F0040		Met-Ed Industrial Users Group Penelec Industrial Customer Alliance	GPU, Inc. FirstEnergy Corp/	Merger, savings, reliability.
03/01	P-00001860 PA P-00001861		Met-Ed Industrial Users Group Penelec Industrial Customer Alliance	Metropolitan Edison Co. and Pennsylvania Electric Co.	Recovery of costs due to provider of last resort obligation.
04 /01	U-21453, LA U-20925, U-22092 (Subdocket B) Settlement Term Sheet		Louisiana Public Public Service Comm. Staff	Entergy Gulf States, Inc.	Business separation plan: settlement agreement on overall plan structure.
04 /01	U-21453, LA U-20925, U-22092 (Subdocket B) Contested Issues		Louisiana Public Public Service Comm. Staff	Entergy Gulf States, Inc.	Business separation plan: agreements, hold harmless conditions, separations methodology.
05 /01	U-21453, LA U-20925, U-22092 (Subdocket B) Contested Issues Transmission and Distribution Rebuttal		Louisiana Public Public Service Comm. Staff	Entergy Gulf States, Inc.	Business separation plan: agreements, hold harmless conditions, Separations methodology.

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Date	Case	Jurisdct.	Party	Utility	Subject
07/01	U-21453, U-20925, U-22092 Subdocket B Transmission and Distribution Term Sheet	LA	Louisiana Public Public Service Comm. Staff	Entergy Gulf States, Inc.	Business separation plan; settlement agreement on T&D issues, agreements necessary to implement T&D separations, hold harmless conditions, separations methodology.
10/01	14000-U	GA	Georgia Public Service Commission Adversary Staff	Georgia Power Company	Revenue requirements, Rate Plan, fuel clause recovery.
11/01	14311-U Direct Panel with Bolin Killings	GA	Georgia Public Service Commission Adversary Staff	Atlanta Gas Light Co.	Revenue requirements, revenue forecast, O&M expense, depreciation, plant additions, cash working capital.
11/01	U-25687 Direct	LA	Louisiana Public Service Commission Staff	Entergy Gulf States, Inc.	Revenue requirements, capital structure, allocation of regulated and nonregulated costs, River Bend uprate.
02/02	25230	TX	Dallas Ft.-Worth Hospital Council & the Coalition of Independent Colleges & Universities	TXU Electric	Stipulation. Regulatory assets, securitization financing.
02/02	U-25687 Surrebuttal	LA	Louisiana Public Service Commission Staff	Entergy Gulf States, Inc.	Revenue requirements, corporate franchise tax, conversion to LLC, River Bend uprate.
03/02	14311-U Rebuttal Panel with Bolin Killings	GA	Georgia Public Service Commission Adversary Staff	Atlanta Gas Light Co.	Revenue requirements, earnings sharing plan, service quality standards.
03/02	14311-U Rebuttal Panel with Michelle L. Thebert	GA	Georgia Public Service Commission Adversary Staff	Atlanta Gas Light Co.	Revenue requirements, revenue forecast, O&M expense, depreciation, plant additions, cash working capital.
03/02	001148-EI	FL	South Florida Hospital and Healthcare Assoc.	Florida Power & Light Co.	Revenue requirements. Nuclear life extension, storm damage accruals and reserve, capital structure, O&M expense.
04/02 (Supplemental Surrebuttal)	U-25687	LA	Louisiana Public Service Commission	Entergy Gulf States, Inc.	Revenue requirements, corporate franchise tax, conversion to LLC, River Bend uprate.
04/02	U-21453, U-20925		Louisiana Public	SWEPDO	Business separation plan, T&D Term Sheet,

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Date	Case	Jurisdiction	Party	Utility	Subject
	and U-22092 (Subdocket C)		Service Commission Staff		separations methodologies, hold harmless conditions.
08/02	EL01- 88-000	FERC	Louisiana Public Service Commission	Entergy Services, Inc. and The Entergy Operating Companies	System Agreement, production cost equalization, tariffs.
08/02	U-25888	LA	Louisiana Public Service Commission Staff	Entergy Gulf States, Inc. and Entergy Louisiana, Inc.	System Agreement, production cost disparities, prudence.
09/02	2002-00224 2002-00225	KY	Kentucky Industrial Utilities Customers, Inc.	Kentucky Utilities Co. Louisville Gas & Electric Co.	Line losses and fuel clause recovery associated with off-system sales.
11/02	2002-00146 2002-00147	KY	Kentucky Industrial Utilities Customers, Inc.	Kentucky Utilities Co. Louisville Gas & Electric Co.	Environmental compliance costs and surcharge recovery.
01/03	2002-00169	KY	Kentucky Industrial Utilities Customers, Inc.	Kentucky Power Co.	Environmental compliance costs and surcharge recovery.
04/03	2002-00429 2002-00430	KY	Kentucky Industrial Utility Customers, Inc.	Kentucky Utilities Co. Louisville Gas & Electric Co.	Extension of merger surcredit, flaws in Companies' studies.
04/03	U-26527	LA	Louisiana Public Service Commission Staff	Entergy Gulf States, Inc.	Revenue requirements, corporate franchise tax, conversion to LLC, Capital structure, post test year Adjustments.
06/03	EL01- 88-000 Rebuttal	FERC	Louisiana Public Service Commission	Entergy Services, Inc. and the Entergy Operating Companies	System Agreement, production cost equalization, tariffs.
06/03	2003-00068	KY	Kentucky Industrial Utility Customers	Kentucky Utilities Co.	Environmental cost recovery, correction of base rate error.
11/03	ER03-753-000	FERC	Louisiana Public Service Commission	Entergy Services, Inc. and the Entergy Operating Companies	Unit power purchases and sale cost-based tariff pursuant to System Agreement.

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Date	Case	Jurisdic.	Party	Utility	Subject
11/03	ER03-583-000, FERC ER03-583-001, and ER03-583-002 ER03-681-000, ER03-681-001 ER03-682-000, ER03-682-001, and ER03-682-002 ER03-744-000, ER03-744-001 (Consolidated)		Louisiana Public Service Commission	Entergy Services, Inc., the Entergy Operating Companies, EWO Market- ing, L.P., and Entergy Power, Inc.	Unit power purchase and sale agreements, contractual provisions, projected costs, levelized rates, and formula rates.
12/03	U-26527 Surrebuttal	LA	Louisiana Public Service Commission Staff	Entergy Gulf States, Inc.	Revenue requirements, corporate franchise tax, conversion to LLC, Capital structure, post test year adjustments.
12/03	2003-0334 2003-0335	KY	Kentucky Industrial Utility Customers, Inc.	Kentucky Utilities Co. Louisville Gas & Electric Co.	Earnings Sharing Mechanism.
12/03	U-27136	LA	Louisiana Public Service Commission Staff	Entergy Louisiana, Inc.	Purchased power contracts between affiliates, terms and conditions.
03/04	U-26527 Supplemental Surrebuttal	LA	Louisiana Public Service Commission Staff	Entergy Gulf States, Inc.	Revenue requirements, corporate franchise tax, conversion to LLC, capital structure, post test year adjustments.
03/04	2003-00433	KY	Kentucky Industrial Utility Customers, Inc.	Louisville Gas & Electric Co.	Revenue requirements, depreciation rates, O&M expense, deferrals and amortization, earnings sharing mechanism, merger surcredit, VDT surcredit.
03/04	2003-00434	KY	Kentucky Industrial Utility Customers, Inc.	Kentucky Utilities Co.	Revenue requirements, depreciation rates, O&M expense, deferrals and amortization, earnings sharing mechanism, merger surcredit, VDT surcredit.
03/04	SOAH Docket 473-04-2459,	TX	Cities Served by Texas- New Mexico Power Co.	Texas-New Mexico Power Co.	Stranded costs true-up, including including valuation issues,

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Date	Case	Jurisdic.	Party	Utility	Subject
05/04	PUC Docket 29206 04-169- EL-UNC	OH	Ohio Energy Group, Inc.	Columbus Southern Power Co. & Ohio Power Co.	ITC, ADIT, excess earnings. Rate stabilization plan, deferrals, T&D rate increases, earnings.
06/04	SOAH Docket 473-04-4555 PUC Docket 29526	TX	Houston Council for Health and Education	CenterPoint Energy Houston Electric	Stranded costs true-up, including valuation issues, ITC, EDIT, excess mitigation credits, capacity auction true-up revenues, interest.
08/04	SOAH Docket 473-04-4556 PUC Docket 29526 (Suppl Direct)	TX	Houston Council for Health and Education	CenterPoint Energy Houston Electric	Interest on stranded cost pursuant to Texas Supreme Court remand.
09/04	Docket No. U-23327 Subdocket B	LA	Louisiana Public Service Commission Staff	SWEPCO	Fuel and purchased power expenses recoverable through fuel adjustment clause, trading activities, compliance with terms of various LPSC Orders.
10/04	Docket No. U-23327 Subdocket A	LA	Louisiana Public Service Commission Staff	SWEPCO	Revenue requirements.
12/04	Case No. 2004-00321 Case No. 2004-00372	KY	Gallatin Steel Co.	East Kentucky Power Cooperative, Inc., Big Sandy Recc, etal.	Environmental cost recovery, qualified costs, TIER requirements, cost allocation.
01/05	30485	TX	Houston Council for Health and Education	CenterPoint Energy Houston Electric, LLC	Stranded cost true-up including regulatory Central Co. assets and liabilities, ITC, EDIT, capacity auction, proceeds, excess mitigation credits, retrospective and prospective ADIT.
02/05	18638-U	GA	Georgia Public Service Commission Adversary Staff	Atlanta Gas Light Co.	Revenue requirements.
02/05	18638-U Panel with Tony Wackerly	GA	Georgia Public Service Commission Adversary Staff	Atlanta Gas Light Co.	Comprehensive rate plan, pipeline replacement program surcharge, performance based rate plan.
02/05	18638-U Panel with Michelle Thebert	GA	Georgia Public Service Commission Adversary Staff	Atlanta Gas Light Co.	Energy conservation, economic development, and tariff issues.

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Date	Case	Jurisdct.	Party	Utility	Subject
03/05	Case No. 2004-00426 Case No. 2004-00421	KY	Kentucky Industrial Utility Customers, Inc.	Kentucky Utilities Co. Louisville Gas & Electric	Environmental cost recovery, Jobs Creation Act of 2004 and § 199 deduction, excess common equity ratio, deferral and amortization of nonrecuring O&M expense.
06/05	2005-00068	KY	Kentucky Industrial Utility Customers, Inc.	Kentucky Power Co.	Environmental cost recovery, Jobs Creation Act of 2004 and § 199 deduction, margins on allowances used for AEP system sales.
06/05	050045-EI	FL	South Florida Hospital and Healthcare Assoc.	Florida Power & Light Co.	Storm damage expense and reserve, RTO costs, O&M expense projections, return on equity performance incentive, capital structure, selective second phase post-test year rate increase.
08/05	31056	TX	Alliance for Valley Healthcare	AEP Texas Central Co.	Stranded cost true-up including regulatory assets and liabilities, ITC, EDIT, capacity auction, proceeds, excess mitigation credits, retrospective and prospective ADIT.
09/05	20298-U	GA	Georgia Public Service Commission Adversary Staff	Atmos Energy Corp.	Revenue requirements, roll-in of surcharges, cost recovery through surcharge, reporting requirements.
09/05	20298-U Panel with Victoria Taylor	GA	Georgia Public Service Commission Adversary Staff	Atmos Energy Corp.	Affiliate transactions, cost allocations, capitalization, cost of debt.
10/05	04-42	DE	Delaware Public Service Commission Staff	Artesian Water Co.	Allocation of tax net operating losses between regulated and unregulated.
11/05	2005-00351 2005-00352	KY	Kentucky Industrial Utility Customers, Inc.	Kentucky Utilities Co. Louisville Gas and Electric Co.	Workforce Separation Program cost recovery and shared savings through VDT surcredit.
01/06	2005-00341	KY	Kentucky Industrial Utility Customers, Inc.	Kentucky Power Co.	System Sales Clause Rider, Environmental Cost Recovery Rider, Net Congestion Rider, Storm damage, vegetation management program, depreciation, off-system sales, maintenance normalization, pension and OPEB.
03/06 05/06	31994 31994 Supplemental	TX	Cities	Texas-New Mexico Power Co.	Stranded cost recovery through competition transition or change. Retrospective ADFIT, prospective

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Date	Case	Jurisdct.	Party	Utility	Subject
					ADFIT.
03/06	U-21453, U-20925, U-22092	LA	Louisiana Public Service Commission Staff	Entergy Gulf States, Inc.	Jurisdictional separation plan.
3/06	NOPR Reg 104385-OR	IRS	Alliance for Valley Health Care and Houston Council for Health Education	AEP Texas Central Company and CenterPoint Energy Houston Electric	Proposed Regulations affecting flow-through to ratepayers of excess deferred income taxes and investment Tax credits on generation plant that is sold or deregulated.
4/06	U-25116	LA	Louisiana Public Service Commission Staff	Entergy Louisiana, Inc.	2002-2004 Audit of Fuel Adjustment Clause Filings. Affiliate transactions.
07/06	R-00061366, Et. al	PA	Met-Ed Ind. Users Group Pennsylvania Ind. Customer Alliance	Metropolitan Edison Co. Pennsylvania Electric Co.	Recovery of NUG-related stranded costs, government mandated programs costs, storm damage costs.
07/06	U-23327	LA	Louisiana Public Service Commission Staff	Southwestern Electric Power Co.	Revenue requirements, formula rate plan, banking proposal.
08/06	U-21453, U-20925 U-22092 (Subdocket J)	LA	Louisiana Public Service Commission Staff	Entergy Gulf States, Inc.	Jurisdictional separation plan.
11/06	05CVH03-3375 Franklin County Court Affidavit	OH	Various Taxing Authorities (Non-Utility Proceeding)	State of Ohio Department of Revenue	Accounting for nuclear fuel assemblies as manufactured equipment and capitalized plant.
12/06	U-23327 Subdocket A Reply Testimony	LA	Louisiana Public Service Commission Staff	Southwestern Electric Power Co..	Revenue requirements, formula rate plan, banking proposal.
03/07	U-29764	LA	Louisiana Public Service Commission Staff	Entergy Gulf States, Inc., Entergy Louisiana, LLC	Jurisdictional allocation of Entergy System Agreement equalization remedy receipts.
03/07	33309	TX	Cities	AEP Texas Central Co.	Revenue requirements, including functionalization of transmission and distribution costs.
03/07	33310	TX	Cities	AEP Texas North Co.	Revenue requirements, including functionalization of transmission and

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Date	Case	Jurisdct.	Party	Utility	Subject
					distribution costs.
03/07	2006-00472	KY	Kentucky Industrial Utility Customers, Inc.	East Kentucky Power Cooperative	Interim rate increase, RUS loan covenants, credit facility requirements, financial condition.
03/07	U-29157	LA	Louisiana Public Service Commission Staff	Cleco Power, LLC	Permanent (Phase II) storm damage cost recovery.
04/07	U-29764 Supplemental And Rebuttal	LA	Louisiana Public Service Commission Staff	Entergy Gulf States, Inc. Entergy Louisiana, LLC	Jurisdictional allocation of Entergy System Agreement equalization remedy receipts.
04/07	ER07-682-000 Affidavit	FERC	Louisiana Public Service Commission	Entergy Services, Inc. and the Entergy Operating Companies	Allocation of intangible and general plant and A&G expenses to production and state income tax effects on equalization remedy receipts
04/07	ER07-684-000 Affidavit	FERC	Louisiana Public Service Commission	Entergy Services, Inc. and the Entergy Operating Companies	Fuel hedging costs and compliance with FERC USOA.
05/07	ER07-682-000 Affidavit	FERC	Louisiana Public Service Commission	Entergy Services, Inc. and the Entergy Operating Companies	Allocation of intangible and general plant and A&G expenses to production and account 924 effects on MSS-3 equalization remedy payments and receipts.
06/07	U-29764	LA	Louisiana Public Service Commission Staff	Entergy Louisiana, LLC Entergy Gulf States, Inc.	Show cause for violating LPSC Order on fuel hedging costs.
07/07	2006-00472	KY	Kentucky Industrial Utility Customers, Inc.	East Kentucky Power Cooperative	Revenue requirements, post test year adjustments, TIER, surcharge revenues and costs, financial need.
07/07	ER07-956-000 Affidavit	FERC	Louisiana Public Service Commission	Entergy Services, Inc.	Storm damage costs related to Hurricanes Katrina and Rita and effects of MSS-3 equalization payments and receipts.

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Date	Case	Jurisdic.	Party	Utility	Subject
10/07	05-UR-103 Direct	WI	Wisconsin Industrial Energy Group	Wisconsin Electric Power Company Wisconsin Gas, LLC	Revenue requirements, carrying charges on CWIP, amortization and return on regulatory assets, working capital, incentive compensation, use of rate base in lieu of capitalization, quantification and use of Point Beach sale proceeds.
10/07	05-UR-103 Surrebuttal	WI	Wisconsin Industrial Energy Group	Wisconsin Electric Power Company Wisconsin Gas, LLC	Revenue requirements, carrying charges on CWIP, amortization and return on regulatory assets, working capital, incentive compensation, use of rate base in lieu of capitalization, quantification and use of Point Beach sale proceeds.
10/07	25080-U Direct	GA	Georgia Public Service Commission Public Interest Adversary Staff	Georgia Power Company	Affiliate costs, incentive compensation, consolidated income taxes, §199 deduction.
11/07	06-0033-E-CN Direct	WV	West Virginia Energy Users Group	Appalachian Power Company	IGCC surcharge during construction period and post-in-service date.
11/07	ER07-682-000 Direct	FERC	Louisiana Public Service Commission	Entergy Services, Inc. and the Entergy Operating Companies	Functionalization and allocation of intangible and general plant and A&G expenses.
01/08	ER07-682-000 Cross Answering	FERC	Louisiana Public Service Commission	Entergy Services, Inc. and the Entergy Operating Companies	Functionalization and allocation of intangible and general plant and A&G expenses.
01/08	07-551-EL-AIR Direct	OH	Ohio Energy Group, Inc.	Ohio Edison Company, Cleveland Electric Illuminating Company, Toledo Edison Company	Revenue Requirements.
02/08	ER07-956-000 Direct	FERC	Louisiana Public Service Commission	Entergy Services, Inc. and the Entergy Operating Companies	Functionalization of expenses in account 923; storm damage expense and accounts 924, 228.1, 182.3, 254 and 407.3; tax NOL carrybacks in account 165 and 236; ADIT; nuclear service lives and effect on depreciation and decommissioning.

J. KENNEDY AND ASSOCIATES, INC.

**Expert Testimony Appearances
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Date	Case	Jurisdic.	Party	Utility	Subject
03/08	ER07-956-000 Cross-Answering	FERC	Louisiana Public Service Commission	Entergy Services, Inc. and the Entergy Operating Companies	Functionalization of expenses in account 923; storm damage expense and accounts 924, 228.1, 182.3, 254 and 407.3; tax NOL carrybacks in account 165 and 236; ADIT; nuclear service lives and effect on depreciation and decommissioning.
04/08	2007-00562 2007-00563	KY	Kentucky Industrial Utility Customers, Inc. Louisville Gas and	Kentucky Utilities Co. Electric Co.	Merger surcredit.
04/08	26837 Direct Panel with Thomas K. Bond, Cynthia Johnson, Michelle Thebert	GA	Georgia Public Service Commission Staff	SCANA Energy Marketing, Inc.	Rule Nisi complaint.
05/08	26837 Rebuttal Panel with Thomas K. Bond, Cynthia Johnson, Michelle Thebert	GA	Georgia Public Service Commission Staff	SCANA Energy Marketing, Inc.	Rule Nisi complaint.
05/08	26837 Supplemental Rebuttal Panel with Thomas K. Bond, Cynthia Johnson, Michelle Thebert	GA	Georgia Public Service Commission Staff	SCANA Energy Marketing, Inc.	Rule Nisi complaint.
06/08	2008-00115	KY	Kentucky Industrial Utility Customers, Inc.	East Kentucky Power Cooperative, Inc.	Environmental surcharge recoveries, incl costs recovered in existing rates, TIER
07/08	27163 Direct	GA	Georgia Public Service Commission Public Interest Advocacy Staff	Atmos Energy Corp.	Revenue requirements, incl projected test year rate base and expenses.
07/08	27163 Panel with Victoria Taylor	GA	Georgia Public Service Commission Public Interest Advocacy Staff	Atmos Energy Corp.	Affiliate transactions and division cost allocations, capital structure, cost of debt.
08/08	6680-CE-170	WI	Wisconsin Industrial Energy	Wisconsin Power and	Nelson Dewey 3 or Colombia 3 fixed

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**Expert Testimony Appearances
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Date	Case	Jurisdic.	Party	Utility	Subject
	Direct		Group, Inc.	Light Company	financial parameters.
08/08	6680-UR-116 Direct	WI	Wisconsin Industrial Energy Group, Inc.	Wisconsin Power and Light Company	CWIP in rate base, labor expenses, pension expense, financing, capital structure, decoupling.
08/08	6680-UR-116 Rebuttal	WI	Wisconsin Industrial Energy Group, Inc.	Wisconsin Power and Light Company	Capital structure.
08/08	6690-UR-119 Direct	WI	Wisconsin Industrial Energy Group, Inc.	Wisconsin Public Service Corp.	Prudence of Weston 3 outage, incentive compensation, Crane Creek Wind Farm incremental revenue requirement, capital structure.
09/08	6690-UR-119 Surrebuttal	WI	Wisconsin Industrial Energy Group, Inc.	Wisconsin Public Service Corp.	Prudence of Weston 3 outage, Section 199 deduction.
09/08	08-935-EL-SSO OH 08-918-EL-SSO OH	OH	Ohio Energy Group, Inc.	First Energy	Standard service offer rates pursuant to electric security plan, significantly excessive earnings test.
10/08	08-917-EL-SSO OH	OH	Ohio Energy Group, Inc.	AEP	Standard service offer rates pursuant to electric security plan, significantly excessive earnings test.
10/08	2007-564 2007-565 2008-251 2008-252	KY	Kentucky Industrial Utility Customers, Inc.	Louisville Gas and Electric Co., Kentucky Utilities Company	Revenue forecast, affiliate costs, depreciation expenses, federal and state income tax expense, capitalization, cost of debt.
11/08	EL08-51	FERC	Louisiana Public Service Commission	Entergy Services, Inc.	Spindletop gas storage facilities, regulatory asset and bandwidth remedy.
11/08	35717	TX	Cities Served by Oncor Delivery Company	Oncor Delivery Company	Recovery of old meter costs, asset ADFIT, cash working capital, recovery of prior year restructuring costs, levelized recovery of storm damage costs, prospective storm damage accrual, consolidated tax savings adjustment.
12/08	27800	GA	Georgia Public Service Commission	Georgia Power Company	AFUDC versus CWIP in rate base, mirror CWIP, certification cost, use of short term debt and trust preferred financing, CWIP recovery, regulatory incentive.
01/09	ER08-1056	FERC	Louisiana Public Service Commission	Entergy Services, Inc.	Entergy System Agreement bandwidth remedy calculations, including depreciation

J. KENNEDY AND ASSOCIATES, INC.

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Date	Case	Jurisd.	Party	Utility	Subject
					expense, ADIT, capital structure.
01/09	ER08-1056 Supplemental Direct	FERC	Louisiana Public Service Commission	Entergy Services, Inc.	Biitheville leased turbines; accumulated depreciation.
02/09	EL08-51 Rebuttal	FERC	Louisiana Public Service Commission	Entergy Services, Inc.	Spindletop gas storage facilities regulatory asset and bandwidth remedy.
02/09	2008-00409 Direct	KY	Kentucky Industrial Utility Customers, Inc.	East Kentucky Power Cooperative, Inc.	Revenue requirements.
03/09	ER08-1056 Answering	FERC	Louisiana Public Service Commission	Entergy Services, Inc.	Entergy System Agreement bandwidth remedy calculations, including depreciation expense, ADIT, capital structure.
03/09	U-21453, U-20925 U-22092 (Subdocket J)		Louisiana Public Service Commission Staff	Entergy Gulf States Louisiana, LLC	Violation of EGSI separation order, ETI and EGSL separation accounting, Spindletop regulatory asset.
04/09	U-21453, U-20925 U-22092 (Subdocket J) Rebuttal		Louisiana Public Service Commission	Entergy Gulf States Louisiana, LLC	Violation of EGSI separation order, ETI and EGSL separation accounting, Spindletop regulatory asset.
04/09	2009-00040 Direct-Interim (Oral)	KY	Kentucky Industrial Utility Customers, Inc.	Big Rivers Electric Corp.	Emergency interim rate increase; cash requirements.
04/09	36530	TX	State Office of Administrative Hearings	Oncor Electric Delivery Company, LLC	Rate case expenses .
05/09	ER08-1056 Rebuttal	FERC	Louisiana Public Service Commission	Entergy Services, Inc.	Entergy System Agreement bandwidth remedy calculations, including depreciation expense, ADIT, capital structure.
06/09	2009-00040 Direct- Permanent	KY	Kentucky Industrial Utility Customers, Inc.	Big Rivers Electric Corp.	Revenue requirements, TIER, cash flow.
07/09	080677-EI	FL	South Florida Hospital and Healthcare Association	Florida Power & Light Company	Multiple test years, GBRA rider, forecast assumptions, revenue requirement, O&M expense, depreciation expense, Economic Stimulus Bill, capital structure.
08/09	U-21453, U-20925 U-22092 (Subdocket J) Supplemental Rebuttal		Louisiana Public Service Commission	Entergy Gulf States Louisiana, LLC	Violation of EGSI separation order, ETI and EGSL separation accounting, Spindletop regulatory asset.

J. KENNEDY AND ASSOCIATES, INC.

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Date	Case	Jurisdct.	Party	Utility	Subject
08/09	8516 and 29950	GA	Georgia Public Service Commission Staff	Atlanta Gas Light Company	Modification of PRP surcharge to include infrastructure costs.
08/09	05-UR-104 Direct and Surrebuttal	WI	Wisconsin Industrial Energy Group	Wisconsin Electric Power Company	Revenue requirements, incentive compensation, depreciation, deferral mitigation, capital structure, cost of debt.
09/09	09AL-299E	CO	CF&I Steel, Rocky Mountain Steel Mills LP, Climax Molybdenum Company	Public Service Company of Colorado	Forecasted test year, historic test year, proforma adjustments for major plant additions, tax depreciation.
09/09	6680-UR-117 Direct and Surrebuttal	WI	Wisconsin Industrial Energy Group	Wisconsin Power and Light Company	Revenue requirements, CWIP in rate base, deferral mitigation, payroll, capacity shutdowns, regulatory assets, rate of return.
10/09	09A-415E	CO	Cripple Creek & Victor Gold Mining Company, et al.	Black Hills/CO Electric Utility Company	Cost prudence, cost sharing mechanism.
10/09	EL09-50 Direct	LA	Louisiana Public Service Commission	Entergy Services, Inc.	Waterford 3 sale/leaseback accumulated deferred income taxes, Entergy System Agreement bandwidth remedy calculations.
10/09	2009-00329	KY	Kentucky Industrial Utility Customers, Inc.	Louisville Gas and Electric Company, Kentucky Utilities Company	Trimble County 2 depreciation rates.
12/09	PUE-2009-00030	VA	Old Dominion Committee for Fair Utility Rates	Appalachian Power Company	Return on equity incentive.
12/09	ER09-1224 Direct	FERC	Louisiana Public Service Commission	Entergy Services, Inc.	Hypothetical v. actual costs, out of period costs, Spindletop deferred capital costs, Waterford 3 sale/leaseback ADIT.
01/10	ER09-1224 Cross-Answering	FERC	Louisiana Public Service Commission	Entergy Services, Inc.	Hypothetical v. actual costs, out of period costs, Spindletop deferred capital costs, Waterford 3 sale/leaseback ADIT.
01/10	EL09-50 Rebuttal	LA	Louisiana Public Service Commission	Entergy Services, Inc.	Waterford 3 sale/leaseback accumulated deferred income taxes, Entergy System Agreement bandwidth remedy calculations.
02/10	ER09-1224 Final	FERC	Louisiana Public Service Commission	Entergy Services, Inc.	Hypothetical v. actual costs, out of period costs, Spindletop deferred capital costs, Waterford 3 sale/leaseback ADIT.

J. KENNEDY AND ASSOCIATES, INC.

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Date	Case	Jurisdct.	Party	Utility	Subject
02/10	30442 Wackerly- Kollen Panel	GA	Georgia Public Service Commission Staff	Atmos Energy Corporation	Revenue Requirement issues.
02/10	30442 McBride- Kollen Panel	GA	Georgia Public Service Commission Staff	Atmos Energy Corporation	Affiliate/division transactions, cost allocation, capital structure.
02/10	2009-00353	KY	Kentucky Industrial Utility Customers, Inc.	Louisville Gas and Electric Company, Kentucky Utilities Company	Ratemaking recovery of wind power purchased power agreements.
03/10	2009-00545	KY	Kentucky Industrial Utility Customers, Inc.	Kentucky Power Company	Ratemaking recovery of wind power purchased power agreement.
03/10	E015/GR- 09-1151	MN	Large Power Interveners	Minnesota Power	Revenue requirement issues, cost overruns on environmental retrofit project.
03/10	EL10-55	FERC	Louisiana Public Service Commission	Entergy Services, Inc. and the Entergy Operating Companies	Depreciation expense and effects on System Agreement tariffs.
04/10	2009-00459	KY	Kentucky Industrial Utility Customers, Inc.	Kentucky Power Company	Revenue requirement issues.
04/10	2009-00458 2009-00459	KY	Kentucky Industrial	Kentucky Utilities Company Louisville Gas and Electric Company	Revenue requirement issues.
08/10	31647	GA	Georgia Public Service Commission Staff	Atlanta Gas Light Company	Revenue requirement and synergy savings issues.
08/10	31647 Wackerly- Kollen Panel	GA	Georgia Public Service Commission Staff	Atlanta Gas Light Company	Affiliate transaction and Customer First program issues.
08/10	2010-00204	KY	Kentucky Industrial Utility Customers, Inc.	Louisville Gas and Electric Company, Kentucky Utilities Company	PPL acquisition of E.ON U.S. (LG&E and KU) conditions, acquisition savings, sharing deferral mechanism.
09/10	38339 Direct Cross-Rebuttal	TX	Gulf Coast Coalition of Cities	CenterPoint Energy Houston Electric	Revenue requirement issues, including consolidated tax savings adjustment, incentive compensation, FIN 48; AMS surcharge including roll-in to base rates; rate

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Date	Case	Jurisdct.	Party	Utility	Subject
					case expenses.
09/10	EL10-55	FERC	Louisiana Public Service Commission	Entergy Services, Inc. and the Entergy Operating Companies	Depreciation rates and expense input effects on System Agreement tariffs.
09/10	2010-00167	KY	Gallatin Steel	East Kentucky Power Cooperative, Inc.	Revenue requirements.
09/10	U-23327 Subdocket E Direct	LA	Louisiana Public Service Commission	SWEPCO	Fuel audit SO2 allowance expense, variable O&M expense, off-system sales margin sharing.
11/10	U-23327 Rebuttal	LA	Louisiana Public Service Commission	SWEPCO	Fuel audit SO2 allowance expense, variable O&M expense, off-system sales margin sharing.
09/10	U-31351	LA	Louisiana Public Service Commission Staff	SWEPCO and Valley Electric Membership Cooperative	Sale of Valley assets to SWEPCO and dissolution of Valley.
10/10	10-1261-EL-UNC	OH	Ohio OCC, Ohio Manufacturers Association, Ohio Energy Group, Ohio Hospital Association, Appalachian Peace and Justice Network	Columbus Southern Power Company	Significantly excessive earnings test.
10/10	10-0713-E-PC	WV	West Virginia Energy Users Group	Monongahela Power Company, the Potomac Edison Power Company	Merger of First Energy and Allegheny Energy.
10/10	U-23327 Subdocket F	LA	Louisiana Public Service Commission Staff	SWEPCO	AFUDC adjustments in Formula Rate Plan.
11/10	EL10-55 Rebuttal	FERC	Louisiana Public Service Commission	Entergy Services, Inc. and the Entergy Operating Companies	Depreciation rates and expense input effects on System Agreement tariffs.
12/10	ER10-1350 Direct	FERC	Louisiana Public Service Commission	Entergy Services, Inc. and the Entergy Operating Companies	Waterford 3 lease amortization, ADIT, and fuel inventory effects on System Agreement tariffs.
01/11	ER10-1350 Cross-Answering	FERC	Louisiana Public Service Commission	Entergy Services, Inc. and the Entergy Operating Companies	Waterford 3 lease amortization, ADIT, and fuel inventory effects on System Agreement tariffs

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**Expert Testimony Appearances
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Date	Case	Jurisdct.	Party	Utility	Subject
03/11	ER10-2001 Direct	FERC	Louisiana Public Service Commission	Entergy Services, Inc. and Entergy Arkansas, Inc.	EAI depreciation rates.
04/11	Cross-Answering				
04/11	U-23327 Subdocket E	LA	Louisiana Public Service Commission Staff	SWEPCO	Settlement, including resolution of SO2 allowance expense, variable O&M expense, and tiered sharing of off-system sales margins.
04/11	38306 Direct	TX	Cities Served by Texas- New Mexico Power Company	Texas-New Mexico Power Company	AMS deployment plan, AMS Surcharge, rate case expenses.
05/11	Supplemental Direct				
05/11	11-0274-E-GI	WV	West Virginia Energy Users Group	Appalachian Power Company and Wheeling Power Company	Deferral recovery phase-in, construction surcharge
05/11	2011-00036	KY	Kentucky Industrial Utility Customers, Inc.	Big Rivers Electric Corp.	Revenue requirements.
06/11	29849	GA	Georgia Public Service Commission Staff	Georgia Power Company	Accounting issues related to Vogtle risksharing mechanism
07/11	ER11-2161	FERC	Louisiana Public Service Commission	Entergy Services, Inc. and Entergy Texas, Inc.	ETI depreciation rates; accounting issues.
07/11	PUE-2011-00027 VA		Virginia Committee for Fair Utility Rates	Virginia Electric and Power Company	Return on equity performance incentive.

J. KENNEDY AND ASSOCIATES, INC.

EXHIBIT ____ (LK-2)

Columbus Southern Power Company and Ohio Power Company
Return on Common Equity
Twelve Months Ending December 31, 2010
(\$000's)

Source: 2010 Form 1 Financial Statements

		<u>Columbus Southern Power Company</u>	<u>Ohio Power Company</u>	<u>Combined Companies</u>
Total Common Equity - December 31, 2009		1,359,835	3,234,696	4,594,531
Total Common Equity - December 31, 2010	(2)	<u>1,534,215</u>	<u>3,166,914</u>	<u>4,701,130</u>
Average Common Equity - December 31, 2010		<u>1,447,025</u>	<u>3,200,805</u>	<u>4,647,830</u>
Net Income - Total Company	(1),(2)	278,222	346,393	624,615
% ROE		<u>19.23%</u>	<u>10.82%</u>	<u>13.44%</u>

(1) Net Income for the twelve months ended December 31, 2010 excludes reductions in published financial statements for preferred dividends, capital stock expense and net income attributable to noncontrolling interests. The effects of these exclusions are minimal.

(2) Net Income and Common Equity for Columbus Southern were increased by \$28 million (net of tax) to remove the effects of the SEET refund ordered by the PUCO of \$43 million (before tax). Net Income and Common Equity for Columbus Southern were increased by \$20 million (net of tax) to remove the one-time charge for "Cost Reduction Initiatives" of \$31 million (before tax). Net income and Common Equity for Ohio Power Company were increased by \$35 million (net of tax) to remove the one-time charge for "Cost Reduction Initiatives" of \$54 million (before tax).

EXHIBIT ____ (LK-3)

ESTIMATE OF FUEL OVER/UNDER RECOVERY AT
AT 12/31/2011

	Jan-11	Feb-11	Mar-11	Apr-11	May-11	Jun-11	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11
CSP												
Deferred Fuel Balance 12/31/2010 (As Filed 1/21/11)												\$ (18,718)
Application of SEET Refund to Balance												\$ 18,716 ←
FAC Revenue	\$58,811	\$54,370	\$52,066	\$52,233	\$52,233	\$52,233	\$56,923	\$58,923	\$58,923	\$53,458	\$53,458	\$53,458
FAC Cost	\$57,984	\$54,773	\$53,845	\$48,241	\$50,346	\$56,778	\$62,873	\$61,841	\$62,054	\$51,027	\$52,075	\$57,273
FAC Over/(Under) Recovery	\$ 848	\$ (403)	\$ (1,778)	\$ 3,992	\$ 1,887	\$ (4,545)	\$ (3,951)	\$ (2,918)	\$ 6,868	\$ 2,431	\$ 1,383	\$ (3,814)
Carrying Charges												\$ 0
Deferred Fuel Balance 12/31/2011												\$ 0

OPC												
Deferred Fuel Balance 12/31/2010												\$ (505,876)
FAC Revenue	\$68,064	\$62,184	\$63,538	\$56,062	\$55,790	\$59,831	\$64,325	\$63,043	\$57,838	\$66,063	\$55,822	\$62,216
FAC Cost	\$72,071	\$68,550	\$68,274	\$59,808	\$62,914	\$65,821	\$70,831	\$71,855	\$63,592	\$63,188	\$68,854	\$75,868
FAC Over/(Under) Recovery	\$ (3,406)	\$ (4,366)	\$ (4,737)	\$ (4,725)	\$ (7,124)	\$ (5,990)	\$ (6,506)	\$ (8,813)	\$ (5,754)	\$ (7,125)	\$ (11,033)	\$ (13,651)
Carrying Charges	\$ (4,151)	\$ (4,183)	\$ (4,223)	\$ (4,266)	\$ (4,310)	\$ (4,375)	\$ (4,430)	\$ (4,490)	\$ (4,571)	\$ (4,628)	\$ (4,693)	\$ (53,116)
Deferred Fuel Balance 12/31/2011												\$ (942,823) ←

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EXHIBIT ____ (LK-4)

1 BEFORE THE PUBLIC UTILITIES COMMISSION OF OHIO

2 - - -

3 In the Matter of the :
4 Application of Columbus :
5 Southern Power Company for:
6 Approval of its Electric :
7 Security Plan; an : Case No. 08-917-EL-SSO
8 Amendment to its Corporate:
9 Separation Plan; and the :
10 Sale or Transfer of :
11 Certain Generating Assets.:

12 :
13 In the Matter of the :
14 Application of Ohio Power :
15 Company for Approval of :
16 its Electric Security : Case No. 08-918-EL-SSO
17 Plan; and an Amendment to :
18 its Corporate Separation :
19 Plan. :

20 - - -

21 PROCEEDINGS

22 before Ms. Kimberly W. Bojko and Ms. Greta See,
23 Hearing Examiners, at the Public Utilities Commission
24 of Ohio, 180 East Broad Street, Room 11-C, Columbus,
25 Ohio, called at 9:00 a.m. on Thursday, November 20,
26 2008.

27 - - -

28 VOLUME IV

21

- - -

22

ARMSTRONG & OKEY, INC.

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(614) 224-9481 - (800) 223-9481

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ARMSTRONG & OKEY, INC., Columbus, Ohio (614) 224-9481

1 APPEARANCES:

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3 Mr. Steven T. Nourse
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4 Columbus, Ohio 43215-2373

5 Porter, Wright, Morris & Arthur, LLP
By Mr. Daniel R. Conway
6 41 South High Street
Columbus, Ohio 43215-6194

7
On behalf of Columbus Southern Power
8 and Ohio Power Company.

9 Janine L. Migden-Ostrander
Ohio Consumers' Counsel
10 By Ms. Maureen R. Grady
Mr. Terry L. Etter
11 Ms. Jacqueline Lake Roberts
Mr. Michael E. Idzkowski
12 Mr. Richard C. Reese
Assistant Consumers' Counsel
13 Ten West Broad Street, Suite 1800
Columbus, Ohio 43215-3485

14
On behalf of the Residential
15 Ratepayers of Columbus Southern Power
and Ohio Power Company.

16 Sherry Maxfield, First Assistant
17 Attorney General
Duane W. Luckey
18 Senior Deputy Attorney General
Public Utilities Section
19 By Mr. Werner L. Margard III
Mr. John H. Jones

20 purposes in the year they were incurred whether or
21 not they are fully recovered by fuel adjustment
22 clause revenues?

23 A. That's correct.

24 Q. And then would the deferral of the fuel
25 expense create a deferred income tax balance until

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1 the fuel cost is recovered?

2 A. That's correct, yes.

3 Q. And would that deferred income tax
4 balance provide AEP with temporary income tax
5 savings?

6 A. It would reduce our income tax.

7 Q. Yes. So that would potentially be a
8 savings for AEP.

9 A. It would -- yes, it would generate a
10 lower income tax.

11 Q. Could then the temporary tax savings be
12 used to help finance the unrecovered fuel balance as
13 a net deferred tax offset to the deferred fuel
14 balance?

15 A. No. No, that's not correct. I think you
16 are getting confused with what happens when you have
17 a traditional cost of service filing, a traditional
18 cost of service filing, which this is not, and
19 especially this fuel area because we are talking

20 about generation. Generation is not cost based. In
21 that type of a filing the deferred tax is used in the
22 computation of the cost of capital return. And if a
23 rate base -- you reduce the rate base by your
24 deferred taxes and that has the effect of reflecting
25 cost -- cost-free capital from a deferred tax in

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1 determining a cost of capital return.

2 This is not a cost of service filing, ESP

3 filing. We are not determining the return based on a

4 cost of capital rate base approach. We are

5 determining that return based on what the company

6 owns as adjusted for by the earnings test, the

7 excessive earnings test. That earnings test is not

8 based on the company's cost of capital but rather is

9 based on the return of the companies with similar

10 risks, the actual earned return of those companies so

11 it's inappropriate in my opinion to offset the cost

12 of money benefited deferred taxes in determining the

13 carrying cost.

14 When you buy a car from a car company,

15 from a car dealership, you don't compute the interest

16 after -- after his tax deduction. You compute the

17 tax on the balance owed. In this case what is owed

18 us is the FAC deferrals plus the carrying cost. So

19 it's inappropriate to do what you are suggesting.

20 Q. In your opinion it's inappropriate. Is

21 it for any tax accounting purposes inappropriate?

22 A. For what?

23 Q. For any tax accounting purposes

24 inappropriate?

25 A. It's inappropriate in the context of this

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1 filing. It's irrelevant and inappropriate in my
2 opinion.

3 Q. And that's your opinion.

4 A. That would be other people's opinion as
5 well.

6 Q. Thank you.

7 MS. WUNG: Thank you, Mr. Assante. I
8 have no further questions.

9 EXAMINER SEE: Mr. Kurtz.

10 MR. KURTZ: Thank you, your Honor.

11 - - -

12 CROSS-EXAMINATION

13 By Mr. Kurtz:

14 Q. The accumulated deferred income tax
15 balance would typically be a rate base also in a --
16 in a fully regulated environment?

17 A. In a cost-of-service filing, yes.

18 Q. And that's what would occur in the other
19 states where AEP operates?

20 A. Well, we are not subject to cost of
21 service in every state. Texas, for example, has also
22 gone through a restructuring, but in most of our
23 other states we are subject to cost-of-service
24 ratemaking, yes.

25 Q. Let me clarify. When I say AEP, I mean

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EXHIBIT ____ (LK-5)

**REBUTTAL TESTIMONY OF
THOMAS E. MITCHELL
ON BEHALF OF APPALACHIAN POWER COMPANY AND
WHEELING POWER COMPANY
BEFORE THE PUBLIC SERVICE COMMISSION
OF WEST VIRGINIA IN CASE NO. 09-0177-E-GI**

1 **Q. PLEASE STATE YOUR NAME.**

2 **A. My name is Thomas E. Mitchell.**

3 **Q. DID YOU PREVIOUSLY FILE DIRECT TESTIMONY IN THIS**
4 **PROCEEDING?**

5 **A. Yes.**

6 **Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?**

7 **A. The purpose of my rebuttal testimony is to address the recommendations of Staff**
8 **witness Oxley, Consumer Advocate Division (CAD) witness Gregg and West**
9 **Virginia Energy Users Group (WVEUG) witness Baron regarding the use of a**
10 **short-term debt rate to calculate carrying costs (CC) on deferred ENEC under-**
11 **recovery balances associated with various phase in plans (PIP) proposed in this**
12 **case. I will also discuss WVEUG witness Baron's recommendation to reduce the**
13 **monthly deferral balance on which a CC is applied by the associated**
14 **Accumulated Deferred Income Taxes (ADIT).**

15 **Finally, I will provide additional comments on the need for the**
16 **Commission's order in this proceeding, regardless of which PIP is ordered, to**
17 **provide sufficient assurances that the deferred ENEC balances will be recovered**
18 **over a reasonable period of time. Such assurances are necessary so the**
19 **Companies can continue to practice SFAS No. 71 regulatory accounting.**

1 **Q. ON WHICH DEFERRED ENEC BALANCES SHOULD THE**
2 **COMPANIES BE AUTHORIZED TO APPLY A CC BASED UPON THE**
3 **WACC RATE?**

4 A. As discussed in Company witness Eads' direct testimony (Eads, page 6) and also
5 in his rebuttal testimony, the WACC rate should be applied to all deferred ENEC
6 balances in excess of those balances that would otherwise occur under the
7 traditional ENEC recovery procedures.

8 Staff witness Oxley's proposal that a CC should be applied, if at all, only
9 to ENEC balances as of the end of the historical review period, is inadequate.
10 Simply stated, his proposal would not permit the Companies to recover any CC on
11 a significant part of the deferred ENEC balances in excess of those balances that
12 would otherwise occur under the Commission's traditional ENEC procedures.

13 While CAD witness Gregg's proposal appears to provide for a CC both on
14 under-recovery balances existing on December 31, 2008 and on additional
15 monthly under-recoveries beginning July 1, 2009, as explained by Company
16 witness Eads' in his rebuttal testimony, the Companies have determined that CAD
17 witness Gregg's proposal does not provide them with a CC on all deferred ENEC
18 balances in excess of those balances that occur under the traditional procedures.

19 **Q. PLEASE DESCRIBE WVEUG WITNESS BARON'S PROPOSAL**
20 **REGARDING ADIT.**

21 A. WVEUG witness Baron recommends that the monthly deferred balances on
22 which a CC is applied should be reduced by the ADIT associated with the

1. monthly deferred amounts (Baron, page 18). His approach is effectively a full
2. cost of service approach as if a rate base calculation was being undertaken.

3. **Q. IS WVEUG WITNESS BARON'S APPROACH CONSISTENT WITH THE**
4. **CALCULATION USED TO DEVELOP THE COMPANIES'**
5. **CONSTRUCTION SURCHARGE?**

6. A. Yes. The Companies' construction surcharge is intended to effectively treat new
7. construction as if it were included in rate base with an offset for any related
8. ADIT.

9. **Q. HAVE ENEC UNDER OR OVER-RECOVERY BALANCES**
10. **HISTORICALLY BEEN INCLUDED IN RATE BASE BY THE**
11. **COMMISSION?**

12. A. No.

13. **Q. WOULD WVEUG WITNESS BARON'S PROPOSED ADIT OFFSET BE**
14. **APPROPRIATE UNDER CERTAIN CIRCUMSTANCES?**

15. A. Yes. If the Commission determines that the adoption of a PIP is akin to using a
16. rate base approach, it would be appropriate to adopt an ADIT offset, but only if a
17. WACC is used. However, it would be entirely inappropriate to make an ADIT
18. offset, if a CC rate other than the WACC rate is used. This distinction is critical
19. as a WACC rate approach effectively simulates the rate base approach (with cost-
20. free capital recognized). The use of only a short-term debt rate to calculate CC,
21. with an ADIT offset, is not akin to a rate base approach because such an approach
22. ignores long-term debt and equity costs. An ADIT offset should not be used
23. unless a full WACC rate is also applied.

1 **Q. PLEASE SUMMARIZE YOUR REBUTTAL TESTIMONY RELATING**
2 **TO CARRYING CHARGES.**

3 A. The use of a CC based upon a full WACC rate is necessary if any of the multi-
4 year PIPs proposed in this case is adopted by the Commission in order to permit
5 the Companies to recover their full actual incurred costs of financing the hundreds
6 of millions of dollars of under-recovered balances that would result. A related
7 ADIT offset would only be appropriate if a full WACC rate is used. An ADIT
8 offset would be inappropriate if a full WACC is not used to determine CC on
9 under-recovery balances.

10 **Q. DO YOU HAVE ANY CONCLUDING COMMENTS AS TO WHAT**
11 **LANGUAGE NEEDS TO BE INCLUDED IN ANY COMMISSION ORDER**
12 **ADOPTING A PIP TO SUPPORT PROBABILITY OF RECOVERY OF**
13 **ANY DEFERRED ENEC BALANCES, INCLUDING RELATED**
14 **CARRYING CHARGES?**

15 A. Yes. As discussed in my direct testimony, if the Commission adopts any of the
16 proposed PIPs, the Commission's order should state in specific language that it
17 intends to provide for full recovery of any deferred ENEC balances, including
18 CC, over a reasonable fixed period of time, including subsequent ENEC
19 proceedings (subject to the Commission's normal language that costs must be
20 prudently incurred). Inclusion of such language should enable the Companies to
21 continue to comply with the probability of recovery requirement in SFAS No.71,
22 and to practice regulatory deferral accounting of the deferred ENEC balances as
23 either regulatory assets or regulatory liabilities.

EXHIBIT ____ (LK-6)

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**REPORT OF THE
MANAGEMENT/PERFORMANCE
AND FINANCIAL AUDITS OF THE
FAC OF THE COLUMBUS
SOUTHERN POWER COMPANY
AND THE OHIO POWER COMPANY**

PUCO

Case No. 10-268-EL-FAC

Case No. 10-269-EL-FAC

Case No. 10-870-EL-FAC

Case No. 10-871-EL-FAC

Case No. 10-1286-EL-FAC

Case No. 10-1287-EL-FAC
1288

May 26, 2011

Prepared for:
PUBLIC UTILITIES COMMISSION OF OHIO

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The zero value AEP assigned to its non-Ohio non-solar REC inventory is questionable. A reasonable value for the REC should be assigned. The market information provided would appear to support a nominal value of \$1.00 per REC, if not more. Because AEP failed to assign any value to such REC inventory, its fuel costs for 2010 would be overstated by the amount of REC inventory value. Based on the information provided in response to LA-2010-2-97 and LA-2010-2-104, the difference between assigning a zero value and a \$1.00 value to the non-Ohio, non-solar REC inventory for 2010 is approximately [REDACTED] for CSP and [REDACTED] for OPCo.

Carrying Costs on Deferred Fuel Balances

AEP Ohio's FAC rider adjusts quarterly. AEP Ohio was granted a carrying cost ratio based on its weighted average cost of capital ("WACC"). The equity portion of the WACC was grossed-up for income taxes. The gross-of-tax WACC allows the Company to recover the cost of investor-supplied financing, including (1) the cost of debt, (2) the cost of equity, and (3) income taxes related to the cost of equity. The carrying cost changes as the debt rate changes.

AEP has applied the gross-of-tax WACC-based carrying cost rate on a monthly basis to the monthly Deferred Fuel balances. AEP supplied detailed calculations of carrying costs for 2010 in response to LA-2010-43 in Excel files for CSP and OP, respectively.

As an example, for January 2010 carrying charges, the WACC is applied, separately for the debt and equity pieces, to the 12/31/2009 Deferred Fuel balance.⁴⁰

Both CSP and Ohio Power have been in an under-recovery position.

In Commission Case Nos. 08-917 and 08-918, originally in the March 18, 2009 Opinion and Order at page 23, and subsequent on rehearing, the Commission authorized AEP Ohio to apply the gross-of-tax WACC to the under-recovered FAC balances. Larkin examined those orders and various filings from those proceedings which were provided to us by AEP Ohio and Staff. Those Commission Orders would appear to allow AEP Ohio to apply the gross-of-tax WACC to the under-recovered FAC balances without any recognition of, or offset for, the related non-investor supplied financing in the form of Accumulated Deferred Income Taxes (ADIT) that is recorded in Account 283, ADIT-Other, for the tax savings that are directly related to the under-recovered FAC balances. However, based on our review, it appears there is a mismatch concerning the authorization of a gross-of-tax WACC based on debt and equity capital, and the application of such a rate to deferred fuel under-recovery balances that were/are financed in part with non-investor supplied capital in the form of directly related credit-balance ADIT.

We did not see in the materials examined from that proceeding, in the context of the Company's carrying cost proposal, a clear presentation from AEP Ohio of the income tax deductions being taken by the Company for fuel costs that are currently deductible for income tax purposes but which are being deferred on its books for future recovery. The Company should address the income tax savings it was/is recording related to the under-recovered FAC balances, and how those provide non-investor supplied capital that is financing a portion of the Deferred Fuel balances that have been recorded in Account 1823144. The Company should specifically address the related credit-balance ADIT that is recorded in Account 283, ADIT-Other, for the tax savings-based financing that appears to be directly related to the under-recovered FAC balances.

⁴⁰ This is also referred to as the under-recovered FAC balance.

AEP Ohio is applying the gross-of-tax WACC to the under-recovered FAC balances in the following manner.

For both CSP and OP, AEP is using an ROE of 10.5% at a 50% equity ratio for a weighted cost of 5.25% per month. AEP periodically varies the cost rate for LTD. AEP computes each month a pre-tax cost of capital (based on grossing up the equity return). AEP then adjusts the monthly ROE component each month for an income tax gross up by subtracting the cost of debt from the pre-tax WACC. This results in an applied monthly pre-tax equity rate that fluctuates each month.

Larkin reviewed AEP's calculations of carrying charges for each month of 2010 provided in response to LA-2010-43. The following exhibit provides an illustration of how AEP Ohio has derived the pre-tax WACC and the monthly debt and equity carrying cost rates:

Exhibit 7-69
Illustrative Example of How AEP Ohio Derives the Pre-Tax WACC and Monthly Debt and Equity Carrying Cost Rates

Description	Columbus Southern		Ohio Power	
	Capital Ratio	Cost of Capital	Capital Ratio	Cost of Capital
Debt	50.0%	5.73%	50.0%	5.71%
Equity	50.0%	10.50%	50.0%	10.50%
Total	100.0%		100.0%	
	Weighted Average Cost of Capital	Weighted Pre-tax Cost of Capital	Weighted Average Cost of Capital	Weighted Pre-tax Cost of Capital
Debt	2.86%	2.86%	2.86%	2.86%
Equity	5.25%	8.40%	5.25%	8.40%
Total	8.11%	11.26%	8.11%	11.26%
Annual Debt Rate to be used		5.71% *		5.71% *
Annual Equity Rate to be used		5.55%		5.55%
		11.26%		11.26%
Monthly Debt Rate to be used		0.476% *		0.476% *
Monthly Equity Rate to be used		0.462%		0.462%

Per the response to LA-2010-43, carrying charge calculation Excel files

* As applied by AEP Ohio the cost of debt changes periodically

The gross-of-tax WACC based on a combination of debt and common equity financing represents the cost of investor-supplied capital. As such, it should generally be applied only to the portion of the deferred cost that has been financed by investor-supplied capital. It would generally be a mis-match, and hence inappropriate, to apply such a gross-of-tax WACC to the

portion of a deferred cost balance that has actually been financed with non-investor supplied cost-free capital in the form of credit-balance ADIT that is directly related to the cost deferral.

AEP Ohio is applying the monthly debt and pre-tax equity cost rates to under-recovered fuel balances in Account 1823144 without any offset for related credit-balance ADIT it has recorded in Account 283, ADIT-Other. There would typically be credit-balance ADIT related to the fuel under-recoveries.⁴¹ Assuming that the Company's fuel costs are deducted currently for income tax purposes, the deferral of the under-recovery for regulatory accounting would create a temporary difference and a credit-balance ADIT would be recorded. The related tax deduction would essentially provide cost-free financing for a portion of the fuel cost under-recovery. The ADIT is a source of non-investor supplied cost-free capital. Such ADIT is not being deducted from the under-recovered fuel balances in Account 1823144 in AEP Ohio's carrying cost calculations. If the ADIT balance related to the Company's FAC under-recovery balances is not considered, or deducted somewhere else, such as in rate base, ratepayers would be over-paying carrying costs by paying for carrying costs on the portion of the Deferred Fuel balance that has been financed by tax savings, i.e., on the portion not financed with investor-supplied capital. Unless the ADIT related to the under-recovered fuel balances is being recognized somewhere else in the ratemaking process, the pre-tax WACC should be getting applied to an Under-recovered fuel balances that is net of the related credit-balance ADIT, not to the gross Under-recovered balance.

The following exhibit provides an illustrative example of how AEP Ohio has applied the monthly carrying cost rates for debt and equity to the under-recovered fuel balances in Account 1823144 without any offset for related credit-balance ADIT, and an illustration of how that directly related ADIT would finance a portion of the fuel cost under-recovery, and thus reduce the carrying charges⁴²:

⁴¹ Ohio Power's 2010 FERC Form 1, at pages 276-277, line 6, for example, shows ADIT-Other (Account 283) related to Deferred Fuel of \$109.2 million at January 1, 2010 and \$177.1 million at December 31, 2010. Page 450.1 of OP's 2010 FERC Form 1, shows a deduction to pretax book income of \$193.9 million for Deferred Fuel Costs. The credit balance ADIT in Account 283 on OP's books represents non-investor supplied cost-free capital that is financing a portion of OP's Deferred Fuel balance.

⁴² For illustrative purposes, a simple calculation is presented using round numbers for under-recovered balances and a 40% combined federal and state income tax rate.

Exhibit 7-70**Illustrative Example of How AEP Ohio is Applying the Monthly Pre-Tax Carrying Cost Rates for Debt and Equity to the Under-Recovered Fuel Balances in Account 1823144 and How Reflecting an Offset for Related Credit-Balance ADIT Would Affect the Carrying Cost Calculation**

Description	Columbus Southern		Ohio Power	
	Without ADIT Offset	With ADIT Offset	Without ADIT Offset	With ADIT Offset
Monthly Debt Rate to be used	0.476%	0.476%	0.476%	0.476%
Monthly Equity Rate to be used	0.462%	0.462%	0.462%	0.462%
FAC Under-Recovery [1]	\$ 50,000,000	\$ 50,000,000	\$ 400,000,000	\$ 400,000,000
Illustrative ADIT Offset [2]		\$ (20,000,000)		\$ (160,000,000)
Amount Being Financed by Investors		<u>\$ 30,000,000</u>		<u>\$ 240,000,000</u>
Balance for Carrying Costs	\$ 50,000,000	\$ 30,000,000	\$ 400,000,000	\$ 240,000,000
Monthly Debt Carrying Costs	\$ 238,800	\$ 142,800	\$ 1,904,000	\$ 1,142,400
Monthly Equity Carrying Costs	\$ 231,000	\$ 138,600	\$ 1,848,000	\$ 1,108,800
Total Monthly Carrying Costs	<u>\$ 469,800</u>	<u>\$ 281,400</u>	<u>\$ 3,752,000</u>	<u>\$ 2,251,200</u>
Difference from Failing to Recognize ADIT Financing:				
Monthly	\$ 187,600		\$ 1,500,800	
Annual [3]	<u>\$ 2,251,200</u>		<u>\$ 18,009,600</u>	

Notes

[1] Simple rounded numbers used for illustrative purposes

[2] Computed for illustrative purposes at a 40% combined federal and state income tax rate

[3] For illustrative purposes, annual amount is monthly amount x 12

AEP Ohio believes its carrying cost calculations to apply the gross-of-tax WACC to the under-recovered FAC balances in Account 1823144 (without any recognition of the fact that financing for a portion of the Deferred Fuel balances has provided by income tax savings reflected in the related credit-balance ADIT, Account 283) have been fully consistent with the Company's presentation and the authorization received from the Commission in Case Nos. 08-917 and 08-918, originally in the March 18, 2009 Opinion and Order at page 23, and subsequent on rehearing.

Larkin reviewed AEP Ohio's calculations of the carrying charges on the Deferred Fuel balance and found them to be consistent with AEP Ohio's understanding of the it authorization received from the Commission in Case Nos. 08-917 and 08-918. Larkin also selectively verified the postings of the calculated carrying charge amounts for debt and equity to the deferral account for CSP and OP. No exceptions were noted.

We recommend that AEP Ohio and the other parties to the case re-examine whether the Commission-authorized gross-of-tax WACC for debt and common equity capital should be applied to what such investors are actually financing of the fuel cost under-recovery balances, which would appear to be the Deferred Fuel amounts recorded in Account 182.3 less the directly related credit-balance ADIT for Deferred Fuel recorded in Account 283.

Active Management

LA-2010-44 asked whether AEP Ohio engaged in "active management" during the review period January through December 2010, and if so, to identify, quantify and provide the accounting