State of South Carolina

Before the

South Carolina Public Service Commission

In the Matter of:	)	
South Carolina Electric & Gas	)	
Annual Review of Base Rates	)	Docket No. 2009-2-E
for Fuel Costs	)	

Prepared Direct Testimony

of

Kevin W. O'Donnell, CFA

On Behalf of the

South Carolina Energy Users Committee

March 5, 2009

1 Q. **PLEASE STATE YOUR NAME, POSITION, AND BUSINESS ADDRESS FOR**
2 **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 testifying on behalf of the South Carolina Energy Users Committee (SCEUC), an
10 association of manufacturers active in many proceedings before the South Carolina
11 Public Service Commission (PSC or the Commission). SCEUC members take service
12 from South Carolina Electric & Gas Company (SCE&G or Company).
13
14 Q. **PLEASE OUTLINE YOUR EDUCATIONAL BACKGROUND AND**
15 **RELEVANT EMPLOYMENT EXPERIENCE.**
16 A. My educational background and experience can be found in Appendix A.
17
18 Q. **WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?**
19 A. The purpose of my testimony is to present my recommendations to the
20 Commission in regard to SCE&G's application to increase rates as part of its
21 annual fuel adjustment proceeding.
22
23 Q. **PLEASE SUMMARIZE THE COMPANY'S CURRENT FUEL ADJUSTMENT**
24 **REQUEST AS WELL AS ITS PREVIOUS FUEL ADJUSTMENT REQUESTS**
25 **IN THE PAST YEAR.**
26 A. In April 30, 2008, the South Carolina Public Service Commission granted SCE&G
27 a base fuel charge of 2.641 cents per kWh for all customer classes and an

environmental surcharge of 0.101 cents per kWh for residential consumers; 0.087 cents per kWh for small general service customers; 0.075 cents per kWh for medium general service customers; and 0.044 cents per kWh for large general service consumers.

On August 5, 2008, SCE&G filed a mid-year fuel adjustment. On Oct. 30, 2008, the Commission approved an increase in the Company's base rates to 3.291 cents per kWh for all customer classes. The environmental surcharges approved in the April 30, 2008 order were not changed.

On Feb. 19, 2009, South Carolina Electric & Gas (SCE&G) filed another application with the Commission to increase its fuel costs across all customer classes. In the current application, SCE&G is seeking to raise its base fuel costs to 3.707 cents per kWh and its environmental surcharge to 0.135 cents per kWh for residential consumers; 0.113 cents per kWh for small general service customers; 0.095 cents per kWh for medium general service customers and 0.064 cents per kWh for large general service customers. As part of its request in this case, SCE&G is also seeking to spread recovery of the estimated fuel under-collection of $111,852,847 over a 2-year period instead of collecting the total under-collection in the next year alone. In return for spreading the under-collection over an extra year, the Company has requested interest carrying costs based on the current rate of a 10-year Treasury bond plus a 65 basis point spread.

Q. WHAT IS THE MONETARY IMPACT OF THIS REQUEST TO THE TYPICAL RESIDENTIAL AND INDUSTRIAL CONSUMER?

A. Based on the Company's request in this case, the typical residential customers will see an increase of roughly $54.24 per year. The typical industrial consumer,

which I herein define as a load of 10,000 kW with a 90% load factor, will see an annual rate increase of roughly $345,319, which equates to an increase of a 7.2%. Larger customers with higher load factors will see even larger monetary increases.

Q. PLEASE DESCRIBE CURRENT ECONOMIC CONDITIONS IN SOUTH CAROLINA.

A. The current economic crisis is the worst financial situation that the United States, and perhaps the entire world, has faced since the Great Depression of almost 80 years ago. Layoffs are increasing at an alarming rate, banks are teetering on insolvency, the stock market is off about 50% from its highs of less than two years ago, and home values have been devastated. The media is replete with personal stories of home foreclosures and businesses closings. Furthermore, South Carolinians are suffering, perhaps more than the typical American. In Table 1 below is a comparison of the unemployment rate in South Carolina relative nearby southern states as well as to the national average.

Table 1
Unemployment Rates
as of December, 2008

South Carolina	**9.5%**
Virginia	5.4%
North Carolina	8.7%
Georgia	8.1%
Tennessee	7.9%
Florida	8.1%
Alabama	6.7%
National Average	**7.6%**

Source: Bureau of Labor Statistics

The 9.5% unemployment rate in South Carolina is regrettably well above the national unemployment rate of 7.6% and rising. Given that the economic news has only deteriorated since December, it stands to reason that the January, 2009, unemployment figures for South Carolina and the nation will get worse when the next Bureau of Labor Statistics report comes out on March 11, 2009. On Dec. 21, 2008, *The New York Times* published a story about economic conditions in Columbia, South Carolina, and how the city is a reflection of the national economy. As the article states:

> This city in the center of South Carolina is an ideal listening post. According to a range of indicators assembled by Moody's Economy.com - from job growth to change in household worth - this metropolitan area came closer than any other to being a microcosm of the nation over the last decade.
>
> This is now an unfortunate distinction. Some 533,000 jobs disappeared from the economy in November, the worst month since 1974. In South Carolina, a government panel is predicting that the state's unemployment rate could reach 14 percent by the middle of next year.

Needless to say, a 14% unemployment rate in South Carolina is a frightening prospect. *The New York Times* article goes on to provide painful insight into the lives of laid off workers that are struggling to find work in today's economy. For the Commission's review, I have attached this article in Appendix B.

Q. HAVE YOU EXAMINED THE COMPANY'S APPLICATION AND SUPPORTING DOCUMENTATION?

A. Yes. I have examined the application, reviewed various interrogatories and

requests to produce, and visited Company offices to examine the financial data used to prepare this fuel increase application.

Q. DO YOU AGREE WITH THE COMPANY'S REQUEST IN THIS CASE?

A. No. In light of the current economic recession in South Carolina as well as the entire United States, I believe the Company should collect an amount equal to its under-collection over a three-year period instead of a two-year period. Moreover, the Commission should reduce any accrued interest to an amount equivalent to the one-year US Treasury bill.

Q. PLEASE DESCRIBE YOUR RECOMMENDATION THAT SCE&G SPREAD THE RATE REQUEST OVER A LONGER TIME PERIOD THAN PROPOSED BY THE COMPANY IN ITS APPLICATION.

A. In its prefiled testimony, SCE&G has estimated that its fuel under-collection will total $111,852,847 by April 30, 2009. The Company is proposing to defer recovery of half of the under-collection to the 2010 fuel proceeding. In my opinion, the Company should spread the fuel under-collection over three years and not just two years. At this point, all signs are indicating that the recession will last into 2010 and that energy commodity prices will remain relatively weak. As such, it is unlikely that commodity prices will explode in 2009 as they did in 2008. Hence, the under-collection for the Company should not grow out of control as it did in the past year.

To be specific, my recommendation to the Commission is that SCE&G be allowed to recover $37,284,282 over the period of May 1, 2009 through April 30, 2010 and that the first dollars recovered in this 12-month period be applied to the anticipated April 30, 2009 under-collection balance. The Company should then

be allowed to recover the balance of the April 30, 2009 under-collection over the succeeding two years. No interest shall accrue on that amount of the under-collection during the year of its recovery.

In recognition of the Company's right to remain whole in this transaction, I recommend that the Company be allowed to accrue interest on $74,568,565, which is two-thirds of the expected under-collection beginning April 1, 2009, at a rate equivalent to a one-year US Treasury bond.

My recommendation will dampen the increase on customer bills while also keeping the Company whole, just as if SCE&G had the funds on-hand this year and invested the assets in the safest investment vehicles available in the open market.

Q. HOW MUCH INTEREST WILL YOUR RECOMMENDATION ALLOW THE COMPANY TO RECOVER OVER YOUR PROPOSEDTHREE-YEAR RECOVERY PERIOD?

A. As noted above, I am recommending that no interest shall accrue on that amount of the under-collection during the year of its recovery. In Exhibit KWO-1, I have provided the interest calculations associated with my recommended rate of recovery. As shown in this exhibit, the Company will be allowed to accrue $531,163 over the next year with my recommended interest factor recovery. From the period of May 1, 2011 through April 30, 2012, the Company will then be allowed to recover the remaining balance of the under-collection plus an interest component estimated currently at $267,473.

At this period of tremendous economic uncertainty, this lower accrued interest rate will actually help SCE&G as it will lessen the rate impact to consumers and maintain usage levels so that the Company can continue to earn its allowed rate of return.

Q. DOES THIS COMPLETE YOUR TESTIMONY?

A. Yes, it does.

Appendix A

Appendix A

Kevin W. O'Donnell, CFA
President
Nova Energy Consultants, Inc.
1350 SE Maynard Rd.
Suite 101
Cary, NC 27511

Education

I received a B.S. degree in Civil Engineering - Construction Option from North Carolina State University in May of 1982 and a Masters of Business Administration in Finance from Florida State University in August of 1984.

Professional Certification

I am a Chartered Financial Analyst (CFA) and a member of the Association of Investment Management and Research.

Work Experience

In September of 1984, I joined the Public Staff of the North Carolina Utilities Commission as a Public Utilities Engineer in the Natural Gas Division. In December of 1984, I transferred to the Public Staff's Economic Research Division and held the position of Public Utility Financial Analyst. In September of 1991, I joined Booth & Associates, Inc., a Raleigh, North Carolina, based electrical engineering firm, as a Senior Financial Analyst. I stayed in this position until June 1994, when I accepted employment as the Director of Retail Rates for the North Carolina Electric Membership Corporation. In January 1995, I formed Nova Utility Services, Inc., an energy consulting firm. In May of 1999, I changed the name of Nova Utility Services, Inc. to Nova Energy Consultants, Inc.

Appendix A

Testimonies

North Carolina

I have testified before the North Carolina Utilities Commission in the following general rate case proceedings: Public Service Company of North Carolina, Inc. (Docket No. G-5, Sub 200, Sub 207, Sub 246, Sub 327, and Sub 386); Piedmont Natural Gas Company (Docket No. G-9, Sub 251 and Sub 278); General Telephone of the South (Docket No. P-19, Sub 207); North Carolina Power (Docket No. E-22, Sub 314); Piedmont Natural Gas Company (Docket No. E-7, Sub 487); Pennsylvania & Southern Gas Company (Docket No. G-3, Sub 186); and in several water company rate increase proceedings. I also submitted pre-filed testimony, and/or assisted in the settlement process, in Docket Nos. G-9, Sub 378, Sub 382, Sub 428 and Sub 461, which were general rate cases involving Piedmont Natural Gas Company; in Docket No. G-21, Sub 334, North Carolina Natural Gas' most recent general rate case; in Docket No. G-5, Sub 356, Public Service of North Carolina's 1995 general rate case; and in Docket No. G-39, Sub 0, Cardinal Extension Company's rate case. Furthermore, I testified in the 1995 fuel adjustment proceeding for Carolina Power & Light Company (Docket No. E-2, Sub 680) and submitted pre-filed testimony in Docket No. E-7, Sub 559, which was Duke Power's 1995 fuel adjustment proceeding. I also submitted pre-filed testimony and testified in Duke's 2001 fuel adjustment proceeding, which was Docket No. E-7, Sub 685.

Furthermore, I testified in Docket No. G-21, Sub 306 and 307, in which North Carolina Natural Gas Corporation petitioned the Commission to establish a natural gas expansion fund. I also submitted testimony in the Commission's 1998 study of natural gas transportation rates that was part of Docket No. G-5, Sub 386, which was the 1998 general rate case of Public Service Company of North Carolina. In September of 1999, I testified in Docket Nos. G-5, Sub 400 and G-43, which was the merger case of Public Service Company of North Carolina and SCANA Corp. I also submitted testimony and stood cross-examination in the holding company application of NUI Corporation, a utility holding company located in New Jersey, which was NCUC Docket No. G-3, Sub 224, as well as NUI's merger application with Virginia Gas Company, which was Docket No. G-3, Sub 232. I also submitted pre-filed testimony and stood

cross-examination in Docket No. G-3, Sub 235, which involved a tariff change request by NUI Corporation. I testified in another holding company application in Docket No. E-2, Sub 753; G-21, Sub 387; and P-708, Sub 5 which was the holding company application of Carolina Power & Light. In June of 2001, I submitted testimony and stood cross-examination in Docket No. E-2, Sub 778, which was CP&L's application to transfer Certificates of Public Convenience and Necessity (CPCN) from two of the Company's generating units to its non-regulated sister company, Progress Energy Ventures. In November of 2001, I testified in Duke Energy's restructuring application, which was Docket No. E-7, Sub 694. In January 2002, I presented testimony in the merger application of Duke Energy Corp. and Westcoast Energy. In April of 2003, I submitted testimony in Dockets Nos. G-9, Sub 470, Sub 430, and E-2, Sub 825, which was the merger application of Piedmont Natural Gas and North Carolina Natural Gas. In May of 2003, I submitted testimony in the general rate case of Cardinal Pipeline Company, which was Docket No. G-39, Sub 4. In July 2003, I filed testimony in Docket No. E-2, Sub 833, which was CP&L's 2003 fuel case proceeding. I prepared pre-filed testimony and stood cross-examination in the merger application of Piedmont Natural Gas and Eastern North Carolina Natural Gas. In July of 2005, I prepared pre-filed testimony in Carolina Power & Light's fuel case in North Carolina. In August of 2005 I assisted in the settlement of Piedmont's 2005 general rate case. In June, 2006, I submitted rebuttal testimony in Docket No. E-100, Sub 103, which was the investigation of integrated resource planning (IRP) in North Carolina. Also in the month of June, 2006, I submitted testimony in Docket No. G-9, Sub 519, which was the application of Piedmont Natural Gas to change its tariffs and service regulations. In August, 2006, I assisted in the settlement of the rate case of Public Service of North Carolina in Docket No. G-5, Sub 481. In December of 2006, I prepared direct testimony and stood cross-examination in Docket No. E-7, Sub 751, which was application of Duke Power to share net revenues from certain wholesale power transactions. In January, 2007, I submitted testimony in the application of Duke Energy in Docket No. E-7, Sub 790, which was in regard to the construction of two 800 MW coal fired generation units in Rutherford County, North Carolina.

South Carolina

In August of 2002, I submitted pre-filed testimony and stood cross-examination before the South Carolina Public Service Commission in Docket No. 2002-63-G, which was Piedmont's 2002 general rate case. In October of 2004, I submitted pre-filed testimony and stood cross-examination in the general rate case of South Carolina Electric & Gas. In March 2005, I prepared pre-filed testimony and assisted in the settlement involving the fuel application proceeding of South Carolina Electric & Gas. In April of 2005, I prepared pre-filed testimony and assisted in the settlement of Carolina Power & Light's fuel case in South Carolina. In March 2006, I assisted in the settlement involving the fuel application proceeding of South Carolina Electric & Gas. In November of 2007 I assisted in the settlement of the 2007 South Carolina Electric & Gas general rate case proceeding.

United States Congress

In May of 1996, I testified before the U.S. House of Representatives, Committee on Commerce and Subcommittee on Energy and Power concerning competition within the electric utility industry.

I have also worked with North Carolina and South Carolina municipalities in presenting comments to the Federal Energy Regulatory Commission regarding the opening of the wholesale power markets in the Carolinas.

Publications

I have also published the following articles: Municipal Aggregation: The Future is Today, *Public Utilities Fortnightly*, October 1, 1995; Small Town, Big Price Cuts, *Energy Buyers Guide*, January 1, 1997; and Worth the Wait, But Still at Risk, *Public Utilities Fortnightly*, May 1, 2000. All of these articles dealt with my firm's experience in working with small towns that purchase their power supplies in the open wholesale power markets.

Appendix B

The New York Times

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December 22, 2008

Reeling South Carolina City Is a Snapshot of Economic Woes

By PETER S. GOODMAN

COLUMBIA, S.C. — Even before the job fair opens, the line snakes into the parking lot of the state fairground, a muted parade of lives derailed by layoffs.

"It kills me, it eats me up inside," said Raymond Vaughn, who has been out of work for seven months, since he lost his job as a window installer. His fiancée now pays the bills. "I go into this fantasy world where I'm like, I'm in the wrong life and I'm actually a millionaire. It really bothers me I can't do the things I'd like for her. Sometimes you get where you feel less than a man."

As the American economy sinks deeper into one of the more punishing recessions since the Depression, frustration and fear color the national conversation.

This city in the center of South Carolina is an ideal listening post. According to a range of indicators assembled by Moody's Economy.com — from job growth to change in household worth — this metropolitan area came closer than any other to being a microcosm of the nation over the last decade.

This is now an unfortunate distinction. Some 533,000 jobs disappeared from the economy in November, the worst month since 1974. In South Carolina, a government panel is predicting that the state's unemployment rate could reach 14 percent by the middle of next year.

No speculative real estate bubble can explain what is happening in this metropolitan area of roughly 700,000 people. Neither the brick Georgian homes in the city's core nor the ranch-style houses on the suburban fringes rose or fell much in value. The financial wizards of Wall Street seem far from the palmetto-dotted campus of the University of South Carolina and the domed state capitol downtown.

Yet as the toll continues to mount from an era of financial recklessness — as banks cut credit from households and businesses, reinforcing austerity — the damage has spread here, choking economic activity at places ranging from shopping malls to factories.

"This was not of our doing," said Doug Woodward, an economist at the University of South Carolina. "We just got swept up in the crisis of confidence."

The Carolinas may conjure thoughts of textile mills and tobacco fields, but Columbia has a diverse economy. The state is a major employer. So is the university, along with hospitals and banks. The Fort Jackson Army base employs 9,200 people. United Parcel Service has a regional hub here. Michelin operates

a tire factory next door in Lexington County. The Computer Science Corporation develops software north of the city.

Early in the year, layoffs were concentrated among factory and warehouse workers. "Now, they run the gamut," said Jessica Horsely, a case manager at the local employment office. "You see a heightened sense of desperation. People are just grasping for anything."

President-elect Barack Obama has pledged to spend as much as $775 billion on his economic plan, including infrastructure projects like bridges, roads and classrooms, to put people back to work.

Columbia's mayor, Bob Coble, is consumed with capturing some of those dollars for his city. He has assembled a list of ready-to-go projects totaling $140 million that he said could generate construction jobs and propel further economic development.

Mr. Coble, a Democrat who has been mayor for 18 years, has in mind the redevelopment of North Main Street, a bedraggled corridor of hard-luck retailers that lacks sidewalks in many spots, with exposed power lines dipping down to cracked pavement. That project is already under way, putting down sidewalks and burying power lines in a $19 million first phase. An additional $54 million could complete it.

Similar projects have restored shine to Columbia's downtown, which was in a similar state of decay a decade ago, and nurtured the Vista neighborhood, a collection of brick warehouses transformed into trendy eateries.

The mayor has also been focused on expanding the so-called Innovista project, a campus developed by the university centered on research in areas like hydrogen-powered fuel cells and biotechnology. The aim is to cluster research labs, private companies and condominiums.

"This will be a once in a generation opportunity to transform a city with projects that have been on the books," the mayor said over breakfast at a newly opened downtown Sheraton hotel set in an old bank whose original vault has become a cozy martini bar. "These are not bridges to nowhere."

Yet questions confront the notion of putting people to work through federal largess. South Carolina's governor, Mark Sanford, a Republican, has been an ardent opponent of federal aid for states, branding it pork barrel spending. If the money is delivered to state agencies like the Department of Transportation, which has its own list of priorities, Columbia might be disappointed.

Despite the attractiveness of Main Street, new sidewalks have drawn few retailers. North Main Street runs through a largely poor area, making it even less likely that improvements will attract business.

Meanwhile, the recession intensifies.

At the state fairgrounds, Lori Harris, 47, waited for the job fair to open. A year has passed since she graduated from college with an associate degree in medical assisting, yet she has been unable to find a decent job.

Ms. Harris previously ran her own house-painting company, but opted for a more stable career in a growing field. She saw an ad for the degree program on television: "Come become a medical assistant!"

Now, such talk seems farcical. She is paying $95 a month toward $23,000 in student loan debt. She is living with her boyfriend, who is supporting her, not always cheerfully. She has no health insurance and cannot see a specialist for a torn rotator cuff and recently applied for food stamps.

"I tried to better myself," she said, "and I'm getting nowhere."

She was offered one job, as a medical technician dispensing pills to patients. The pay was $7.50 an hour.

"Forget it," she said. "I was like, 'Is it worth going to college? Did I waste my time?'"

She wondered if her age explains the rejections. Or her Boston accent. Or the smell of her cigarette smoking.

"It's getting really discouraging," she said.

As the doors opened, people filed in quietly, entering a dark warehouselike space with concrete floors.

"You want a job that makes you smile," proclaimed a placard at a booth for Wendy's, the fast food chain. Another sign advertised the benefits for counter workers, among them: "free uniforms."

A Border Patrol officer stood in his olive green uniform, his laptop running video footage of Latinos running frantically through garbage strewn patches of desert, chased by helicopters and jeeps. Raymond Vaughn stopped and inquired about a job.

"You will have to relocate to the southwest border," said the recruiter, Michael Day.

The entry level pay was $36,000 a year. But the Border Patrol was looking for people no older than 40. Mr. Vaughn was 43.

At the window install job, Mr. Vaughn made $11.50 an hour. Since his layoff, he has been living on an unemployment check of $221 a week, and on the wages his fiancée brings home from her job as a hospital receptionist. He has applied for more jobs than he can recall. "They always say they'll call me," he said. "They never do."

A former high school track star, Mr. Vaughn carried himself with pride. Yet as the months passed and his car deteriorated without any cash for repairs, as his loose-handled cooking pots went unreplaced, he was sinking. Among African-Americans, the national unemployment rate is above 11 percent, with Mr. Vaughn now part of that number.

"Inside of me, I always felt like I was going to be greater than I am now," he said.

The job fair brought more disappointment. Only one job seemed possible, a technician position at an air-

conditioning company. The starting salaries were less than $10 an hour.

"Even if I work for this, I'm taking a cut in pay," he said. "But something's better than nothing."

At a booth for Amcol, a collection service that specializes in overdue medical bills, a recruiter made an aggressive pitch.

"The more you do in collections," he said, "the more you make."

Mary Bamou waited in line, holding copies of her résumé. She has been out of work for three months, ever since she was briefly hospitalized, ending her minimum wage job as a food service worker at the university. Now, she is getting by on an unemployment check of less than $100 a week.

Ms. Bamou, 50, has experience in medical billing, a skill she figured may translate to medical collections.

"Calling people up in these times is not going to be an easy task," she said. "It's a job. Worst thing they can do to me after cussing me out is to hang up."

Frank Kelly, 52, surveyed the booths and wondered how much further this slide would go.

In the 1990s, he wrote computer manuals for I.B.M. in upstate New York, earning $65,000 a year. After he lost that job, he spent a dozen years supervising a lab that tested raw materials at a brake pad factory in nearby Orangeburg, S.C., where he made more than $55,000 a year. In October, amid the rapid deterioration of the Detroit automakers, Mr. Kelly was laid off.

At the job fair, he was standing in line in a suit and tie, waiting to apply for a position at a pet food processor.

He and his wife have been living off her income as an accountant for a food distributor. One of her duties is to check the creditworthiness of customers, which gives her an uncomfortable view.

"She gets to see everybody going downhill," Mr. Kelly said.

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SCEUC Recommended Interest Rate Recovery
Docket No. 2009-2-E

Interest Accrual in Year One

	May, 2009	June	July	August	Sept.	Oct.	Nov	Dec	Jan. '10	Feb	March	April
Outstanding Balance	$74,568,565	$74,612,684	$74,656,830	$74,701,002	$74,745,200	$74,789,425	$74,833,675	$74,877,952	$74,922,254	$74,966,583	$75,010,939	$75,055,320
Accrued Int. Rate [1]	0.71%	0.71%	0.71%	0.71%	0.71%	0.71%	0.71%	0.71%	0.71%	0.71%	0.71%	0.71%
Monthly Interest	$44,120	$44,146	$44,172	$44,198	$44,224	$44,250	$44,277	$44,303	$44,329	$44,355	$44,381	$44,408
Sum of Interest	$531,163											

Interest Accrual in Year Two

	May, 2009	June	July	August	Sept.	Oct.	Nov	Dec	Jan. '10	Feb	March	April
Outstanding Balance	$37,549,864	$37,572,081	$37,594,311	$37,616,554	$37,638,811	$37,661,080	$37,683,363	$37,705,659	$37,727,968	$37,750,291	$37,772,626	$37,794,975
Accrued Int. Rate [1]	0.71%	0.71%	0.71%	0.71%	0.71%	0.71%	0.71%	0.71%	0.71%	0.71%	0.71%	0.71%
Monthly Interest	$22,217	$22,230	$22,243	$22,256	$22,270	$22,283	$22,296	$22,309	$22,322	$22,336	$22,349	$22,362
Sum of Interest	$267,473											

Notes: 1. One-year US Treasury bill rate as of March 5, 2009

Exhibit KWO-1