

Appendix A

QUALIFICATIONS OF MICHAEL J. VILBERT

Michael J. Vilbert is a Principal of The Brattle Group (“Brattle”), an economic, environmental and management consulting firm with offices in Cambridge, Massachusetts, Washington, D.C. and London, England.

Michael Vilbert received his Ph.D. in Financial Economics from the Wharton School of the University of Pennsylvania, an MBA from the University of Utah and an MA in International Affairs from the Fletcher School of Law and Diplomacy at Tufts University. He also holds a B.S. degree from the United States Air Force Academy. He joined *The Brattle Group* in 1994 after a career as an Air Force officer where he served as a fighter pilot, intelligence officer and professor of finance at the Air Force Academy. At the Academy, he taught courses in investments, corporate finance, and probability and statistics as well as the fundamentals of flying. Dr. Vilbert has consulted to clients on a wide variety of economic, financial and regulatory matters.

REPRESENTATIVE CONSULTING EXPERIENCE

- For a large southeastern utility, Dr. Vilbert was part of a team quantifying the company’s stranded costs under several electric restructuring scenarios. This involved the evaluation of all of the company’s fossil and nuclear generating units, its contracts with Qualifying Facilities and the prudence of those QF contracts. He provided analysis concerning the impact of securitizing the company’s stranded costs as a means of reducing the cost to the rate payers and several alternative designs for recovering stranded costs.
- In a securities fraud case, Dr. Vilbert designed and created a model to value the private placement stock of a drug store chain if there had been full disclosure of the actual financial condition of the firm. He analyzed key financial data and security analysts reports regarding the future of the industry in order to recreate pro forma balance sheet and income statements under a variety of scenarios designed to establish the value of the firm.
- For pharmaceutical companies rebutting price-fixing claims in antitrust litigation, Dr. Vilbert was a member of a team which prepared a comprehensive analysis of industry profitability. The analysis replicated, tested and critiqued the major recent analyses of drug costs, risks and returns. The analyses helped develop expert witness testimony to rebut allegations of excess profits.

- For an independent electrical power producer, Dr. Vilbert created a model that analyzed the reasonableness of rates and costs filed by a natural gas pipeline. The model not only duplicated the pipeline's rates, but it also allowed simulation of a variety of "what if" scenarios associated with cost recovery under alternative time patterns and joint cost allocations. Results of the analysis were adopted by the intervenor group for negotiation with the pipeline.
- For the CFO of an electric utility, Dr. Vilbert developed the valuation model used to support a stranded cost estimation filing. The case involved a conflict between two utilities over the responsibility for out-of-market costs associated with a power purchase contract between them. In addition, he advised and analyzed cost recovery mechanisms that would allow full recovery of the stranded costs while providing a rate reduction for the company's rate payers.
- Dr. Vilbert has assisted in the preparation of testimony and the development of estimation models in numerous cost of capital cases for natural gas pipeline and electric utility clients before the FERC and state regulatory commissions. These have spanned standard estimation techniques (DCF, CAPM) and have also developed and applied more advanced models specific to the industries or lines of business in question, *e.g.*, based on the structure and risk characteristics of cash flows, or based on multi-factor models that better characterize regulated industries.
- Dr. Vilbert has valued several large, residual oil-fired generating stations to evaluate the possible conversion to natural gas or other fuels. In these analyses, the expected pre- and post-conversion station values were computed using a range of market electricity and fuel cost conditions.
- For a major western electric utility, Dr. Vilbert helped prepare testimony that analyzed the prudence of QF contract enforcement. The testimony demonstrated that the utility had not been compensated for major disallowances for QF contract management in its allowed cost of capital.
- Dr. Vilbert was a member of a team which analyzed the economic need for a major natural gas pipeline expansion to the Midwest. This involved evaluating forecasts of natural gas use in various regions of the United States and the effect of additional supplies on the pattern of natural gas pipeline use. The analysis was used to justify the expansion before the FERC and the National Energy Board of Canada.

- Dr. Vilbert led a team tasked to determine whether bridge tolls were "just and reasonable" for a non-profit port authority. Determination of the revenue requirement of the authority required estimation of the ratebase value of the authority's assets using the trended original cost methodology as well as evaluation of the operations and maintenance budgets. Investment costs, bridge traffic information and inflation indices covering a 75 year period were utilized to estimate the value of four bridges and a passenger transit line valued in excess of \$1 billion.
- Dr. Vilbert helped a recently privatized railroad in Brazil develop an estimate of its revenue requirements, including an estimate of its cost of capital, and evaluate alternative rate structures designed to provide economic incentives to shippers as well as to the railroad for improved service. This involved the explanation and analysis of the contribution margin of numerous products and shippers, improved cost analysis and evaluation of bottlenecks in the system.
- For a recently privatized electric utility in Australia, Dr. Vilbert evaluated the proposed regulatory scheme of the Australian Competition and Consumer Commission for the company's electric transmission system. The evaluation highlighted the elements of the proposed regulation which would impose uncompensated asymmetric risks on the company and the need to either eliminate the asymmetry in risk or provide additional compensation so that the company could expect to earn its cost of capital.
- For an electric utility in the southwest, Dr. Vilbert helped design and create a model to estimate the stranded costs of the company's portfolio of Qualifying Facilities and Power Purchase contracts. This exercise was complicated by the many variations in the provisions of the contracts that required modeling in order to capture the effect of changes in either the performance of the plants or in the estimated market price of electricity.
- For the Public Utility Commission in the northeast, Dr. Vilbert analyzed the auction of an electric utilities purchase power agreements to determine whether the outcome of the auction was in the ratepayers' interest. The work involved the analysis of the auction procedures as well as the benefits to ratepayers of transferring risk of the PPA payments to the buyer.
- Dr. Vilbert helped prepare the testimony responding to a FERC request for further comments on the appropriate return on equity for electric transmission facilities. In addition, Dr. Vilbert was a member of the team that made a presentation to the FERC staff on the expected risks of the unbundled electric transmission line of business.
- Dr. Vilbert and Mr. Frank C. Graves, also of *The Brattle Group*, prepared testimony evaluating an innovative Canadian stranded cost recovery procedure involving the

auctioning of the output of the Province's electric generation plants instead of the plants themselves. The evaluation required the analysis of the terms and conditions of the long-term contracts specifying the revenue requirements of the plants for their entire forecast remaining economic life and required an estimate of the cost of capital for the plant owners under this new stranded cost recovery concept.

TESTIMONY

Direct and rebuttal testimony before the Alberta Energy and Utilities Board on behalf of TransAlta Utilities Corporation in the matter of an application for approval of its 1999 and 2000 generation tariff, transmission tariff, and distribution revenue requirement, October 1998.

Direct testimony before the Federal Energy Regulatory Commission on behalf of Central Maine Power in Docket No. ER00-982-000, December 1999.

Direct testimony before the Alberta Energy and Utilities Board on behalf of TransAlta Utilities Corporation for approval of its 2001 transmission tariff, May 2000.

Direct testimony before the Federal Energy Regulatory Commission on behalf of Mississippi River Transmission Corporation in Docket No. RP01-292, March 2001.

Direct testimony before the National Energy Board on behalf of TransCanada Pipelines Limited in a matter pursuant to Part I and Part IV of the *National Energy Board Act*, June 2001.