

1
2
3
4
5
6
7
8
9
10
11

TESTIMONY OF JAMES A. ROTHSCHILD
TABLE OF CONTENTS

I. STATEMENT OF QUALIFICATIONS OF JAMES A. ROTHSCHILD 1

II. PURPOSE..... 3

III. SUMMARY OF FINDINGS AND RECOMMENDATIONS..... 4

IV. CURRENT CONDITIONS..... 7

V. IMPORTANCE OF CONSOLIDATED CAPITAL STRUCTURE..... 9

VI. CONCLUSIONS.15

APPENDIX A- TESTIFYING EXPERIENCE OF JAMES A. ROTHSCHILD.....I

1 **I. STATEMENT OF QUALIFICATIONS OF JAMES A. ROTHSCHILD**

2

3 Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

4 A. My name is James A. Rothschild and my address is 115 Scarlet Oak Drive, Wilton,
5 Connecticut 06897.

6

7 Q. WHAT IS YOUR OCCUPATION?

8 A. I am a financial consultant specializing in utility regulation. I have experience in
9 the regulation of electric, gas, telephone, sewer, and water utilities throughout the
10 United States.

11

12 Q. PLEASE SUMMARIZE YOUR UTILITY REGULATORY EXPERIENCE.

13 A. I am President of Rothschild Financial Consulting and have been a consultant since
14 1972. From 1979 through January 1985, I was President of Georgetown
15 Consulting Group, Inc. From 1976 to 1979, I was President of J. Rothschild
16 Associates. Both of these firms specialized in utility regulation. From 1972
17 through 1976, Touche Ross & Co., a major international accounting firm,
18 employed me as a management consultant. Touche Ross & Co. later merged to
19 form Deloitte Touche. Much of my consulting at Touche Ross was in the area of
20 utility regulation. While associated with the above firms, I worked for various
21 state utility commissions, attorneys general, and public advocates on regulatory
22 matters relating to regulatory and financial issues. These have included rate of
23 return, financial issues and accounting issues. (See Appendix A.)

24

1 Q. WHAT IS YOUR EDUCATIONAL BACKGROUND?

2 A. I received an MBA in Banking and Finance from Case Western University (1971)

3 and a BS in Chemical Engineering from the University of Pittsburgh (1967).

4

1 **II. PURPOSE**

2

3 Q. WHAT IS THE PURPOSE OF THIS TESTIMONY?

4 A. The Ratepayer Advocate has requested that I review the proposed merger
5 between Pepco and Conectiv from the perspective of cost of capital issues that
6 may arise as a result of the proposed merger (Conectiv/Pepco or New RC). I was
7 specifically asked to determine if there were any cost of capital issues that could
8 cause New Jersey Ratepayers to subsidize the rates of either unregulated
9 operations or regulated operations in other states. If there are any such concerns,
10 the Ratepayer Advocate has requested that I advise the Board what procedures it
11 could require the company to follow that could eliminate those concerns.

1 **III. SUMMARY OF FINDINGS AND RECOMMENDATIONS**

2

3 Q. DID YOUR REVIEW OF THE PROPOSED MERGER BETWEEN PEPCO AND
4 CONECTIV DETERMINE THAT THERE WERE ANY COST OF CAPITAL
5 RELATED PROBLEMS THAT THE MERGER COULD CAUSE?

6 A. Yes. Holding company structures can add to the complexity of determining the proper
7 capital structure to use for ratemaking purposes. As the complexity of a company
8 increases, the greater the chance that the capital structure of a regulated subsidiary
9 might not reflect the true capital structure that is or should be financing the regulated
10 operations of the company. If the Board decides to approve the proposed merger,
11 procedures should be immediately implemented to minimize the chance of allowing the
12 company to use capital structure as a tool to mask the true level of earnings that are
13 being achieved by its regulated New Jersey operations. The sooner these procedures
14 are implemented the less the chance that New Jersey ratepayers would be forced to
15 subsidize the operations of any of the numerous other companies in the new
16 Conectiv/Pepco combined operations.

17

18 Q. IS THERE EVIDENCE TO BELIEVE THAT CAPITAL STRUCTURE COULD
19 BECOME A CONCERN TO NEW JERSEY RATEPAYERS?

20 A. Yes. Deregulation is supposed to help ratepayers by allowing competitive pressures to
21 lower the cost of providing utility service and by having at least some of those cost
22 savings be passed onto ratepayers. In the filing made to the U.S. Securities and
23 Exchange Commission, the pro-forma capital structure of “New RC”, the temporary

1 name being used for the newly merged companies, shows a capital structure containing
2 31% common equity. This is materially less common equity than the 36.7% shown for
3 Atlantic City Electric in its latest 10Q report to the SEC. See Schedule JAR 1.
4 However, it is possible that these reductions in the common equity levels could be done
5 in a way that will not show up in the Board's surveillance reports because the cost
6 savings benefits of the lower common equity ratios have shown up at the parent level,
7 not at the regulated subsidiary level. If the merger is approved, the increased complexity
8 of the combined companies could obfuscate the impact of future changes to the
9 consolidated capital structure. In order for ratepayers to benefit from this revised, more
10 cost competitive capital structure, this new reality of how the merged entity is being
11 financed has to be factored into the regulatory process. Concurrent with the completion
12 of the merger, safeguards should be implemented by the Board. These safeguards
13 should include a mechanism for the timely review of the impact of actual capital
14 structure changes implemented by the New RC. Failing to pass this benefit of the lower
15 overall cost of capital on to ratepayers could result in the regulated subsidiaries
16 subsidizing the company's unregulated subsidiaries. The more subsidiaries a company
17 has, the more careful the Board should be to protect ratepayers from potential capital
18 structure abuse.

19

20 Q. WHAT DO YOU RECOMMEND?

21 A. The Board should condition any merger approval on the following conditions to help
22 protect ratepayers:

1 1. a) The Board should specify that, absent convincing proof to the contrary,
2 it will set the overall cost of capital for a regulated subsidiary of the company based
3 upon either the capital structure of the consolidated company or the regulated
4 subsidiary, using whichever of the two has the lower percentage of common equity.

5 b) To the extent that a claim for the capital structure is based upon the actual
6 capital structure of the company, deference should be given to the capital structure
7 that contains the lower amount of common equity. The company or any other party
8 should remain free to propose whatever capital structure it believes to be
9 appropriate, including the reported “actual” capital structure of the regulated
10 subsidiary. However the company should be required to demonstrate that the capital
11 structure it proposes is the most beneficial to New Jersey ratepayers.

12 c) If the consolidated actual capital structure is not proposed by the company
13 as the basis for the overall cost of capital computation, then the justification for any
14 other capital structure should include an analysis of why what is proposed is better
15 for New Jersey ratepayers than if the consolidated capital structure were used. A
16 primary goal of the capital structure selection should be the use of a capital structure
17 that will minimize the overall cost of capital IN THE LONG-RUN.

18
19 2. All reports showing the returns on equity or returns on rate base should
20 be filed with the Board two different ways. One way should be based upon the
21 capital structure of the subsidiary and one should be based upon the capital structure
22 of the consolidated company. In this way the Board can readily have the information
23 in front of it to best evaluate the actual earnings rate. Copies of these reports should
24 be sent to the Ratepayer Advocate at the same time they are sent to the Board.
25

1 **IV. CURRENT CONDITIONS**

2

3 Q. HOW DO THE BOND RATINGS OF CONECTIV COMPARE WITH THE
4 BOND RATINGS OF PEPCO?

5 A. Other things being equal, lower bond ratings lead to higher cost of debt.

6 Currently, the bond ratings of Atlantic City Electric are rated very slightly lower
7 than the similar bond rating of Pepco. Pepco's senior secured debt is rated A by
8 Standard & Poors, and A1 by Moody's, while the ratings of Atlantic City Electric
9 are A- by Standard & Poors and A2 by Moody's. Pepco's debt was recently
10 placed "...on CreditWatch with negative implications..." by Standard & Poors.
11 See the response to RAR-F-2, Page 1. Negative implications means that there is a
12 possibility of a downgrade. The reason given for the CreditWatch standing is the
13 proposed acquisition of Conectiv by Pepco. However, this potential downgrade
14 may turn out to be only a precaution caused by uncertainties associated with the
15 merger.

16 Capital structure has a major influence on bond ratings. The capital
17 structure of Pepco contains a higher percentage of common equity than does
18 either Conectiv or Atlantic City Electric. Absent new financing, this would lead
19 one to the conclusion that the merger might strengthen the bond rating of Atlantic
20 City Electric. However, the document with the SEC shows that the new merged
21 company is anticipated to have less common equity than either Pepco or Atlantic
22 City Electric, but a higher percentage of common equity than a consolidated
23 Conectiv filing. If the consolidated merged company capital structure contains

1 more equity than the consolidated Conectiv capital structure, this would help
2 remove concerns over a possible bond downgrading.

3

4 Q. PLEASE COMPARE THE EMBEDDED COST OF DEBT OF CONECTIV
5 AND PEPCO.

6 A. The embedded cost of long-term debt for Conectiv is 6.33%, while for
7 Atlantic City Electric it is 6.87%. The embedded cost of long-term debt for
8 Pepco is 7.302%. See NJRAR-F 1-13. The differences in these rates could be
9 explained by market conditions that prevailed at the time of issuance or other
10 variations in the specific terms of the bonds.

11 A cost of debt comparison can also be reasonably made by contrasting
12 the cost of short-term debt from one company to the next. As shown in response
13 to NJRAR-F 1-7, Conectiv's cost of short-term debt is 4.657%, while the cost of
14 short-term debt to Pepco is 3.9571%.

15

16 Q. WHAT DOES THE COST OF DEBT COMPARISON SHOW?

17 A. Embedded cost of debt rates can vary from company to company because of
18 differences in when the debt was issued or variations in terms such as call
19 provisions. Even though the embedded cost of long-term debt for Pepco is higher
20 than for Conectiv, since the bond rating of Pepco is not weaker than the bond
21 rating of Conectiv, it is possible that the merged company would not cause
22 upward pressure on the cost of long-term debt to Conectiv.

1 **V. IMPORTANCE OF CONSOLIDATED CAPITAL STRUCTURE**

2

3 Q. DOES THE CAPITAL STRUCTURE OF THE CONSOLIDATED COMPANY
4 IMPACT THE CREDIT QUALITY OF A COMPANY'S SUBSIDIARIES?

5 A. Yes. The bond rating and the cost of debt to a subsidiary company are influenced
6 by both its own capital structure and business profile and the credit standing of its
7 parent. This is because rating agencies are aware that the parent could become a
8 source of capital in hard times. While there often is no contractual requirement
9 for the parent to provide funds to one of its subsidiaries that may be in financial
10 trouble, it could well be in the best interests of the parent to provide funds to a
11 subsidiary that it owns if such provision of funds could serve to protect the
12 integrity of the parent's investment in the subsidiary. The merger will cause
13 Atlantic City Electric's debt to be influenced by the new consolidated company
14 instead of just the existing Conectiv.

15 The credit standing and the associated bond ratings of the subsidiary are
16 impacted by both the business risk and the financial risk of its parent and its own
17 operations. Business risk relates to the risks inherent in a company's business
18 while financial risk specifically refers to the risk brought on a company simply by
19 the capital structure management has chosen to use to finance the company's
20 assets. Since equity costs more than debt, lowering the amount of capital
21 financed by equity has a tendency to lower the overall cost of capital. However,
22 the lower the percentage of equity, the greater the financial risk. The greater the
23 financial risk, the lower the bond rating is likely to be.

1 Q. IS A LOWER BOND RATING NECESSARILY BAD?

2 A. No. One way to obtain a higher bond rating is to increase the level of common
3 equity in the capital structure by replacing debt with equity. While a higher bond
4 rating will lower borrowing costs, (single “A” rated debt has a lower interest cost
5 than “Baa” rated debt issued at the same time and with the same terms) the
6 additional cost associated with the extra equity is only justified if the reduction in
7 the cost of debt is sufficient to justify the savings in interest expense. The cost of
8 capital is an important component of the overall cost of providing electric
9 service. Therefore, minimizing the overall cost of capital should be considered a
10 primary goal of capital structure selection, not just the bond rating.

11

12 Q. WHY SHOULD THE BOARD GIVE CONSIDERATION TO THE
13 CONSOLIDATED CAPITAL STRUCTURE OF THE PROPOSED NEW RC
14 WHEN EVALUATING THE PROPER RATES FOR THE REGULATED
15 SERVICES BEING PROVIDED IN NEW JERSEY?

16 A. There is a very strong tendency for utility companies to be able to justify a
17 higher revenue requirement as its percentage of common equity in the capital
18 structure increases. Management of a utility company both want to keep costs
19 down but may want to increase revenues more than is likely to be allowed by a
20 utility commission. This sets up a conflict of interest situation for the utility
21 management, wanting to use less equity to contain excess costs, but more equity
22 to maximize revenue requirements. The consolidated capital structure is not
23 generally subject to a conflict of interest because the consolidated capital structure

1 is an actual capital structure that reflects full arms-length transactions between the
2 public debt and equity investors. Because regulated utility services are among the
3 least risky businesses, it is likely that the other operations, both regulated and
4 unregulated, that will be owned by the New RC will be the same or more risky
5 than the regulated operations in New Jersey. Using the consolidated capital
6 structure as an estimate of the actual capital structure of the regulated New Jersey
7 operations produces a conservatively high estimate of the percentage of common
8 equity financing New Jersey regulated electric operations because the
9 consolidated capital structure has to finance the entire company's business risk,
10 not just the business risk of the regulated utility company. Thus the consolidated
11 capital structure should be a factor in any review of the capital structure of its
12 regulated subsidiary.

13
14 Q. WHAT FIRM AUDITS THE FINANCIAL STATEMENTS OF PEPCO AND
15 OF CONECTIV?

16 A. The auditor of both firms is PricewaterhouseCoopers, LLP.

17

18 Q. ARE YOU AWARE OF ANY STATEMENTS FROM
19 PRICEWATERHOUSE COOPERS ABOUT THE APPLICABILITY OF A
20 SUBSIDIARY BALANCE SHEET?

21 A. Yes. Prior to the merger to form PricewaterhouseCoopers, LLP, Price
22 Waterhouse was hired to advise the Long Island Power Authority regarding its
23 proposed takeover of some of the electric utility assets of Long Island Lighting

1 Company. In this context, Elizabeth M. McCarthy, Partner of the accounting firm
2 Price Waterhouse, stated in a presentation to a meeting of the Board of Trustees
3 of the New York State Long Island Power Authority on June 11, 1997, that:

4 ... whenever you have a situation where you have a holding company, it is
5 important to have provision for hypothetical cap structure **because a**
6 **holding company can capitalize its operating companies any way it**
7 **wants**, a hundred percent equity or anything else in between, a hundred
8 percent debt or anything else in between.¹

9

10 (Emphasis added.)

11

12 Under current procedures, the Board's reports require that the return on
13 equity for the regulated New Jersey subsidiary be presented based upon the
14 reported capital structure of the operating company. As noted in the above quote,
15 there is substantial flexibility in the way that the capital structure of an operating
16 subsidiary may be capitalized. The proposed merger will cause the new company
17 to be more complex and more impacted by unregulated operations. As a result,
18 the Board needs to be all the more careful about how it uses computations based
19 upon the reported capital structure of the regulated New Jersey operations. Old
20 procedures that used to provide some presumption that the capital structure of the
21 regulated entity was chosen by management to be reasonable loses its meaning in
22 a new, complex combined Pepco/Conectiv company because there is an increased
23 likelihood that the capital structure of a regulated subsidiary might be allocated,
24 for book purposes, more than its appropriate share of the equity needed by the
25 entire consolidated entity.

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21

Q. DOES A UTILITY HOLDING COMPANY SUCH AS THE PROPOSED NEW RC MERGED COMPANY HAVE AN INCENTIVE TO LOWER THE OVERALL COST OF CAPITAL OF THE SUBSIDIARY?

A. No, on the contrary. While there is substantial incentive for the competitive New RC to lower its overall cost of capital on a consolidated basis, it does not follow that a regulated subsidiary has such an incentive. As long as a complex company such as New RC believes its subsidiary capital structure might be used for regulatory purposes, it has an incentive to keep the common equity ratio of the regulated subsidiary relatively high. This is especially true because the New RC holding company structure provides substantial ability for the company to use borrowed funds to repurchase common stock and thereby lower the overall cost of capital. Since a regulated subsidiary such as Atlantic City Electric can and does provide cash flow to service more debt than it currently has outstanding, that cash flow could be used either to increase borrowing at the New Jersey subsidiary level or at the consolidated level. The important difference, however, is that unless regulatory procedures are implemented to protect against this, if Atlantic City Electric's extra cash flow is used to finance a higher proportion of debt at the parent level rather than at the Atlantic City level, the percentage of equity in Atlantic City's capital structure remains high even though the overall debt/equity ratio of the consolidated company may be brought to more cost effective levels.

¹ A transcript of the entire trustee meeting of June 11, 1997 is available on the website of the Long Island Power Authority at www.lipa.state.ny.us. The referenced quote appears on page 95 of the

transcript.

1 **VI. CONCLUSIONS.**

2

3 Q. PLEASE SUMMARIZE YOUR CONCLUSIONS.

4 A. The added complexity of the proposed Pepco/Conectiv merger requires the Board
5 to implement procedures now as a condition to any merger approval, to protect New
6 Jersey ratepayers. I have set forth these recommendations earlier in my testimony.
7 New Jersey ratepayers are entitled to the benefits of whatever lower costs of capital
8 might be derived from the new competitive environment. Because of the close
9 interrelationship between Atlantic City Electric and its newly proposed parent, it is
10 important that the Board give closer consideration to the consolidated capital
11 structure than it has in the past. Each time the complexity of a company increases,
12 the subsidiary capital structure becomes more and more remote as an indicator of the
13 actual capital structure being used by a company to finance its operations. The Board
14 needs to have its surveillance reports readily show what return on equity Atlantic City
15 Electric is achieving based upon the New RC consolidated capital structure, so that
16 the Board can more readily identify an over-earnings situation should it develop.

17

18 Q. DOES THIS CONCLUDE YOUR TESTIMONY?

19 A. Yes.

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35
36
37
38
39
40
41
42

Appendix A- Testifying Experience of James A. Rothschild

Appendix A

**TESTIFYING EXPERIENCE OF JAMES A. ROTHSCHILD
THROUGH AUGUST 31, 2001**

ALABAMA

Continental Telephone of the South; Docket No. 17968, Rate of Return, January, 1981

ARIZONA

Southwest Gas Corporation; Rate of Return, Docket No. U-1551-92-253, March, 1993
Sun City West Utilities; Accounting, January, 1985

CONNECTICUT

Connecticut American Water Company; Docket No. 800614, Rate of Return, September, 1980
Connecticut American Water Company, Docket No. 95-12-15, Rate of Return, February, 1996
Connecticut Light & Power Company; Docket No. 85-10-22, Accounting and Rate of Return, February, 1986
Connecticut Light & Power Company; Docket No. 88-04-28, Gas Divestiture, August, 1988
Connecticut Light & Power Company, Docket No. 97-05-12, Rate of Return, September, 1997
Connecticut Light & Power Company, Docket No. 98-01-02, Rate of Return, July, 1998
Connecticut Light & Power Company, Docket No. 99-02-05, Rate of Return, April, 1999
Connecticut Light & Power Company, Docket No. 99-03-36, Rate of Return, July, 1999
Connecticut Light & Power Company, Docket No. 98-10-08 RE 4, Financial Issues, September 2000
Connecticut Light & Power Company, Docket No. 00-05-01, Financial Issues, September, 2000
Connecticut Light & Power Company, Docket No. 01-07-02, Capital Structure, August, 2001
Connecticut Natural Gas; Docket No. 780812, Accounting and Rate of Return, March, 1979
Connecticut Natural Gas; Docket No. 830101, Rate of Return, March, 1983
Connecticut Natural Gas; Docket No. 87-01-03, Rate of Return, March, 1987
Connecticut Natural Gas, Docket No. 95-02-07, Rate of Return, June, 1995

1 Connecticut Natural Gas, Docket No. 99-09-03, Rate of Return, January, 2000
2 Southern Connecticut Gas, Docket No. 97-12-21, Rate of Return, May, 1998
3 Southern Connecticut Gas, Docket No. 99-04-18, Rate of Return, September, 1999
4 United Illuminating Company; Docket No. 89-08-11:ES:BBM, Financial Integrity and
5 Financial Projections, November, 1989.
6 United Illuminating Company; Docket No. 99-02-04, Rate of Return, April, 1999
7 United Illuminating Company, Docket No. 99-03-35, Rate of Return, July, 1999
8
9

10 **DELAWARE**

11
12 Artesian Water Company, Inc.; Rate of Return, December, 1986
13 Artesian Water Company, Inc.; Docket No. 87-3, Rate of Return, August, 1987
14 Diamond State Telephone Company; Docket No. 82-32, Rate of Return, November, 1982
15 Diamond State Telephone Company; Docket No. 83-12, Rate of Return, October, 1983
16 Wilmington Suburban Water Company; Rate of Return Report, September, 1986
17 Wilmington Suburban Water Company; Docket No. 86-25, Rate of Return, February, 1987
18
19
20

21 **FEDERAL ENERGY REGULATORY COMMISSION (FERC)**

22
23 Koch Gateway Pipeline Company, Docket No. RP97-373-000 Cost of Capital, December,
24 1997
25 Maine Yankee Atomic Power Company, Docket No. EL93-22-000, Cost of Capital, July,
26 1993
27 New England Power Company; CWIP, February, 1984. Rate of return.
28
29 New England Power Company; Docket No.ER88-630-000 & Docket No. ER88-631-000,
30 Rate of Return, April, 1989
31 New England Power Company; Docket Nos. ER89-582-000 and ER89-596-000, Rate of
32 Return, January, 1990
33 New England Power Company: Docket Nos. ER91-565-000, ER91-566-000 , FASB 106,
34 March, 1992. Rate of Return.
35 Philadelphia Electric Company - Conowingo; Docket No. EL-80-557/588, July, 1983. Rate
36 of Return.
37 Ocean State Power Company, Ocean States II Power Company, Docket No. ER94-998-000
38 and ER94-999-000, Rate of Return, July, 1994.
39 Ocean State Power Company, Ocean States II Power Company, Docket No ER 95-533-001
40 and Docket No. ER-530-001, Rate of Return, June, 1995 and again in October, 1995.
41 Ocean State Power Company, Ocean State II Power Company, Docket No. ER96-1211-000
42 and ER96-1212-000, Rate of Return, March, 1996.
43 Southern Natural Gas, Docket No. RP93-15-000. Rate of Return, August, 1993, and revised
44 testimony December, 1994.
45 Transco, Docket No. RP95-197-000, Phase I, August, 1995. Rate of Return.
46
47 Transco, Docket Nos. RP-97-71-000 and RP97-312-000, June, 1997, Rate of Return.
48

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35
36
37
38
39
40
41
42
43
44
45
46
47
48
49

FLORIDA

- Alltel of Florida; Docket No. 850064-TL, Accounting, September, 1985
- Florida Power & Light Company; Docket No. 810002-EU, Rate of Return, July, 1981
- Florida Power & Light Company; Docket No. 82007-EU, Rate of Return, June, 1982
- Florida Power & Light Company; Docket No. 830465-EI, Rate of Return and CWIP, March, 1984
- Florida Power Corporation; Docket No. 830470-EI, Rate Phase-In, June, 1984
- Florida Power Corp.; Rate of Return, August, 1986
- Florida Power Corp.; Docket No. 870220-EI, Rate of Return, October, 1987
- GTE Florida, Inc.; Docket No. 890216-TL, Rate of Return, July, 1989
- Gulf Power Company; Docket No. 810136-EU, Rate of Return, October, 1981
- Gulf Power Company; Docket No. 840086-EI, Rate of Return, August, 1984
- Gulf Power Company; Docket No. 881167-EI, Rate of Return, 1989
- Gulf Power Company; Docket No. 891345-EI, Rate of Return, 1990
- Rolling Oaks Utilities, Inc.; Docket No. 850941-WS, Accounting, October, 1986
- Southern Bell Telephone Company; Docket No. 880069-TL, Rate of Return, January, 1992
- Southern Bell Telephone Company; Docket No. 920260-TL, Rate of Return, November, 1992
- Southern Bell Telephone Company; Docket No. 90260-TL, Rate of Return, November, 1993
- Southern States Utilities, Docket No. 950495-WS, Rate of Return, April, 1996
- Tampa Electric Company; Docket No. 820007-EU, Rate of Return, June, 1982
- Tampa Electric Company; Docket No. 830012-EU, Rate of Return, June, 1983
- United Telephone of Florida; Docket No. 891239-TL, Rate of Return, November, 1989
- United Telephone of Florida; Docket No. 891239-TL, Rate of Return, August, 1990
- Water and Sewer Utilities, Docket No 880006-WS, Rate of Return, February, 1988.

GEORGIA

- Georgia Power Company; Docket No. 3397-U, Accounting, July, 1983

ILLINOIS

- Ameritech Illinois, Rate of Return and Capital Structure, Docket 96-0178, January and July, 1997.
- Central Illinois Public Service Company; ICC Docket No. 86-0256, Financial and Rate of Return, October, 1986.
- Central Telephone Company of Illinois, ICC Docket No. 93-0252, Rate of Return, October, 1993.
- Commonwealth Edison Company; Docket No. 85CH10970, Financial Testimony, May, 1986.
- Commonwealth Edison Company; Docket No. 86-0249, Financial Testimony, October, 1986.
- Commonwealth Edison Company; ICC Docket No. 87-0057, Rate of Return and Income Taxes, April 3, 1987.
- Commonwealth Edison Company; ICC Docket No. 87-0043, Financial Testimony, April 27, 1987.
- Commonwealth Edison Company; ICC Docket Nos. 87-0169, 87-0427,88-0189,880219,88-0253 on Remand, Financial Planning Testimony, August, 1990.

1 Commonwealth Edison Company; ICC Docket Nos. 91-747 and 91-748; Financial Affidavit,
2 March, 1991.
3 Commonwealth Edison Company; Financial Affidavit, December, 1991.
4 Commonwealth Edison Company, ICC Docket No. 87-0427, Et. Al., 90-0169 (on Second
5 Remand), Financial Testimony, August, 1992.
6 Genesco Telephone Company, Financial Testimony, July, 1997.
7 GTE North, ICC Docket 93-0301/94-0041, Cost of Capital, April, 1994
8 Illinois Power Company, Docket No. 92-0404, Creation of Subsidiary, April, 1993
9 Illinois Bell Telephone Company, Dockets No. ICC 92-0448 and ICC _____, Rate of
10 Return, July, 1993
11 Northern Illinois Gas Company; Financial Affidavit, February, 1987.
12 Northern Illinois Gas Company; Docket No. 87-0032, Cost of Capital and Accounting Issues,
13 June, 1987.
14 Peoples Gas Light and Coke Company; Docket No. 90-0007, Accounting Issues, May, 1990.

15
16

17 **KENTUCKY**

18

19 Kentucky- American Water Company, Case No. 97-034, Rate of Return, June, 1997.
20 Kentucky Power Company; Case No. 8429, Rate of Return, April, 1982.
21 Kentucky Power Company; Case No. 8734, Rate of Return and CWIP, June, 1983.
22 Kentucky Power Company; Case No. 9061, Rate of Return and Rate Base Issues, September,
23 1984.
24 West Kentucky Gas Company, Case No. 8227, Rate of Return, August, 1981.

25
26

27 **MAINE**

28

29 Bangor Hydro-Electric Company; Docket No. 81-136, Rate of Return, January, 1982.
30 Bangor Hydro-Electric Company; Docket No. 93-62, Rate of Return, August, 1993
31 Maine Public Service Company; Docket No. 90-281, Accounting and Rate of Return, April,
32 1991.

33
34

35 **MARYLAND**

36

37 C & P Telephone Company; Case No. 7591, Fair Value, December, 1981

38
39

40 **MASSACHUSETTS**

41

42 Boston Edison Company; Docket No. DPU 906, Rate of Return, December, 1981
43 Fitchburg Gas & Electric; Accounting and Finance, October, 1984
44 Southbridge Water Company; M.D.P.U., Rate of Return, September, 1982

45
46

1 **MINNESOTA**

2

3 Minnesota Power & Light Company; Docket No. EO15/GR-80-76, Rate of Return, July,
4 1980

5

6

7 **NEW JERSEY**

8

9 Atlantic City Sewage; Docket No. 774-315, Rate of Return, May, 1977

10 Atlantic City Electric Company, Docket Nos. ER 8809 1053 and ER 8809 1054, Rate of
11 Return, April, 1990

12 Atlantic City Electric Company, Docket Nos. EO97070455 and EO97070456, Cost of
13 Capital, Capital Cost Allocation, and Securitization, December, 1997.

14 Bell Atlantic, Affidavit re Financial Issues regarding merger with GTE, June, 1999.

15 Bell Atlantic-New Jersey, Docket No. TO99120934, Financial Issues and Rate of Return,
16 August 2000

17 Consumers New Jersey Water Company, BPU Docket No. WR00030174, September 2000

18 Elizabethtown Gas Company. BRC Docket No. GM93090390. Evaluation of proposed
19 merger with Pennsylvania & Southern Gas Co. April, 1994

20 Elizabethtown Water Company; Docket No. 781-6, Accounting, April, 1978

21 Elizabethtown Water Company; Docket No. 802-76, Rate of Return, January, 1979

22 Elizabethtown Water Company; Docket No. PUC 04416-90, BPU Docket No.
23 WR90050497J, Rate of Return and Financial Integrity, November, 1990.

24 Elizabethtown Water Company; Docket No. WR 9108 1293J, and PUC 08057-91N, Rate of
25 Return and Financial Integrity, January, 1992.

26 Elizabethtown Water Company, Docket No. WR 92070774J, and PUC 06173-92N, Rate of
27 Return and Financial Integrity, January, 1993.

28 Elizabethtown Water Company, Docket No. BRC WR93010007, OAL No. PUC 2905-93,
29 Regulatory treatment of CWIP. May, 1993.

30 Elizabethtown Water Company, BPU Docket No. WR 95110557, OAL Docket No. PUC
31 12247-95, Rate of Return, March, 1996.

32 Essex County Transfer Stations; OAL Docket PUC 03173-88, BPU Docket Nos. SE
33 87070552 and SE 87070566, Rate of Return, October, 1989.

34 GPU/FirstEnergy proposed merger; Docket No. EM 00110870, Capital Structure Issues,
35 April 2001

36 Hackensack Water Company; Docket No. 776-455, October, 1977 and Accounting,
37 February, 1979

38 Hackensack Water Company; Docket No. 787-847, Accounting and Interim Rate Relief,
39 September, 1978

40 Hackensack Water Company; AFUDC & CWIP, June, 1979

41 Hackensack Water Company; Docket No. 804-275, Rate of Return, September, 1980

42 Hackensack Water Company; Docket No. 8011-870, CWIP, January, 1981

43 Inquiry Into Methods of Implementation of FASB-106, Financial Issues, BPU Docket No.
44 AX96070530, September, 1996

45 Jersey Central Power & Light Company, Docket No. EO97070459 and EO97070460, Cost of
46 Capital, Capital Cost Allocation, and Securitization, November 1997

47 Middlesex Water Company; Docket No. 793-254, Tariff Design, September, 1978

48 Middlesex Water Company; Docket No. 793-269, Rate of Return, June, 1979

1 Middlesex Water Company; Docket No. WR890302266-J, Accounting and Revenue
2 Forecasting, July, 1989
3 Middlesex Water Company; Docket No. WR90080884-J, Accounting, Revenue Forecasting,
4 and Rate of Return, February, 1991
5 Middlesex Water Company, Docket No. WR92070774-J, Rate of Return, January, 1993
6 Middlesex Water Company, Docket No. WR00060362, Rate of Return, October, 2000
7 Mount Holly Water Company; Docket No. 805-314, Rate of Return, August, 1980
8
9 National Association of Water Companies; Tariff Design, 1977
10 Natural Gas Unbundling Cases, Financial Issues, August 1999
11 New Jersey American Water Company, BPU Docket No. WR9504, Rate of Return,
12 September, 1995
13 New Jersey Bell Telephone; Docket No. 7711-1047, Tariff Design, September, 1978
14 New Jersey Land Title Insurance Companies, Rate of Return and Accounting, August and
15 November, 1985
16 New Jersey Natural Gas; Docket No. 7812-1681, Rate of Return, April, 1979
17 New Jersey Water Supply Authority, Ratemaking Issues, February, 1995
18 Nuclear Performance Standards; BPU Docket No. EX89080719, Nuclear Performance
19 Standards policy testimony
20 Pinelands Water Company and Pinelands Wastewater Company, Rate of Return, BPU
21 Dockets WR00070454 and WR00070455, October, 2000.
22 Public Service Electric & Gas Company, Docket No. EX9412058Y and EO97070463, Cost
23 of Capital, Capital Cost Allocation, and Securitization, November 1997
24 Public Service Electric & Gas Company, BPU Docket No. GR01050328, OAL Docket No.
25 PUC-5052-01, Cost of Capital, August, 2001.
26 Rockland Electric Company; Docket No. 795-413, Rate of Return, October, 1979
27 Rockland Electric Company, Docket Nos. EO97070464 and EO97070465, Cost of Capital,
28 Capital Cost Allocation, and Securitization, January, 1998
29 Salem Nuclear Power Plant, Atlantic City Electric Company and Public Service Electric &
30 Gas Company, Docket No. ES96030158 & ES96030159, Financial Issues, April,
31 1996.
32 South Jersey Gas Company; Docket No. 769-988, Accounting, February, 1977
33 South Jersey Gas Company, BRC Docket No. GU94010002, June, 1994
34 United Artists Cablevision; Docket No. CTV-9924- 83, Rate of Return, April, 1984
35 Verizon, Rate of Return, BPU Docket No. TO 00060356, October, 2000
36 Verizon, Rate of Return, BPU Docket No. TO 01020095, May 2001
37 West Keansburg Water Company; Docket No. 838-737, Rate of Return, December, 1983
38
39
40 **NEW YORK**
41
42 Consolidated Edison Company; Case No.27353, Accounting and Rate of Return, October,
43 1978
44 Consolidated Edison Company; Case No. 27744, Accounting and Rate of Return, August
45 1980
46 Generic Financing Case for Electric & Gas Companies; Case No. 27679, May, 1981
47 Long Island Lighting Company; Case No. 27136, Accounting and Rate of Return, June, 1977
48 Long Island Lighting Company; Case No. 27774, Rate of Return, November, 1980

1 Long Island Lighting Company; Case No. 28176 and 28177, Rate of Return and Revenue
2 Forecasting, June, 1982
3 Long Island Lighting Company, Case No. 28553, Rate of Return and Finance, March, 1984
4 Long Island Lighting Company, Case No. 93-E-1123, Rate of Return and Finance, May,
5 1994
6 New York Telephone, Case No. 27469, April, 1979
7 New York Telephone, Case No. 27710, Accounting, September, 1981
8
9
10 **OHIO**
11
12 Columbia Gas Company of Ohio; Case No. 77-1428-GA-AIR, March, 1979
13 Columbia Gas Company of Ohio; Case No. 78-1118-GA-AIR, Accounting and Rate of
14 Return, May, 1979
15 Ohio Utilities Company; Case No. 78-1421-WS-AIR, Rate of Return, September, 1979
16
17
18 **OKLAHOMA**
19
20 Oklahoma Natural Gas Company, Case PUD No. 94000047, Rate of Return, May, 1995
21
22
23 **OREGON**
24
25 PacifiCorp, Case UE 116, Rate of Return, May 2001
26 Portland General Electric, Case UE 102, Rate of Return, July 1998
27 Portland General Electric, Case UE 115, Rate of Return, May 2001
28 Northwest Natural Gas Company, Docket No. UG-132, July 1999
29
30
31 **PENNSYLVANIA**
32
33 Allied Gas, Et. Al., Docket No. R-932952, Rate of Return, May, 1994
34 ATTCOM - Pennsylvania; Docket No. P-830452, Rate of Return, April, 1984
35 Borough of Media Water Fund; Docket No. R-901725, Rate of Return, November 1990
36 Bethel and Mt. Aetna Telephone Company; Docket No. LR-770090452, Accounting and Rate
37 of Return, January, 1978
38 Big Run Telephone Company; Docket No. R-79100968, Accounting and Rate of Return,
39 November, 1980.
40 Bloomsburg Water Company; Docket Nos. R-912064 and R-912064C001-C003, Rate of
41 Return, December, 1991.
42 Citizens Utilities Water Company of Pennsylvania and Citizens Utilities Home Water
43 Company; Docket No. R-901663 and R-901664, Rate of Return, September, 1990
44 Citizens Utilities Water Company of Pennsylvania, Docket No. R-00953300, Rate of Return,
45 September, 1995
46 City of Bethlehem, Bureau of Water, Docket No. R-943124, Rate of Return, October, 1994
47 City of Lancaster-Water Fund, Docket R-00984567, Rate of Return, May, 1999
48 Columbia Gas of Pennsylvania; Docket No. R-78120724, Rate of Return, May, 1979

1 Dallas Water Co., Harvey's Lake Water Co., Noxen Water Co., Inc. & Shavertown Water
2 Co. Inc., Docket Nos R-922326, R-922327, R-922328, R-922329, Rate of Return,
3 September, 1992
4 Dauphin Consolidated Water Company; Docket No. R-780-50616, Rate of Return, August,
5 1978
6 Dauphin Consolidated Water Company; Docket No. R-860350, Rate of Return, July, 1986
7 Dauphin Consolidated Water Company; Docket No. R-912000, Rate of Return, September,
8 1991
9 Duquesne Light Company; Docket No. RID-373, Accounting and Rate of Return,
10 Duquesne Light Company; Docket No. R-80011069, Accounting and Rate of Return, June,
11 1979
12 Duquesne Light Company; Docket No. R-821945, Rate of Return, August, 1982
13 Duquesne Light Company; Docket No. R-850021, Rate of Return, August, 1985
14 Emporium Water Company, Docket No. R-00005050, Rate of Return, October 2000
15 Equitable Gas Company; Docket No. R-780040598, Rate of Return, September, 1978
16 General Telephone Company of Pennsylvania; Docket No. R-811512, Rate of Return
17 Mechanicsburg Water Company; Docket No. R-911946; Rate of Return, July, 1991
18 Mechanicsburg Water Company, Docket No. R-922502, Rate of Return, February, 1993
19 Metropolitan Edison and Pennsylvania Electric Company; Rate of Return, December, 1980
20 National Fuel Gas Company; Docket No. R-77110514, Rate of Return, September, 1978
21 National Fuel Gas Company, Docket No. R-953299, Rate of Return, June, 1995
22 North Penn Gas Company, Docket No. R-922276, Rate of Return, September, 1992
23 North Penn Gas Company, Docket No. R-00943245, Rate of Return, May, 1995
24 Pennsylvania American Water Company, Docket R-922428, Rate of Return, October, 1992
25 Pennsylvania Electric Company; Rate of Return, September, 1980
26 Pennsylvania Gas & Water Company, Docket No. R-80071265, Accounting and Rate of
27 Return
28 Pennsylvania Gas & Water Company; Docket No. R-78040597, Rate of Return, August,
29 1978
30 Pennsylvania Gas & Water Company; Docket No. R-911966; Rate of Return, August, 1991
31 Pennsylvania Gas & Water Company, Docket No. R-922404; Rate of Return, October, 1992
32 Pennsylvania Gas & Water Company; Docket No. R-922482; Rate of Return, January,
33 1993
34 Pennsylvania Gas & Water Company; Docket No. R-932667; Rate of Return, July, 1993
35 Pennsylvania Power Company; Docket No. R-78040599, Accounting and Rate of Return,
36 May, 1978
37 Pennsylvania Power Company; Docket No. R-811510, Accounting, August, 1981
38 Pennsylvania Power Company; Case No. 821918, Rate of Return, July, 1982
39 Pennsylvania Power & Light Company; Docket No. R-80031114, Accounting and Rate of
40 Return
41 Pennsylvania Power & Light Company; Docket No. R-822169, Rate of Return, March, 1983
42 Peoples Natural Gas Company; Docket No. R-78010545, Rate of Return, August, 1978
43 Philadelphia Electric Company; Docket No. R-850152, Rate of Return, January, 1986
44 Philadelphia Suburban Water Company; Docket No. R-79040824, Rate of Return,
45 September, 1979
46 Philadelphia Suburban Water Company; Docket No. R-842592, Rate of Return, July, 1984
47 Philadelphia Suburban Water Company; Docket No. R-911892, Rate of Return, May, 1991
48 Philadelphia Suburban Water Company, Docket No. R-00922476, Rate of Return, March,
49 1993

1 Philadelphia Suburban Water Company, Docket No. R-932868, Rate of Return, April, 1994
2 Philadelphia Suburban Water Company, Docket No. R-00953343, Rate of Return, August,
3 1995.
4 Roaring Creek Water Company, Docket No. R-911963, Rate of Return, August, 1991
5 Roaring Creek Water Company, Docket No. R-00932665, Rate of Return, September, 1993
6 Sewer Authority of the City of Scranton; Financial Testimony, March, 1991
7 UGI Luzerne Electric; Docket No. R-78030572, Accounting and Rate of Return, October,
8 1978
9 United Water, Pennsylvania Inc., Docket No. R-00973947, Rate of Return, August, 1997
10 West Penn Power, Docket No. R-78100685, July, 1979
11 West Penn Power; Docket No. R-80021082, Accounting and Rate of Return
12 Williamsport vs. Borough of S. Williamsport re Sewage Rate Dispute
13 York Water Company, Docket No. R-850268, Rate of Return, June, 1986
14 York Water Company, Docket No. R-922168, Rate of Return, June, 1992
15 York Water Company, Docket No. R-994605, July, 1999
16 York Water Company, Docket No. R-00016236, Rate of Return, June 2001
17
18

19 RHODE ISLAND

20
21 Blackstone Valley Electric Company; Rate of Return, February, 1980
22 Blackstone Valley Electric Company; Docket No. 1605, Rate of Return, February, 1982
23 Blackstone Valley Electric Company, Docket No. 2016, Rate of Return, October, 1991
24 Block Island Power Company, Docket No. 1998, Interim Relief, Oral testimony only, March,
25 1991, Permanent relief accounting testimony, August, 1991
26 Bristol & Warren Gas Company; Docket No. 1395, Rate of Return, February, 1980
27 Bristol & Warren Gas Company; Docket No. 1395R, Rate of Return, June, 1982
28 FAS 106 Generic Hearing; Docket No. 2045, Financial Testimony, July, 1992
29 Narragansett Electric Corporation; Docket No. 1591, Accounting, November, 1981
30 Narragansett Electric Corporation; Docket No. 1719, Rate of Return, December, 1983
31 Narragansett Electric Corporation; Docket No. 1938, Rate of Return, October, 1989.
32 Narragansett Electric Corporation; Docket No. 1976, Rate of Return, October, 1990
33 Newport Electric Corporation; Docket No. 1410, Accounting, July, 1979
34 Newport Electric Corporation; Docket No. 1510, Rate of Return
35 Newport Electric Corporation; Docket No. 1801, Rate of Return, June, 1985
36 Newport Electric Corporation; Docket 2036, Rate of Return, April, 1992
37 Providence Gas Company; Docket No. 1971, Rate of Return, October, 1990
38 Providence Gas Company, Docket No. 2286, Rate of Return, May, 1995
39 South County Gas Company, Docket No. 1854, Rate of Return, December, 1986
40 Valley Gas and Bristol & Warren Gas Co., Docket No. 2276, April, 1995
41 Wakefield Water Company, Docket No. 1734, Rate of Return, April, 1984
42
43

44 SOUTH CAROLINA

45
46 Small Power Producers & Cogeneration Facilities; Docket No. 80-251-E, Cogeneration
47 Rates, August, 1984
48 South Carolina Electric & Gas Company; Docket No. 79-196E, 79-197-G, Accounting,
49 November, 1979

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34

VERMONT

Green Mountain Power Company, Docket No. 4570, Accounting, July, 1982
New England Telephone Company; Docket No. 3806/4033, Accounting, November, 1979
New England Telephone Company; Docket No. 4366, Accounting

WASHINGTON, D.C.

PEPCO/BGE Merger Case, Formal Case No. 951, Rate of Return, September, 1996
Bell Atlantic- DC, Formal Case No. 814, Phase IV, Rate of Return, September, 1995
Chesapeake and Potomac Telephone Company; Formal Case No. 850; Rate of Return, July, 1991.
Chesapeake and Potomac Telephone Company, Formal Case No. 814-Phase III, Financial Issues, October, 1992.
Chesapeake and Potomac Telephone Company, Formal Case 926, Rate of Return, July, 1993.
PEPCO; Formal Case No. 889, Rate of Return, January, 1990.
PEPCO; Formal Case No. 905, Rate of Return, June, 1991.
PEPCO; Formal Case No. 912, Rate of Return, March, 1992.
PEPCO; Formal Case No. 929, Rate of Return, October, 1993.
PEPCO; Formal Case No. 951, Rate of Return, September, 1996
PEPCO; Formal Case No. 945, Phase I, Rate of Return, June, 1999.
Washington Gas Light Company, Case No. 922, Rate of Return, April, 1993.
Washington Gas Light Company, Case No. 934, Rate of Return, April, 1994.

OTHER

Railroad Cost of Capital, Ex Parte No. 436, Rate of Return, January 17, 1983 (Submitted to the Interstate Commerce Commission)
Report on the Valuation of Nemours Corporation, filed on behalf of IRS, October, 1983 (Submitted to Tax Court)