

**BACKGROUND AND EXPERIENCE PROFILE**  
**DR. MICHAEL J. ILEO**  
**PRESIDENT/CHIEF ECONOMIST**  
**TECHNICAL ASSOCIATES, INC.**

**EDUCATION**

1969-1972	Ph.D., Economics, Virginia Polytechnic Institute & State University
1967-1969	Graduate Economics, University of Missouri
1965-1967	M.S., Economics, University of Rhode Island
1963-1965	B.S., Economics, University of Rhode Island
1961-1963	A.S., Accounting, Roger Williams College

**POSITIONS**

1995-Present	President/Chief Economist, Technical Associates, Inc.
1993-1995	President/Chief Economist, C. W. Amos of Virginia
1972-1993	President/Senior Economist, Technical Associates, Inc., Adjunct Professor of Economics, Virginia Commonwealth University
1971-1972	Vice President and Senior Economist, Technical Associates, Inc.
1969-1971	Staff Economist, Technical Associates, Inc. Economics Instructor, Department of Economics, Virginia Polytechnic Institute & State University
1968-1969	Research Associate, Department of Electrical Engineering, University of Missouri
1967-1968	Economics Instructor, Department of Economics, University of Missouri
1965-1967	Consulting Economist, National Economic Research Associates, Inc.

**EXPERIENCE**

**Utility Economics** -- Appeared before numerous municipal, state, provincial, and federal bodies in the United States and Canada concerning various regulatory issues in the electric, gas, telephone and water utility industries. Expert testimony addressed such issues as rate levels and structures, depreciation, cost allocations and separations, rate of return, capital structure and costs, revenue requirement, demand forecasting, capacity planning, site location, business integration, avoidable costs, marginal cost pricing, accounting treatments, computer modeling, affiliate transactions, and corporate cost allocations.

Conducted jurisdictional, interclass, and intraclass cost of service studies using embedded, marginal, and incremental cost methodologies such as TSLRIC and TELRIC. Presented computer based sensitivity analyses of alternative cost allocation and separation procedures employing different measures of utilization such as time and volume of use. Prepared alternative rate designs based on cost, elasticity, and other factors. Developed computer based transmission and distribution system routing models.

Prepared numerous rate of return studies incorporating cost of equity determinations based on DCF, CAPM, comparable earnings, and other financial models. Developed procedures for identifying differential risk characteristics by customer class, type of service, and business division.

**Anti-Trust Economics** -- Performed analyses of relevant product and geographic markets related to such lines of business as retail automobile sales, natural gas sales and transportation, heating appliance repair and maintenance, radiological services, and financial institution deposits and loans. Conducted demand and supply elasticity studies to define relevant markets, as well as tests which account for product and consumer characteristics.

Testified as to the existence and magnitude of predatory pricing using short-run and long-run costing standards. Calculated damages resulting from such anti-competitive practices as tying arrangements, discriminatory supply restrictions, dumping, and predation.

**Health Care Economics** -- Conducted econometric studies of hospital cost functions using data in Medicare Cost Reports. Testified in Certificate of Need proceedings regarding medical facility expansions. Served as a book reviewer for the Journal of Risk and Insurance on health care and other insurance matters.

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Conducted surveys of the health insurability characteristics of "high risk" consumers. Performed a management audit of BC/BS of Virginia regarding the relationship between diversification and insurer solvency. Wrote Master Thesis on the role of organized medicine in the pricing and delivery of health care services.

**Insurance Economics** -- Testified before insurance regulatory authorities in Maine, New Jersey, Rhode Island, South Carolina, and Virginia regarding the appropriate profit & contingency factor to be incorporated in rates for workers' compensation, medical malpractice, and other lines of insurance. Performed internal rate of return analyses of line of business insurance transactions using temporal cash flow modeling of premium collection and loss and expense payout patterns.

Conducted studies as to the competitiveness of various property and casualty insurance markets using structure, behavior, and performance criteria. Ph.D. Thesis consisted of a statistical application of a mathematical model of insurance company pricing under different degrees of investment portfolio and insurance exposure risks.

**Energy Economics** -- Prepared studies on the relationship between utility pricing practices and the demand and supply of oil for residential heating purposes. Analyzed the relative energy efficiencies of rail versus truck transportation. Conducted studies of the structure and performance of the petrochemical industry. Testified on the long run costs of coal versus nuclear use for electricity generation. Performed analyses of the fuel use decision in generation plant planning.

**Transportation Economics** -- Conducted cost of service studies of railroads, oil pipelines, water carriers, motor carriers and taxicabs. Testified before the ICC in numerous proceedings on the cost of transporting coal by rail with specific consideration of such issues as constant cost allocation, differential pricing and inverse elasticity, long-run marginal costs, Ramsey pricing, and stand-alone costing. Served as a consultant to the ICC's Rail Services Planning Office on the reorganization of rail service in the U.S. Testified before the FMC on the cost of capital to water carriers.

Served as consultant to a number of shippers and the State of Alaska on the economics of oil pipelines. Testified on many occasions on the cost of service of moving crude and oil products by pipeline before the ICC, FERC, and the Alaska Pipeline Commission. Presented papers to various forums on the theory of cost allocation in transportation systems.

**Financial Economics** -- Prepared studies of the sustainability of LBO's, particularly with respect to the ability to meet debt service obligations set forth in due diligence reports. Critically examined the financial performance of firms that sought bankruptcy protection due to an inability to meet LBO forecasts, as well as environmental trust fund requirements. Analyzed benefit/cost ratios for businesses involved in mergers or acquisitions.

Conducted economic feasibility studies of market and service expansion by financial institutions. Advised state regulators as to the appropriateness of interest rate structures and loan maturities. Testified as to industry financial standards in bankruptcy proceedings and as to valuation methodologies for state severance tax purposes.

**Damage & Valuation Economics** -- Appeared before federal and state courts regarding the economic loss sustained through personal and business injury due to bodily harm, non-performance, and anti-competitive practices. Testimony presented on behalf of private individuals, as well as business firms such as automobile dealers, equipment manufacturers, creditor committees, insurance companies, and heating contractors.

Established the economic value of various businesses at given points in time, as well as in anticipation of future events. Evaluations have involved the application of times earnings, historical profit trends, equivalent business exchanges, discounted cash flow, and other market tests.

**SELECTED REPORTS, PRESENTATIONS, AND TESTIMONY**

"Lost Profits Of Great Lakes Toyota Due To The Improper Business Practices Of Toyota Motor Sales And Related Organizations," confidential expert damage reports, January and June 1996.

"Request Of US West Communications, Inc. For Approval Of Changed Depreciation Rates," expert testimony presented before the Public Service Commission of Utah, November, 1995.

"Retail Wheeling and Other Electricity Competition: Small Business Concerns About Tripping The Light Fantastic," prepared for the Pennsylvania Office of Small Business Advocate, September, 1994 (with K. Strobl)

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"Competition, Regulation, And The Public Interest In Telecommunications: Towards A Plan For Maryland," prepared for Maryland People's Counsel, June, 1994 (with K. Strobl).

Book Review of "Health Care Finance: Economic Incentives and Productivity Enhancement," by Steven R. Eastaugh (Auburn House), in The Journal of Risk and Insurance, December, 1993

"On The NOPR's Failure To Provide Guidelines Regarding The Role Of Cost In Determining Appropriate Oil Pipeline Rates," presentation to Executive Enterprise's Conference on Oil Pipeline Ratemaking For The '90's: Impact Of Anticipated FERC NOPR, Washington, D.C., September, 1993

"An Investigation Into The Structure And Operation Of Southwestern Bell Telephone Company's Affiliate Transactions," prepared for the Missouri Public Service Commission, January, 1993 (with K. Strobl & A. Yontz)

Book Review of "Regulating Doctors Fees: Competition Benefits and Controls Under Medicare," edited by H.E. Frech, III (The AEI Press), in The Journal of Risk and Insurance, June, 1992

"Standards For Utility Cost Studies Used To Justify Indirect Costs Assigned To HHS Grants," prepared for the U.S. Department of Health & Human Services, September, 1991 (with K. Strobl & T. Bayliss)

"Forecasts of On-Line Lottery Sales and the Required Number and Distribution of On-Line Agents in Virginia," prepared for General Instrument, Inc., 1988 (with G. Watkins)

"Performance and Diversification of the Blue Cross/Blue Shield Plans in Virginia," prepared for the Bureau of Insurance, Virginia State Corporation Commission, 1987 (with D. Parcell & A. Skirpan)

"The Regulation of Accounting in Virginia," prepared for the Virginia Department of Commerce, 1987 (with J. Bayliss)

"A Simple Method to Evaluate the Economic Feasibility of Streetlighting Purchase and Operation by Municipalities," prepared for Montgomery County Pennsylvania Consortium of Communities, 1985 (with K. Strobl & W. Lowe)

"An Analysis of the InterLATA Access Charges Applicable to the State of Missouri's Electronic Tandem Network," prepared for Spectra Associates, Inc. and the State of Missouri's Telecommunications Planning Department, 1985 (with K. Strobl)

"Towards An Understanding of the Economics of Undue Cross-Subsidization: The Case of Natural Gas Rate Structures," prepared for the Ontario Ministry of Energy, September, 1983

"Measuring the Economic Value of a Coal Slurry Pipeline to Hampton Roads, Virginia," prepared for the Virginians for Competitive Coal Transportation, 1983 (with K. Strobl & J. McKnight)

"Toward An Understanding of Ramsey Pricing," expert testimony presented before the Interstate Commerce Commission, April, 1982

"Guide For Evaluating the Community Impact of Rail Service Discontinuance," prepared for the Rail Services Planning Office, Interstate Commerce Commission, January, 1975 (with K. Strobl)

"Connecticut State Rail Plan," prepared for the Connecticut Department of Transportation, 1975 (with J. McKnight & K. Strobl)

"Evolution of the Virginia Banking Structure, 1962-1974: The Effects of the Buck-Holland Bill," (with D. Parcell), William and Mary Law Review, Vol. 16, No. 3, 1975

"An Analysis of the Virginia Consumer Finance Industry to Determine the Need for Restructuring the Rate and Size Ceilings on Small Loans in Virginia and the Process by Which They Are Governed", prepared for the Virginia Consumer

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Finance Association, 1975 (with D. Parcell)

"The Economic Objectives of Regulation: The Trend in Virginia," (with D. Parcell), William and Mary Law Review, Vol. 14, No. 2, 1973

An Economic Analysis of the Role of Investment Income in the Insurance Supply Process, Doctorate Dissertation, Virginia Polytechnic Institute and State University, 1972

"Revision of the Property and Casualty Insurance Ratemaking Process Under Prior Approval in the Commonwealth of Virginia," prepared for the Bureau of Insurance of the Virginia State Corporation Commission, 1971 (with C. Schotta & D. Parcell)

Organized Medicine In Rhode Island: A Case Study of Local Medical Societies, Masters Thesis, University of Rhode Island, 1967

**MEMBERSHIPS**

American Economic Association  
American Risk & Insurance Association  
Southern Economic Association  
Richmond Association of Business Economists  
Industrial Organization Society