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Via Overnight Mail

June 7, 2005

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

Re: Case No. 2005-00068

Dear Ms. O'Donnell:

Please find enclosed the original and twelve (12) copies of the Direct Testimony and Exhibits of Lane Kollen on behalf of The Kentucky Industrial Utility Customers, Inc. filed in the above-referenced matter. By copy of this letter, all parties listed on the Certificate of Service have been served.

Please place this document of file.

Very Truly Yours,



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

MLKkew
Attachment
cc: Certificate of Service

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing was served by mailing a true and correct copy, by electronic mail and first-class postage prepaid mail, unless otherwise noted, to all parties on the 7th day of June, 2005.

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Michael L. Kurtz, Esq.

**COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION**

IN THE MATTER OF:

**KENTUCKY POWER COMPANY'S SECOND)
AMENDED ENVIRONMENTAL COMPLIANCE) CASE NO. 2005-00068
PLAN AND SECOND REVISED TARIFF)**

**DIRECT TESTIMONY
AND EXHIBITS
OF
LANE KOLLEN**

**ON BEHALF OF THE
KENTUCKY INDUSTRIAL UTILITY CUSTOMERS, INC.**

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

JUNE 2005

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KENTUCKY POWER COMPANY'S SECOND)
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PLAN AND SECOND REVISED TARIFF)

DIRECT TESTIMONY OF LANE KOLLEN

I. QUALIFICATIONS AND SUMMARY

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

2

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, Georgia
5 30075.

6

7 **Q. What is your occupation and by whom are you employed?**

8

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

11

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

1

2 A. I earned a Bachelor of Business Administration in Accounting degree from the
3 University of Toledo. I also earned a Master of Business Administration degree from
4 the University of Toledo. I am a Certified Public Accountant, with a practice license,
5 and a Certified Management Accountant.

6

7 I have been an active participant in the utility industry for more than twenty-five years,
8 both as an employee and as a consultant. Since 1986, I have been a consultant with
9 Kennedy and Associates, providing services to state government agencies and large
10 consumers of utility services in the ratemaking, financial, tax, accounting, and
11 management areas. From 1983 to 1986, I was a consultant with Energy Management
12 Associates, providing services to investor and consumer owned utility companies. From
13 1976 to 1983, I was employed by The Toledo Edison Company in a series of positions
14 encompassing accounting, tax, financial, and planning functions.

15

16 I have appeared as an expert witness on accounting, finance, ratemaking, and planning
17 issues before regulatory commissions and courts at the federal and state levels on more
18 than one hundred occasions. I have developed and presented papers at industry
19 conferences on ratemaking, accounting, and tax issues.

20

1 I have testified before the Kentucky Public Service Commission (“Commission”) on
2 numerous occasions, including the initial Kentucky Power Company (“KPC” or
3 “Company”) Environmental Cost Recovery (“ECR”) proceeding in Case No. 96-489 and
4 the second KPC ECR proceeding in Case No. 2000-107. I have testified in nearly all the
5 Louisville Gas and Electric Company, Kentucky Utilities Company, and Big Rivers
6 Electric Corporation ECR proceedings. I also have testified before the Commission in
7 numerous other base and fuel adjustment clause proceedings involving these
8 jurisdictional utilities. My qualifications and regulatory appearances are further detailed
9 in my Exhibit ___(LK-1).

10
11 **Q. On whose behalf are you testifying?**

12
13 A. I am testifying on behalf of the Kentucky Industrial Utility Customers, Inc. (“KIUC”), a
14 group a large users taking electric and gas service on the Kentucky Power Company
15 system.

16
17 **Q. What is the purpose of your testimony?**

18
19 A. The purpose of my testimony is to address the Company’s request for approval of an
20 amended environmental compliance plan and recovery through the ECR of the related

1 costs for projects located in Ohio and Indiana, which the Company asserts are assessed
2 to it through the AEP Interconnection Agreement, and to address other changes to the
3 ECR.

4
5 **Q. Please summarize your testimony.**

6
7 A. I recommend that the Commission reject the Company's request to include the
8 environmental costs associated with power plants owned by Ohio Power Company
9 ("Ohio Power") and Indiana & Michigan Electric Company ("Indiana & Michigan") in
10 its ECR Rider, which the Company argues are incurred through the AEP Pool capacity
11 incurred pursuant to the AEP Interconnection Agreement. These costs are only
12 recoverable in a base rate case and such costs cannot qualify for ECR treatment.

13
14 In addition, I recommend that the Commission direct the Company to reduce its ECR
15 revenue requirement by the amount of the margins earned from the utilization of
16 emission allowances to supply off-system sales made by the AEP System. These
17 margins are available for utilization only due to the incurrence of the ECR
18 environmental costs and are no different in substance than the margins from the direct
19 sales of allowances to third parties. The Commission required the Company to include
20 all margins as a reduction to the ECR revenue requirement in its Case No. 96-489 Order,

1 not just those associated with direct sales to third parties.

2

3 Finally, I recommend that the Commission incorporate the effective reduction in the
4 federal and state corporate income tax rates due to the new Internal Revenue Code §199
5 deduction and the reduction in the Kentucky corporate income tax rate to 7.0% in the
6 ECR revenue requirement, all of which were effective on January 1, 2005. The effect of
7 these federal and state income tax changes should be reflected in the equity rate of return
8 income tax gross-up factor.

1 **II. COMMISSION SHOULD REJECT COMPANY'S REQUEST FOR RECOVERY**
2 **OF OHIO POWER AND INDIANA & MICHIGAN'S ENVIRONMENTAL COSTS**
3

4 **Q. Please describe the basis for the Company's request to amend its ECR compliance**
5 **plan to include environmental costs incurred by Ohio Power Company and**
6 **Indiana & Michigan Electric Company.**

7
8 A. The Company's request to recover environmental costs incurred by the AEP System
9 surplus companies, and allocated to it through the AEP Interconnection Agreement,
10 apparently is based on three arguments. The first argument is that it can meet the
11 statutory requirements of KRS 278.183 for projects that already are operational in Ohio
12 and Indiana, over which the Company had no control, for which the Company never
13 developed a compliance plan, for which the Company never sought nor obtained
14 approval of any compliance plan for those projects prior to their selection and
15 implementation by Ohio Power and Indiana & Michigan.

16
17 The second argument is that a federal rate pursuant to the AEP Interconnection
18 Agreement can be disaggregated into 21 separate hypothetical rates reflecting specific
19 environmental projects and their related costs.

20
21 The third argument is that the Commission is required to allow recovery through the

1 ECR of dozens of disaggregated hypothetical rates on the claimed basis that they are
2 federal rates, although those rates are nowhere specified in the AEP Interconnection
3 Agreement or the AEP Interim Allowance Agreement.

4
5 **Q. Are any of the arguments advanced by the Company for recovery of these alleged**
6 **environmental costs through the ECR valid?**

7
8 A. No. First, although I agree with the premise of federal pre-emption as a general
9 principle, I do not agree that this principle requires the Commission to allow recovery
10 through the ECR of 21 separately computed and hypothetical environmental rates based
11 on dozens of environmental cost components under the guise of federal preemption.
12 The proposed disaggregated rates are not the federal rates; therefore, there can be no
13 federal preemption. Further, the appropriate ratemaking forum for such AEP Pool
14 capacity costs, incurred pursuant to the federal rates in the AEP Interconnection
15 Agreement, is a base rate proceeding unless such costs are specifically related to the
16 operation of the AEP Interim Allowance Agreement.

17
18 Second, the Company cannot possibly meet the requirements of KRS 278.183 by
19 allowing recovery of the disaggregated components of a federal rate even if federal
20 preemption applies to the ECR. The Commission cannot make the requisite findings

1 pursuant to KRS 278.183 that the “return on construction and other capital
2 expenditures” is reasonable or that the “operating expenses for any plant, equipment,
3 property, facility, or other action to be used to comply with applicable environmental
4 requirements set forth in this section” are reasonable. If the Commission is somehow
5 bound by federal preemption, then it cannot independently conclude that these
6 disaggregated components of the federal rate are reasonable or unreasonable, thus
7 effectively precluding recovery of these hypothetical rates through the ECR.

8
9 **Q. The Company has argued in response to discovery that the Commission already**
10 **has determined that the environmental components of AEP Pool capacity costs are**
11 **recoverable through the ECR in Case No. 96-489. Do you agree?**

12
13 A. No. The context of the Commission’s decision in Case No. 96-489 is important. The
14 Company has attempted to improperly extrapolate a limited circumstance related to
15 federal preemption pursuant to the AEP Interim Allowance Agreement into a broader
16 principle of federal preemption, which it argues is applicable to any disaggregation of
17 the AEP Pool capacity rates pursuant to the Interconnection Agreement.

18
19 In its Order in Case No. 96-489, the Commission addressed the costs incurred through
20 the AEP Pool capacity rates only in conjunction with the cost of allowances incurred

1 pursuant to the AEP Interim Allowance Agreement rates. All costs incurred by the
2 Company pursuant to the AEP Interim Allowance Agreement rates were considered to
3 be environmental costs and therefore recoverable through the ECR. In that Order, there
4 was no disaggregation of the federal rates pursuant to the AEP Interim Allowance
5 Agreement.

6
7 The AEP Interim Allowance Agreement required the reallocation of Gavin allowances
8 to deficit member companies at zero cost consistent with the obligation of the deficit
9 members to pay for the Gavin scrubber costs through the AEP Pool capacity rates
10 pursuant to the AEP Interconnection Agreement. The Commission determined that it
11 was appropriate “in this instance” to include in the ECR the costs paid by the Company
12 through the AEP Pool capacity rates for the Gavin scrubber. In that Order, the
13 Commission adopted only a limited disaggregation of the AEP Pool capacity rates
14 pursuant to the AEP Interconnection Agreement because that computation was required
15 to fully incorporate the effects in the Company’s ECR of the rates pursuant to the AEP
16 Interim Allowance Agreement.

17
18 **Q. If the Commission agrees with the Company that its Order in Case No. 96-489**
19 **constituted a broader interpretation of federal preemption and established a**

1 **precedent for recovery of all disaggregated environmental components of the AEP**

2 **Pool capacity rates, do you have any further comments?**

3

4 A. Yes. As I stated previously, I agree with the general principle of federal preemption, but

5 I do not believe that the Commission is required to provide recovery of these

6 disaggregated environmental costs through the ECR. The ECR is a Kentucky retail

7 ratemaking mechanism and the Commission has the discretion to determine whether

8 these disaggregated environmental costs are recoverable through the ECR or recoverable

9 through base rates.

10

11 **Q. Pursuant to the requirements of KRS 278.183, the Commission must make certain**

12 **determinations before it can approve recovery of costs pursuant to an approved**

13 **compliance plan through the ECR. What are these requirements and can the**

14 **Commission make an independent determination if it simply must accept the**

15 **Company’s premise that federal pre-emption applies to dozens of disaggregated**

16 **environmental cost components of the AEP Pool capacity cost rates?**

17

18 A. First, the ECR statute requires that the Commission “consider” and “approve” a

19 compliance plan “if the Commission finds the plan . . . reasonable and cost-effective for

20 compliance with the applicable environmental requirements set forth in subsection (1) of

1 this section.” None of these projects is related to a Kentucky Power Company
2 compliance plan. In lieu of a compliance plan that the Kentucky Commission could
3 have “consider[ed]” prior to the adoption and implementation of that plan, these Ohio
4 and Indiana/Michigan companies already have implemented these projects, except for
5 the air emission fees included as project 34, which are ongoing. Thus, under the
6 Company’s proposal, this Commission is relegated to an after the fact review in an
7 attempt to determine if the Ohio and Indiana/Michigan companies’ compliance plans are
8 “reasonable and cost-effective” now that they are implemented. Based on my
9 ratemaking experience, I do not see how the Commission can reasonably conclude today
10 that the Ohio, Indiana, and Michigan compliance plans were or are reasonable and cost-
11 effective given the fact that this Commission had and still has no jurisdiction over these
12 projects or the decisions of the Ohio and Indiana/Michigan companies to proceed with
13 them.

14
15 The fact that the projects are already in service or approved by other regulatory agencies
16 in other states or the fact that there is no evidence to prove that the projects were or are
17 not reasonable and cost-effective, does not and should not lead to the affirmative
18 conclusion that therefore the projects are “reasonable and cost-effective.” The
19 Commission should decline to find these projects “reasonable and cost-effective.”
20

1 Second, the Commission is required to “establish a reasonable return on compliance-
2 related capital expenditures.” There is no specified return included in the AEP Pool
3 capacity rates: however, the FERC in 1979 accepted a “maximum” carrying charge rate
4 of 1.37% in paragraph 6.212 of the Interconnection Agreement, or an annual rate of
5 16.44%, which apparently included a rate of return and a depreciation component. This
6 carrying charge rate incorporated a rate of return consisting of the following
7 capitalization components and costs, including a 48% federal corporate income tax, but
8 excluding state income taxes:

	Capital Ratios	Component Costs	Weighted Costs	Tax Up @48%	Gross- Up Return
Long Term Debt	57.00%	7.75%	4.42%	1.0000	4.42%
Preferred Stock	10.00%	7.90%	0.79%	1.9231	1.52%
Common Equity	33.00%	12.75%	4.21%	1.9231	8.09%
			9.42%		14.03%

10
11
12
13 By contrast, the Company’s March 2005 ECR filing incorporated a rate of return on Big
14 Sandy rate base investment consisting of the following capitalization components and
15 costs, including the present 35% federal corporate income tax rate, but excluding state
16 income taxes:

1
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	Capital Ratios	Component Costs	Weighted Costs	Tax Up @48%	Gross- Up Return	Grossed- Up Return
Long Term Debt	57.24%	5.75%	3.29%	1.0000	3.29%	
Short Term Debt	2.87%	2.06%	0.06%	1.0000	0.06%	
A/R Financing	3.34%	2.80%	0.09%	1.0000	0.09%	
Common Equity	36.56%	11.00%	4.02%	1.5385	6.19%	
			7.47%			9.63%

The Company’s proposed return on the disaggregated environmental project costs embedded in the AEP Pool capacity rate is inherently unreasonable based upon this comparison of the rate of return in the Interconnection Agreement and the Company’s actual cost of capital. However, under the Company’s federal preemption argument, the Commission has the authority to disaggregate the federal rate, but no authority to modify that disaggregated component of the federal rate.

The result of the Company’s federal preemption argument is that the Commission cannot affirmatively “establish a reasonable return on compliance-related capital expenditures.” Under the Company’s argument, the Commission has no choice but to accept the return component of the 21 hypothetical federal rates as “reasonable.” Yet the Commission must affirmatively “establish a reasonable return.” This conundrum seemingly only can be resolved if the Commission declines to affirmatively find that the

1 Company's proposed projects are "reasonable and cost-effective" and/or that the actual
2 federal rates pursuant to the AEP Interconnection Agreement cannot be disaggregated
3 into 21 or more hypothetical federal rates and/or that the costs incurred by the Company
4 through the Interconnection Agreement must be recovered through base rates and not
5 through the ECR.

6
7 Third, the Commission is required to determine that the "operating expenses for any
8 plant, equipment, property, facility, or other action to be used to comply with applicable
9 environmental requirements set forth in this section" be "reasonable." The Company
10 has argued in response to KIUC 1-26 that the Commission does not need to "establish a
11 reasonable return" because the costs sought for recovery are "operating expenses."
12 However, the Company's distinction is illusory because the operating expenses then
13 necessarily include the "return on compliance related capital expenditures." The return
14 remains inherently unreasonable whether characterized as the "return" or as a
15 component of "operating expenses." Even if the Commission accepts the Company's
16 characterization of the return as a component of operating expenses, then the "operating
17 expenses" are unreasonable. Once again, the result of the Company's federal
18 preemption argument is that the Commission cannot affirmatively conclude that the
19 proposed "operating expenses" are reasonable. Thus, the solution to this conundrum is

1 the same as that if the “return” is subject to the requirement to “establish a reasonable
2 return on compliance-related capital expenditures.”
3

4 **Q. What is your recommendation regarding the Company’s proposed compliance**
5 **plan for projects 13-34 and its request for ECR recovery of the related costs?**
6

7 A. I recommend that the Commission reject the Company’s request. There is no
8 meaningful compliance plan for the Commission to “consider and approve.” There is no
9 basis for the Commission to affirmatively conclude that the “plan” is “reasonable and
10 cost-effective.” There can be no federal preemption for 21 hypothetical and separate
11 rates quantified and based on dozens of disaggregated cost components that are not
12 identified or specified in the AEP Interconnection Agreement. There is no basis for the
13 Commission to affirmatively conclude that the “return” cost components of these
14 hypothetical rates, whether considered as a return on compliance-related capital
15 expenditures or as a component of operating expenses, are reasonable when, in fact, this
16 component is excessive and inherently unreasonable.

1 **III. MARGINS ON UTILIZATION OF ALLOWANCES FOR OFF-SYSTEM SALES**
2 **BY AEP SHOULD BE INCLUDED IN THE ECR**
3

4 **Q. Please briefly describe the Company's treatment of the margins on direct and**
5 **indirect allowance sales in its ECR filings compared to the Commission's directive**
6 **for such margins in the Case No. 96-489 Order.**

7
8 A. The Company earns margins (gains and losses) as the result of several types of SO₂ and
9 NO_x emission allowance sales. First, the U.S. EPA withholds and sells certain
10 allowances belonging to the Company. The entirety of such proceeds constitute a
11 margin because there is no related cost. The Company utilizes these margins to reduce
12 the ECR revenue requirement ("CRR") in its monthly ECR filings. Second, the
13 Company also sells allowances directly to third parties. The Company utilizes the
14 margins (revenues less cost) from such direct sales to reduce the CRR in its monthly
15 ECR filings. Third, the Company indirectly sells allowances when they are utilized to
16 supply power for off-system sales by the AEP System to third parties. The margins on
17 such indirect sales of allowances are allocated on Member Load Ratio ("MLR")
18 pursuant to the AEP Interim Allowance Agreement.

19
20 Kentucky Power Company is allocated and reports the margins on the indirect sales of
21 allowances utilized to supply off-system sales by the AEP System for financial statement

1 purposes, but does not use these margins to reduce the CRR in its monthly ECR filings.
2 The failure to use these margins to reduce the CRR in its monthly ECR filings results in
3 an excessive ECR revenue requirement. It is directly contradictory to the Commission's
4 direction in the Case No. 96-489 Order, which required the Company to reduce the CRR
5 by "any net gains or net losses allocated to Kentucky Power under the IAA." In
6 addition, it is directly contrary to sound ratemaking principles and the methodologies
7 used by the Commission to develop the other components of the Company's ECR
8 revenue requirement.

9
10 **Q. How does the Company reflect the margins from the sales of emission allowances**
11 **to third parties in its ECR filings?**

12
13 A. The Company reflects the total revenues from the EPA allowance auctions in the current
14 period revenue requirement on ES Form 3.00. In addition, the Company reflects the
15 margins, whether positive (gains) or negative (losses), from the sale of emission
16 allowances to third parties in the CRR on ES Form 3.00. The revenues from the EPA
17 allowance sales and gains from the sales of emission allowances to third parties reduce
18 the CRR and losses on the sales of emission allowances to third parties reduce the CRR.

19

1

2 **Q. How are the sales of emission allowances to third parties reflected in the**
3 **Company's allowance inventory amounts and the weighted average cost of**
4 **allowances used for allowance expense?**

5

6 A. All allowance activities, including the sales of emission allowances to third parties, are
7 reflected in the Company's allowance inventory amounts at cost. For example, the
8 Company's utilization of allowances is reflected at the weighted average cost of the
9 allowances included in inventory.

10

11 The sale of the Company's emission allowances to third parties also is reflected at the
12 weighted average cost of the allowances included in inventory. Neither the revenues nor
13 the margins from the sale of allowances to third parties are reflected in the Company's
14 allowance inventory amounts at cost.

15

16 The Company's monthly ECR filings include ES Form 3.11, which summarizes the SO₂
17 allowance activities and the computation of the weighted average cost per SO₂
18 allowance, and ES Form 3.12, which summarizes the NO_x allowance activities and the
19 computation of the weighted average cost per NO_x allowance. The sales of emission
20 allowances to third parties are shown as "withdrawals" due to "off-system sales" on ES

1 Form 3.11 and ES Form 3.12. The allowance activity on these two ECR schedules
2 reflects the monthly allowance activity reported in the monthly AEP Interchange Power
3 Statements, which were provided in this proceeding in response to KIUC 1-6. It should
4 be noted that the “withdrawals” for “off-system sales” only reflects the direct sales of
5 emission allowances to third parties and does not include the utilization of allowances
6 for off-system sales of electricity. I have attached a copy of these ES Forms 3.00, 3.11,
7 and 3.12 for the expense month of January 2005 as my Exhibit ___(LK-2) for ease of
8 reference.

9
10 The cost of the emission allowances sold to third parties is based on the weighted
11 average cost of the allowances, some of which were EPA allowances obtained at \$0 cost
12 and others of which were purchased for various amounts. The Company’s costing
13 methodology does not directly assign the highest cost allowances to the sale. As such,
14 the margins on the sales of allowances to third parties, which are reported by the
15 Company on ES Form 3.11 and ES Form 3.12, is the difference between the revenues
16 received and the weighted average cost of the allowances sold.

17
18 **Q. How does the Company reflect the utilization of emission allowances that it**
19 **supplies for off-system sales of electricity by AEP in its ECR filings?**
20

1 A. The Company includes the utilization of these SO₂ emission allowances on the
2 “Consumed by Kentucky Power” line on ES Form 3.11 and of these NO_x emission
3 allowances on the “NO_x Consumed by Kentucky Power” line on ES Form 3.12. These
4 lines include both the emission allowances utilized by Kentucky Power for its retail
5 generation requirements as well as for its off-system sales of electricity requirements.
6

7 The utilization of the emission allowances that the Company supplies for off-system
8 sales of electricity by AEP is reflected at the weighted average cost and is used to reduce
9 the inventory amounts, both the number of allowances and the dollar amount of
10 inventory. The related expense, based on the weighted average cost, is combined with
11 the expense for the Kentucky retail load and included in the current period revenue
12 requirement costs associated with Big Sandy on line 18 “Monthly SO₂ Emission
13 Allowance Consumption” and line 19 “Monthly ERC and NO_x Emission Allowance
14 Consumption” on ES Form 3.10. Ultimately, this total Company emission allowance
15 expense is allocated between the Kentucky retail jurisdiction and off-system sales on a
16 total revenue basis. In other words, the cost of the allowances utilized to supply off-
17 system sales of electricity is not directly assigned to off-system sales for purposes of the
18 ECR.
19

20 **Q. Is Kentucky Power Company allocated margins from the utilization of emission**

1 **allowances that it supplies for off-system sales of electricity by AEP?**

2

3 A. Yes. Pursuant to the terms of the AEP Interim Allowance Agreement, the margins on
4 the utilization of allowances supplied by each of the member companies for off-system
5 sales of electricity are computed by subtracting the cost of the allowances utilized by
6 each company, at each company's weighted average inventory cost, from the market
7 value of the allowances sold. Pursuant to the terms of the AEP Interim Allowance
8 Agreement, these margins are summed and the total is allocated to each of the member
9 companies on its member load ratio share. The Company reports these margins as
10 income for financial reporting purposes.

11

12 **Q. What is the amount of the margins that were allocated to Kentucky Power**
13 **Company for the utilization of allowances to supply off-system sales of electricity**
14 **by AEP during the twelve months ending March 2005?**

15

16 A. Kentucky Power Company was allocated \$7,838,118 in margins from the utilization of
17 allowances to supply off-system sales of electricity by AEP during the twelve months
18 ending March 2005. The computation of these margins is detailed by member company
19 on page 11 in the monthly AEP Interchange Power Statements, copies of which were
20 provided by the Company in response to KIUC 1-6. All margins on off-system sales of

1 electricity, including the margins on the utilization of allowances, are allocated on MLR
2 as detailed on page 6 in the monthly AEP Interchange Power Statements.

3
4 In order to quantify the margins on the utilization of allowances for off-system sales, I
5 summed the SO₂ and NO_x Adjustment amounts from page 11 of the AEP Interchange
6 Power Statements and multiplied the total by the Kentucky Power Company MLR for
7 each month during the twelve months ending March 2005. These computations and a
8 copy of the relevant pages from the AEP Interchange Power Statements are attached as
9 my Exhibit___(LK-3). I have annotated the amounts utilized in my computations to the
10 amounts on the pages from the AEP Interchange Power Statements.

11
12 **Q. Does the Company reflect the margins on the utilization of emission allowances**
13 **that it supplies for off-system sales of electricity by AEP in its ECR filings?**

14
15 A. No. The Company does not reflect these margins as a reduction to the CRR in its ECR
16 filings. The Company provides no credit against the environmental costs included in the
17 ECR and, in essence, directly assigns the entirety of the margins on the utilization of
18 allowances for AEP off-system sales out of the ECR.

19
20 **Q. In the Case No. 96-489 Order, did the Commission require that the Company**

1 **include the margins on the utilization of emission allowances that the Company**
2 **supplies for off-system sales of electricity by AEP from its ECR filings and the**
3 **CRR?**

4
5 A. Yes. In the Case No. 96-489 Order, the Commission specifically stated that all margins
6 allocated to the Company pursuant to the AEP Interim Allowance Agreement were to be
7 used to reduce the ECR revenue requirement. In that Order, the Commission stated the
8 following:

9
10 **In addition, any EPA auction proceeds and any net gains or losses allocated**
11 **to Kentucky Power under the IAA will be included as offsets to the current**
12 **period revenue requirement in the month received by Kentucky Power.**
13

14 The Commission did not distinguish between margins from the direct sales of
15 allowances to third parties and margins from the indirect sales of allowances to third
16 parties through the utilization of allowances supplied by the Company for AEP off-
17 system sales.

18
19 **Q. In substance is there any difference in the utilization of allowances to supply off-**
20 **system sales or the direct sale of those allowances to a third party?**

21
22 A. In substance, there is no difference. Both types of transactions constitute a sale to third

1 parties. The one sale is direct and the other indirect.

2

3 **Q. Does the AEP Interim Allowance Agreement specify how the margins from the**
4 **indirect sales of allowances to third parties through the utilization of allowances**
5 **supplied by the Company for AEP off-system sales are to be allocated to Kentucky**
6 **Power and the other member companies?**

7

8 A. Yes. Paragraph 4.3 entitled “Allowances Consumed for Power Sales to Foreign
9 Companies” of the AEP Interim Allowance Agreement requires that the revenues
10 received be allocated on member load ratio and that the consumed cost of the allowances
11 be allocated on member load ratio. The net of these two amounts is the margin. This
12 paragraph of the AEP Interim Allowance Agreement specifically states:

13

14 **When allowances are consumed for power sales to foreign companies, the**
15 **customer has the option of reimbursing the supplying company with**
16 **allowances in kind, or paying cash for the allowances at the current market**
17 **rate. If the customer reimburses in kind, the allowances shall be retained**
18 **by the supplying Member (Member company that generated the energy and**
19 **consumed the allowances); and a cash settlement shall be made to each**
20 **Member based on its MLR-share of the current value of the allowances**
21 **received. If cash is received, in lieu of allowances, it shall be shared by each**
22 **member based on its current MLR. The supplying Member’s consumed**
23 **cost of allowance for sale to foreign companies shall be allocated to each**
24 **Member based on its current MLR.**

25

1 **Q. Should the margins on the utilization of emission allowances that the Company**
2 **supplies for off-system sales of electricity by AEP be used to reduce the CRR in the**
3 **monthly ECR filings?**

4
5 A. Yes. The Kentucky retail ratepayers are entitled to a jurisdictional share of these
6 margins through the ECR. The Commission already has determined that all margins on
7 the sale of allowances should be reflected in the ECR and used to reduce the CRR.
8 These margins should not be directly assigned out of the ECR or treated as a base rate
9 revenue requirement issue. Instead, such margins should be used to reduce the CRR in
10 the same manner that margins from the direct sale of emission allowances to third
11 parties are used to reduce the CRR on ES Form 3.00. The Company's 100% exclusion
12 of these margins from the CRR is inconsistent with the 100% inclusion of the margins
13 from sales of emission allowances to third parties in the CRR.

14
15 **Q. Why should the margins on the utilization of allowances to supply off-system sales**
16 **made by AEP not be directly assigned to off-system sales?**

17
18 A. There is no sound basis to allow the Company to retain environmental revenues through
19 the methodological device of direct assignment out of the ECR or as a base rate revenue
20 requirement issue. Fundamentally, these margins are environmental revenues that

1 should be used to reduce environmental costs. The Commission has determined that all
2 qualified post 1993 environmental costs, net of revenues and margins, are to be
3 computed on a total Company basis and then allocated between the jurisdictions on the
4 basis of total revenues. Also, as previously noted, the Commission already determined
5 in Case No. 96-489 that any margins from the sale of allowances allocated to the
6 Company pursuant to the Interim Allowance Agreement were to be incorporated in the
7 ECR as a reduction to the CRR.

8
9 The Company's direct assignment methodology circumvents the Commission's
10 established methodological approach. In contrast to the Company's direct assignment
11 methodology, the Commission's methodological approach does not directly assign any
12 environmental costs or any other revenues/margins to any jurisdiction. The Commission
13 does not directly assign the cost of the most expensive purchased allowances to off-
14 system sales. Instead, the Commission utilizes the same weighted average cost for all
15 jurisdictions in the computation of allowance expense. The Commission does not
16 directly assign allowances to jurisdictions. Instead, the Commission effectively
17 allocates the utilization of allowances among jurisdictions on the basis of total revenues.
18 Similarly, the Commission does not directly assign the total margin on the sale of
19 emission allowances to an off-system jurisdiction. Instead, the Commission utilizes
20 these margins as a reduction to the CRR, which then is allocated to the jurisdictions on

1 the basis of total revenues.

2
3 **Q. The Company's System Sales Clause rider already provides for a sharing of off-**
4 **system sales margins above a base period amount. If the margins from the**
5 **utilization of allowances for off-system sales are properly incorporated in the ECR,**
6 **should care be taken to ensure that these margins are not also incorporated in the**
7 **System Sales Clause?**

8
9 A. Yes. If the margins on the utilization of allowances for off-system sales by the AEP
10 System are properly incorporated in the ECR, then they should not also be available for
11 sharing through the System Sales Clause ("SSC"). The SSC and ECR riders are
12 interrelated as the result of the Settlement Agreement adopted by the Commission in
13 Case No. 2004-00420. As the result of the Order in that proceeding, the SSC margin for
14 the current period is defined in the tariff as the total off-system sales revenues allocated
15 to the Company less the fuel and out of pocket costs to supply the sales less the
16 environmental costs allocated to the off-system jurisdiction in the monthly ECR filings.
17 Consequently, if the margins on the utilization of allowances to supply off-system sales
18 by the AEP System are incorporated in the ECR, then the monthly off-system amount
19 from the ECR used in the SSC would have to be adjusted to remove the effects of these
20 margins.

1 **Q. Is it necessary to modify the SSC tariff if the margins on the utilization of**
2 **allowances to supply AEP sales are properly incorporated in the ECR?**

3
4 A. No. It would not be necessary to modify the SSC tariff. Instead, the amount from the
5 ECR filing utilized in the SSC tariff should be adjusted to remove these margins. This
6 adjustment is necessary to ensure that the Company is not required to include and share
7 the same margins a second time through the SSC. The adjustment to the ECR amount
8 allocated to the off-system jurisdiction would be the total amount of the margins on the
9 utilization of allowances used to supply off-system sales by the AEP System. This
10 adjustment will have the effect of returning to the Company through the SSC 50% of the
11 margins on the utilization of allowances allocated to the Kentucky retail jurisdiction
12 through the ECR. That result is correct by properly incorporating the margins on the
13 utilization of these allowances in the ECR and not the SSC.

14
15 **Q. Please provide an illustration of the effects of including the margins on the**
16 **utilization of allowances to supply off-system sales in the ECR.**

17
18 A. For every \$100 in such margins included in the ECR, \$62 would be allocated to the
19 Kentucky retail jurisdiction and \$38 to the off-system jurisdiction, assuming a 62% and
20 38% jurisdictional and non-jurisdictional split. To ensure that these margins were not

1 also reflected in the SSC, the entire \$100 would be added to the ECR revenue
2 requirement amount allocated to off-system sales, thus removing the entire \$100 margin
3 on the utilization of allowances from the margin used to compute the SSC rider.

4
5 Consequently, for every \$100 of margins on the utilization of allowances properly
6 included in the ECR instead of the SSC, there will be a net reduction in the Kentucky
7 retail revenue requirement of \$81, or \$31 more than the \$50 presently allocated to
8 Kentucky retail through the SSC. Including these margins in the ECR will reduce the
9 Kentucky retail ECR revenue requirement by \$62 and increase the Kentucky retail SSC
10 revenue requirement by \$31 (\$62 times 50%).

11
12 **Q. What is the effect of properly including the margins on the utilization of**
13 **allowances to supply off-system sales in the ECR based on the actual margins**
14 **allocated to the Company that you previously discussed.**

15
16 A. The effect of properly including the margins on the utilization of allowances in the ECR
17 would have reduced the Kentucky retail revenue requirement on a net basis by
18 \$2,614,431 for the twelve months ending March 2005, consisting of a reduction in the
19 Kentucky retail ECR revenue requirement of \$5,228,862 (\$7,838,118 total margins on
20 utilization of allowances times 66.71% Kentucky retail jurisdictional factor) and an

1 increase in the Kentucky retail SSC revenue requirement of \$2,614,431 (\$5,228,862
2 times 50%). The effect on the Kentucky retail ECR revenue requirement is detailed on
3 my Exhibit ___(LK-3).

1 **IV. CHANGES IN FEDERAL AND STATE TAX LAW THAT REDUCE THE ECR**
2 **REVENUE REQUIREMENT**
3

4 **Q. Please describe the change in federal income tax law effective January 1, 2005.**

5
6 A. The American Jobs Creation Act of 2004 created a new deduction for “domestic
7 manufacturers” that effectively reduces the federal income tax rate on utility production
8 taxable income. Section 102(a) of that Act added a new §199 to the Internal Revenue
9 Code of 1986 entitled “Income Attributable to Domestic Production Activities.”

10
11 The new §199 allows electric utilities, among other entities, a deduction equal to 9% of
12 the lesser of the taxpayer’s annual “qualified production activities income” or taxable
13 income. The new deduction is phased in over several years, with a 3% deduction
14 available for 2005 and 2006, a 6% deduction available for 2007 through 2009, and a 9%
15 deduction available for 2010 and thereafter.

16
17 **Q. Has there been a change in Kentucky income tax law also effective January 1, 2005**
18 **that incorporates a similar deduction against state production taxable income to**
19 **conform to the §199 deduction under federal income tax law?**
20

1 A. Yes. Kentucky House Bill 272 was signed into law on March 18, 2005. This legislation
2 adopted the Internal Revenue Code as of December 31, 2004 for Kentucky state income
3 tax purposes. Thus, the Kentucky income tax law allows for the same deduction against
4 qualified production activities income as the federal income tax law.

5

6 **Q. Has there been another change in Kentucky income tax law also effective January**
7 **1, 2005?**

8

9 A. Yes. Kentucky House Bill 272 also reduced the Kentucky state income tax rate from
10 8.25% to 7.0% effective January 1, 2005 and reduced it further to 6.0% effective January
11 1, 2007. The reduction in the Kentucky state income tax rate applies to all taxable
12 income, not just qualified production activities income.

13

14 **Q. How do these federal and state tax law changes affect the Company's ECR revenue**
15 **requirement?**

16

17 A. All three changes have the effect of reducing the Company's ECR revenue requirement.
18 The §199 deduction reduces the Company's ECR revenue requirement by effectively
19 reducing the federal and state corporate income tax rates and the related income tax
20 gross-up on the equity components of the overall rate of return applied to the Big Sandy

1 ECR rate base investment. The §199 deduction also reduces the Company's ECR
2 revenue requirement by effectively reducing the federal income tax rate and the related
3 income tax gross-up on the equity components of the overall rate of return applied to the
4 Rockport ECR rate base investment. Finally, the reduction in the state corporate income
5 tax rate reduces the income tax gross-up on the equity component of the overall rate of
6 return applied to the Big Sandy ECR rate base investment.

7
8 For the Big Sandy return, the income conversion factor (1 minus the combined federal
9 and state income tax rate), used to gross-up the equity return component, will be
10 increased from 59.52% to 61.63% on January 1, 2005, to 63.38% on January 1, 2007,
11 and to 64.48% on January 1, 2010. For the Rockport return, the income conversion
12 factor will be increased from 59.48% to 60.44% on January 1, 2005, to 61.40% on
13 January 1, 2007, and to 62.36% on January 1, 2010. The computations of the combined
14 federal and state income tax rates and the income conversion factors for Big Sandy and
15 Rockport are detailed on my Exhibit___(LK-4).

16
17 **Q. Do these reductions in the effective federal and state income tax rates affect all**
18 **ECR investment in the Company's existing Plan and the projects proposed in the**
19 **Company's 2005 Plan?**

1 A. No. These reductions apply to the equity return requirements on all existing Plan ECR
2 rate base investment, except for the Gavin scrubber project, and the Company's 15%
3 share of the Rockport low NOx pursuant to the Rockport UPA, but won't apply to the
4 other projects proposed in the Company's 2005 Plan. In general, the §199 deduction
5 applies to all "qualified production activities income" from all sources and the reduction
6 in the Kentucky state income tax rate applies to all Kentucky taxable income from all
7 sources. The §199 deduction applies to the rate of return on the Rockport ECR rate base
8 investment because the Rockport Unit Power Agreement is a cost-based tariff.
9 Unfortunately, these reductions do not apply to the equity return requirements on the
10 Gavin scrubber or any of the projects proposed in the Company's 2005 Plan, except for
11 the Company's share of Rockport costs pursuant to the UPA.

12
13 **Q. Why won't the reductions in the effective federal and state income tax rates apply**
14 **to the rate of return on the Gavin scrubber or any of the projects proposed in the**
15 **Company's 2005 Plan, except for the Company's share of Rockport costs pursuant**
16 **to the Rockport UPA?**

17
18 A. The rate of return for the Primary Capacity Investment Rate pursuant to the AEP
19 Interconnection Agreement, including the income tax gross-up, was established by the
20 FERC in 1979. Unlike the Rockford Unit Power Agreement, the grossed-up rate of

1 return specified in the Interconnection Agreement is not subject to cost-based
2 adjustments for changes in the cost of capital or income tax rates, despite the fact that
3 significant reductions have occurred since 1979. As such, neither Kentucky Power
4 Company nor its ratepayers will receive the benefit of the reduction in Ohio Power
5 Company and Indiana & Michigan Electric Company costs due to the §199 deduction
6 for federal income tax purposes on projects 13-34. The revenues in excess of actual
7 costs paid by Kentucky Power Company to Ohio Power Company and Indiana &
8 Michigan Electric Company will be retained either by the retail ratepayers in Ohio,
9 Indiana, and Michigan or by the AEP shareholders.

10
11 **Q. Have you quantified the effect of the reductions in the effective federal and state**
12 **income tax rates on the Company's ECR revenue requirement?**

13
14 A. Yes. The income tax changes will reduce the Company's ECR revenue requirement by
15 \$368,689 based on the Company's ECR filing for the March 2005 expense month. I
16 utilized the Company's Big Sandy ECR rate base investment times the reduction in the
17 Kentucky Power Company fully grossed-up rate of return. I utilized the Company's
18 share of the Rockport ECR rate base investment times the reduction in the Rockport
19 fully grossed-up rate of return. In addition, the income tax changes will reduce the
20 Company's ECR revenue requirement by \$6,142 for its share of the Rockport low NOx

1 project pursuant to the Rockport UPA. To make this quantification, I utilized the rate
2 base investment reflected on Mr. Wagner's Exhibit EKW-12 and the same change in the
3 Rockport fully grossed up rate of return that I used for the existing Rockport ECR rate
4 base investment. These computations are detailed on my Exhibit___(LK-5).

5

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

7

8 A. Yes.

9

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

**KENTUCKY POWER COMPANY'S SECOND)
AMENDED ENVIRONMENTAL COMPLIANCE) CASE NO. 2005-00068
PLAN AND SECOND REVISED TARIFF)**

**EXHIBITS
OF
LANE KOLLEN**

**ON BEHALF OF THE
KENTUCKY INDUSTRIAL UTILITY CUSTOMERS, INC.**

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

JUNE 2005

RESUME OF LANE KOLLEN, VICE PRESIDENT

EDUCATION

University of Toledo, BBA
Accounting

University of Toledo, MBA

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 twenty-five 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 diversification. Expertise in proprietary and nonproprietary software systems used by utilities for budgeting, rate case support and strategic and financial planning.

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, Minnesota, North Carolina, Ohio, Pennsylvania, Tennessee, Texas, and West Virginia 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.

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
General Electric Company	Philadelphia Area Industrial Energy
GPU Industrial Intervenors	Users Group
Indiana Industrial Group	PSI Industrial Group
Industrial Consumers for	Smith Cogeneration
Fair Utility Rates - Indiana	Taconite Intervenors (Minnesota)
Industrial Energy Consumers - Ohio	West Penn Power Industrial Intervenors
Kentucky Industrial Utility Customers, Inc.	West Virginia Energy Users Group
Kimberly-Clark Company	Westvaco Corporation

Regulatory Commissions and Government Agencies

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)

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 June 2005**

Date	Case	Jurisdic.	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-	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.

**Expert Testimony Appearances
of
Lane Kollen
As of June 2005**

Date	Case	Jurisdict.	Party	Utility	Subject
7/87	86-524 E-SC Rebuttal	WV	West Virginia Energy Users' Group	Monongahela Power Co.	Revenue requirements, Tax Reform Act of 1986.
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 Staff	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	Financial workout plan. Corp.
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 Staff	Gulf States Utilities	Prudence of River Bend 1 economic analyses, cancellation studies, financial modeling.

**Expert Testimony Appearances
of
Lane Kollen
As of June 2005**

Date	Case	Jurisdic.	Party	Utility	Subject
7/88	M-87017-1C001 Rebuttal	PA	GPU Industrial Intervenors	Metropolitan Edison Co.	Nonutility generator deferred cost recovery, SFAS No. 92
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.

**Expert Testimony Appearances
of
Lane Kollen
As of June 2005**

Date	Case	Jurisdct.	Party	Utility	Subject
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.
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.

**Expert Testimony Appearances
of
Lane Kollen
As of June 2005**

Date	Case	Jurisdiction	Party	Utility	Subject
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.
4/90	890319-EI Rebuttal	FL	Florida Industrial Power Users Group	Florida Power & Light Co.	O&M expenses, Tax Reform Act of 1986.
4/90	U-17282	LA 19 th Judicial District Ct.	Louisiana Public Service Commission Staff	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.

**Expert Testimony Appearances
of
Lane Kollen
As of June 2005**

Date	Case	Jurisdiction	Party	Utility	Subject
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.
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	West Penn Power Co.	Incentive regulation,

**Expert Testimony Appearances
of
Lane Kollen
As of June 2005**

Date	Case	Jurisdict.	Party	Utility	Subject
			Materials Co., The WPP Industrial Intervenors		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.
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	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 Staff	Gulf States Utilities/Entergy	Merger. Corp.
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 Staff	Gulf States Utilities/Entergy	Merger. Corp.
9/93	93-113	KY	Kentucky Industrial Utility Customers	Kentucky Utilities	Fuel clause and coal contract refund.

**Expert Testimony Appearances
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Date	Case	Jurisdic.	Party	Utility	Subject
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 Staff	Cajun Electric Power Cooperative	Revenue requirements, debt restructuring agreement, River Bend cost recovery.
1/94	U-20647	LA	Louisiana Public Service Commission Staff	Gulf States Utilities Co.	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.

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Date	Case	Jurisdct.	Party	Utility	Subject
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.
6/95	3905-U	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	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	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	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	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)				

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Date	Case	Jurisdct.	Party	Utility	Subject
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. 14967	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.
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.

**Expert Testimony Appearances
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Date	Case	Jurisdict.	Party	Utility	Subject
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.
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.

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Date	Case	Jurisdict.	Party	Utility	Subject
11/97	U-22491	LA	Louisiana Public Service Commission	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.
12/97	R-973981 (Surrebuttal)	PA	West Penn Power Industrial Intervenors	West Penn Power Co.	Restructuring, deregulation, stranded costs, regulatory assets, liabilities, fossil decommissioning, revenue requirements.
12/97	R-974104 (Surrebuttal)	PA	Duquesne Industrial Intervenors	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	Potomac Edison Co.	Merger of Duquesne, AE, customer safeguards, savings sharing.

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Date	Case	Jurisdict.	Party	Utility	Subject
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.
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.

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Date	Case	Jurisdct.	Party	Utility	Subject
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	Louisville Gas and Electric Co.	Revenue requirements, alternative forms of regulation.
3/99	98-426	KY	Kentucky Industrial Utility Customers	Kentucky Utilities Co.	Revenue requirements, alternative forms of regulation.
3/99	99-082	KY	Kentucky Industrial Utility Customers	Louisville Gas and Electric Co.	Revenue requirements.
3/99	99-083	KY	Kentucky Industrial Utility Customers	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 mechanisms.	United Illuminating Co.	Regulatory assets and liabilities, stranded costs, recovery
4/99	99-02-05	CT	Connecticut Industrial Utility Customers mechanisms.	Connecticut Light and Power Co.	Regulatory assets and liabilities stranded costs, recovery
5/99	98-426 99-082 (Additional Direct)	KY	Kentucky Industrial Utility Customers	Louisville Gas and Electric Co.	Revenue requirements.
5/99	98-474 99-083 (Additional Direct)	KY	Kentucky Industrial Utility Customers	Kentucky Utilities Co.	Revenue requirements.
5/99	98-426 98-474 (Response to Amended Applications)	KY	Kentucky Industrial Utility Customers Kentucky Utilities Co.	Louisville Gas and Electric Co. and	Alternative regulation.
6/99	97-596	ME	Maine Office of	Bangor Hydro-	Request for accounting

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Date	Case	Jurisdic.	Party	Utility	Subject
			Public Advocate	Electric Co.	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 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	WVa	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 (Rebuttal)	KY	Kentucky Industrial Utility Customers	Kentucky Utilities Co.	Revenue requirements.
8/99	98-474 98-083 (Rebuttal)	KY	Kentucky Industrial Utility Customers	Louisville Gas and Electric Co. and Kentucky Utilities Co.	Alternative forms of regulation.
8/99	98-0452-E-GI (Rebuttal)	WVa	West Virginia Energy Users Group	Monongahela Power, Potomac Edison, Appalachian Power, Wheeling Power	Regulatory assets and liabilities.

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Date	Case	Jurisdic.	Party	Utility	Subject
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	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.
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.

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Date	Case	Jurisdic.	Party	Utility	Subject
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 Intervenors	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		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)		Louisiana Public Service Commission Staff	Entergy Gulf States, Inc.	Allocation of regulated and nonregulated costs, tax issues, and other revenue requirement issues.
01/01	U-21453, U-20925 and 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. 2000-386	KY	Kentucky Industrial Utility Customers, Inc.	Louisville Gas & Electric Co.	Recovery of environmental costs, surcharge mechanism.
01/01	Case No. 2000-439	KY	Kentucky Industrial Utility Customers, Inc.	Kentucky Utilities Co.	Recovery of environmental costs, surcharge mechanism.

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Date	Case	Jurisdic.	Party	Utility	Subject
02/01	A-110300F0095 PA A-110400F0040		Met-Ed Industrial Users Group Penelec Industrial Customer Alliance	GPU, Inc. FirstEnergy	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.
07/01	U-21453, LA U-20925, U-22092 (Subdocket B) Transmission and Distribution Term Sheet		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 Co.	Review requirements, Rate Plan, fuel clause recovery.
11/01 (Direct)	14311-U GA		Georgia Public Service Commission Adversary Staff	Atlanta Gas Light Co.	Revenue requirements, revenue forecast, O&M expense, depreciation, plant additions, cash working capital.

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Date	Case	Jurisdic.	Party	Utility	Subject
11/01 (Direct)	U-25687	LA	Louisiana Public Service Commission	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 (Surrebuttal)	U-25687	LA	Louisiana Public Service Commission	Entergy Gulf States, Inc.	Revenue requirements, corporate franchise tax, conversion to LLC, River Bend uprate.
03/02 (Rebuttal)	14311-U	GA	Georgia Public Service Commission Adversary Staff	Atlanta Gas Light Co.	Revenue requirements, earnings sharing plan, service quality standards.
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 and U-22092 (Subdocket C)		Louisiana Public Service Commission Staff	SWEPCO	Business separation plan, T&D Term Sheet, separations methodologies, hold harmless conditions.
08/02	EL01-88-000	FERC	Louisiana Public Service Commission Staff	Entergy Services, Inc. and The Entergy Operating Companies	System Agreement, production cost equalization, tariffs.
08/02	U-25888	LA	Louisiana Public Service Commission	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.

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Date	Case	Jurisdic.	Party	Utility	Subject
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	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 Staff	Entergy Services, Inc. and the Entergy Operating Companies	System Agreement, production cost equalization, tariffs.
06/03	2003-00068	KU	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 Staff	Entergy Services, Inc. and the Entergy Operating Companies	Unit power purchases and sale cost-based tariff pursuant to System Agreement.
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)	FERC	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, leveled rates, and formula rates.
12/03	U-26527 Surrebuttal	LA	Louisiana Public Service Commission	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	Entergy Louisiana, Inc.	Purchased power contracts between affiliates, terms and conditions.

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Date	Case	Jurisdct.	Party	Utility	Subject
03/04	U-26527 Supplemental Surrebuttal	LA	Louisiana Public Service Commission	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, PUC Docket 29206	TX	Cities Served by Texas- New Mexico Power Co.	Texas-New Mexico Power Co.	Stranded costs true-up, including including valuation issues, ITC, ADIT, excess earnings.
05/04	04-169-EL-	OH	Ohio Energy Group, Inc.	Columbus Southern Power Co. & Ohio Power Co.	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
08/04	SOAH Docket 473-04-4556 PUC Docket 29526 (Suppl Direct)	TX	Houston Council for Health and Education	true-up revenues, interest. 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	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	SWEPCO	Revenue requirements.

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Date	Case	Jurisdic.	Party	Utility	Subject
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.
02/05	18638-U	GA	Georgia Public Service Commission	Atlanta Gas Light Co.	Revenue requirements.
02/05	18638-U Panel with Tony Wackerly	GA	Georgia Public Service Commission	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	Atlanta Gas Light Co.	Energy conservation, economic development, and tariff issues.
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 nonrecurring O&M expense.

AMERICAN ELECTRIC POWER - ENVIRONMENTAL SURCHARGE REPORT
CURRENT PERIOD REVENUE REQUIREMENT
SO2 EMISSIONS ALLOWANCE INVENTORY

For the Expense Month of January 2005

	(1) Allowance Activity in Month	(2) Cumulative Balance	(3) Dollar Value of Activity	(4) Cumulative Dollar Balance	(5) Weighted Average Cost
BEGINNING INVENTORY		754,608		\$4,685,726	\$6.209
Additions -					
EPA Allowances	0	228,535	\$0	\$0	\$0.000
Gavin Reallocation	0	41,476	\$0	\$0	\$0.000
P & E Transfers In	0	323,146	\$0	\$4,236,049	\$13.109
Intercompany Purchases	0	19,770	\$0	\$2,933,045	\$148.358
Other (List)	1,508	408,919	\$1,048,814	\$62,576,168	\$153.028
Withdrawals -					
P & E Transfers Out	0	9,038	\$0	\$775,253	\$85.777
Intercompany Sales	0	50,440	\$0	\$4,810,527	\$95.371
Off - System Sales	0	279,822	\$0	\$28,997,112	\$103.627
SO2 Emissions Allowances					
Adjustments	0	34,941	\$0	\$0	\$0.000
SO2 Emissions Allowances					
Consumed By Kentucky Power	1,746	287,143	\$88,623	\$25,713,195	\$89.548
ENDING INVENTORY - Record					
Balance in Column (4) on ES FORM 3.10, Line 5		1,115,070		\$14,134,901	\$12.676
Expense Month Member Load Ratio for AEP/Kentucky Power					0.07537

Columns 1 and 2 -

Record the number of allowances in any transaction (purchase, sale, transfer) which occurred during the Expense Month. Multiple transactions for a given category are to be shown as the total activity for that category during the Expense Month. For each transaction shown in Column 1, update the cumulative balance in Column 2.

Columns 3 and 4 -

For each transaction reflected in Column 1, record the total dollars of the transaction. Multiple transaction for a given category are to be shown as the total dollar amount for that category during the Expense Month. For each transaction shown in Column 3, update the cumulative dollar balance in Column 4. Include transactions that total zero dollars. Record amounts in whole dollars.

Column 5 -

Compute the Weighted Average Cost by dividing the Cumulative Dollar Balance (Co. 4) by the corresponding Cumulative Balance (Col. 2). Perform this calculation for the Beginning Inventory, Ending Inventory and all additions and withdrawals made during the Expense Month. The Weighted Average Cost should be carried out to 3 decimal places.

AMERICAN ELECTRIC POWER - ENVIRONMENTAL SURCHARGE REPORT
CURRENT PERIOD REVENUE REQUIREMENT
ECR and NOx EMISSIONS ALLOWANCE INVENTORY

For the Expense Month of January 2005

	(1) Allowance Activity in Month	(2) Cumulative Balance	(3) Dollar Value of Activity	(4) Cumulative Dollar Balance	(5) Weighted Average Cost
BEGINNING INVENTORY		0		\$0	0.000
Additions -					
EPA Allowances	0	13,943	\$0	\$0	
P&E Transfers In	0	0		\$0	
Intercompany Purchases	0	0	\$0	\$0	0.000
Other (List)	0	0	\$0	\$0	0.000
Withdrawals -					
P & E Transfers Out	0	0	\$0	\$0	0.000
Intercompany Sales	0	0	\$0	\$0	0.000
Off - System Sales	0	450	\$0	\$0	0.000
ERC Consumed By Kentucky Power	0	930	\$0	\$0	0.000
NOx Consumed By Kentucky Power	0	1,083	\$0	\$0	0.000
ENDING INVENTORY - Record Balance in Column (4) on ES FORM 3.10, Line 5		11,480		\$0	0.000

Columns 1 and 2 -

Record the number of allowances in any transaction (purchase, sale, transfer) which occurred during the Expense Month. Multiple transactions for a given category are to be shown as the total activity for that category during the Expense Month. For each transaction shown in Column 1, update the cumulative balance in Column 2.

Columns 3 and 4 -

For each transaction reflected in Column 1, record the total dollars of the transaction. Multiple transaction for a given category are to be shown as the total dollar amount for that category during the Expense Month. For each transaction shown in Column 3, update the cumulative dollar balance in Column 4. Include transactions that total zero dollars. Record amounts in whole dollars.

Column 5 -

Compute the Weighted Average Cost by dividing the Cumulative Dollar Balance (Co. 4) by the corresponding Cumulative Balance (Col. 2). Perform this calculation for the Beginning Inventory, Ending Inventory and all additions and withdrawals made during the Expense Month. The Weighted Average Cost should be carried out to 3 decimal places.

Note : For any sale or transfer of ERCs or NOx emission allowances, attach to this report documentation showing the currently available market prices for similar ERC or NOx allowances.

Total Early Reduction Credits (ERC)	930
Consumed:	
June 2004	420
July 2004	510
Total Consumed	930
Remaining Early Reduction Credits (ERC)	0

Kentucky Power Company
Share of Allowance Margins from AEP's Off-System Sales
For Each of the Twelve Months Ended March 31, 2005

	Total Company SO2 Allowance Margin	Total Company NOx Allowance Margin	Total Company Allowance Margin	KPCO Member Load Ratio	KPCO Allocation of Allowance Margin	Kentucky Retail Jurisdictional Allocation Factor	Kentucky Retail Allocation of KPCO Allowance Margin
April 2004	2,758,436	-	2,758,436	0.07034	194,028	66.90%	129,805
May 2004	2,601,400	-	2,601,400	0.07034	182,982	66.50%	121,683
June 2004	5,935,200	7,459,313	13,394,513	0.07034	942,170	62.70%	590,741
July 2004	5,654,899	7,602,062	13,256,961	0.07034	932,495	65.20%	607,987
August 2004	7,397,949	5,749,892	13,147,841	0.07034	924,819	66.10%	611,305
September 2004	5,755,125	5,536,057	11,291,182	0.07202	813,191	66.80%	543,212
October 2004	3,806,138	-	3,806,138	0.07207	274,308	69.70%	191,193
November 2004	7,526,402	-	7,526,402	0.07207	542,428	66.70%	361,799
December 2004	10,175,751	-	10,175,751	0.07207	733,366	71.50%	524,357
January 2005	11,396,282	-	11,396,282	0.07537	858,938	70.60%	606,410
February 2005	7,844,949	-	7,844,949	0.07838	614,887	70.20%	431,651
March 2005	10,519,327 (A)	- (A)	10,519,327	0.07838 (B)	824,505	61.70%	508,719
Total					7,838,118	66.71%	5,228,862

AEP SYSTEM DELIVERIES TO OTHER COMPANIES
RECONCILIATION OF SYSTEM ACCOUNT COST EQUALIZATION
TOTAL AND NET REVENUES

Cost Equalization for AEP System Deliveries
in the System Account (Page 4, Item 1)

	CHARGE MEMBER (MLR * COL. 2 TOT.) (\$) (1)	CREDIT MEMBER (1) COST RECOVERY (\$) (2)	CREDIT MEMBER (2) SYSTEM SALES REVENUES (\$) (3)	EXCESS OF REVENUE OVER ENERGY COSTS (\$) (4)=(3)-(1)
APCO	36,383,774	36,239,650	54,436,554	18,052,780
KPCO	8,659,278	7,309,338	12,955,800	4,296,522
I&M	20,818,505	14,045,332	31,148,166	10,329,661
OPCO	25,997,722	34,362,132	38,897,172	12,899,450
CSP	18,618,885	18,521,712	27,857,118	9,238,233
TOTAL	110,478,164	110,478,164	165,294,810	54,816,646

	DEMAND CHARGE PAID TO THIRD PARTIES (\$) (5)	NET REVENUE REALIZED BY THE MEMBERS (I. E., EXCESS OF REVENUE OVER INCURRED COSTS) (\$) (6)=(4)-(5)	(MLR) MEMBER LOAD RATIO THIS MONTH (7)
APCO	402,523	17,650,257	0.32933
KPCO	95,800	4,200,722	0.07838 (B)
I&M	230,320	10,099,341	0.18844
OPCO	287,619	12,611,831	0.23532
CSP	205,986	9,032,247	0.16853
TOTAL	1,222,248	53,594,398	1.00000

NOTES:

- (1) The variable energy costs, which are incurred by the members in supplying energy for AEP System deliveries to non-affiliated companies are recovered as credits. Includes adjustment to account for the difference between market price of \$657.04/ton for SO2 emission allowance used in dispatch versus operating companies inventory costs (see page 11).
- (2) The total of the credits reported in the ECR#MLR report for System Sales for Resale (A/C 447).

**SYSTEM ACCOUNT
SUMMARY OF ENERGY SETTLEMENT
ADJUSTMENT TO ACCOUNT FOR
MARKET PRICE (1) vs. INVENTORY COST (2)
DIFFERENTIAL OF EMISSION ALLOWANCES**

	<u>ACCOUNT 509</u>		<u>SOURCE ALLOCATION</u>
I. AEP EXTERNAL ENERGY (3)	<u>SO2 COST (\$)</u> <u>(AS SUPPLIED)</u> (1)	<u>SO2 COST (\$)</u> <u>(ADJUSTED)</u> (2)	\$ <u>SO2 ADJUSTMENT</u> (3)=(2)-(1)
APCO	2,347,670	170,177	(2,177,493)
KPCO	762,113	63,811	(698,302)
I&M	363,178	31,090	(332,088)
OPCO	6,673,004	990,714	(5,682,290)
CSP	1,778,071	148,917	(1,629,154)
AEP	11,924,036	1,404,709	(10,519,327) (A)
	<u>NOX COST (\$)</u> <u>(AS SUPPLIED)</u> (4)	<u>NOX COST (\$)</u> <u>(ADJUSTED)</u> (5)	\$ <u>NOX ADJUSTMENT</u> (6)=(5)-(4)
APCO	0	0	0
KPCO	0	0	0
I&M	0	0	0
OPCO	0	0	0
CSP	0	0	0
AEP	0	0	0 (A)
	<u>SOURCE ALLOCATION</u> <u>(UNADJUSTED)</u> (7)	<u>SOURCE ALLOCATION</u> <u>(ADJUSTED)</u> (8)=(7)+(3)+(6)	
APCO	38,417,143	36,239,650	
KPCO	8,007,640	7,309,338	
I&M	14,377,420	14,045,332	
OPCO	40,044,422	34,362,132	
CSP	20,150,866	18,521,712	
AEP	120,997,491	110,478,164	

	<u>SO2</u>	<u>NOX</u>
NOTES: (1) Market Price (\$/allowance):	657.04	
(2) APCO allowance:	47.50	0.00
KPCO allowance:	50.76	0.00
I&M allowance:	55.75	241.95
OPCO allowance:	63.61	209.55
CSP allowance:	49.59	1038.21

(7) From ECR/MLR report "Allocated Sources by Operating Companies - All Deliveries"

Kentucky Power Company
ECR - Income Gross-Up Factor for Big Sandy
With Federal & State §199 Deduction and State Tax Rate Reductions

Pre-Tax Production Income	\$ 100.0000	6% §199 Deduction for Fed and State and 6% State Income Tax Rate	\$ 100.0000	9% §199 Deduction for Fed and State and 6% State Income Tax Rate	\$ 100.0000
Uncollectible Accounts Expense (0.20%)	\$ 0.2000		\$ 0.2000		\$ 0.2000
State Taxable Production Income before § 199 Deduction	\$ 99.8000		\$ 99.8000		\$ 99.8000
State Income Tax Expense, Net of § 199 Deduction - (See Rates Below)	\$ 6.7907		\$ 5.6491		\$ 5.4787
Federal Taxable Production Income before §199 Deduction	\$ 93.0093		\$ 94.1509		\$ 94.3213
§199 Deduction Phase-In	\$ 2.7903		\$ 5.6491		\$ 8.4889
Federal Taxable Production Income	\$ 90.2190		\$ 88.5019		\$ 85.8324
Federal Income Tax Expense After §199 Deduction (35% Statutory Tax Rate)	\$ 31.5767		\$ 30.9757		\$ 30.0413
Total Federal & State Income Tax Expense after §199 Ded & State Rate Reduct	\$ 38.3673		\$ 36.6247		\$ 35.5200
Gross-Up Factor for Production Income	<u>61.6327%</u>		<u>63.3753%</u>		<u>64.4800%</u>
Gross Revenue Conversion Factor	<u>1.6225</u>		<u>1.5779</u>		<u>1.5509</u>
<u>State Income Tax Calculation:</u>					
Pre-Tax Production Income	\$ 100.0000		\$ 100.0000		\$ 100.0000
Uncollectible Accounts Expense (0.20%)	\$ 0.2000		\$ 0.2000		\$ 0.2000
State Taxable Production Income before § 199 Deduction	\$ 99.8000		\$ 99.8000		\$ 99.8000
Less: State §199 Deduction	\$ 2.7903		\$ 5.6491		\$ 8.4889
State Taxable Production Income	\$ 97.0097		\$ 94.1509		\$ 91.3111
State Income Tax Rate	<u>7.0000%</u>		<u>6.0000%</u>		<u>6.0000%</u>
State Income Tax Expense	\$ 6.7907		\$ 5.6491		\$ 5.4787

Kentucky Power Company
ECR - Income Gross Up Factor for Rockport
With Federal §199 Deduction

	3% §199 Deduction for Fed and State and 7% State Income Tax Rate	6% §199 Deduction for Fed and State and 6% State Income Tax Rate	9% §199 Deduction for Fed and State and 6% State Income Tax Rate
Pre-Tax Production Income	\$ 100.0000	\$ 100.0000	\$ 100.0000
Indiana State Income Tax Expense	\$ 8.5000	\$ 8.5000	\$ 8.5000
Federal Taxable Production Income before §199 Deduction	\$ 91.5000	\$ 91.5000	\$ 91.5000
Less: §199 Deduction Phase-In	\$ 2.7450	\$ 5.4900	\$ 8.2350
Federal Taxable Production Income	\$ 88.7550	\$ 86.0100	\$ 83.2650
Federal Income Tax Expense After §199 Deduction (35% Statutory Tax Rate)	\$ 31.0643	\$ 30.1035	\$ 29.1428
Total Federal & State Income Tax Expense after §199 Deduct	\$ 39.5643	\$ 38.6035	\$ 37.6428
Gross-Up Factor for Rockport Production Income	<u>60.4358%</u>	<u>61.3965%</u>	<u>62.3573%</u>
Gross Revenue Conversion Factor	<u>1.6546</u>	<u>1.6288</u>	<u>1.6037</u>

**Kentucky Power Company
Big Sandy Plant Cost of Capital & Revenue Requirement
With Updated Revenue Conversion Factor**

Before Income Tax Changes

Component	Balances	Capital Structures	Cost Rates	WACC (Net of Tax)	GRCF	WACC (Pre Tax)
L/T Debt	466,631,680	57.24%	5.752%	3.29%		3.29%
S/T Debt	23,386,094	2.87%	2.062%	0.06%		0.06%
A/R Financing	27,214,021	3.34%	2.804%	0.09%		0.09%
Common Equity	298,018,017	36.56%	11.000%	4.02%	1.680100	6.76%
Total	815,249,812			7.46%		10.20%

After Income Tax Changes

Component	Balances	Capital Structures	Cost Rates	WACC (Net of Tax)	GRCF	WACC (Net of Tax)
L/T Debt	466,631,680	57.24%	5.752%	3.29%		3.29%
S/T Debt	23,386,094	2.87%	2.062%	0.06%		0.06%
A/R Financing	27,214,021	3.34%	2.804%	0.09%		0.09%
Common Equity	298,018,017	36.56%	11.000%	4.02%	1.622516	6.52%
Total	815,249,812			7.46%		9.96%

Differential in Weighted Average Cost of Capital 0.23%

Total Rate Base 158,698,407

Differential in Revenue Requirement 367,464

Kentucky Power Company
Rockport Power Agreement Including Rockport Low NOx
Cost of Capital & Revenue Requirement
With Updated Revenue Conversion Factor

Before Income Tax Changes

Component	Balances	Capital Structures	Cost Rates	WACC (Net of Tax)	GRCF	WACC (Pre Tax)
L/T Debt	44,821,089	42.72%	4.6607%	1.9910%		1.9910%
S/T Debt	10,439,184	9.95%	2.3416%	0.2330%		0.2330%
Common Equity	49,663,972	47.33%	12.1600%	5.7557%	1.681379	9.6775%
Total	104,924,245			7.9797%		11.9015%

After Income Tax Changes

Component	Balances	Capital Structures	Cost Rates	WACC (Net of Tax)	GRCF	WACC (Net of Tax)
L/T Debt	44,821,089	42.72%	4.6607%	1.9910%		1.991%
S/T Debt	10,439,184	9.95%	2.3416%	0.2330%		0.233%
Common Equity	49,663,972	47.33%	12.1600%	5.7557%	1.654650	9.5237%
Total	104,924,245			7.9797%		11.7477%

Rockport Power Agreement	Differential in Weighted Average Cost of Capital	0.1538%
	Total Rate Base	<u>796,324</u>
	Differential in Revenue Requirement	<u>1,225</u>

Rockport Low Nox	Differential in Weighted Average Cost of Capital	0.1538%
	Total Rate Base for Rockport NOx	13,307,838
	KPCO's Portion of Rate Base - 30%	3,992,351
	Differential in Revenue Requirement	<u>6,142</u>