BEFORE THE STATE OF NEW JERSEY

BOARD OF PUBLIC UTILITIES

OFFICE OF ADMINISTRATIVE LAW

I/M/O THE PETITION OF NEW JERSEY NATURAL GAS COMPANY FOR APPROVAL OF AN INCREASE IN ITS GAS RATES, DEPRECIATION RATES FOR GAS PROPERTY, AND FOR CHANGES IN THE TARIFF FOR GAS SERVICE, PURSUANT TO N.J.S.A. 48:2-18 AND 48:2-21	)	**BPU DKT. NO. GR07110889** **OAL DKT. NO. PUCRL 12545-07**

DIRECT TESTIMONY OF RICHARD W. LELASH
ON BEHALF OF THE
NEW JERSEY DEPARTMENT OF THE PUBLIC ADVOCATE
DIVISION OF RATE COUNSEL

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NEW JERSEY NATURAL GAS COMPANY
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I. STATEMENT OF QUALIFICATIONS

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS FOR THE RECORD.

A. My name is Richard W. LeLash and my business address is 18 Seventy Acre Road, Redding, Connecticut.

Q. WHAT IS YOUR CURRENT BUSINESS AFFILIATION?

A. I am an independent financial and regulatory consultant working on behalf of several state public utility commissions and consumer advocates.

Q. PRIOR TO YOUR WORK AS AN INDEPENDENT CONSULTANT, WHAT WAS YOUR BUSINESS AFFILIATION, AND WHAT WAS YOUR REGULATORY EXPERIENCE?

A. I was a principal with the Georgetown Consulting Group for twenty years. During my affiliation with Georgetown, and continuing to date, I testified on cost of service, rate of return, and regulatory policy issues in more than 290 regulatory proceedings. These testimonies were presented before the Philadelphia Gas Commission, the Federal Energy Regulatory Commission and in the following jurisdictions: Alabama, Arizona, Colorado, Delaware, District of Columbia, Georgia, Illinois, Kansas, Maine, Maryland, Minnesota, Missouri, New Jersey, New Mexico, New York, Ohio, Oklahoma, Pennsylvania, Rhode Island, U.S. Virgin Islands, and Vermont.

Q. MR. LELASH, WHAT IS YOUR EDUCATIONAL BACKGROUND?

A. I graduated in 1967 from the Wharton School with a BS in Economics and in 1969 from the Wharton Graduate School with an MBA.

Q. DURING THE COURSE OF YOUR REGULATORY WORK, WHAT HAS BEEN YOUR EXPERIENCE WITH GAS POLICY AND REGULATION?

A. Since 1980, I have worked extensively on gas utility matters. In my Appendix there is a listing of the recent cases in which I have sponsored testimony. In addition to these cases, I have reviewed and analyzed many other gas filings which were resolved through stipulation. Among other issues, my testimonies have involved gas service unbundling, physical and economic bypass, gas supply incentives, gas plant remediation costs, gas price hedging, demand and capacity planning, gas storage options, gas price forecasting, and least cost gas standards. In addressing these issues, I have analyzed gas regulatory filings involving more than 30 different local distribution companies.

Q. DO YOU HAVE ANY SPECIFIC EXPERIENCE WITH RESPECT TO THE OPERATIONS OF NEW JERSEY NATURAL GAS?

A. Yes. Previously I have worked in various proceedings involving the Company. The testimonies have involved rate of return, MGP gas remediation, gas procurement, incentive rate regulation, restructuring, and general gas policy matters.

Q. DO YOU HAVE ANY SPECIFIC EXPERIENCE WITH RESPECT TO POLICY MATTERS FOR NATURAL GAS DISTRIBUTION COMPANIES IN NEW JERSEY?

A. Yes, in the past I have worked on and testified on behalf of the New Jersey Department of Public Advocate, Division of Rate Counsel ("Rate Counsel") and its predecessor, the Ratepayer Advocate, on various matters concerning all four of New Jersey's gas distribution companies.

II. SCOPE AND PURPOSE OF TESTIMONY

Q. WOULD YOU PLEASE STATE THE SCOPE AND PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?

A. I was hired by Rate Counsel to review the filing made by New Jersey Natural Gas Company ("Company" or "NJNG") and evaluate various policy issues using established regulatory standards. My review focused on Management Audit ("Audit"), Pipeline Integrity Management ("PIM"), incentives, and performance issues for the Company.

The purpose of my testimony is to present findings and recommendations to the New Jersey Board of Public Utilities ("Board" or "BPU") concerning issues raised by the Company's filing.

Q. IN PERFORMING YOUR REVIEW AND ANALYSIS, WHAT DATA SOURCES DID YOU UTILIZE?

A. My review and analysis encompassed the Company's related filings, responses to discovery requests and information provided during various informal discovery meetings. I also utilized information provided in previous proceedings.

Q. WERE THERE ANY LIMITATIONS PLACED ON YOUR REVIEW AND ANALYSIS OF THE COMPANY'S FILING?

A. As of the time this testimony was prepared, the Company had just made its 9+3 updated filing, and the discovery process on the update had not been completed. Additionally, certain issue areas in the case will be addressed in Rate Counsel's testimonies that are to be filed at later dates. Accordingly, I would like to reserve the right to amend or supplement this testimony concerning the Company's update and policy issues that will be subsequently filed by other Rate Counsel witnesses.

Q. WAS THIS TESTIMONY PREPARED BY YOU OR UNDER YOUR DIRECT SUPERVISION?

A. Yes, this testimony was prepared by me.

III. OVERVIEW AND CONCLUSIONS

- Rate Counsel's Issues and Witnesses

Q. WOULD YOU PLEASE PROVIDE A DESCRIPTION OF YOUR TESTIMONY AND THE TESTIMONIES THAT ARE BEING FILED BY OTHER RATE COUNSEL WITNESSES?

A. My testimony addresses several policy issues, principally those dealing with matters related to the Audit of NJNG by The Liberty Consulting Group ("Liberty") and filed in November, 2007. Additionally, other testimonies addressing the Company's base rate filing will be sponsored by the following Rate Counsel witnesses:

– James Cotton of the Columbia Group will testify about the Company's BGSS incentive program and the testimony of Mr. Joseph Shields. He will cover the Company's proposals on incentives such as Financial Risk Management and those covering the storage and winter incentives.

– Andrea C. Crane, also of the Columbia Group, will testify about the determination of the Company's revenue requirement and the testimony of Mr. Jay Buth.

– Matthew Kahal of Exeter Associates will testify about the appropriate rate of return for the Company and will address Mr. Paul Moul's testimony.

– Brian Kalcic of Excel Consulting will testify about cost of service and rate design issues as well as addressing the filed testimony of Mr. Daniel Yardley.

– Michael J. Majoros, Jr. of Snavely King Majoros O'Connor & Lee will testify about the appropriate approach for establishing depreciation rates for the Company and the testimony of Dr. Ronald White.

– Michael J. McFadden, A. E. Middents, John Peters and Charles Becker of the McFadden Consulting Group will address Mr. Craig Lynch's testimony concerning the Company's operations, construction program and the operation and maintenance of the NJNG gas system.

– David Peterson of Chesapeake Regulatory Consultants will testify about the Company's determination of its cash working capital and will address Mr. Michael Moscufo's lead lag study.

– Howard Woods of Woods Consulting will testify concerning the Automated Meter Reading ("AMR") program that was presented in the 9+3 updated testimony of Mr. Jay Buth.

- Summary of Findings and Recommendations

Q. WOULD YOU PLEASE SUMMARIZE YOUR DIRECT TESTIMONY IN THIS MATTER?

A. Based on my review and analysis, I propose that the Board adopt the following findings and recommendations:

1. The procurement changes contained in the Liberty Audit and the initiatives identified in the Company's response should be pursued. In addition, the Company should be required to evaluate its procurement and capacity management options. If the Company wishes to develop a different gas procurement strategy, it should file a separate petition to address potential alternatives.

2. The Management Audit's conclusions concerning value transfers between NJNG and NJR Energy Services ("NJRES") were not conclusive, nor was

there evidence that any additional analysis would be practical or dispositive. Accordingly, it is not recommended that any revenue adjustment be made in this proceeding for value transfers. It is also recommended that no moratorium be placed on NJNG's prospective commitments for gas transportation and storage capacity.

3. The Management Audit concluded that NJNG does not timely close out Construction Work In Progress ("CWIP") work orders as completed and recommended that the Company be directed to follow FERC guidelines for closing work orders. Accordingly, it is recommended that the Company's rate base be reduced by $188,000 in order to remove Allowance for Funds Used During Construction ("AFUDC") accruals on projects during the period from the end of construction to the date of their close out to Plant In Service.

4. There were also findings in the Management Audit concerning the Company's service deficiencies in its customer call center and in its meter reading function. The Company's abandoned call percentage exceeded the Company's own 6% standard almost 90% of the time. Because of related meter reading issues, the Company's percentage of rebills, which reflect the

need to adjust, cancel and reissue customer bills, ranged between 14% and 16%.

5. Based on the noted problems in two significant customer service areas, the Board should institute Company specific performance benchmarks for NJNG. Given that the Company is seeking extensive incentives for favorable performance, it is logical that there should also be service benchmarks with penalties for lack of defined performance.

6. It is recommended that eight service benchmarks be established, covering call center operation, meter reading, billing, field operations, and customer complaints. These metrics should be compiled monthly and reported quarterly. If the Company fails to meet its performance benchmarks in any quarter, it should be subject to a penalty based on the nature, extent, and duration of any deficiencies. The imposition of such penalties should be determined by the Board.

7. The Company has estimated its prospective costs for its compliance with federally mandated PIM regulations. The inclusion of such costs in a revenue requirements determination is atypical but reasonable given the nature of the activities involved. Better assessment, evaluation, and repair

of pipelines will minimize leaks or failures and promote better pipeline safety.

8. In developing its PIM-related revenue requirements, the Company has incorporated incremental capital and operating expenses for its distribution and transmission pipelines. It is recommended that the Company's revenue requirements associated with distribution-related PIM costs be reduced by $389,000. The federal regulations for distribution pipelines have not been issued and, therefore, any associated costs are not known or definite at this point in time.

9. The Company's proposal to implement a Usage Attrition Adjustment ("UAA"), in the event that the current Conservation Incentive Program ("CIP)" is not extended, is premature. The CIP, as a pilot program is effective until October 2009, and it should continue through that date so parties have ample time to assess its operation.

10. Several modifications to the Company's incentive programs have been proposed in the filing. Additionally, the Company has proposed a new Winter Incentive ("WI") as a compliment to its existing Storage Incentive ("SI"). These modifications and the WI program may be effected by

changes that are contemplated for the Company's overall procurement function. Accordingly, Rate Counsel is not setting forth positions on either the CIP or the incentives in this testimony. Rather, they will be fully addressed by me and/or other Rate Counsel witnesses in subsequent filed direct testimony.

IV. MANAGEMENT AUDIT AND POLICY ISSUES

- Audit: Gas Procurement

Q. IN THE AUDIT CONDUCTED BY LIBERTY, WERE THERE ISSUES RAISED CONCERNING THE COMPANY'S PROCUREMENT?

A. Yes. The Audit came to three conclusions related to the interrelationships between NJNG and NJRES (Audit, Vol. 1, pp.78-80):

– The combined NJRES/NJNG gas supply function does not create a structure that focuses on optimizing NJNG's effectiveness in wholesale markets.

– The organizational structure, procedures, and performance reviews applicable to NJNG gas purchases and sales are not sufficient to protect utility customers.

– Including selected utility employees in NJRES' incentive compensation plan is not appropriate.

Q. WOULD YOU BEGIN BY DISCUSSING THE NJRES/NJNG PROCUREMENT RELATIONSHIP AND ITS EFFECTIVENESS?

A. The Audit highlights the fact that the Company's Utility Trader and its Trading Analyst perform their duties as part of NJRES' integrated management of the two businesses and that these two NJNG employees receive a substantial portion of their compensation from NJRES's bonus program. The Audit also notes that, "A key difference between NJRES's relationship with NJNG and its relationship with its other asset management clients is in the nature of the agreements that govern the relationship" and "In the case of NJNG, however, there is no asset management agreement" (Audit Vol. 1, p.79).

There is little doubt that having NJNG employees compensated by NJRES is inappropriate as is the two companies performing procurement tasks without any formal agreement. Were any non-affiliate entity providing assistance for the Company, there would certainly be a detailed agreement covering terms and conditions of services and a more formal evaluation of procedures and performance.

Q. TURNING TO THE AUDIT'S CONCLUSION THAT THERE ARE INADEQUATE ORGANIZATIONAL STRUCTURE, PROCEDURES, AND PERFORMANCE REVIEWS TO PROTECT UTILITY CUSTOMERS, DO YOU HAVE ANY COMMENTS?

A. The Audit correctly highlights the potential conflicts of interest inherent in the joint management of the gas supply function and with the issue of whether, as NJRES grows, it might assign benefits to its clients in response to favorable contract structures (Audit, Vol. 1, p.79). These are issues that need to be addressed in any future restructuring of the Company's gas procurement.

Q. WHAT ACTIONS WERE RECOMMENDED IN THE AUDIT TO ADDRESS THE IDENTIFIED ISSUES?

A. Unfortunately, the Audit does not provide any definitive structure to address both potential conflicts of interest and on-going performance of the Company's procurement and its capacity management. On an interim basis, the Audit calls for dual reporting relationships for the utility manager, assurance that such a manager and his staff have appropriate experience, and the development of performance plans based solely on utility work. In addition to these steps, the Audit also calls for the Company to analyze the effectiveness of its procurement changes and provide a report for BPU Staff's review (Audit, Vol. 1, pp.81-82).

Q. BASED ON THE AUDIT'S RECOMMENDATIONS, WHAT ACTIONS HAS THE COMPANY TAKEN OR WILL IT TAKE IN RESPONSE?

A. In the appendix to the Audit the Company addressed the Audit issues but did not specify when the various actions were to be taken or implemented. What the Company has done is provide an estimate of what the cost will be to address the procurement related changes. In its recent 9+3 update, cost estimates were provided for incremental staffing and office space, with the major portion of the $745,000 cost related to incremental employee support.

Also, on April 22nd the Company filed with the Board an updated response to the final Audit. Rate Counsel's comments regarding this letter will be included in supplemental testimony.

Q. ARE THE COST ESTIMATES REASONABLE, GIVEN THE ACTIONS ENVISIONED BY THE AUDIT?

A. It is really not possible to evaluate the costs, given the relatively nebulous nature of the changes that will ultimately be proposed or taken. Quite frankly, the Audit report and its appendix along with a cost estimate do not adequately translate into a reasonable cost/benefit analysis for what changes could or should be undertaken.

The full separation of procurement from NJRES may or may not be the appropriate response to the Audit's identified deficiencies. Several of the Audit recommendations concerning oversight, compensation, and the development of an enhanced NJNG procurement staff appear to be givens. However, whether or not the overall Audit recommendations will ultimately result in best practices procurement is far less certain.

Q. WHAT TYPES OF ISSUES NEED TO BE RESOLVED IN ORDER TO BRING ABOUT THE BEST RESULTS FOR THE COMPANY AND ITS RATEPAYERS?

A. The first issue that needs to be acknowledged is that, notwithstanding the Audit's observations, NJNG has obtained considerable capacity-related credits to lower its BGSS gas cost, at essentially no cost to its ratepayers. Accordingly, any fix to the Audit's concerns needs to ensure that ratepayers will not be adversely affected by changes to the Company's overall procurement structure.

The Audit suggests that the Company switch from utilizing a cooperative procurement process to segregating an in-house utility function. This is being done at a time when many utilities are doing the exact opposite in the belief that capacity management is best done from a trading rather than from a utility platform. Therefore, there are initial questions of who can best manage a capacity portfolio and what are the associated costs for the alternatives. Unfortunately, neither the Audit nor the Company has meaningfully addressed these two questions.

Even if the utility can develop enhanced gas procurement staff, it is quite possible that this staff will not be able to equal or surpass the results obtained by a capacity manager. Conversely, internal, as opposed to external, capacity management will cost less. If the Company wishes to investigate alternative procurement methods, it should file a separate petition to change the gas procurement framework recommended by the Audit.

Q. ON THE BASIS OF WHAT YOU HAVE SAID, WHAT ARE YOUR RECOMMENDATIONS CONCERNING THE RESTRUCTURING OF THE COMPANY'S GAS PROCUREMENT FRAMEWORK?

A. First, it should be reiterated that the changes included in the Audit and the initiatives identified by the Company should go forward. However, the Company should also be required to fully evaluate its procurement and capacity management, including the potential use of an external asset manager, and it should develop a comprehensive blueprint for the future. Any new procurement program should continue the separation of functions, as recommended in the Audit. A proposed procurement program should be submitted to the Board in a new filing, and all interested parties should have an opportunity to review the basic blueprint. The submission of such a procurement program should be filed as part of a collaborative process between the Company, Board Staff, Rate Counsel and other stakeholders with the expectation that a definitive program would be submitted as part of the Company's BGSS filing next year.

- <u>Audit: Matching Transactions</u>

Q. DID THE AUDIT ADDRESS THE ISSUE OF MATCHING TRANSACTIONS, AND IF SO, WHAT WERE THE ISSUES INVOLVED?

A. During its Audit, Liberty performed a transaction analysis wherein matching transactions were defined to involve:

– A common date for agreeing to the transaction (sale or purchase);

– Common flow dates (beginning and end); and

– Common delivery or receipt points.

Under these criteria, Liberty sought to determine whether there was an effective transfer of value from the utility to its affiliate, NJRES. The Audit's transaction testing identified some trades that suggested a sale of gas from one of the affiliates to the other, which Company policy forbids (Audit Vol. 1, pp.67-68). In the course of its investigation, Liberty examined relationships with linked transaction counter-parties, different names for the same location, the influence of NJRES on NJNG's capacity commitments, and different flow dates (Audit, Vol. 1, pp.70-72).

Q. WHAT WERE THE AUDIT'S CONCLUSIONS CONCERNING MATCHING TRANSACTIONS BASED ON ITS REVIEWS AND ANALYSES?

A. The Audit determined that there were important questions about potential harm to NJNG customers that require additional analysis. It went on to note that identified transactions indicated only a small level of potential harm to customers and that more detailed analysis was needed in order to ensure that the identified transactions did not represent only a subset of potentially troublesome transactions (Audit, Vol. 1, p.80).

The Audit further recommended that, "there needs to be a formal, structured, objective examination of the remaining potential means for transferring value inappropriately from NJNG to NJRES" and "that pending completion of this examination . . . the utility should defer any further commitments to gas transportation and storage facilities." (Audit, Vol. 1, p.83).

Q. BASED ON YOUR REVIEW OF THE AUDIT, WHAT IS YOUR ASSESSMENT OF THE MATCHING TRANSACTIONS ISSUE?

A. While the Audit appropriately recognized that there was potential for value transfers between the Company and NJRES, the Audit did not produce evidence that such transfers took place to any material degree. Liberty itself, after considerable investigation, only documented about $35,000 of potential adverse consequences in its analysis, and it claimed $510,000 of adverse consequences under NJRES's expanded analysis (Audit, Vol. 1, p.76). However, the Company has stated that the Liberty analysis did not quantify a transfer of value, and it provided data that showed that NJNG purchased and sold gas at prices consistent with market prices (Company response RCR-P-8).

On balance, the Audit did not establish that there were material value transfers between the Company and NJRES. This conclusion is supported by the fact that Liberty itself recommends future reviews in order to further examine potential value transfers between NJNG and NJRES. No conclusive evidence was developed to show value transfer, and what might be developed prospectively is speculative. The prospect of some quantification of value transfer also needs to be put in perspective, given the BGSS capacity credits achieved by the Company over the audit period. As shown on Schedule 1, over the eight fiscal years 1999 through 2006, NJNG's BGSS was provided $165.4 million of credits. Accordingly, in this proceeding, it is not recommended that any revenue adjustment be made for matching transactions. It is, however, recommended that no moratorium be imposed upon NJNG's potential commitments for gas transportation and storage capacity.

- Audit: CWIP Close Outs

Q. IN THE MANAGEMENT AUDIT THERE WAS A FINDING THAT NJNG DOES NOT TIMELY CLOSE OUT CWIP WORK ORDERS TO PLANT IN SERVICE. WOULD YOU EXPLAIN THE ISSUES INVOLVED?

A. The Company utilizes the FERC Uniform System of Accounts ("USOA") to account for capital projects. Since the Company accrues an allowance for funds using during construction ("AFUDC"), during the construction work in progress ("CWIP") phase of such projects, there is a timing issue as to when a project ceases to be CWIP. As a general matter, capital projects remain in CWIP until the completion of construction.

The auditors expressed a concern that waiting for the completion of all phases of construction allows projects to continue to accrue additional costs, such as AFUDC, and permits the assets to continue to grow in value rather than depreciate after entering service (Audit, Vol. 3, p.189). In response, the Company noted that some of the time delays in closing out projects to Plant In Service were caused by regulatory and permitting issues.

Q. DID THE AUDIT ATTEMPT TO QUANTIFY THE AMOUNT OF AFUDC THAT HAD BEEN CHARGED IMPROPERLY TO PROJECTS THAT WERE NOT CLOSED OUT IN A TIMELY MANNER?

A. The Audit concluded that NJNG does not timely close out CWIP work orders as completed and put in service and recommended that the Company be directed to follow FERC guidelines for closing work orders (Audit, Vol. 3, pp.193-194).

The Audit only cited certain project examples that did not quantify any amount of excess AFUDC charged by the Company. However, in discovery the Company was asked to identify all instances where there was a delay between a project's going into service and its reclassification from CWIP to Plant In Service. In response the Company provided data on those projects where there were time delays between the end of construction and when the project was closed to Plant In Service (Company Response RCR-P-12).

As shown on Schedule 2, three projects, involving $3.389 million of investment, accrued $188,000 of AFUDC during the period from the end of construction to the date of close out.

Q. WHAT IS YOUR RECOMMENDATION CONCERNING THIS AFUDC ISSUE?

A. It is recommended that the Company's rate base be reduced by $188,000. Regarding the generator building associated with the Howell LNG facility, it should be noted that there was a delay in obtaining permitting and therefore there were two completion dates, the first when the construction was completed, and the second when Howell Township issued a certificate of operations. However, since the Company itself defined the delay interval, AFUDC should not be allowed when construction has been completed.

Q. ARE THERE ANY OTHER ISSUES THAT ARE RELATED TO AFUDC?

A. Yes, there is one additional issue. The Company, apparently unilaterally modified its method for computing AFUDC in October 2007. Whereas historically the Company based its AFUDC rate solely on debt costs, it modified the rate as of October 1, 2007 to reflect both debt and equity. Irrespective of whether the revised rate is more in line with utility industry standards, it is believed that such an accounting change should have been approved by the Board or at least deferred until this base rate case.

The old AFUDC rate was 4.7%, reflecting only debt, while the new rate is 8.3%, using both debt and equity cost rates (Company Response S-RREV-77). While it is reasonable to periodically update the AFUDC rate for changes in the debt rate, it is another thing to modify the underlying basis for the allowance.

Q. BASED ON THESE CONSIDERATIONS, WHAT ARE YOU RECOMMENDING?

A. It is recommended that any AFUDC amounts accrued since October 1, 2007 be adjusted to reflect only the 4.7% debt rate until such time as the Board authorizes an accounting change. Accordingly, there should be a rate base adjustment to reduce the AFUDC amount. Failure to make such an adjustment would implicitly allow the Company to make other potential accounting changes in the future. For example, if two years from now the Company believed its cost of equity had increased to 15%, it should not be allowed to modify its AFUDC rate.

- <u>Audit: Customer Service and Meter Reading</u>

Q. IN THE MANAGEMENT AUDIT THERE WERE CONCLUSIONS THAT THE COMPANY'S CALL CENTER, CUSTOMER SERVICE AND METER READING HAD LOW SERVICE LEVELS AND REQUIRED REMEDIAL ACTIONS. WOULD YOU DISCUSS THESE SPECIFIC ISSUES?

A. Turning first to call center customer service response, the Audit data showed high call abandonment rates and high average speed of answer times. To put these statistics into perspective, it should be noted that the Company has more than 470,000 customers and receives more than 700,000 customer calls per year (Audit, Vol. 3, p.91).

In measuring customer call center performance, two metrics are consistently used by utilities: abandoned call percentage ("ACP") and average speed of answer ("ASA"). For ACP, despite its practice of blocking calls when its trunks are full, the Company still was over its 6% ACP goal almost 90% of the time. Its ACP was often in the 7% to 9% range, and in 2005-2006 was over 12%

during five months. These ACP levels are in contrast to industry levels of 5% or lower for ACP percentages. In addition to its high ACP, during the period from October 2005 through March 2007, an additional 241,676 customers were blocked because of trunks that were full (Audit, Vol. 3, p.98). This level of call center performance is not acceptable for a utility that prides itself on high levels of customer service and satisfaction.

With respect to the Company's ASA, it too did not meet industry benchmarks. Many utilities maintain standards of answering 80% of their calls within 20 or 30 seconds. NJNG's goal is answering 70% of its calls within 30 seconds. In practice, during 2006 the Company answered less than 50% of its calls within 30 seconds, and it never met its ASA goal in any month during 2005 and 2006. To put this in perspective, for the 24 months ended November 2006, in nine months the ASA was 100 seconds or more, and in one month the ASA exceeded 250 seconds (Audit, Vol. 3, p.99).

Q. WHAT WERE THE AUDIT'S MEASURES FOR THE COMPANY'S METER READING METRICS?

A. The utility typically monitors the percentage of meters that are read as scheduled and the accuracy of the billings sent to customers. As for reading meters as scheduled, the Company's percentages ranged from 87% for the first half of 2006 to 96% for the last quarter of 2006. For measuring billing accuracy, the Company tracks the percentage of re-bills to total meters read. As noted in the Audit, "the level of re-bills issued to customers is indicative of meter reading or billing errors, or poorly estimated bills." (Audit, Vol. 3, p.102). For the years 2004 through 2006, the Company's percent of re-bills ranged between 14% and 16%.

Q. BASED ON THE CONCLUSIONS CONTAINED IN THE AUDIT, WHAT ARE YOUR OBSERVATIONS CONCERNING THE COMPANY PERFORMANCE?

A. To a large degree, the Audit's performance data speaks for itself. The Company's call center operation appears to require several improvements. The level of in-bound trunks need to be increased; auxiliary time, which is time spent performing off-phone tasks, needs to be decreased; and/or call center staff needs to be increased. For meter reading, as the Audit notes, the metrics are being adversely affected by the Company's bi-monthly estimates, summer estimates, and estimates as a result of forced route completions, insufficient staffing, or meter inaccessibility (Audit, Vol. 3, p.103).

It must, however, be noted that more recently the Company has begun to take remedial actions to address the types of problems referenced in the audit. Additional positions have been added to the call center staff, attrition of staff has been addressed, and auxiliary time has been reduced for call center staff. For metering, additional temporary positions were added, along with five full time positions. The Company has also initiated a rerouting program in its Monmouth

Division and an improved method for tracking meter reading errors was introduced early in 2007 (Company Response RCR-P-6).

Q. HAVE THERE BEEN ANY OTHER METER-RELATED INITIATIVES ANNOUNCED BY THE COMPANY?

A. Yes, in the Company's 9+3 filing, the Company proposed to install, subject to Board review and approval in this proceeding, Automated Meter Reading ("AMR") technology throughout its Monmouth County service territory (Buth 9+3, pp.17-18). With this initiative the Company would also reassign Monmouth meter reading personnel to Ocean and Morris Counties, thereby being able to implement system-wide monthly meter reading. The associated capital cost is estimated to be $14.4 million with an incremental after-tax operating expense of $1.6 million (Buth 9+3, p.18).

It is appropriate to note that this proposal was not addressed in the Company's initial filing and no supporting documentation was provided in support of the scope, cost, or associated benefits for the proposal. Additionally, it appears that the costs are estimates at this point and, therefore, do not satisfy the known and definite criteria for inclusion in test period results upon which rates are to be set. Rate Counsel witness Howard Woods will address this proposal in his testimony filed May 30.

- <u>Performance Measures and Standards</u>

Q. BASED ON THE AUDIT'S CONCLUSIONS AND THE COMPANY'S SUBSEQUENT ACTIVITIES, INCLUDING ITS AMR PROPOSAL, DO YOU HAVE ANY ASSOCIATED COMMENTS OR RECOMMENDATIONS?

A. Yes. My recommendation is that the Board implement performance benchmarks for the Company in this proceeding. Given that the Company is seeking comprehensive incentives for various performance benchmarks, it is logical that there likewise be service benchmarks with penalties for failure to meet defined performance goals. This is particularly appropriate for the Company's call center and meter reading functions, given the recently proposed new service related initiatives.

Q. WOULD YOU DISCUSS THE TYPES OF ISSUES THAT WOULD NEED TO BE ADDRESSED IN ESTABLISHING A SERVICE BENCHMARK PROGRAM?

A. Initially, there is a need to develop an overall framework for the program. As a starting point, the Company's service measures have to be defined and quantified. There then is a need to determine what constitutes an adequate level of performance under each specified measure. Such performance would be considered to be the benchmark for on-going reporting and evaluation. There also is a need for the specification of penalties for cases where adequate performance relative to the benchmarks is not maintained.

In order to fulfill service objectives, it is also necessary to ensure that customers receive reasonable service on a consistent basis. Using call center response times as an example, it is not acceptable for calls to be answered in 30 seconds 80% of the time during a year, if, in any given quarter, the standard was met only 60% of the time. To a customer, month-by-month and even day-by-day performance is relevant. Since calling volumes vary over periods of time, the longer the measurement interval, the less likely it is that service deficiencies will be identified. Thus, while deficiencies may not be identified in a program measured annually, it is quite likely they will, nevertheless, result in increased complaints. In the end analysis, call center staffing must be adequate to meet call volume requirements throughout the year, not just provide acceptable performance over extended periods of time. The Company should maintain service data on a monthly basis. This would enable on-going review of results.

The program also should take exogenous events into account if they had an impact on any deficiency. Bad weather could distort the performance of meter readers, and telephone equipment problems could hinder call center operations. Therefore, the imposition of any penalty should take into account the circumstances of the deficiency and to what degree it may have been beyond the Company's control.

Q. WHAT SPECIFIC PERFORMANCE MEASURES ARE YOU RECOMMENDING, AND WHAT BENCHMARK LEVELS WOULD BE APPROPRIATE?

A. The specific performance measures that are recommended are shown on Schedule 3. The average speed of answer measurement is based on data concerning the interval of time between when a caller interacts with the answering system and when the customer connects with a customer service representative. The ASA measure should be defined to be the percentage of calls answered within 30 seconds, including those calls which are abandoned by the customer. As for the abandoned call percentage, it measures the level of calls which are terminated by the caller prior to being answered. Such abandoned calls are typically indicative of inadequate service (higher than acceptable ASA levels). Based on recent performance, an 80% compliance with a 30 second ASA, on a quarterly basis, is recommended as the Company's benchmark.

It is also recommended that an abandoned call percentage measure be established. The ACP is defined as calls to the Company's system that are terminated by the caller prior to reaching the appropriate department or a customer service representative. This measure adds a qualitative component to the measurement of call center performance since the ACP is a direct indicator of customer dissatisfaction. As for the performance benchmark, an ACP of 5% or less should be reasonable and attainable on a quarterly basis. This ACP benchmark is being used by several utilities that have been reviewed. Generally in those states that utilize an ACP measure, the benchmark is in the 3.5% to 5.0% range.

There should also be a metric for the percentage of calls that are blocked either because of insufficient in-bound trunks or inadequate call center staffing. The Company has a call option wherein customers on hold can provide their phone number and be called back ("Virtual Hold"). Although this option is an excellent feature, the fact remains that such calls are still effectively blocked and, therefore, should be included in abandoned call totals. For this measure a 2% or lower performance benchmark appears reasonable.

In the program, the Company's performance on meters and billing should be measured by two principal metrics. The first is scheduled meters read on cycle and the second is rebills per 1000 customers. Both of these measures cover service areas where the Company's performance requires improvement based on several audit findings.

For the meter reads on cycle, a benchmark of 95% or higher is proposed. This is an attainable level of service, and this benchmark could be raised in subsequent years. The other billing-related service measure is the number of rebills per 1000 customers. Rebills are defined to be all bills mailed to customers that are subsequently adjusted, cancelled, or reissued for any amount or reason.

Based on this data it appears that an initial quarterly benchmark should be established at 60 rebills per quarter. This benchmark would effectively reflect that annually about 4% of the Company's initial bills would require a rebill.

For field operations, two service measures and one reporting requirement are recommended. The first measure is service appointments met. This metric measures the percentage of appointments for such things as meter installations, reconnections, starting and final meter reads and high bill investigations that were met on the same day requested, and excludes situations when a customer misses the agreed-upon date.

The second service measure for field operations is the percentage of times that the Company responds to an odor or leak report within one hour. This metric covers class I and II odor calls and considers a response to require the Company to establish a "make safe" condition rather than just arrive at the location. Ambiguity arises from the fact that in certain situations involving Class I odor calls, the first response personnel may not be qualified or able to address the identified problem. For example, a customer service representative would not be able to address a below-ground main or service leak, which generally would require a distribution crew.

It is also recommended that the Board require exception reporting for all calls which are not responded to within one hour. With such reporting, qualitative data will be available to evaluate any interval in excess of one hour and to understand the basis for the response delay. To the degree the 5% non-compliance is caused by minor, random events, there may be relatively little concern. But, if the intervals beyond one hour are of a significant duration, or patterns appear in the locations where there is non-compliance, then remedial actions may be required even if the Company is meeting the basic benchmark.

The final service measure does not relate directly to specific Company activities. Rather, it is broad in scope and is intended to gain qualitative rather than quantitative information concerning customer complaints to the Board.

The customer complaint measure fundamentally is the best barometer of the Company's overall performance. If complaints, as measured per 1,000 customers, escalate above the 1.0 to 1.5 level on an annual basis, there is almost certainly some form of service quality problem. In addition to serving as a barometer of performance, customer complaints, when compiled by type of complaint, also provide very valuable information on the areas where performance may be deficient. Therefore, as a corollary to the monitoring of complaint levels, data should be compiled by either the Company or the Board Staff to identify categories of complaints. Such a compilation of complaints is very useful in determining whether the program is adequately covering service quality areas and identifying any incremental areas which need to be incorporated into the program.

These proposed metrics, along with the Company's performance for the past three years, are shown on Schedule 4. While all of the metrics and the benchmarks are relatively common in the utility industry, it is anticipated that certain details of the program will benefit from input from the Company and other parties. Accordingly, it is anticipated that in adopting a performance program the Board will set a date for implementation which will allow for a collaborative process within a specified time frame.

Q. WITH THE IMPLEMENTATION OF YOUR PROPOSED PROGRAM, WHAT PENALTIES SHOULD BE SPECIFIED?

A. In order to ensure that the established benchmarks are met by the Company, it is appropriate that penalties be applied for any quarterly service deficiency. These penalties should, theoretically, be a sufficient deterrent to ensure that the Company meets its service benchmarks.

In addition, it should be understood that any penalty amounts are subject to the discretion of the Board. Thus, the penalties could be established by the Board based on the severity of the performance deficiency, the duration of the deficiency, and the potential impact of exogenous events. It is envisioned that the Board would address penalties and any related factors only after a quarter in which performance was materially deficient against the defined benchmarks.

As for the concept of allowing better than benchmark performance to cancel or offset deficient performance, by utilizing a quarterly benchmark the program would allow limited offsetting for monthly performance in any specific service measure. For example, one month's deficient performance in a quarter could be offset by two other months when performance might be better than required by a benchmark. Such a limitation on offsets is appropriate since good performance does not cancel out deficient service from the customers' perspective.

There really is no practical reason to allow better than benchmark performance on one measure to credit or offset deficient performance on another measure. If the program's objective is to ensure adequate service, each of the performance measures should be evaluated and subject to penalties, if required, on a stand-alone basis.

With respect to the level of penalties which should be adopted, there are several relevant considerations. The first involves the potential matching of penalty level with the importance of each service measure. In most programs, if a uniform penalty is not utilized, safety-related measures are given the highest levels, with non-customer contact measures having the lowest levels.

As to the total amounts of the penalties to be established, there are two basic approaches to their determination. The first is linked to the operating revenue of the operation, where the total imposed penalties must be less than a certain percentage of the utility's transmission and distribution revenues. The second penalty quantification stems from the fact that service activities are typically labor intensive, and therefore there is a relationship between the performance and the related cost to the utility. Based on this, penalties could be tailored to the labor and any associated capital costs that have a direct relationship to the service level achieved. This means that, in order to be an effective deterrent, the penalty for any service measure should exceed the cost savings that would be realized in failing to meet that given service benchmark.

With respect to the crediting of penalty amounts to customers, some programs have customer specific credit mechanisms. However, given the administrative issues with such customer specific credits, and given that the program is just starting up, a broader general crediting mechanism is recommended. Accordingly, it is proposed that any penalties collected from the Company be credited to the BGSS.

Another issue is that, while the Company should report its monthly data within thirty days from the end of each quarter, it should also document any claim it might have concerning the impact of exogenous events on its reported monthly performance for the quarter. Such claims would be reviewed by the parties, and any dispute concerning an exogenous claim, or any performance which would warrant the imposition of a penalty, would be addressed by the Board.

Thus, if there were months in which an exogenous event took place, deficient performance could be excused. However, the Company would have to show that such exogenous events were the cause of the inadequate performance. For example, the Company cannot staff its field operations for periods when activity is low and then claim that any monthly failure to meet a service measure is, by definition, an exogenous event.

In summary, it is important to note that the imposition of penalties is neither the objective of the program, nor, ideally, the major reason why the Company will seek to maintain good customer service. With the program's definition of service benchmarks and the on-going reporting of performance data, it is anticipated that the Company will be better able to monitor service and take remedial actions if and when required. Experience in other jurisdictions indicates that the availability and evaluation of program data, by both the Company and the Board, has as much to do with ultimate performance as the existence of any penalty mechanism.

While utilities such as NJNG need to control their operating expenses to the greatest extent possible, the program should provide quantitative measures of when such cost control is unreasonably affecting the Company's prime objective, and obligation, to provide safe and adequate service.

- <u>Pipeline Integrity Management</u>

Q. COULD YOU BEGIN BY GIVING A LITTLE BACKGROUND AS TO THE GENESIS OF PIM AND HOW IT IMPACTS GAS DISTRIBUTION COMPANIES?

A. In December 2002, Congress passed the Pipeline Safety Improvement Act and, in response to the Act, the federal Office of Pipeline Safety ("OPS") adopted Pipeline Integrity Management ("PIM") regulations concerning gas transmission lines in High Consequence Areas ("HCAs"). Under the PIM regulations, gas utilities are required to use a comprehensive analysis to assess, evaluate, repair and validate the integrity of transmission lines that could affect HCAs in the event of a leak or failure (Letter to BPU, October 11, 3005, Docket No. GO05100879, p.1).

These OPS regulations are in effect, and natural gas pipeline operators, such as NJNG, are in the process of addressing the requirements of the PIM regulations. In 2005, the New Jersey gas utilities cited an on-going process by OPS to also issue PIM regulations for gas distribution systems. Such proposed regulations were expected to be issued in the third quarter of 2006 (Letter to BPU, p.5). In the PIM docket, when the New Jersey gas utilities were asked for cost estimates associated with the implementation of PIM for distribution systems, they responded that "Because the regulations for gas distribution Pipeline Integrity Management have not yet been promulgated, it is not possible to derive estimates for the associated costs." (Response to RC-4, Docket No. GO05100879)

In the same docket, the New Jersey gas utilities updated the expected implementation date for the distribution PIM rules by stating, "OPS anticipates issuing a notice of proposed rulemaking sometime in May or June of 2007, with the final rule to be issued December 2007." The gas utilities went on to state, "Operators will then have until June 2009 to implement the regulations" (Response RC-36).

Q. BASED ON THE CONTINUING DELAY IN THE ADOPTION OF PIM REGULATIONS, WHAT IS THE IMPACT ON THE COMPANY'S CURRENT CLAIM FOR PIM RELATED COSTS?

A. At the current time, the Company has stated that the PIM regulations for distribution are expected to be released in the Spring of 2008. Assuming that OPS issues a notice of proposed rulemaking based on this estimate (which is not all that certain), then final rules may be adopted by the end of 2008, with distribution utilities having until about June 2010 to implement the rules.

At a minimum, the Company's allowance for such distribution costs is premature, since its associated cost estimates are not known and definite at this time. In its filing the Company has included more than $5.0 million of capital costs and over $1.0 million of O&M expenses for the 2009-2010 period. Therefore, it is recommended that capital costs and O&M expenses for PIM distribution activities should be excluded from the Company's current rate determination.

Q. HAVE YOU CALCULATED WHAT THE IMPACT OF SUCH AN EXCLUSION WOULD BE?

A. On Schedule 5 there are approximate adjustments based on the Company's 9+3 estimates that are in turn based on the Company's proposed rate of return. As shown, the Company's total expense increase would be reduced by about $389,000 before tax if the Board were to exclude distribution related PIM costs. The related calculations were based on the amounts and methodology used by the Company in its 9+3 update.

Q. ARE THERE ANY OTHER POTENTIAL ADJUSTMENTS THAT NEED TO BE MADE TO THE COMPANY'S PIM EXPENSE ESTIMATE?

A. Yes. There is a potential issue involving the level of investment contained in the Company's capital expenditures for transmission. To the degree that capital investment for the Franklin Line Replacement is included in the PIM expense claim, its amount should be reduced to the degree that expenditures for the Marlboro Easement and the Old Bridge sections are determined not to be 100% related to PIM requirements.

The concept of including prospective investment, rather than plant in service, in the Company's rate base is a departure from accepted practice. However, given the nature of the PIM requirements, an exception may be warranted. But, to the degree some of the prospective investment is not PIM related, it will be revenue producing and should not be allowed in this case.

- Incentives and CIP Issues

Q. WOULD YOU BRIEFLY SUMMARIZE THE ISSUES CONCERNING BOTH THE COMPANY'S CIP AND INCENTIVE PROPOSALS?

A. The Company has made a proposal to implement a Usage Attrition Adjustment in the event that its CIP is not extended. The current CIP is a pilot program that started in October, 2006 and is scheduled to end in September, 2009. As part of its program, the Company agreed to develop an evaluation of the pilot program's effectiveness for its first two years of operation.

At this time, the program has not yet been in operation for two years, and the Company has yet to develop its evaluation. As such, it is premature for the Company to be proposing a new UAA program before the Company and the parties have yet to evaluate the existing CIP. Therefore, any decision concerning either the CIP or the UAA should await the Company's evaluation, a planned independent third party assessment, and the Company's submission of a proposal for any future CIP filed no later than April, 2009.

In the testimony of Mr. Shields, there are various modifications and a new proposal concerning incentives. The Company is seeking to extend its existing incentives, modified certain volume and cost limitations, and add a new Winter Incentive. Some of these modifications and the nature of the incentives may be dependent upon the on-going procurement management changes discussed previously. Accordingly, Rate Counsel will be taking positions on the incentive proposals, as well as on the CIP, in its testimony scheduled to be filed later in this case. At that time, testimony will be submitted by me and/or other Rate Counsel witnesses on the Company's related proposals and testimonies.

Q. MR. LELASH, DOES THIS CONCLUDE YOUR DIRECT TESTIMONY IN THIS MATTER?

A. Yes, it does at this time.

V. SUPPORTING SCHEDULES

New Jersey Natural Gas Company
BGSS Capacity Credits
($ millions)

Fiscal Year	Off-System	Release	Enhancement	Total
1999	$ 11.5	$ 7.9	$ 2.1	$ 21.5
2000	11.0	3.8	4.7	19.5
2001	8.0	2.9	6.0	16.9
2002	11.4	2.4	8.2	22.0
2003	5.5	2.4	10.5	18.4
2004	13.9	2.4	7.1	23.4
2005	20.8	2.6	-	23.4
2006	18.1	2.2	-	20.3
Totals	$100.2	$26.6	$38.6	$165.4
Averages	$ 12.5	$ 3.3	$ 4.8	$ 20.7

SOURCE: Company Response RCR-INC-3.

New Jersey Natural Gas Company
Delay in CWIP Close Out
(000's)

Project	Investment	Completion	Closed Out	AFUDC
Generator Building	$2,180	05/05	03/07	$ 144
Freehold Trunk Main	1,066	09/02	03/04	21
Wall Station	558	12/03	04/06	23
Totals	$3,804			$ 188

SOURCE: Company Response RCR-P-12.

Schedule 3

New Jersey Natural Gas Company
Proposed Service Measures

	Benchmarks
Call Center	
- Percentage of Calls Answered Within 30 Seconds	80% in 30 Seconds
- Abandoned Call Percentage ("ACP")	5% or Less
- Percentage of Calls Blocked	2% or Less
Meter Reading and Billing	
- Percentage of On-cycle Meter Reads	95% or More
- Re-Bills per 1,000 Customers	20 or Less Per Month
Field Operation	
- Percentage of Make Safe Responses in 60 Minutes	95% or More
- Exception Reporting on Make Safe Responses in Excess of 60 Minutes	Reporting Only
- Percentage of Service Appointments Met	95% or More
Overall Service	
- Customer Complaints to BPU per 1,000 Customers	1 Per 1,000 Annually

Schedule 4

New Jersey Natural Gas Company
Benchmarks vs. NJNG Performance

	Benchmark	2005	2006	2007
Call Center				
Answered Within 30 Seconds	80%	N/A	41%	54%
Abandoned Call Percentage	<5%	8.7%	9.4%	6.7%
Calls Blocked Percentage	<2%	N/A	19%	19%
Meter Reading and Billing				
On Cycle Reads Percentage	>95%	81%	89%	94%
Re-Bills per 1,000 Customers	<20 per month	51	61	52
Field Operations				
Make Safe in 60 Minutes	>95%	99%	99%	99%
Exception Reporting	-	-	-	-
Service Appointments Met	>95%	98%	99%	N/A
Overall Service				
Complaints per 1,000 Customers	<1 annually	0.8	0.9	0.7

SOURCES: Responses RCR-P-4, RCR-P-5, RCR-P-10, and RCR-OPR-92, and Responses RCR-10 and RCR-11 from Docket No. GO05100879.

New Jersey Natural Gas Company
Estimated PIM Expenses

	Transmission	Distribution	Total
PIM Capital Expenditures			
Mains - 3 Year Average	$ 983,333	$1,679,576	$2,662,909
Net of Tax Return	7.49%	7.49%	7.49%
Return on Investment	$ 73,652	$ 125,800	$ 199,452
Depreciation on Capital			
All Capital	$ 26,648	$ 54,208	$ 80,856
PIM O&M Expenditures			
O&M - 3 Year Average	$1,266,880	$ 334,726	$1,601,606
Total Annual Impact	$1,293,528	$ 388,934	$1,682,462
Test Period Expense	1,050,950	316,050	1,367,000
BT Net Expense Increase	$ 242,527	$ 72,935	$ 315,462
Income Tax 41.00%	99,630	29,962	129,592
AT Expense Increase	$ 142,897	$ 42,973	$ 185,870
Total Expense Increase	$ 216,549	$ 168,773	$ 385,322

SOURCES: Schedule JSB-33 (9+3) and response S-RREV-5.

VI. APPENDIX: PRIOR R.W. LELASH TESTIMONIES

R. W. LELASH'S REGULATORY TESTIMONIES
(2003 to Present)

262. Rhode Island, New England Gas Company (Docket No. 3476) Service Quality Surrebuttal Testimony for the Division of Public Utilities (February, 2003).

263. Pennsylvania, Philadelphia Gas Works (Docket No. R-00038173) Gas Procurement and Policy Testimony for the Pennsylvania Office of Consumer Advocate (April, 2003).

264. New Jersey, Elizabethtown Gas Company (Docket No. GA02020099) Comments Concerning Affiliate Audit for the New Jersey Division of the Ratepayer Advocate (June, 2003).

265. Maine, Northern Utilities (Docket No. 2002-140) Management Audit and Service Quality Report for the Maine Public Utilities Commission (June, 2003).

266. New Jersey, Public Service Electric & Gas Company (Docket No. GR03050400) Pipeline Refund Allocation Testimony for the New Jersey Division of the Ratepayer Advocate (August, 2003).

267. Ohio, Vectren Energy Delivery of Ohio (Case No. 02-220-GA-GCR) Gas Procurement and Policy Testimony for the Ohio Consumers' Counsel (November, 2003).

268. Delaware, Delmarva Power & Light Company (Docket No. 03-378F) Evaluation of Gas Procurement and Price Hedging Testimony for the Delaware Public Service Commission (February, 2004).

269. Pennsylvania, Philadelphia Gas Works (Docket Nos. R-00049157 and P-00042090) Purchased Gas Cost Testimony for the Pennsylvania Office of Consumer Advocate (May, 2004)

270. Pennsylvania, Philadelphia Gas Works (Docket Nos. R-00049157 and P-00042090) Purchased Gas Cost Rebuttal Testimony for the Pennsylvania Office of Consumer Advocate (May, 2004)

271. Delaware, Chesapeake Utilities Corporation (Docket No. 02-287F) Gas Supply Plan Review for Chesapeake Utilities and the Delaware Public Service Commission (July, 2004).

272. Georgia, Atmos Energy Corporation (Docket No. 18509-U) Procurement and Capacity Plan Testimony for the Georgia Public Service Commission (August, 2004).

273. Georgia, Atlanta Gas Light Company (Docket Nos. 18437-U and 8516-U) Procurement and Capacity Plan Testimony for the Georgia Public Service Commission (August, 2004).

274. New Jersey, NUI Utilities and AGL Resources (Docket No. GM04070721) Terms and Conditions of Merger Testimony for the New Jersey Ratepayer Advocate (September, 2004).

275. Georgia, Atlanta Gas Light Company (Docket No. 18638-U) Business Risk Testimony for the Georgia Public Service Commission (February, 2005).

276. Pennsylvania, Philadelphia Gas Works (Docket No. R-00050264) Purchase Gas Cost Testimony for the Pennsylvania Office of Consumer Advocate (April, 2005).

277. Federal Energy Regulatory Commission, Exelon and Public Service Enterprise Group (Docket No. EC05-43-000) Market Power Testimony by Affidavits for the New Jersey Division of the Ratepayer Advocate (April and May, 2005).

278. Pennsylvania, PECO Energy Company (Docket No. R-00050537) Gas Procurement and Policy Testimony for the Pennsylvania Office of Consumer Advocate (July, 2005).

279. Georgia, Atmos Energy Corporation (Docket No. 20528-U) Gas Supply Plan Testimony for the Georgia Public Service Commission (August, 2005).

280. New Jersey, Public Service Electric & Gas/Exelon (Docket No. EM05020106) Gas Related Merger Testimony for the New Jersey Ratepayer Advocate (November, 2005).

281. New Jersey, Public Service Electric & Gas/Exelon (Docket No. EM05020106) Gas Related Merger Surrebuttal Testimony for the New Jersey Ratepayer Advocate (December, 2005).

282. New Jersey, Pivotal Utilities Holdings (Docket No. GR05040371) Pipeline Replacement Cost Recovery Testimony for the New Jersey Ratepayer Advocate (February, 2006).

283. New Jersey, Public Service Electric & Gas Company (Docket No. GR05050470) Gas Supply Requirements Testimony for the New Jersey Ratepayer Advocate (May, 2006).

284. New Jersey, Public Service Electric & Gas Company (Docket No. GR05100845) Base Rate Gas Policy Testimony for the New Jersey Ratepayer Advocate (June, 2006).

285. Vermont, Vermont Gas Systems (Docket No. 7109/7160) Report on Gas Price Hedging for Vermont Gas Systems (December, 2006).

286. Delaware, Chesapeake Utilities Corporation (Docket No. 06-287F) Report on Gas Price Hedging for Chesapeake Utilities Corporation (March 2007).

287. Delaware, Chesapeake Utilities Corporation (Docket No. 06-287F) Gas Procurement and Policy Testimony for the Delaware Public Service Commission (March, 2007).

288. Pennsylvania, Philadelphia Gas Works (Docket No. R-00061931) Base Rate Case Testimony for the Pennsylvania Office of Consumer Advocate (April, 2007).

289. Pennsylvania, Philadelphia Gas Works (Docket No. R-00072110) Gas Cost Rate Testimony for the Pennsylvania Office of Consumer Advocate (April 2007)

290. Pennsylvania, Philadelphia Gas Works (Docket No. R-00061931) Base Rate Rebuttal Testimony for the Pennsylvania Office of Consumer Advocate (May 2007).

291. Pennsylvania, Philadelphia Gas Works (Docket No. R-0001931) Base Rate Surrebuttal Testimony for the Pennsylvania Office of Consumer Advocate (May 2007).

292. Pennsylvania, PECO Energy Company (Docket No. R-00072331) Gas Procurement and Policy Testimony for the Pennsylvania Office of Consumer Advocate (July, 2007).

293. Georgia, Atlanta Gas Light Company (Docket No. 18437-U) Capacity Supply Plan Testimony for the Georgia Public Service Commission (August, 2007)

294. Delaware, Chesapeake Utilities Corporation (Docket No. 07-186) Gas Policy Testimony for the Delaware Public Service Commission (December, 2007).

295. Delaware, Chesapeake Utilities Corporation (Docket No. 07-246F) Gas Procurement and Policy Testimony for the Delaware Public Service Commission (April, 2008).

296. Pennsylvania, Philadelphia Gas Works (Docket No. R-2008-2021348) Gas Cost Rate Testimony for the Pennsylvania Office of Consumer Advocate (April, 2008).