

**STATE OF NEW JERSEY  
BOARD OF PUBLIC UTILITIES**

I/M/O the Verified Petition of Jersey Central Power & Light Company (“JCP&L”) and Mid-Atlantic Interstate Transmission, LLC (“MAIT”) for: (1) Approval of the Transfer of JCP&L’s Transmission Assets to MAIT Pursuant to N.J.S.A. 48:3-7; (2) Approval of a Lease of JCP&L’s Real Property and Real Property Rights Associated with its Transmission Assets to MAIT Pursuant to N.J.S.A. 48:3-7; (3) Approval of a Mutual Assistance Agreement Pursuant to N.J.S.A. 48:3-7.1; and (4) a Declaration that MAIT Will be Deemed a Public Utility for, inter alia, the Purposes of Sitting Authority under N.J.S.A. 40:55D-19 and Eminent Domain Authority Pursuant to N.J.S.A. 48:3-17.6 et seq.,  
and  
In the Matter of the Verified Petition of Jersey Central Power & Light Company for Authorization Pursuant to N.J.S.A. 48:3-7.2 for Approval to Participate in the FirstEnergy Corp. Intrasystem Money Pool – Amendment No. 8

BPU Docket Nos. EM15060733  
and EF02030185

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**DIRECT TESTIMONY OF KEVIN W. O’DONNELL  
BEING FILED ON BEHALF OF THE  
DIVISION OF RATE COUNSEL**

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**DIRECT TESTIMONY OF KEVIN W. O'DONNELL, CFA**

1 **Q. PLEASE STATE YOUR NAME, POSITION, AND BUSINESS ADDRESS**  
2 **FOR THE RECORD.**

3 A. My name is Kevin W. O'Donnell. I am President of Nova Energy Consultants,  
4 Inc. My business address is 1350 Maynard Rd., Suite 101, Cary, North Carolina  
5 27511.

6  
7 **Q. ON WHOSE BEHALF ARE YOU PRESENTING TESTIMONY IN THIS**  
8 **PROCEEDING?**

9 A. I am appearing on behalf of the New Jersey Division of Rate Counsel (“Rate  
10 Counsel”).

11  
12 **Q. PLEASE SUMMARIZE YOUR EDUCATIONAL BACKGROUND AND**  
13 **RELEVANT EMPLOYMENT EXPERIENCE.**

14 A. I have a Bachelor of Science in Civil Engineering from North Carolina State  
15 University and a Master of Business Administration from the Florida State  
16 University. I earned the designation of Chartered Financial Analyst (CFA) in  
17 1988. I have worked in utility regulation since September 1984, when I joined the  
18 Public Staff of the North Carolina Utilities Commission (NCUC). I left the  
19 NCUC Public Staff in 1991 and have worked continuously in utility consulting  
20 since that time, first with Booth & Associates, Inc. (until 1994), then as Director  
21 of Retail Rates for the North Carolina Electric Membership Corporation (1994-  
22 1995), and since then in my own consulting firm. I have been accepted as an  
23 expert witness on rate of return, cost of capital, capital structure, cost of service,  
24 rate design, and other regulatory issues in general rate cases, fuel cost  
25 proceedings, and other proceedings before the North Carolina Utilities  
26 Commission, the South Carolina Public Service Commission, the Virginia State  
27 Commerce Commission, the Minnesota Public Service Commission, the New

1 Jersey Board of Public Utilities, the Public Utilities Commission of Colorado, the  
2 Wisconsin Public Service Commission, and the Florida Public Service  
3 Commission. In 1996, I testified before the U.S. House of Representatives'  
4 Committee on Commerce and Subcommittee on Energy and Power, concerning  
5 competition within the electric utility industry. Additional details regarding my  
6 education and work experience are set forth in Appendix A to my direct  
7 testimony.

8  
9 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS**  
10 **PROCEEDING?**

11 **A.** In its July 18, 2016 amended pre-hearing order in the matter of application of  
12 Jersey Central Power & Light (“JCP&L”) and Mid-Atlantic Interstate  
13 Transmission (“MAIT”) to transfer the transfer the assets of JCP&L to MAIT, the  
14 New Jersey Board of Public Utilities (“BPU”, “Board”) requested the following  
15 issues to be resolved in this docket:

- 16  
17 a) Whether the proposed transaction, including the transfer of transmission and  
18 distribution assets and the associated leases, as well as the proposed transfer  
19 of certain retail customers, affects the interests of JCP&L and MAIT  
20 ratepayers, and the ability of JCP&L and MAIT to provide safe, adequate and  
21 proper utility service at just and reasonable rates;  
22  
23 b) Whether the proposed transmission and distribution assets to be transferred,  
24 and associated leases, are fairly valued and properly classified as transmission  
25 and/or distribution assets respectively;  
26  
27 c) Whether waiver of the advertising requirements in N.J.A.C. 14:1-5.6(b) is  
28 appropriate;  
29  
30 d) Whether MAIT qualifies under N.J.S.A. 48-2-13 to be deemed a public utility  
31 in New Jersey entitled to exercise certain rights reserved to public utilities;  
32  
33 e) Whether MAIT qualifies to participate in the FirstEnergy Corp. Intrasystem  
34 Utility Money Pool;  
35

- 1 f) Whether the proposed transaction is the public interest and whether it has a  
2 negative or positive impact on JCP&L and MAIT's rates, regulation,  
3 competition, service quality, and employees;  
4  
5 g) If the transfers are approved and MAIT *is* declared a public utility, whether  
6 authorization should be granted to keep books and records out of State;  
7  
8 h) Whether it is in the public interest and consistent with applicable law for  
9 JCP&L to create a new affiliated distribution utility, within its franchise  
10 service territory, that will absorb a small number of its current distribution  
11 customers;  
12  
13 i) Whether MAIT should be permitted to adopt JCP&L's rates for its  
14 distribution customers and to utilize a combined JCP&L/MAIT distribution  
15 rate base for both JCP&L and MAIT ratemaking; and  
16  
17 j) Whether the terms of the Mutual Assistance Agreement and the Service  
18 Company Agreement as proposed are sufficient to ensure safe, adequate and  
19 proper service to MAIT's distribution customers.  
20  
21

22 The purpose of my testimony in this proceeding is to provide my analysis of the  
23 proposed transaction and to specifically address items b, and f as stated above.  
24

25 **Q. HOW IS YOUR TESTIMONY STRUCTURED?**

26 A. My testimony in this proceeding is structured as follows:  
27

- 28 I. Discussion of JCP&L/MAIT Request and Implications to New Jersey  
29 Consumers  
30 II. Valuation of JCP&L Transmission and Distribution Facilities  
31 III. Ground Lease Valuation  
32 IV. Recommendation  
33

1           **I.     DISCUSSION OF JCP&L/MAIT REQUEST AND**  
2           **IMPACT ON NEW JERSEY CONSUMERS**

3  
4   **Q.     PLEASE EXPLAIN THE REQUEST OF JCP&L AND MAIT IN THIS**  
5   **PROCEEDING.**

6   A.     JCP&L is herein requesting the ability to transfer its transmission and certain  
7           distribution assets to MAIT in return for Class B ownership interests in MAIT.  
8           The assets of JCP&L will then be combined with the transmission assets of  
9           Metropolitan Edison and Pennsylvania Electric Company, both of which operate  
10          in Pennsylvania, to form MAIT. FirstEnergy will make a cash investment in  
11          MAIT and, in return, will get 5% ownership in MAIT and Class A ownership  
12          interest.

13  
14   **Q.     HOW DOES THIS REQUEST AFFECT THE OVERSIGHT OF THE NEW**  
15   **JERSEY BOARD OF PUBLIC UTILITIES?**

16   A.     The rates of JCP&L's transmission investments are currently regulated by the  
17           Federal Energy Regulatory Commission (FERC) and will continue to be so after  
18           the consummation of this merger. However, under New Jersey law, FirstEnergy  
19           must acquire permission from the New Jersey Board of Public Utilities in order to  
20           transfer these assets.

21  
22   **Q.     HOW WOULD A VALUATION ANALYSIS COMPRISE AN**  
23   **IMPORTANT PART OF YOUR REVIEW OF THE PROPOSED**  
24   **TRANSACTION JCP&L?**

25   A.     One concern is that JCP&L will eventually want to unlock the value of these  
26           transmission assets by selling the assets to raise cash. As can be seen later in this  
27           testimony, the market-to-book ratio of recent sales involving electric transmission  
28           assets is as high as 4.17X. If JCP&L were to sell these assets at such a multiple, it  
29           could record a one-time gain of over \$2 billion thereby creating a monetary  
30           windfall for the Company and its stockholders.

31

1 **Q. PLEASE SUMMARIZE THE RESULTS OF YOUR ANALYSIS IN THIS**  
2 **CASE.**

3 A. The request by JCP&L/MAIT in this case is grossly one-sided in favor of the  
4 FirstEnergy stockholders and grossly undervalues the assets by as much as \$2.4  
5 billion.

6  
7 The amount of assets that JCP&L is herein seeking to transfer to MAIT is not  
8 fairly valued. My analysis indicates the transmission facilities are worth roughly  
9 2.0 to 4.25 times their stated book value of \$750.6 million.

10  
11 Secondly, the establishment of MAIT ground lease payments to JCP&L at book  
12 value significantly under-states the fair value of such leases.

13  
14 My primary recommendation to the Board in this proceeding is to deny the  
15 Application to transfer the JCP&L transmission facilities to MAIT. If the Board  
16 chooses to approve the Application, I recommend that 100% of the net proceeds  
17 from any future sale of the MAIT flow back to consumers.

18

1                   **II. VALUATION OF JCP&L TRANSMISSION AND**  
2                   **DISTRIBUTION FACILITIES**  
3

4   **Q. PLEASE EXPLAIN WHY IT IS NECESSARY TO CALCULATE THE**  
5   **MARKET VALUE OF THE TRANSMISSION FACILITIES JCP&L IS**  
6   **REQUESTING BE TRANSFERRED TO MAIT?**

7   A. The second question posed by the Board in its pre-hearing order of July 18, 2016  
8   is as follows:

9  
10                   Whether the proposed transmission and distribution assets to be  
11                   transferred, and associated leases, are fairly valued and properly  
12                   classified as transmission and/or distribution assets respectively.  
13

14                   In its Application in this case, JCP&L has asserted that it is seeking to transfer its  
15                   transmission facilities, such as lines, substations, etc., at book value, which is  
16                   expected to be roughly \$750.6 million at the time the transaction is completed. In  
17                   its Supplemental Application of April 22, 2016, JCP&L requested distribution  
18                   assets with a net book value of \$257,124 also be transferred to MAIT. These  
19                   facilities have been paid for by New Jersey consumers over many decades. If this  
20                   transaction as proposed by JCP&L is allowed, New Jersey consumers could lose  
21                   the economic value of these assets that are worth considerably more than the book  
22                   value for which JCP&L proposes to transfer these assets. To answer the Board's  
23                   question as noted above, it was necessary to estimate the market value of the  
24                   transmission and distribution facilities requested by JCP&L to be transferred to  
25                   MAIT.  
26

27   **Q. WHY IS IT IMPORTANT FOR JCP&L CONSUMERS TO BE CREDITED**  
28   **FOR THE CONTINUING VALUE DERIVED FROM THEIR HISTORY**  
29   **OF FINANCIAL CONTRIBUTIONS TO THE CREATION OF THESE**  
30   **TRANSMISSION AND DISTRIBUTION FACILITIES?**

31   A. The prehearing order from this Board asked the following question:



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Whether the proposed transaction, including the transfer of transmission and distribution assets and the associated leases, as well as the proposed transfer of certain retail customers, affects the interests of JCP&L and MAIT ratepayers, and the ability of JCP&L and MAIT to provide safe, adequate and proper utility service at just and reasonable rates;

If the Application in this case is accepted as-filed, New Jersey consumers will lose the future economic value benefits from these facilities, both on a terminal basis as well as an annual ongoing basis.

As this Board is aware, the utility industry is currently in a period of consolidation. Utilities are being bought and sold at multiples of their stated book values. Most state commissions are aware the current wave of utility consolidation creates tremendous value opportunities for stockholders while, at the same time, creating an increase in risk for captive ratepayers. Many state regulators are requiring that consumers be compensated for the change in corporate structures through some form of customer benefit such as a rate freeze or rate credit. An example of such a benefit was seen in the merger of FirstEnergy and Allegheny Energy where the New Jersey Board of Public Utilities, in BPU Docket No. 11010012, required FirstEnergy to apply a portion of the net merger synergy savings to the non-utility generation charge such that the ending balance was \$80.1 million.

My answer to the Board's question as stated above is that the JCP&L/MAIT application in this case has an adverse effect on the interest of New Jersey consumers and the associated rates paid by ratepayers in the state.

1 **Q. CAN YOU PROVIDE AN EXAMPLE OF HOW APPROVAL OF THE**  
2 **JCP&L/MAIT REQUEST IN THIS CASE WILL IMPACT NEW JERSEY**  
3 **RATEPAYERS?**

4 A. Yes.

5  
6 In columns 2 and 3 of Table 1 below is a list of the initial investments of the  
7 various parties in the creation of MAIT. If, in the first year of operation, MAIT  
8 pays out a \$50 million dividend, the payment of this dividend will be made to the  
9 participating entities in the amounts listed in column 4. In this scenario, JCP&L  
10 would receive a \$27.2 million dividend payment from MAIT

11  
12

Table 1: Post-MAIT Development and \$50 Million Dividend Distribution

Subsidiary	Investment (\$)	% Investment	\$50 Mill Div Payment
(1)	(2)	(3)	(4)
JCP&L	\$732.7	54.38%	\$27.2
MTED	\$225.7	16.75%	\$8.4
Penn El	\$321.6	23.87%	\$11.9
MAIT	<u>\$67.3</u>	<u>5.00%</u>	<u>\$2.5</u>
Initial Investment	\$1,347.3	100.00%	\$50.0

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Most importantly to JCP&L consumers, the dividend payment of \$27.2 million would be below the line meaning that it would bypass the JCP&L revenue requirement entirely and go directly to FirstEnergy. By doing so, the customers that have supported the historical investment of \$732.7 million receive nothing for their years of plant investment support.

Going forward, it is important to also consider the effect of this transfer of assets once MAIT begins to build plant and add to its rate base. In Table 2 below, I have assumed MAIT makes a \$500 million investment that goes into its rate base.

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Table 2: MAIT Ownership Structure with  
\$500 Million MAIT Investment

Subsidiary	Investment (\$)	% Investment	\$50 Mill Div Payment
(1)	(2)	(3)	(4)
JCP&L	\$732.7	39.66%	\$19.8
MTED	\$225.7	14.14%	\$7.1
Penn El	\$321.6	17.41%	\$8.7
MAIT	<u>\$567.3</u>	<u>30.71%</u>	<u>\$15.4</u>
Initial Investment	\$1,847.3	101.92%	\$35.6

As shown above, after a \$500 million investment by MAIT, the portion of MAIT plant that JCP&L customers have supported over the years falls from 54.38% to 39.66%. Correspondingly, a \$50 million dividend payout from MAIT to JCP&L would decrease from \$27.2 million to \$19.8 million.

If MAIT is ultimately sold by FirstEnergy, this diminution of its investment in MAIT will also impact the premium from the sale of MAIT that may flow back to New Jersey ratepayers. If, for example, MAIT is sold for \$1 billion more than its stated book value, the JCP&L portion of this \$1 billion sale premium would fall from \$543.8 million to \$396.6 million. This decrease in the premium essentially represents, in this example, a \$150 million decrease in value to consumers in New Jersey that have supported JCP&L's transmission investment for several decades.

**Q. PLEASE EXPLAIN HOW YOU DETERMINED THE MARKET VALUE OF THE ASSETS JCP&L WISHES TO TRANSFER TO MAIT.**

A. I used two methods to value the JCP&L transmission assets. The first method I used was the Comparable Sales Methodology, which examines the value of similar assets that have been sold in the marketplace, to determine the current valuation of the transmission assets. The second methodology I employed was the Replacement Cost methodology, which analyzes the current cost to replace the JCP&L transmission assets.

1 **Q. PLEASE EXPLAIN THE COMPARABLE SALES METHODOLOGY FOR**  
2 **VALUING TRANSMISSION AND DISTRIBUTION FACILITIES.**

3 A. The Comparable Sales methodology examines what other electric systems have  
4 sold for in recent years. The purpose of this approach is to examine the history of  
5 electric system sales to determine an implied value of the JCP&L transmission  
6 system as if it was sold on the open market.

7  
8 To perform this analysis, I segregated the comparable sales into two different  
9 groups. The first group consists of the sale of electric transmission systems only.  
10 The second group consists of the sale of electric systems as a whole. From these  
11 two groups, I examined the market sale (purchase price) of the systems as  
12 compared to the book value. This market-to-book ratio indicates the multiple of  
13 book value for assets for which buyers were willing to pay. For example, a  
14 market-to-book value ratio of less than 1.0 indicates that investors do not believe  
15 the assets are worth their stated book values. However, a market-to-book value  
16 greater than 1.0 shows that investors believe the underlying assets are worth more  
17 than the stated book values and, as such, they are willing to pay a premium for the  
18 facilities.

19  
20 **Q. WHAT SOURCES DID YOU USE TO DETERMINE THE RELEVANT**  
21 **MARKET VALUE AND BOOK VALUE OF THE VARIOUS MERGERS**  
22 **AND ACQUISITIONS YOU ANALYZED AS PART OF THIS PROCESS?**

23 A. In preparing this section of the analysis, I sought purchased price values and book  
24 values for electric utilities from SNL Financial, which is a subscription-based  
25 financial database company that provides extensive data research in several  
26 different industries. I also examined news articles and financial statements  
27 provided by SNL Financial.

28

1 Q. PLEASE EXPLAIN HOW YOU DEVELOPED A GROUP OF ELECTRIC  
2 TRANSMISSION SALES.

3 A. I used the database from SNL Financial to screen utility asset sales over the past  
4 20 years. I then narrowed the list by isolating electric transmission-only sales.  
5 From this list, I was able to find market sales values and book values for the  
6 following transactions:

- 7
- 8 1. the December, 2002 sale of the International Transmission Company  
9 (“ITC”) to Kohlberg Kravis Roberts & Co. and Trimaran Capital Partners;
  - 10 2. the May, 2006 sale of the Michigan Electric Transmission Company  
11 (“METC”) to ITC;
  - 12 3. the January, 2007 sale of the Alliant transmission assets to ITC; and
  - 13 4. the February, 2016 announced sale of ITC to Fortis.
- 14

15 Q. WHAT WERE THE RESULTS OF YOUR EXAMINATION OF  
16 TRANSMISSION-ONLY SALES?

17 A. The table below provides the market value-to-book value (“MV/BV”) ratios of  
18 these transmission-only sales as well as the current MV/BV ratio of ITC.

19

20

Table 3: Electric Transmission-Only

Acquirer/ Seller	MV/BV	Year
ITC/Alliant	1.77	2007
ITC/METC	2.35	2006
KKR/DTE	1.66	2002
Fortis/ITC	4.17	2016

21

22

Source for data: SNL Financial

1 As can be seen in this table above, the MV/BV ratios of past transmission-only  
2 sales have ranged from 1.66 to 2.35 in past transactions. However, the most recent  
3 transaction involving Fortis acquiring ITC generated a very robust MV/BV ratio  
4 of 4.17

5  
6 **Q. PLEASE EXPLAIN HOW YOU DEVELOPED YOUR SECOND SET OF**  
7 **COMPARABLE SALES.**

8 A. In this analysis, I screened the sales of electric utilities completed over the past 20  
9 years and then eliminated sales that did not provide market value to book value  
10 ratios.

11  
12 It is important to note that the use of comparable sales for this analysis must be  
13 viewed with caution in that almost all of the transactions studied consisted of  
14 utilities that were vertically integrated in that these utilities had generation assets,  
15 transmission assets, and distribution assets. Given that transmission assets  
16 currently have higher valuations than generation or distribution assets, I believe  
17 the average MV/BV ratio paid for vertically integrated utilities will be slightly  
18 less than the value for transmission-only assets. This statement is supported by  
19 the fact that ITC is in the process of being sold to Fortis at a MV/BV ratio of 4.17.

20  
21 **Q. WHY DO YOU BELIEVE UTILITIES WITH GENERATION AND**  
22 **DISTRIBUTION ASSETS ARE LESS VALUABLE THAN**  
23 **TRANSMISSION-ONLY UTILITIES?**

24 A. The Federal Energy Regulatory Commission (“FERC”) has stated that it will  
25 provide return on equity (“ROE”) adders for transmission investment as a way to  
26 incent new transmission investment. As a result, the ROE earned on transmission  
27 investments is typically higher than the ROE earned on traditional utility  
28 investments of generation and distribution assets. Investors recognize this

1 situation and will value transmission assets at a higher market-to-book  
2 (“MV/BV”) ratio than either electric generation or distribution assets.

3

4 **Q. PLEASE EXPLAIN HOW YOU PERFORMED THE MV/BV ANALYSIS**  
5 **IN THIS CASE.**

6 A. I established the following criteria that I used as a screen for mergers/acquisitions:

7

- 8 1. the merger/acquisition must involve utilities that derive the majority of sales  
9 from the provision of electric service;
- 10 2. the total valuation must be in excess of \$100 million; and
- 11 3. the merger/acquisition must have occurred within the past 20 years.

12

13 The results of these screens produced the following merger/acquisitions and the  
14 accompanying MV/BV ratios:

15

1

Table 4: Utility Mergers/Acquisitions

Buyer Name/ Target Name	MV/BV	Date
AES Corporation/ DPL Inc.	2.88	2011
AES Corporation/ IPALCO Enterprises, Inc.	3.29	2000
Berkshire Hathaway Inc./ NV Energy, Inc.	1.58	2013
Duke Energy Corporation/ Cinergy Corp.	2.02	2005
Duke Energy Corporation/ Progress Energy, Inc.	1.36	2011
Emera Incorporated/ TECO Energy, Inc.	2.54	2015
Exelon Corporation/ Constellation Energy Group, Inc.	0.98	2011
FirstEnergy Corp./ GPU, Inc.	1.31	2000
Fortis Inc./ CH Energy Group, Inc.	1.93	2012
Iberdrola, S.A./ Energy East Corporation	1.41	2007
Iberdrola, S.A./ UIL Holdings Corporation	2.20	2015
Investor consortium/ Puget Energy, Inc.	1.61	2007
Investor group/ Cleco Corporation	2.10	2015
Macquarie Consortium/ Duquesne Light Holdings, Inc.	2.40	2006
NextEra Energy, Inc./ Hawaiian Electric Industries, Inc.	1.44	2014
Pepco Holdings, Inc./ Conectiv	1.99	2001
Wisconsin Energy Corporation/ Integrys Energy Group, Inc.	<u>1.69</u>	2014
Average MV/BV	1.93	

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Source for data: SNL Financial

4

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From the above table, the average MV/BV ratio of utility transactions over the past 20 years has been 1.93 (arithmetic average). In other words, investors have been willing to pay almost double the book value in utility transactions.

8

However, unlike transmission utilities, there is no discernable difference in when the transaction occurred and the associated MV/BV ratios. In 2014 and 2015

10

there were three utility mergers that were announced at the following MV/BV ratios: 1.44; 1.69; and 2.54. All three of these mergers occurred at multiples very

12

close to the arithmetic average of 1.93 as noted in Table 4 above.

13



1 **Q. WHAT IS THE VALUATION OF THE JCP&L TRANSMISSION ASSETS**  
2 **BASED ON YOUR COMPARABLE SALES ANALYSIS?**

3 A. Transmission-only electric assets have sold for MV/BV ratios of roughly 1.66 to  
4 2.35 in the past. However, the MV/BV ratio of the recently announced Fortis/ITC  
5 transaction is 4.17. Sales of vertically integrated electric utilities over the past 20  
6 years have ranged from roughly 1.0 to over 3.0 with an arithmetic average  
7 MV/BV ratio of 1.93. Given the fact that transmission assets generally command  
8 a higher valuation than vertically integrated electric utilities, I believe the proper  
9 MV/BV valuation ratio for transmission assets currently ranges from 2.0 to 4.25

10  
11 The JCP&L transmission assets that the Company is seeking to transfer as part of  
12 this Application have a book value of \$750.6 million. Based on the above-stated  
13 MV/BV ratio range of 2.0 to 4.25, the corresponding range of the JCP&L  
14 transmission facilities is \$1.50 billion to \$3.19 billion, which is significantly more  
15 than the \$750 million transfer price proposed by the Company.

16  
17 **Q. WHAT IS THE VALUATION OF THE JCP&L DISTRIBUTION ASSETS**  
18 **BASED ON YOUR COMPARABLE SALES ANALYSIS?**

19 A. The JCP&L supplemental application, which was filed on April 22, 2016, in this  
20 docket states that the book value of the distribution assets to be transferred is  
21 \$257,124. Based on a MV/BV multiple of 1.93, which is the average MV/BV  
22 multiple for which electric utilities have historically sold, the value of the  
23 distribution assets using the Comparable Sales analysis is \$495,073, or  
24 approximately \$0.5 million.

25

1 **Q. PLEASE EXPLAIN THE BASIS OF THE REPLACEMENT COST**  
2 **METHODOLOGY.**

3 A. While the Comparable Sales Analysis focused on the market value of an asset, the  
4 Replacement Cost methodology is asset-focused and calculates the cost for  
5 duplicating an asset as it now exists.

6

7 **Q. HOW DID YOU APPLY THE REPLACEMENT COST METHODOLOGY**  
8 **TO VALUE THE JCP&L TRANSMISSION ASSETS?**

9 A. In applying this methodology, I examined the initial book cost of all the JCP&L  
10 transmission assets as found in the prefiled testimony of Company Witness K. Jon  
11 Taylor. These book cost values represent the initial cost of the assets that JCP&L  
12 is wishing to transfer to MAIT. The values for these assets can be seen in Table 5  
13 below.

14

15 Table5: Book Cost of JCP&L Transmission Assets

Account - Asset Description	Book Cost
35210 - Structures, Improvements	\$27,959,105
35220 - Clearing, Grading Of Land	\$266,626
35300 - Station Equipment	\$519,708,609
35400 - Towers And Fixtures	\$37,182,515
35500 - Poles And Fixtures	\$170,025,323
35610 - Overhd Conductr, Devices	\$248,016,892
35620 - Clearing, Grading of Land	\$33,608,511
35700 - Underground Conduit	\$1,962,292
35800 - Undergrnd Conductr,Devices	\$18,219,283
35900 - Roads And Trails	\$2,135,523
35910 - ARC Transmission	\$3,410
39010 - Structures, Improvements	\$18,820
39700 - Communication Equipment	<u>\$4,602,093</u>
Total Value	\$1,063,709,004

1 As one might expect, these assets were not all purchased at the same time but,  
2 instead, were purchased at varying times in the past. As a result, I had to bring the  
3 above-stated historical book cost of approximately \$1.06 billion to present value  
4 replacement costs. To do so, I asked the Company in a data request (RCR-V-29)  
5 to provide the average age of the asset classes as stated in Table 3 above. With  
6 the Company's information on average ages of the assets, I then used the Handy  
7 Whitman index to determine the actual replacement cost of the various asset  
8 types. This replacement cost value was roughly \$1.9 billion.

9  
10 This replacement cost of approximately \$1.9 billion represents the cost of the  
11 JCP&L transmission assets as if the assets were newly constructed. To account  
12 for the existing useful lives of the assets, I then determined the % of remaining  
13 depreciable life of the assets by dividing the net book value of approximately  
14 \$731.6 million divided by the gross cost value of \$1.06 billion to arrive at an  
15 estimated remaining life of 68.9%. When this 68.9% ratio is applied to the  
16 replacement cost value of \$1.9 billion, the estimated net replacement value of the  
17 JCP&L transmission assets is approximately \$1.3 billion, which is slightly below  
18 the low end of the range of results using the Comparable Sales Methodology.

19  
20 **Q. WERE YOU ABLE TO CALCULATE THE REPLACEMENT COST OF**  
21 **THE DISTRIBUTION ASSETS JCP&L IS REQUESTING BE**  
22 **TRANSFERRED TO MAIT?**

23 **A.** Yes. I followed the same methodology as outlined above for the JCP&L  
24 transmission assets to determine the value of the distribution assets to be  
25 transferred to MAIT. The resulting value of the distribution assets was \$473,681,  
26 which was very close to the valuation of the distribution assets using the  
27 comparable sales methodology.

28

1 **Q. WHAT IS YOUR ESTIMATE OF THE TOTAL VALUE OF THE**  
 2 **TRANSMISSION AND DISTRIBUTION ASSETS JCP&L IS HEREIN**  
 3 **SEEKING TO TRANSFER TO MAIT?**

4 A. Table 6 below provides a summary of the valuation methods I used to value the  
 5 transmission and distribution assets JCP&L wishes to transfer to MAIT.

6  
 7 Table 6: Summary of Valuation Methods for Proposed  
 8 JCP&L Asset Transfer to MAIT

	Valuation Methodology		
	Comparable Sales	Replacement Cost Less Depreciation	JCP&L Transfer Request
Transmission Assets	\$1.5 - \$3.19 billion	\$1.3 billion	\$0.75 billion
Distribution Assets	\$0.5 million	\$0.5 million	\$0.3 million

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**III. GROUND LEASE VALUATION**

**Q. WHY IS JCP&L RETAINING THE LAND AND LAND RIGHTS AND TRANSFERRING ONLY THE TRANSMISSION FACILITIES AS OPPOSED TO SELLING THE LAND AND LAND RIGHTS TO MAIT?**

A. The Company maintains that the establishment of a lease for the land and land rights is administratively more efficient than the outright donation of the property to MAIT. Company Witness K. Jon Taylor states the following in his testimony:

the use of a ground lease with MAIT provides for a quicker transfer of property rights including avoidance of surveys, consents, deed recordings, and easement negotiations. (Taylor, p. 13, l. 21-23)

**Q. PLEASE EXPLAIN HOW JCP&L IS PROPOSING TO VALUE THE GROUND LEASE IT WILL ENTER INTO WITH MAIT.**

A. According to the testimony of Mr. Taylor, the lease will be calculated on the book value of the land and land rights. Mr. Taylor goes on to state:

This (method) assures that the rate charged to transmission customers is based on the amount actually paid for land and land rights and therefore is consistent with the rate making principles of the FERC. (Taylor, p. 14, l. 5-7)

**Q. DO YOU AGREE THAT THE ESTABLISHMENT OF A GROUND LEASE BASED ON BOOK VALUE IS APPROPRIATE?**

A. I will agree with Mr. Taylor that the ground lease for current transmission facilities should be valued on net book value. However, as recommended by Rate Counsel Witness Hempling, to the extent MAIT uses the land for purposes other than providing electric service to JCP&L customers, I believe captive ratepayers should receive rate credits established at market valuations approved by this Board (see Hempling Condition C-3).

1 The ground lease filed with the Application in this docket allows MAIT to use the  
2 land for purposes other than the delivery of electricity to New Jersey consumers.  
3 Section 5.2 of the proposed ground lease states:

4  
5 New Facilities. With the prior written approval of Lessor, which  
6 approval shall not be withheld except as necessary to preserve  
7 Lessor's Compatible Uses (as hereinafter defined), MAIT may  
8 construct, erect, or install and operate electric transmission lines,  
9 towers, poles, posts, cables, conduits, transformers, insulators,  
10 meters, electric connections, fuses, junction boxes and other  
11 fixtures and any equipment ("New Facilities") on the Premises  
12 provided that MAIT pays to Lessor the fair market value of the  
13 property rights required therefor.  
14

15 The above section of the ground lease could result in MAIT using the land and  
16 land rights to construct new transmission lines to serve customers other than  
17 JCP&L consumers. Building new facilities on JCP&L land valued at only book  
18 value would benefit FirstEnergy stockholders and deprive New Jersey ratepayers  
19 of additional revenues from the leases whose underlying assets have been paid for  
20 by JCP&L ratepayers.

21  
22 **Q. HOW DOES JCP&L/MAIT PROPOSE TO DETERMINE THE FAIR**  
23 **MARKET VALUE LEASE RATE?**

24 A. JCP&L will determine the fair market value of a market lease. Section 5.2 states  
25 the following:

26  
27 Within sixty (60) days after submission of such request to Lessor,  
28 Lessor shall notify MAIT whether or not Lessor approves use of  
29 the Premises for the New Facilities and of Lessor's estimate of the  
30 fair market value of the property rights required therefor.  
31

32 This language in the proposed ground lease essentially has two FirstEnergy  
33 subsidiaries negotiating with one another. The party paying the costs for these  
34 facilities is the consuming public and this ground lease excludes them from the

1 negotiating process. My recommendation is that if the transaction goes forward,  
2 the Board approval should be obtained for all ground leases that involve new  
3 facilities or new uses other than the currently established JCP&L transmission  
4 facilities

5  
6 **Q. HOW DO YOU RECOMMEND GROUND LEASE RATES BE**  
7 **ESTABLISHED?**

8 A. I recommend the ground leases for existing facilities be established at current  
9 book values. However, for new uses outside the provision of electric service for  
10 New Jersey consumers, I believe market lease rates should be determined by the  
11 New Jersey Board of Public Utilities. As a guideline, I believe the market leases  
12 should be calculated on the same 2.0 to 4.25 ratio range I found for the valuation  
13 of the transmission assets. In other words, at no point should the market lease be  
14 less than 2.0 X of the book value lease that is established for this ground right for  
15 existing transmission facilities.

16  
17 Furthermore, as noted above and discussed by Rate Counsel Witness Hempling,  
18 future “fair market value” ground lease payments from MAIT, or any subsequent  
19 purchaser, should be treated as revenue credits against JCP&L retail revenue  
20 requirements. (See Hempling Condition C-3)

21  
22 **Q. IS THERE ANY OTHER ASPECT OF THE GROUND LEASE THAT**  
23 **CONCERNS YOU?**

24 A. Yes. Section 10.1 of the ground lease states as follows:

25  
26 In the event Lessor determines to sell any Leased Property, Lessor  
27 shall notify in writing MAIT thereof and the sales price and terms  
28 upon which Lessor wishes to sell the same (the “Sale Offer”).  
29 MAIT shall have the right to purchase the Leased Property that  
30 Lessor proposes to sell at the price and upon the terms of the Sale  
31 Offer for a period of thirty (30) days after such notice to MAIT.  
32 MAIT shall exercise such right by written notice of acceptance of

1 such Sale Offer within such 30-day period. In the event MAIT  
2 does not accept such Sale Offer, Lessor may sell the Leased  
3 Property subject to the Sale Offer at any time within one (1) year  
4 after notice of the Sale Offer to MAIT upon substantially the same  
5 terms and for a sale price that is not less than 90% of the sale price  
6 set forth in the Sale Offer.  
7

8 The above section gives MAIT the right-of-first refusal for purchasing the land  
9 and land rights. While I clearly understand the desire for MAIT to control the land  
10 on which its transmission facilities are located, I am concerned the right-of-first  
11 refusal will depress the value of the land. If, in the future, FirstEnergy chooses to  
12 sell its transmission assets, this right of first refusal would dampen the price  
13 investors would be willing to pay for this asset. Since JCP&L would still own the  
14 land, the value that may be gained from the sale would be depressed and the  
15 resulting benefit to consumers would be depressed. To address this concern, I  
16 agree with Hempling Condition C-4 which states:  
17

18 **Condition C-4:** *Section 10.1 of the Ground Lease, granting*  
19 *MAIT a "right of first offering," shall be deleted. Should JCP&L*  
20 *determine to sell any Leased Property (as defined by the Ground*  
21 *Lease), JCP&L must sell to the buyer offering the highest price,*  
22 *which buyer may or may not be MAIT. Such sale shall not be*  
23 *consummated unless and until the Board finds that it is consistent*  
24 *with the public interest.*  
25

26 **Q. HOW DOES THE COMPANY'S PROPOSAL TO ESTABLISH A**  
27 **GROUND LEASE AT BOOK VALUE IMPACT COMPETITION IN**  
28 **TRANSMISSION SERVICES?**

29 A. The JCP&L/MAIT request in this case will have a detrimental impact on  
30 competition in the electric industry. Another company that wishes to construct a  
31 transmission line in the JCP&L area will have to pay ground leases based on  
32 market values and then compete against MAIT that will enjoy a ground lease  
33 based on historical book value. This creates an unfair competitive advantage for  
34 MAIT.



1 **IV. RECOMMENDATION**

2 **Q. DO YOU RECOMMEND THE COMMISSION APPROVE THE**  
3 **TRANSFER OF THE JCP&L TRANSMISSION ASSETS TO MAIT?**

4 A. No, I recommend the current application by JCP&L/MAIT be rejected. JCP&L  
5 has asked this Board to transfer the transmission assets at book value. As I have  
6 shown herein, book value grossly understates the true value of these transmission  
7 assets.

8  
9 **Q. IF THE BOARD DISAGREES WITH YOUR PRIMARY**  
10 **RECOMMENDATION, DO YOU HAVE AN ALTERNATIVE**  
11 **RECOMMENDATION FOR THE BOARD TO CONSIDER?**

12 A. If the Board believes the transfer of the assets will benefit consumers and  
13 approves the petition, 100% of the net gain from such a sale or spin-off should be  
14 distributed with consumers. To be specific, I recommend that, as a condition of  
15 the transfer, the Board require that consumers receive 100% of the net proceeds  
16 from any future sale or spin-off of MAIT as well as the net income from sales of  
17 service over these facilities. This should not be a concern for the Company given  
18 its representation that it has no plans to sell MAIT.

19  
20 **Q. MR. O'DONNELL, PLEASE SUMMARIZE YOUR TESTIMONY.**

21 A. In this Application, JCP&L is asking this Commission to transfer \$750 million in  
22 transmission assets to the soon to-be-created transmission entity MAIT. These  
23 transmission and distribution assets have been paid for by New Jersey residents  
24 for decades and have a market value that I have estimated to be approximately  
25 \$1.3 billion to \$3.19 billion. As Mr. Hempling shows in his testimony, there is a  
26 risk that FirstEnergy will have motive and opportunity to monetize these assets  
27 via a future sale or spin-off and pass the entire gain onto stockholders, and/or to  
28 sell services over these assets at rates exceeding cost-based rates. Meanwhile, the  
29 ratepayers that have supported these assets for decades would receive nothing in  
30 the sale of MAIT.

1

2

My primary recommendation in this case is to reject the Application. However, if

3

the Board does not agree with this primary recommendation, I have provided the

4

Board with an alternative where it could approve the merger under the condition

5

that the future net gain from any sale/spin-off of MAIT be paid directly to JCP&L

6

ratepayers.

7

8

**Q. DOES THIS COMPLETE YOUR TESTIMONY?**

9

A. Yes, it does.

# Appendix A

**Kevin W. O'Donnell, CFA**  
***Nova Energy Consultants, Inc. (Nova)***  
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Cary, NC  
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919-461-0570 (fax)  
[kodonnell@novaenergyconsultants.com](mailto:kodonnell@novaenergyconsultants.com)

Kevin W. O'Donnell, is the founder of Nova Energy Consultants, Inc. in Cary, NC. Mr. O'Donnell's academic credentials include a B.S. in Civil Engineering - Construction Option from North Carolina State University as well as a MBA in Finance from Florida State University. Mr. O'Donnell is also a Chartered Financial Analyst (CFA).

Mr. O'Donnell has over thirty-one years of experience working in the electric, natural gas, and water/sewer industries. He is very active in municipal power projects and has assisted numerous southeastern U.S. municipalities cut their wholesale cost of power by as much as 67%. On Dec. 12, 1998, *The Wilson Daily Times* made the following statement about O'Donnell.

**Although we were skeptical of O'Donnell's efforts at first, he has shown that he can deliver on promises to cut electrical rates.**

As of the start of 2015, Mr. O'Donnell has completed over 25 wholesale power projects for municipal and university-owned electric systems throughout North and South Carolina. In May of 1996 Mr. O'Donnell testified before the U.S. House of Representatives, Committee on Commerce, Subcommittee on Energy and Power regarding the restructuring of the electric utility industry.

Mr. O'Donnell has appeared as an expert witness in over 80 regulatory proceedings before the North Carolina Utilities Commission, the South Carolina Public Service Commission, the Virginia Corporation Commission, the Minnesota Public Service Commission, the New Jersey Board of Public Utilities, the Colorado Public Service Commission, the Wisconsin Public Service Commission, and the Florida Public Service Commission. His area of expertise has included rate design, cost of service, rate of return, capital structure, nuclear decommissioning, natural gas expansion feasibility studies, fuel adjustments, merger transactions, cogeneration studies, holding company applications, as well as numerous other accounting, financial, and utility rate-related issues.

Mr. O'Donnell is the author of the following two articles: "Aggregating Municipal Loads: The Future is Today" which was published in the Oct. 1, 1995 edition of *Public Utilities Fortnightly*; and "Worth the Wait, But Still at Risk" which was published in the May 1, 2000 edition of *Public Utilities Fortnightly*. Mr. O'Donnell is also the co-author of "Small Towns, Big Rate Cuts" which was published in the January, 1997 edition of *Energy Buyers Guide*. All of these articles discuss how rural electric systems can use the wholesale power markets to procure wholesale power supplies.

**Regulatory Cases of Kevin W. O'Donnell, CFA**  
**Nova Energy Consultants, Inc.**

Year	Name of Applicant	State Jurisdiction	Docket No.	Client/ Employer	Case Issues
1985	Public Service Company of NC	NC	G-5, Sub 200	Public Staff of NCUC	Return on equity, capital structure
1985	Piedmont Natural Gas Company	NC	G-9, Sub 251	Public Staff of NCUC	Return on equity, capital structure
1986	General Telephone of the South	NC	P-19, Sub 207	Public Staff of NCUC	Return on equity, capital structure
1987	Public Service Company of NC	NC	G-5, Sub 207	Public Staff of NCUC	Return on equity, capital structure
1988	Piedmont Natural Gas Company	NC	G-9, Sub 278	Public Staff of NCUC	Return on equity, capital structure
1989	Public Service Company of NC	NC	G-5, Sub 246	Public Staff of NCUC	Return on equity, capital structure
1990	North Carolina Power	NC	E-22, Sub 314	Public Staff of NCUC	Return on equity, capital structure
1991	Duke Energy	NC	E-7, Sub 487	Public Staff of NCUC	Return on equity, capital structure
1992	North Carolina Natural Gas	NC	G-21, Sub 306	Public Staff of NCUC	Natural gas expansion fund
1992	North Carolina Natural Gas	NC	G-21, Sub 307	Public Staff of NCUC	Natural gas expansion fund
1995	Penn & Southern Gas Company	NC	G-3, Sub 186	Public Staff of NCUC	Return on equity, capital structure
1995	North Carolina Natural Gas	NC	G-21, Sub 334	Carolina Utility Customers Assoc.	Return on equity, capital structure, rate design, cost of service
1995	Carolina Power & Light Company	NC	E-2, Sub 680	Carolina Utility Customers Assoc.	Fuel adjustment proceeding
1995	Duke Power	NC	E-7, Sub 559	Carolina Utility Customers Assoc.	Fuel adjustment proceeding
1996	Piedmont Natural Gas Company	NC	G-9, Sub 378	Carolina Utility Customers Assoc.	Return on equity, capital structure, rate design, cost of service
1996	Piedmont Natural Gas Company	NC	G-9, Sub 382	Carolina Utility Customers Assoc.	Return on equity, capital structure, rate design, cost of service
1996	Public Service Company of NC	NC	G-5, Sub 356	Carolina Utility Customers Assoc.	Return on equity, capital structure, rate design, cost of service
1996	Cardinal Extension Company	NC	G-39, Sub 0	Carolina Utility Customers Assoc.	Capital structure, cost of capital
1997	Public Service Company of NC	NC	G-5, Sub 327	Carolina Utility Customers Assoc.	Return on equity, capital structure, rate design, cost of service
1998	Public Service Company of NC	NC	G-5, Sub 386	Carolina Utility Customers Assoc.	Return on equity, capital structure, rate design, cost of service
1998	Public Service Company of NC	NC	G-5, Sub 400	Carolina Utility Customers Assoc.	Natural gas transportation rates
1999	Public Service Company of NC/SCANA	NC	G-43	Carolina Utility Customers Assoc.	Merger case
1999	Public Service Company of NC/SCANA	NC	E-2, Sub 753	Carolina Utility Customers Assoc.	Merger Case
1999	Carolina Power & Light Company	NC	G-21, Sub 387	Carolina Utility Customers Assoc.	Holding company application
1999	Carolina Power & Light Company	NC	P-708, Sub 5	Carolina Utility Customers Assoc.	Holding company application
1999	Carolina Power & Light Company	NC	G-9, Sub 428	Carolina Utility Customers Assoc.	Holding company application
2000	Piedmont Natural Gas Company	NC	G-3, Sub 224	Carolina Utility Customers Assoc.	Return on equity, capital structure, rate design, cost of service
2000	NUI Corporation	NC	G-3, Sub 232	Carolina Utility Customers Assoc.	Holding company application
2000	NUI Corporation/Virginia Gas Company	NC	E-7, Sub 685	Carolina Utility Customers Assoc.	Merger application
2001	Duke Power	NC	G-3, Sub 235	Carolina Utility Customers Assoc.	Emission allowances and environmental compliance costs
2001	NUI Corporation	NC	E-2, Sub 778	Carolina Utility Customers Assoc.	Tariff change request.
2001	Carolina Power & Light Company/Prog	NC	E-7, Sub 694	Carolina Utility Customers Assoc.	Asset transfer case
2001	Duke Power	NC	G-9, Sub 461	Carolina Utility Customers Assoc.	Restructuring application
2002	Piedmont Natural Gas Company	NC	G-39, Sub 4	Carolina Utility Customers Assoc.	Return on equity, capital structure, rate design, cost of service
2002	Cardinal Pipeline Company	NC	2002-63-G	Carolina Utility Customers Assoc.	Cost of capital, capital structure
2002	South Carolina Public Service Commission	SC		South Carolina Energy Users Committee	Rate of return, accounting, rate design, cost of service
2003	Piedmont Natural Gas/North Carolina	NC	G-9, Sub 470	Carolina Utility Customers Assoc.	Merger application
2003	Piedmont Natural Gas/North Carolina	NC	G-9, Sub 430	Carolina Utility Customers Assoc.	Merger application
2003	Piedmont Natural Gas/North Carolina	NC	E-2, Sub 825	Carolina Utility Customers Assoc.	Merger application
2003	Carolina Power & Light Company	NC	E-2, Sub 833	Carolina Utility Customers Assoc.	Fuel case

**Regulatory Cases of Kevin W. O'Donnell, CFA**  
**Nova Energy Consultants, Inc.**

Year	Name of Applicant	State Jurisdiction	Docket No.	Client/Employer	Case Issues
2004	South Carolina Electric & Gas	SC	2004-178-E	South Carolina Energy Users Committee	Return on equity, capital structure, rate design, cost of service
2005	Carolina Power & Light Company	NC	E-2, Sub 868	Carolina Utility Customers Assoc.	Fuel case
2005	Piedmont Natural Gas Company	NC	G-9, Sub 499	Carolina Utility Customers Assoc.	Return on equity, capital structure, rate design, cost of service
2005	South Carolina Electric & Gas	SC	2005-2-E	South Carolina Energy Users Committee	Fuel application
2005	Carolina Power & Light Company	SC	2006-1-E	South Carolina Energy Users Committee	Fuel application
2006	IRP in North Carolina	NC	E-100, Sub 103	Carolina Utility Customers Assoc.	Submitted rebuttal testimony in investigation of IRP in NC.
2006	Piedmont Natural Gas Company	NC	G-9, Sub 519	Carolina Utility Customers Assoc.	Creditworthiness issue
2006	Public Service Company of NC	NC	G-5, Sub 481	Carolina Utility Customers Assoc.	Return on equity, capital structure, rate design, cost of service
2006	Duke Power	NC	E-7, 751	Carolina Utility Customers Assoc.	App to share net revenues from certain wholesale pwr trans
2006	South Carolina Electric & Gas	SC	2006-192-E	South Carolina Energy Users Committee	Fuel application
2007	Duke Power	NC	E-7, Sub 790	Carolina Utility Customers Assoc.	Application to construct generation
2007	South Carolina Electric & Gas	SC	2007-229-E	South Carolina Energy Users Committee	Rate of return, accounting, rate design, cost of service
2008	South Carolina Electric & Gas	SC	2008-196-E	South Carolina Energy Users Committee	Base load review act proceeding
2009	Western Carolina University	NC	E-35, Sub 37	Western Carolina University	Rate of return, accounting, rate design, cost of service
2009	Duke Power	NC	E-7, Sub 909	Carolina Utility Customers Assoc.	Cost of service, rate design, return on equity, capital structure
2009	South Carolina Electric & Gas	SC	2009-261-E	South Carolina Energy Users Committee	DSM/EE rate filing
2009	Duke Power	SC	2009-226-E	South Carolina Energy Users Committee	Return on equity, capital structure, rate design, cost of service
2009	Tampa Electric	FL	080317-EI	Florida Retail Federation	Return on equity, capital structure
2010	Duke Power	SC	2010-3-E	South Carolina Energy Users Committee	Fuel application - assisted in settlement
2010	South Carolina Electric & Gas	SC	2009-489-E	South Carolina Energy Users Committee	Return on equity, capital structure, rate design, cost of service
2010	Virginia Power	VA	PUE-2010-00006	Mead Westvaco	Rate design
2011	Duke Energy	NC	2011-20-E	South Carolina Energy Users Committee	Nuclear construction financing
2011	Northern States Power	MN	E002/GR-10-971	Xcel Large Industrials	Return on equity, capital structure
2011	Virginia Power	VA	PUE-2011-0027	Mead Westvaco	Capital structure, revenue requirement
2011	Duke Energy	NC	E-7, Sub 989	Carolina Utility Customers Assoc.	Accounting, cost of service, rate design, ROE, capital structure
2011	Duke Energy	SC	2011-271-E	South Carolina Energy Users Committee	Accounting, cost of service, rate design, ROE, capital structure
2011	Dominion Virginia Power	VA	PUE-2011-00073	Mead Westvaco	Rate design
2012	Town of Smithfield/Partners Equity Gr	NC	ES-160, Sub 0	Partners Equity Group	Rate design, asset valuation
2012	Florida Power & Light	FL	120015-EI	Florida Office of Public Counsel	Capital structure
2012	South Carolina Electric & Gas	SC	2012-218-E	South Carolina Energy Users Committee	Accounting, cost of service, rate design, ROE, capital structure
2013	Progress Energy Carolinas	NC	E-2, Sub 1023	Carolina Utility Customers Assoc.	Accounting, cost of service, rate design, ROE, capital structure
2013	Duke Energy Carolinas	NC	E-7, Sub 1026	Carolina Utility Customers Assoc.	Rate design
2013	Jersey Central Power & Light	NJ	BPU ER12111052	Gerdau Ameristeel	Return on equity, capital structure
2013	Duke Energy Carolinas	SC	2013-59-E	South Carolina Energy Users Committee	Accounting, cost of service, rate design, ROE, capital structure
2013	Tampa Electric	FL	130040-EI	Florida Office of Public Counsel	Capital structure and financial integrity
2013	Piedmont Natural Gas	NC	G-9, Sub 631	Carolina Utility Customers Assoc.	Accounting, cost of service, rate design, ROE, capital structure
2014	Dominion Virginia Power	VA	PUE-2014-00033	Mead Westvaco	Recoverable fuel costs, hedging strategies
2014	Public Service Company of Colorado	CO	14AL-0660E	Colorado Healthcare Electric Coordinating Council	Return on equity, capital structure
2015	WEC Acquisition of Integrys	WI	9400-YO-100	Staff of Wisconsin Public Service Commission	Acquisition analysis
2015	Dominion Virginia Power	VA	PUE-2015-00027	Federal Executive Agencies	Return on equity

**Regulatory Cases of Kevin W. O'Donnell, CFA**  
**Nova Energy Consultants, Inc.**

Year	Name of Applicant	State Jurisdiction	Docket No.	Client/ Employer	Case Issues
2015	South Carolina Electric & Gas	SC	2015-103-E	South Carolina Energy Users Committee	Return on equity
2015	Western Carolina University	NC	E-35, Sub 45	Western Carolina University	Accounting, cost of service, rate design, ROE, capital structure
2016	Sandpiper Energy	MD	9410	Maryland Office of People's Counsel	Return on equity, capital structure
2016	Washington Gas Light	DC	FC 1137	Washington, DC Office of People's Counsel	Return on equity, capital structure
2016	Florida Power & Light	FL	160021-EI	Florida Office of Public Counsel	Capital Structure