BEFORE THE STATE OF NEW JERSEY
BOARD OF PUBLIC UTILITIES
OFFICE OF ADMINISTRATIVE LAW

IN THE MATTER OF THE PETITION OF	**)**
APPLIED WASTEWATER MANAGEMENT,	**) BPU Docket No. WR03030222**
INC. FOR APPROVAL OF AN INCREASE	**) OAL Docket No. PUCRS 02351-03S**
IN RATES FOR SERVICE	**)**

DIRECT TESTIMONY AND EXHIBITS OF ROBERT J. HENKES ON BEHALF OF THE NEW JERSEY DIVISION OF THE RATEPAYER ADVOCATE

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APPLIED WASTEWATER MANAGEMENT, INC.
BPU Docket No. WR03030222
Direct Testimony of Robert J. Henkes

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I. STATEMENT OF QUALIFICATIONS

Q. WOULD YOU STATE YOUR NAME AND ADDRESS?

A. My name is Robert J. Henkes and my business address is 7 Sunset Road, Old Greenwich, Connecticut 06870.

Q. WHAT IS YOUR PRESENT OCCUPATION?

A. I am Principal and founder of Henkes Consulting, a financial consulting firm that specializes in utility regulation.

Q. WHAT IS YOUR REGULATORY EXPERIENCE?

A. I have prepared and presented numerous testimonies in rate proceedings involving electric, gas, telephone, water and wastewater companies in jurisdictions nationwide including Arkansas, Delaware, District of Columbia, Georgia, Kentucky, Maryland, New Jersey, New Mexico, Pennsylvania, Vermont, the U.S. Virgin Islands and before the Federal Energy Regulatory Commission. A complete listing of jurisdictions and rate proceedings in which I have been involved is provided in Appendix I attached to this testimony.

Q. WHAT OTHER PROFESSIONAL EXPERIENCE HAVE YOU HAD?

A. Prior to founding Henkes Consulting in 1999, I was a Principal of The Georgetown Consulting Group, Inc. for over 20 years. At Georgetown Consulting I performed the same type of consulting services as I am currently rendering through Henkes Consulting. Prior

to my association with Georgetown Consulting, I was employed by the American Can Company as Manager of Financial Controls. Before joining the American Can Company, I was employed by the management consulting division of Touche Ross & Company (now Deloitte & Touche) for over six years. At Touche Ross, my experience, in addition to regulatory work, included numerous projects in a wide variety of industries and financial disciplines such as cash flow projections, bonding feasibility, capital and profit forecasting, and the design and implementation of accounting and budgetary reporting and control systems.

Q. WHAT IS YOUR EDUCATIONAL BACKGROUND?

A. I hold a Bachelor degree in Management Science received from the Netherlands School of Business, The Netherlands in 1966; a Bachelor of Arts degree received from the University of Puget Sound, Tacoma, Washington in 1971; and an MBA degree in Finance received from Michigan State University, East Lansing, Michigan in 1973. I have also completed the CPA program of the New York University Graduate School of Business.

II. SCOPE AND PURPOSE OF TESTIMONY

Q. WHAT IS THE SCOPE AND PURPOSE OF THIS TESTIMONY?

A. I was engaged by the New Jersey Division of the Ratepayer Advocate ("Ratepayer Advocate") to conduct a review and analysis and present testimony in the matter of the petition of Applied Wastewater Management, Inc. ("AWMI" or "the Company") for an increase in its rates for service.

The purpose of this testimony is to present to Your Honor and the New Jersey Board of Public Utilities ("BPU" or "the Board") the appropriate overall rate of return, rate base, pro forma test period operating income, as well as the appropriate revenue requirement for the Company in this proceeding.

In the determination of the Company's appropriate revenue requirement, I have relied on and incorporated the recommendations of Ratepayer Advocate engineering witness Howard J. Woods, Jr. concerning the appropriate labor, power, chemical and residual disposal expenses.

In developing this testimony, I have reviewed and analyzed the Company's March 28, 2003 filing; supporting testimonies, exhibits and workpapers; the Company's responses to initial and follow-up data requests by the Ratepayer Advocate and BPU Staff; and other relevant financial documents and data.

III. SUMMARY OF FINDINGS AND CONCLUSIONS

Q. PLEASE SUMMARIZE YOUR FINDINGS AND CONCLUSIONS IN THIS CASE.

A. I have reached the following findings and conclusions in this docket:

1. The appropriate pro forma rate base amounts to $6,831,782 which is $2,468,370 lower than the Company's proposed pro forma rate base of $9,300,152. Schedule RJH-1, line 1 and Schedule RJH-3.
2. The appropriate pro forma operating income amounts to $400,690, which is $273,283 higher than the Company's proposed pro forma operating income of $127,407. Schedule RJH-1, line 4 and Schedule RJH-6.
3. The appropriate overall rate of return for the Company is 5.26%, incorporating a recommended return on equity of 9.75%. This compares to AWMI's proposed overall rate of return of 7.39%, including a requested return on equity rate of 11.00%. Schedule RJH-1, line 2 and Schedule RJH-2.
4. The appropriate Revenue Conversion Factor to be used for ratemaking purposes in this case is 1.7643. Schedule RJH-1, line 6 and footnote (2).
5. The recommended ratemaking components outlined above indicate the need for a rate decrease of $73,536. This recommended rate decrease is $1,061,326 lower than the Company's proposed rate increase of $987,790. Schedule RJH-1, lines 5-7.

IV. REVENUE REQUIREMENT ISSUES

A. TEST YEAR AND PRO FORMA YEAR

Q. PLEASE DESCRIBE THE TEST YEAR AND PRO FORMA YEAR USED BY AWMI TO SUPPORT ITS REQUESTED RATE INCREASE IN THIS PROCEEDING.

A. The Company's proposed Test Year in this case is the twelve-month period ending June 30, 2002, including 12 months of actual data. The Company then adjusted its Test Year results for rate base, revenue, expense and tax changes projected to occur in the "Pro Forma Year" ended June 30, 2003. Specifically, the Company's proposed revenue requirement in this case is based on projected rate base balances as of June 30, 2003. To be consistent with this post-test year approach, the Company also annualized its revenues based on projected billing determinants as of June 30, 2003, reflected depreciation expenses based on the projected June 30, 2003 depreciable plant balances, and reflected adjusted annualized O&M expenses and taxes based on expense and tax projections for the Pro Forma year ending June 30, 2003.

Q. DO YOU BELIEVE THAT THIS PROPOSED TEST YEAR AND PRO FORMA YEAR RATE MAKING APPROACH IS REASONABLE FOR PURPOSES OF DETERMINING AWMI'S REVENUE REQUIREMENT IN THIS CASE?

A. Yes, I do. At the time of this writing, actual results for the full 12 months of the Pro Forma Year ended June 30, 2003 have been available for review and analysis and have been relied

on in the preparation of this testimony. I, therefore, believe that the proposed Test Year and Pro Forma Year ratemaking approach selected by the Company is reasonable and appropriate for purposes of determining AWMI's revenue requirement in this proceeding.

B. OVERALL RATE OF RETURN

Q. PLEASE SUMMARIZE THE COMPANY'S PROPOSED OVERALL RATE OF RETURN IN THIS CASE.

A. As shown on Schedule RJH-2, the Company is proposing an overall rate of return of 7.39%, based on a capital structure containing 55% short term debt and 45% common equity, an assumed short term debt rate of 4.43% and a requested return on equity rate of 11.00%.

Q. HOW DID THE COMPANY DERIVE ITS PROPOSED CAPITAL STRUCTURE?

A. As shown on filing Exhibit P-2, Schedule 26, the Company started out with the actual capital structure as of 6/30/02, containing approximately 87% short term debt and 13% common equity. The short term debt consists of Notes Payable from AWMI to E'town Corporation. The Company then adjusted this actual capital structure to 55% short term debt and 45% common equity. Mr. Prettyman explains on page 22 of his direct testimony that this pro forma capital structure "is also consistent with the last Elizabethtown Water Company rate case, which reflected a 44.84% equity ratio" and that "By the end of the conclusion of the test year, the Company's capital structure will be more in line with the ratios reflected in this case." In response to discovery, Mr. Prettyman clarified this latter

statement by explaining that an equity infusion from E'town Corporation to AWMI would be made in August 2003 and that this equity addition will move AWMI's actual debt/equity ratio closer to a ratio of 55/45.

Q. DID THE EQUITY INFUSION ACTUALLY TAKE PLACE?

A. Yes. On August 20, 2003, an equity infusion of $2,820,000 from E'town Corporation was credited as Additional Paid-In Capital to AWMI's common equity balance.

Q. DID THIS EQUITY INFUSION RESULT IN AN ACTUAL DEBT/EQUITY RATIO OF 55/45 FOR AWMI?

A. No. As shown in the response to RAR-A-46, AWMI's actual capital structure as of 9/30/03 -- reflecting the equity infusion of approximately $2.8 million -- contains approximately 62% short term debt and 38% common equity.

Q. WHAT CAPITAL STRUCTURE DO YOU RECOMMEND BASED ON THE FOREGOING INFORMATION?

A. I recommend the use of a capital structure of 62% short term debt and 38% common equity. This represents AWMI's most recent available actual capital structure that includes the impact of the recent equity infusion from E'town Corporation. It represents a significant improvement over the actual debt/equity ratio of 87/13 at the beginning of the test year and, in my opinion, is the most reasonable and appropriate structure to be used for ratemaking purposes in this case. I do not believe it appropriate to use the Company's proposed pro forma debt/equity ratio of 55/45 just because this ratio is similar to what was

used in the last Elizabethtown Water Company rate case.

Q. HOW DID THE COMPANY ARRIVE AT THE ASSUMED COST OF SHORT TERM DEBT OF 4.43%?

A. As explained on page 23 of Mr. Prettyman's testimony, the Company's proposed debt cost rate of 4.43% "reflects a twenty-year average of variable rate bonds and [is] consistent with the rates used for new debt in the last Elizabethtown Water Company rate case." It should be noted that in response to RAR-A-10, the Company confirms that, based upon current information, its proposed debt rate of 4.43% should be revised to 4.14%.

Q. WHAT IS THE ACTUAL DEBT COST RATE THAT AWMI IS PAYING ON THE NOTES PAYABLE FROM E'TOWN CORPORATION?

A. The response to RAR-A-7 provides a history of the actual monthly interest rates paid by AWMI on its short term debt from January 2000 through May 2003.[1] As indicated in this response, the average debt cost rate for the most recent 12-month period ended May 2003 is approximately 2.49%.

Q. WHAT IS YOUR RECOMMENDATION WITH REGARD TO THE COST OF DEBT TO BE USED FOR RATEMAKING PURPOSES IN THIS CASE?

A. Based on the previously discussed information, I recommend the use of a debt cost rate of 2.50% in this case. This represents the actual average cost rate that AWMI has been

[1] May 2003 is the latest month for which these short term debt interest rates were provided in the response to RAR-

paying in the most recent 12 months and, in my opinion, is the most representative cost rate that AWMI can be expected to pay on its short term debt during the rate effective period. I see no valid reason why Your Honor or the Board should assign Mr. Prettyman's proposed pro forma variable bond rate of 4.43% to a short term debt balance having an actual average cost rate of approximately 2.50%.

Q. HOW DID MR. PRETTYMAN DETERMINE HIS PROPOSED EQUITY RATE OF RETURN OF 11.00%.

A. As discussed on page 23 of his testimony, Mr. Prettyman did not conduct a return on equity study in arriving at his proposed equity return rate of 11.00%. He simply came up with this rate because of his claim that "This rate is comparable to that requested in recent water cases."

Q. HAVE YOU CONDUCTED A RETURN ON EQUITY STUDY TO DETERMINE AWMI'S RETURN ON EQUITY RATE TO BE USED FOR RATEMAKING PURPOSES IN THIS CASE?

A. No, I have not. While Mr. Prettyman has based his proposed equity rate on the rate that has been *requested* by water utilities in recent rate cases, my recommended equity return rate reflects a rate that has actually been *authorized* for ratemaking purposes in recent utility rate cases in New Jersey, including AWMI's sister company Elizabethtown Water Company, Consumers New Jersey Water Company, Public Service Electric and Gas Company, Rockland Electric Company, Atlantic City Electric, Jersey Central Power &

Light Company and Elizabethtown Gas Company. The return on equity rates authorized in these recent New Jersey rate cases ranged from 9.50% to 10.00%.

Q. WHAT RETURN ON EQUITY DO YOU RECOMMEND FOR AWMI IN THIS CASE BASED ON THIS INFORMATION?

A. Based on the return on equity range authorized by the Board in the previously listed recent New Jersey rate cases, I recommend the use of the midpoint of this range, or 9.75%, as the appropriate return on equity for AWMI in this proceeding.

Q. WHAT IS YOUR RECOMMENDED OVERALL RATE OF RETURN FOR THIS COMPANY BASED ON THE FOREGOING FINDINGS AND RECOMMENDATIONS?

A. As calculated on Schedule RJH-2, based on the previously discussed findings and recommendations regarding the Company's appropriate capital structure, debt cost rate and return on equity requirement, I recommend an overall rate of return on 5.26%.

C. RATE BASE

Q. PLEASE SUMMARIZE THE COMPANY'S PROPOSED PRO FORMA RATE BASE, THE METHOD EMPLOYED BY THE COMPANY TO DETERMINE ITS PRO FORMA RATE BASE, AND THE RECOMMENDED RATE BASE ADJUSTMENTS.

A. The Company's proposed pro forma rate base of $9,300,152 is summarized by specific rate

base components on Schedule RJH-3. All of the Company's proposed pro forma rate base balances except those for prepayments and cash working capital represent fully projected balances as of June 30, 2003, the end of the Pro Forma Year in this case. The proposed rate base balance for prepayments represents the 13-month average balances for the Test Year ended June 30, 2002 and the claimed cash working capital requirement is calculated through the so-called "one-eighth formula".

I have similarly used June 30, 2003 -- the end of the Company's proposed Pro Forma Year in this case -- as the cut-off point for the rate base balances to be used for rate making purposes in this case. However, I have relied on actual rate base balances as of June 30, 2003 since that information had become available. I have also removed certain of AWMI's proposed rate base components and included additional rate base balances which the Company had failed to reflect.

As shown on Schedule RJH-3, the previously described recommended rate base approach has resulted in a number of rate base adjustments with the effect of reducing the Company's proposed rate base by a total amount of $2,468,370. Each of these recommended rate base adjustments will be discussed in detail below.

- **<u>Utility Plant In Service</u>**

Q. PLEASE DESCRIBE THE DERIVATION OF THE COMPANY'S PROPOSED PRO FORMA TEST PERIOD PLANT IN SERVICE BALANCE.

A. As stated on page 6 of Mr. Prettyman's testimony, "Rate base [plant in service] is calculated at June 30, 2003, including all projects expected to be in service at that time."

The starting point of the Company's proposed pro forma test period plant in service balance was essentially AWMI's actual plant in service balance as of December 31, 2002 of approximately $14.8 million. The Company then projected that it would have approximately $3.4 million of plant additions from January 1, 2003 through the end of the Pro Forma Period, June 30, 2003 in order to arrive at its proposed projected plant in service balance at June 30, 2003 of $18,223,952. All of the projects included in this projected plant balance were assumed to be transferred to the Company's Account 101 – Plant in Service balance as of June 30, 2003.

Q. DID THE COMPANY'S PLANT IN SERVICE PROJECTIONS FOR JUNE 30, 2003 TURN OUT TO BE ACCURATE?

A. No. As shown in the response to WWR-27 (Update 9/24/03), as compared to AWMI's projected plant additions from 1/1/03 – 6/30/03 of approximately $3.4 million, in actuality there were only approximately $1 million of plant additions for that period. Even as of 8/31/03 – a period extending two months beyond the end of the Pro Forma Period – the actual plant additions since 1/1/03 were only approximately $1.8 million, only slightly more than half of the plant additions projected by AWMI as of 6/30/03.

Q. WHAT PLANT IN SERVICE BALANCE DO YOU RECOMMEND FOR RATEMAKING PURPOSES IN THIS CASE BASED ON THE FOREGOING INFORMATION?

A. I recommend that the actual plant in service balance recorded on AWMI's books as of June 30, 2003 be included in rate base for ratemaking purposes in this case. As shown in the

response to RAR-A-1, the actual plant in service balance as of June 30, 2003 amounts to $16,131,467. This balance includes all of the projects that have actually been transferred to Account 101 – Plant in Service and are actually in service as of the end of the Pro Forma Period, consistent with the intent expressed on page 6 of Mr. Prettyman's testimony. As shown on Schedule RJH-3, line 1, my recommendation reduces the Company's proposed rate base by $2,092,485.

- **Acquisition Adjustment**

Q. PLEASE EXPLAIN THE COMPANY'S PROPOSAL WITH REGARD TO THE ACQUISITION ADJUSTMENT ASSOCIATED WITH AWMI'S ACQUISITION OF HOMESTEAD.

A. In 1999, the Company acquired Homestead at a purchase price that was $311,857 in excess of Homestead's net book value. While the Board approved the acquisition on May 13, 1999, it also ruled on page 3 of its Order in Docket No. WM99020090:

> The journal entries recording the merger of Homestead Treatment Utility, Inc. and AWWM is approved for accounting purposes only. However, the treatment and the amount of any acquisition adjustment in rate base and all aspects of the amortization thereof will be considered in the context of AWWM's next rate case proceeding.

Starting in May 1999, AWMI has been amortizing the acquisition adjustment over a 10-year amortization period, resulting in an annual amortization of $31,186 which the Company has been booking below-the-line. In the instant rate proceeding, the Company is proposing to move this amortization expense of $31,186 above-the-line for ratemaking

purposes while including the remaining unamortized acquisition adjustment balance of $187,115 in rate base.

Q. DO YOU AGREE WITH THE COMPANY'S PROPOSAL REGARDING THIS ACQUISITION ADJUSTMENT IN THIS CASE?

A. No, I do not. The Board's Order in Docket No. WM99020090 clearly states that the ratemaking treatment of this acquisition adjustment is to be determined in the instant proceeding and implies that this determination be made based on the evidence presented in this case regarding this issue. As is evident from page 21 of Mr. Prettyman's testimony, other than proposing that it be allowed a 10-year amortization and rate base inclusion of the acquisition adjustment and stating that a portion of the acquisition adjustment will never be recovered by the Company, no additional evidence in support of this proposed adjustment has been presented by AWMI. In the most recent New Jersey American Water Company (NJAWC) rate case, Docket No. WR98010015, the Board established several policy guidelines regarding the rate treatment of acquisition adjustments. One of these policy guidelines concerns the requirement for independent appraisals:

> …the Board NOTICES the water and wastewater industry that, in the future, the Board expects proposed acquisitions and contemplated acquisition adjustments supported by two independent appraisals, to be submitted for Board approval prior to finalization of the acquisition agreement, and that, in the absence of a timely submittal, the acquiring company proceeds at its own risk with respect to rate treatment of those acquisitions and acquisition adjustments. [BPU Order, Docket No. WR98010015, page 21].

I am not aware of any independent appraisals submitted by AWMI in support of the acquisition adjustment, either in Docket No. WR99020090 or in the instant rate case.

In addition, no evidence has been presented in this case regarding the specific benefits accruing to the ratepayers from the acquisition.

Q. WHAT IS YOUR RECOMMENDATION CONCERNING THIS ISSUE BASED ON THE PREVIOUSLY DISCUSSED INFORMATION?

A. Since the Company has not presented any independent appraisals in support of the acquisition adjustment and has not presented any evidence showing the specific benefits that are accruing to the ratepayers from the acquisition, I recommend that the Board withhold rate treatment for this acquisition adjustment. The Company should continue its current below-the-line treatment of this issue. As shown on Schedule RJH-3, line 2 and Schedule RJH-6, line 12, my recommendation reduces the Company's proposed rate base by $187,115 and proposed test year amortization expenses by $31,186.

My recommendation to remove the Homestead acquisition adjustment for ratemaking purposes from this case is also supported by the testimony of Ratepayer Advocate witness Howard Woods.

Q. DO YOU HAVE ANY ADDITIONAL COMMENTS REGARDING THIS ISSUE?

A. Yes. Another of the Board's policy guidelines established in NJAWC's Docket WR98010015 concerns the amortization period to be used for acquisition adjustments:

> To further minimize the effect on rates, the Board <u>ORDERS</u> the use of a 40 year amortization period for each acquisition adjustment…

To the extent the Board were to allow rate treatment for this Homestead acquisition

adjustment, the amortization period should change from 10 years to 40 years on a going forward basis and the annual amortization expense to be reflected in this case should be changed accordingly.

- **Depreciation Reserve**

Q. HOW DID THE COMPANY DERIVE ITS PROPOSED PRO FORMA DEPRECIATION RESERVE BALANCE AS OF JUNE 30, 2003 IN THIS CASE?

A. As shown on filing Exhibit P-2, Schedule 25, page 3, the Company used a very convoluted methodology to project its proposed pro forma depreciation reserve balance as of June 30, 2003. Specifically, the Company started out with the actual reserve balance at 12/31/2001. It then added 18-months worth of annualized depreciation expenses based on the depreciable plant in service balance at 12/31/2001. Next, it added one-half of the difference between (1) its proposed pro forma annualized depreciation expense based on the projected depreciable plant in service balance as of 6/30/03 and (2) the annualized depreciation expenses based on the depreciable plant in service balance at 12/31/2001.

Q. DID YOU DETERMINE THE RECOMMENDED PRO FORMA DEPRECIATION RESERVE BALANCE AS OF JUNE 30, 2003 IN A SIMILAR MANNER?

A. No. I recommend a much more straight-forward method to determine the appropriate pro forma annualized depreciation reserve balance as of June 30, 2003, a method that has been accepted by the Board in prior New Jersey rate proceedings and that has been used on a consistent basis for rate making purposes by the Delaware Public Service Commission.

This method is shown on Schedule RJH-5. As the starting point it takes the actual depreciation reserve balance as of June 30, 2002, the beginning of the Pro Forma Year. To this actual starting point balance is then added the annualized depreciation expenses recommended for rate making purposes in this case. As shown on line 3 of Schedule RJH-5, this results in a recommended pro forma depreciation reserve balance of $1,356,423. As shown on Schedule RJH-3, line 3, this recommended reserve balance is $10,275 higher than the Company's proposed pro forma reserve balance of $1,346,148.

- **Prepayments**

Q. PLEASE EXPLAIN THE RECOMMENDED ADJUSTMENT TO THE COMPANY'S PROPOSED PREPAYMENT BALANCE, AS SHOWN ON SCHEDULE RJH-3, LINE 6.

A. The Company's proposed prepayment balance represents the 13-month average balance for the Test Year ended June 30, 2002. The recommended prepayment balance represents the 13-month average balance for the Pro Forma Year ended June 30, 2003. This latter average balance is $4,414 lower than the Company's proposed average balance.

- **Cash Working Capital**

Q. WHAT IS THE COMPANY'S PROPOSED POSITION WITH REGARD TO CASH WORKING CAPITAL IN THIS CASE?

A. The Company has proposed a cash working capital requirement of approximately $192,000

based on the application of the so-called "one-eighth method." Under this method, the cash working capital is presumed to be equal to 1/8th of the Company's operation and maintenance expenses. As described on page 22 of Mr. Prettyman's testimony, the Company did not determine its cash working capital requirement through the use of a detailed lead/lag study because that "would be very expensive for a Company this size" and because "The one-eighth methodology is an accepted methodology in the absence of the Lead/Lag Study."

Q. DO YOU AGREE WITH THE COMPANY'S POSITION REGARDING THIS ISSUE?

A. No. While it is my understanding that the Board sometimes allows the use of the one-eighth method for cash working capital purposes in rate cases involving very small utilities, I believe that the size of AWMI as a utility and the magnitude of the requested rate increase at stake in this case warrant the use of a detailed lead/lag study for cash working capital purposes. I believe that the one-eighth method has many drawbacks and is an inappropriate method to approximate a utility's cash working capital. For example, this method is potentially very inaccurate and always results in a positive cash working capital requirement, even in cases where a utility actually has negative cash working capital requirements.

Q. WHAT IS YOUR RECOMMENDATION BASED ON THE FOREGOING FINDINGS AND CONCLUSIONS?

A. Since the Company did not present a detailed lead/lag study to support its cash working

capital claim in this case, I recommend that AWMI's cash working capital level be set a $0 for ratemaking purposes in this case.

- **Consolidated Income Taxes**

Q. DOES THE BOARD HAVE A RATE MAKING POLICY WITH REGARD TO THE RATE MAKING TREATMENT OF TAX BENEFITS TO BE ASSIGNED TO REGULATED UTILITIES UNDER ITS JURISDICTION AS A RESULT OF THESE UTILITIES' FILING OF CONSOLIDATED INCOME TAX RETURNS?

A. Yes. The Board has an established policy requiring that any tax savings allocable to a utility as a result of the filing of consolidated income tax returns be reflected as a rate base deduction in the utility's base rate filings. The BPU first established this policy in its Decision and Order ("D&O") in the Atlantic City Electric Company rate proceeding, BPU Docket No. ER90091090J, dated September 30, 1992. In this D&O, the Board also ruled that the calculation starting point for the consolidated income tax related rate base deduction must be July 1, 1990:

> ...it is our judgement that the appropriate consolidated tax adjustment in this proceeding is to reflect as a rate base deduction the total of the 1991 consolidated tax savings benefits, and one-half of the tax benefits realized from AEI's 1990 consolidated tax filing...
> ...This finding reflects a balancing of the interests to reflect the unique period of uncertainty during the period 1987-1991. We hereby reaffirm and emphasize that the Board's policy is to reflect an equitable and appropriate sharing of consolidated tax benefits for ratepayers in future rate proceedings...

The Board reaffirmed its consolidated income tax policy in its D&O in a Jersey Central Power and Light Company ("JCP&L") base rate proceeding, BPU Docket No. ER91121820J, dated February 25, 1993. On pages 7 and 8 of its D&O in that docket the

BPU stated:

> The Board believes that it is appropriate to reflect a consolidated tax savings adjustment where, as here, there has been a tax savings as a result of the filing of a consolidated tax return. Income from utility operations provide the ability to produce tax savings for the entire GPU system because utility income is offset by the annual losses of the other subsidiaries. Therefore, the ratepayers who produce the income that provides the tax benefits should share in those benefits. The Appellate Division has repeatedly affirmed the Board's policy of requiring utility rates to reflect consolidated tax savings and the IRS has acknowledged that consolidated tax adjustments can be made and there are no regulations which prohibit such an adjustment.
>
> The issue, in this case, is not whether such an adjustment should be made, but, rather, what methodology should be used to make such an adjustment. In this area, the courts have held that the Board has the power and discretion to choose any approach which rationally determines a subsidiary utility's effective tax rate. Toms River Water Company v. New Jersey Public Utilities Commissioners, 158 NJ Super 57 (1978). Based on our review of the record in this case, the Board REJECTS the ALJ's recommendation to accept the income tax expense adjustment proposed by Petitioner and, instead, ADOPTS the position of Staff that the rate base adjustment is a more appropriate methodology for the reflection of consolidated tax savings. The rate base approach properly compensates ratepayers for the time value of money that is essentially lent cost-free to the holding companies in the form of tax advantages used currently and is consistent with our recent Atlantic Electric decision (Docket No. ER90091090J). Moreover, in order to maintain consistency with the methodology applied in the Atlantic decision, we modify the Staff calculation and find that a rate base adjustment which reflects consolidated tax savings from 1990 forward, including one-half of the 1990 savings, is appropriate in this case.

Q. DOES AWMI FILE A CONSOLIDATED INCOME TAX RETURN?

A. Yes, it does. Information contained in the response to RAR-A-46 in the most recent Elizabethtown Water Company rate case, Docket No. WR01040205, indicates that AWMI has participated in E'town Corporation's consolidated income tax filing since 1998.

Q. HAVE YOU CALCULATED THE APPROPRIATE CONSOLIDATED INCOME TAX ADJUSTMENT TO BE APPLIED TO AWMI FOR RATE MAKING PURPOSES IN THIS CASE IN ACCORDANCE WITH THE METHODOLOGY

PREVIOUSLY ESTABLISHED BY THE BPU?

A. I requested these calculations from the Company in data request RAR-A-25 in this case. The Company performed these calculations and presented them in its response to a data request, RAR-EWC-A-15, made by the Ratepayer Advocate in the current Elizabethtown Water Company base rate proceeding, Docket No. WR03070510. As shown in this response, the cumulative income tax benefits allocated to AWMI from 1998[2] through 2002 amount to a negative consolidated income tax benefit of $18,000.

Q. WHAT IS YOUR RECOMMENDATION WITH REGARD TO THIS CONSOLIDATED INCOME TAX ISSUE?

A. As shown on Schedule RJH-3, line 11, I recommend that the Company's rate base in this case be increased by the cumulative negative consolidated income tax benefit amount of $18,000. The calculation method for this cumulative consolidated income tax benefit amount and the recommended ratemaking treatment are consistent with previously established Board policy.

D. OPERATING INCOME

Q. PLEASE SUMMARIZE THE COMPANY'S PROPOSED PRO FORMA OPERATING INCOME, THE METHOD EMPLOYED BY THE COMPANY TO DETERMINE ITS PRO FORMA OPERATING INCOME, AND THE RECOMMENDED OPERATING INCOME ADJUSTMENTS.

[2] 1998 is the first year that AWMI participated in the consolidated tax filing of E'town Corporation.

A. The Company's proposed pro forma operating income of $127,407 is summarized by specific operating income components on Schedule RJH-6. The Company's proposed pro forma operating revenues have generally been annualized and normalized based on projected number of customers, hydrants, inch-feet, and sprinklers as of June 30, 2003 in order to match the revenues with the projected rate base balances as of that same date. The Company's proposed depreciation expenses were determined by applying its existing depreciation rates to its projected depreciable plant level (net of plant funded by CIAC and Customer Advances) as of June 30, 2003. The proposed pro forma O&M expenses were determined by taking the actual Test Year O&M expenses as the starting point and then adjusting these Test Year expense levels for changes during the Pro Forma Year that were deemed to be known and measurable by AWMI. Generally, the same approach was used by the Company to determine its pro forma revenue taxes and other taxes. The Company's proposed income taxes were determined by taking the proposed net operating income (before income taxes) as the starting point, then deducting pro forma interest expenses through the "interest synchronization" method and applying a Federal Income Tax ("FIT") rate of 35%.

Consistent with my recommendation to use the end of the Pro Forma Year, June 30, 2003, as the cut-off point for the Company's rate base, I have annualized and normalized the Company's metered and fire protection revenues based on billing determinants as of June 30, 2003. The recommended depreciation expenses are based on the application of the Company's existing composite depreciation rate to the actual depreciable plant balances as of June 30, 2003, net of plant funded by Customer Advances and CIAC. The recommended

pro forma O&M expenses were generally determined based on actual Test Year expense levels, adjusted for known and measurable changes through the end of the Pro Forma Year ended June 30, 2003. Generally, the same approach was used for the determination of revenue taxes and other taxes. The recommended pro forma income taxes were determined through the same methodology used by the Company that was described above

As shown on Schedule RJH-6, the previously described recommended operating income approach has resulted in a number of expense and tax adjustments with the effect of increasing the Company's proposed pro forma operating income by a total amount of $273,283. Each of these recommended operating income adjustments will be discussed in detail below.

- **<u>GMS – Water Revenues</u>**

Q. WHY HAVE YOU MADE AN ADJUSTMENT TO THE COMPANY'S PROPOSED GENERAL METERED WATER SALES REVENUES, AS SHOWN ON SCHEDULE RJH-6, LINE 2?

A. In the response to RAR-A-59, the Company acknowledged that it inadvertently forgot to include the annual revenues for Four Seasons Irrigation in the Pro Forma Year operating revenues. The actual Four Seasons Irrigation revenues in 2001 were $25,800 and in 2002 were $25,466. For pro forma purposes in this case, I have assumed annual Four Seasons Irrigation revenues of $25,466.

- Labor, Power, Chemical and Residual Disposal Expenses

Q. PLEASE DESCRIBE THE REASONS FOR THE RECOMMENDED ADJUSTMENTS TO THE COMPANY'S PROPOSED PRO FORMA LABOR, POWER, CHEMICAL AND RESIDUAL DISPOSAL EXPENSES THAT ARE SHOWN ON SCHEDULE RJH-7, LINES 1 THROUGH 4.

A. The Ratepayer Advocate recommended expense levels on Schedule RJH-7, lines 1 through 4 represent my adoption of the pro forma labor, power, chemical and residual disposal expense levels recommended in the testimony of Ratepayer Advocate engineering witness Howard J. Woods. Mr. Woods' recommended pro forma expense levels for these four operating cost components result in a total recommended expense reduction of $282,503. The reasons for this total expense reduction are explained in detail in Mr. Woods' direct testimony.

Q. DO YOU AGREE WITH MR. PRETTYMAN'S PROPOSED APPROACH OF ADDING ESTIMATED LABOR COST INCREASES ASSOCIATED WITH CUSTOMER GROWTH AT A RATE OF $500 PER CUSTOMER?

A. No, I do not. This approach is not supported by the facts in this case. Both the testimony of Mr. Davies[3] and the response to RAR-A-34B confirm that AWMI's labor charges are a direct function of the actual hours worked by the AWM Operations Department. AWM's labor performed on behalf of AWMI is *not* allocated to AWMI on the basis of the number of customers that are being served by AWMI. Furthermore, the response to RAR-A-34

[3] Davies testimony page 3, lines 1-4.

shows that even though AWMI's customers increased substantially from 2,364 in 2002 to 2,719 in the12-month period ended 6/30/03, AWMI's labor charges *decreased* from $496,220 to $495,960.

Q. IS THERE AN OVERALL BOARD-APPROVED MANAGEMENT SERVICE AGREEMENT BETWEEN AWM/EWC AND AWMI UNDER WHICH THE PREVIOUSLY DISCUSSED LABOR CHARGES ARE ALLOCATED TO AWMI?

A. No. As confirmed in the response to WWR-9, there is no such overall management service agreement in effect. In this same data response, the Company states that …"it will file an agreement after it is determined where in the American System it will be organized formally and from whom it will receive charges."

I believe that this should be one more reason as to why Your Honor and the Board should reject the Company's very high pro forma labor expense claim in this case and, instead, adopt the lower pro forma labor amount recommended by Mr. Woods.

- **<u>Miscellaneous Treatment Expenses</u>**

Q. WHY HAVE YOU ADJUSTED THE COMPANY'S PROPOSED MISCELLANEOUS TREATMENT EXPENSES, AS SHOWN ON SCHEDULE RJH-7, LINE 7?

A. In its response to RAR-A-53, the Company agreed that an annualized miscellaneous treatment expense level of approximately $34,000 would be more appropriate to reflect for

ratemaking purposes in this case than the annual expense level of $50,981 included in the Company's proposed filing results. Thus, I have reduced the Company's proposed expense level by $16,981.

- **Rate Case Expenses**

Q. PLEASE DESCRIBE THE COMPANY'S PROPOSED RATE CASE EXPENSES CLAIMED IN THIS CASE.

A. As shown in the first column of Schedule RJH-8, the Company has proposed total rate case expenses of $15,000 for the current case, to be amortized over a proposed 3-year amortization period for an annual current rate case expense amortization amount of $5,000. The $15,000 is for miscellaneous rate case expenses only since all other rate case expenses for this case are being incurred by Elizabethtown Water Company personnel (primarily Mr. Prettyman) for which the charges are being allocated to AWMI through the "Cost Allocations from Affiliates" expenses shown on Exhibit P-2, Schedule 12 of the filing.

Q. DO YOU RECOMMEND THAT ADJUSTMENTS BE MADE TO THE COMPANY'S PROPOSED RATE CASE EXPENSE AMORTIZATION AMOUNT OF $5,000?

A. Yes. While I do not take exception to the Company's claimed total rate case expense level of $5,000, I recommend that these expenses be shared between ratepayers and shareholders on a 50/50 basis in accordance with long-standing and well-established Board policy. See JCP&L, BPU Docket No. ER91121820J. In addition, given that the last rate case for

AWMI was back in 1989 and for Homestead in 1993, I believe it more reasonable to use an amortization period longer than the 3-year period proposed by the Company. Instead, I recommend the use of a 5-year amortization period.

Q. WHAT IS THE IMPACT OF YOUR RECOMMENDATIONS ON THE COMPANY'S PROPOSED PRO FORMA YEAR OPERATING EXPENSES?

A. As shown on Schedule RJH-8, the recommended annual rate case expense level to be recognized for ratemaking purposes in this case amounts to $1,500 and this reduces the Company's proposed Pro Forma Year operating expenses by $3,500.

- **Telephone Expenses**

Q. WHY HAVE YOU ADJUSTED THE COMPANY'S PROPOSED PRO FORMA TELEPHONE EXPENSES, AS SHOWN ON SCHEDULE RJH-9?

A. As shown on filing Exhibit P-2, Schedule 15, the Company's proposed telephone expenses include estimated incremental SCADA related telephone expenses of $42,000. As confirmed by the Company in its responses to RAR-E-22 and RAR-A-35C, the correct SCADA related incremental telephone expense should be $4,800. Accordingly, I have reduced the Company's pro forma telephone expenses by $37,200.

- **Other Operation and Maintenance Expenses**

Q. PLEASE EXPLAIN THE RECOMMENDED ADJUSTMENTS TO THE

COMPANY'S PROPOSED PRO FORMA OTHER OPERATION AND MAINTENANCE ("O&M") EXPENSES SHOWN ON SCHEDULE RJH-10.

A. The Company's proposed pro forma level of Other O&M expenses of $118,717 is based on the actual Other O&M expenses for the test year, increased by an estimated 3% inflation factor. In this case, the Company has made many pro forma O&M expense adjustments which it believed were known and measurable or which could be approximated with reasonable accuracy. To support these specific pro forma O&M expense increases, the Company supplied workpapers showing all calculations and underlying assumptions. However, to add an estimated general inflation factor to the remaining O&M expenses without any detailed support for the reasonableness or accuracy of the resulting costs increases is inappropriate and contrary to established BPU policy. I, therefore, recommend the removal of the Company's proposed inflation cost increase of $3,458.

In addition, the response to RAR-A-44 indicates that the Company's proposed pro forma Other O&M expenses of $118,717 includes $100 for donations which should also be removed for ratemaking purposes.

In sum, I recommend the Company's proposed Other O&M expenses be reduced by $3,558 to reflect these two adjustments. As shown on Schedule RJH-10, this results in a recommended Other O&M expense level of $115,159.

- **Depreciation Expenses**

Q. PLEASE DESCRIBE THE DERIVATION OF THE ANNUALIZED DEPRECIATION EXPENSES YOU RECOMMEND FOR RATE MAKING PURPOSES IN THIS CASE.

A. I show this derivation on Schedule RJH-11. The composite depreciation rate proposed by the Company in this case is 2.69%, as shown on filing Exhibit P-2, Schedule 19. I applied this same composite depreciation rate to the recommended actual depreciable plant in service balance as of June 30, 2003, resulting in recommended annualized depreciation expenses of $431,197. Next, I reduced this depreciation expense by the depreciation associated with plant funded by Customer Advances and CIAC. The resulting recommended net annualized depreciation expense amounts to $218,130.

Q. WHY IS THE RECOMMENDED ANNUALIZED DEPRECIATION EXPENSE LOWER THAN THE COMPANY'S PROPOSED ANNUALIZED DEPRECIATION EXPENSE?

A. There are two reasons for this. First, the recommended actual depreciable plant in service balance as of June 30, 2003 is approximately $2.1 million lower than the projected depreciable plant in service balance as of June 30, 2003 that was proposed by the Company. Second, the Company only removed the depreciation related to plant funded by CIAC. In its response to RAR-A-48, the Company conceded that this was an error in that it should have removed the depreciation related to plant funded by both CIAC and Customer Advances. Since I have correctly removed the depreciation related to both CIAC and

Customer Advances, this is the second reason for the difference between the Company's proposed and my recommended depreciation expenses.

- **Amortization Expenses**

Q. WHY HAVE YOU REMOVED THE COMPANY'S PROPOSED AMORTIZATION EXPENSES FOR RATEMAKING PURPOSES, AS SHOWN ON SCHEDULE RJH-6, LINE 12?

A. The amortization expense of $31,186 represents the 10-year amortization of the Homestead Acquisition Adjustment that was discussed in the "Acquisition Adjustment" section of this testimony. For the reasons described there, I have removed these amortization expenses for ratemaking purposes in this case.

- **Revenue Taxes**

Q. WHY HAVE YOU ADJUSTED THE COMPANY'S PROPOSED REVENUE TAXES, AS SHOWN ON SCHEDULE RJH-6, LINE 13?

A. The recommended revenue tax adjustment is a direct result of the recommended revenue adjustment on Schedule RJH-6, line 8. I calculated the revenue tax adjustment by applying the Gross Receipts and Franchise Tax rate of 12.61% to the revenue adjustment on line 8.

- **Income Taxes**

Q. HOW DID YOU DERIVE THE RECOMMENDED PRO FORMA INCOME TAXES TO BE USED FOR RATE MAKING PURPOSES IN THIS CASE?

A. As shown on Schedule RJH-12, I have used the exact same methodology and calculation components as those used by the Company to derive the recommended pro forma income taxes. Therefore, there is no income tax issue per se. The only reason why the recommended pro forma income taxes are different from the Company's proposed pro forma income taxes is because of the recommended adjustments made by me in the areas of operating revenues, operating expenses and pro forma interest.

Q. MR. HENKES, DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes, it does.

SUPPORTING SCHEDULES

RJH-1 - RJH-12

APPLIED WASTEWATER MANAGEMENT, INC.
SUMMARY OF REVENUE REQUIREMENT POSITIONS

	AWMI (1)	Adjustments	RPA	
1. Pro Forma Rate Base	$ 9,300,152	$(2,468,370)	$ 6,831,782	Sch. RJH-3
2. Rate of Return	7.39%		5.26%	Sch. RJH-2
3. Income Requirement	687,281		359,010	
4. Pro Forma Income	127,407	273,283	400,690	Sch. RJH-6
5. Income Deficiency	559,874		(41,680)	
6. Revenue Conversion Factor	1.7643		1.7643	(2)
7. Rate Increase/(Decrease)	$ 987,790	$(1,061,326)	$ (73,536)	

(1) P-2, Schedule 4

(2)	Revenues	100.0000	$	(73,536)
	GRFT	(12.6080)		9,271
	Bad Debt	(0.1928)		142
		87.1993		(64,123)
	FIT @ 35%	(30.5197)		22,443
	Income	56.6795	$	(41,680)
	Conversion Factor (100.000 / 56.6795)	1.7643		

APPLIED WASTEWATER MANAGEMENT, INC.
SUMMARY OF RATE OF RETURN POSITIONS

AWMI PROPOSAL:	Ratios (1)	Cost Rates (1)	Weighted Cost Rates (1)
Short Term Debt	55.00%	4.43%	2.44%
Common Equity	45.00%	11.00%	4.95%
Total Cost of Capital	100.00%		7.39%

RPA RECOMMENDATION:	Ratios (2)	Cost Rates		Weighted Cost Rates
Short Term Debt	62.00%	2.50%	(3)	1.55%
Common Equity	38.00%	9.75%	(4)	3.71%
Total Cost of Capital	100.00%			5.26%

(1) P-2, Schedule 26
(2) Response to RAR-A-46: Actual capital structure as of 9/30/03 after equity infusion of $2,820,000: equity balance of $3,469,325 (38%) and Notes Payable to Etown Corp balance of $5,680,000 (62%)
(3) Actual average monthly interest rate paid by AWWI to Etown Corp during most recent 12-month period (see response to RAR-A-7)
(4) Testimony of Robert Henkes

APPLIED WASTEWATER MANAGEMENT, INC.
SUMMARY OF RATE BASE POSITIONS

	AWMI (1)	Adjustments	RPA	
1. Utility Plant in Service	$ 18,223,952	$ (2,092,485)	$ 16,131,467	Sch. RJH-4
2. Acquisition Adjustment	187,115	(187,115)	-	
3. Gross Utility Plant	18,411,067	(2,279,600)	16,131,467	
4. Depreciation Reserve	(1,346,148)	(10,275)	(1,356,423)	Sch. RJH-5
5. Net Utility Plant	17,064,919	(2,289,875)	14,775,044	
6. Prepayments	14,110	(4,414)	9,696	(2)
7. Cash Working Capital	192,081	(192,081)	-	
8. Deferred Federal Income Taxes	(50,256)		(50,256)	
9. Customer Advances	(1,212,157)		(1,212,157)	
10. Contributions in Aid of Constr.	(6,708,545)		(6,708,545)	
11. Consolidated Income Taxes	-	18,000	18,000	(3)
12. TOTAL NET RATE BASE	$ 9,300,152	$ (2,468,370)	$ 6,831,782	

(1) P-2, Schedule 25, page 1 of 5
(2) Per response to RAR-A-1: 13-month average balance, 6/02 - 6/03
(3) Response to RAR-EWC-A-15

APPLIED WASTEWATER MANAGEMENT, INC.
UTILITY PLANT IN SERVICE

1. AWMI's Proposed Estimated Plant in Service Balance as of 6/30/03	$ 18,223,952	(1)
2. RPA's Recommended Actual Plant in Service Balance as of 6/30/03:	16,131,467	(2)
3. Recommended Plant in Service Adjustment	$ (2,092,485)	

(1) P-2, Schedule 25, page 2 and P-2, Schedule 24
(2) Response to RAR-A-1

APPLIED WASTEWATER MANAGEMENT, INC.
RECOMMENDED DEPRECIATION RESERVE BALANCE

1. Actual Depreciation Reserve Balance at 6/30/02	$ 1,138,293	(1)
2. Recommended Annualized Depreciation Expense	218,130	Sch. RJH-11
3. Recommended Pro Forma Depreciation Reserve at 6/30/03	$ 1,356,423	

(1) Response to RAR-A-1

APPLIED WASTEWATER MANAGEMENT, INC.
SUMMARY OF OPERATING INCOME POSITIONS

	AWMI (1)	Adjustments		RPA	
1. Operating Revenues:					
2. GMS - Water	$ 101,916	$ 25,466	(2)	$ 127,382	
3. GMS - Homestead	476,641			476,641	
4. GMS - AWWM	1,664,264			1,664,264	
5. Public Fire	4,800	-		4,800	
6. Private Fire	1,600	-		1,600	
7. Other Operating Revenues	-			-	
8. Total Operating Revenues	2,249,221	25,466		2,274,687	
9. Operating Expenses:					
10. O&M Expenses	1,536,647	(343,742)		1,192,905	Sch. RJH-7
11. Depreciation Expenses	306,554	(88,424)		218,130	Sch. RJH-11
12. Amortization Expenses	31,186	(31,186)		-	
13. Revenue Taxes	283,557	3,211	(3)	286,768	
14. Property and Other Taxes	17,456	-		17,456	
15. Total Operating Expenses	2,175,400	(460,140)		1,715,260	
16. Net Revenues Before Income Tax	73,821	485,606		559,427	
17. Income Taxes	(53,586)	212,323		158,737	Sch. RJH-12
18. After-Tax Operating Income	$ 127,407	$ 273,283		$ 400,690	

(1) P-2, Schedule 4
(2) Per response to RAR-A-59: Four Seasons irrigation revenues
(3) GRFT tax increase at 12.61% of the revenue adjustment on line 8

APPLIED WASTEWATER MANAGEMENT, INC.
SUMMARY OF PRO FORMA OPERATION AND MAINTENANCE EXPENSE POSITIONS

	AWMI (1)	Adjustments	RPA	
1. Labor Expensed	$ 604,221	$ (124,918)	$ 479,303	(2)
2. Power	287,316	(62,685)	224,631	(2)
3. Chemicals	134,462	(12,134)	122,328	(2)
4. Residual Disposal	118,375	(82,766)	35,609	(2)
5. Developer Subsidy	(72,660)		(72,660)	
6. Cost Allocations from Affiliates	163,404		163,404	
7. Miscellaneous Treatment Expense	50,981	(16,981)	34,000	(3)
8. Rate Case Expense	5,000	(3,500)	1,500	Sch. RJH-8
9. Telephone Expense	53,165	(37,200)	15,965	Sch. RJH-9
10. Outside Services	69,332		69,332	
11. BPU and RPA Assessments	4,334		4,334	
12. General Cost Increases	118,717	(3,558)	115,159	Sch. RJH-10
13. Total Pro Forma O&M Expenses	$ 1,536,647	$ (343,742)	$ 1,192,905	

(1) P-2, Schedule 6
(2) Testimony of Howard J. Woods, Jr.
(3) Response to RAR-A-53

APPLIED WASTEWATER MANAGEMENT, INC.
SUMMARY OF RATE CASE EXPENSE POSITIONS

	AWMI (1)	Adjustments	RPA (2)
1. Miscellaneous Rate Case Expenses	$ 15,000		$ 15,000
2. Ratepayer/Stockholder Sharing	-		50%
3. Ratepayer Expense Portion	15,000		7,500
4. Amortization Period (Yrs)	3		5
5. Total Annualized Expense	$ 5,000	$ (3,500)	$ 1,500

(1) P-2, Schedule 14

APPLIED WASTEWATER MANAGEMENT, INC.
SUMMARY OF TELEPHONE EXPENSE POSITIONS

	AWMI (1)	Adjustments	RPA	
1. Actual Base Year Telephone Expense	$ 11,165		$ 11,165	
2. Additional SCADA Related Expense	42,000	(37,200)	4,800	(2)
3. Total Telephone Expense	$ 53,165	$ (37,200)	$ 15,965	

(1) P-2, Schedule 15
(2) Response to RAR-A-35 C

APPLIED WASTEWATER MANAGEMENT, INC.
RECOMMENDED OTHER OPERATIONS AND MAINTENANCE EXPENSES

1. AWWI's Proposed Other O&M Expenses	$ 118,717	(1)
2. Remove: AWWI's Proposed 3% Inflation Factor Included in Line 1	(3,458)	(1)
3. Remove: Donations Included in Line 1	(100)	(2)
4. RPA's Recommended Other O&M Expenses	$ 115,159	

(1) P-2, Schedule 18
(2) Response to RRA-A-44

APPLIED WASTEWATER MANAGEMENT, INC.
RECOMMENDED ANNUALIZED DEPRECIATION EXPENSES

	AWMI (1)		Adjustments	RPA	
1. Plant in Service as of 6/30/03	$ 18,223,952		$ (2,092,485)	$ 16,131,467	Sch. RJH-4
2. Less: Non-Depreciable Plant	(101,827)			(101,827)	
3. Depreciable Plant at 6/30/03	18,122,125		(2,092,485)	16,029,640	
4. Composite Depreciation Rate	2.69%			2.69%	
5. Gross Depreciation Expense	487,014		(55,817)	431,197	
6. Less: Depreciation on Plant Funded by Customer Advances and CIAC:					
a. Cust. Adv. and CIAC at 6/30/03	6,708,545	*		7,920,702	Sch. RJH-3
b. Composite Depreciation Rate	2.69%			2.69%	
c. Depreciation Expense Credit	180,460	*	32,607	213,067	(2)
7. Net Depreciation Expense [L5 - L6c]	$ 306,554		$ (88,424)	$ 218,130	

* AWWI's filing schedule P-2, Schedule 19 erroneously uses only the Customer Advances balance of $6,708,545. As confirmed in the response to RAR-A-48, the correct depreciation expense credit is $213,067.

(1) P-2, Schedule 19
(2) Response to RAR-A-48

APPLIED WASTEWATER MANAGEMENT, INC.
SUMMARY OF PRO FORMA INCOME TAX POSITIONS

	AWMI (1)	Adjustments	RPA	
1. Net Revenues Before FIT	$ 73,821		$ 559,427	Sch. RJH-6
2. Less: Pro Forma Interest	(226,924)		(105,893)	(2)
3. Taxable Income	(153,103)		453,535	
4. FIT Rate	35%		35%	
5. Pro Forma Income Taxes	$ (53,586)	$ 212,323	$ 158,737	

(1) P-2, Schedule 23

(2) Rate Base	$ 9,300,152	$ 6,831,782	Sch. RJH-3
Weighted Cost of Debt	2.44%	1.5500%	Sch. RJH-2
Pro Forma Interest	$ 226,924	$ 105,893	

APPENDIX I

PRIOR REGULATORY EXPERIENCE OF ROBERT J. HENKES

* = Testimonies prepared and submitted

ARKANSAS

Southwestern Bell Telephone Company Divestiture Base Rate Proceeding*	Docket 83-045-U	09/1983

DELAWARE

Delmarva Power and Light Company Electric Fuel Clause Proceeding	Docket 41-79	04/1980
Delmarva Power and Light Company Electric Fuel Clause Proceeding	Docket 80-39	02/1981
Delmarva Power and Light Company Sale of Power Station Generation	Complaint Docket 279-80	04/1981
Delmarva Power and Light Company Electric Base Rate Proceeding	Docket 81-12	06/1981
Delmarva Power and Light Company Gas Base Rate Proceeding*	Docket 81-13	08/1981
Delmarva Power and Light Company Electric Fuel Clause Proceeding*	Docket 82-45	04/1983
Delmarva Power and Light Company Electric Fuel Clause Proceeding*	Docket 83-26	04/1984
Delmarva Power and Light Company Electric Fuel Clause Proceeding*	Docket 84-30	04/1985
Delmarva Power and Light Company Electric Fuel Clause Proceeding*	Docket 85-26	03/1986
Delmarva Power and Light Company Report of DP&L Operating Earnings*	Docket 86-24	07/1986
Delmarva Power and Light Company Electric Base Rate Proceeding*	Docket 86-24	12/1986 01/1987
Delmarva Power and Light Company Report Re. PROMOD and Its Use in	Docket 85-26	10/1986

Fuel Clause Proceedings*		
Diamond State Telephone Company Base Rate Proceeding*	Docket 86-20	04/1987
Delmarva Power and Light Company Electric Fuel Clause Proceeding*	Docket 87-33	06/1988
Delmarva Power and Light Company Electric Fuel Clause Proceeding*	Docket 90-35F	05/1991
Delmarva Power and Light Company Electric Base Rate Proceeding*	Docket 91-20	10/1991
Delmarva Power and Light Company Gas Base Rate Proceeding*	Docket 91-24	04/1992
Artesian Water Company Water Base Rate Proceeding*	Docket 97-66	07/1997
Artesian Water Company Water Base Rate Proceeding*	Docket 97-340	02/1998
United Water Delaware Water Base Rate Proceeding*	Docket 98-98	08/1998
Delmarva Power and Light Company Revenue Requirement and Stranded Cost Reviews	Not Docketed	12/1998
Artesian Water Company Water Base Rate Proceeding*	Docket 99-197 (Direct Test.)	09/1999
Artesian Water Company Water Base Rate Proceeding*	Docket 99-197 (Supplement. Test)	10/1999
Tidewater Utilities/ Public Water Co. Water Base Rate Proceedings*	Docket No. 99-466	03/2000
Delmarva Power & Light Company Competitive Services Margin Sharing Proceeding*	Docket No. 00-314	03/2001
Artesian Water Company Water Base Rate Proceeding*	Docket No. 00-649	04/2001
Chesapeake Gas Company	Docket No. 01-307	12/2001

Gas Base Rate Proceeding*		
Tidewater Utilities Water Base Rate Proceeding*	Docket No. 02-28	07/2002
Artesian Water Company Water Base Rate Proceeding*	Docket No. 02-109	09/2002
Delmarva Power & Light Company Electric Cost of Service Proceeding	Docket No. 02-231	03/2003
Delmarva Power & Light Company Gas Base Rate Proceeding*	Docket No. 03-127	8/2003

DISTRICT OF COLUMBIA

District of Columbia Natural Gas Co. Gas Base Rate Proceeding*	Formal Case 870	05/1988
District of Columbia Natural Gas Co. Gas Base Rate Proceeding*	Formal Case 890	02/1990
District of Columbia Natural Gas Co. Waiver of Certain GS Provisions	Formal Case 898	08/1990
Chesapeake and Potomac Telephone Co. Base Rate Proceeding*	Formal Case 850	07/1991
Chesapeake and Potomac Telephone Co. Base Rate Proceeding*	Formal Case 926	10/1993
Bell Atlantic - District of Columbia SPF Surcharge Proceeding	Formal Case 926	06/19/94
Bell Atlantic - District of Columbia Price Cap Plan and Earnings Review	Formal Case 814 IV	07/1995

GEORGIA

Southern Bell Telephone Company Base Rate Proceeding	Docket 3465-U	08/1984
Southern Bell Telephone Company Base Rate Proceeding	Docket 3518-U	08/1985

Georgia Power Company Electric Base Rate and Nuclear Power Plant Phase-In Proceeding*	Docket 3673-U	08/1987
Georgia Power Company Electric Base Rate and Nuclear Power Plant Phase-In Proceeding*	Docket 3840-U	08/1989
Southern Bell Telephone Company Base Rate Proceeding	Docket 3905-U	08/1990
Southern Bell Telephone Company Implementation, Administration and Mechanics of Universal Service Fund*	Docket 3921-U	10/1990
Atlanta Gas Light Company Gas Base Rate Proceeding*	Docket 4177-U	08/1992
Southern Bell Telephone Company Report on Cash Working Capital*	Docket 3905-U	03/1993
Atlanta Gas Light Company Gas Base Rate Proceeding*	Docket No. 4451-U	08/1993
Atlanta Gas Light Company Gas Base Rate Proceeding	Docket No. 5116-U	08/1994
Georgia Independent Telephone Companies Earnings Review and Show Cause Proceedings	Various Dockets	1994
Georgia Power Company Earnings Review - Report to GPSC*	Non-Docketed	09/1995
Georgia Alltel Telecommunication Companies Earnings and Rate Reviews	Docket No. 6746-U	07/1996
Frontier Communications of Georgia Earnings and Rate Review	Docket No. 4997-U	07/1996
Georgia Power Company Electric Base Rate / Accounting Order Proceeding	Docket No. 9355-U	12/1998
Savannah Electric Power Company Electric Base Rate Case/Alternative Rate Plan*	Docket No. 14618-U	03/2002

FERC

Philadelphia Electric/Conowingo Power Electric Base Rate Proceeding*	Docket ER 80-557/558	07/1981

KENTUCKY

Kentucky Power Company Electric Base Rate Proceeding*	Case 8429	04/1982
Kentucky Power Company Electric Base Rate Proceeding*	Case 8734	06/1983
Kentucky Power Company Electric Base Rate Proceeding*	Case 9061	09/1984
South Central Bell Telephone Company Base Rate Proceeding*	Case 9160	01/1985
Kentucky-American Water Company Base Rate Proceeding*	Case 97-034	06/1997
Delta Natural Gas Company Base Rate Proceeding*	Case 97-066	07/1997
Kentucky Utilities and LG&E Company Environmental Surcharge Proceeding	97-SC-1091-DG	01/1999
Delta Natural Gas Company Experimental Alternative Regulation Plan*	Case No. 99-046	07/1999
Delta Natural Gas Company Base Rate Proceeding*	Case No. 99-176	09/1999
Louisville Gas & Electric Company Gas Base Rate Proceeding*	Case No. 2000-080	06/2000
Kentucky-American Water Company Base Rate Proceeding*	Case No. 2000-120	07/2000
Jackson Energy Cooperative Corporation Electric Base Rate Proceeding*	Case No. 2000-373	02/2001
Kentucky-American Water Company	Case No. 2000-120	02/2001

Base Rate Rehearing*		
Kentucky-American Water Company Rehearing Opposition Testimony*	Case No. 2000-120	03/2001
Union Light Heat and Power Company Gas Base Rate Proceeding*	Case No. 2001-092	09/2001
Louisville Gas & Electric Company and Kentucky Utilities Company Deferred Debits Accounting Order	Case No. 2001-169	10/2001
Fleming-Mason Energy Cooperative Electric Base Rate Proceeding	Case No. 2001-244	05/2002

MAINE

Continental Telephone Company of Maine Base Rate Proceeding	Docket 90-040	12/1990
Central Maine Power Company Electric Base Rate Proceeding	Docket 90-076	03/1991
New England Telephone Corporation - Maine Chapter 120 Earnings Review	Docket 94-254	12/1994

MARYLAND

Potomac Electric Power Company Electric Base Rate Proceeding*	Case 7384	01/1980
Delmarva Power and Light Company Electric Base Rate Proceeding*	Case 7427	08/1980
Chesapeake and Potomac Telephone Company Western Electric and License Contract	Case 7467	10/1980
Chesapeake and Potomac Telephone Company Base Rate Proceeding*	Case 7467	10/1980
Washington Gas Light Company Gas Base Rate Proceeding	Case 7466	11/1980
Delmarva Power and Light Company	Case 7570	10/1981

Electric Base Rate Proceeding*		
Chesapeake and Potomac Telephone Company Base Rate Proceeding*	Case 7591	12/1981
Chesapeake and Potomac Telephone Company Base Rate Proceeding*	Case 7661	11/1982
Chesapeake and Potomac Telephone Company Computer Inquiry II*	Case 7661	12/1982
Chesapeake and Potomac Telephone Company Divestiture Base Rate Proceeding*	Case 7735	10/1983
AT&T Communications of Maryland Base Rate Proceeding	Case 7788	1984
Chesapeake and Potomac Telephone Company Base Rate Proceeding*	Case 7851	03/1985
Potomac Electric Power Company Electric Base Rate Proceeding	Case 7878	1985
Delmarva Power and Light Company Electric Base Rate Proceeding	Case 7829	1985

NEW HAMPSHIRE

Granite State Electric Company Electric Base Rate Proceeding	Docket DR 77-63	1977

NEW JERSEY

Elizabethtown Water Company Water Base Rate Proceeding	Docket 757-769	07/1975
Jersey Central Power and Light Company Electric Base Rate Proceeding	Docket 759-899	09/1975
Middlesex Water Company Water Base Rate Proceeding	Docket 761-37	01/1976
Jersey Central Power and Light Company Electric Base Rate Proceeding	Docket 769-965	09/1976

Public Service Electric and Gas Company Electric and Gas Base Rate Proceedings	Docket 761-8	10/1976
Atlantic City Electric Company Electric Base Rate Proceeding*	Docket 772-113	04/1977
Public Service Electric and Gas Company Electric and Gas Base Rate Proceedings*	Docket 7711-1107	05/1978
Public Service Electric and Gas Company Raw Materials Adjustment Clause	Docket 794-310	04/1979
Rockland Electric Company Electric Base Rate Proceeding*	Docket 795-413	09/1979
New Jersey Bell Telephone Company Base Rate Proceeding	Docket 802-135	02/1980
Rockland Electric Company Electric Fuel Clause Proceeding*	Docket 8011-836	02/1981
Rockland Electric Company Electric Base Rate Proceeding*	Docket 811-6	05/1981
Rockland Electric Company Electric Fuel Clause Proceeding*	Docket 8110-883	02/1982
Public Service Electric and Gas Company Electric Fuel Clause Proceeding*	Docket 812-76	08/1982
Public Service Electric and Gas Company Raw Materials Adjustment Clause	Docket 812-76	08/1982
New Jersey Bell Telephone Company Base Rate Proceeding	Docket 8211-1030	11/1982
Rockland Electric Company Electric Fuel Clause Proceeding*	Docket 829-777	12/1982
Public Service Electric and Gas Company Electric and Gas Base Rate Proceedings*	Docket 837-620	10/1983
New Jersey Bell Telephone Company Base Rate Proceeding	Docket 8311-954	11/1983

AT&T Communications of New Jersey Base Rate Proceeding*	Docket 8311-1035	02/1984
Rockland Electric Company Electric Fuel Clause Proceeding*	Docket 849-1014	11/1984
AT&T Communications of New Jersey Base Rate Proceeding*	Docket 8311-1064	05/1985
Public Service Electric and Gas Company Electric and Gas Base Rate Proceedings*	Docket ER8512-1163	05/1986
Public Service Electric and Gas Company Electric Fuel Clause Proceeding*	Docket ER8512-1163	07/1986
Rockland Electric Company Electric Fuel Clause Proceeding*	Docket ER8609-973	12/1986
Rockland Electric Company Electric Fuel Clause Proceeding*	Docket ER8710-1189	01/1988
Public Service Electric and Gas Company Electric Fuel Clause Proceeding*	Docket ER8512-1163	02/1988
United Telephone of New Jersey Base Rate Proceeding	Docket TR8810-1187	08/1989
Rockland Electric Company Electric Fuel Clause Proceeding*	Docket ER9009-10695	09/1990
United Telephone of New Jersey Base Rate Proceeding	Docket TR9007-0726J	02/1991
Elizabethtown Gas Company Gas Base Rate Proceeding*	Docket GR9012-1391J	05/1991
Rockland Electric Company Electric Fuel Clause Proceeding	Docket ER9109145J	11/1991
Jersey Central Power and Light Company Electric Fuel Clause Proceeding	Docket ER91121765J	03/1992
New Jersey Natural Gas Company Gas Base Rate Proceeding*	Docket GR9108-1393J	03/1992
Public Service Electric and Gas Company	Docket ER91111698J	07/1992

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Rockland Electric Company Electric Fuel Clause Proceeding	Docket ER92090900J	12/1992
Middlesex Water Company Water Base Rate Proceeding*	Docket WR92090885J	01/1993
Elizabethtown Water Company Water Base Rate Proceeding*	Docket WR92070774J	02/1993
Public Service Electric and Gas Company Electric Fuel Clause Proceeding	Docket ER91111698J	03/1993
New Jersey Natural Gas Company Gas Base Rate Proceeding*	Docket GR93040114	08/1993
Atlantic City Electric Company Electric Fuel Clause Proceeding	Docket ER94020033	07/1994
Borough of Butler Electric Utility Various Electric Fuel Clause Proceedings	Docket ER94020025	1994
Elizabethtown Water Company Water Base Rate Proceeding	Non-Docketed	11/1994
Public Service Electric and Gas Company Electric Fuel Clause Proceeding	Docket ER 94070293	11/1994
Rockland Electric Company Electric Fuel Clause Proceeding and Purchased Power Contract By-Out	Docket Nos. 940200045 and ER 9409036	12/1994
Jersey Central Power & Light Company Electric Fuel Clause Proceeding	Docket ER94120577	05/1995
Elizabethtown Water Company Purchased Water Adjustment Clause Proceeding*	Docket WR95010010	05/1995
Middlesex Water Company Purchased Water Adjustment Clause Proceeding	Docket WR94020067	05/1995
New Jersey American Water Company* Base Rate Proceeding	Docket WR95040165	01/1996

Rockland Electric Company Electric Fuel Clause Proceeding	Docket ER95090425	01/1996
United Water of New Jersey Base Rate Proceeding*	Docket WR95070303	01/1996
Elizabethtown Water Company Base Rate Proceeding*	Docket WR95110557	03/1996
New Jersey Water and Sewer Adjustment Clauses Rulemaking Proceeding*	Non-Docketed	03/1996
United Water Vernon Sewage Company Base Rate Proceeding*	Docket WR96030204	07/1996
United Water Great Gorge Company Base Rate Proceeding*	Docket WR96030205	07/1996
South Jersey Gas Company Base Rate Proceeding	Docket GR960100932	08/1996
Middlesex Water Company Purchased Water Adjustment Clause Proceeding*	Docket WR96040307	08/1996
Atlantic City Electric Company Fuel Adjustment Clause Proceeding*	Docket No.ER96030257	08/1996
Public Service Electric & Gas Company and Atlantic City Electric Company Investigation into the continuing outage of the Salem Nuclear Generating Station*	Docket Nos. ES96039158 & ES96030159	10/1996
Rockland Electric Company Electric Fuel Clause Proceeding*	Docket No.EC96110784	01/1997
Consumers New Jersey Water Company Base Rate Proceeding*	Docket No.WR96100768	03/1997
Atlantic City Electric Company Fuel Adjustment Clause Proceeding*	Docket No.ER97020105	08/1997
Public Service Electric & Gas Company Electric Restructuring Proceedings*	Docket Nos. EX912058Y, EO97070461, EO97070462, EO97070463	11/1997
Atlantic City Electric Company	Docket No.ER97080562	12/1997

Limited Issue Rate Proceeding*		
Rockland Electric Company Limited Issue Rate Proceeding	Docket No.ER97080567	12/1997
South Jersey Gas Company Limited Issue Rate Proceeding	Docket No.GR97050349	12/1997
New Jersey American Water Company Limited Issue Rate Proceeding	Docket No.WR97070538	12/1997
Elizabethtown Water Company and Mount Holly Water Company Limited Issue Rate Proceedings	Docket Nos. WR97040288, WR97040289	12/1997
United Water of New Jersey, United Water Toms River and United Water Lambertville Limited Issue Rate Proceedings	Docket Nos.WR9700540, WR97070541, WR97070539	12/1997
Public Service Electric & Gas Company Electric Restructuring Proceedings*	Docket Nos. EX912058Y, EO97070461, EO97070462, EO97070463	01/1998
Consumers New Jersey Water Company Base Rate Proceeding*	Docket No. WR97080615	01/1998
New Jersey-American Water Company Base Rate Proceeding*	Docket No.WR98010015	07/1998
Consumers New Jersey Water Company Merger Proceeding	Docket No.WM98080706	12/1998
Atlantic City Electric Company Fuel Adjustment Clause Proceeding*	Docket No.ER98090789	02/1999
Middlesex Water Company Base Rate Proceeding*	Docket No.WR98090795	03/1999
Mount Holly Water Company Base Rate Proceeding - Phase I*	Docket No. WR99010032	07/1999
Mount Holly Water Company Base Rate Proceeding - Phase II*	Docket No. WR99010032	09/1999
New Jersey American Water Company Acquisitions of Water Systems	Docket Nos. WM9910018 WM9910019	09/1999 09/1999

Mount Holly Water Company Merger with Homestead Water Utility	Docket No. WM99020091	10/1999
Applied Wastewater Management, Inc. Merger with Homestead Treatment Utility	Docket No.WM99020090	10/1999
Environmental Disposal Corporation (Sewer) Base Rate Proceeding*	Docket No.WR99040249	02/2000
Elizabethtown Gas Company		
Gas Cost Adjustment Clause Proceeding	Docket No.GR99070509	03/2000
DSM Adjustment Clause Proceeding	Docket No. GR99070510	03/2000
New Jersey American Water Company Gain on Sale of Land	Docket No. WM99090677	04/2000
Jersey Central Power & Light Company NUG Contract Buydown	Docket No. EM99120958	04/2000
Shore Water Company Base Rate Proceeding	Docket No. WR99090678	05/2000
Shorelands Water Company Water Diversion Rights Acquisition	Docket No. WO00030183	05/2000
Mount Holly and Elizabethtown Water Companies	Docket Nos. WO99040259	06/2000
Computer and Billing Services Contracts	WO9904260	06/2000
United Water Resources, Inc. Merger with Suez-Lyonnaise	Docket No. WM99110853	06/2000
E'Town Corporation Merger with Thames, Ltd.	Docket No. WM99120923	08/2000
Consumers Water Company Water Base Rate Proceeding*	Docket No. WR00030174	09/2000
Atlantic City Electric Company Buydown of Purchased Power Contract	Docket No. EE00060388	09/2000
Applied Wastewater Management, Inc. Authorization for Accounting Changes	Docket No. WR00010055	10/2000
Elizabethtown Gas Company Gas Cost Adjustment Clause Proceeding	Docket No. GR00070470	10/2000

DSM Adjustment Clause Proceeding	Docket No. GR00070471	10/2000
Trenton Water Works Water Base Rate Proceeding*	Docket No. WR00020096	10/2000
Middlesex Water Company Water Base Rate Proceeding*	Docket No. WR00060362	11/2000
New Jersey American Water Company Land Sale - Ocean City	Docket No. WM00060389	11/2000
Pineland Water Company Water Base Rate Proceeding*	Docket No. WR00070454	12/2000
Pineland Wastewater Company Wastewater Base Rate Proceeding*	Docket No. WR00070455	12/2000
Elizabethtown Gas Company Regulatory Treatment of Gain on Sale of Property*	Docket No. GR00070470	02/2001
Wildwood Water Utility Water Base Rate Proceeding*	Docket No. WR00100717	04/2001
Roxbury Water Company Water Base Rate Proceeding	Docket No. WR01010006	06/2001
SB Water Company Water Base Rate Proceeding	Docket No. WR01040232	06/2001
Pennsgrove Water Company Water Base Rate Proceeding*	Docket No. WR00120939	07/2001
Public Service Electric & Gas Company Gas Base Rate Proceeding* Direct Testimony	Docket No. GR01050328	08/2001
Public Service Electric & Gas Company Gas Base Rate Proceeding* Surrebuttal Testimony	Docket No. GR01050328	09/2001
Elizabethtown Water Company Water Base Rate Proceeding*	Docket No. WR01040205	10/2001
Middlesex Water Company Financing Proceeding	Docket No. WF01090574	12/2001

New Jersey American Water Company Financing Proceeding	Docket No. WF01050337	12/2001
Consumers New Jersey Water Company Stock Transfer/Change in Control Proceeding	Docket No. WF01080523	01/2002
Consumers New Jersey Water Company Water Base Rate Proceeding	Docket No. WR02030133	07/2002
New Jersey American Water Company Change of Control (Merger) Proceeding*	Docket No. WM01120833	07/2002
Borough of Haledon – Water Department Water Base Rate Proceeding*	Docket No. WR01080532	07/2002
New Jersey American Water Company Change of Control (Merger) Proceeding	Docket No. WM02020072	09/2002
Public Service Electric & Gas Company Electric Base Rate Proceeding Direct Testimony*	Docket No. ER02050303	10/2002
United Water Lambertville Land Sale Proceeding	Docket No. WM02080520	11/2002
United Water Vernon Hills & Hampton Management Service Agreement	Docket No. WE02080528	11/2002
United Water New Jersey Metering Contract With Affiliate	Docket No. WO02080536	12/2002
Public Service Electric & Gas Company Electric Base Rate Proceeding Surrebuttal and Supplemental Surrebuttal Testimonies*	Docket No. ER02050303	12/2002
Public Service Electric & Gas Company Minimum Pension Liability Proceeding	Docket No. EO02110853	12/2002
Public Service Electric & Gas Company Electric Base Rate Proceeding Supplemental Direct Testimony*	Docket No. ER02050303	12/2002
Public Service Electric & Gas Company Electric Deferred Balance Proceeding	Docket No. ER02050303	01/2003

Direct Testimony*		
Rockland Electric Company Electric Base Rate Proceeding Direct Testimony*	Docket No. ER02100724	01/2003
Public Service Electric & Gas Company Supplemental Direct Testimony*	Docket No. ER02050303	02/2003
Rockland Electric Company Electric Base Rate Proceeding Supplemental Direct Testimony*	Docket No. ER02100724	02/2003
Consumers New Jersey Water Company Acquisition of Maxim Sewerage Company	Docket No. WM02110808	05/2003
Rockland Electric Company Audit of Competitive Services	Docket No. EA02020098	06/2003
New Jersey Natural Gas Company Audit of Competitive Services	Docket No. GA02020100	06/2003
Public Service Electric & Gas Company Audit of Competitive Services	Docket No. EA02020097	06/2003
Applied Wastewater Management, Inc. Water and Sewer Base Rate Proceeding*	Docket No. WR03030222	11/2003

NEW MEXICO

Southwestern Public Service Company Electric Base Rate Proceeding*	Case 1957	11/1985
El Paso Electric Company Rate Moderation Plan	Case 2009	1986
El Paso Electric Company Electric Base Rate Proceeding	Case 2092	06/1987
Gas Company of New Mexico Gas Base Rate Proceeding*	Case 2147	03/1988
El Paso Electric Company Electric Base Rate Proceeding*	Case 2162	06/1988

Public Service Company of New Mexico Phase-In Plan*	Case 2146/Phase II	10/1988
El Paso Electric Company Electric Base Rate Proceeding*	Case 2279	11/1989
Gas Company of New Mexico Gas Base Rate Proceeding*	Case 2307	04/1990
El Paso Electric Company Rate Moderation Plan*	Case 2222	04/1990
Generic Electric Fuel Clause - New Mexico Amendments to NMPSC Rule 550	Case 2360	02/1991
Southwestern Public Service Company Rate Reduction Proceeding	Case 2573	03/1994
El Paso Electric Company Base Rate Proceeding	Case 2722	02/1998

OHIO

Dayton Power and Light Company Electric Base Rate Proceeding	Case 76-823	1976

PENNSYLVANIA

Duquesne Light Company Electric Base Rate Proceeding*	R.I.D. No. R-821945	09/1982
AT&T Communications of Pennsylvania Base Rate Proceeding*	Docket P-830452	04/1984
AT&T Communications of Pennsylvania Base Rate Proceeding*	Docket P-830452	11/1984
National Fuel Gas Distribution Company Gas Base Rate Proceeding*	Docket R-870719	12/1987

RHODE ISLAND

Blackstone Valley Electric Company	Docket No. 1289	

Electric Base Rate Proceeding		
Newport Electric Company Report on Emergency Relief		

VERMONT

Continental Telephone Company of Vermont Base Rate Proceeding	Docket No. 3986	
Green Mountain Power Corporation Electric Base Rate Proceeding	Docket No. 5695	01/1994
Central Vermont Public Service Corp. Rate Investigation	Docket No. 5701	04/1994
Central Vermont Public Service Corp. Electric Base Rate Proceeding*	Docket No. 5724	05/1994
Green Mountain Power Corporation Electric Base Rate Proceeding*	Docket No. 5780	01/1995
Green Mountain Power Corporation Electric Base Rate Proceeding*	Docket No. 5857	01/1996

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