BOEHM, KURTZ & LOWRY
ATTORNEYS AT LAW
36 EAST SEVENTH STREET
SUITE 1510
CINCINNATI, OHIO 45202
TELEPHONE (513) 421-2255

TELECOPIER (513) 421-2764

Via Hand Delivery

March 24, 2005

Beth A. O'Donnell, Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort, Kentucky 40602

Re: **Docket No. 2004-00446**

Dear Ms. O'Donnell:

Please find enclosed the original and twelve copies of the Direct Testimony and Exhibits of Russell L. Klepper filed on behalf of Kentucky Industrial Utility Customers, Inc. in the above-referenced matter.

By copy of this letter, all parties listed on the attached Certificate of Service been served. Please place these documents of file.

Very Truly Yours,

Michael L. Kurtz, Esq.
BOEHM, KURTZ & LOWRY

MLKkew
Attachment
cc: Certificate of Service
A. W. Turner, Esq.

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing was served by mailing a true and correct copy, by regular U.S. mail (unless otherwise noted) to all parties on the 24th day of March, 2005.

Honorable Frank N. King, Jr.
Dorsey, King, Gray, Norment & Hopgood
318 Second Street
Henderson, KY 42420
fking@dkgnlaw.com

Michael L. Kurtz, Esq.

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED
MAR 2 4 2005
PUBLIC SERVICE
COMMISSION

In The Matter Of: The Application of Kenergy Corp. for Reduction in Revenue and Adjustment of Existing Rates : Case No. 2004-00446

DIRECT TESTIMONY OF RUSSELL L. KLEPPER FILED ON BEHALF OF KENTUCKY INDUSTRIAL UTILITY CUSTOMERS, INC.

Q. Please state your name, address, and occupation.

A. Russell L. Klepper. I live and work in Alpharetta, Georgia, a suburb of Atlanta. I am the Co-Founder and Principal of Energy Services Group, LLC, a utility and energy consulting services firm.

Q. Please describe your educational background.

A. I hold a Bachelor of Science in Business Administration with a major in Economics and a Master of Business Administration with a major in Finance, both from the University of Florida, and a Master of Professional Accountancy from Georgia State University.

Q. Please describe your applicable utility experience.

A. I have twenty-eight years of applicable utility experience, the first seven as an employee in the financial areas of a major utility. For the past twenty-one years, the preponderance of my time has been spent as an independent consultant on utility finance, rates and regulation, and regulatory transition issues, as well as certain facets of the economics of both regulated and unregulated firms that produce, sell, and distribute energy for consumption by ultimate consumers. I have provided professional services to both investor owned and governmental utilities, to private companies that have significant interests in the energy industry, and to entities such as the World Bank, the United States Energy Association, and the Edison Electric Institute. As a consultant, I have developed and presented two national seminars and numerous in-house seminars that focus on different aspects of utility planning and decision-making. A more detailed Summary of Professional Credentials is attached to this direct testimony as Exhibit No. (RLK-1).

Q. Have you previously appeared before the Kentucky Public Service Commission?

A. Yes, I have previously submitted testimony and appeared before the Kentucky Public Service Commission (hereinafter the "Commission" or the "KPSC") in numerous Fuel Adjustment Clause, environmental surcharge, and other proceedings pertaining to Big Rivers Electric Corporation ("Big Rivers"), including Case No. 97-204, the proceeding for Commission approval of (a) the transactions between Big Rivers and the LG&E Entities, and (b) new wholesale rates for Big Rivers. I also participated in the informal conference that was conducted by the KPSC Staff in Case No. 99-450, the proceeding in which Big Rivers sought and received approval for its Deferred Sale/Leaseback Transaction, an action that led to a wholesale rate reduction to Kenergy Corp. ("Kenergy"), and in turn to most of Kenergy's retail customers.

I also submitted testimony and appeared before the Commission in the following general rate proceedings: (1) Case No. 99-162, in which Kenergy sought and the Commission approved a 4% total power cost rate reduction (10% reduction to distribution charges) to all of Kenergy's customers except those industrial customers that are directly served from the transmission system owned and operated by Big Rivers, (2) Case No. 2000-395, in which Kenergy was ordered to reduce rates to certain industrial customers and to change its accounting procedures to track more closely the costs of providing electric service to direct serve industrial customers, and (3) Case No. 2003-00165, in which Kenergy was ordered to further reduce rates to certain industrial customers and to file an application no later than December 31, 2004 to either extend the rate reduction rider (approved in Case No. 99-162) to all customers or propose an alternative methodology to pass to all ratepayers the increase in earnings (arising from expiration on September 1, 2004, of the rate reduction rider approved in Case No. 99-162).

Q. **On whose behalf are you appearing in this proceeding?**

A. I am appearing on behalf of the Kentucky Industrial Utility Customers, Inc. ("KIUC"). KIUC is participating on behalf of Alcan Primary Products Corporation ("Alcan"), Century Aluminum Company ("Century", and together with Alcan, the "Smelters"), Weyerhaeuser Company ("Weyerhaeuser"), Commonwealth Industries, Inc. ("Commonwealth"), and Kimberly Clark Corporation ("Kimberly Clark", and together with Weyerhaeuser and Commonwealth, the "Big Three Industrials"). The Smelters and the Big Three Industrials are hereinafter referred to as the "KIUC Members".

Collectively, the KIUC Members purchased during the test year over 85% of the energy sold by, and account for about 74% of the total revenues of, Kenergy.

Q. **What is the purpose of your testimony in this proceeding?**

A. I have been asked to examine whether the distribution component of the proposed electric rates to the KIUC Members is fair, just, reasonable and non-discriminatory in light of the corresponding costs incurred by Kenergy to provide electric service to the KIUC Members.

As discussed below, Kenergy's rate proposal with respect to the KIUC Members is unfair, unreasonable and discriminatory and unsupported either by the evidence or by Kenergy's own cost of service study. Accordingly, my testimony proposes a revenue reduction of $288,996 per year by a downward adjustment to the energy components of the distribution rates paid by the KIUC Members. If adopted, these rate adjustments would still result in Kenergy receiving approximately $51,287 in annual excess revenues from the KIUC Members.

This revenue reduction to Kenergy can be absorbed by the utility and will be more than made up by the revenue increase of at least $2,517,620 that Kenergy has realized and will continue to enjoy in conjunction with the removal of the Consolidation Credit (as defined below), which expired on September 1, 2004. However, to the extent that Kenergy has experienced cost increases to serve rural customers that preclude Kenergy's ability to internally fund the revenue reductions to the KIUC Members, then appropriate upward adjustments should be made to the rates of the residential customers, who are now being subsidized by other Kenergy customers, including the KIUC Members.

Q. What activities have you undertaken in preparing for your testimony in this proceeding?

A. Since the latter half of 1992, I have been continuously involved in contractual and rate matters pertaining to Big Rivers and Kenergy. I have reviewed in detail all filings by Kenergy in this proceeding, including the Application, the Exhibits accompanying Kenergy's Application, and Kenergy's responses to three sets of data requests from the Commission and one set of data requests from KIUC. I also have reviewed relevant materials, including the Orders of the Commission, from the three prior Kenergy rate proceedings, Case No. 99-162, Case No. 2000-395, and Case No. 2003-00165.

Q. Please briefly summarize the history of Kenergy's rate proceedings.

A. Kenergy was formed effective July 1, 1999, by the consolidation of Green River Electric Corporation and Henderson Union Electric Cooperative Corp. As promised by the two electric cooperatives, almost immediately upon consolidation, Kenergy filed Case No. 99-162 seeking a 4% total power cost (i.e., generation, transmission and distribution) across the board rate reduction to all of Kenergy's customers except the direct serve industrial customers. The 4% total power cost rate reduction (the "Consolidation Credit") to all customers except the direct serve industrial customers constituted a 10% reduction to the distribution component of Kenergy's rates, the only portion of the rate over which Kenergy is able to exert any material control through management of costs. This Consolidation Credit expired on September 1, 2004, and was not renewed by Kenergy, thereby producing for Kenergy an automatic rate increase of $2,517,620.

In Case No. 99-162, Kenergy produced no cost-of-service evidence supporting its proposal to reduce rates to all but the direct serve industrial customers, and instead based its request upon cost reductions that Kenergy expected to realize as a result of the consolidation. The underlying premise for Kenergy's rate reduction request in Case No. 99-162 was that the then-existing rates to the rural customers were recovering the costs of providing electric service to such customers, and that a rate decrease for such customers was justified based on expected cost reductions arising from the consolidation. In Case No. 99-162, in the absence of cost-of-service evidence, KIUC did not oppose the rate reduction to the non-direct served customers, but rather argued that the direct serve industrial customers should share in the expected cost reductions of arising from the consolidation.

Unfortunately, the cost-of-service evidence that Kenergy eventually filed in Case No. 2000-395 and Case No. 2003-00165 showed that the underlying premise for Kenergy's rate reduction request in Case No. 99-162 (i.e. that existing rates from rural customers were recovering the associated costs of providing electric service) was fundamentally and significantly flawed. Thus, the Consolidation Credit granted by the Commission in Case No. 99-162 only served to exacerbate the significant adverse disparity between revenues received from the residential customers and the associated costs of serving the residential customers.

The Commission did not order any reduction in distribution rates to the direct serve industrial customers in Case No. 99-162, but rather ordered Kenergy (a) to file a new rate case in late 2000, and (b) to track separately the costs of providing electric power to direct serve industrial customers. In Case No. 2000-395, Kenergy failed to follow the Commission's directives and filed cost-of-service evidence that did not track separately Kenergy's costs of serving direct serve industrial customers. In Case No. 2000-395, the Commission ordered a reduction in Kenergy's Distribution Fees to KIUC Members, and also ordered Kenergy to file a new rate proceeding in 2003 specifically so that the Distribution Fees to direct serve customers could be further reviewed and considered.

In late 2002, Kenergy made a motion to the Commission seeking to extend by one year the time frame for Kenergy's mandated rate filing. By its Order dated December 11, 2002 in Case No. 2000-395, the Commission (a) denied Kenergy's motion, (b) admonished Kenergy that the purpose of the impending rate proceeding was to complete the work that began in Case No. 99-162, and (c) noted that in its Order of June 14, 2000 in Case No. 99-162, the Commission had directed *"that Kenergy should support its proposed rates with a detailed cost-of-service study that examines in detail the costs of serving direct serve customers..."* The Commission further noted that three years had elapsed since this issue was first raised, and deferring this matter for an additional year would not be reasonable.

As a consequence of the Commission Order of December 11, 2000, Kenergy finally submitted cost-of-service evidence in Case No. 2003-00165 reflecting the costs caused by the direct serve industrial customers. This cost-of-service evidence, which Kenergy has been allowed to adjust and re-submit in the instant proceeding, vividly reflects that the KIUC Members have borne and continue to bear excessive and unfair Distribution Fees, an inequity that has been only partially corrected through the Orders of the Commission in Case No. 2000-395 and Case No. 2003-00165.

Q. Please describe the implications of the partial correction to the rates of the KIUC Members in Case No. 2000-395 and Case No. 2003-00165.

A. As noted by Kenergy Witness Mark Bailey in his direct testimony, the KIUC Members received a rate reduction of approximately $252,000 in Case No. 2000-395 and $144,600 in Case No. 2003-00165. (Mr. Bailey asserts that the reduction to the KIUC Members in the latter case was approximately $162,347. The amount cited by Mr. Bailey was initially awarded in the Commission's Order dated April 22, 2004, but upon Kenergy's request for rehearing, the amount was reduced to $144,600 by the Commission's Order dated June 7, 2004.)

The testimony of Mr. Bailey is obviously intended to illustrate that the KIUC Members received the only rate reductions ordered by the Commission in Kenergy's last two general rate proceedings, with the implication that the KIUC Members have enjoyed rate reductions and any further rate reductions should be accorded to customers other than the KIUC Members.

However, even after the two successive rate reductions for the KIUC Members, the situation that now exists is as follows. Kenergy's cost-of-service study in this proceeding, which the KIUC Members accept as reasonable, shows that the Smelters pay annual distribution fees of $421,979 versus related costs of $249,412, creating a margin of $172,567, an amount that is unfair and unjustified because it is 69.2% in excess of related costs. Even worse, Kenergy's cost-of-service study shows that the Big Three Industrials pay annual distribution fees of $261,765 versus related costs of $94,079, creating a margin of $167,716, an amount that is unfair and unjustified because it is 178.2% of related costs.

Q. Is Kenergy's decision to exclude the KIUC Members from further rate reductions in this proceeding consistent with the Orders of the Commission in Case No. 2003-0165?

A. No, it is not. In response to Kenergy's specific request in Case No. 2003-00165 to exclude the KIUC Members from further rate reductions, the Commission Order of June 7, 2004, states in relevant part that:

"While the direct serve customers represented by KIUC have received rate reductions, these reductions were fully justified by Kenergy's cost-of-service studies. In addition, none of Kenergy's direct serve customers have received the consolidation credit. There is no reasonable basis to exclude any customer class from future participation in Kenergy's consolidation credit extension or alternative rate reduction. To do so would be inconsistent with Kenergy's cost-of-service study and inconsistent with the Commission's directive that Kenergy begin to address the disparity between customer classes paying their respective costs of service."

Q. What rate adjustment do you recommend in order to bring Kenergy's revenues from the KIUC Members into an appropriate alignment with the associated costs?

A. The Smelter rates currently are comprised of a monthly customer charge of $2,650 per kW, plus an energy charge of $0.00005 per kWh. As discussed above, the Smelter rates currently produce revenues that are $172,567 in excess of associated costs. During the test year, the Smelters consumed an aggregate of 7,169,800,691 kWh. It is recommended that the monthly customer charge remain unchanged, and that the energy charge be reduced from $0.00005 per kWh to $0.00003 per kWh. This rate adjustment would produce a revenue reduction of $143,396 from the Smelters, but revenues to Kenergy from the Smelters would remain $29,171 above associated costs. Based on the Smelters' cost-of-service expenses of $249,412, the excess Smelter revenues would produce an 11.7% margin to Kenergy.

The Big Three Industrial rates currently are comprised of a monthly customer charge of $1,050 per kW, plus an energy charge of $0.0002 per kWh. As discussed above, the Big Three Industrial revenues are $167,716 in excess of associated costs. During the test year, the Big Three Industrials consumed an estimated 1,120,000,000 kWh (including the self-generation by Weyerhaeuser upon which distribution fees are due to Kenergy). It is recommended that the monthly customer charge remain unchanged, and that the energy charge be reduced from $0.0002 per kWh to $0.00007 per kWh. This rate adjustment would produce a revenue reduction of $145,600 from the Big Three Industrials, but revenues to Kenergy from the Big Three Industrials would remain $22,116 above associated costs. Based on the Big Three Industrials' cost-of-service expenses of $94,079, the excess revenues from the Big Three Industrials would produce a 23.5% margin to Kenergy.

Q. Why is it important that rates be based on cost of service?

A. For jurisdictions like Kentucky that have elected to remain regulated, cost-of-service is and should be the predominant consideration in setting rates. Adherence to cost-of-service principles in regulatory ratemaking serves the societal objective of economic efficiency. Conversely, the failure to adhere to cost-of-service principles in electric ratemaking results in improper price signals to consumers, which in turn results in economic dislocations that harm society as electric consumers vary their consumption patterns in response to improper price signals.

The importance of cost-of-service principles has been reaffirmed repeatedly by the Commission: *"The Commission re-emphasizes its concern that one segment of LG&E's operation that is earning an excessive rate of return should not subsidize a segment that is under earning. The* *customers of the individual gas and electric operations should pay no more or no less than the cost of service."* Case No. 2000-080, September 27, 2000 Order at 66.

"To adopt Kentucky Power's proposal would require the Commission to abandon the bedrock principle of basing rates on cost causation. Nothing in the record justifies such a drastic step." Case No. 2002-00169, March 1, 2003 Order at 39.

The importance placed on cost of service by this Commission as a "*bedrock principle*" of ratemaking is shared by the National Association of Regulatory Utility Commissioners.

> *"Cost of service studies are among the basic tools of ratemaking. While opinions vary on the appropriate methodologies to be used to perform cost studies, few analysts seriously question the standard that service should be provided at cost. Non-cost concepts and principles often modify the cost of service standard, but it remains the primary criterion for the reasonableness of rates."*

Electric Utility Cost Allocation Manual, National Association of Regulatory Commissioners, January 1992 at p. 12.

Q. Does setting industrial rates at cost of service promote economic development in Kentucky?

A. Yes. Low electric rates are a major factor in attracting and keeping industrial customers in Kentucky. Industrial customers typically compete nationally and internationally. Surviving such competition is made more difficult if electric rates contain subsidies. This concern is reflected in the February 7, 2005 Executive Order 2005-121 issued by Governor Fletcher which states *"Kentucky's low-cost advantage in electricity is an important catalyst for economic growth and business development in Kentucky."*

Q. If the rate changes and associated revenue reductions for the KIUC Members recommended above are adopted by the Commission, should Kenergy be able to absorb the loss in revenues without an adverse impact on its financial health?

A. Yes. By expiration of the Consolidation Credit, Kenergy will receive an annual rate increase of $2,517,620. However, Kenergy's proposed annual revenue reduction to all customers in this rate proceeding is only $528,491. The aggregate revenue reduction sought by the KIUC Members in this proceeding based on adherence to cost-of-service principles is only $288,996.

Q. Why has Kenergy proposed a revenue reduction in this proceeding that is barely 20% of its automatic increase in revenues?

A. The answer to that question lies in an examination of Kenergy's financial performance since the time that Kenergy was formed on July 1, 1999. For purposes of this examination, I have prepared Exhibit No. (RLK-2), which is a historical summary of Kenergy's key financial data for six time periods: the first full year of Kenergy's operation (the year ended June 30, 2000), the calendar years 2001, 2002, 2003, and 2004, and the test year in this proceeding, the twelve months ended May 31, 2004, as adjusted.

The Consolidation Credit was approved by this Commission based on Kenergy's representation that, as an outgrowth of the consolidation of two distribution cooperatives, Kenergy could achieve cost efficiencies of approximately $2.5 million. A review of Total Operations and Maintenance (O&M) Expenses for the period ended June 30, 2000 to the period ended December 31, 2002, shows that Kenergy was able to reduce this category of expense from $15.2 million per year to $12.8 million per year, thus achieving its cost reduction objective. However, over the next two years, Total O&M Expenses increased by over $3.5 million, with the greatest increase in Distribution Maintenance Expense, which increased almost $2.5 million over a two-year period.

The attached Exhibit No. (RLK-2) also reflects that annual expense for depreciation and amortization has increased by more than $1.2 million from the year ended June 30, 2000, to the year ended December 31, 2004.

Q. What are the rate implications of the financial data described above?

A. In this proceeding, despite an automatic increase in revenue of $2.5 million, Kenergy has proposed only a nominal rate decrease to selected customers in response to the Commission's specific directive to address the significant adverse disparity between rates and costs of service. Indeed, unless ordered to do so by the Commission, Kenergy appears unwilling to increase rates to the residential customers beyond those rate levels that existed prior to 1999, despite the material increases in electric service costs that have occurred since that time. Instead of increasing rates to the residential customers to recover the associated increases in electric service costs, Kenergy is pursuing a course of action whereby the KIUC Members and Kenergy's other customers would continue to bear unfair revenue burdens which are significantly in excess of associated costs and which in turn provide significant and unwarranted subsidies to Kenergy's residential customers.

Kenergy is apparently unwilling to reduce the revenue burden to the KIUC Members because Kenergy recognizes that its Total O&M Costs and Depreciation Expenses have increased over time, and because Kenergy foresees a pending increase in interest on long-term debt. As an example, Kenergy Witness Steve Thompson testified to the additional expenses that Kenergy expects to incur for major storm damage, contractor right-of-way trimming costs, and underground cable failures.

The KIUC Members have not investigated whether these increases in Total O&M Costs, Depreciation Expense, and Interest on Long Term Debt are justified or prudent for the simple reason that these costs have not been incurred to serve the KIUC Members, but rather have been incurred to serve Kenergy's rural (primarily residential) customers. It would be completely disingenuous for the KIUC Members to be placed in situation whereby their ability to obtain revenue decreases that are completely justified based on Kenergy's cost-of-service studies could only be achieved by successfully contesting the level or appropriateness of distribution expenses, depreciation expenses and interest expenses that have been incurred for the sole benefit of Kenergy's rural customers. If these costs are ultimately deemed appropriate for ratemaking purposes after examination by the Commission, then such costs should be collected by Kenergy through rates levied upon the customers who benefit from such expenditures by Kenergy. That is the rural customers.

Q. What further evidence can be provided as to the discriminatory nature of distribution fees that cause the KIUC Members to subsidize Kenergy's residential customers?

A. There are three distribution cooperatives that are the Member/Owners of Big Rivers: Kenergy, Meade County RECC ("Meade"), and Jackson Purchase Electric Corporation ("JPEC"). Meade does not provide electric service to any direct serve customers. JPEC provides electric service to only direct serve customer. The electric rates to the rural customers of Meade and JPEC are not cross-subsidized by distribution fees from direct serve customers, and thus those rural customers bear the entire burden of the electric service costs incurred for their benefit. Even though the Meade and JPEC customers bear the entire burden of electric service costs incurred by Meade and JPEC, to my knowledge, there has been no assertion by any party that the absence of a cross-subsidy from direct serve industrial customers causes an unfair rate burden. If the rural customers of Meade and JPEC can bear the entire amount of electric service costs incurred by

Meade and JPEC in providing electric service, then there is no reason that the rural customers of Kenergy cannot similarly bear the entire amount of electric service costs incurred by Kenergy in providing electric service to those customers, without the need for cross-subsidization from the KIUC Members.

Q. Please summarize your recommendations.

A. The existing customer charge of $2,650 per month paid by the Smelters should remain unchanged. The energy component of the distribution fees to the Smelters should be reduced from $0.00005 per kWh to $0.00003 per kWh, a change that would correct the existing unfair and unreasonable disparity between rates and cost-of-service and that would reduce revenues to Kenergy by approximately $143,396 per year. This would produce an 11.7% margin for Kenergy.

The existing customer charge of $1,050 per month paid by the Big Three Industrials should remain unchanged. The energy component of the distribution fees to the Big Three Industrials should be reduced from $0.0002 per kWh to $0.00007 per kWh, a change that would correct the existing unfair and unreasonable disparity between rates and cost-of-service and that would reduce revenues to Kenergy by approximately $145,600 per year. This would produce a 23.5% margin for Kenergy.

Q. Does this conclude your testimony?

A. Yes, it does.

Mr. Klepper is a founder and principal of Energy Services Group, LLC, a utility and energy consulting services firm established in 1998. In 1984, Mr. Klepper established Rawson, Klepper & Company, the predecessor to ESG. With a strong academic background and more than twenty-eight years of experience as a utility practitioner and consultant, Mr. Klepper specializes in the areas of energy economics, utility expenditure planning and cost control, ratemaking, negotiation of contracts for energy and energy transportation, and strategic analysis, planning and decision making in a regulated or transitory energy environment.

PROFESSIONAL INTERESTS

Mr. Klepper prepares and presents public and in-house seminars, serves as an expert witness on energy related economic and regulatory issues, and advises large energy consumers, regulatory intervention groups, trade associations, public policy foundations and other energy industry participants on matters related to analysis of capital expenditure alternatives, acquisition and allocation of capital, strategic, financial, and integrated resource planning, and determination of revenue requirements and rate structuring in an increasingly competitive energy industry. He is a noted writer and speaker in the areas of privatization of utility operations and the impacts arising from federal participation in the electric industry.

In addition, Mr. Klepper has prepared and presented reports on topics such as Strategic Issues in Utility Planning, Utility Service Obligations in a Changing Environment, Competition within the Utility Industry, Co-Ownership of Utility Assets, Resource Recovery and Waste Utilization, Cogeneration and Independent Power Production, Transmission Access and Pricing, Determination of Costs in Railroad Ratemaking, and Fuel Acquisition and Transportation.

PROFESSIONAL ACTIVITIES

Instructor of Economics and Money and Banking, American Institute of Banking, 1974-75.

Expert Witness on Financial and Regulatory Matters.

- Interstate Commerce Commission, 1979-81.
- Utah Public Service Commission, 1985-86.
- Kentucky Public Service Commission, 1993-98, 2000-2001, 2003, 2005.
- Florida Public Service Commission, 1994, 1996-1997.
- Georgia Public Service Commission, 2004.

Southeastern Electric Exchange. Member, Finance Committee, 1982-83.

Financial Management Association. Industry Reviewer of utility related presentations. 1983 Southeastern Conference.

Edison Electric Institute. Member, Committee on Electric Power Ownership Alternatives, 1983-84. Presenter of "A Strategic View of the 1990s" to EEI Strategic Planning Committee, 1989.

Southeastern Regional Public Utilities Conference. Presenter of "A Viewpoint on Utility Privatization". 1990.

The Management Exchange, Inc., faculty member, 1982-92.

- Co-Developer and Co-Presenter of national seminar "Capital Expenditure Analysis for Utilities."
- Developer and Presenter of national seminar "Financial Planning for Utilities."

Energy Bureau. Presenter of "Evaluating Financing Techniques." Conference on "Utility Financing for a Beleagured Industry." 1984.

Public Utility Reports. Conference Moderator and Discussion Group Leader. "Managing Utilities in a Changing Environment." 1984.

The World Bank

- Consulting Member of the Power Section Mission to PLN, the National Electric Utility of the Republic of Indonesia, specializing in utility financial and strategic planning. 1987.

- Developer and Presenter of internal seminar "Financial Planning and Analysis for Underdeveloped Countries." 1989.

- Developer and Presenter of materials for "Seminar on Energy Policy and the Environment", presented in Ethiopia in collaboration with the United Nations Economic Commission for Africa and in Egypt in collaboration with the Organization of Energy Planning. 1992.

United States Energy Association. Developer and Presenter of Materials at "Seminar on Natural Monopolies: Regulation, Structure and Pricing Decisions", a conference conducted in Vienna, Austria, for electric utility executives from Hungary, Poland, and the Czech and Slovak Republics. Jointly sponsored by the World Bank and the U.S. Agency for International Development. 1992.

The Cato Institute and the Institute for Energy Research. Presenter of "Federal Participation in the Electric Industry; A Review and Assessment of the Implications Upon Industry Restructuring". Conference on "New Horizons in Electric Power Deregulation". 1995.

National Rural Utilities Cooperative Finance Corporation. Presenter of "Federal Participation in the Electric Industry; A Focus on the Rural Utilities Service". Cooperative Financing Forum. 1995.

The World Research Group. Presenter of "The Impact of Federal Participation in the Power Industry". Conference on "Public Power in a Restructured Electric Industry". 1995.

Kentucky Industrial Utility Customers, Inc. Presenter of "Economic Underpinnings to the Changing Regulatory Environment". Annual Conference. 1996.

MONOGRAPHS

The Utah Transmission Proceeding: Public vs. Private Ownership - A Case Study. Prepared under contract with the Economics Division of the Edison Electric Institute. 1987.

Privatization: An Overview of Worldwide Experience with Implications for the Electric Utility Industry in the United States. Prepared under contract with the Public Policy Analysis Division of the Edison Electric Institute. 1988-89.

Discussion of Considerations and Recommendations for Appropriate Methodologies for Determining the Cost of Equity Capital for Independent Telephone Systems. Co-authored with Roger A. Morin. Prepared under contract with the Ontario Telephone Service Commission. 1989.

Review and Assessment of Recent Executive Branch Initiatives with Ownership Implications for the Electric Utility Industry in the United States. Prepared under contract with the Bulk Power Policy Group of the Edison Electric Institute. 1993.

An Overview of the Bonneville Power Administration: Its Purpose, Performance, and Prospects. Prepared under contract with the Bulk Power Policy Group of the Edison Electric Institute. 1994.

Federal Participation in the Electric Industry; A Review and Assessment of the Implications Upon Industry Restructuring. Prepared for publication of proceedings on "New Horizons in Electric Power Deregulation", a conference cosponsored by the Cato Institute and the Institute for Energy Research. 1995.

EDUCATIONAL HISTORY

Bachelor of Science in Business Administration,
Major in Economics, University of Florida, 1971.

Master of Business Administration, Major in Finance,
University of Florida, 1972.

Master of Professional Accountancy,
Georgia State University, 1980.

Member, MBA Advisory Board, Warrington College of Business Administration, University of Florida, 1995 to 2001.

EMPLOYMENT HISTORY

First National Bank of Florida in Tampa, Investment Division.
Employed 1972. Assistant Cashier 1973-74. Assistant Vice President 1974-76.
Exercised responsibilities for liabilities, portfolio management, analysis of bank operations, and pricing of deposit related bank services.

Georgia Power Company, Corporate Finance Department.
Financial Analyst 1977-81. Financial Services Manager 1981-84.
Participated in the financial planning process, special financial projects, and the development and preparation of rate filings. Later directed the evaluation of capital expenditure alternatives, managed the administration of the portfolio of outstanding capital instruments, and coordinated the financial, regulatory, legal and marketing aspects of raising over $1.2 billion in capital through the issuance of preferred stock, first mortgage and pollution control bonds, and other debt instruments.

Kenergy Corp.
Selected Financial Data

Description	**12 Mos. Ended 6-30-2000[1]**	**2001[2]**	**2002[2]**	**2003[3]**	**2004[3]**	**Case No. 2004-00446[4]**
Distribution Operations	$3,682,201	$4,006,456	$2,909,385	$3,222,427	$3,301,838	$3,331,238
Distribution Maintenance	$4,556,374	$4,598,364	$5,221,683	$5,757,949	$7,680,715	$7,408,936
Customer Accounting	$2,100,375	$1,982,512	$2,573,253	$2,472,214	$2,559,692	$2,731,359
Administrative & General	$4,319,144	$3,222,854	$1,723,759	$2,417,134	$2,487,686	$2,046,093
All Other O&M (excl. Purch. Power)	$522,061	$242,368	$371,816	$297,540	$309,802	$311,416
Total O&M (excl. Purch. Power)	**$15,180,155**	**$14,052,554**	**$12,799,896**	**$14,167,264**	**$16,339,733**	**$15,829,042**
Depreciation	$4,368,928	$4,876,126	$4,913,518	$5,274,279	$5,589,176	$5,606,313
Inerest on Long Term Debt	$3,572,836	$4,278,886	$3,853,856	$3,364,565	$3,118,978	$3,924,762

Notes:

1. Kenergy Corp., Adjusted income Statement, Case No. 2000-395, Exhibit 1, Page 1.
2. Kenergy Corp., RUS Form 7 for period ended December 31, 2002
3. Kenergy Corp., RUS Form 7 for period ended December 31, 2004
4. Kenergy Corp., Adjusted Income Statement, Case No. 2004-00446, Exhibit 5, Page 1.