Lane Kollen

COMMONWEALTH OF KENTUCKY

BEFORE THE

PUBLIC SERVICE COMMISSION

In the Matter of:

AN EXAMINATION BY THE PUBLIC SERVICE	)	
COMMISSION OF THE ENVIRONMENTAL	)	
SURCHARGE MECHANISM OF KENTUCKY	)	
POWER COMPANY d/b/a AMERICAN ELECTRIC	)	CASE NO. 2000-107
POWER FOR THE SIX-MONTH BILLING	)	
PERIODS ENDING DECEMBER 31, 1998 AND	)	
DECEMBER 31, 1999, AND FOR THE TWO-YEAR	)	
BILLING PERIOD ENDING JUNE 30, 1999	)	

DIRECT TESTIMONY

AND EXHIBITS

OF

LANE KOLLEN

ON BEHALF OF THE

KENTUCKY INDUSTRIAL UTILITY CUSTOMERS, INC.

J. KENNEDY AND ASSOCIATES, INC.
ROSWELL, GEORGIA

MAY 2000

COMMONWEALTH OF KENTUCKY

BEFORE THE

PUBLIC SERVICE COMMISSION

In the Matter of:

AN EXAMINATION BY THE PUBLIC SERVICE COMMISSION OF THE ENVIRONMENTAL SURCHARGE MECHANISM OF KENTUCKY POWER COMPANY d/b/a AMERICAN ELECTRIC POWER FOR THE SIX-MONTH BILLING PERIODS ENDING DECEMBER 31, 1998 AND DECEMBER 31, 1999, AND FOR THE TWO-YEAR BILLING PERIOD ENDING JUNE 30, 1999	)	**CASE NO. 2000-107**

DIRECT TESTIMONY OF LANE KOLLEN

Q. Please state your name and business address.

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

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

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

Q. Please describe your education and professional experience.

A. I earned a Bachelor of Business Administration in Accounting degree from the University of Toledo. I also earned a Master of Business Administration degree from the University of Toledo. I am a Certified Public Accountant, licensed to practice, and a Certified Management Accountant.

I have been an active participant in the utility industry for more than twenty years, both as an employee and as a consultant. Since 1986, I have been a consultant with Kennedy and Associates, providing services to state government agencies and large consumers of utility services in the ratemaking, financial, tax, accounting, and management areas. From 1983 to 1986, I was a consultant with Energy Management Associates, providing services to investor and consumer owned utility companies. From 1978 to 1983, I was employed by The Toledo Edison Company in a series of positions encompassing accounting, tax, financial, and planning functions.

I have appeared as an expert witness on accounting, finance, ratemaking, and planning issues before regulatory commissions and courts at the federal and state levels on more than one hundred occasions. I have developed and presented papers at various industry conferences on ratemaking, accounting, and tax issues. My qualifications and regulatory appearances are further detailed in my Exhibit___(LK-1).

Q. On whose behalf are you testifying?

A. I am offering testimony on behalf of the Kentucky Industrial Utility Customers, Inc. ("KIUC"), a group of large customers taking electric service from Kentucky Power Company (the "Company").

Q. What is the purpose of your testimony.

A. The purpose of my testimony is to respond to the Company's proposal to roll-in its current environmental surcharge recovery ("ECR") to base rates and to modify the ECR methodology approved by the Commission in Case No. 96-489.

Q. Please summarize your testimony.

A. The Commission should reject the Company's proposal and maintain the current ECR with no roll-in to base rates for numerous reasons. First, the Company's proposal harms ratepayers because it is designed to recover substantially more through base rates than the Company is allowed to recover through the ECR. Second, the

Company's proposal harms ratepayers because it fails to reflect the full amount of the base rate roll-in <u>revenue recovery</u> as a reduction to the ECR revenue requirement. Third, the Company's proposal harms ratepayers because it shifts environmental costs to jurisdictional sales from nonjurisdictional sales, in direct contravention of the ECR methodology approved by the Commission in Case No. 96-489. Fourth, the Company's proposal harms ratepayers because it is based on the annualization of costs that are outside the two year review period, and which are not subject to review in this proceeding.

Finally, if the Commission determines that a roll-in to base rates is appropriate at this time, then it should modify both the amounts and tariffs, as well as the modified ECR methodology, proposed by the Company in order to assure that ratepayers are not harmed and the result produces only the just and reasonable recovery of environmental costs.

Q. Please describe the Company's proposal to roll-in ECR amounts to base rates and to modify the ECR methodology approved by the Commission in Case No. 96-489.

A. The Company's proposal is detailed in its responses to the Staff's discovery in this proceeding issued on March 14, 2000 (Items 23 and 24) and May 1, 2000 (Items 9, 10, and 11). The Company did not file Direct Testimony in support of its proposal. The main elements of the Company's proposal to roll-in ECR amounts to base rates and to modify the ECR methodology previously approved by the Commission are as follows.

1. Quantify the base rate roll-in amounts based upon an annualization of the Company's February 2000 ECR filing compared to the 1990 environmental cost recovery included in the Company's base revenue requirement.

2. Quantify the retail jurisdictional roll-in amount by applying the 1990 base rate case retail demand allocation factor of ~~99.6%~~ 98.6% to the total Company recoverable environmental costs.

3. Quantify the effects of the retail jurisdictional roll-in amount on the Company's base rate tariffs by utilizing the 1990 base rate case demand and energy billing determinants.

4. Establish the new base revenue requirement ("BRR") offset component of the ECR as the fixed dollar amount quantified in the first element.

5. Modify the ECR retail jurisdictional allocation methodology approved by the Commission in Case No. 96-489 from total revenues to a combination of demand and energy based upon the Company's 1990 base rate case billing determinants.

Q. Section 278.183(3) states in part that "Every two (2) years the commission shall review and evaluate past operation of the surcharge, and after hearing, as ordered, shall disallow improper expenses, and to the extent appropriate, incorporate surcharge amounts found just and reasonable into the existing base

rates of the utility." Is it appropriate to roll-in the ECR revenue requirement to base rates?

A. No. First, the Company's proposal is not appropriate and will result in significant harm to ratepayers compared to no base rate roll-in. Second, whether there is a base rate roll-in is discretionary. The Company did not propose a base rate roll-in conjunction with any of its monthly ECR filings or through testimony in this review proceeding or prior review proceedings. If the Company believed that the Commission legally was obligated to implement such a base rate roll-in, it is logical to conclude that it would have made such a proposal in the first instance in this or an earlier review proceeding. Third, a base rate roll-in is unnecessary and there is no compelling argument to do so. Even if the Company's proposal was, in fact, "revenue neutral" to ratepayers, there is no harm to the Company from continuing the recovery of its incremental environmental costs through the ECR.

Q. Why should the Commission reject the Company's proposed methodology to quantify the base roll-in amounts based upon an annualization of the Company's February 2000 filing?

A. Fundamentally, there is no basis for the Commission to find the Company's quantification of the proposed base roll-in amounts to be just and reasonable. The

Commission will not complete its review and evaluation of February 2000 costs, the basis for the Company's proposed roll-in to base rates in this proceeding, until the next two year review when it again considers the issue of whether it is appropriate to roll-in the Company's ECR costs to base rates.

Q. Should the Commission adopt a principle of "revenue neutrality" for purposes of assessing the Company's proposal to roll-in to base rates the ECR revenue requirement or to implement an alternative to the Company's proposal?

A. Yes. The principle of "revenue neutrality" is based upon the goal of "no harm" either to ratepayers or the Company, which provides the Company recovery of its just and reasonable costs, no more and no less. Ratepayers should not be harmed and the Company should not be enriched simply by changing the recovery forum for incremental environmental costs from the ECR to base rates.

The principle of revenue neutrality is applied by the Commission in the recovery of fuel costs between two interrelated cost recovery forums, the same issue it confronts for environmental costs in this proceeding. The Commission's practice regarding fuel recovery assures that the sum of the recoverable fuel costs included in base rates and included in fuel adjustment clause ("FAC") rates equals the total recoverable fuel costs, no more and no less. The Commission requires the Company in its monthly

FAC filings to quantify its recoverable fuel costs on a per kWh basis. The Commission then requires the Company to subtract the recoverable fuel costs on a per kWh basis that are included in the Company's base rates. Through the use of per kWh amounts included in base rates as an offset to the per kWh recoverable fuel costs, the Commission captures the total dollar amount actually recovered by the Company for fuel costs in base rates based upon current period sales. The Commission's FAC methodology assures that there is revenue neutrality regardless of the recovery forum and the Company recovers the total recoverable fuel costs allowed by the Commission, no more and no less.

Similar to the methodology it has adopted for the recovery of fuel costs, the Commission should adopt and apply the principle of revenue neutrality in its review and evaluation of the Company's proposal to roll-in to base rates the ECR revenue requirement and in the formulation of any alternative to the Company's proposal.

Q. How does the Company's proposal to quantify the base roll-in amounts based upon an annualization of the Company's February 2000 ECR filing harm ratepayers?

A. This aspect of the Company's proposal circumvents the required review and evaluation process by utilizing projected costs rather than "past" costs for the period nonjurisdictional customers would amount to approximately $1.7 million annually under the Company's proposal.

Thus, the Company's proposal violates the principle of revenue neutrality, results in a subsidization of nonjurisdictional customers, and harms ratepayers by $1.7 million annually on this basis alone.

Q. The Company's proposal to adopt the 1990 base rate case retail demand jurisdictional factor for purposes of the base rate roll-in extends also to the retail allocation methodology utilized for the ECR in the future. Will such a change in the allocation methodology utilized for the ECR in the future also harm ratepayers?

A. Yes. Ratepayers will be harmed from this proposal in both the base rate roll-in and in the ECR for the same reasons.

Q. Should the Commission revisit the jurisdictional allocation methodology that it adopted in Case No. 96-489 and has applied since?

A. No. The Commission already has determined that the appropriate method for allocating incremental environmental costs is on the basis of total revenues. This methodology was upheld by the Franklin Circuit Court upon appeal by the Company. Every argument raised by the Company in this proceeding (see response to Staff 2nd Set, Item 9)to persuade the Commission to change this allocation methodology was raised before the Commission in Case No. 96-489. The Commission specifically rejected each of those arguments in its Order in Case No. 96-489. The Franklin Circuit Court specifically rejected each of those arguments in its Opinion and Order upon appeal.

I have replicated the relevant sections of the Commission's Order in Case No. 96-489 as my Exhibit___(LK-2) and the relevant sections of the Court's Opinion and Order as my Exhibit___(LK-3). These Orders specifically addressed each of the arguments raised by the Company in Case No. 96-489, the arguments in opposition to the Company raised by the parties, including KIUC, and the Commission's and Court's rationale for rejecting the Company's arguments. Consequently, I will not repeat and respond in this testimony to those same arguments.

Q. **How does the Company's proposal to quantify the effects of the retail jurisdictional roll-in amount on the Company's base rate tariffs by utilizing the 1990 base rate case demand and energy billing determinants harm ratepayers?**

under review. There are several problems with this approach. First, the February 2000 costs are beyond the scope of this proceeding. Second, the ECR provides for recovery of actual costs, not projected costs. Third, there is no evidence that February 2000 costs are just and reasonable or that the annualization of a single month's results are representative of ongoing cost levels. Fourth, the increase in costs, based on the annualization of February 2000 costs, compared to the most recent twelve months of actual costs, exacerbates the other problems with the Company's proposal.

Q. How does the Company's proposal to quantify the jurisdictional roll-in amount by applying the 1990 base rate case retail demand allocation factor of 99.6% to the total Company recoverable environmental costs harm ratepayers?

A. The Company's proposal would shift costs that the Commission already has determined should not be allocated to jurisdictional ratepayers. Under the Commission's total revenues allocation methodology, the Kentucky retail jurisdictional factor filed by the Company was 77.9% for the ECR expense month of December 1999. The Company's proposal would increase the Kentucky retail jurisdictional factor to 98.6%. ~~99.6%~~. Thus, for every $1 million of recoverable total Company E(m), Kentucky retail ratepayers would be required to subsidize the Company's nonjurisdictional customers by $0.207 million. The subsidy to

A. The Company's 1990 base rate case demand and energy billing determinants were lower than current levels. With the smaller 1990 kW and kWh denominators, the computed effects on the Company's base rate tariffs, as detailed in the Company's response to Staff 2nd Set, Item 10, are excessive compared to current demand and energy levels. Assuming that demand and energy billing determinants for 1999 are higher than 1990 levels by 20%, the Company will improperly recover $1.2 million dollars in base rates for every $1.0 million of environmental costs previously recovered through the ECR. Based upon the Company's proposal to roll-in $7.7 million of costs from the ECR to base rates, and assuming growth of 20% over the past ten years, ratepayers will be harmed by $1.5 million annually compared to no base rate roll-in.

Thus, the Company's proposal violates the principle of revenue neutrality, results in a net rate increase for the Company, and harms ratepayers compared to no base rate roll-in.

Q. How does the Company's proposal to utilize the base rate roll-in amount as a new base revenue requirement (BRR) offset in the ECR harm ratepayers?

A. The Company's proposal is to fix the dollar amount of the base rate roll-in as an offset to the ECR revenue requirement. However, this methodology will not correctly reflect the Company's actual base rate recovery. The actual base rate recovery will vary depending upon the level of the Company's billing demand and energy in future months. Over time, as the Company's billing demand and energy increases, the Company will recover more than the initial dollar amount of the base rate roll-in. At the same time, any increases in environmental costs will be captured and recovered through the continued operation of the ECR. Thus, the Company will retain the revenues from increased demand and energy sales, but the ratepayers will be required to provide the Company recovery of the incremental environmental costs incurred to provide the electricity for those increased sales. Clearly, the Company's proposal is inequitable.

Q. The Company's current ECR methodology utilizes a fixed dollar amount for the BRR based upon environmental costs included in the Company's base rates last set in 1990. If the Commission does roll-in the current ECR costs to base rates, why should it utilize the actual base revenue recovery as the BRR rather than the fixed dollar amount at the time of the roll-in?

A. First, as I described previously, the base revenue recovery varies and will grow over time. In order to achieve revenue neutrality between the base rate roll-in and the recoverable environmental costs, the Commission should reflect actual revenues recovered. If actual revenue recovery is not reflected in the BRR term, then ratepayers will be worse off simply due to the change in the forum for cost recovery from the ECR to base rates.

Second, the utilization of the actual base revenue recovery would be consistent with the Commission's quantification of fuel costs recovered through base rates in the determination of the FAC recovery. There is no valid reason why the ECR and the FAC roll-in to base rates should differ on this important conceptual point.

Q. If the Commission determines that a roll-in to base rates is appropriate at this time, how should it implement the roll-in?

A. The guiding principle should be revenue neutrality. First, it should quantify the roll-in amount based upon the most recent actual twelve month period under review, which would be the twelve months ending June 30, 1999. These are actual costs that will be reviewed and evaluated in this proceeding, not projected costs that are not the subject of review in this proceeding.

Second, the Commission should utilize the retail ECR revenue requirement, net Kentucky retail E(m) as the initial quantification of the roll-in and as the basis for modifying the various base rate tariffs. In this manner, there will be no shifting of costs to jurisdictional ratepayers from nonjurisdictional customers and no subsidization by retail ratepayers of the environmental costs associated with off-system sales.

Third, the Commission should utilize the actual revenue recovery of environmental costs through base rates as the BRR offset in the ECR. In this manner, the Company will recover its environmental costs, no more and no less, and ratepayers will not be harmed.

Fourth, the Commission should retain the existing total revenues jurisdictional allocation methodology.

Q. Does this complete your testimony?

A. Yes.

COMMONWEALTH OF KENTUCKY

BEFORE THE

PUBLIC SERVICE COMMISSION

In the Matter of:

AN EXAMINATION BY THE PUBLIC SERVICE COMMISSION OF THE ENVIRONMENTAL SURCHARGE MECHANISM OF KENTUCKY POWER COMPANY d/b/a AMERICAN ELECTRIC POWER FOR THE SIX-MONTH BILLING PERIODS ENDING DECEMBER 31, 1998 AND DECEMBER 31, 1999, AND FOR THE TWO-YEAR BILLING PERIOD ENDING JUNE 30, 1999	)	CASE NO. 2000-107

EXHIBITS

OF

LANE KOLLEN

ON BEHALF OF THE

KENTUCKY INDUSTRIAL UTILITY CUSTOMERS, INC.

J. KENNEDY AND ASSOCIATES, INC.
ROSWELL, GEORGIA

MAY 2000

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 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: **Kennedy and Associates:** 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.
Airco Industrial Gases
Alcan Aluminum
Armco Advanced Materials Co.
Armco Steel
Bethlehem Steel
Connecticut Industrial Energy Consumers
ELCON
Enron Gas Pipeline Company
Florida Industrial Power Users Group
General Electric Company
GPU Industrial Intervenors
Indiana Industrial Group
Industrial Consumers for Fair Utility Rates - Indiana
Industrial Energy Consumers - Ohio
Kentucky Industrial Utility Consumers
Lehigh Valley Power Committee
Maryland Industrial Group
Multiple Intervenors (New York)
National Southwire
North Carolina Industrial Energy Consumers
Occidental Chemical Corporation
Ohio Industrial Energy Consumers
Ohio Manufacturers Association
Philadelphia Area Industrial Energy Users Group
PSI Industrial Group
Smith Cogeneration
Taconite Intervenors (Minnesota)
West Penn Power Industrial Intervenors
West Virginia Energy Users Group
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 March 2000**

Date	Case	Jurisdict.	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 Surrebut	LA	Louisiana Public Service Commission Staff	Gulf States Utilities	Revenue requirements River Bend 1 phase-in plan, financial solvency.
7/87	U-17282 Prudence Surrebut	LA	Louisiana Public Service Commission Staff	Gulf States Utilities	Prudence of River Bend 1, economic analyses, cancellation studies.
7/87	86-524 E-SC Rebuttal	WV	West Virginia Energy Users' Group	Monongahela Power Co.	Revenue requirements, Tax Reform Act of 1986.
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.

**Expert Testimony Appearances
of
Lane Kollen
As of March 2000**

Date	Case	Jurisdict.	Party	Utility	Subject
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 Corp.	Financial workout plan.
5/88	M-87017 -1C001	PA	GPU Industrial Intervenors	Metropolitan Edison Co.	Nonutility generator deferred cost recovery.
5/88	M-87017 -2C005	PA	GPU Industrial Intervenors	Pennsylvania Electric Co.	Nonutility generator deferred cost recovery.
6/88	U-17282	LA 19th Judicial District Ct.	Louisiana Public Service Commission Staff	Gulf States Utilities	Prudence of River Bend 1 economic analyses, cancellation studies, financial modeling.
7/88	M-87017- -1C001 Rebuttal	PA	GPU Industrial Intervenors	Metropolitan Edison Co.	Nonutility generator deferred cost recovery, SFAS No. 92
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.

**Expert Testimony Appearances
of
Lane Kollen
As of March 2000**

Date	Case	Jurisdict.	Party	Utility	Subject
10/88	88-171-EL-AIR	OH	Ohio Industrial Energy Consumers	Toledo Edison Co.	Revenue requirements, phase-in, excess deferred taxes, O&M expenses, financial considerations, working capital.
10/88	8800 355-EI	FL	Florida Industrial Power Users' Group	Florida Power & Light Co.	Tax Reform Act of 1986, tax expenses, O&M expenses, pension expense (SFAS No. 87).
10/88	3780-U	GA	Georgia Public Service Commission Staff	Atlanta Gas Light Co.	Pension expense (SFAS No. 87).
11/88	U-17282 Remand	LA	Louisiana Public Service Commission Staff	Gulf States Utilities	Rate base exclusion plan (SFAS No. 71)
12/88	U-17970	LA	Louisiana Public Service Commission Staff	AT&T Communications of South Central States	Pension expense (SFAS No. 87).
12/88	U-17949 Rebuttal	LA	Louisiana Public Service Commission Staff	South Central Bell	Compensated absences (SFAS No. 43), pension expense (SFAS No. 87), Part 32, income tax normalization.
2/89	U-17282 Phase II	LA	Louisiana Public Service Commission Staff	Gulf States Utilities	Revenue requirements, phase-in of River Bend 1, recovery of canceled plant.
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.

**Expert Testimony Appearances
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Lane Kollen
As of March 2000**

Date	Case	Jurisdict.	Party	Utility	Subject
10/89	R-891364	PA	Philadelphia Area Industrial Energy Users Group	Philadelphia Electric Co.	Revenue requirements.
11/89 12/89	R-891364 Surrebuttal (2 Filings)	PA	Philadelphia Area Industrial Energy Users Group	Philadelphia Electric Co.	Revenue requirements, sale/leaseback.
1/90	U-17282 Phase II Detailed Rebuttal	LA	Louisiana Public Service Commission Staff	Gulf States Utilities	Revenue requirements, detailed investigation.
1/90	U-17282 Phase III	LA	Louisiana Public Service Commission Staff	Gulf States Utilities	Phase-in of River Bend 1, deregulated asset plan.
3/90	890319-EI	FL	Florida Industrial Power Users Group	Florida Power & Light Co.	O&M expenses, Tax Reform Act of 1986.
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 19th 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 requirements.

Expert Testimony Appearances
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Lane Kollen
As of March 2000

Date	Case	Jurisdict.	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 Materials Co., The WPP Industrial Intervenors	West Penn Power Co.	Incentive regulation, performance rewards, purchased power risk, OPEB expense.
12/92	U-19949	LA	Louisiana Public Service Commission Staff	South Central Bell	Affiliate transactions, cost allocations, merger.

**Expert Testimony Appearances
of
Lane Kollen
As of March 2000**

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

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As of March 2000

Date	Case	Jurisdict.	Party	Utility	Subject
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	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	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	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	Southern Bell Telephone Co.	Incentive rate plan, earnings review.
10/94	5258-U	GA	Georgia Public Service Commission	Southern Bell Telephone Co.	Alternative regulation, cost allocation.
11/94	U-19904 Initial Post-Merger Earnings Review (Rebuttal)	LA	Louisiana Public Service Commission	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	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.

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As of March 2000

Date	Case	Jurisdict.	Party	Utility	Subject
11/95	U-19904 (Surrebuttal)	LA	Louisiana Public Service Commission Division	Gulf States Utilities Co.	Gas, coal, nuclear fuel costs, contract prudence, base/fuel realignment.
11/95 12/95	U-21485 (Supplemental Direct) U-21485 (Surrebuttal)	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.
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	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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As of March 2000

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	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 of rates.
10/97	R-974008	PA	Metropolitan Edison Industrial Users Group	Metropolitan Edison Co.	Restructuring, deregulation, stranded costs, regulatory assets, liabilities, nuclear and fossil decommissioning, revenue requirements.
10/97	R-974009	PA	Penelec Industrial Customer Alliance	Pennsylvania Electric Co.	Restructuring, deregulation, stranded costs, regulatory assets, liabilities, nuclear and fossil decommissioning, revenue requirements.
11/97	97-204 (Rebuttal)	KY	Alcan Aluminum Corp. Southwire Co.	Big Rivers Electric Corp.	Restructuring, revenue requirements, reasonableness of rates, cost allocation.
11/97	U-22491	LA	Louisiana Public Service Commission	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.

Expert Testimony Appearances
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As of March 2000

Date	Case	Jurisdict.	Party	Utility	Subject
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	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.
3/98	U-22092 (Allocated Stranded Cost Issues)	LA	Louisiana Public Service Commission	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	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 Advocate Staff	Georgia Power Co.	Affiliate transactions.

Expert Testimony Appearances
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As of March 2000

Date	Case	Jurisdict.	Party	Utility	Subject
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	Entergy Gulf States, Inc.	Allocation of regulated and nonregulated costs, tax issues, and other revenue requirement issues.
12/98	98-577	ME	Maine Office of Public Advocate	Maine Public Service Co.	Restructuring, unbundling, stranded cost, T&D revenue requirements.
1/99	98-10-07	CT	Connecticut Industrial Energy Consumers	United Illuminating Co.	Stranded costs, investment tax credits, accumulated deferred income taxes, excess deferred income taxes.
3/99	U-23358 (Surrebuttal)	LA	Louisiana Public Service Commission	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	Entergy Gulf States, Inc.	Allocation of regulated and nonregulated costs, tax issues, and other revenue requirement issues.
4/99	99-03-04	CT	Connecticut Industrial Energy Consumers	United Illuminating Co.	Regulatory assets and liabilities, stranded costs, recovery mechanisms.
4/99	99-02-05	CT	Connecticut Industrial Utility Customers	Connecticut Light and Power Co.	Regulatory assets and liabilities stranded costs, recovery mechanisms.
5/99	98-426 99-082 (Additional Direct)	KY	Kentucky Industrial Utility Customers	Louisville Gas and Electric Co.	Revenue requirements.

Expert Testimony Appearances of Lane Kollen As of March 2000

Date	Case	Jurisdict.	Party	Utility	Subject
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	Louisville Gas and Electric Co. and Kentucky Utilities Co.	Alternative regulation.
6/99	97-596	ME	Maine Office of Public Advocate	Bangor Hydro-Electric Co.	Request for accounting order regarding electric industry restructuring costs.
6/99	U-23358	LA	Louisiana Public Public Service Comm.	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	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 Kentucky Utilities Co.	Louisville Gas and Electric Co. and	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.

Expert Testimony Appearances
of
Lane Kollen
As of March 2000

Date	Case	Jurisdict.	Party	Utility	Subject
10/99	U-24182 (Direct)	LA	Louisiana Public Service Commission	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	LA	Louisiana Public Service Commission	Entergy Gulf States, Inc.	Service company affiliate transaction costs.
01/00	U-24182 (Surrebuttal)	LA	Louisiana Public Service Commission	Entergy Gulf States, Inc.	Allocation of regulated and nonregulated costs, affiliate transactions, tax issues, and other revenue requirement issues.
05/00	U-21482 (Supplemental Direct)	LA	Louisiana Public Service Commission	Entergy Gulf States, Inc.	Affiliate expense proforma adjustments.
05/00	A-110550F0147	PA	Philadelphia Area Industrial Energy Users Group	PECO Energy	Merger with Unicom.

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF KENTUCKY POWER COMPANY d/b/a AMERICAN ELECTRIC POWER TO ASSESS A SURCHARGE UNDER KRS 278.183 TO RECOVER COSTS OF COMPLIANCE WITH THE CLEAN AIR ACT AND THOSE ENVIRONMENTAL REQUIREMENTS WHICH APPLY TO COAL COMBUSTION WASTE AND BY-PRODUCTS	)	CASE NO. 96-489

O R D E R

On November 27, 1996, Kentucky Power Company, d/b/a American Electric Power ("Kentucky Power") filed an application, pursuant to KRS 278.183, for approval of its environmental compliance plan and rate surcharge to recover its costs of environmental compliance. Kentucky Power proposed to make the surcharge effective on December 31, 1996, and estimated that it would recover approximately $3,000,000 to $5,000,000 over the two year period beginning December 31, 1996. Pursuant to KRS 278.183(2), the Commission must: (1) consider and approve a compliance plan and rate surcharge if the Commission finds the plan and rate surcharge reasonable and cost-effective for compliance with the applicable environmental requirements; (2) establish a reasonable return on compliance-related capital expenditures; and (3) approve the application of the surcharge. The Commission has six months from the date the application is filed to conduct the necessary proceedings. Consequently, by Order dated December 19, 1996, the Commission suspended Kentucky Power's proposed tariff through May 26, 1997.

requirements. The formulas used to determine these amounts are shown in Appendix A. After E(m) is calculated, a portion of this amount will be allocated to Kentucky retail customers. The Environmental Surcharge Factor charged to Kentucky retail customers will be calculated by dividing the Monthly Kentucky Retail E(m) by the Monthly Kentucky Retail Revenue for the Current Expense Month, R(m).

SURCHARGE ALLOCATION

As noted previously, Kentucky Power proposed to allocate its surcharge only to its Kentucky retail and FERC municipal customers. Kentucky Power contended that any attempt to allocate a portion of its compliance investments to non-Kentucky Power retail sales reflected a fundamental misunderstanding of the nature of its investment, and a clear misreading of KRS 278.183.[57] Kentucky Power claimed that the compliance costs incurred by it at Big Sandy and Rockport were incurred solely for the benefit of Kentucky Power's full-requirement customers. Kentucky Power argued that its capacity was constructed, maintained, and reserved for these customers.[58] Kentucky Power stated that its customers were receiving the full benefit of its plant facilities, and accordingly should bear the capital costs associated with environmental equipment required to be placed on those facilities.

Concerning off-system sales, Kentucky Power contended that these were merely opportunity sales which can fluctuate quite dramatically. Kentucky Power noted that because of its system sales tracker, one half of any profit or loss from off-system sales

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57 Kentucky Power Brief at 50.

58 Id.

above or below the level in base rates goes back to ratepayers. Therefore, Kentucky Power argued it was not in the ratepayers' best interest to increase the cost of these off-system sales, thereby reducing their profitability, and perhaps preventing some sales from being made.[59]

The AG and KIUC argued that Kentucky Power should allocate the surcharge over all sales revenues. The AG stated that such an allocation was consistent with the Commission's rulings in the three previous surcharge cases.[60] KIUC argued that costs should be allocated to the cost causer and the Commission has repeatedly held there is some relationship between energy consumed and the pollution caused by generating the energy.[61]

The Commission finds that the monthly surcharge should be allocated over all sales revenues. While disagreeing with the concept of allocating costs to all sales, Kentucky Power did agree that if the Commission rejected its proposed methodology, a percentage of revenues methodology would be more appropriate than a per Kwh basis.[62] The arguments put forth by Kentucky Power have all been made in the previous surcharge cases and the Commission has rejected each one. Kentucky Power's generating facilities are currently used to make off-system sales and the cost of environmental improvements should be allocated to both retail and off-system sales.

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59 Id. at 51.

60 AG Brief at 14.

61 KIUC Brief at 30.

62 T.E., Vol. II, April 3, 1997, at 102.

Kentucky Power has failed to demonstrate that the allocation of the surcharge to off-system sales would lower the margins on those sales to the point they would be uneconomical. To the extent that Kentucky Power is able to sell power off-system, proper cost allocation requires that the costs attributable to those sales, including environmental costs, be assigned to such sales, rather than being charged to retail sales. Kentucky Power has submitted no analysis to demonstrate the impact on the system sales tracker of allocating surcharge costs to all sales. Kentucky Power presented no basis to justify a revenue allocation that differs from the allocations utilized by the other utilities authorized an environmental surcharge. Thus, the Commission will not utilize the Jurisdictional Allocation Factor proposed by Kentucky Power. The allocation to Kentucky retail customers will be a calculation dividing the monthly Kentucky retail revenues by the monthly Total Company revenues. Total Company revenues will include revenues from sales to other AEP System members and sales to parties other than AEP System members.

RATE OF RETURN

Kentucky Power proposed that it be allowed a rate of return that included debt and equity, and submitted testimony in support of its proposal. It further proposed that the debt portion be recalculated monthly to more closely reflect the cost actually incurred, while the equity portion would be reviewed for reasonableness at the 2-year reviews.[63] Kentucky Power proposed a rate of return on common equity of 12 percent.[64]

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63 Response to the Commission's February 7, 1997 Order, Item 13.

64 Barber Direct Testimony at 26.

ENTERED
APR 30 1998
FRANKLIN CIRCUIT COURT
JANICE MARSHALL, CLERK

COMMONWEALTH OF KENTUCKY
FRANKLIN CIRCUIT COURT
CONSOLIDATED CIVIL ACTION
NOS. 97-CI-1144, 97-CI-01138, 97-CI-01319
DIVISION I

COMMONWEALTH OF KENTUCKY,
ex rel. A.B. CHANDLER, III,
ATTORNEY GENERAL — PLAINTIFF

v. — **OPINION AND ORDER**

KENTUCKY PUBLIC SERVICE COMMISSION, ET AL — DEFENDANTS

* * * * * * * * * * * * * * * *

This is a consolidated action arising from orders dated May 27, 1997, July 8, 1997, and August 18, 1997, of the Kentucky Public Service Commission (hereinafter "the PSC" and "the Commission") in Case No. 96-489 which considered an application by Kentucky Power Company d/b/a American Electric Power (hereinafter "Kentucky Power" or the "Company") for an environmental surcharge pursuant to KRS 278.183.

Kentucky Power has appealed four determinations made by the PSC:

(a) the PSC's denial of substantial portions of the Company's application to recover costs pursuant to an environmental surcharge authorized by KRS 278.183;

(b) the PSC's requirement that the costs of new equipment required by the Clean Air Act Amendments ("CAAAs") be offset by the cost of equipment rendered obsolete by the

488, 490 (1991); "'(r)adical departure from (past) administrative interpretations consistently followed cannot be made except for the most cogent reasons.'" South Central Bell Tel. v. Public Service Comm., Ky. App., 702 S.W.2d 447, 451 (1985); "It is well established that the practical construction of a statute by administrative officers over a long period of time is entitled to controlling weight." Barnes v. Department of Revenue, Ky. App., 575 S.W.2d 169, 171 (1978).

III. The Allocation Of Environmental Costs To The Kentucky Jurisdiction Was Reasonable And Based Upon Substantial Evidence.

An important factual issue in every surcharge proceeding is the amount of environmental costs allocated to Kentucky jurisdictional ratepayers and the amount allocated to non-jurisdictional wholesale sales. Kentucky Power recommended that 98.6% of surcharge costs be allocated to Kentucky and that 1.4% be allocated to non-jurisdictional sales. (Wagner direct testimony at 8). Mr. Wagner calculated his jurisdictional allocation factors based upon a peak demand study. KIUC recommended that environmental costs should be allocated on the basis of total revenue, not peak demand. This was the same allocation method used by the Commission in the three prior surcharge cases. (Kollen direct testimony at 21).

The Commission continued to follow the total revenue allocation method. (May 27, 1997 Order at 31-32). The Commission concluded that because

Kentucky Power's generating facilities are currently used to make off-system sales, the cost of environmental improvements should be allocated to both retail and off-system sales. The Commission determined that allocating only 1.4% of environmental costs to off-system sales as recommended by Kentucky Power was unreasonable since over 36% of Kentucky Power's energy production was sold off-system in 1996. The total revenue allocation approach adopted by the Commission allocates approximately 17% of environmental costs to off-system sales.

On appeal, Kentucky Power argued that the allocation of environmental costs attributable to off-system sales is contrary to KRS 278.183 and established regulatory principles. Kentucky Power argued that since its generating facilities are dedicated to serve retail customers, the method of cost allocation should be peak demand and the total revenue method chosen by the Commission is improper. Kentucky Power also argued that the allocation of environmental costs to sales to affiliated AEP companies unlawfully traps those costs in violation of the preemption doctrine. This Court can find no legal error in the Commission's ratemaking allocation of environmental costs.

KIUC witness Kollen testified in opposition to the use of a demand allocation methodology. The reasons for his opposition were that: 1) a demand allocation has never received explicit Commission approval in any base rate or surcharge case; 2) a demand allocation is inconsistent with the physical operation of Kentucky Power's system since approximately 36 percent of sales are to non-retail customers; and 3) sales revenues, not demand, have been used in all prior environmental surcharge cases to allocate costs. (T.E. , Vol. 17,p. 23-24).

Because Kentucky Power's system is currently operated to supply wholesale sales for resale, a representative cost allocation must be made to these sales. 36.17% of Kentucky Power's energy sales were to wholesale (sales for resale) customers in 1996. (Kollen direct testimony at 21; KIUC Cross Exam Ex.6). Those sales represented 17.83% of its total revenues in 1996. (Id.) These statistics point out the inherent unreasonableness of allocating only 1.4% of environmental costs to off-system sales as recommended by Kentucky Power. The Commission's total revenue allocation method (17%) is a fair compromise between a demand allocation (1.4%) and an energy allocation (36%).

Despite the huge blocks of power sold off-system, Kentucky Power maintains that Kentucky ratepayers should pay for 98.6% of all its new environmental costs. The Commission disagreed and ruled that costs should be allocated to the cost causer. The Commission held that there is some relationship between the energy consumed and the pollution caused by generating that energy. That decision is reasonable and should be affirmed.

Kentucky Power also argued that allocating 98.6% of environmental costs to Kentucky ratepayers is required by the operation of the system sales clause included in base rates. The system sales clause resulted from a rate case settlement and provides that if the profit from Kentucky Power's share of AEP off-system sales is greater than or less than the baseline amount of $11.3 million, then the ratepayers and the utility will share the benefit or burden 50/50. (T.E., Vol. II at 138). Sometimes the system sales clause is negative, thus benefitting the utility and sometimes it is positive, thus benefitting the ratepayers. (Id.)

Kentucky Power's argument regarding the level of sales profits passed through its base rate sales tracker lacks merit. It was Kentucky Power that elected to file an application for an environmental surcharge under KRS 278.183, rather than file an application to adjust base rates under KRS 278.190. KRS 278.183 mandates surcharge recovery of qualifying environmental costs *"[n]otwithstanding any other provision of this chapter. . . ."* KRS 278.183(1). The Commission simply has no authority under a 278.183 proceeding to adjust either the off system sales profits in base rates or the system sales tracker as suggested by Kentucky Power. To the extent that Kentucky Power's profit margins on off system sales are lower because of environmental costs, the profits passed through the tracker will be lower. If Kentucky Power believes it prudent and appropriate to adjust its base rates, its remedy must be pursued through a general rate application under KRS 278.190, not a challenge to its environmental surcharge.

Kentucky Power asserted that the Commission's Order unlawfully trapped some environmental costs which can never be recovered. Costs are "trapped" if they are properly allocated to a state jurisdiction but the state refuses to allow recovery through any rate mechanism and the costs then become caught between FERC and state regulation and therefore are unrecoverable in any jurisdiction. See Nantahala Power & Light v. Thornburg, 106 S.Ct. 2349 (1986). That is certainly not the case here.

Because 98.6% of environmental costs are not the responsibility of Kentucky ratepayers, the fact that Kentucky ratepayers do not pay that percentage is simply proper ratemaking. There is no trapping when costs are allocated to the cost causer. The allocation of costs between retail and wholesale sales is a standard function of the Commission in every base rate, fuel adjustment and environmental surcharge rate proceeding. When that allocation is cost justified, as it is here, then nothing is trapped.

All parties agree that some allocation of environmental costs to wholesale sales is appropriate. Kentucky Power's only dispute is with the Commission's judgment regarding the level of that allocation. However, the Commission's judgment on this issue is not arbitrary and is clearly based on substantial evidence.