

BOEHM, KURTZ & LOWRY

ATTORNEYS AT LAW
36 EAST SEVENTH STREET
SUITE 1510
CINCINNATI, OHIO 45202
TELEPHONE (513) 421-2255
TELECOPIER (513) 421-2764

RECEIVED

JUL 06 2007

**PUBLIC SERVICE
COMMISSION**

Via Overnight Mail

July 5, 2007

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

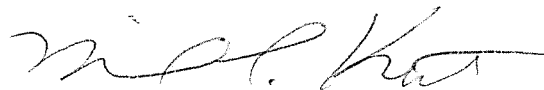
Re: Case No. 2006-00472

Dear Ms. O'Donnell:

Please find enclosed the original and twelve (12) copies each of the Direct Testimony and Exhibits of Kevin C. Higgins and Lane Kollen filed on behalf of the Kentucky Industrial Utility Customers, Inc. 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

David S. Samford, Esq. (via electronic mail)
Isaac S. Scott (via electronic mail)
Dennis Howard (via electronic mail)

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing was served by mailing a true and correct copy, by electronic mail (when available) and by first-class postage prepaid mail, unless otherwise noted, to all parties on the July 5, 2007.

Lawrence W. Cook
Assistant Attorney General
Office of the Attorney General
Utility & Rate Intervention Division
1024 Capital Center Drive, Suite 200
Frankfort, KY 40601-8204
Larry.Cook@ag.ky.gov

Honorable Charles A. Lile
Senior Corporate Counsel
East Kentucky Power Cooperative, Inc.
4775 Lexington Road
P. O. Box 707
Winchester, KY 40392-0707
charliel@ekpc.com

Mr. Bill Bosta, Manager of Pricing Process
East Kentucky Power Cooperative, Inc.
4775 Lexington Road
P. O. Box 707
Winchester, KY 40392-0707

Honorable Stephen A. Sanders
Appalachian Citizens Law Center, Inc.
207 W. Court Street, Suit 202
Prestonsburg, KY 41653-7725



Michael L. Kurtz, Esq.

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

JUL 06 2007

PUBLIC SERVICE
COMMISSION

IN THE MATTER OF:

GENERAL ADJUSTMENT OF ELECTRIC)
RATES OF EAST KENTUCKY POWER) CASE NO. 2006-00472
COOPERATIVE, INC.)

DIRECT TESTIMONY
AND EXHIBITS
OF
LANE KOLLEN

ON BEHALF OF THE
KENTUCKY INDUSTRIAL UTILITY CUSTOMERS, INC.

J. KENNEDY AND ASSOCIATES, INC.
ROSWELL, GEORGIA

JULY 2007

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

GENERAL ADJUSTMENT OF ELECTRIC)
RATES OF EAST KENTUCKY POWER) CASE NO. 2006-00472
COOPERATIVE, INC.)

TABLE OF CONTENTS

I. QUALIFICATIONS AND SUMMARY	1
II. REMOVAL OF ECR REVENUES AND COSTS	9
III. APPROPRIATE TIMES INTEREST EARNED RATIO	14
IV. APPROPRIATE ANNUALIZED INTEREST EXPENSE,	20
AFUDC, AND INTEREST INCOME	20
Annualized Interest Expense	20
Annualized AFUDC	23
Annualized Interest Income	25
V. PROPER LEVEL OF OPERATING EXPENSES AND REVENUES	28
Revenue Annualization	28
Forced Outage Expenses	29
Nonrecurring Legal Expenses	30
Annualized Payroll Expense and Related Payroll Tax Expenses	32
Annualized Payroll Savings from “Early Out” Retirement Program	34
Employee Benefits Expense	35
Depreciation Expense	36
Property Tax Expense Error Correction	37
PSC Assessment Fee	39

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

2

3 A. I earned a Bachelor of Business Administration in Accounting degree from the
4 University of Toledo. I also earned a Master of Business Administration degree from
5 the University of Toledo. In addition, I earned a Master of Arts degree from Luther Rice
6 University. I am a Certified Public Accountant, with a practice license, and a Certified
7 Management Accountant.

8

9 I have been an active participant in the utility industry for more than twenty-five years,
10 both as an employee and as a consultant. Since 1986, I have been a consultant with
11 Kennedy and Associates, providing services to state government agencies and large
12 consumers of utility services in the ratemaking, financial, tax, accounting, and
13 management areas. From 1983 to 1986, I was a consultant with Energy Management
14 Associates, providing services to investor and consumer owned utility companies. From
15 1976 to 1983, I was employed by The Toledo Edison Company in a series of positions
16 encompassing accounting, tax, financial, and planning functions.

17

18 I have appeared as an expert witness on accounting, finance, ratemaking, and planning
19 issues before regulatory commissions and courts at the federal and state levels on more

1 than one hundred occasions. I have developed and presented papers at industry
2 conferences on ratemaking, accounting, and tax issues.

3
4 I have testified before the Kentucky Public Service Commission (“Commission”) on
5 numerous occasions, including base, fuel adjustment clause (“FAC”) and environmental
6 cost recovery (“ECR”) proceedings involving East Kentucky Power Cooperative, Inc.
7 (“EKPC” or the “Company”), Kentucky Power Company (“KPC”), Louisville Gas &
8 Electric Company (“LGE”), Kentucky Utilities Company (“KU”), and Big Rivers
9 Electric Corporation (“BREC”). My qualifications and regulatory appearances are
10 further detailed in my Exhibit ___(LK-1).

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

13
14 A. I am testifying on behalf of the Kentucky Industrial Utility Customers, Inc. (“KIUC”), a
15 group a large customers taking electric service on the East Kentucky Power Cooperative,
16 Inc. (“EKPC” or “Company”) system.

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

1 A. The purpose of my testimony is to address the Company's revenue requirement and to
2 make recommendations on the appropriate amount of a permanent rate increase.

3

4 **Q. Please describe the interim increase already approved by the Commission in this**
5 **proceeding.**

6

7 A. The Commission approved an interim increase of \$19.000 million in this proceeding.
8 The interim increase resulted from a Stipulation between the Company, KIUC, and the
9 Attorney General's ("AG") office. The interim increase will expire on or about
10 September 1, 2007 and be replaced by the amount of the permanent increase determined
11 by the Commission in this phase of the proceeding.

12

13 **Q. Please summarize your testimony addressing the Company's revenue requirement**
14 **and the appropriate permanent rate increase.**

15

16 A. I recommend that the Commission continue the \$19.000 million interim increase on a
17 permanent basis, despite the fact that the Company's filing does not support an increase
18 of this amount on a permanent basis. The Company has failed to justify any permanent
19 increase, once the test year data in the filing are adjusted to correct various errors,
20 remove various inappropriate or improperly computed adjustments, and update the filing

1 to reflect actual results through March 2007. To the contrary, a rate reduction is
2 indicated.

3
4 My recommendation is based on extenuating factors that the Commission should
5 consider in addition to the test year data in the Company's filing. The significant factors
6 for the Commission to consider are the ability of the Company to meet its TIER and
7 DSC requirements for 2007 and 2008 and whether the Company can avoid or delay
8 another base rate increase in 2008, particularly given the near certainty that the
9 Company will require a base rate increase in April 2009 upon the commercial service
10 date of the Spurlock 4 generating unit. In addition, based on the Company's financial
11 budget and forecast, the Company's costs will continue to grow and outpace base
12 revenue growth as the Company completes the construction of Spurlock 4 and incurs
13 additional debt for that purpose.

14
15 I have reviewed the Company's 2007 actual and projected results as well as its 2008
16 projected results. I have concluded that the continuation of the \$19.000 million increase
17 will enable the Company to meet its TIER and DSC requirements in 2007 for financial
18 reporting purposes. Although the \$19.000 million increase is not justified by the
19 Company's filing, an increase of this amount is essential in order to avoid the financial
20 crisis that would result from a rate reduction from the interim rate increase granted in

1 April this year. Despite the fact that the \$19.000 million increase is not justified by the
2 Company's filing and is based on extenuating circumstances, this increase may not be
3 sufficient for the Company to meet its TIER and DSC requirements in 2008. In that
4 event, the Company still may find it necessary to file for another increase later in 2007
5 for an effective date sometime in 2008.

6
7 **Q. Please summarize the results of your review of the Company's requested revenue**
8 **requirement.**

9
10 A. Based on the Company's filing alone and absent the extenuating circumstances that I
11 previously described, I normally would recommend a permanent rate reduction of
12 \$6.796 million, which is a reduction of \$48.019 million from the Company's requested
13 revenue requirement and a reduction of \$25.797 million from the interim increase
14 presently in effect. The following table summarizes the adjustments that I recommend
15 the Commission make to the Company's filing to properly quantify the revenue
16 requirement based on a test year ending September 30, 2006, but updated in all
17 significant respects to the twelve months ending March 31, 2007.

East Kentucky Power Cooperative, Inc.
Case Number 2006-00472
Summary KIUC Revenue Requirement Recommendations

	<u>Amount</u>
Net Margin Requirement as Filed by Company	37,154,660
Test Year Net Margin as Filed by Company	<u>(6,214,067)</u>
Amount of Revenue Requirement as Filed by Company	<u><u>43,368,727</u></u>
KIUC Adjustments to Company's Revenue Requirement:	
Synchronize ECR Revenue and Expenses, incl Effects of BESF from ECR	(2,146,141)
Reduce TIER to 1.15 from 1.35	(18,623,738)
Reduce Interest Expense to Actual March 31, 2007 Annualized	(5,883,367)
Reduce Interest Expense RUS Loan Financing & Credit Facility Repayment	(4,984,175)
Reduce AFUDC to Actual March 31, 2007 Annualized	1,897,125
Increase Interest Income to Actual March 31, 2007 Annualized	(7,241,617)
Increase Revenues to Actual March 31, 2007 Annualized	(1,158,188)
Remove Company's Proforma Adjustment to Increase Forced Outage Expense	(4,626,194)
Remove Non-Recurring Legal Fees Associated with US EPA Litigation	(3,300,000)
Decrease Wages and Salaries to Actual March 31, 2007 Annualized	(2,251,098)
Decrease Payroll Taxes to Actual March 31, 2007 Annualized	(166,151)
Decrease Payroll Expenses for Savings Due to Early-Out Retirement Program	(878,476)
Decrease Benefits to Correct Computational Errors	(1,441,659)
Increase Depreciation Expense to Actual March 31, 2007 Annualized	765,014
Increase Property Tax Expense Related to Duplication in Computation	205,181
Decrease Property Tax Expense Correcting NBV and Tax Rates	(248,905)
Reduce PSC Assessment Fees Based on Reduced Rev. Req.	<u>(82,421)</u>
KIUC's Adjusted Revenue Requirement/(Surplus)	<u><u>(6,796,082)</u></u>
1 Total KIUC Adjustments to Company's Revenue Requirement	<u><u>(48,018,669)</u></u>

2

3

4

5

6

The rest of my testimony follows the sequence of adjustments as summarized on the preceding table. I first address the Company's failure to remove the environmental cost recovery ("ECR") surcharge revenues and costs from the base revenue requirement. I next address the Company's request for an extraordinarily high Times Interest Earned

1 Ratio (“TIER”) of 1.35 instead of its presently approved TIER of 1.15. I next address
2 the appropriate level of interest expense, Allowance for Funds Used During
3 Construction (“AFUDC”), and interest income. Finally, I address the Company’s
4 proposed revenues and expenses.

5

1 **by the Company in the filing?**

2

3 A. In short, the Company failed to properly remove or synchronize the ECR revenues and
4 costs so that there was no net effect on the base revenue requirement. In lieu of
5 removing all ECR revenue requirement items, the Company made an adjustment to
6 “synchronize” the test year ECR revenues to the actual test year ECR costs as filed in the
7 monthly ECR filings (Exhibit F, Schedule 1). This represented the Company’s attempt
8 to ensure that the ECR revenues and ECR costs were exactly equivalent and that there
9 was no effect on the base revenue requirement. However, the Company’s adjustment
10 failed to synchronize the ECR revenues for the numerous proforma adjustments it made
11 to the test year ECR costs. Thus, the Company’s failure to synchronize the effect of the
12 proforma adjustments between the ECR revenues and costs resulted in a mismatch, with
13 the net effect of this mismatch increasing the base revenue requirement instead of
14 having no net effect.

15

16 **Q. Please provide an example of this mismatch introduced by the Company between**
17 **ECR revenues and costs.**

18

19 A. The most significant difference is due to the Company’s request for a TIER of 1.35 for
20 all ECR (and non-ECR) costs compared to the TIER of 1.15 presently recovered through

1 the ECR surcharge. Thus, the Company's error ratcheted up the TIER margin on the
2 ECR interest as well as the non-ECR interest and included the additional TIER
3 increment of 0.20 on the ECR interest not presently recovered through the ECR as an
4 increased cost for base rate purposes. If the Company believes that the TIER on the
5 ECR interest should be increased from the present 1.15 to 1.35, then it should make that
6 request in a separate ECR proceeding for that purpose.

7
8 **Q. Pursuant to the Commission's Order in Case No. 2004-00321, the Company's ECR**
9 **filings presently reflect a reduction to the ECR revenue requirement (CESF) for**
10 **the amount that already is recovered in base rates (BESF). How should the**
11 **Commission address the BESF issue in this proceeding?**

12
13 A. The Commission has two options. The first option is to reduce the amount of the
14 adjustment necessary to remove the mismatch that I previously discussed and continue
15 the present BESF reduction to the ECR revenue requirement reflected in the Company's
16 ECR filings. The second option is not to reduce the amount of the adjustment for the
17 mismatch that I have identified and to eliminate the present BESF reduction to the ECR
18 revenue requirement reflected in the Company's ECR filings contemporaneous with the
19 effective date of the change in base rates in this proceeding.

1 I recommend that the Commission adopt the first option, simply because it maintains the
2 status quo and does not shift costs already in base rates to the ECR. Consequently, I
3 have retained the amount of ECR costs presently in base rates as an intentional and
4 appropriate mismatch between the ECR revenues and ECR costs in the quantification of
5 the adjustment necessary to correct the mismatch in the Company's filing.
6

7 **Q. Should the Commission remove or otherwise properly synchronize the effects of**
8 **the ECR revenues and costs from the Company's base revenue requirement?**

9
10 A. Yes. The Commission historically has been very careful to remove the effects of ECR
11 revenues and costs from the utility's base revenue requirement and to synchronize any
12 portion that is rolled-in to base rates and/or otherwise reflected as an offset to the ECR
13 revenue requirement in the ECR filings. This precedent initially was established in Case
14 Nos. 1998-00426 and 1998-00474 for Louisville Gas and Electric Company and
15 Kentucky Utilities Company, respectively. This precedent was continued in Case Nos.
16 2003-00433 and 2003-00434 for those utilities, respectively, and in Case No. 2005-
17 00341 for Kentucky Power Company.
18

19 **Q. Have you quantified the effect of the Company's ECR mismatch error on the base**
20 **revenue requirement?**

1

2 A. Yes. The Company's error improperly increased the base revenue requirement by
3 \$2.146 million. The effect of the mismatch error before the reduction for the BESF
4 credit reflected in the ECR filings is \$5.219 million. The effect of the BESF credit in
5 the ECR filings is \$3.073 million based on the March 2007 ECR expense month. The
6 computations and the sources of data that I relied on are detailed on my Exhibit ___(LK-
7 2).

8

1 **III. APPROPRIATE TIMES INTEREST EARNED RATIO**
2

3 **Q. Please describe the Company’s request for TIER margin.**

4
5 A. The Company included a request for a TIER of 1.35 in its filing for interest on all
6 investments, consisting of both non-ECR and ECR. In part, this request created the
7 mismatch in ECR revenues and costs that I previously addressed.

8
9 **Q. Please describe the TIER and Debt Service Coverage Ratio (“DSC”) requirements**
10 **pursuant to the Company’s RUS loan covenants and Credit Facility Agreement.**

11
12 A. The Company’s RUS loan covenants and the Credit Facility Agreement require that the
13 Company’s TIER and DSC average a minimum of 1.05 and 1.0, respectively, in the best
14 two out of every three calendar years on a rolling basis.

15
16 **Q. Please describe the Commission’s precedent in EKPC proceedings on the**
17 **appropriate TIER to establish the margin for ratemaking purposes.**

18
19 A. The Commission’s precedent in EKPC proceedings has been to establish the margins for
20 ratemaking purposes using a TIER of 1.15. In the Company’s two most recent base rate
21 proceeding prior to this proceeding, the Commission approved a TIER of 1.15 (Case No.

1 1994-00336 Order at 19). In the Company's initial ECR proceeding, Case No. 2004-
2 00321, the Commission approved a TIER of 1.15, approving a Settlement Agreement
3 among the parties in that proceeding. In addition, in the interim phase of this
4 proceeding, all parties, except the Sierra Club, entered into a Settlement Agreement and
5 agreed that the interim increase would be subject to a test limiting the Company's
6 margins to a TIER of 1.15.

7
8 **Q. Please describe the Company's recent TIER and DSC history.**

9
10 A. The Company's recent TIER and DSC history for RUS loan covenant and Credit
11 Facility purposes is summarized on the following table.

12
East Kentucky Power Cooperative, Inc.
Historical TIER and DSC Computations

	Twelve Months Ended <u>December 31, 2005</u>	Twelve Months Ended <u>December 31, 2006</u>	Twelve Months Ended <u>May 31, 2007</u>
TIER - RUS	0.339	1.132	1.360
TIER - Credit Facility	1.043	1.132	1.360
DSC - RUS	0.662	0.979	1.090
DSC - Credit Facility	1.091	0.979	1.090

1 In 2005, the Company's TIER and DSC for RUS loan covenant purposes was severely
2 depressed due to an accounting writeoff for the potential costs related to a U.S. EPA
3 Notice of Violation at the Dale Power Station. The Company's TIER and DSC for
4 Credit Facility purposes was not affected in 2005 due to waivers provided by the Credit
5 Facility lenders whereby the writeoff was ignored for that year, but will be recognized if
6 and when there is a final determination of liability, if any. The Company presently is
7 involved in negotiations to settle that litigation. If it is settled in 2007, then the TIER
8 and DSC for RUS loan covenant purposes will not be significantly affected, but the
9 TIER and DSC for Credit Facility purposes will bear the full brunt of the actual
10 settlement.

11
12 **Q. Please describe the Company's projected TIER and DSC for calendar years 2007**
13 **and 2008.**

14
15 A. The projected TIER and DSC for calendar years 2007 and 2008 depend on the
16 Company's assumptions for revenues and expenses as well as the amount of the
17 permanent base rate increase on or about September 1, 2007 and any additional base rate
18 increases in 2008.. The projected TIER and DSC for the 2007 calendar year are 1.201
19 and 1.052, respectively, based on five months actual and seven months budget and
20 assuming that the interim increase of \$19 million is perpetuated as the permanent

1 increase, and reflecting no writeoff related to the U.S. EPA litigation for the Credit
2 Facility computations. The projected TIER and DSC for the 2008 calendar year are
3 below 1.05 and 1.00, respectively, based on the Company's 2008 forecast included in its
4 20 Year Plan, and which assumes that the Company obtains no additional base rate
5 increases in 2008 other than the full annual effect of the \$19 million permanent increase
6 that I assumed will be granted in this proceeding. However, the Company has several
7 accounting self-help measures available to it that may allow it to meet its TIER and DSC
8 requirements in 2008 without an additional base rate increase. In addition, it may be
9 able to achieve additional cost savings or increased revenues that may allow it to avoid
10 or delay an additional base rate increase.

11
12 **Q. What significance do the Company's historic and projected TIER and DSC**
13 **margins have on the permanent increase requested in this proceeding?**

14
15 A. These historic and projected TIER and DSC margins determine whether the Company
16 will meet its RUS loan covenant and Credit Facility requirements, regardless of the
17 merits of the Company's filed request. Pursuant to these requirements, the Company
18 must meet a TIER of at least 1.05 and a DSC of at least 1.00 on average for the best two
19 out of three calendar years.

20

1 **Q. Do you recommend a TIER of 1.15 in the permanent phase of this proceeding?**

2
3 A. Yes. Normally, I would not recommend a TIER of 1.15. A TIER of 1.15 is excessive
4 compared to the minimum RUS loan covenant and Credit Facility Agreement
5 requirements. However, in light of my recommendation to perpetuate the amount of the
6 interim increase as the permanent increase and in recognition of the Commission's
7 consistent precedent, I have quantified the Company's revenue requirement using a
8 TIER of 1.15. It should be noted that using a TIER of 1.15 for the base revenue
9 requirement ensures that no adjustment is necessary to conform the TIER used for ECR
10 revenue requirement purposes to the level established in this proceeding.

11
12 **Q. Why shouldn't the Commission simply accept the Company's proposal to increase**
13 **the allowed TIER to 1.35?**

14
15 A. Allowing a TIER of 1.35 would be an extremely poor precedent from a ratemaking
16 policy perspective. A TIER of 1.35 is extremely excessive compared to the RUS and
17 Credit Facility minimum of 1.05. The Company's need for permanent rate relief is not
18 due to an inadequate allowed TIER. The Company's need for permanent rate relief is
19 due to the growth in its cost structure outpacing its growth in revenues. This is a
20 temporary issue driven largely by the Company's construction activities and the related

1 borrowing requirements. In addition, the allowed TIER for base ratemaking purposes
2 likely will be cited by the Company for an increase in the TIER used for ECR purposes.

3 In other words, the Commission's decision on this issue will have permanent
4 precedential effects and should not be made to address a temporary timing issue.

5
6 The better option for the Commission is to allow a TIER of 1.15 and recognize that the
7 Company likely will have to file for another base rate increase in 2008. In that manner,
8 the Commission can maintain the necessary balance between the Company's financial
9 needs and the interest of ratepayers in just and reasonable rates, but without establishing
10 precedent that will have long term consequences.

11
12 **Q. Have you quantified the effect of allowing a TIER of 1.15 instead of the Company's**
13 **requested TIER of 1.35?**

14
15 **A.** Yes. Setting the TIER at 1.15 instead of 1.35 reduces the Company's requested increase
16 by \$18.624 million for the non-ECR revenue requirement. I already captured the effect
17 of the TIER of 1.15 on the ECR revenue requirement in the ECR synchronization
18 adjustment that I previously discussed.

1 **IV. APPROPRIATE ANNUALIZED INTEREST EXPENSE,**
2 **AFUDC, AND INTEREST INCOME**
3

4 **Annualized Interest Expense**

5
6 **Q. Please describe the Company's proposed interest expense.**

7
8 A. The Company's filing reflected annualized interest expense based on its projection of
9 outstanding debt and interest rates on that debt at March 31, 2007. The projected debt
10 includes amounts that were used to fund various short term investments and the RUS
11 cushion of credit, a discretionary investment account used to set aside funds for the
12 future repayment of RUS debt. In addition, the Company's proposed interest expense
13 includes interest on the ECR investment, which I discussed previously.
14

15 **Q. Should the Commission use the Company's proposed interest expense to quantify**
16 **the revenue requirement?**

17
18 A. No. The Commission should use annualized interest expense based on the actual
19 outstanding debt and interest rates on that debt at March 31, 2007, assuming that it also
20 uses the actual construction work in progress ("CWIP") and interest rates at March 31,
21 2007 to quantify the annualized AFUDC income and that it also uses the actual short

1 term investments and RUS cushion of credit and the related interest rates on those
2 investments at March 31, 2007 to quantify the annualized interest income.

3
4 In this manner and by using the actual amounts at March 31, 2007 instead of projected
5 amounts, there is no speculation as to the actual costs and income of the Company, the
6 Company's September 30, 2006 test year ending actual costs and income are updated to
7 a more recent measurement date, and there is an internal consistency among the costs
8 and income caused by the amounts of debt, CWIP, and investments outstanding. The
9 consistency among these components is essential, e.g. the outstanding debt in excess of
10 the rate base investment must be offset by the proper amount of short term investments
11 and RUS cushion of credit funded by that additional debt.

12
13 Finally, the Commission should not include annualized interest expense on the ECR
14 investment. As I previously discussed, the interest expense on the ECR investment is
15 recovered through the ECR surcharge, not through base rates.

16
17 **Q. Have you quantified the adjustment necessary to reflect annualized interest**
18 **expense on actual rather than projected debt outstanding at March 31, 2007?**

19
20 **A.** Yes. This adjustment consists of both a reduction to interest expense and the related

1 TIER effect. To compute the adjustment to annualized interest, I utilized the
2 Company's quantification of actual debt outstanding at March 31, 2007 and the
3 annualized interest on that debt provided in response to KIUC 2-29. I then subtracted
4 the interest expense related to the Company's actual ECR investment at March 31, 2007.
5 I then subtracted the Company's projected interest expense (less the interest on the ECR
6 investment that I previously removed in the ECR adjustment) included in the filing to
7 determine the adjustment to reduce interest expense. Finally, I multiplied the adjustment
8 to reduce interest expense by the TIER of 1.15. These computations are detailed on my
9 Exhibit___(LK-3).

10
11 **Q. Is there another adjustment to interest expense that the Commission should**
12 **consider?**

13
14 A. Yes. The Commission should reduce interest expense and the related TIER
15 requirements by \$4.984 million to reflect a pending refinancing of higher cost debt for
16 lower cost debt. The Company has applied for RUS loans of \$481 million to repay a
17 similar amount borrowed under the Credit Facility. The RUS has not yet approved the
18 loan, but the Company anticipates that it will receive final approval and that the funds
19 will be released sometime this fall, according to its response to KIUC 3-13. The RUS
20 loan will not affect the amount of the debt outstanding, but will affect the amount of the

1 annualized interest expense because the RUS loan will have an anticipated interest rate
2 of only 5.145% by comparison to the Credit Facility average interest rate of 6.231%.
3 The computations of the interest and TIER savings are detailed on my Exhibit ___(LK-
4 4).

5
6 **Q. Why should the Commission make this additional adjustment to the annualized**
7 **interest expense included in the revenue requirement?**

8
9 A. This reduction in interest expense is a known and measurable change even though it is
10 subsequent to March 31, 2007. Interest expense will be reduced overnight once these
11 funds are released. Ratepayers are entitled to this reduction in interest expense. This
12 reduction in interest expense is reflected in the Company's 2007 budget even though it is
13 not reflected in the rate filing and was one factor in my recommendation to continue the
14 interim increase at \$19.000 million. In addition, although the Company updated most of
15 its costs from the test year ending September 30, 2006 to the twelve months ending
16 March 31, 2007, the Company included certain costs at projected calendar year 2007
17 levels, not only annualized at March 31, 2007.

18
19 **Annualized AFUDC**

1 **Q. Please describe the Company's computation of AFUDC income included in its**
2 **filing.**

3

4 A. The Company used selected projected CWIP balances at March 31, 2007 and debt
5 interest rates on projected debt outstanding at March 31, 2007 to compute projected
6 annualized AFUDC.

7

8 **Q. Should the Commission use the Company's proposed AFUDC income to quantify**
9 **the revenue requirement?**

10

11 A. No. Similar to the quantification of annualized interest expense, the use of actual CWIP
12 and interest rates to compute annualized AFUDC is far better than using projections of
13 these amounts. In this manner, the annualized AFUDC income will be consistent with
14 the annualized interest expense and annualized income at March 31, 2007. The use of
15 actual amounts and rates removes all speculation from the computation and provides a
16 recent and consistent quantification of AFUDC income.

17

18 **Q. Have you quantified the adjustment necessary to reflect the annualized AFUDC**
19 **income using actual CWIP balances and interest rates at March 31, 2007?**

20

1 A. Yes. This adjustment has the effect of increasing the Company's revenue requirement
2 by \$1.897 million. The computations are detailed on my Exhibit ___(LK-5).

3

4

5 **Annualized Interest Income**

6

7 **Q. Please describe the Company's computation of annualized interest income.**

8

9 A. Unlike its use of projected balances and rates to compute annualized interest expense
10 and AFUDC income, the Company quantified interest income based on the average of
11 its 2001-2005 actual interest income.

12

13 **Q. Should the Commission accept the Company's computations of interest income?**

14

15 A. No. The Company's methodology significantly understated annualized interest income
16 computed in the same manner as annualized interest expense and AFUDC income using
17 actual balances and interest rates at March 31, 2007. As I noted earlier, it is essential
18 that the quantifications of interest expense, AFUDC income, and interest income all be
19 synchronized at March 31, 2007 and be computed consistently. It would be
20 inappropriate if the Commission included the interest expense on debt outstanding at

1 March 31, 2007, used to fund short term investments and the RUS cushion of credit, but
2 did not use the interest income on those short term investments and the RUS cushion of
3 credit at the same date to compute interest income as an offset to the interest expense.
4 Even with the interest income computed at the same date as the interest expense, the
5 revenue requirement still is not reduced to completely eliminate the effect of the debt
6 used to invest because of the TIER requirement applied to the interest expense.
7 Nevertheless, it is essential that interest expense and interest income be computed on an
8 annualized basis at the same date using a consistent methodology to ensure that there is
9 no disconnect between these components of the revenue requirement.

10
11 In addition, the Company's use of a five year historic average is arbitrary, restating
12 interest income based on a retrospective history where the short term investment and
13 RUS cushion on credit balances outstanding and the interest rates were different than
14 they were either during the test year or at March 31, 2007. Certainly, no reasonable
15 party would argue that interest expense or AFUDC income should be based on a five
16 year historic average because both the balances outstanding of debt and CWIP as well as
17 the interest and AFUDC rates were different historically in 2001-2005 than the actual
18 balances and rates either during the test year itself or at March 31, 2007. Similarly, it is
19 unreasonable for the Company to argue that interest income at March 31, 2007 has any
20 relationship whatsoever to the historic balances of short term investments and RUS

1 cushion of credit balances outstanding or interest rates available in calendar years 2001 –
2 2005.

3
4 **Q. Have you quantified the effect of properly stating interest income based on actual**
5 **short term investments and RUS cushion of credit and the related interest rates at**
6 **March 31, 2007?**

7
8 A. Yes. The effect is to reduce the Company's revenue requirement by \$7.242 million.
9 This may seem high, but at the same time, the Company's has more debt outstanding,
10 and thus at least this amount more in interest expense, not to mention the TIER
11 requirements on the interest expense, to support this level of short term investments,
12 RUS cushion of credit and this interest income. If the Commission believes that the
13 interest income included in the Company's revenue requirement is too high, for
14 whatever reason, then it should consider that the amount of interest expense and the
15 related TIER are too high. In that case, reducing the interest income will increase the
16 revenue requirement, but this increase will be more than offset by the reduction in
17 interest expense and the related TIER. The computations are detailed on my
18 Exhibit___(LK-6).

19

1 **V. PROPER LEVEL OF OPERATING EXPENSES AND REVENUES**
2

3 **Revenue Annualization**
4

5 **Q. Did the Company annualize revenues based on the underlying member customer**
6 **and sales levels at March 31, 2007?**

7
8 A. No. The Company failed to annualize revenues based on underlying member customer
9 and sales levels at March 31, 2007 or even at Sept 30, 2006. Except for minor post test
10 year revenue increases at substation metering points, the Company simply used actual
11 test year base revenues. The Company's methodology had the effect of understating
12 operating revenues and overstating the revenue requirement. A strong argument could
13 be made that revenues should be annualized at full 2007 calendar year levels given that
14 all operating expenses, except depreciation and property taxes, effectively were
15 annualized for the full 2007 calendar year.

16
17 **Q. Should the Commission annualize revenues based on the underlying member**
18 **customer and sales levels at March 31, 2007?**

19
20 A. Yes. It is essential that both the revenues and costs used to quantify the test year
21 revenue requirement be computed for the same test year or annualized at the same date if

1 post-test year adjustments are allowed. In other words, if the Commission utilizes the
2 costs computed as of March 31, 2007, then it also should use the revenues computed as
3 of March 31, 2007. The Commission itself recognized this fundamental and well-
4 established rate-making principle in its Order 1994-00336 Order for EKPC, stating that
5 “a historic test period is not adjusted to reflect post test-period plant unless all revenues,
6 expenses, rate base and capital items have been adjusted to reflect the same time
7 periods” (Order 1994-00336 at 4). Consistent with this ratemaking principle, the
8 Commission adopted an adjustment to normalize revenues for customer growth in Case
9 No. 1994-00336. The Commission should do so again in this proceeding.

10
11 **Q. Has the Company quantified the annualized revenues at March 31, 2007 even**
12 **though this amount was not reflected in its filing?**

13
14 **A.** Yes. The Company quantified the adjustment necessary to annualize revenues at March
15 31, 2007 at \$1.158 million in response to KIUC 3-16.

16
17 **Forced Outage Expenses**

18
19 **Q. Please describe the Company’s adjustment to test year forced outage expense.**
20

1 A. The Company included a proforma adjustment to increase forced outage expense
2 compared to the actual test year expense amount by \$4.626 million. This adjustment
3 was based on a five year average of historic forced outage mWh and the test year cost
4 per mWh for replacement power. The historic mWh includes the extended Spurlock 1
5 outage, which occurred in 2004 and was abnormal and nonrecurring.

6

7 **Q. Should the Commission adopt the Company's proposed proforma adjustment to**
8 **test year forced outage expense?**

9

10 A No. First, the use of five year historic forced outage mWh is arbitrary and is not
11 representative of replacement power costs on a going forward basis. Second, the test
12 year forced outage replacement power cost is the best measure of this cost. Third, the
13 Company should not be provided retroactive recovery for the 2004 Spurlock 1 outage,
14 which the Company agrees was abnormal and nonrecurring. Fourth, the Company's
15 adjustment does not include the full test year or any of the most recent actual calendar
16 year; it only includes actual data through 2005.

17

18 **Nonrecurring Legal Expenses**

19

20 **Q. Please describe the legal expenses for the U.S. EPA litigation related to the NOV at**

1 **the Dale Power Station included by the Company in its requested revenue**
2 **requirement.**

3

4 A. The Company incurred \$6.600 million in legal expenses related to this litigation in the
5 test year.

6

7 **Q. What is the status of this litigation?**

8

9 A. The Company is in the process of attempting to settle the litigation with the U.S. EPA.

10

11 **Q. If the Company is successful in settling this litigation, will these legal expenses be**
12 **recurring?**

13

14 A. No. If it is successful in settling this litigation, then the legal expenses associated with it
15 will be nonrecurring on a going forward basis and should not be included in the revenue
16 requirement. However, the Company likely will incur additional compliance and
17 monitoring expenses associated with a settlement on a going forward basis.

18

19 **Q. What is your recommendation regarding the level of expenses associated with the**
20 **U.S. EPA NOV litigation on a going forward basis?**

1

2 A. I recommend that the Commission allow 50% of the test year amount as the ongoing
3 level of expense for continuing compliance and monitoring and disallow the remaining
4 50%, or \$3.300 million, as abnormal and nonrecurring.

5

6 **Annualized Payroll Expense and Related Payroll Tax Expenses**

7

8 **Q. Please describe the proforma adjustments to payroll expense that the Company**
9 **reflected in its filing.**

10

11 A. The Company made several proforma adjustments to its payroll expense. First, the
12 Company annualized payroll costs based on payroll levels and number of employees at
13 September 30, 2006. Second, the Company increased the annualized payroll amount at
14 September 30, 2006 by 3% to reflect an overall general payroll increase that was
15 effective on November 5, 2006. Third, the Company annualized the payroll costs
16 associated with 30 new positions that it projected would be added and filled by March
17 31, 2007. Finally, the Company applied an expense ratio percentage of 87.56% to the
18 total proforma payroll costs to determine the expense portion.

19

20 **Q. Should the Commission adopt the Company's proforma payroll expense projected**

1 **as of March 31, 2007 now that actual March 31, 2007 payroll data is available?**

2

3 A. No. A better measure of payroll expense is the actual annualized payroll expense at
4 March 31, 2007 rather than relying upon the assumptions used for the projections in the
5 filing. More specifically, the use of the March 31, 2007 payroll costs reflects the actual
6 positions and the actual salaries and wages being paid for those positions at March 31,
7 2007. This is important because the Company's assumptions for the projections of
8 employee levels have proven inaccurate. The actual number of employees at March 31,
9 2007 decreased by 6 from September 30, 2006 compared to the Company's projection of
10 an increase of 30 new employees during that same six month time period. Finally, the
11 use of actual annualized payroll expense is consistent with the use of other actual
12 annualized revenue and expense components as of March 31, 2007, which include base
13 revenues, depreciation expense, interest expense, interest income, AFUDC income, and
14 other amounts.

15

16 **Q. Has the Company provided a quantification of the annualized payroll costs at**
17 **March 31, 2007?**

18

19 A. Yes. The Company quantified the annualized payroll costs at March 31, 2007 as
20 \$46.957 million in response to KIUC 2-48. The Company's annualized payroll costs

1 included in the filing were \$49.528 million (Exhibit F, Schedule 4 page 2). This
2 difference of \$2.571 million represents the difference in total payroll costs before the
3 application of the expense portion percentage of 87.56%. Thus, the reduction in payroll
4 expense is \$2.251 million.

5
6 **Q. Should payroll taxes expense likewise be annualized based on actual costs at March**
7 **31, 2007?**

8
9 A. Yes. The Company quantified the actual annualized payroll tax costs at March 31, 2007
10 as \$3.560 million in response to KIUC 2-50. The Company's projected annualized
11 payroll tax costs included in the filing were \$3.745 million (Exhibit F, Schedule 5 page
12 2). This difference of \$0.184 million represents the difference in total payroll tax costs
13 before the application of the expense portion percentage of 90.23%. Thus, the reduction
14 in payroll tax expense is \$0.166 million.

15
16 **Annualized Payroll Savings from "Early Out" Retirement Program**

17
18 **Q. The Company recently adopted an "Early Out" retirement program. Should the**
19 **savings from this program be reflected in the revenue requirement?**

1 A. Yes. The “Early Out” retirement program has resulted in annual savings of \$0.878
2 million in addition to the savings resulting from reduced employee levels through March
3 2007 that are reflected in the payroll annualization adjustment. The Company stated that
4 “EKPC agrees that the annual savings associated with this program should be considered
5 for rate-making purposes in this proceeding” in response to PSC 4-5(b),
6

7 **Employee Benefits Expense**
8

9 **Q. Does the Company agree that it made computational errors in the amounts of**
10 **OPEB, pension, and 401(k) benefits expense reflected on Schedule 6 of the filing?**
11

12 A. Yes. The Company included the capitalized portion of the OPEB, pension, and 401(k)
13 cost in the proforma expense amounts. In response to discovery, the Company
14 confirmed that it had not applied the expense factor of 90.08% to the total costs of each
15 benefit category before comparison to the test year amounts in determination of the
16 proforma adjustments. Responses to KIUC 1-19, KIUC 1-17, and KIUC 1-18 provides
17 the Company’s corrected computation of OPEB, pension, and 401(k) cost, respectively.
18 Correcting the Company’s acknowledged errors results in a reduction of \$1.140 million
19 in benefits expense.
20

1 **Q. Is there another error in the computation of proforma benefit expense?**

2

3 A. Yes. The Company overstated the health insurance (medical benefits) expense by
4 \$0.302 million. The Company failed to compute the retiree medical computation
5 portion on the increased amount but instead included the total expense amount as the
6 adjustment. The Company's computation of retiree medical benefits is provided on
7 Exhibit F, Schedule 6 page 2, with a resulting proforma adjustment of an additional
8 \$0.347 million. The test year retiree medical expense was \$0.603 million. A 15%
9 increase in those costs, as assumed by the Company, would have amounted to \$0.091,
10 with half of the increase being provided by the retirees. Thus, the proforma expense
11 adjustment should have been only \$0.045 million.

12

13 **Depreciation Expense**

14

15 **Q. Did the Company annualize depreciation expense at March 31, 2007 in its filing?**

16

17 A. No. The Company failed to annualize depreciation expense based on electric plant in
18 service ("EPIS") at March 31, 2007, except for the increase due to post test year
19 additions to EPIS for four new substations (Exh. F, Sched. 25). Instead, the Company's
20 filing annualized depreciation expense based on EPIS at Sept 30, 2006.

1 **Q. Should depreciation expense be annualized based on actual EPIS at March 31,**
2 **2007?**

3

4 A. Yes. Depreciation expense should be increased by \$0.765 million to reflect actual EPIS
5 at March 31, 2007. This ensures that all components of the revenue requirement
6 formula are consistently determined on an annualized basis and using actual data at
7 March 31, 2007.

8

9 **Property Tax Expense Error Correction**

10

11 **Q. Please explain how the Company quantified the property tax expense in its filing.**

12

13 A. The Company quantified the annualized property tax expense as of September 30, 2006
14 and using average 2004 tax rates in two steps, which resulted in two adjustments to the
15 actual test year expense. The two adjustments totaled \$0.375 million. The first step
16 annualized property tax expense to reflect the most recent property tax rates and the
17 September 30, 2006 net book value before the retroactive effects on the net book value
18 due to the depreciation rate changes approved and implemented in December 2006. The
19 Company computed a reduction in property tax expense of \$0.205 million by subtracting
20 the actual test year expense from the annualized amount. The Company's computations

1 for this first step are detailed on Exhibit F Schedule 9 page 2 of 2.

2

3 The second step annualized property tax expense to reflect the most recent property tax
4 rates and the September 30, 2006 net book value after the retroactive effects on the net
5 book value due to the depreciation rate changes approved and implemented in December
6 2006. The Company computed an additional reduction in property tax expense of
7 \$0.170 million by subtracting the actual test year expense from the annualized amount.

8 The Company's computations for this second step are detailed on Exhibit F Schedule 8
9 page 3 of 3.

10

11 **Q. Is the Company's computation correct?**

12

13 A. No. The Company's first step adjustment was inappropriate and the effect should be
14 removed from the revenue requirement. The Company's property tax expense and its
15 revenue requirement should be increased by \$0.205 million. The Company's second
16 step adjustment incorporated all changes in the property tax rates and in the September
17 30, 2006 net book value after the change in depreciation rates. Thus, the first step
18 adjustment was duplicative of the change in property tax rates reflected also in the
19 second step adjustment.

20

1 **Q. Are there are other problems with the Company's computation of annualized**
2 **property tax expense that should be corrected?**

3

4 A. Yes. The Company's computation incorporated two additional errors that should be
5 corrected. First, the Company used September 30, 2006 net book value amounts.
6 However, property tax assessments are based on the net book value at December 31 of
7 the prior year, according to the Company's response to KIUC 2-23. Second, the
8 Company used 2004 tax rates instead of 2006 tax rates.

9

10 **Q. What is the effect of correcting these two additional errors in the property tax**
11 **expense included in the Company's filing?**

12

13 A. The effect is to reduce property tax expense by \$0.249 million. The Company
14 quantified property tax expense of \$4.132 million using net book value at December 31,
15 2006 and the 2006 tax rates in response to PSC 4-9(d)(3) page 5 of 5. The property tax
16 expense included in the filing after the other computational correction of \$0.205 million
17 was \$4.381 million (Exhibit F Schedule 8 page 3 of 3).

18

19 **PSC Assessment Fee**

20

1 **Q. Have you quantified the adjustment to the PSC assessment fee that is necessary**
2 **due to the other KIUC recommendations?**

3

4 A. Yes. The reduction to this expense is \$0.082 million. I computed this amount as the
5 difference between the KIUC recommendation for a reduction in rates divided by one
6 minus the PSC assessment rate of .001643 (Exhibit F Schedule 26 page 1 of 1) and the
7 Company's requested rate increase of \$43.369 million including the PSC fee.

8

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

10

11 A. Yes.

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

GENERAL ADJUSTMENT OF ELECTRIC)
RATES OF EAST KENTUCKY POWER) **CASE NO. 2006-00472**
COOPERATIVE, INC.)

EXHIBITS
OF
LANE KOLLEN

ON BEHALF OF THE
KENTUCKY INDUSTRIAL UTILITY CUSTOMERS, INC.

J. KENNEDY AND ASSOCIATES, INC.
ROSWELL, GEORGIA

JULY 2007

EXHIBIT __ (LK-1)

RESUME OF LANE KOLLEN, VICE PRESIDENT

EDUCATION

University of Toledo, BBA
Accounting

University of Toledo, MBA

Luther Rice University, MA

PROFESSIONAL CERTIFICATIONS

Certified Public Accountant (CPA)

Certified Management Accountant (CMA)

PROFESSIONAL AFFILIATIONS

American Institute of Certified Public Accountants

Georgia Society of Certified Public Accountants

Institute of Management Accountants

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

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 Energy Consumers
Bethlehem Steel	Occidental Chemical Corporation
Connecticut Industrial Energy Consumers	Ohio Energy Group
ELCON	Ohio Industrial Energy Consumers
Enron Gas Pipeline Company	Ohio Manufacturers Association
Florida Industrial Power Users Group	Philadelphia Area Industrial Energy Users Group
Gallatin Steel	PSI Industrial Group
General Electric Company	Smith Cogeneration
GPU Industrial Intervenors	Taconite Intervenors (Minnesota)
Indiana Industrial Group	West Penn Power Industrial Intervenors
Industrial Consumers for Fair Utility Rates - Indiana	West Virginia Energy Users Group
Industrial Energy Consumers - Ohio	Westvaco Corporation
Kentucky Industrial Utility Customers, Inc.	
Kimberly-Clark Company	

Regulatory Commissions and Government Agencies

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

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 2007**

Date	Case	Jurisdct.	Party	Utility	Subject
10/86	U-17282 Interim	LA	Louisiana Public Service Commission Staff	Gulf States Utilities	Cash revenue requirements financial solvency.
11/86	U-17282 Interim Rebuttal	LA	Louisiana Public Service Commission Staff	Gulf States Utilities	Cash revenue requirements financial solvency.
12/86	9613	KY	Attorney General Div. of Consumer Protection	Big Rivers Electric Corp.	Revenue requirements accounting adjustments financial workout plan.
1/87	U-17282 Interim	LA 19th Judicial District Ct.	Louisiana Public Service Commission Staff	Gulf States Utilities	Cash revenue requirements, financial solvency.
3/87	General Order 236	WV	West Virginia Energy Users' Group	Monongahela Power Co.	Tax Reform Act of 1986.
4/87	U-17282 Prudence	LA	Louisiana Public Service Commission Staff	Gulf States Utilities	Prudence of River Bend 1, economic analyses, cancellation studies.
4/87	M-100 Sub 113	NC	North Carolina Industrial Energy Consumers	Duke Power Co.	Tax Reform Act of 1986.
5/87	86-524-E-	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 2007**

Date	Case	Jurisdct.	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 Corp.	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 2007**

Date	Case	Jurisdict.	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 2007**

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 2007**

Date	Case	Jurisdct.	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 2007**

Date	Case	Jurisdct.	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.

**Expert Testimony Appearances
of
Lane Kollen
As of June 2007**

Date	Case	Jurisdict.	Party	Utility	Subject
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.
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 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.

**Expert Testimony Appearances
of
Lane Kollen
As of June 2007**

Date	Case	Jurisdic.	Party	Utility	Subject
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.
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.

**Expert Testimony Appearances
of
Lane Kollen
As of June 2007**

Date	Case	Jurisdiction	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 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.

**Expert Testimony Appearances
of
Lane Kollen
As of June 2007**

Date	Case	Jurisdict.	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
of
Lane Kollen
As of June 2007**

Date	Case	Jurisdct.	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.

**Expert Testimony Appearances
of
Lane Kollen
As of June 2007**

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.

**Expert Testimony Appearances
of
Lane Kollen
As of June 2007**

Date	Case	Jurisdiction	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.

**Expert Testimony Appearances
of
Lane Kollen
As of June 2007**

Date	Case	Jurisdict.	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.

**Expert Testimony Appearances
of
Lane Kollen
As of June 2007**

Date	Case	Jurisdict.	Party	Utility	Subject
6/99	97-596	ME	Maine Office of Public Advocate	Bangor Hydro-Electric Co.	Request for accounting order regarding electric industry restructuring costs.
6/99	U-23358	LA	Louisiana Public Public Service Comm. Staff	Entergy Gulf States, Inc.	Affiliate transactions, cost allocations.
7/99	99-03-35	CT	Connecticut Industrial Energy Consumers	United Illuminating Co.	Stranded costs, regulatory assets, tax effects of asset divestiture.
7/99	U-23327	LA	Louisiana Public Service Commission Staff	Southwestern Electric Power Co., Central and South West Corp, and American Electric Power Co.	Merger Settlement Stipulation.
7/99	97-596 (Surrebuttal)	ME	Maine Office of Public Advocate	Bangor Hydro-Electric Co.	Restructuring, unbundling, stranded cost, T&D revenue requirements.
7/99	98-0452-E-GI	WV	West Virginia Energy Users Group	Monongahela Power, Potomac Edison, Appalachian Power, Wheeling Power	Regulatory assets and liabilities.
8/99	98-577 (Surrebuttal)	ME	Maine Office of Public Advocate	Maine Public Service Co.	Restructuring, unbundling, stranded costs, T&D revenue requirements.
8/99	98-426 99-082 (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)	WV	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 June 2007**

Date	Case	Jurisdiction	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 <i>proforma</i> 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.

**Expert Testimony Appearances
of
Lane Kollen
As of June 2007**

Date	Case	Jurisd.	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.

**Expert Testimony Appearances
of
Lane Kollen
As of June 2007**

Date	Case	Jurisdct.	Party	Utility	Subject
02/01	A-110300F0095 PA A-110400F0040		Met-Ed Industrial Users Group Penelec Industrial Customer Alliance	PU, 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.

**Expert Testimony Appearances
of
Lane Kollen
As of June 2007**

Date	Case	Jurisdict.	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.

**Expert Testimony Appearances
of
Lane Kollen
As of June 2007**

Date	Case	Jurisdct.	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	KY	Kentucky Industrial Utility Customers	Kentucky Utilities Co.	Environmental cost recovery, correction of base rate error.
11/03	ER03-753-000	FERC	Louisiana Public Service Commission 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, levelized 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.

**Expert Testimony Appearances
of
Lane Kollen
As of June 2007**

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.

**Expert Testimony Appearances
of
Lane Kollen
As of June 2007**

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.
01/05	30485	TX	Houston Council for Health and Education	CenterPoint Energy Houston Electric, LLC	
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.
06/05	2005-00068	KY	Kentucky Industrial Utility Customers, Inc.	Kentucky Power Co.	Environmental cost recovery, Jobs Creation Act of 2004 and §199 deduction, margins on allowances used for AEP System sales.
06/05	050045-EI	FL	South Florida Hospital and Healthcare Assoc.	Florida Power & Light Co.	Storm damage expense and reserve, RTO costs, O&M expense projections, return on equity performance incentive, capital structure, selective second phase post-test year rate increase.
08/05	31056	TX	The Alliance of Valley Healthcare	AEP Texas Central Co.	Stranded cost true-up including regulatory assets and liabilities, ITC, EDIT, capacity auction, proceeds, excess mitigation credits, retrospective and prospective ADIT.
09/05	20298-U	GA	Georgia Public Service Commission	Atmos Energy Corp.	Revenue requirements, roll-in of surcharges, cost recovery through surcharge, reporting requirements.

**Expert Testimony Appearances
of
Lane Kollen
As of June 2007**

Date	Case	Jurisd.	Party	Utility	Subject
09/05	20298-U Panel with Victoria Taylor	GA	Georgia Public Service Commission	Atmos Energy Corp.	Affiliate transactions, cost allocations, capitalization, cost of debt.
11/05	2005-00351 2005-00352	KY	Kentucky Industrial Utility Customers, Inc.	Kentucky Utilities Co. Louisville Gas and Electric Co.	Workforce Separation Program cost recovery and shared savings through VDT surcredit.
10/05	04-42	DE	Commission Staff	Artesian Water Co.	
01/06	2005-00341	KY	Kentucky Industrial Utility Customers, Inc.	Kentucky Power Co.	System Sales Clause Rider, Environmental Cost Recovery Rider. Net Congestion Rider, Storm damage, vegetation management program, depreciation, off-system sales, maintenance normalization, pension and OPEB.
03/06 05/06	31994 31994 Supplemental	TX	Cities	Texas-New Mexico Power Co.	Stranded cost recovery through competition transition or change. Retrospective ADIF, <i>prospective</i> ADFIT.
03/06	U-21453, U-20925, U-22092	LA	Louisiana Public Service Commission	Entergy Gulf States, Inc.	Jurisdictional separation plan.
3/06	NOPR Reg 104385-OR	IRS	Alliance for Valley Health Care and Houston Council for Health Education	AEP Texas Central Company and CenterPoint Energy Houston Electric	Proposed Regulations affecting flow- through to ratepayers of excess deferred income taxes and investment Tax credits on generation plant that is sold or deregulated.
4/06	U-25116	LA	Louisiana Public Service Commission	Entergy Louisiana, Inc.	2002-2004 Audit of Fuel Adjustment Clause Filings. Affiliate transactions.
05/06	31994	TX	Cities Served by Texas-Mexico Power Co.	Texas New Mexico Power	

**Expert Testimony Appearances
of
Lane Kollen
As of June 2007**

Date	Case	Jurisdct.	Party	Utility	Subject
07/06	R-00061366, Et al	PA	Met-Ed Ind. Users Group Pennsylvania Ind. Customer Alliance	Metropolitan Edison Co. Pennsylvania Electric Co.	Recovery of NUG-related stranded costs, government mandated programs costs, storm damage costs.
08/06	U-21453, U-20925 U-22092 (Subdocket J)	LA	Louisiana Public Service Comm.	Entergy Gulf States, Inc.	Jurisdictional separation plan.
07/06	U-23327	LA	Louisiana Public Service Commission	Southwestern Electric Power Co.	Revenue requirements, formula rate plan, banking proposal.
11/06	05CVH03-3375 Franklin County Court Affidavit	OH	Various Taxing Authorities (Non-Utility Proceeding)	State of Ohio Department of Revenue	Accounting for nuclear fuel assemblies as manufactured equipment and capitalized plant.
12/06	U-23327 Subdocket A Reply Testimony	LA	Louisiana Public Service Commission	Southwestern Electric Power Co..	Revenue requirements, formula rate plan, banking proposal.
03/07	U-29764	LA	Louisiana Public Service Commission	Entergy Gulf States, Inc., Entergy Louisiana, LLC	Jurisdictional allocation of Entergy System Agreement equalization remedy receipts.
03/07	2006-00472	KY	Kentucky Public Service Commission	East Kentucky Power Cooperative	Interim rate increase, RUS loan covenants, credit facility requirements, financial condition.
03/07	U-29157	LA	Louisiana Public Service Commission	Cleco Power, LLC	Permanent (Phase II) storm damage cost recovery.
04/07	U-29764 Supplemental And Rebuttal	LA	Louisiana Public Service Commission	Entergy Gulf States, Inc. Entergy Louisiana, LLC	Jurisdictional allocation of Entergy System Agreement equalization remedy receipts.
04/07	ER07-682-000 Affidavit	FERC	Louisiana Public Service Commission Staff	Entergy Services, Inc. and the Entergy Operating Companies	Allocation of intangible and general plant and A&G expenses to production and state income tax effects on equalization remedy receipts
04/07	ER07-684-000 Affidavit	FERC	Louisiana Public Service Commission Staff	Entergy Services, Inc. and the Entergy Operating Companies	Fuel hedging costs and compliance with FERC USOA.

**Expert Testimony Appearances
of
Lane Kollen
As of June 2007**

Date	Case	Jurisdict.	Party	Utility	Subject
05/07	ER07-682-000 Affidavit	FERC	Louisiana Public Service Commission Staff	Entergy Services, Inc. and the Entergy Operating Companies	Allocation of intangible and general plant and A&G expenses to production and account 924 effects on equalization remedy receipts.
06/07	U-29764	LA	Louisiana Public Service Commission	Entergy Louisiana, LLC Entergy Gulf States, Inc.	Show cause for violating LPSC Order on fuel hedging costs.

EXHIBIT __ (LK-2)

East Kentucky Power Cooperative, Inc.
Case Number 2006-00472
Computation of ECR Revenue Requirement Included In Filing

	<u>Annual Amounts</u>
Computation of Interest and TIER Margin Included in Company's Request	
Net Rate Base at Sept 30, 2006 (Response to KIUC 1-2 p 104)	240,447,221
Less: Change in Accum Depr Oct 1, 2006 - Mar 31, 2007 (Resp to KIUC 2-26 p 13 and KIUC Resp to KIUC 1-2 p 104)	<u>(3,746,468)</u>
Net Rate Base	236,700,753
Requested Rate of Return (Projected at March 31, 2007)	5.51%
Plus: TIER @1.35	<u>1.93%</u>
Total Requested Rate of Return Incl TIER @1.35	<u>7.44%</u>
Total Interest and TIER Margin Included in Company's Request	17,600,602
 Computation of Operating Expenses Included in Company's Request	
O&M Expense - (Test Year Actual - Resp to KIUC 1-4)	5,133,490
Depreciation Expense - Annualized Using New Depr Rates (Resp to KIUC 1-4)	7,072,896
Property Tax Expense - Annualized at Sept 30, 2006 (24,586 x 12)	295,032
Insurance Expense - (Test Year Actual - Resp to KIUC 1-4)	384,395
Emission Allowance Expense (Test Year Actual -Resp to KIUC 1-4)	<u>33,290,461</u>
Total ECR Operating Expenses Excl Interest Exp and TIER Margin	<u>46,176,274</u>
Total ECR Interest, TIER Margin, Operating Expense	<u>63,776,876</u>
Member System Allocation for Month ending March 31, 2007	<u>99.10%</u>
Member System Allocation of Total Costs	63,202,884
Remove Costs Associated with BESF from Case No. 2004-00321- March 31, 2007	
Avg Monthly member System Revenue (Form 1.1 Line 13)	50,218,717
BESF %	<u>0.51%</u>
Monthly Costs Related to BESF to Remove	256,115
Annualized Costs Related to BESF Removed	<u>(3,073,385)</u>
Total ECR Interest, TIER Margin, Operating Exp Incl in Company's Filing	<u>60,129,499</u>
Total ECR Revenues Included in Company's Filing (Exh F Sch 1)	<u>57,983,358</u>
Net Adjustment to Remove ECR Rev Req from Base Rev Req Incl in Company's Filing	<u>(2,146,141)</u>

EXHIBIT __ (LK-3)

EXHIBIT __ (LK-4)

East Kentucky Power Cooperative, Inc.
Case Number 2006-00472
Adjust Interest Rate for CFC Unsecured Credit Facility Payoffs
Using Proceeds from Requested RUS Loan Totaling \$481,388,000

Based on CFC - Unsecured Credit Facility Notes at 3/31/07 Listed in response to KIUC 2-29

<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Amount Outstanding 3/31/07</u>	<u>Interest Rate</u>	<u>Annualized Interest Expense</u>	<u>Weighted Average Debt Interest Rate</u>
2/16/2006	9/2/2010	50,000,000	6.263%	3,131,250	
4/13/2006	9/2/2010	50,000,000	6.263%	3,131,250	
10/11/2005	9/2/2010	40,000,000	6.263%	2,505,000	
5/24/2006	9/2/2010	25,000,000	6.263%	1,565,625	
10/11/2005	9/2/2010	40,000,000	6.138%	2,455,000	
6/20/2006	9/2/2010	75,000,000	6.200%	4,650,000	
6/29/2006	9/2/2010	25,000,000	6.200%	1,550,000	
11/2/2006	9/2/2010	50,000,000	6.263%	3,131,250	
12/12/2006	9/2/2010	50,000,000	6.200%	3,100,000	
1/16/2007	9/2/2010	50,000,000	6.263%	3,131,250	
		<u>455,000,000</u>		<u>28,350,625</u>	<u>6.231%</u>
Requested RUS Loan for \$481,388,000					<u>5.145%</u>
Interest Rate Savings					1.086%
Annual Interest Savings Related to CFC Refinancing through New RUS Loan					<u>4,940,875</u>
Remove Interest Savings Related to ECR					<u>(606,809)</u>
Non-ECR Annual Interest Savings Related to CFC Refinancing through New RUS Loan					<u>4,334,066</u>
Interest Expense Savings Multiplied by 1.15 TIER					<u>4,984,175</u>

EXHIBIT __ (LK-5)

East Kentucky Power Cooperative, Inc.
Case Number 2006-00472
Adjust AFUDC Based on 3/31/07 Actuals

<u>Project ID</u>	<u>Unit</u>	<u>CWIP @ 3/31/07 By Project ID Earning AFUDC</u>	<u>CWIP @ 3/31/07 By Unit Earning AFUDC</u>
21465	Smith-W Garrand	473	
21466	Smith-W Garrand	614,225	
21467	Smith-W Garrand	125,408	
	Subtotal		740,105
SM100	Smith #1	136,688	
SM101	Smith #1	5,126,141	
SM102	Smith #1	1,134,746	
SM103	Smith #1	20,120,551	
SM104	Smith #1	16,552,571	
SM105	Smith #1	2,168,272	
SM106	Smith #1	1,617	
SM112	Smith #1	241,450	
	Subtotal		45,482,037
SP400	Spurlock #4	8,788,184	
SP401	Spurlock #4	8,906,811	
SP402	Spurlock #4	27,423,002	
SP403	Spurlock #4	122,468,336	
SP404	Spurlock #4	2,402,825	
SP405	Spurlock #4	3,742,543	
SP406	Spurlock #4	1,196,564	
SP407	Spurlock #4	320,374	
SP408	Spurlock #4	2,397,410	
SP409	Spurlock #4	9,891,070	
SP410	Spurlock #4	378,442	
SP411	Spurlock #4	2,993,786	
SP412	Spurlock #4	509,852	
SP413	Spurlock #4	338,789	
SP414	Spurlock #4	1,223,357	
SP415	Spurlock #4	17,465,392	
SP416	Spurlock #4	10,529,914	
SP417	Spurlock #4	4,032,131	
SP418	Spurlock #4	2,771,766	
SP419	Spurlock #4	1,257,652	
SP420	Spurlock #4	306,821	
SP421	Spurlock #4	16,133,387	
SP422	Spurlock #4	11,346,307	
SP423	Spurlock #4	3,117,331	
SP424	Spurlock #4	398,913	
	Subtotal		260,340,961
SS100	Spurlock #1	240,973	
SS101	Spurlock #1	6,221,370	

East Kentucky Power Cooperative, Inc.
Case Number 2006-00472
Adjust AFUDC Based on 3/31/07 Actuals

<u>Project ID</u>	<u>Unit</u>	<u>CWIP @ 3/31/07 By Project ID Earning AFUDC</u>	<u>CWIP @ 3/31/07 By Unit Earning AFUDC</u>
SS104	Spurlock #1	446,742	
SS105	Spurlock #1	2,674,732	
SS106	Spurlock #1	9,000	
	Subtotal		9,592,817
SS200	Spurlock #2	1,095,051	
SS201	Spurlock #2	44,360,986	
SS204	Spurlock #2	1,340,549	
SS206	Spurlock #2	4,373,745	
SS208	Spurlock #2	4,737,246	
SS209	Spurlock #2	256,129	
SS210	Spurlock #2	477,017	
	Subtotal		56,640,723
Total Projects Earning AFUDC			372,796,642
Actual AFUDC Interest Rate at 3/31/07 - (KIUC 2-33)			<u>5.42%</u>
Annualized AFUDC Based on 3/31/07 Actuals			<u>20,213,034</u>
Annualized AFUDC Included in Filing (Exhibit F Summary)			<u>22,110,159</u>
Revenue Requirement Increase for AFUDC Based on 3/31/07 Actuals			<u>1,897,125</u>

EXHIBIT __ (LK-6)

East Kentucky Power Cooperative, Inc.
Case Number 2006-00472
Adjust Annualized Interest Income Based on 3/31/07 Actuals

Monthly Interest Income at 3/31/07 (KIUC 2-41, p. 3 of 15)	937,681
Remove Temp Cash Investment Interest Income for 3/31/07	(410,935)
Remove RUS Cushion of Credit Interest income for 3/31/07	(232,135)
Add Temp Cash Investment Interest Income Based on 3/31/07 Ending Balance	435,941
Add RUS Cushion of Credit Interest Income Based on 3/31/07 Ending Balance	<u>227,600</u>
Adjusted Interest Income at 3/31/07	958,152
Multiply by 12 Months	<u>x 12</u>
Annualized Interest Income Based on 3/31/07 Monthly Amount	11,497,821
Annualized Interest Income Included in Company's Filing (Schedule 2) (Before Adjustment 20 - Will not Change)	<u>4,256,204</u>
Adjustment Required to Restate Annualized Interest Income	<u><u>7,241,617</u></u>

Accounts Earning Interest Income (KIUC 2-41)

Acct	Description	2/28/2007 Balances	3/31/2007 Balances	3/31/2007 Int Rate	Annual Interest	Monthly Interest
12322	Invest in CFC Cap Subord Trm	8,201,493	8,195,369	Range		
12323	Oth Invest in Assoc Organization	1,891,612	1,891,612	Range		
12325	Low Int Loan Prg for Memb Coop	66,052	63,682	Range		
12328	COOP Industrial Dev Loans	914,567	916,908	Range		
12329	Oth Invest COOP Propane Buyout	3,345,031	3,321,123	7.75%		
12451	Oth Invst Poll Cont Bond Spur2	14,130,000	14,130,000	5.08%		
12452	Oth Invst Poll Cont Bond Smth	5,963,000	5,963,000	5.08%		
12455	Oth Invst Cooper Poll Bond DSR	1,073,066	1,073,066	4.50%		
12456	Oth Invst Coop Poll Bond Disc	(1,079)	(1,073)	4.50%		
12461	Oth Inv LT Rec InInd Cont	4,348,311	4,306,282	8.59%		
12805	Oth Spec Funs Esc Dep Ins Bond	23,549,915	23,660,759	Range		
13601	Temp Cash Invst	82,432,500	102,353,500	5.111%-5.227%	5,231,287	435,941
13602	Temp Cash Invst Cpr Poll Bond Fd	23,625	23,625	5.33%		
13606	Temp Cash Invst Spur Poll Bond Fd	960		None		
22460	Cushion of Credit Account	54,664,104	54,624,042	5.00%	2,731,202	227,600

13601 Temp Cash Invst Computed at the lowest end of the stated range for this analysis.