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**SOAH DOCKET NO. 473-07-0851**

**PUC DOCKET NO. 33310**

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<b>APPLICATION OF AEP TEXAS</b>	<b>§</b>	<b>BEFORE THE STATE OFFICE</b>
<b>NORTH COMPANY FOR</b>	<b>§</b>	<b>OF</b>
<b>AUTHORITY TO CHANGE RATES</b>	<b>§</b>	<b>ADMINISTRATIVE HEARINGS</b>

**DIRECT TESTIMONY**

**OF**

**J. KAY TROSTLE**

**ON BEHALF OF CITIES SERVED BY  
AMERICAN ELECTRIC POWER TEXAS NORTH COMPANY**

**March 13, 2007**

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**DIRECT TESTIMONY OF  
J. KAY TROSTLE**

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**ATTACHMENTS**

Attachment 1	Trostle Resume
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**DIRECT TESTIMONY OF  
J. KAY TROSTLE**

**I. INTRODUCTION AND QUALIFICATIONS**

**Q. PLEASE STATE YOUR NAME, OCCUPATION, AND BUSINESS ADDRESS.**

A. My name is J. Kay Trostle. I am an attorney and a partner with the law firm of Smith Trostle LLP. My office address is 707 West Avenue, Suite 202, Austin, Texas 78701.

**Q. PLEASE OUTLINE YOUR EDUCATIONAL AND PROFESSIONAL BACKGROUND.**

A. I received both a Bachelor of Arts and a Juris Doctor degree from the University of Texas. I was admitted to practice law in Texas in 1979. Over the past 28 years the focus of my work has been in the area of administrative law, and during the past 21 years, my practice has been almost exclusively in the area of public utility law. Beginning in 1986, while a hearings examiner at what was then called the Texas Water Commission, and subsequently, during my employment in the hearings division of the Public Utility Commission of Texas from 1987 through 1995, and then at the State Office of Administrative Hearings ("SOAH") where I was the Director of the Utility Division from September 1995 through January 1997, I presided over numerous utility rate proceedings as a hearings examiner and subsequently as an administrative law judge. Since entering private practice in February 1997, I have represented clients in a number of major contested cases before the Public Utility Commission, the Texas Commission on Environmental Quality and its predecessor agencies, the Railroad Commission, and SOAH. The utility cases in which I have

1       been involved include major rate cases, complaint cases, and commission inquiries.

2       My resume is included as Attachment 1 to this testimony.

3               As a public utility law practitioner I am familiar with the nature and  
4       complexity of utility issues in cases before this and other regulatory bodies, including  
5       municipalities, the hourly rates charged by counsel who practice in this area, and the  
6       amount of time necessary to provide services to clients in these types of cases.

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

9       A.    I am presenting testimony on behalf of Cities served by American Electric Power  
10       Texas North Company (“Company” or “TNC”).

11       **Q.    HAVE YOU PREVIOUSLY TESTIFIED BEFORE THIS COMMISSION?**

12       A.    Yes. I testified before the Railroad Commission of Texas as an expert witness on rate  
13       case expense in GUD No. 8976 on behalf of The Aligned Cities Served by TXU Lone  
14       Star Pipeline and in GUD No. 9465 on behalf of Texas Gas Services Company. I was  
15       also engaged by the City of Dallas to examine that municipality’s rate case expenses  
16       in GUD Nos. 9145-9151, which was an appeal brought by TXU Gas Distribution  
17       from the rate-setting decisions of various cities, but due to a settlement I did not  
18       testify in that proceeding. I testified before the Public Utility Commission in Docket  
19       No. 28813, SOAH Docket No. 473-04-3554, *Petition to Inquire into the*  
20       *Reasonableness of the Rates and Services of Cap Rock Energy Corporation*, in  
21       support of Cap Rock Electric’s rate case expenses. I also prepared and filed  
22       testimony on behalf of Entergy Gulf States, Inc. (“EGSI”) in PUC Docket No. 31544,  
23       SOAH Docket No. 473-06-0092, *Application of Entergy Gulf States, Inc. for*

1       *Recovery of Transition to Competition Costs*, which settled prior to the convening of  
2       the hearing on the merits. In my last engagement as a rate case expense witness, I  
3       testified on behalf of the Cities served by AEP Texas Central Company in PUC  
4       Docket No. 32758, *Application of AEP Texas Central Company for a Competition*  
5       *Transition Charge Pursuant to P.U.C. Subst. R. 25.263(n)*. I am testifying on behalf  
6       of Cities in this docket as well as Docket No. 33309, *Application of AEP Texas*  
7       *Central Company for Authority to Change Rates*.

## 8                                   II.     PURPOSE AND SCOPE

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

10    A.     The purpose of my testimony is to address the issue of rate case expenses incurred by  
11       the Cities for the legal services provided by Lloyd Gosselink Blevins Rochelle &  
12       Townsend, P.C. ("Lloyd Gosselink") in this docket. The Public Utility Regulatory  
13       Act, TEX. UTIL. CODE ANN. §§ 11.001-66.017 (Vernon 2005 and Supp. 2006)  
14       (PURA) § 33.023 requires electric utilities to reimburse municipalities for the  
15       reasonable cost of participating in a ratemaking proceeding. In addition, I will  
16       address the reasonableness of the estimates of fees and expenses that may be incurred  
17       through the conclusion of this proceeding at the Commission and in subsequent  
18       appeals. I will also address the reasonableness of the expenses incurred and projected  
19       to be incurred by the Cities for my testimony and supporting work in this proceeding.  
20       Finally, I address the reasonableness of the overall costs associated with the Cities'  
21       consultants' and legal counsels' work in this docket.

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### III. SUMMARY

**Q. PLEASE SUMMARIZE YOUR TESTIMONY.**

A. Based upon my review of invoices for legal services provided by Lloyd Gosselink to the Cities, I find that the services rendered through February 28, 2007 were necessary to the Cities' participation in this proceedings; the fees and expenses were reasonable in relation to the complexity of the issues addressed; and the estimates of the rate case expenses to complete the Cities' participation are reasonable. I recommend that, pursuant to PURA § 33.023, the Commission authorize the reimbursement of the Cities' legal fees and expenses in the total sum of \$463,124.

The significant findings I made during my review of Lloyd Gosselink's invoices included:

- The hourly rates charged by Lloyd Gosselink are at the low end of a range of reasonable rates;
- The number of Lloyd Gosselink attorneys working on this matter at any given time was minimized;
- Lloyd Gosselink invoices accurately documented hours worked and services provided;
- There were no time entries by any lawyer or paralegals that exceeded 12 hours per day on any single matter or on a combined basis when work was performed on this case and Docket No. 33309;
- Disbursements that are subject to special scrutiny (e.g., hotels, valet parking, designer coffee, airfare, meals) were nonexistent.

In addition to my review of Lloyd Gosselink's invoices, I reviewed the total fees charged by the witnesses appearing on behalf of the Cities in order to form an opinion on the reasonableness of the Cities' overall request for recovery of rate case expenses. The following table summarizes the total expenditures for legal services

and consultants which I recommend the Commission approve as reasonable and necessary rate case expenses for which the Cities are entitled to reimbursement:

	Lloyd Gosselink	Smith Trostle	J. Kennedy & Assoc.	Norwood Energy Consulting	R.J. Covington	Connie Cannady	Stephen Hill	R.W. Beck	Total
Invoices Through Feb. 28, 07	\$63,124	\$688	\$17,930	\$11,484	\$31,696	\$8,429	\$2,925	\$9,266	<b>\$145,542</b>
Estimate to Conclusion	\$400,000	\$2,845	\$12,070	\$12,960	\$27,396	\$4,250	\$5,000	\$16,000	\$480,521
<b>TOTAL</b>	<b>\$463,124</b>	<b>\$3,533</b>	<b>\$30,000</b>	<b>\$24,444</b>	<b>\$59,092</b>	<b>\$12,679</b>	<b>\$7,925</b>	<b>\$25,266</b>	<b>\$626,063</b>

#### IV. STANDARDS FOR REVIEW OF RATE CASE EXPENSES

**Q. ARE THE CITIES ENTITLED TO REIMBURSEMENT OF EXPENSES INCURRED IN THIS DOCKET?**

A. Yes. Under PURA § 33.023, municipalities are entitled to reimbursement of their reasonable rate case expenses. My testimony focuses on the reasonableness and necessity for the rate case expenses incurred on behalf of the Cities.

**Q. ARE THE CITIES ENTITLED TO RECOVERY OF PROJECTED RATE CASE EXPENSES?**

A. Yes. Projected rate case expenses can be, and routinely have been, found reasonable and reimbursable by this Commission. The fact that a municipality's rate case expenses have not all been incurred as of the date the determination of the reasonableness is made does not render them unreasonable. The expenses need only be incurred prior to being recovered. The future activities and corresponding costs that are the subject of estimation are necessary in order to complete a proceeding before the Commission and to see it through any judicial appeals. Most recently, the



1 Commission in CenterPoint's CTC case, found reasonable and allowed recovery of  
2 the Cities' estimated costs to complete the case.<sup>1</sup>

3 PURA § 33.023 specifically contemplates that municipalities will be  
4 reimbursed for participation before the Commission and in court, and this  
5 Commission has historically authorized municipalities to receive reimbursement for  
6 the estimated cost to complete ratemaking proceedings. Accordingly it is reasonable  
7 for the Commission to consider and allow the Cities to recover in this proceeding, the  
8 estimated costs to complete this proceeding, including possible judicial appeals, if  
9 and when those expenses are incurred.

10 **Q. WHAT STANDARD MUST BE MET FOR RECOVERY OF RATE CASE**  
11 **EXPENSES BY THE CITIES?**

12 A. The Austin Court of Appeals noted in *City of El Paso v. Pub. Util. Comm'n of Tex.*,  
13 916 S.W.2d 515, 522 (Tex. App.—Austin 1995, judgment vacated and writ dismissed by  
14 agr.) that a utility's requested rate case expenses will be reimbursed if the  
15 Commission finds them to be reasonable.

16 The Third Court of Appeals noted in *City of El Paso* that the Commission  
17 took the position that "its determination of reasonableness is analogous to the trial  
18 court's determination of the reasonableness of attorney's fees and costs of litigation  
19 and includes consideration of factors like: (1) time and labor required; (2) nature and  
20 complexities of the case; (3) amount of money or value of property or interest at  
21 stake; (4) extent of responsibilities the attorney assumes; (5) whether the attorney

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<sup>1</sup> *Application of CenterPoint Energy Houston Electric, LLC for a Competition Transition Charge*,  
Docket No. 30706, Final Order at 31 and FoFs 72-74 (July 14, 2005).

1 loses other employment because of the undertaking; and (6) benefits to the client  
2 from the services.” The Court found that the Commission “may consider other  
3 factors in addition to or in place of the *Smith & Lamm* factors . . . including, but not  
4 limited to, the nature and complexity of the two prior docket cases, the  
5 responsibilities attorneys and consultants assumed, and the amount of money charged  
6 for attorney and consultant services.”<sup>2</sup> These standards are also addressed in TEX.  
7 DISCIPLINARY R. PROF’L CONDUCT 1.04(b), *reprinted in* TEX. GOV’T CODE ANN., tit.  
8 2, subtit. G app. A (Vernon 2006)(TEX. STATE BAR R. art. X, § 9).

9 Commission precedent requires informal auditing of invoices and other  
10 documentation, to determine if: (a) the individual charges and rates are reasonable as  
11 compared to the usual charges for similar services; (b) the number of hours billed is  
12 reasonable; (c) the calculation of the charges is correct; (d) there is no double-billing  
13 of charges; (e) none of the charges has been recovered through reimbursement for  
14 other expenses; (f) none of the charges should have been assigned to other matters;  
15 (g) there was no occasion on which there was billing by any attorney or associated  
16 legal personnel in excess of 12 hours in a single day; and (h) no luxury or personal  
17 items were included, such as first class travel, alcohol, valet parking, dry cleaning,  
18 designer coffee, or meals in excess of \$25 per person.<sup>3</sup>

19 I applied each of these standards in reviewing the Lloyd Gosselink invoices  
20 and in arriving at my recommendation that the expenses are reasonable and should be  
21 recovered.

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<sup>2</sup> *Id.* at 522-523.

<sup>3</sup> See *Application of El Paso Electric Company for Authority to Change Rates*, Docket No. 8363, 14 P.U.C. BULL. 2834, 2977-78 (May 5, 1989). See also, *Application of CenterPoint Energy Houston Electric, LLC for a Competition Transition Charge*, Docket No. 30706, Final Order (July 14, 2005).

1 **Q. DOES COMMISSION PRECEDENT REQUIRE THE DISALLOWANCE OF**  
2 **ANY EXPENSE THAT FAILS TO COMPLY WITH ANY OF THE CRITERIA**  
3 **YOU JUST RECITED?**

4 A. Not necessarily. If there is an expense item that contravenes or appears to contravene  
5 any one of these criteria, it is appropriate to obtain additional information to  
6 determine whether the expense item in question was in fact reasonable or not.

7 **V. REVIEW OF LEGAL FEES AND EXPENSES**

8 **Q. HAVE YOU REVIEWED THE INVOICES FOR LEGAL SERVICES FOR**  
9 **WHICH THE CITIES SEEK REIMBURSEMENT?**

10 A. Yes, I have. In preparation for filing this testimony, I reviewed the invoices  
11 submitted to the Cities by the law offices of Lloyd Gosselink for services rendered  
12 from October 2006 through February 28, 2007. Those invoices, which are submitted  
13 as my workpapers, included both hourly fee entries and out-of-pocket expenses  
14 incurred by Lloyd Gosselink. Summary spreadsheets for the legal invoices for this  
15 docket are included as Attachment 2.

16 **Q. WHAT ELSE WAS INVOLVED IN YOUR REVIEW OF THE CITIES'**  
17 **LEGAL RATE CASE EXPENSES?**

18 A. In arriving at an opinion on the reasonableness and necessity of the attorneys' fees  
19 and expenses, I initially consulted with Mr. Steve Porter, who was the billing attorney  
20 responsible for this matter prior to his departure from Lloyd Gosselink. After  
21 Mr. Porter's departure, I consulted with Mr. Brocato who managed and supervised  
22 the work performed by Lloyd Gosselink. Based upon my discussions with these lead

1       counsels, my review of the docket and my familiarity with the other Lloyd Gosselink  
2       attorneys who billed time to these matters, I am able to testify as to their  
3       qualifications, what responsibilities they had in these matters, and to resolve any  
4       questions that arose during my detailed review of the firm's statements.

5               In addition to my discussions with Lloyd Gosselink's attorneys, I reviewed the  
6       docket sheet that is posted on the Commission website, read with varying degrees of  
7       detail many of the orders and various pleadings, including discovery matters, and I  
8       participated in conference calls with the consultants and Lloyd Gosselink. This  
9       review enabled me to determine whether the work performed was relevant and  
10      reasonably necessary to the proceeding, and whether the complexity and expense of  
11      the work was commensurate with the complexity, number and value of the issues in  
12      the proceeding.

13   **Q.   PLEASE ELABORATE ON THE SCOPE OF YOUR REVIEW.**

14   A.   As an integral part of my review, I participated in discussions between the  
15      consultants/witnesses and Lloyd Gosselink's attorneys during which issues were  
16      identified and the scope of testimony and the division of labor among the Lloyd  
17      Gosselink attorneys in their work for the Cities was discussed. I kept abreast of the  
18      filings and the discovery being propounded by Cities throughout the last several  
19      months. Lastly, I reviewed Mr. Brocato's estimates of projected rate case expenses  
20      required for continued representation of the Cities through the conclusion of this  
21      proceeding at the Public Utility Commission and through possible subsequent judicial  
22      appeals.

1   **Q.    DURING YOUR REVIEW, WHAT DID YOU LEARN ABOUT THE HOURLY**  
2       **RATES CHARGED BY THE LLOYD GOSSELINK ATTORNEYS?**

3    A.    The following chart shows the hourly rates for the three attorneys who provided the  
4           majority of the services on these matters. Mr. Brocato and Ms. Crump provided the  
5           lion's share of the work on pleadings, testimony preparation, hearing and briefing,  
6           and Ms. Ramirez and Mr. Brewster focused on discovery. I find it is a common and  
7           reasonable practice to assign an associate who bills at a lower hourly rate to work on  
8           discovery.

9	<u>Attorney</u>	<u>Hourly Rates</u>
10	Thomas Brocato	\$ 225 - \$240
11	Georgia Crump	\$ 260 - \$275
12	Chris Brewster	\$ 150 - \$175

13       Additional detail about the attorneys who billed time and their hourly rates for each  
14       matter are reflected in the summary spreadsheets included as Attachment 2.

15   **Q.    IN YOUR EXPERIENCE HOW ARE HOURLY RATES ESTABLISHED?**

16   A.    In my experience, the rate for each attorney within a law firm for any particular  
17           matter is based upon consideration of such things as the length of the relationship  
18           with the client, the nature of the work, the experience of the attorney, the status of the  
19           client, and the current and anticipated workload of the attorneys. Mr. Porter, who was  
20           lead counsel for the Cities at the beginning of this proceeding, has worked on  
21           regulatory projects for the Cities for a number of years. Lloyd Gosselink has a long-  
22           standing relationship with the Cities, including representation of the Cities in  
23           numerous Commission proceedings. The Cities prepared and presented full cases on

1 multiple complex issues requiring significant effort and the work needed to be  
2 performed in some instances within relatively compressed timeframes. Most of the  
3 Lloyd Gosselink attorneys who billed significant amounts of time on these matters are  
4 very experienced administrative and regulatory attorneys, as discussed immediately  
5 below, while others, with less experience, were assigned appropriately less difficult  
6 tasks to work on at a correspondingly lower hourly rate.

- 7 • Mr. Porter has represented municipalities at the Commission for more  
8 than 20 years and was formerly a Staff Attorney for the PUC prior to  
9 opening his own law practice. He is a well-known and highly  
10 respected utility practitioner.
- 11 • Mr. Brocato joined Lloyd Gosselink as an associate in the Firm's  
12 Utility Practice Group in 2004 and became a Principal in 2007. Prior  
13 to joining the firm, Mr. Brocato was an Assistant Public Counsel for  
14 the Office of Public Utility Counsel. He has more than 16 years of  
15 regulatory experience, including representing municipalities before the  
16 PUC and the Railroad Commission.
- 17 • Ms. Crump is also an accomplished and experienced utility and  
18 municipal law specialist. She began her legal career as an Assistant  
19 City Attorney with the City of McAllen, and later served as City  
20 Attorney for the City of Edinburg. She joined the Clark Thomas firm  
21 in 1984 and when she departed that firm in 1989, she joined Lloyd  
22 Gosselink. She has represented numerous utility companies and cities  
23 in proceedings before this Commission, the RRC, and the TCEQ since  
24 1984.
- 25 • Mr. Brewster joined Lloyd Gosselink as an Associate in May 2006.  
26 Prior to joining the firm, he was the Lead Electric Policy Analyst in  
27 the Policy Development Division of the Commission. He has three  
28 years of electric utility experience before the Commission and ERCOT  
29 and is licensed in both Texas and Illinois.

30 **Q. HOW DO LLOYD GOSSELINK'S HOURLY RATES COMPARE TO THE**  
31 **RATES CHARGED BY COUNSEL FOR TNC FOR WHICH RECOVERY IS**  
32 **SOUGHT IN THIS DOCKET?**

1 A. The hourly rates charged by Lloyd Gosselink fall within the low end of the range of  
2 rates charged by counsel at the two law firms engaged by TNC for this matter. For  
3 example, Clark, Thomas and Winters' hourly rates range from \$375 (Walter  
4 Demond) to \$240 (Brett Slocum), while the hourly rates for lawyers with Bracewell  
5 & Giuliani ranged from \$325 (Phil Ricketts) to \$160 (Patrick Caballero).

6 **Q. DID YOU CONDUCT ANY OTHER COMPARISON REGARDING LLOYD**  
7 **GOSSELINK'S HOURLY RATES?**

8 A. Yes. Because I have testified on rate case expenses several times in recent years, I  
9 have reviewed invoices for many firms practicing before the Commission and I also  
10 collect and maintain surveys concerning hourly rates charged by Texas lawyers. In  
11 addition, I reviewed some of the rate case expense evidence presented in Docket No.  
12 30706, CenterPoint's CTC case, which indicates that the hourly rate charged by the  
13 lead attorney for the Cities in that proceeding was \$325, which was a discounted rate.  
14 Additionally, in Docket No. 30706, a sampling of CenterPoint's attorneys' hourly  
15 rates demonstrates that numerous attorneys (at least 15) representing CenterPoint in  
16 its Transition to Competition cases charged rates in excess of \$300. Based upon my  
17 review of these hourly rates I conclude that the hourly rates charged by Lloyd  
18 Gosselink are at the low end of a range of reasonable rates charged by other firms in  
19 proceedings before the Commission.

20 **Q. WHY IS THERE A RANGE OF HOURLY RATES CHARGED BY EACH OF**  
21 **THE LLOYD GOSSELINK ATTORNEYS YOU DISCUSS ABOVE?**

22 A. In my experience, it is a common practice for law firms to examine and adjust their  
23 hourly rates on a regular basis to account for increased costs and possible inflation,

1 and to recognize increased expertise and experience. Lloyd Gosselink examines its  
2 hourly rates annually and as is evident in the invoices I reviewed there were changes  
3 made to the attorneys' and paralegals' hourly rates from one year to the next. The  
4 ranges shown above indicate the hourly rates in effect in 2006 and the new rates for  
5 2007.

6 **Q. WHAT CONCLUSION DID YOU DRAW CONCERNING THE HOURLY**  
7 **RATES CHARGED BY LLOYD GOSSELINK ATTORNEYS?**

8 A. In order to remain competitive in my practice, I must be familiar with the hourly rates  
9 generally charged by public utility practitioners in this state, and it is my opinion that  
10 the hourly rates charged to the Cities by Lloyd Gosselink are reasonable. It is also  
11 important to understand and acknowledge that there is a market for regulatory  
12 counsel, and that market affects the hourly rates of utility lawyers. Each of the Lloyd  
13 Gosselink attorneys who had primary responsibility for this docket has the experience  
14 and credentials to command a premium rate within the utility market. It is not  
15 uncommon for attorneys with the level of experience possessed by Messrs. Porter and  
16 Brocato and Ms. Crump to bill in excess of \$300 per hour, as reflected in the hourly  
17 rates charged by one or more time-billers at the firms TNC engaged to work on these  
18 matters.

19 In my opinion, the rates for attorneys at Lloyd Gosselink are competitive in  
20 the market in which the firm is located and are comparable to, although generally  
21 lower than, rates charged by similar practitioners in this geographic area as well as for  
22 this type of regulatory work.



1   **Q.   DO YOU HAVE AN OPINION ABOUT THE EFFORTS UNDERTAKEN BY**  
2       **LLOYD GOSSELINK TO CONTROL COSTS AND TO ACHIEVE**  
3       **EFFICIENCIES IN THEIR REPRESENTATION OF THE CITIES IN THIS**  
4       **PROCEEDING?**

5   A.   Yes I do. Based upon my analysis, I understand that Lloyd Gosselink attorneys  
6       divided responsibility for the issues in this case. For example, discovery was handled  
7       primarily by associates, at the lowest hourly rates of the attorneys who did most of the  
8       work representing the Cities in this proceeding. Mr. Porter, Mr. Brocato and  
9       Ms. Crump also divided issues and concentrated their efforts accordingly.

10           In my opinion, the division of labor among the Lloyd Gosselink attorneys  
11       resulted in cost savings by avoiding duplication of efforts and the most efficient use  
12       of billable time.

13   **Q.   HAVE YOU REVIEWED THE TIME ENTRIES REFLECTED IN THE BILLS**  
14       **PROVIDED TO THE CITIES TO DATE BY LLOYD GOSSELINK FOR**  
15       **REASONABLENESS?**

16   A.   Yes, I have. I reviewed the bills for Lloyd Gosselink for legal services rendered from  
17       October 2006 through February 2007.

18   **Q.   PLEASE EXPLAIN THE MANNER IN WHICH YOU UNDERTOOK YOUR**  
19       **EVALUATION OF THE REASONABLENESS OF THOSE TIME ENTRIES.**

20   A.   I first reviewed the time entries to determine whether the level of billing detail was  
21       sufficient for me to understand the nature of the activities on which each time-biller's  
22       time had been expended.

1    **Q.    DID YOU FIND THE LEVEL OF BILLING DETAIL SUFFICIENT?**

2    A.    Yes. The level of detail provided in the invoices of Lloyd Gosselink was sufficient  
3           for me to gain a reasonable understanding of the nature of the work being undertaken  
4           by each time-biller on behalf of the Cities. It was also generally sufficient to permit  
5           me to formulate some judgment as to the reasonableness of the time expended. In the  
6           few instances where I found that additional information from the lawyers was  
7           necessary in order for me to form an opinion as to the reasonableness and necessity of  
8           the time spent, I either inquired of the attorney, or reviewed the appropriate files to be  
9           able to conclude to my satisfaction that the fees should be recovered.

10   **Q.    DO YOU BELIEVE THAT TIME-BILLERS SHOULD ALWAYS DESCRIBE**  
11       **IN DETAIL THE TIME SPENT ON EACH TASK UNDERTAKEN DURING**  
12       **THE DAY ON BEHALF OF A CLIENT?**

13   A.    In my opinion, a time-biller should try to accommodate the level of billing detail  
14           requested by the client and for municipalities seeking reimbursement, the detail must  
15           be sufficient to allow a determination of reasonableness. As discussed in response to  
16           the preceding question, I was satisfied that the description of services rendered that  
17           was provided to the Cities on Lloyd Gosselink's bills was sufficient to allow me to  
18           thoroughly review the rate case expenses incurred by the Cities for those services and  
19           to reach a reasoned conclusion. Lloyd Gosselink, it should be remembered, has  
20           represented these Cities for many years and has presented evidence supporting the  
21           reasonableness of rate case expense in many cases. They are well-versed in the  
22           PUC's requirement for recovery and this is reflected in the detail of their invoices.

1   **Q.   PLEASE CONTINUE DESCRIBING YOUR REVIEW OF TIME ENTRIES.**

2   A.   As I reviewed the bills, I carefully looked at each day's entry for all attorneys billing  
3       on this matter to determine whether there were inconsistencies.

4   **Q.   WERE THERE ANY INCONSISTENCIES?**

5   A.   No.

6   **Q.   PLEASE CONTINUE YOUR DESCRIPTION OF YOUR REVIEW OF THE**  
7       **TIME ENTRIES.**

8   A.   Next, I attempted to evaluate the amount of time spent by attorneys with Lloyd  
9       Gosselink in the context of the scope and magnitude of the issues presented.

10   **Q.   HAVE YOU SUMMARIZED THE TIME AND FEES BILLED BY EACH**  
11       **ATTORNEY FOR EACH MATTER YOU REVIEWED?**

12   A.   Yes. Included as Attachment 2 are summaries indicating how much time and the  
13       amount of fees billed by each Lloyd Gosselink attorney by month, the cumulative  
14       total for each attorney, and the total fees and expenses through February 28, 2007. In  
15       addition to my review of the individual time entries, I considered these totals, for each  
16       attorney, in coming to my conclusion on reasonableness.

17   **Q.   WHAT DID YOU CONCLUDE?**

18   A.   In my opinion, the amount of time spent to date by Lloyd Gosselink is proportionate  
19       to the number, complexity, and gravity of the issues posed by TCC's filing.

20               In this proceeding, TNC initially sought an increase of \$18,833,815 in  
21       transmission and distribution revenues, coupled with the elimination of merger

1 savings and rate reduction riders, which resulted in a proposed overall 16.8 %  
2 increase in TNC's revenues. This was clearly a significant case to the Cities, with  
3 substantial sums involved. The Cities presented a complete case touching on the  
4 most important issues typical in a rate case, such as cost of service, rate base and rate  
5 design. Yet, essentially, three lawyers handled the bulk of the case for Cities. Lloyd  
6 Gosselink's fees, including expenses, charged to date (\$63,124) plus the estimated  
7 fees and expenses to conclude this proceeding (\$400,000) total \$463,124. By  
8 comparison, TNC estimates that the fees alone for legal services for this docket will  
9 total \$655,500.<sup>4</sup> I have concluded that the time spent by the Cities and the total  
10 expenses incurred by Lloyd Gosselink was proportionate to the efforts necessary to  
11 represent the Cities given the complexity of the case and the total revenue at stake.

12 **Q. ARE THERE ANY TIME-BILLERS AT THE LAW FIRM OTHER THAN**  
13 **ATTORNEYS THAT WERE INVOLVED IN THIS PROCEEDING?**

14 A. Yes. Lloyd Gosselink employs paralegals who billed time to the Cities for this case  
15 at \$65 to \$100 per hour. Three paralegals, Kristi Gotcher, Erica Gonzalez, and Judy  
16 Meininger worked extensively on these dockets. Mss. Gonzalez, Gotcher and  
17 Meininger assisted primarily with discovery matters, as well as testimony preparation.  
18 Their individual billable hours and fees on these matters are reflected on Attachment  
19 2. I examined all paralegals' time entries for the same issues I employed to review  
20 the attorneys' billable entries. In addition to the paralegals, there were charges for  
21 work performed by a case clerk, Sally Leonard, at \$30 per hour.

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<sup>4</sup> Direct Testimony of Ronald K. Ford at 52 and Exhibit RKF-5.

1           Based upon my review of these time-billers other than attorneys, I conclude  
2           that their assistance was necessary to the representation of the Cities, added economic  
3           efficiency to the legal representation, and was reasonable and necessary.

4   **Q.    ARE THE HOURLY RATES CHARGED BY LLOYD GOSSELINK FOR**  
5   **PARALEGALS REASONABLE?**

6   A.   The hourly rates for the Lloyd Gosselink paralegals are comparable to rates charged  
7       by other firms for the services of paralegals and are neither high nor out-of-the-  
8       ordinary and are in my opinion quite reasonable. The hourly rates charged by Lloyd  
9       Gosselink for paralegals are comparable to the hourly rates charged for the services of  
10      paralegals at Clark, Thomas and Winters and are consistent with rates charged in  
11      Austin.

12   **Q.    YOU PREVIOUSLY TESTIFIED THAT THERE ARE CERTAIN ISSUES**  
13   **RELATED TO FEES AND BILLINGS WHICH ARE SUBJECT TO SPECIAL**  
14   **SCRUTINY. DID YOU FIND ANY INSTANCE IN WHICH A TIME-BILLER**  
15   **BILLED IN EXCESS OF 12 HOURS OR MORE IN ANY ONE DAY?**

16   A.   No. In no instance did any attorney bill more than 12 hours on any matter on any  
17       single day. I also confirmed that no attorney billed more than 12 hours on any single  
18       day for the two AEP rate cases combined. To the contrary, Lloyd Gosselink's policy  
19       is to stop billing the Cities if and when the hours worked exceed 12 hours.

20   **Q.    DID YOU FIND ANY INSTANCES IN WHICH AN HOURLY RATE WAS**  
21   **CHARGED THAT WAS HIGHER THAN THE AGREED-UPON RATE?**

1 A. No. As I explain above, Lloyd Gosselink reviews its hourly rates annually and may  
2 change the hourly rates it charges, but the client has agreed to the new rates and  
3 therefore there is nothing improper about the change in rates that took effect in  
4 January 2007.

5 **Q. DID YOU FIND ANY INSTANCES IN WHICH THE CITIES WERE**  
6 **CHARGED MORE THAN ONCE FOR A SERVICE?**

7 A. No. There was no double-billing for any work performed by attorneys or paralegals.

8 **Q. CHANGING NOW FROM FEES AND HOURLY BILLINGS TO OUT-OF-**  
9 **POCKET EXPENSES, WHAT DID YOU LEARN ABOUT LLOYD**  
10 **GOSSELINK'S OUT-OF-POCKET EXPENSES SUCH AS COPYING COSTS**  
11 **AND FACSIMILE CHARGES?**

12 A. Lloyd Gosselink charged the Cities \$0.20 per page for copying performed in its  
13 offices and \$0.25 per page for facsimiles. I discovered some discrepancies in these  
14 charges on the November and December 2006 invoices, which resulted in a slight  
15 undercharge to the client which Lloyd Gosselink is not re-billing. Lloyd Gosselink  
16 also used outside copying services for many large copying jobs and was able to  
17 reduce costs accordingly. I reviewed invoices generated by those copy services and  
18 found their charges to be reasonable.

19 **Q. WHAT OTHER OUT-OF-POCKET EXPENSES DID YOU REVIEW AND**  
20 **WHAT IS YOUR OPINION CONCERNING THE RATES AND LEVEL OF**  
21 **THOSE EXPENSES?**

1 A. In any proceeding before this Commission, courier costs are commonplace. The costs  
2 for courier or messenger services reflected on some of the invoices from Lloyd  
3 Gosselink are necessary to the Cities' ability to serve parties and file documents at the  
4 Commission. The rates for those services are reasonable based on my experience  
5 with similar services in Austin, Texas. Other out-of-pocket expenses, including long  
6 distance calls, burning of CDs, scanning of documents, and postage are reasonable for  
7 this case.

8 **Q. DID YOU FIND ANY INSTANCES IN WHICH THE CITIES WERE**  
9 **CHARGED MORE THAN ONCE FOR AN OUT-OF-POCKET**  
10 **EXPENDITURE?**

11 A. No.

12 **Q. DID YOU FIND ANY INSTANCE IN WHICH NON-COMMERCIAL**  
13 **AIRCRAFT OR FIRST-CLASS AIR TRAVEL WAS USED?**

14 A. No. There were no charges for travel or travel-related expenses in the Lloyd  
15 Gosselink invoices I reviewed.

16 **Q. DID YOU FIND ANY INSTANCE IN WHICH LUXURY ITEMS SUCH AS**  
17 **LIMOUSINE SERVICE, SPORTING EVENTS, ALCOHOLIC DRINKS,**  
18 **DESIGNER COFFEE, HOTEL MOVIES, OR OTHER ENTERTAINMENT**  
19 **WAS BILLED TO THE CITIES?**

20 A. No. There were no instances of any luxury items or services charged to the Cities by  
21 Lloyd Gosselink.

1    **Q.    DID YOU FIND ANY INSTANCE IN WHICH THE COST OF A MEAL**  
2           **EXCEEDED \$25.00 PER PERSON?**

3    A.    No. There was only one charge for a working lunch at Lloyd Gosselink and the cost  
4           of that lunch was less than \$8 per person.

5    **Q.    DID YOU UNDERTAKE ANY FURTHER REVIEW OF OUT-OF-POCKET**  
6           **EXPENSES?**

7    A.    Yes. I examined the expenses claimed by Lloyd Gosselink to determine whether the  
8           incurrence of any expense was unnecessary.

9    **Q.    DID YOU FIND ANY INSTANCE OF UNNECESSARY EXPENSE?**

10   A.    No. As I've already stated, travel was non-existent. With respect to photocopy  
11           expenses, I found nothing that would lead me to believe that an excessive number of  
12           photocopies were being billed to the Cities, but rather I found expenses associated  
13           with copies were reasonable in light of the complexity of the case. Similarly, I found  
14           the number of faxes for which charges are reflected on invoices to be reasonable.

15                    **VI.    CITIES' REQUEST FOR REIMBURSEMENT**

16                    **A.    Recovery of Fees and Expenses Incurred**  
17                    **Through February 28, 2007**

18   **Q.    PLEASE SUMMARIZE YOUR CONCLUSION CONCERNING THE CITIES'**  
19           **REQUEST FOR RECOVERY OF LEGAL RATE CASE EXPENSES**  
20           **INCURRED THROUGH THE END OF FEBRUARY 2007 FOR THIS**  
21           **PROCEEDING.**



1 A. In summary, considering the factors discussed above, it is my opinion that the rate  
2 case expenses incurred to date by the Cities for legal services in this docket discussed  
3 herein are reasonable and necessary, and should be reimbursed in full. The legal fees  
4 and expenses provided through February 28, 2007 by Lloyd Gosselink on behalf of  
5 the Cities, which I find should be reimbursed total \$63,124.32 as reflected on  
6 Attachment 2.

7 **Q. BASED UPON YOUR REVIEW OF THE RATE CASE EXPENSES AND THE**  
8 **UNDERLYING DOCUMENTATION PERTINENT THERETO, DO YOU**  
9 **HAVE AN OPINION AS TO THE REASONABLENESS OF THOSE**  
10 **EXPENSES?**

11 A. Yes. In my opinion, the rate case expenses associated with legal services for which  
12 the Cities seek reimbursement in this case are reasonable and should be approved for  
13 recovery in this proceeding.

14 **B. Estimate of Additional Legal Fees and Expenses Through**  
15 **the Conclusion of This Proceeding**

16 **Q. HAVE YOU REVIEWED THE ESTIMATE OF ADDITIONAL RATE CASE**  
17 **EXPENSES THAT THE CITIES BELIEVE MAY BE REQUIRED IN ORDER**  
18 **FOR THE CITIES TO BE ASSURED OF CONTINUED REPRESENTATION**  
19 **THROUGH THE CONCLUSION OF THIS PROCEEDING, INCLUDING**  
20 **POSSIBLE JUDICIAL APPEALS?**

1 A. Yes. I have reviewed Mr. Brocato's affidavit which addresses Lloyd Gosselink's  
2 estimate of the fees and expenses that will be incurred to complete this docket and for  
3 which the Cities seek reimbursement.<sup>5</sup>

4 **Q. IN YOUR OPINION, ARE THOSE ESTIMATES REASONABLE?**

5 A. Yes. As Mr. Brocato explains in his affidavit, the estimate for completion of this  
6 Docket, after February 28, 2007, includes legal fees and expenses totaling \$400,000  
7 which will include finalizing the direct testimony of all Cities' witnesses, reviewing  
8 and responding to discovery responses, reviewing staff direct and Company rebuttal  
9 testimony; preparation for and participation in hearing, briefing, review of the  
10 proposal for decision, preparation of exceptions and replies to exceptions, attending  
11 open meetings, preparing a motion for rehearing and/or reply to TNC's motion for  
12 rehearing, and defending or appealing the Commission's decision through the  
13 appellate process. The estimated cost for those services, \$400,000, is reasonable.  
14 Lloyd Gosselink's estimate of expenses required to represent the Cities through the  
15 conclusion of this proceeding at the Commission and then in appeals of the final order  
16 to state district court and in further appeals to the Court of Appeals and the Texas  
17 Supreme Court is based upon Lloyd Gosselink's experiences in handling many other  
18 recent cases before the Commission and other recent appeals. In my opinion, the  
19 Cities should be allowed to recover the actual amounts of future rate case expenses  
20 incurred by the Cities for legal representation through conclusion of any court  
21 appeals, as the expenses are incurred, up to the amount reflected in this testimony.

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<sup>5</sup> See Attachment 4.

1 **Q. WHAT IS THE TOTAL AMOUNT OF LEGAL RATE CASE EXPENSES**  
2 **THAT YOU RECOMMEND CITIES BE PERMITTED TO RECOVER IN**  
3 **THIS PROCEEDING?**

4 A. The total amount of legal fees and expenses, including invoices already submitted and  
5 estimates for completion of this docket that I recommend Cities be permitted to  
6 recover in this proceeding is \$463,124.

7 **VII. REASONABLENESS OF CITIES' TOTAL RATE CASE EXPENSES**

8 **Q. HAVE YOU REVIEWED THE OVERALL FEES AND EXPENSES OF EACH**  
9 **OF THE CONSULTANT WITNESSES TESTIFYING ON BEHALF OF THE**  
10 **CITIES?**

11 A. Yes. Each witness supports the reasonableness and necessity of his or her own fees  
12 and expenses, and I have reviewed the total fees charged by the witnesses in order to  
13 formulate an opinion on the reasonableness of Cities' overall request for recovery of  
14 rate case expenses. In addition, each witness has provided an estimate of the cost to  
15 complete their assignments on behalf of the Cities in this Docket. My affidavit in  
16 support of the reasonableness and necessity of my fees and expenses, as well as my  
17 estimate for completion of my assignment is included as Attachment 3.

18 **Q. WHAT IS THE OVERALL TOTAL RATE CASE EXPENSE FOR WHICH**  
19 **CITIES ARE SEEKING RECOVERY?**

20 A. Cities are seeking to recover total rate case expenses of \$626,063, as reflected in the  
21 following table:

	Lloyd Gosselink	Smith Trostle	J Kennedy & Assoc.	Norwood Energy Consulting	R.J. Covington	Connie Cannady	Stephen Hill	R.W. Beck	Total
Invoices Through Feb 28, 07	\$63,124	\$688	\$17,930	\$11,484	\$31,696	\$8,429	\$2,925	\$9,266	\$145,542
Estimate to Conclusion	\$400,000	\$2,845	\$12,070	\$12,960	\$27,396	\$4,250	\$5,000	\$16,000	\$480,521
<b>TOTAL</b>	<b>\$463,124</b>	<b>\$3,533</b>	<b>\$30,000</b>	<b>\$24,444</b>	<b>\$59,092</b>	<b>\$12,679</b>	<b>\$7,925</b>	<b>\$25,266</b>	<b>\$626,063</b>

2 **Q. IN YOUR OPINION, IS THE CITIES' REQUEST FOR REIMBURSEMENT**  
3 **OF \$626,063 REASONABLE?**

4 A. Yes. Based upon the complexity of issues, the scope of services provided, and the  
5 amount of revenues at stake in this proceeding, I conclude that Cities' request for  
6 reimbursement of \$626,063 is reasonable. By comparison, TNC estimates that its rate  
7 case expenses for this Docket will total \$1,071,598.<sup>6</sup> I have concluded that the time  
8 spent by the Cities and the total expenses incurred by the law firms and consultants  
9 summarized above is proportional to the efforts necessary to represent the Cities  
10 given the complexity of the case and the total revenue at stake, and is reasonable.

11 **VIII. CONCLUSION**

12 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

13 A. Yes, it does. However, with the Commission's permission, I would like to reserve the  
14 right to amend and/or supplement my testimony as may be required.

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<sup>6</sup> See Direct Testimony of Ronald K. Ford at 52 and Exhibit RKF-5.

**Smith Trostle LLP**

ATTORNEYS AT LAW

**J. KAY TROSTLE**

*Partner*

**EDUCATION**

Doctor of Jurisprudence, The University of Texas School of Law, 1979  
Bachelor of Arts, *with High Honors*, The University of Texas at Austin, 1975

**PROFESSIONAL LICENSES**

Attorney at Law, Texas, 1979

**LEGAL EXPERTISE**

Ms. Trostle's legal expertise is in administrative law and litigation, focusing primarily on regulation of and transactions related to electric, water and wastewater, gas and telecommunications utilities and the competitive markets in which those industries operate, as applicable.

**PROFESSIONAL EXPERIENCE**

Partner, Smith Trostle LLP – Austin, Texas March 2006 to present  
Partner, Sifuentes, Drummond & Smith, L.L.P. – Austin, Texas February 2002 to February 2006  
Partner, Casey, Gentz & Sifuentes, L.L.P. – Austin, Texas, April 2000 to February 2002.  
Of Counsel, Brown McCarroll & Oaks Hartline – Austin, Texas, February 1997 to March 2000.  
Utility Division Director, State Office of Administrative Hearings – Austin, Texas, September 1995 to January 1997.  
Various positions including Senior Administrative Law Judge, Assistant Director of Hearings, and Administrative Law Judge at Public Utility Commission of Texas – Austin, Texas, June 1987 to August 1995.  
Hearings Examiner, Texas Water Commission – Austin, Texas, January 1986 to June 1987.  
Associate, Long and Webber – Austin, Texas, January 1985 to July 1985.  
Senior Hearing Examiner, Texas Health Facilities Commission – Austin, Texas, February 1981 to December 1984.  
Associate, Wynn, Brown, Mack, Renfro and Thompson – Fort Worth, Texas, September 1979 to February 1981.

**PROFESSIONAL AFFILIATIONS AND ACTIVITIES**

State Bar of Texas (member of Administrative and Public Law and Public Utility Law Sections)  
Administrative and Public Law Council of the State Bar of Texas, Immediate Past Chair (2006-07)  
Robert W. Calvert American Inn of Court, Master Member (2006)  
Austin Bar Association, Administrative Law Section member  
Course Director, 14<sup>th</sup> Annual Advanced Administrative Law Course (September 2002)  
Gulf Coast Power Association, member

**Recent Speeches**

*Agency Review of SOAH PFDs – Who Decides?*, Moderator, 17<sup>th</sup> Annual Advanced Administrative Law Course 2005, Austin, Texas, September 22, 2005  
*Electric Deregulation Begins January 1, 2002: Is Your Company Ready?* Sponsored by Casey, Gentz & Sifuentes, L.L.P. and Fox, Smolen & Arnold Consulting; "Thinking Outside the Box: When Should a Customer Form Its Own REP?" Fort Worth, Texas, November 2001.  
East Texas Council of Governments, *Electric Deregulation*, Tyler, Texas, February 2000.  
*Effective Representation in Agency Proceedings*, Administrative Law Section of the Travis County Bar Association, Pleadings and Procedures Seminar, Austin, Texas, March 1997.

Rate Case Expenses Summary Spreadsheet

ATTACHMENT 2  
1 of 12

PUC Dkt 33310 - AEP TNC Rate Case Expense Summary Sheet									
Consultant	Invoice Date	Billing Period	Through Period	Invoice Amount		Total Billed to Date			
Smith Trostle LLP - J. Kay Trostle (Includes April R. Wolsch)	12/1/06	11/1/06	11/30/06	\$158.50	\$158.50				
	1/1/07	12/1/06	12/31/06	\$206.50	\$365.00				
	2/1/07	1/1/07	1/31/07	\$7.00	\$372.00				
	3/1/07	2/1/07	2/28/07	\$316.25	\$688.25	\$688.25			
J. Kennedy & Associates - Lane Kollen (Includes Randy Futral)	11/30/06	11/1/06	11/30/06	\$867.88	\$867.88				
	12/31/06	12/1/06	12/31/06	\$4,092.00	\$4,959.88				
	1/31/07	1/1/07	1/31/07	\$6,264.53	\$11,224.40				
	2/28/07	2/1/07	2/28/07	\$6,705.09	\$17,929.49	\$17,929.49			
Norwood Energy Consulting, L.L.C.	1/8/07	11/1/06	11/30/06	\$4,122.00	\$4,122.00				
	1/8/07	12/1/06	12/31/06	\$1,872.00	\$5,994.00				
	2/9/07	1/1/07	1/31/07	\$1,170.00	\$7,164.00				
	3/9/07	2/1/07	2/28/07	\$4,320.00	\$11,484.00	\$11,484.00			
R.J. Covington - Gerald Tucker, Gary Goble, and Bob Stemper	12/11/06	11/1/06	11/24/06	\$1,575.00	\$1,575.00				
	1/10/07	11/25/06	12/29/06	\$7,758.25	\$9,333.25				
	2/8/07	1/1/07	1/26/07	\$5,375.10	\$14,708.35				
	3/5/07 & 3/7/07	1/28/07	2/23/07	\$16,987.20	\$31,695.55	\$31,695.55			
Connie Cannady	1/19/07	11/1/06	12/31/06	\$1,884.00	\$1,884.00				
	2/15/07	1/1/07	1/31/07	\$2,821.00	\$4,705.00				
	3/5/07	2/1/07	2/28/07	\$3,543.75	\$8,248.75	\$8,248.75			
Stephen Hill	2/6/07	12/1/06	1/31/07	\$1,612.50	\$1,612.50				
	3/1/07	2/1/07	2/28/07	\$1,312.50	\$2,925.00	\$2,925.00			
Beck - Nancy Hughes (Includes Pamela Norton)	1/18/07	11/1/06	12/31/06	\$1,710.83	\$1,710.83				
	3/6/07	1/1/07	2/28/07	\$7,555.62	\$9,266.44	\$9,266.44			
TOTAL CONSULTANTS						\$82,237.48			
Legal Invoices - Lloyd Gosselink	11/20/06	10/1/06	10/31/06	\$1,237.50	\$1,237.50				
	12/12/06	11/1/06	11/30/06	\$17,504.17	\$18,741.67				
	1/11/07	12/1/06	12/31/06	\$14,956.70	\$33,698.37				
	2/26/07	1/1/07	1/31/07	\$11,601.14	\$45,299.51				
	3/8/07	2/1/07	2/28/07	\$17,824.81	\$63,124.32	\$63,124.32			
TOTAL LEGAL						\$63,124.32			
TOTAL CONSULTANTS + LEGAL						\$145,361.80			

PUC Dkt 33310 AEP TNC Rate Case Expense - Lloyd Gosselink Invoices											
Invoice Date	Beginning	Ending	Person	Hourly Rate	X Hours	Fees	Fee Sub Total	Expense Description	Expense Amt	Sub Total	Total
11/20/2006	10/1/06	10/31/06	Steve Porter	\$275.00	4.50	\$1,237.50	\$1,237.50	Legal Fees:		\$1,237.50	
								Expenses		\$0.00	
											\$1,237.50
12/12/2006	11/1/06	11/30/06	Georgia Crump	\$260.00	1.40	\$364.00					
			Geoffrey Gay	\$285.00	11.80	\$3,363.00					
			Steve Porter	\$275.00	27.40	\$7,535.00					
			Melissa Ramirez	\$195.00	1.80	\$351.00					
			Thomas Brocato	\$225.00	7.20	\$1,620.00					
			Chris Brewster	\$150.00	1.00	\$150.00					
			Kristi Gotcher	\$95.00	5.50	\$522.50					
			Barbara Kimmell	\$95.00	2.40	\$228.00					
			Erica Gonzalez	\$95.00	16.90	\$1,605.50					
			Judy Meininger	\$95.00	7.90	\$750.50					
			Holly Gore	\$65.00	4.30	\$279.50					
			Sally Leonard	\$30.00	6.40	\$192.00					
							\$16,961.00	Legal Fees:		\$16,961.00	
								Copies	\$89.90		
								Postage/Shipping	\$14.04		
								Express Mail	\$435.33		
								Faxes	\$3.90		
								Expenses:		\$543.17	
											\$17,504.17
1/11/2007	12/1/06	12/31/06	Georgia Crump	\$260.00	2.70	\$702.00					
			Geoffrey Gay	\$285.00	0.80	\$228.00					
			Steve Porter	\$275.00	11.80	\$3,245.00					
			Melissa Ramirez	\$195.00	2.30	\$448.50					
			Thomas Brocato	\$225.00	5.30	\$1,192.50					
			Chris Brewster	\$150.00	1.10	\$165.00					
			Kristi Gotcher	\$95.00	26.20	\$2,489.00					
			Barbara Kimmell	\$95.00	3.30	\$313.50					
			Erica Gonzalez	\$95.00	12.40	\$1,178.00					
			Judy Meininger	\$95.00	11.00	\$1,045.00					
			Holly Gore	\$65.00	6.50	\$422.50					
			Sally Leonard	\$30.00	5.20	\$156.00					
							\$11,585.00	Legal Fees:		\$11,585.00	
								Long Distance	\$1.11		
								Copies	\$189.20		
								Mileage	\$200.25		

Rate Case Expenses Summary Spreadsheet

PUC Dkt 33310 AEP TNC Rate Case Expense - Lloyd Gosselink Invoices											
Invoice Date	Beginning	Ending	Person	Hourly Rate	X Hours	Fees	Fee Sub Total	Expense Description	Expense Amt	Sub Total	Total
								Postage/Shipping	\$3.90		
								Express Mail	\$269.77		
								Copy Service	\$2,556.97		
								Courier	\$147.75		
								Faxes	\$0.50		
								Scanning	\$2.25		
								Expenses:		\$3,371.70	
											\$14,956.70
2/26/2007	1/1/07	1/31/07	Georgia Crump	\$275.00	7.10	\$1,952.50					
			Steve Porter	\$295.00	2.30	\$678.50					
			Melissa Ramirez	\$195.00	1.00	\$195.00					
			Thomas Brocato	\$240.00	5.40	\$1,296.00					
			Chris Brewster	\$0.00	0.10	\$0.00					
			Chris Brewster	\$175.00	2.20	\$385.00					
			Kristi Gotcher	\$0.00	0.30	\$0.00					
			Kristi Gotcher	\$100.00	27.50	\$2,750.00					
			Barbara Kimmell	\$100.00	9.10	\$910.00					
			Erica Gonzalez	\$0.00	1.30	\$0.00					
			Erica Gonzalez	\$100.00	6.70	\$670.00					
			Judy Meininger	\$100.00	1.90	\$190.00					
			Holly Gore	\$65.00	11.90	\$773.50					
			Sally Leonard	\$0.00	8.30	\$0.00					
			Jeanne A. Rials	\$65.00	0.10	\$6.50	\$9,807.00	Legal Fees:		\$9,807.00	
								Conference			
								Calls/December			
								Calls/Premiere			
								Conferencing	\$16.92		
								Long Distance	\$0.36		
								Copies	\$304.35		
								Postage/Shipping	\$21.08		
								Express Mail	\$40.47		
								Westlaw	\$3.02		
								Copy Service	\$1,297.89		
								Courier	\$99.25		
								Faxes	\$2.25		
								Scanning	\$8.55		
								Expenses:		\$1,794.14	
											\$11,601.14



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Rate Case Expenses Summary Spreadsheet

AEP TNC Rate Case Cumulative by Category Expense (Non - Fee) PUC Dkt 33310														
Expense Information: Firm Produced Copies = 20¢ - Faxes = 25¢ - Scanning = 15¢ - CD Burning = \$5.00														
Invoice	Description	Scanning	Travel	Telephone	Copies	Faxes	Postage/ Shipping	Courier	Mileage/ Parking	Internet Research	Court Reporter	Filing Fees	Meals	TOTAL
12/12/2006	Firm				\$89.90									
12/12/2006	Firm						\$449.37							\$543.17
12/12/2006	Firm					\$3.90								
1/11/2007	Firm			\$1.11										
1/11/2007	Firm				\$191.45									
1/11/2007	Firm								\$200.25					
1/11/2007	Firm						\$273.67							
1/11/2007	DDS				\$2,556.97									
1/11/2007	Capitol							\$147.75						
1/11/2007	Firm					\$0.50								\$3,371.70
2/26/2007	Firm			\$17.28										
2/26/2007	Firm				\$304.35									
2/26/2007	Firm						\$21.08							
2/26/2007	Express Mail						\$40.47							
2/26/2007	Westlaw									\$3.02				
2/26/2007	DDS				\$1,297.89									
2/26/2007	Capitol							\$99.25						
2/26/2007	Firm					\$2.25								
2/26/2007	Firm	\$8.55												\$1,794.14
3/8/2007	Firm			\$23.02										
3/8/2007	Firm				\$567.00									
3/8/2007	Firm					\$0.19								
3/8/2007	Firm						\$94.72							
3/8/2007	DDS				\$1,230.91									
3/8/2007	Capitol							\$46.94						
3/8/2007	Firm	\$8.55												
3/8/2007	Firm												\$11.48	\$1,982.81
												TOTAL		\$7,691.82

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Rate Case Expenses Summary Spreadsheet

PUC Dkt 33310 - AEP TNC Rate Case Expense - Stephen Hill									
Billing Period	Consultant/Person	Hourly Rate	X hours	Fees	Expense Description	Expense Amt	Sub Total	Total	
Dec.06-Jan.07	Stephen Hill	\$150.00	10.75	\$1,612.50	Fees		\$1,612.50		
					Expenses		\$0.00		
								\$1,612.50	
Feb-07	Stephen Hill	\$150.00	8.75	\$1,312.50	Fees		\$1,312.50		
					Expenses		\$0.00		
								\$1,312.50	
<b>TOTAL</b>									<b>\$2,925.00</b>

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Rate Case Expenses Summary Spreadsheet

PUC Dkt 33310 - AEP TNC Rate Case Expense - J. Kay Trostle									
Billing Period	Consultant/Person	Hourly Rate	X hours	Fees	Expense Description	Expense Amt	Sub Total	Total	
Nov-06	J. Kay Trostle	\$275.00	0.50	\$137.50					
	April R. Wolsch	\$70.00	0.30	\$21.00					
					Fees		\$158.50		
					Expenses		\$0.00		
								\$158.50	
Dec-06	J. Kay Trostle	\$275.00	0.70	\$192.50					
	April R. Wolsch	\$70.00	0.20	\$14.00					
					Fees		\$206.50		
					Expenses				
								\$206.50	
Jan-07	April R. Wolsch	\$70.00	0.10	\$7.00					
					Fees		\$7.00		
					Expenses		\$0.00		
								\$7.00	
Feb-07	Kay Trostle	\$275.00	1.15	\$316.25					
					Fees		\$316.25		
					Expenses		\$0.00		
								\$316.25	
<b>TOTAL</b>									\$688.25



Rate Case Expenses Summary Spreadsheet

PUC Dkt 33310 - AEP TNC Rate Case Expense - R.J. Covington									
Billing Period	Consultant/Person	Hourly Rate	X hours	Fees	Expense Description	Expense Amt	Sub Total	Total	
Nov-06	Gerald Tucker	\$225.00	7.00	\$1,575.00	Fees		\$1,575.00		
					Expenses		\$0.00	\$1,575.00	
Dec-06	Gerald Tucker	\$225.00	21.50	\$4,837.50					
	Gary Goble	\$210.00	12.45	\$2,614.50					
	Bob Stemper	\$175.00	1.75	\$306.25					
					Fees		\$7,758.25		
					Expenses		\$0.00	\$7,758.25	
Jan-07	Gerald Tucker	\$225.00	22.20	\$4,995.00					
	Gary Goble	\$210.00	1.81	\$380.10					
					Fees		\$5,375.10		
					Expenses		\$0.00	\$5,375.10	
Feb 1-23 07	Gerald Tucker	\$225.00	38.90	\$8,752.50					
	Karl Nalepa	\$210.00	0.38	\$79.80					
	Gary Goble	\$210.00	10.44	\$2,192.40					
	Bob Stemper	\$175.00	18.00	\$3,150.00					
Feb 24-28 07	Gerald Tucker	\$225.00	12.50	\$2,812.50					
					Fees		\$16,987.20		
					Expenses		\$0.00	\$16,987.20	
TOTAL									\$31,695.55

SOAH DOCKET NO. 473-07-0851  
PUC DOCKET NO. 33310

APPLICATION OF AEP TEXAS	§	BEFORE THE STATE OFFICE
NORTH COMPANY FOR	§	OF
AUTHORITY TO CHANGE RATES	§	ADMINISTRATIVE HEARINGS

AFFIDAVIT OF J. KAY TROSTLE

STATE OF TEXAS        )  
                                  )  
COUNTY OF TRAVIS    )

BEFORE ME, the undersigned authority, on this day personally appeared J. Kay Trostle, who being by me first duly sworn, on oath deposed and said the following:

1. My name is J. Kay Trostle. I am a partner in the law firm of Smith Trostle LLP. I have been retained by the Cities served by American Electric Power Texas Central Company ("Cities") to present rate case expense testimony for legal counsel on Cities' behalf in connection with the Public Utility Commission of Texas Docket No. 33310, SOAH Docket No. 473-07-0851, *Application of AEP Texas North Company for Authority to Change Rates*.
2. The services that I have performed to date include review of invoices, billing statements, expense receipts, pleadings, discovery, and testimony and participating in consultations between counsel retained by Cities and their consultants.
3. I will generate additional fees and expenses on behalf of Cities in connection with

the following anticipated activities: completion and filing of my testimony on March 13, 2007, responding to discovery, updating my testimony, if allowed, and appearing and testifying at the State Office of Administrative Hearings Commission at the hearing which is scheduled to begin on April 12, 2007. I estimate that I will work no more than 10 additional hours on this matter. At my hourly rate of \$275, an additional 10 hours will equal an additional fee of \$2,406.25. In addition, I estimate that my paralegal will work no more than 1 hour at \$70 per hour and my firm will incur out of pocket expenses of no more than \$25, for a total estimate for the completion of my work on this matter equal to \$2,845. An itemized billing will be issued at the beginning of each month that will explain the cost of all professional services, the amount of work done, the time and labor required to accomplish the work, and the nature and extent of the work done during the previous month.

4. My hourly rate for this matter is \$275, which is within the middle of the range of rates charged by other attorneys with similar experience providing similar services and is the same or lower than the rate I charge to other clients, regulated and non-regulated, for whom I am currently providing legal services. My individual charges and rates are reasonable, consistent with the rates billed to others for similar work, and comparable to rates charged by other professionals with the same level of expertise and experience. The amounts charged for such service are reasonable, the calculation of the charges is correct, and there has been no double billing of charges. All work performed was relevant and reasonably necessary to the proceeding.
5. No portion of my fees or expenses are or will be for luxury items, such as limousine services, sporting events, alcoholic beverages, hotel movies, or other entertainment.

I have not billed more than 12 hours for this matter in any single day.

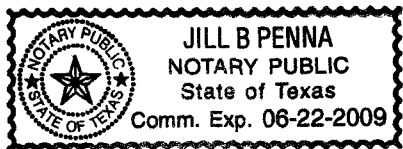
J. Kay Trostle  
J. KAY TROSTLE

SUBSCRIBED AND SWORN TO before me this \_\_\_\_\_ day of March, 2007.

Jill B. Penna  
Notary Public, State of Texas

My Commission Expires:

6-22-09



**SOAH DOCKET NO. 473-07-473-07-0851  
PUC DOCKET NO. 33310**

<b>APPLICATION OF AEP TEXAS NORTH COMPANY FOR AUTHORITY TO CHANGE RATES</b>	§ § §	<b>BEFORE THE PUBLIC UTILITY COMMISSION OF TEXAS</b>
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**AFFIDAVIT OF THOMAS L. BROCATO  
RELATED TO CITIES RATE CASE EXPENSES**

STATE OF TEXAS	§	
	§	
COUNTY OF TRAVIS	§	

My name is Thomas L. Brocato. I am a principal with the law firm of Lloyd Gosselink Blevins Rochelle and Townsend, P.C. ("Lloyd Gosselink") and lead counsel for Cities in PUC Docket No. 33310. I have been practicing public utility law since I graduated from law school and began my career as a Staff attorney at the Public Utility Commission of Texas in 1990. I have represented entities at the PUC for over 16 years. Having participated in numerous rate cases and appeals, I have represented municipalities since 2004.

I am familiar with the work performed by Lloyd Gosselink and the technical consultants on Cities' behalf in connection with PUC Docket No. 33310 concerning the *Application of AEP Texas North Company (TNC) for Authority to Change Rates*. I am over the age of 18 years and am not disqualified from making this affidavit. My statements are true and correct.

1. I have reviewed the billings of Lloyd Gosselink submitted to Cities for legal services performed in PUC Docket No. 33310. I affirm that those billings accurately reflect the time spent and expenditures incurred by Lloyd Gosselink on Cities' behalf. Those billings were accurately calculated before they were tendered and there was no double billing. None of the charges billed to the Cities have been recovered through reimbursement for other expenses. The expenses charged were associated with review of TNC's transmission and distribution rates in

PUC Docket No. 33310 and were necessary to advise Cities and accomplish tasks in this PUC proceeding.

2. For the period November 2006 through February 2007, Lloyd Gosselink has billed \$63,124.32 in PUC Docket No. 33310. This figure includes \$55,432.50 in fees and \$7,691.82 in expenses. The fees and expenses incurred through February 2007 were necessary to advise Cities on transmission and distribution rates, review the application, identify issues, retain and work with consultants, engage in discovery, review and edit testimony.

3. The attorneys hourly rates of \$150-\$350, upon which the billings are based, are the same hourly rates charged other clients for comparable services during the same time frame. Our firm's rates are at the lower end of the range compared to the rates charged by other lawyers with similar experience providing similar services. The hours spent to perform the tasks assigned to Lloyd Gosselink were necessary to complete those tasks in a professional manner on a timely basis. The bulk of the work performed by Lloyd Gosselink in this case was accomplished by three lawyers. My many years of experience participating in utility rate cases at the PUC aid in our efforts to keep rate case expenses reasonable.

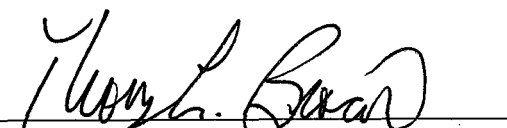
4. The invoices submitted by Lloyd Gosselink include a description of services performed and time expended on each activity. The invoices for PUC Docket No. 33310 are available for review. Lloyd Gosselink has documented all charges with time sheets, invoices and records. The documentation in this case is similar to that provided in many previous rate cases at the PUC.

5. To complete this case, it is estimated that Lloyd Gosselink will incur fees and expenses of \$400,000 including appeals. This estimate is based on actual experience in previous rate cases at the PUC. This estimate assumes and accounts for:

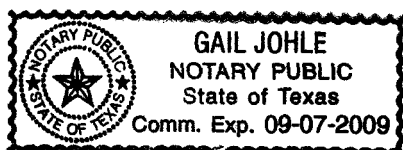
- a. Finalizing direct testimony;
- b. Reviewing and responding to discovery responses;
- c. Reviewing Staff and rebuttal testimony to be filed;
- d. Attending the hearing on the merits and related expenses;
- e. Prepare briefs and reply briefs;
- f. Review of the proposal for decision, preparing exceptions, and replies to exceptions;
- g. Attending open meetings where this proceeding will be discussed;
- h. Possible preparation of a motion for rehearing and/or reply to TNC's motion for rehearing; and
- i. Defending and or appealing the PUC's decision through the appellate process.

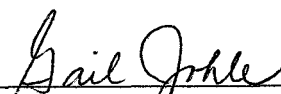
This estimate is reasonable based upon the vast experience of this firm in appealing and/or defending the Commission's Final Orders in Court. Cities will request reimbursement only for the actual amount billed for work that has been performed.

6. The total amount requested for legal expenses of \$463,124.32 is reasonable given the complexity, importance, and magnitude of this case establishing T&D rates in a competitive environment, the comprehensive nature of Cities' case, the number of issues, the number of remanded issues and the length of time necessary to receive a final order.

  
Thomas L. Brocato

SUBSCRIBED AND SWORN TO BEFORE ME, the undersigned authority, on this 9<sup>th</sup> day of March, 2007.



  
Notary Public