

QUALIFICATIONS OF DR. BENTE VILLADSEN

Q. Please state your name, employer and business address.

A. My name is Bente Villadsen. I am a Principal of *The Brattle Group*, (“Brattle”), an economic, environmental and management consulting firm with offices in Cambridge, Washington, San Francisco, London and Brussels. I can be reached at the Cambridge office, 44 Brattle Street, Cambridge, MA 02138. I also work as a consultant for Risø National Laboratories in Denmark.

Q. Please state your educational background.

A. I hold a B.S. and M.S. from University of Aarhus, Denmark and a Ph.D. from Yale University’s School of Management. Prior to joining *The Brattle Group*, she was a Professor of Accounting at the University of Iowa, University of Michigan, and at Washington University in St. Louis where she taught financial and cost accounting.

Q. Please state your professional experience.

A. My work concentrates on regulatory finance and accounting. I have testified on cost of capital issues in rate proceedings and provided written and oral testimony in arbitrations on accounting issues, cost of capital, post-judgment interest, and damages. The following pages detail my professional experience.

REPRESENTATIVE EXPERIENCE

Energy and Public Utility Finance

- Dr. Villadsen has filed several cost of capital testimonies and appeared at hearings for water and wastewater utilities in connection with rate hearings before state regulatory commissions.
- She has considerable experience in estimating the cost of capital for major U.S. and Canadian utilities, pipelines, and railroads. The work has been used in connection with the companies' rate hearings before the Federal Energy Regulatory Commission, the Canadian National Energy Board, the Surface Transportation Board, and state and provincial regulatory bodies. The work has been performed for pipelines, integrated electric utilities, non-integrated electric utilities, gas distribution companies, water utilities, railroads and other parties.
- In connection with rate hearings for electric utilities, Dr. Villadsen has estimated the impact of power purchase agreements on the company's credit ratings and calculated appropriate compensation for utilities that sign such agreements to fulfill, for example, renewable energy requirements.
- Dr. Villadsen has been part of a team assessing the impact of conservation initiatives, energy efficiency, and decoupling of volumes and revenues on electric utilities financial performance. Specifically, she has estimated the impact of specific regulatory proposals on the affected utilities earnings and cash flow.
- For a large integrated electric utility, Dr. Villadsen participated in all aspects of the company's rate filing, including the company's cost of capital, incentive based rates, and certain regulatory accounting issues.
- Dr. Villadsen has been involved in several projects evaluating the impact of credit ratings on electric utilities. She was part of a team evaluating the impact of accounting fraud on an energy company's credit rating and assessing the company's credit rating but-for the accounting fraud.
- For a large electric utility, Dr. Villadsen modeled cash flows and analyzed its financing decisions to determine the degree to which the company was in financial distress as a consequence of long-term energy contracts.
- For a large electric utility without generation assets, Dr. Villadsen assisted in the assessment of the risk added from offering its customers a price protection plan and being the provider of last resort (POLR).

Accounting and CORPORATE FINANCE

- In a recent international arbitration matter, Dr. Villadsen filed expert testimony on the allocation of corporate overhead costs and damages in the form of lost profit.
- Dr. Villadsen has provided expert reports and testimony on several accounting issues in international and domestic arbitrations or court proceedings. In a recent international arbitration, she testified on the proper application of US GAAP in determining shareholders' equity. Among other topics, she testified regarding impairment of long-lived assets, lease accounting, the equity method of accounting, and the measurement of investing activities. In a U.S. arbitration, she provided expert reports on the equity method of accounting, the classification of debt versus equity and the distinction between categories of liabilities in a contract dispute between two major oil companies.
- In U.S. District Court, Dr. Villadsen filed testimony regarding the information required to determine accounting income losses associated with a breach of contract and cash flow modeling.
- She has worked extensively on litigation matters involving the proper application of mark-to-market and derivative accounting in the energy industry. The work relates to the proper valuation of energy contracts, the application of accounting principles, and disclosure requirements regarding derivatives.
- Dr. Villadsen evaluated the accounting practices of a mortgage lender and the mortgage industry to assess the information available to the market and ESOP plan administrators prior to the company's filing for bankruptcy. A large part of the work consisted of comparing the company's and the industry's implementation of gain-of-sale accounting.
- On behalf of senior management, Dr. Villadsen evaluated the performance of segments of regulated entities. In addition, she has reviewed and evaluated the methods used for in overhead allocation.
- She has worked on accounting issues in connection with several tax shelter cases. The focus of her work has been the application of accounting principles to evaluate intra-company transactions, the accounting treatment of security sales, and the classification of debt and equity instruments.
- Dr. Villadsen has modeled the cash flows of several companies to estimate the impact of specific (energy) contracts or to determine the impact of specific loans.
- For a company in the energy sector, she modeled cash flows to evaluate the company's need for additional funds over time and to assess its viability.
- She assisted in the estimation of net worth of individual segments for firms in the consumer product industry. Further, she built a model to analyze the segment's vulnerability to additional fixed costs and its risk of bankruptcy.

- For a large integrated oil company, Dr. Villadsen estimated the company's cost of capital and assisted in the analysis of the company's accounting and market performance.
- In connection with commercial litigation, Dr. Villadsen estimated the cost of capital for companies in the chemical, cement, and construction industries.

RECENT PUBLICATIONS

'Building Sustainable Efficiency Business: Volume I, Approaches and Models" (with Joe Wharton and Peter Fox-Penner, and with "The Brattle Group" listed as author), Edison Electric Institute, forthcoming, Spring 2008.

"Measuring Return on Equity Correctly: Why current estimation models set allowed ROE too low," Public Utilities Fortnightly, August 2005 (with A. Lawrence Kolbe and Michael J. Vilbert).

"The Effect of Debt on the Cost of Equity in a Regulatory Setting," (with A. Lawrence Kolbe and Michael J. Vilbert, and with "The Brattle Group" listed as author), Edison Electric Institute, April 2005.

"Communication and Delegation in Collusive Agencies," Journal of Accounting and Economics, Vol. 19, 1995.

"Beta Distributed Market Shares in a Spatial Model with an Application to the Market for Audit Services" (with M. Hviid), Review of Industrial Organization, Vol. 10, 1995.

REPRESENTATIVE PRESENTATIONS

"Evaluating Alternative Business / Inventive Models," (with Joe Wharton). EEI Workshop, Making a Business of Energy Efficiency: Sustainable Business Models for Utilities, Washington DC, December 2007.

"Deferred Income Taxes and IRS's NOPR: Who should benefit?", NASUCA Annual Meeting, Anaheim, CA, November 2007.

"Current Issues in Cost of Capital," (with M.J. Vilbert). EEI Electric Rates Advanced Course, Madison, 2005.

"Issues for Cost of Capital Estimation," (with M.J. Vilbert). EEI Cost of Capital Conference, Chicago, 2004.

"Discussion of 'Are Performance Measures Other Than Price Important to CEO Incentives?'" Annual Meeting of the American Accounting Association, 2000.

“Contracting and Income Smoothing in an Infinite Agency Model: A Computational Approach,” (with R.T. Boylan) Business and Management Assurance Services Conference, Austin 2000.

TESTIMONY

Expert Report on the allocation of corporate overhead and damages from lost profit. The International Centre for the Settlement of Investment Disputes, Case No. ARB/03/29, February 2008 (Confidential).

Expert Report on accounting information needed to assess income. United States District Court for the District of Maryland (Baltimore Division), Civil No. 1:06cv02046-JFM, June 2007 (Confidential)

Expert Report, Rebuttal Expert Report, and Hearing Appearance regarding investing activities, impairment of assets, leases, shareholder’ equity under U.S. GAAP and valuation. International Chamber of Commerce (ICC), Case No. 14144/CCO, May 2007, August 2007, September 2007. (Joint with Carlos Lapuerta, Confidential)

Direct Testimony, Rebuttal Testimony, and Hearing Appearance on cost of capital before the Arizona Corporation Commission on behalf of Arizona-American Water in Docket No. W-01303A-06-0491, July 2006, July 2007, August 2007.

Direct Testimony, Rebuttal Testimony, Rejoinder Testimony, Supplemental Rejoinder Testimony and Hearing Appearance on cost of capital before the Arizona Corporation Commission on behalf of Arizona-American Water in Docket No. W-01303A-06-0403, June 2006, April 2007, May 2007.

Direct Testimony, Rebuttal Testimony, Rejoinder Testimony, and Hearing Appearance on cost of capital before the Arizona Corporation Commission on behalf of Arizona-American Water in Docket No. W-01303A-06-0014, January 2006, October 2006, November 2006.

Expert report, rebuttal expert report, and deposition on behalf of a major oil company regarding the equity method of accounting and classification of debt and equity, August and November, 2004. (Confidential).