

BOEHM, KURTZ & LOWRY

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

RECEIVED
JUN 26 2008
PUBLIC SERVICE
COMMISSION

Via Overnight Mail

June 25, 2008

Stephanie Stumbo, Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort, Kentucky 40602

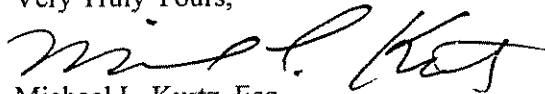
Re: Case No. 2008-00115

Dear Ms. Stumbo:

Please find enclosed the original and twelve (12) copies of the DIRECT TESTIMONY AND EXHIBITS OF KENTUCKY INDUSTRIAL UTILITY CUSTOMERS, INC. filed in the above-referenced matter. By copy of this letter, all parties listed on the Certificate of Service have been served.

Please place this document of file.

Very Truly Yours,



Michael L. Kurtz, Esq.

Kurt J. Boehm, Esq.

BOEHM, KURTZ & LOWRY

MLKkew
Attachment

cc: Certificate of Service

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing was served by mailing a true and correct copy, by first-class postage prepaid mail, to all parties on the 25th day of June, 2008.

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

Honorable David A Smart
Attorney at Law
East Kentucky Power Cooperative, Inc.
4775 Lexington Road
P. O. Box 707
Winchester, KY 40392-0707



Michael L. Kurtz, Esq.
Kurt J. Boehm, Esq.

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED
JUN 26 2008
PUBLIC SERVICE
COMMISSION

IN THE MATTER OF:

THE APPLICATION OF EAST KENTUCKY)
POWER COOPERATIVE, INC., FOR)
APPROVAL OF AN AMENDMENT TO ITS) CASE NO. 2008-00115
ENVIRONMENTAL COMPLIANCE PLAN)
AND ENVIRONMENTAL SURCHARGE)

DIRECT TESTIMONY
AND EXHIBITS
OF
LANE KOLLEN

ON BEHALF OF THE
KENTUCKY INDUSTRIAL UTILITY CUSTOMERS, INC.

J. KENNEDY AND ASSOCIATES, INC.
ROSWELL, GEORGIA

JUNE 2008

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

THE APPLICATION OF EAST KENTUCKY)	
POWER COOPERATIVE, INC., FOR)	
APPROVAL OF AN AMENDMENT TO ITS)	CASE NO. 2008-00115
ENVIRONMENTAL COMPLIANCE PLAN)	
AND ENVIRONMENTAL SURCHARGE)	

TABLE OF CONTENTS

I. QUALIFICATIONS AND SUMMARY.....	2
II. COMMISSION SHOULD REJECT PROPOSED INCREASE IN TIER FROM 1.15 TO 1.35.....	8
III.COMMISSION SHOULD EXCLUDE SPURLOCK 1, 2 AND 4 COSTS ALREADY RECOVERED IN EXISTING RATES	13
IV.COMMISSION SHOULD REJECT ATTEMPT TO RECOVER CARRYING COSTS ON PROJECTS TWICE	20

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

THE APPLICATION OF EAST KENTUCKY)	
POWER COOPERATIVE, INC., FOR)	
APPROVAL OF AN AMENDMENT TO ITS)	CASE NO. 2008-00115
ENVIRONMENTAL COMPLIANCE PLAN)	
AND ENVIRONMENTAL SURCHARGE)	

DIRECT TESTIMONY OF LANE KOLLEN

I. QUALIFICATIONS AND SUMMARY

1
2
3
4
5
6
7
8
9
10
11
12
13

Q. Please state your name and business address.

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

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

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

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

2

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

8

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

19

20 I have appeared as an expert witness on planning, ratemaking, accounting,
21 finance, and tax issues before regulatory commissions and courts at the federal
22 and state levels on nearly two hundred occasions, including the Kentucky Public
23 Service Commission ("Commission"). I have developed and presented papers at

1 various industry conferences on ratemaking, accounting, and tax issues. My
2 qualifications and regulatory appearances are further detailed in my
3 Exhibit___(LK-1).

4
5 **Q. On whose behalf are you testifying?**

6
7 A. I am testifying on behalf of the Kentucky Industrial Utility Customers, Inc.
8 (“KIUC”), a group consisting of large customers taking electric service from East
9 Kentucky Power Cooperative, Inc. (“EKPC” or the “Company”) through its
10 member distribution cooperatives.

11
12 **Q. What is the purpose of your testimony?**

13
14 A. The purpose of my testimony is to address the Company’s proposed recovery
15 through the environmental cost recovery (“ECR”) surcharge of Projects 5-10
16 identified on Mr. Eames Exhibit DGE-1 and to address the Company’s proposed
17 increase in the TIER from 1.15 to 1.35 for all projects, both the existing projects
18 and new projects.

19
20 **Q. Please summarize your testimony.**

21
22 A. I recommend that the Commission modify the Company’s proposed ratemaking
23 recovery for both the existing and proposed new projects. My recommendations

1 have the net effect of reducing the Company's request by at least \$29.948 million
2 from \$64.0 million, although \$18.982 million of this reduction is due simply to
3 the Company's failure to incorporate the reductions in SO₂ and NO_X emission
4 allowance expense in the quantification of its request.

5
6 I recommend that the Commission adopt the following modifications to the
7 Company's proposed ratemaking recovery.

8
9 First, I recommend that the Commission reject the Company's request to increase
10 the existing TIER from 1.15 to 1.35. Maintaining the existing approved TIER of
11 1.15 reduces the Company's requested increase by \$5.018 million for the new
12 projects. Maintaining the existing approved TIER of 1.15 reduces the effect of
13 the Company's proposal by another \$2.044 million for the projects previously
14 approved in Case No. 2004-00321. If anything, the Commission should reduce
15 the existing TIER, not increase it, due to the extremely low level of risk
16 associated with cost recovery through the ECR and also due to the recovery of a
17 more than sufficient TIER through base rates.

18
19 Second, I recommend that the Commission exclude all interest, TIER margin and
20 operating expense amounts from the ECR related to the new projects and
21 displaced/replaced old projects and costs that already are included in the existing
22 base rates established in Case No. 2006-00472. Increasing the base
23 environmental surcharge factor ("BESF") to exclude all related costs already

1 recovered in existing base rates reduces the Company's requested increase by
2 \$3.904 million.

3
4 The Company already recovers amounts in existing base rates for a portion of the
5 interest expense, TIER margin and operating expenses related to the Spurlock 1
6 and 2 scrubbers and the Spurlock 4 environmental costs reflected in the test year
7 ending September 30, 2006 used in Case No. 2006-00472. Pursuant to KRS
8 §278.183(2), costs already recovered in "existing rates" may not also be
9 recovered through the ECR. The Commission consistently has required that all
10 costs related to or displaced by the new environmental projects already recovered
11 in existing rates be used to reduce the environmental surcharge. The Commission
12 has done so by including such costs in the BESF, which is subtracted from the
13 current environmental surcharge factor ("CESF") to compute the monthly
14 environmental surcharge factor ("MESF") applied to total revenues each month.

15
16 Third, I recommend that the Commission reduce the Company's request by at
17 least \$18.982 million to reflect the reduction in purchased SO₂ and NO_x
18 emission allowance expense (savings) that will be achieved when Projects 6-9 are
19 completed. The Company already recovers emission allowance expense through
20 the ECR pursuant to the Settlement Agreement in Case No. 2004-00321.
21 Consequently, the reductions in emission allowance expense will be flowed
22 through the Company's ECR when these projects are completed and operational.

1 Finally, I recommend that the Commission reject the Company's proposal to
2 recover the interest and TIER associated with the new projects during
3 construction and also to continue to accrue and add allowance for funds during
4 construction ("AFUDC") to the projects' costs for "accounting purposes." Such a
5 proposal will result in a double recovery of the same costs, once through current
6 recovery of these carrying costs during construction through the ECR and then a
7 second and subsequent recovery of these same costs through base rates. The
8 Company's proposal is ill-conceived and violates basic ratemaking principles that
9 provide for recovery of prudently incurred and reasonable costs only once, not
10 twice. To ensure there are no future surprises related to this issue, the
11 Commission should direct EKPC not to accrue and add AFUDC to its
12 construction costs on these projects once the costs are included in the ECR. In
13 addition, the Company's proposal suggests that the Company's accounting for
14 AFUDC is not correct if it accrues and adds AFUDC to all CWIP costs regardless
15 of the amount reflected in the interest and TIER recovered in present base rates.
16 The Commission may want to investigate the broader implications of the
17 Company's request.

18

19 I sequentially address each of these issues in the following sections of my
20 testimony.

1 **II. COMMISSION SHOULD REJECT PROPOSED INCREASE IN TIER FROM**
2 **1.15 TO 1.35**

3
4 **Q. Please describe the Company’s proposal to increase the present TIER.**

5
6 A. The Company proposes to increase its authorized TIER from 1.15 to 1.35 on all
7 projects included in the ECR. This proposal affects not only the new projects for
8 which it seeks approval in this proceeding, but also the existing projects
9 previously approved in Case No. 2004-00321.

10
11 **Q. What is the basis for the Company’s proposal?**

12
13 A. The only basis cited by the Company is that the Commission authorized a TIER
14 of 1.35 in its recent base rate proceeding, Case No. 2006-00472.

15
16 **Q. Is an increase in the TIER from 1.15 to 1.35 appropriate?**

17
18 A. No. There is no valid rationale to increase the TIER from 1.15 to 1.35 for ECR
19 purposes. If anything, there are valid reasons to reduce the TIER to no more than
20 1.05. First, the minimum required by the Rural Utilities Service (“RUS”) under
21 various loan covenants is a TIER of 1.05. The existing TIER of 1.15 for ECR
22 projects already provides a significant margin over the minimum required by the

1 RUS. A TIER of 1.35 will triple the existing margin over the minimum required
2 by the RUS. Such an increase is extreme and is unnecessary.

3
4 Second, the TIER of 1.35 set by the Commission in Case No. 2006-00472 was
5 due to exceptional circumstances at that time that are not relevant factors in the
6 Commission's determination of the TIER in this proceeding. At that time, the
7 Company's financial condition was precarious and the Company was at severe
8 risk of violating the loan covenants on its outstanding debt, a condition that was
9 largely self-imposed. The Commission granted an interim increase based on
10 financial need. The Commission subsequently justified and granted a
11 continuation of the interim increase in the permanent phase of that proceeding by
12 using a TIER of 1.35, a level that would allow the Company to weather its
13 financial difficulties and proceed with the construction of Spurlock 4. In the Case
14 No. 2006-00472 Order, the Commission succinctly stated the basis for its use of
15 the TIER of 1.35 in that proceeding as follows:

16
17 **The Commission finds that the use of a 1.35X TIER is reasonable for**
18 **EKPC, given the current financial condition of EKPC and its need to**
19 **comply with the requirements of the RUS mortgage agreement and**
20 **the unsecured credit facility.**
21

22 On this basis, the Commission authorized the 1.35 TIER, although it noted that
23 even at this level, it still failed to fully justify the continuation of the \$19 million
24 interim increase on a permanent basis on a revenue requirement basis. Although
25 there was a serious concern in Case No. 2006-00472 over the Company's

1 financial condition, no such concern exists with respect to its recoveries through
2 the ECR, nor should any such prior concern be imputed into the ECR to support
3 an excessive TIER margin.

4
5 *In addition, the financial need for such an excessive TIER has greatly diminished*
6 *since the increases were granted in Case No. 2006-00472. In fact, the Company's*
7 *actual TIER for calendar year 2007 was 1.41, a dramatic increase over the 1.13*
8 *for calendar year 2006. Further, the Company's actual TIER for the twelve*
9 *months ending each month from January 2008 through April 2008 ranged from a*
10 *low of 1.40 to a high of 1.56. These actual TIERS were based on all margins,*
11 *both base and environmental even though the environmental TIER was set at*
12 *1.15. Thus, the actual non-environmental TIERS were substantially higher than*
13 *even the total Company TIERS would suggest.*

14
15 Third, there is much lower risk with ECR recovery than base rate recovery
16 because there is dollar for dollar recovery through the ECR on a nearly
17 contemporaneous basis. The reduced risk argues for a TIER of less than 1.15 for
18 ECR purposes, not a TIER equal to the risk, now greatly diminished, of base rate
19 cost recovery.

20
21 Fourth, there is no precedential value in the TIER of 1.35 established by the
22 Commission for base rates in Case No. 2006-00472, particularly given the
23 circumstances of financial need in that case. If the Commission considered it

1 important to use a consistent *TIER* for base and *ECR* rates, then the Commission
2 would have set the *TIER* at 1.15 in Case No. 2006-00472, the same as the *TIER*
3 authorized for the *ECR*. If the *TIER* for the *ECR* isn't precedential for base rates,
4 then the *TIER* for base rates should not be precedential for *ECR* rates.

5
6 Fifth, in addition to the divergence in the present *TIER*s between the Company's
7 base rates and *ECR* rates, the Company itself proposes a pollution control debt-
8 only 5.29% return on its *ECR* rate base investment, which is less than the overall
9 interest return of 5.75% used by the Commission in Case No. 2006-00472. The
10 Company's requested *ECR* return of 5.29% is detailed in its response to KIUC 1-
11 5, a copy of which I have attached as my Exhibit___(LK-2). There are similar
12 other instances of such divergent returns for other jurisdictional utilities. For
13 example, the Commission initially authorized pollution control-debt only rates of
14 return for Louisville Gas and Electric and Kentucky Utilities in their *ECR* rates,
15 returns that were substantially less than the returns authorized through their base
16 rates.

17
18 **Q. Have you quantified the effect of the Company's proposal to increase the**
19 ***TIER* from 1.15 to 1.35?**

20
21 A. Yes. The effect is to reduce the Company's request by \$5.018 million for the new
22 projects and by \$2.044 for the projects previously approved in Case No. 2004-
23 00321. I quantified the effect on the new projects by using the total investment

1 for Projects 5-10 of \$474.3 million shown on Mr. Bosta's Exhibit WAB-2 times
2 the 5.29% pollution control debt only interest rate included in the 14.3% fixed
3 charge rate shown on that same exhibit, the details of which were provided in
4 response to KIUC 1-5 as previously noted, times 0.20, the difference between the
5 proposed TIER of 1.35 and the existing TIER of 1.15.

6
7 I quantified the effect on the existing projects by multiplying the Company's ECR
8 rate base investment of \$210.289 million from the May 2008 ECR report times
9 the 4.86% pollution control-only debt rate from the May 2008 ECR report times
10 the 0.20 difference between the proposed TIER of 1.35 and the existing TIER of
11 1.15.

1 **III. COMMISSION SHOULD EXCLUDE SPURLOCK 1, 2 AND 4 COSTS**
2 **ALREADY RECOVERED IN EXISTING RATES**

3
4 **Q. Please describe the Company's proposal to address the costs already**
5 **recovered in existing base rates related to the new projects.**

6
7 A. The Company has proposed no reduction in its requested recovery through the
8 ECR for the costs related to these projects that already are recovered in existing
9 base rates, except for the interest, TIER margin and operating (depreciation,
10 property taxes and insurance and O&M) expenses associated with the existing
11 Spurlock 2 scrubber.

12
13 **Q. Please describe the costs related to the new projects that already are included**
14 **in existing base rates.**

15
16 A. In addition to the costs of the existing Spurlock 2 scrubber that the Company
17 proposes to exclude for the ECR, the Company also recovers through existing
18 base rates the interest and TIER margin associated with the construction work in
19 progress ("CWIP") balances related to these projects as of September 30, 2006.

20
21 **Q. Why should these costs be excluded from ECR recovery?**
22

1 A. The Company is entitled to recovery of the reasonable costs of approved projects
2 through the ECR, but only for amounts that are not otherwise recovered through
3 “existing rates.” KRS § 278.183(2) states the following:

4
5 **Recovery of costs pursuant to subsection (1) of this section that are**
6 **not already included in existing rates shall be by environmental**
7 **surcharge to existing rates imposed as a positive or negative**
8 **adjustment to customer bills in the second month following the month**
9 **in which costs are incurred.**
10

11 **Q. What is the amount of the CWIP related costs (interest and TIER margin)**
12 **already included in existing base rates for these projects?**

13

14 A. The interest expense and TIER margin related to these projects already recovered
15 in existing base rates is \$3.904 million. In Case No. 2006-00472, the
16 Commission included the interest and TIER margin related to the September 30,
17 2006 CWIP balances of Project 7 (Spurlock 2 scrubber), Project 8 (Spurlock 1
18 scrubber) and Project 9 (Spurlock 4 environmental equipment). The CWIP
19 balances at September 30, 2006 were \$21.003 million for Project 7, \$1.392
20 million for Project 8 and \$27.893 million (15% times total Spurlock 4 CWIP of
21 \$185.955 million) for Project 9. The Commission used an interest rate of 5.75%
22 and a TIER margin of 1.35 to compute the interest expense and TIER margin in
23 Case No. 2006-00472. I computed the interest expense and TIER margin in
24 existing rates by multiplying \$50.288 million, the sum of the CWIP amounts for
25 these three projects at September 30, 2006, times the 5.75% interest rate times the
26 TIER of 1.35.

1

2 The Company provided the amounts for the Project 7 and 8 CWIP investments at
3 September 30, 2006 used by the Commission for this purpose in response to Staff
4 1-3(a). The Company also provided the total Spurlock 4 CWIP investment at
5 September 30, 2006 used by the Commission in establishing the base rates in
6 Case No. 2006-00472 in response to Staff 1-3(a). However, it footnoted the
7 Spurlock 4 CWIP amount, noting that "These amounts represent the entire
8 Spurlock 4 project costs at 9/30/06, without considering the pollution control
9 facilities in isolation." I have replicated this response as my Exhibit__(4).

10

11 The Company subsequently claimed that none of the Spurlock 4 CWIP
12 investment at September 30, 2006 was related to the environmental costs in
13 response to Staff 2-1, which I have replicated as my Exhibit__(5). However, I
14 have assumed that 15% of the Spurlock 4 CWIP balance at September 30, 2006
15 used by the Commission to compute the interest expense and TIER margin was
16 due to environmental equipment, which is the same assumption used by the
17 Company in quantifying the effect of its request for Project 10 as detailed in Mr.
18 Bosta's Exhibit WAB-3 page 1 of 2.

19

20 **Q. Why did you use 15% of the Spurlock 4 CWIP balance at September 30,**
21 **2006 to quantify the amount for this project included in existing rates given**
22 **the Company's position that none of the CWIP at that date was for**
23 **environmental equipment?**

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23

A. The use of 15% is consistent with the Company's determination that 15% of the Spurlock 4 capital cost is for environmental equipment. The capital cost for the environmental equipment is detailed by "Item" on Mr. Craig Johnson's Exhibit CAJ-1, which I have replicated as my Exhibit__(LK-3). The Company's computation of the 15% is detailed in its response to KIUC 1-3, which is based on the capital cost for environmental equipment developed by Mr. Johnson divided by the total Spurlock 4 capital cost. I have replicated the response to KIUC 1-3 as my Exhibit__(LK-4). The environmental equipment is embedded throughout the Spurlock 4 unit. Nearly half of it is incorporated in the CFB boiler, equipment that is inherent to the circulating fluidized bed ("CFB") technology used in the unit.

In addition, the Company's claim that "the pollution control portion of CWIP at September 30, 2006 is \$0" for Spurlock 4 is based on the assertion that "no pollution control equipment had been erected," according to its response to Staff 2-1. However, this response and the basis for the response ignores the fact that the Company already had incurred costs for engineering and design work and permitting and had incurred construction costs that were required for this equipment. The Company's claim that "no pollution control equipment had been erected" is not the relevant test. The test is whether costs had been incurred related to the equipment identified by Mr. Johnson on his Exhibit CAJ-1.

1 **Q. Did the Company reflect the savings due to significantly lower emission**
2 **allowance expense once the new projects are completed as an offset to its**
3 **\$64.0 million quantification of the ECR revenue requirement due to these**
4 **projects?**

5

6 A. No. These new projects will result in significant reductions in SO₂ and NO_x
7 emission allowance expense. These expenses are recovered through the ECR.
8 Thus, reductions in these allowance expenses necessarily will reduce the ECR
9 revenue requirement and should be reflected in the quantification of the ECR
10 revenue requirement due to these projects.

11

12 **Q. What is the amount of the savings offset that should be reflected in the**
13 **Company's quantification of the effect on the ECR revenue requirement?**

14

15 A. The impact is a savings in the ECR revenue requirement of at least \$18.982
16 million, consisting of an estimated \$10.382 million in SO₂ allowance expense at
17 Spurlock 2 in 2009 (\$12.192 million in 2010), \$8.355 million in SO₂ allowance
18 expense at Spurlock 1 in 2009 (\$9.811 million in 2010) and \$0.245 million in
19 NO_x allowance expense for the Dale and Spurlock units.

20

21 **Q. Please describe how you quantified the effect of the emission allowance**
22 **expense savings.**

23

1 **A.** The Company provided the information for the SO₂ savings computation related
2 to Project 7 (Spurlock 2 scrubber) in response to KIUC 2-14(g) and (i). The
3 Company quantified 19,889 tons of avoided SO₂ emissions compared to the test
4 year ending September 30, 2006. The Company projects that the weighted
5 average cost of SO₂ allowances in 2009 will be \$522 per ton and in 2010 will be
6 \$613 per ton. There also will be a rate base reduction due to a lower SO₂
7 allowance inventory amount, but I have not quantified this effect on the ECR
8 revenue requirement. I have replicated a copy of the Company's response to
9 KIUC 2-14 as my Exhibit ___(LK-5).

10

11 The Company provided the information for the SO₂ savings computation related
12 to Project 8 (Spurlock 1 scrubber) in response to KIUC 2-16. The Company
13 quantified 16,005 tons of avoided SO₂ emissions compared to the test year ending
14 September 30, 2006. The Company projects that the weighted average cost of
15 SO₂ allowances in 2009 will be \$522 per ton and in 2010 will be \$613 per ton.
16 There also will be a rate base reduction, but I have not quantified this effect on the
17 ECR revenue requirement. I have replicated a copy of the Company's response to
18 KIUC 2-16 as my Exhibit ___(LK-6).

19

20 The Company provided the information for the NO_x savings computation for
21 project 6 at the Dale and Spurlock stations in response to KIUC 2-17. The
22 Company quantified the savings as \$0.245 million annually based on the weighted

1 average cost of NOX allowances during the test year in Case No. 2006-00472. I
2 have replicated the Company's response to KIUC 2-17 as my Exhibit ___(LK-7).

1 **IV. COMMISSION SHOULD REJECT ATTEMPT TO RECOVER CARRYING**
2 **COSTS ON PROJECTS TWICE**

3

4 **Q. Please describe the Company's proposal to recover the carrying costs on**
5 **CWIP through the ECR and also to accrue and AFUDC to the CWIP cost for**
6 **accounting purposes.**

7

8 A. The Company's proposal is introduced by Mr. Eames and described in more
9 detail by Ms. Wood in their Direct Testimonies. Mr. Eames proposes that there
10 be a change in the existing tariff to specifically exclude AFUDC and replace the
11 term "Construction Work in Progress" with the term "CWIP, net of AFUDC." He
12 claims that this is "consistent with the practice of other utilities and the
13 requirements of the statute." (Eames Direct at 5).

14

15 Ms. Wood states that the "proposed tariff change recognizes that EKPC should
16 receive a return on the actual construction costs only, as EKPC is recognizing
17 AFUDC on the income statement during the construction period. Applying a rate
18 of return to the CWIP balance including AFUDC would appear to be double
19 counting. This change will allow EKPC to apply the rate of return to the proper
20 CWIPO balance during the period of construction."

21

22 **Q. Is it proper to recover the carrying cost on CWIP by including the amount in**
23 **the ECR and also to accrue and add AFUDC to the CWIP amount?**

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22

A. No. The Company incurs interest expense associated with the CWIP. If the Company recovers a current return on the CWIP from ratepayers through the ECR or base rates, then it already has recovered the interest expense. AFUDC or interest during construction is accrued and added to the cost of the CWIP only if the interest expense is not currently recovered. AFUDC represents a deferral of the interest expense incurred and when added to the CWIP is recovered from ratepayers over the life of the project through depreciation expense plus an interest and TIER return on the depreciated cost of the project. Thus, a utility cannot both recover its interest expense currently and also defer the interest expense as AFUDC and recover it a second time.

Q. EKPC appears to suggest that it is concerned about this issue because of its current accounting and that it “would appear to be double counting.” Please respond.

A. If the Company continues to accrue and add AFUDC to its CWIP costs, including the CWIP for various projects used in Case No. 2006-00472 to compute the interest expense and TIER margin for base rates and including the environmental CWIP for various projects authorized in Case No. 2004-00321, the Company’s initial ECR proceeding, to compute the ECR surcharge, then the Company indeed has double counted. Such a double counting is a serious problem, not only for

1 purposes of the ECR, but also for purposes of the Company's accounting and base
2 ratemaking recovery.

3

4 If the Company's representation is correct, then it already has overstated its CWIP
5 and plant in service costs by improperly accruing AFUDC at the same time it
6 obtained current recovery of its interest costs through base rates and ECR rates.

7

8 **Q. Mr. Eames asserts that the Company's proposal is "consistent with the**
9 **practice of other utilities and the requirements of the statute." Please**
10 **respond.**

11

12 A. The Company's proposal is not consistent with the practice of other utilities in the
13 state for one fundamental reason. None of the three other jurisdictional electric
14 utilities with ECRs, Kentucky Power Company, Louisville Gas and Electric
15 Company and Kentucky Utilities Company, compute AFUDC on any of their
16 Kentucky jurisdictional CWIP, regardless of whether it is environmental or non-
17 environmental. Thus, they do not and cannot earn both a current return on CWIP
18 through the ECR for environmental projects and an AFUDC return for the same
19 carrying costs as proposed by the Company.

20

21 **Q. Have you been able to confirm that it is the Company's position that it**
22 **proposes to recover the interest and TIER margin on CWIP included in the**

1 **ECR and also to accrue and add AFUDC to the CWIP cost for “accounting**
2 **purposes?”**

3

4 A. Yes. In response to KIUC 2-13, the Company confirmed that its proposal was as
5 I have described in response to parts (a) and (b) of this request. I have replicated
6 a copy of the request and the Company’s response as my Exhibit___(LK-8).

7

8 **Q. In its response to KIUC 2-13(c) and (d), the Company provides an**
9 **“illustration” in support of its position that excluding the AFUDC from the**
10 **CWIP included in the ECR ensures there is no “double counting.” Please**
11 **respond.**

12

13 A. The Company’s illustration addresses only the ECR revenue recovery, but fails to
14 address the fact that the AFUDC added to the CWIP cost for “accounting
15 purposes” not only is improper, but also increases the base revenue requirement.
16 Based on the Company’s illustration of its proposal, it includes CWIP, net of
17 AFUDC, in the ECR rate base throughout the project’s construction period and
18 recovers \$50,000 throughout the construction period through the ECR for the
19 interest. The Company also accrues and adds \$50,000 to the CWIP amount for
20 AFUDC for “accounting purposes, which increases the cost of the CWIP to
21 \$1,000,000 even though it already recovered the \$50,000 interest through the
22 ECR.

23

1 Although there is no double counting through the ECR itself, once the \$50,000 is
2 recovered through base rates, there indeed is a double counting. Thus, the
3 problem of double recovery remains and is not resolved by the Company's
4 proposal to simply exclude AFUDC from the CWIP costs included in the ECR.

5
6 **Q. How should the Commission proceed on this issue?**

7
8 A. There are two concerns that must be addressed. The first concern is to address the
9 Company's proposal in this case for the new environmental projects that already
10 are being constructed and that already have AFUDC included in their CWIP
11 costs. To the extent that the CWIP balances at September 30, 2006 for these
12 projects were used to compute the interest expense and TIER margin included in
13 the base rates established in Case No. 2006-0472, then any AFUDC computed on
14 these CWIP amounts subsequent to December 5, 2007, the date of the
15 Commission's Order in Case No. 2006-00472 in the permanent phase of that
16 proceeding, should be excluded from the CWIP in the ECR rate base. In addition,
17 the Commission should require that this AFUDC excluded from CWIP for ECR
18 purposes be permanently written off from the projects' costs because it was
19 improperly added to the projects' costs and never should be recovered from
20 ratepayers in any ratemaking proceeding. The projects with CWIP balances at
21 September 30, 2006 that were used to compute the interest expense and TIER
22 margin were Projects 7, 8 and 9, as I previously discussed.

23

1 In addition to excluding the improperly computed AFUDC from the ECR CWIP
2 and from the interest and TIER margin in base rates, the Commission should
3 include all properly computed AFUDC as of the date the CWIP is first included in
4 the ECR rate base for those projects. There is no reason to exclude properly
5 computed AFUDC from the ECR rate base if the Company discontinues all
6 AFUDC on those CWIP amounts once they are included in rate base. Finally, the
7 Commission should direct EKPC to cease all AFUDC on these projects after the
8 CWIP is first included in the ECR because the Company will recover its interest
9 and TIER margins through the ECR thereafter as it incurs the underlying interest
10 expense throughout the remainder of the projects' construction.

11
12 The second concern extends beyond the ECR recoveries authorized in this
13 proceeding. This concern is with the cost of the Company's other CWIP and
14 plant in service that is not recovered through the ECR, but that is overstated
15 because the Company has improperly computed AFUDC while earning a current
16 return on the CWIP. This primarily would affect the period subsequent to
17 December 5, 2007, the date of the Commission's Order in Case No. 2006-00472
18 in the permanent phase of that proceeding, which established the present base
19 rates. The Commission should initiate an investigation to address the Company's
20 AFUDC accounting and to ensure that ratepayers do not pay for the same costs
21 twice.

22
23 **Q. Does this complete your testimony?**

1

2 A. Yes.

EXHIBIT ____ (L.K-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, Maryland, Minnesota, New York, North Carolina, Ohio, Pennsylvania, Tennessee, Texas, West Virginia and Wisconsin state regulatory commissions and the Federal Energy Regulatory Commission.

1983 to

1986:

Energy Management Associates: Lead Consultant.

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

1976 to

1983:

The Toledo Edison Company: Planning Supervisor.

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

Rate phase-ins.

Construction project cancellations and write-offs.

Construction project delays.

Capacity swaps.

Financing alternatives.

Competitive pricing for off-system sales.

Sale/leasebacks.

RESUME OF LANE KOLLEN, VICE PRESIDENT

CLIENTS SERVED

Industrial Companies and Groups

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

Regulatory Commissions and Government Agencies

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

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 April 2008**

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.
7/87	86-524 E-SC Rebuttal	WV	West Virginia Energy Users' Group	Monongahela Power Co.	Revenue requirements, Tax Reform Act of 1986

**Expert Testimony Appearances
of
Lane Kollen
As of April 2008**

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

**Expert Testimony Appearances
of
Lane Kollen
As of April 2008**

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

**Expert Testimony Appearances
of
Lane Kollen
As of April 2008**

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

**Expert Testimony Appearances
of
Lane Kollen
As of April 2008**

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

**Expert Testimony Appearances
of
Lane Kollen
As of April 2008**

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

**Expert Testimony Appearances
of
Lane Kollen
As of April 2008**

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

**Expert Testimony Appearances
of
Lane Kollen
As of April 2008**

Date	Case	Jurisdct.	Party	Utility	Subject
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.
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

**Expert Testimony Appearances
of
Lane Kollen
As of April 2008**

Date	Case	Jurisdic.	Party	Utility	Subject
6/95	3905-U	GA	Georgia Public Service Commission	Southern Bell Telephone Co.	Incentive regulation, affiliate transactions, revenue requirements, <i>rate refund</i> .
6/95	U-19904 (Direct)	LA	Louisiana Public Service Commission Staff	Gulf States Utilities Co.	Gas, coal, nuclear fuel costs, contract prudence, base/fuel realignment.
10/95	95-02614	TN	Tennessee Office of the Attorney General Consumer Advocate	BellSouth Telecommunications, Inc.	Affiliate transactions.
10/95	U-21485 (Direct)	LA	Louisiana Public Service Commission Staff	Gulf States Utilities Co.	Nuclear O&M, River Bend phase-in plan, base/fuel realignment, NOL and AltMin asset deferred taxes, other revenue requirement issues
11/95	U-19904 (Surrebuttal)	LA	Louisiana Public Service Commission Staff	Gulf States Utilities Co. Division	Gas, coal, nuclear fuel costs, contract prudence, base/fuel realignment.
11/95	U-21485 (Supplemental Direct) 12/95 U-21485 (Surrebuttal)	LA	Louisiana Public Service Commission Staff	Gulf States Utilities Co.	<i>Nuclear O&M, River Bend phase-in plan, base/fuel realignment, NOL and AltMin asset deferred taxes, other revenue requirement issues</i>
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.

**Expert Testimony Appearances
of
Lane Kollen
As of April 2008**

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

**Expert Testimony Appearances
of
Lane Kollen
As of April 2008**

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

**Expert Testimony Appearances
of
Lane Kollen
As of April 2008**

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

**Expert Testimony Appearances
of
Lane Kollen
As of April 2008**

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

**Expert Testimony Appearances
of
Lane Kollen
As of April 2008**

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

**Expert Testimony Appearances
of
Lane Kollen
As of April 2008**

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

**Expert Testimony Appearances
of
Lane Kollen
As of April 2008**

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

**Expert Testimony Appearances
of
Lane Kollen
As of April 2008**

Date	Case	Jurisdct.	Party	Utility	Subject
01/01	U-21453, U-20925, U-22092 (Subdocket B) Surrebuttal	LA	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
02/01	A-110300F0095 PA A-110400F0040		Met-Ed Industrial Users Group Penelec Industrial Customer Alliance	GPU, Inc FirstEnergy Corp/	Merger, savings, reliability
03/01	P-00001860 PA P-00001861		Met-Ed Industrial Users Group Penelec Industrial Customer Alliance	Metropolitan Edison Co. and Pennsylvania Electric Co.	Recovery of costs due to provider of last resort obligation.
04 /01	U-21453, U-20925, U-22092 (Subdocket B) Settlement Term Sheet	LA	Louisiana Public Public Service Comm Staff	Entergy Gulf States, Inc	Business separation plan: settlement agreement on overall plan structure.
04 /01	U-21453, U-20925, U-22092 (Subdocket B) Contested Issues	LA	Louisiana Public Public Service Comm. Staff	Entergy Gulf States, Inc	Business separation plan: agreements, hold harmless conditions, separations methodology
05 /01	U-21453, U-20925, U-22092 (Subdocket B) Contested Issues Transmission and Distribution Rebuttal	LA	Louisiana Public Public Service Comm Staff	Entergy Gulf States, Inc	Business separation plan: agreements, hold harmless conditions, Separations methodology

**Expert Testimony Appearances
of
Lane Kollen
As of April 2008**

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

**Expert Testimony Appearances
of
Lane Kollen
As of April 2008**

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

**Expert Testimony Appearances
of
Lane Kollen
As of April 2008**

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

**Expert Testimony Appearances
of
Lane Kollen
As of April 2008**

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

**Expert Testimony Appearances
of
Lane Koellen
As of April 2008**

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

**Expert Testimony Appearances
of
Lane Kollen
As of April 2008**

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

**Expert Testimony Appearances
of
Lane Kollen
As of April 2008**

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

**Expert Testimony Appearances
of
Lane Kollen
As of April 2008**

Date	Case	Jurisdct.	Party	Utility	Subject
10/07	05-UR-103 Direct	WI	Wisconsin Industrial Energy Group	Wisconsin Electric Power Company Wisconsin Gas, LLC	Revenue requirements, carrying charges on CWIP, amortization and return on regulatory assets, working capital, incentive compensation, use of rate base in lieu of capitalization, quantification and use of Point Beach sale proceeds.
10/07	05-UR-103 Surrebuttal	WI	Wisconsin Industrial Energy Group	Wisconsin Electric Power Company Wisconsin Gas, LLC	Revenue requirements, carrying charges on CWIP, amortization and return on regulatory assets, working capital, incentive compensation, use of rate base in lieu of capitalization, quantification and use of Point Beach sale proceeds.
10/07	25060-U Direct	GA	Georgia Public Service Commission Public Interest Adversary Staff	Georgia Power Company	Affiliate costs, incentive compensation, consolidated income taxes, \$199 deduction.
11/07	06-0033-E-CN Direct	WV	West Virginia Energy Users Group	Appalachian Power Company	IGCC surcharge during construction period and post-in-service date
11/07	ER07-682-000 Direct	FERC	Louisiana Public Service Commission	Entergy Services, Inc. and the Entergy Operating Companies	Functionalization and allocation of intangible and general plant and A&G expenses
01/08	ER07-682-000 Cross Answering	FERC	Louisiana Public Service Commission	Entergy Services, Inc and the Entergy Operating Companies	Functionalization and allocation of intangible and general plant and A&G expenses.
01/08	07-551-EL-AIR Direct	OH	Ohio Energy Group, Inc.	Ohio Edison Company, Cleveland Electric Illuminating Company, Toledo Edison Company	Revenue Requirements
02/08	ER07-956-000 Direct	FERC	Louisiana Public Service Commission	Entergy Services, Inc and the Entergy Operating Companies	Functionalization of expenses in account 923; storm damage expense and accounts 924, 228 1, 182 3, 254 and 407.3; tax NOL carrybacks in account 165 and 236; ADIT; nuclear service lives and effect on depreciation and decommissioning

**Expert Testimony Appearances
of
Lane Kollen
As of April 2008**

Date	Case	Jurisdct.	Party	Utility	Subject
03/08	ER07-956-000 Cross-Answering	FERC	Louisiana Public Service Commission	Entergy Services, Inc and the Entergy Operating Companies	Functionalization of expenses in account 923; storm damage expense and accounts 924, 228.1, 182.3, 254 and 407.3; tax NOL carrybacks in account 165 and 236; ADIT; nuclear service lives and effect on depreciation and decommissioning
04/08	2007-00562 And 2007-00563	KY	Kentucky Industrial Utility Customers, Inc.	Kentucky Utilities Co. Louisville Gas and Electric Co.	Merger surcredit.
04/08	26837 Direct Panel with Thomas K. Bond, Cynthia Johnson, Michelle Thebert	GA	Georgia Public Service Commission Staff	SCANA Energy Marketing, Inc	
05/08	26837 Rebuttal Panel with Thomas K. Bond, Cynthia Johnson, Michelle Thebert	GA	Georgia Public Service Commission Staff	SCANA Energy Marketing, Inc	
05/08	26837 Supplemental Rebuttal Panel with Thomas K. Bond, Cynthia Johnson, Michelle Thebert	GA	Georgia Public Service Commission Staff	SCANA Energy Marketing, Inc	

EXHIBIT ____ (LK-2)

**EAST KENTUCKY POWER COOPERATIVE, INC.
PSC CASE NO. 2008-00115
RESPONSES TO KIUC FIRST SET OF DATA REQUESTS**

KIUC'S FIRST SET OF DATA REQUESTS DATED 04/29/08

REQUEST 5

RESPONSIBLE PERSON: James C. Lamb, Jr.

COMPANY: East Kentucky Power Cooperative, Inc.

Request 5. Refer to Exhibit WAB-3 page 2 of 2. Please provide the computation of the 14.3% fixed charge rate.

Response 5. The computation of and support for the 14.3% fixed charge rate are provided on pages 2 through 5.

**EAST KENTUCKY POWER COOPERATIVE
COMPUTATION OF FIXED CHARGE RATE**

I. Derivation of Fixed Charge Rate

	<u>FCR</u>	<u>Source</u>
Interest	5.29	Average interest cost of existing projects, plus Spurlock #4 pollution control and scrubbers. See Pages 2 and 3.
TIER (Based on 1.35)	1.85	Based on TIER level for Case 2006-00472.
Depreciation	2.96	See Page 4.
Taxes & Insurance	0.43	See Page 4.
Sub-Total	<u>10.53</u>	
Fixed O & M	1.39	See Page 4.
Sub-Total	<u>11.92</u>	
Variable O & M	2.38	See Page 4.
Total	<u>14.30</u>	

EAST KENTUCKY POWER COOPERATIVE

CASE NO. 06-00472

ADJUSTMENT FOR INTEREST ON LONG-TERM DEBT

INDEBTEDNESS

Type of Debt Issue	Loan #	Date of Issue	Date of Maturity	Amount Outstanding 09/30/2006	Amount Issued	Interest Rate	Gilbert	SCR's	Weighted Average SCR's	Weighted Average Gilbert Interest Expense
HO-720	Y-8 - Spur 1/2 SCR	07-03-2003	12-31-2032	24,274,565.97	25,000,000.00	4.460%		25,000,000	1,115,000.00	
HO-725	Y-8 - Spur 1/2 SCR	07-17-2003	12-31-2032	24,313,057.79	25,000,000.00	4.819%		25,000,000	1,204,750.00	
HO-730	Y-8 - Spur 1/2 SCR	07-24-2003	12-31-2032	24,132,051.65	24,800,000.00	4.950%		24,800,000	1,227,600.00	
HO-735	T62 - Misc. transm	08-26-2003	12-31-2024	3,631,864.55	3,938,000.00	5.055%				
HO-740	W-8 - misc. transm	10-02-2003	12-31-2030	2,423,363.88	2,550,000.00	4.753%				
HO-745	X-8 - CT4-5	10-02-2003	12-31-2024	2,454,928.56	2,660,000.00	4.501%				
HO-750	Y-8 - Spur 1/2 SCR	10-23-2003	12-31-2032	24,341,052.08	25,000,000.00	5.091%		25,000,000	1,272,750.00	
HO-755	Y-8 - Spur 1/2 SCR	11-04-2003	12-31-2032	24,346,892.90	25,000,000.00	5.149%		25,000,000	1,287,250.00	
HO-760	Y-8 - Spur 1/2 SCR	11-14-2003	12-31-2032	24,338,419.18	25,000,000.00	5.065%		25,000,000	1,266,250.00	
HO-765	Y-8 - Spur 1/2 SCR	11-25-2003	12-31-2032	24,332,921.94	25,000,000.00	5.011%		25,000,000	1,252,750.00	
HO-770	Y-8 - Spur 1/2 SCR	12-04-2003	12-31-2032	26,294,644.32	27,000,000.00	5.149%		27,000,000	1,390,230.00	
HO-775	W-8 - misc. transm	02-05-2004	12-31-2030	6,211,049.25	6,500,000.00	4.854%				
HO-780	W-8 - misc. transm	05-06-2004	12-31-2030	2,174,865.63	2,260,000.00	5.240%				
HO-785	X-8 - CT4-5	05-06-2004	12-31-2024	3,883,084.29	4,130,000.00	5.020%				
HO-790	W-8 - misc. transm	08-26-2004	12-31-2030	16,308,638.51	16,900,000.00	4.921%				
HO-795	W-8 - misc. transm	11-01-2004	12-31-2030	6,486,471.24	6,700,000.00	4.672%				
HO-800	W-8 - misc. transm	11-16-2004	12-31-2030	3,138,499.09	3,240,000.00	4.795%				
HO-805	X-8 - CT4-5	11-16-2004	12-31-2024	5,368,924.60	5,644,000.00	4.577%				
HO-810	W-8 - misc. transm	12-16-2004	12-31-2038	49,644,827.18	50,000,000.00	4.744%	50,000,000			2,372,000.00
HO-815	W-8 - misc. transm	12-22-2004	12-31-2038	49,649,604.66	50,000,000.00	4.825%	50,000,000			2,412,500.00
HO-820	W-8 - misc. transm	12-29-2004	12-31-2038	49,656,611.97	50,000,000.00	4.946%	50,000,000			2,473,000.00
HO-825	W-8 - misc. transm	02-02-2005	12-31-2038	24,819,839.04	25,000,000.00	4.658%	25,000,000			1,164,500.00
HO-830	W-8 - misc. transm	02-08-2005	12-31-2038	24,814,911.87	25,000,000.00	4.497%	25,000,000			1,124,250.00
HO-835	W-8 - misc. transm	05-10-2005	12-31-2038	24,821,250.97	25,000,000.00	4.705%	25,000,000			1,176,250.00

HO-840	7-8 Gilbert	06-02-2005	12-31-2038	24,809,715.20	25,000,000.00	4.332%	25,000,000	1,083,000.00	
HO-845	7-8 Gilbert	06-07-2005	12-31-2038	18,855,189.15	19,000,000.00	4.324%	19,000,000	821,560.00	
HO-850	AA8 - LFGTE	06-09-2005	12-31-2030	12,937,581.98	13,192,000.00	4.353%	30,000,000	1,340,400.00	
HO-855	7-8 Gilbert	08-26-2005	12-31-2038	29,776,811.24	30,000,000.00	4.468%	30,000,000	1,341,000.00	
HO-860	7-8 Gilbert	08-30-2005	12-31-2038	29,776,886.10	30,000,000.00	4.470%	30,000,000	1,430,700.00	
HO-865	W-8 - misc. transm	08-19-2005	12-31-2030	3,613,604.69	3,675,000.00	4.485%	30,000,000		
HO-870	7-8 Gilbert	10-14-2005	12-31-2038	29,787,785.51	30,000,000.00	4.769%			
HO-875	W-8 - misc. transm	11-09-2005	12-31-2030	2,051,776.92	2,075,000.00	4.858%			
HO-880	X-8 - CT4-5	11-09-2005	12-31-2024	556,287.10	566,000.00	4.789%	500,000.00	24,450.00	
HO-885	7-8 Gilbert	03-27-2006	12-31-2032	6,472,752.87	500,000.00	4.890%	15,000,000	801,750.00	
HO-890	7-8 Gilbert	05-03-2006	12-31-2038	15,000,000.00	15,000,000.00	5.345%	10,000,000	533,300.00	
HO-895	7-8 Gilbert	05-09-2006	12-31-2038	10,000,000.00	10,000,000.00	5.333%			
FO-900	AB-8 - CT 6-7	08-23-2006	12-31-2034	15,000,000.00	15,000,000.00	5.070%			
FO-905	AB-8 - CT 6-7	08-25-2006	12-31-2034	15,000,000.00	15,000,000.00	5.061%			
FO-910	AB-8 - CT 6-7	08-29-2006	12-31-2034	23,000,000.00	23,000,000.00	5.053%			
							384,000,000	202,300,000	18,074,210
							57,600,000	10,041,030	2,711,132

Gilbert Portion Pertaining to Pollution Control

Total FFB

Weighted Average - Gilbert & SCR's

(15% of Gilbert)

	<u>New Projects</u>	<u>Weighted Average</u>
Spur #1 Scrubber	172,890,000	9,508,950
Spur #2 Scrubber	207,400,000	11,407,000
Spur Unit #4	85,470,000	4,700,850
Totals	465,760,000	25,616,800

**EAST KENTUCKY POWER COOPERATIVE
ENVIRONMENTAL SURCHARGE
EXHIBIT WAB-3
FIXED CHARGE RATE WEIGHTED AVERAGE CALCULATION**

	Spurlock 4 SNCR		Spurlock 2 Scrubber		Spurlock 1 Scrubber		Total Cost of New Projects (\$000)	Total (\$000)	Weighted AVERAGE
	Cost of Project (\$000)	FCR	Cost of Project (\$000)	FCR	Cost of Project (\$000)	FCR			
Depreciation	85,470	2.50	207,400	2.96	172,890	3.17	465,760	13,771	2.96%
Taxes & Insurance	85,470	0.35	207,400	0.44	172,890	0.47	465,760	2,026	0.43% ^(a)
Fixed O & M	85,470	0.00	207,400	1.93	172,890	1.43	465,760	6,479	1.39%
Variable O & M	85,470	5.33	207,400	1.83	172,890	1.55	465,760	11,048	2.38%

(a) Based on actual

EXHIBIT ____ (LK-3)

1	Project No. 9			
2	Unit 4 – Pollution Control Equipment being installed			
3				
4	Item	Original Cost (\$ x 1000)		Pollutant
5				
6	CFB Boiler Pollution Control Components			
7	Cyclone Separator System	3,348		NOx and SO ₂
8	Fluid Bed Heat Exchangers	9,308		NOx and SO ₂
9	Fluid Bed Ash Coolers	2,970		NOx and SO ₂
10	Fluidizing Air System	3,086		NOx and SO ₂
11	Refractory Lining System	12,459		NOx and SO ₂
12	Boiler Limestone Injection System	<u>7,706</u>		NOx and SO ₂
13		38,877		Total for CFB Components
14				
15	Fly ash and bed ash removal system	10,143		Fly ash & bed ash/particulate
16				
17				
18	Selective Non Catalytic Reduction (SNCR)	1,286		NOx
19				
20	Limestone reclaim system	1,000		SO ₂
21				
22	Baghouse and Flash Drier Absorber (FDA)	32,155		SO ₂ and Particulate
23				
24	Coal and limestone dust collection systems	<u>1,286</u>		Fugitive dust/particulate
25		84,747		Total capital cost for pollution control equipment
26				
27	Estimated O&M costs associated with the above equipment			
28				
29	Boiler Pollution Control Components	1,000		NOx and SO ₂
30	Baghouse, FDA and SNCR	499		Particulate & SO ₂
31	Ammonia for SNCR	290		NOx
32	Limestone	3,100		SO ₂
33	Disposal of Ash	<u>810</u>		Particulate & SO ₂
34		5,699		Total Estimated O&M Cost
35				
36				
37				

EXHIBIT ____ (LK-4)

EAST KENTUCKY POWER COOPERATIVE, INC.
PSC CASE NO. 2008-00115
RESPONSES TO KIUC FIRST SET OF DATA REQUESTS

KIUC'S FIRST SET OF DATA REQUESTS DATED 04/29/08

REQUEST 3

RESPONSIBLE PERSON: James C. Lamb, Jr.

COMPANY: East Kentucky Power Cooperative, Inc.

Request 3. Refer to Exhibit WAB-3 page 1 of 2. Please provide the computation and all other support for the 15% pollution control portion of the Spurlock 4 pollution control facilities.

Response 3. Shown below is the computation for the 15% pollution control portion of the Spurlock 4 facilities.

	(dollars in thousands)	
Total capital cost for pollution control equipment (from Exhibit CAJ-1 of Johnson testimony)	\$84,747	(a)
Forecasted cost of Spurlock 4 (from Exhibit WAB-3, page 1 of 2 of Bosta testimony)	\$570,000	(b)
(a) divided by (b)	14.87% (rounded to 15%)	

EXHIBIT ____ (LK-5)

EAST KENTUCKY POWER COOPERATIVE, INC.
PSC CASE NO. 2008-00115
RESPONSES TO KIUC SECOND SET OF DATA REQUESTS

KIUC'S SECOND SET OF DATA REQUESTS DATED 05/29/08

REQUEST 14

RESPONSIBLE PERSON: Craig M. Johnson/Ann F. Wood/James C. Lamb, Jr.

COMPANY: East Kentucky Power Cooperative, Inc.

Request 14. Refer to the Company's response to KIUC 1-8, which requested the support for the \$0.008 million amount of Spurlock 2 O&M expense presently included in base rates, and page 5 of the Company's response to KIUC 1-5, which provides the projected fixed and variable O&M expense for the new Spurlock 2 scrubber.

Request 14a. The Company's quantification of the Spurlock 2 scrubber O&M expense presently included in base rates at \$0.008 million for the existing scrubber appears to be substantially understated. The sum of the projected fixed plus variable O&M expense for the new Spurlock 2 scrubber is \$7.8 million (see response to KIUC 1-5). Please explain this difference.

Response 14a. The Spurlock 2 scrubber that is included in base rates was built in 1982. It was operational for approximately two years. After that time, burning compliance coal was more economical than burning non-compliance coal and running the scrubber. The existing scrubber has been maintained with minimal effort and no upgrades for over 20 years. The fixed and variable O&M expense for the new scrubber as outlined in KIUC 1-5 assumes full operations; therefore, these expenses will be substantially higher.

Request 14b. If the Company's previous quantification of \$0.008 million was in error, then please provide the correct quantification for the twelve months ending September 30, 2006 by FERC account and subaccount.

Response 14b. East Kentucky's previous quantification of the \$8,000 is correct. Please see the response to 14a.

Request 14c. Please provide the number of employees and the related labor and payroll tax expenses associated with the existing Spurlock 2 scrubber for the twelve months ending September 30, 2006 and each month thereafter for which actual information is available. Provide the expense information by account and subaccount.

Response 14c. There are no employees specifically designated for operations and maintenance of the existing Spurlock 2 scrubber. As discussed in response to 14a, maintaining the existing Spurlock 2 scrubber has been minimal. Labor and payroll tax expense associated with the existing Spurlock 2 scrubber for the twelve months ending September 30, 2006 through April 2008, the last month data is available, is outlined on page 6 of this response.

Request 14d. Please confirm that the Company presently uses calcium oxide (lime) as the reagent feed material for the existing Spurlock 2 scrubber. Please provide the lime expense for the twelve months ending September 30, 2006 and each month thereafter for which actual information is available.

Response 14d. Please see the response to 14a. Lime expense for the twelve months ending September 30, 2006 through April 30, 2008, the last month data is available, is zero. The scrubber has not been operational since 1984.

Request 14e. Please confirm that the Company incurs O&M expenses in addition to labor and lime to operate and maintain the existing Spurlock 2 scrubber. Please provide the amounts for each of these O&M expenses for the twelve months ending September 30, 2006 by account and subaccount.

Response 14e. Please see page 7 of this response.

Request 14f. Please confirm that the new Spurlock 2 scrubber will reduce or eliminate the need to purchase SO₂ allowances for the emissions from that unit.

Response 14f. EKPC confirms that the new Spurlock 2 scrubber will reduce the need to purchase SO₂ allowances for the emissions from that unit. Please see Response 14g.

Request 14g. If the new Spurlock 2 scrubber will reduce or eliminate the need to purchase SO₂ allowances, please provide the annual reduction in the number of SO₂ allowances compared to the twelve months ending September 30, 2006. Provide all assumptions, including the number of SO₂ allowances used for the unit during the twelve months ending September 30, 2006.

Response 14g. Please see pages 8 and 9 of this response. Page 8 reflects an excerpt from EKPC's production costing model used in EKPC's 2008 Twenty-Year Financial Forecast. This model shows that Spurlock 2 will emit approximately 2,485 Tons of SO₂ in 2010. As indicated in Response 10, 2010 was used in this analysis as this is the first full year of operation of both scrubbers. Page 9 of this response shows that Spurlock 2 emitted 22,374 tons of SO₂ during the twelve months ending September 30, 2006. This reduces the Spurlock 2 SO₂ emissions by 19,889 Tons, or approximately 88.9 percent.

Request 14h. Please provide the dollar amount of the SO₂ allowance expense for Spurlock 2 for the twelve months ending September 30, 2006 by account and subaccount. In addition, please provide the weighted average cost of those allowances per allowance, starting with the beginning balance, the allowances granted by the US EPA, purchases and ending balance for each month during that twelve-month period.

Response 14h. The requested SO₂ information is provided on page 9 of this response.

Request 14i. Please provide the projected savings in SO₂ allowances compared to the twelve months ending September 30, 2006. Provide both the number of allowances and the dollar amount of savings. Provide and use the twelve months ending September 30, 2006 as the base amount for computing the savings in the number of allowances and the dollar amount.

Response 14i. Based on EKPC's 2010 projected SO₂ emissions for Spurlock 2 as shown in Response 14g, we show an estimated reduction of 19,889 Tons of SO₂. Assuming the average cost of SO₂ in 2010 is equal to the test year ended September 30, 2006, the average price per Ton would be \$402.52 as shown on page 9 of this response. This would convert to a savings of approximately \$8 million.

A long-term forecast provided by Energy Venture Analysis, Inc., dated April 2008 and shown on page 10 of this response, shows SO₂ prices projected to be \$613 per Ton in 2010. Based on this projection, savings would convert to approximately \$12.2 million.

Request 14j. Please confirm that the Company includes no O&M expenses associated with the existing Spurlock 2 scrubber in the environmental surcharge. If this is not the case, then please provide the amount of O&M expenses included by the

Company in its environmental surcharge filings for the existing Spurlock 2 scrubber for the twelve months ending September 30,2006 by account and subaccount.

Response 14j. East Kentucky includes neither O&M expenses nor any other expenses associated with the existing Spurlock 2 scrubber in the environmental surcharge.

Total Payroll and Payroll Taxes for the Test Year Ending September 30, 2006

Acct	Department	Prod	Proj	Date	GL Journal ID	Journal Line Description	Journal Amount	Account Description
51243	007	1800	03500	2005-12-31	AL00000001	BENEFITS ALLOCATION - TAXES	\$15	Maint of Boiler Plant Scrubber
51243	400	1100	03500	2005-12-31	YEPFACCR	Payroll Accrual True Up	30	Maint of Boiler Plant Scrubber
51243	400	1000	03500	2005-12-31	PR00011265	Payroll	223	Maint of Boiler Plant Scrubber
51243	007	1800	03500	2006-01-31	AL00000001	BENEFITS ALLOCATION - TAXES	\$40	Maint of Boiler Plant Scrubber
51243	400	1100	03500	2006-01-31	YEPFACCR	Payroll Accrual True Up	30	Maint of Boiler Plant Scrubber
51243	400	1000	03500	2006-01-31	PR00011605	Payroll	59	Maint of Boiler Plant Scrubber
51243	400	1000	03500	2006-01-31	PR00011605	Payroll	84	Maint of Boiler Plant Scrubber
51243	400	1400	03500	2006-01-31	PR00011480	Payroll	360	Maint of Boiler Plant Scrubber
51243	400	1100	03500	2006-02-28	PR00011711	Payroll	59	Maint of Boiler Plant Scrubber
51243	400	1100	03500	2006-02-28	PR00011711	Payroll	59	Maint of Boiler Plant Scrubber
Total January 2006							\$512	
Total February 2006							459	

Total Payroll and Payroll Taxes for October 2006 through April 2008

Acct	Department	Prod	Proj	Date	GL Journal ID	Journal Line Description	Journal Amount	Account Description
51243	007	1800	03500	2006-10-31	AL00000001	BENEFITS ALLOCATION - TAXES	\$7	Maint of Boiler Plant Scrubber
51243	400	1400	03500	2006-10-31	PR00012957	Payroll	42	Maint of Boiler Plant Scrubber
51243	400	1000	03500	2006-10-31	PR00012957	Payroll	56	Maint of Boiler Plant Scrubber
51243	400	1100	03500	2006-10-31	PR00012957	Payroll	67	Maint of Boiler Plant Scrubber
Total October 2006							\$172	
51243	400	1100	03500	2006-11-30	PR00013060	Payroll	67	Maint of Boiler Plant Scrubber
51243	007	1800	03500	2007-02-28	AL00000001	BENEFITS ALLOCATION - TAXES	\$19	Maint of Boiler Plant Scrubber
51243	400	1400	03500	2007-02-28	PR00013550	Payroll	390	Maint of Boiler Plant Scrubber
51243	400	1000	03500	2007-02-28	PR00013550	Payroll	1,085	Maint of Boiler Plant Scrubber
Total February 2007							\$1,605	
51243	007	1800	03500	2007-07-31	AL00000001	BENEFITS ALLOCATION - TAXES	\$26	Maint of Boiler Plant Scrubber
51243	400	1100	03500	2007-07-31	PR00014242	Payroll	83	Maint of Boiler Plant Scrubber
51243	400	1000	03500	2007-07-31	PR00014242	Payroll	119	Maint of Boiler Plant Scrubber
51243	400	1400	03500	2007-07-31	PR00014242	Payroll	227	Maint of Boiler Plant Scrubber
Total July 2007							\$454	
51243	400	1100	03500	2007-08-31	PR00014324	Payroll	83	Maint of Boiler Plant Scrubber
Total August 2007							83	
51243	007	1800	03500	2007-10-31	AL00000001	BENEFITS ALLOCATION - TAXES	\$4	Maint of Boiler Plant Scrubber
51243	400	1400	03500	2007-10-31	PR00014591	Payroll	59	Maint of Boiler Plant Scrubber
Total October 2007							\$63	

**2008 Twenty-Year Financial Forecast and Equity Development Plan
Emissions and Cost Allocation**

SO2 Tons	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Dale	8,871	9,802	8,941	8,517	8,763	8,812	8,774	7,878	8,148	8,584	9,044	9,516	9,407	8,672	9,132	9,546	10,238	10,582
Cooper	20,772	23,100	15,568	8,552	8,496	8,509	8,428	8,193	8,268	8,413	8,693	8,841	8,875	8,602	8,681	8,883	9,094	9,278
Spurlock 1	1,515	1,547	1,526	1,508	1,517	1,521	1,515	1,494	1,502	1,506	1,520	1,531	1,521	1,506	1,508	1,516	1,518	1,527
Spurlock 2	2,531	2,471	2,467	2,449	2,461	2,457	2,462	2,425	2,430	2,437	2,458	2,455	2,456	2,428	2,437	2,433	2,443	2,453
FB's	3,078	3,150	3,467	3,644	3,660	3,674	3,793	4,043	4,087	4,121	4,144	4,154	4,383	4,948	5,040	5,051	5,084	5,103
Landfill Gas	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
CC's	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
CT's	1	2	2	2	2	2	2	2	2	2	3	3	3	3	3	3	3	3
Total	36,723	40,133	31,975	24,671	24,899	24,976	24,974	24,035	24,436	25,063	25,861	26,499	26,646	26,159	26,801	27,433	28,379	28,945

KIUC 14h

East Kentucky Power Cooperative, Inc.
SO₂ Emission Allowances - Monthly Expense
For the Period 10/1/05 through 9/30/06

	Total Acquired or Sold			Total Used			Total Balance			Spurlock 2 (included in account 59940)		
	Quantity	Price	Cost	Quantity	Price	Cost	Quantity	Price	Cost	Quantity	Price	Cost
Sep 2005	7,500.0	\$ 320.55	\$	(6,577.4)	\$358.10	\$	8,232	\$392.32	\$	(1,936.7)	\$358.10	\$
Oct 2005	2,500.0	1,295.50	2,404,100	(5,697.0)	559.18	(2,355,399)	9,155	358.10	3,276,418	(1,933.0)	559.18	(1,080,891)
Nov 2005	19,957.0	3.63	3,238,750	(6,432.9)	131.35	(844,992)	5,958	559.18	3,331,532	(2,030.8)	131.35	(266,754)
Dec 2005	50,064.0	302.44	15,141,250.00 *	(7,627.1)	254.51	(1,941,189)	19,482	131.35	2,559,039	(1,971.8)	254.51	(501,796)
Jan 2006	12,500.0	1,170.50	14,631,250.00	(5,626.3)	408.37	(2,297,606)	61,919	254.51	15,759,101	(1,769.0)	408.37	(722,404)
Feb 2006	0.0	-	-	(6,006.2)	408.37	(2,452,745)	68,793	408.37	28,092,745	(1,541.4)	408.37	(670,287)
Mar 2006	0.0	-	-	(5,666.5)	408.37	(2,395,696)	62,786	408.37	25,640,000	(1,675.9)	408.37	(684,385)
Apr 2006	0.0	-	-	(5,450.3)	450.85	(2,457,273)	56,920	408.37	23,244,305	(1,949.2)	450.85	(878,799)
May 2006	13,500.0	629.97	8,504,566.58	(5,642.8)	463.06	(2,612,962)	64,970	450.85	29,291,598	(1,782.3)	463.06	(825,314)
Jun 2006	7,500.0	568.83	4,266,250.00	(6,374.9)	463.06	(2,951,969)	66,827	463.06	30,944,887	(1,952.9)	463.06	(994,312)
Jul 2006	0.0	-	-	(6,630.9)	463.06	(3,070,512)	60,452	463.06	27,992,918	(1,997.8)	463.06	(925,011)
Aug 2006	0.0	-	-	(4,938.3)	491.68	(2,428,075)	53,921	463.06	24,922,406	(1,734.2)	491.68	(652,676)
Sep 2006	10,000.0	645.73	6,457,250.00	(72,870.6)			58,883	491.68	28,951,580			\$ (9,006,180)

Avg Price Per Ton YE 9/30/06

* January 2006 Total Acquired includes 40,064 Tons of allowances granted by the USEPA.

Year	SO2 Forecast (\$/ton emitted)			Constant 2005\$			Constant 2005\$			Annual NOx Forecast (\$/ton)		
	Low	Probable	High	Low	Probable	High	Low	Probable	High	Low	Probable	High
2000	100	100	175	144	144	147	105	105	107	1.00	1.00	1.10
2001	203	210	220	175	175	180	105	105	107	1.00	1.00	1.10
2002	100	100	164	147	147	152	105	105	107	1.00	1.00	1.10
2003	104	104	187	105	105	108	105	105	107	1.00	1.00	1.10
2004	442	481	533	442	442	490	2.262	2.434	2.730	2.000	2.000	2.500
2005	873	858	1,026	826	826	904	2,048	2,040	3,178	2,507	2,783	3,005
2006	705	753	804	607	733	841	1,032	1,005	1,058	1,000	1,000	1,000
2007	400	521	584	400	521	584	703	700	700	700	700	700
2008	300	467	544	300	467	544	480	480	480	480	480	480
2009	303	500	600	379	522	709	348	433	515	315	452	504
2010	297	570	704	310	473	740	272	340	420	220	301	370
2011	308	625	804	390	677	858	245	306	371	331	433	570
2012	309	640	824	407	700	1,018	220	275	340	304	404	551
2013	370	655	864	410	730	1,004	200	248	2,408	225	278	374
2014	326	590	818	373	674	1,048	200	223	2,542	228	278	374
2015	409	765	1,150	477	890	1,347	200	201	2,545	233	234	2,905
2016	301	680	1,060	420	800	1,000	200	200	2,400	237	237	2,948
2017	303	755	1,203	475	912	1,453	200	200	2,400	242	242	2,982
2018	347	800	1,143	420	835	1,405	100	200	2,472	204	240	3,038
2019	400	815	1,351	510	1,020	1,601	100	200	2,435	214	250	3,048
2020	404	825	1,305	510	1,052	1,779	100	200	2,418	204	255	3,064
2021	420	815	1,508	540	1,137	1,901	100	200	2,362	200	260	3,084
2022	431	810	1,610	570	1,211	2,130	100	200	2,305	212	265	3,129
2023	434	840	1,607	585	1,207	2,273	100	200	2,311	210	270	3,114
2024	432	855	1,748	593	1,311	2,400	100	200	2,278	220	275	3,125
2025	423	855	1,763	582	1,335	2,493	100	200	2,332	224	280	3,200
2026	427	1,005	2,152	592	1,628	3,357	100	200	2,262	245	290	3,458
2027	435	1,005	2,152	654	1,600	3,233	100	200	2,228	240	300	3,348
2028	440	1,075	2,130	602	1,566	3,143	100	200	2,287	230	295	3,300
2029	442	1,005	2,152	654	1,600	3,233	100	200	2,228	240	300	3,348
2030	427	1,005	2,152	592	1,628	3,357	100	200	2,262	245	290	3,458

These forecasts assume future climate change legislation of a cap & trade program with a \$10/ton safety valve escalating at a 5% real rate.

Long Term Emission Allowances Forecast

EXHIBIT ____ (LK-6)

EAST KENTUCKY POWER COOPERATIVE, INC.
PSC CASE NO. 2008-00115
RESPONSES TO KIUC SECOND SET OF DATA REQUESTS

KIUC'S SECOND SET OF DATA REQUESTS DATED 05/29/08

REQUEST 16

RESPONSIBLE PERSON: **Craig M. Johnson**

COMPANY: **East Kentucky Power Cooperative, Inc.**

Request 16. Please identify, describe, and quantify each O&M expense savings as the result of each new environmental project for which the Company seeks approval. Provide and use the twelve months ending September 30, 2006 as the base amount for computing savings. Provide all assumptions, data, and computations, including electronic spreadsheets with cell formulas intact.

Response 16 (Revised). EKPC will not have any O&M expense savings as a result of each new environmental project, as these are all new projects. As indicated in Responses 1 and 2 of Commission Staff's First Data Request, project Nos. 5, 7, 8, and 10 are new projects required by the terms of the Consent Decrees. As indicated in Mr. Johnson's testimony, project Nos. 3, 4, and 6 are new projects that, although not required by the Consent Decrees, will enable EKPC to comply with the terms of the Consent Decrees. Project No. 9 is also a new project.

Based upon EKPC's emissions budget (completed in June 2008), Spurlock 1 will emit approximately 1,642 tons of SO₂ in 2010. For the twelve months ending September 30, 2006, Spurlock 1 emitted 17,647 tons of SO₂. Assuming the average cost of SO₂ in 2010 is equal to the test year ended September 30, 2006, the average price per ton would

KIUC Request 16

Page 2 of 2

Revised

be \$394.36. This would convert to a tons and dollar savings of 16,005 and \$6.3 million, respectively.

Response 14, Page 10 of 10, to KIUC' Second Data Request shows the Energy Venture Analysis, Inc. long-term forecast of SO₂ prices. This forecast shows SO₂ prices projected to be \$613 per ton in 2010. Based on this projection, savings would convert to approximately \$9.8 million.

EXHIBIT ____ (LK-7)

EAST KENTUCKY POWER COOPERATIVE, INC.
PSC CASE NO. 2008-00115
RESPONSES TO KIUC SECOND SET OF DATA REQUESTS

KIUC'S SECOND SET OF DATA REQUESTS DATED 05/29/08

REQUEST 17

RESPONSIBLE PERSON: Craig M. Johnson

COMPANY: East Kentucky Power Cooperative, Inc.

Request 17. Refer to NOX reduction projects 5 (Dale) and 6 (Spurlock 1) on Exhibit DGE-1. For these two NOX reduction projects, please provide the projected savings in NOX allowances compared to the twelve months ending September 30, 2006. Provide both the number of allowances and the dollar amount of savings. Provide and use the twelve months ending September 30, 2006 as the base amount for computing the savings in the number of allowances and the dollar amount.

Response 17 (Revised). The Consent Decree mandated that Dale Units 1 and 2 meet the emission standards specified under the Clean Air Act. The low NOx burners were added in the fall of 2007 in order to comply with an annual emission rate of 0.46 lbs./MMBtu. This is a reduction of approximately 40% from the actual emissions rate incurred during the 2006 Ozone season. The quantity and dollars relating to NOx emissions on Dale 1 and 2 for the twelve months ending September 30, 2006 were approximately 544 tons and \$422,000, respectively. A 40% reduction due to the addition of the low NOx burners would have equated to savings of approximately 218 tons of NOx and \$170,000.

As indicated in the Responses 1b and 2a of Commission Staff's First Data Request, the new low NOX burners (Project 6) at Spurlock Station are estimated to reduce emissions

out of the boiler by 20 percent. For the twelve months ending September 30, 2006, the quantity and dollars relating to NOX emissions on Spurlock 1 are estimated to be 507.5 tons and \$393,490, respectively. A 20 percent emissions savings would equate to dollar savings of approximately \$75,000.

EXHIBIT ____ (LK-8)

EAST KENTUCKY POWER COOPERATIVE, INC.
PSC CASE NO. 2008-00115
RESPONSES TO KIUC SECOND SET OF DATA REQUESTS

KIUC'S SECOND SET OF DATA REQUESTS DATED 05/29/08

REQUEST 13

RESPONSIBLE PERSON: Ann F. Wood

COMPANY: East Kentucky Power Cooperative, Inc.

Request 13. Please refer to page 4 lines 12 -18 of Ms. Wood's Direct Testimony. Assume that \$1,000 of CWIP, net of AFUDC, is included in the environmental surcharge and the interest rate is 0.5 percent per month for both return on rate base in the environmental surcharge and for AFUDC purposes.

Request 13a. Confirm that it is the Company's position that the environmental surcharge should include a return on the CWIP of \$5.00 for the month.

Response 13a. Based on the assumption that \$1,000 is the monthly charge to CWIP net of AFUDC, it is East Kentucky's position that the environmental surcharge would include a return on CWIP of \$5.00 for that month.

Request 13b. Confirm that it is the Company's position that it also will record \$5 in AFUDC for the month. If this is not the Company's position, then please describe the Company's position in detail and all reasons in support of the Company's position.

Response 13b. Based on the assumption that this is the first month of construction, meaning no AFUDC is included in the previous month's balance, EKPC would record \$5 in AFUDC for the month for accounting purposes.

Request 13c. If it is the Company's position that it also will record \$5 in AFUDC for the month, please explain why this does not provide the Company double recovery of the same carrying cost on the same CWIP, one through a current recovery pursuant to the environmental surcharge and one through a deferred recovery by adding the AFUDC to the cost of the plant and subsequently recovering it through depreciation, interest and TIER margin over the life of the asset?

Request 13d. Please explain specifically how the Company proposes to compute AFUDC on CWIP that is included in the environmental surcharge given Ms. Wood's statement that "This change will allow EKPC to apply the rate of return to the proper CWIP balance during the period of construction." What is the proper CWIP balance? Is it only the AFUDC that is not included in the environmental surcharge or something else? Please explain and provide an illustration of the proposed methodology.

Response 13c,d. EKPC proposes to exclude all AFUDC from plant in service for environmental surcharge purposes. The proper CWIP balance is defined as CWIP net of AFUDC. An illustration follows.

Pollution Control Project A will be capitalized on October 1, 2008. The total CWIP balance is \$1,000,000. The total AFUDC is \$50,000, leaving a net CWIP of \$950,000. Plant in service, for environmental surcharge purposes, will be \$950,000. Depreciation expense and return will be based on the \$950,000 capital cost. This will eliminate any potential double-recovery. For accounting purposes, Pollution Control Project A will be recorded in plant in service at \$1,000,000. Also for accounting purposes, \$50,000 in AFUDC has been recorded on the income statement during the construction period.