STATE OF NEW JERSEY
OFFICE OF ADMINISTRATIVE LAW
BEFORE THE HONORABLE GAIL M. COOKSON, ALJ

I/M/O THE PETITION OF	)	
SOUTH JERSEY GAS FOR APPROVAL	)	
OF INCREASED BASE TARIFF RATES	)	
AND CHARGES FOR GAS SERVICE	)	**BPU DOCKET No. GR10010035**
AND OTHER TARIFF REVISIONS	)	**OAL DOCKET No. PUC-01598-2010N**
	)	
	)	
	)	

DIRECT TESTIMONY OF MICHAEL J. MAJOROS, JR., ON BEHALF OF THE NEW JERSEY DEPARTMENT OF THE PUBLIC ADVOCATE, DIVISION OF RATE COUNSEL

STEFANIE A. BRAND, ESQ.
ACTING PUBLIC ADVOCATE OF NEW JERSEY
AND DIRECTOR, DIVISION OF RATE COUNSEL

DIVISION OF RATE COUNSEL
31 Clinton Street, 11th Floor
P. O. Box 46005
Newark, New Jersey 07101
Phone: 973-648-2690
Email: njratepayer@rpa.state.nj.us

FILED: MAY 28, 2010

TABLE OF CONTENTS

<u>Direct Testimony</u>
<u>Of</u>
<u>Michael J. Majoros, Jr.</u>

I. <u>Introduction</u>

Q. State your name.

A. Michael J. Majoros, Jr.

Q. Who is your employer, and what is your position?

A. I am Vice President of Snavely King Majoros O'Connor & Lee, Inc. ("Snavely King"), located at 1111 14th Street, N.W., Suite 300, Washington, D.C. 20005.

Q. Describe Snavely King.

A. Snavely King is an economic consulting firm, founded in 1970 to conduct research on a consulting basis into the rates, revenues, costs, and economic performance of regulated firms and industries. Our clients include government agencies, businesses, and individuals that purchase telecom, public utility and transportation services. In addition to consumer cost and anti-trust issues, we have provided our expertise in support of a clean environment and personal damages resulting from discrimination in agricultural programs. We believe in accountability, fair competition, and effective regulation.

The firm has a professional staff of 11 economists, accountants, engineers, and cost analysts. Most of our work involves the development, preparation, and presentation of expert witness testimony before Federal and state regulatory agencies. Over the course of our 40-year history, members of the firm have participated in more than 1,000 proceedings before almost all of the state commissions and all Federal commissions that regulate utilities or transportation industries.

<u>Direct Testimony</u>
<u>Of</u>
<u>Michael J. Majoros, Jr.</u>

Q. Have you prepared a summary of your qualifications and experience?

A. Yes, I have. Appendix A is a summary of my qualifications and experience. Appendix B is a tabulation of my appearances as an expert witness before state and Federal regulatory agencies.

Q. At whose request are you appearing in this proceeding?

A. I am appearing at the request of the New Jersey Department of the Public Advocate, Division of Rate Counsel ("Rate Counsel").

Q. What is the subject of your testimony?

A. My testimony addresses depreciation.

Q. Do you have any specific experience in the field of public utility depreciation?

A. Yes, I do. I and other members of my firm specialize in public utility depreciation. We have appeared as expert witnesses on this subject before regulatory commissions in almost every state in the country. I have testified in over 100 proceedings on the subject of public utility depreciation, including several appearances before the New Jersey Board of Public Utilities ("BPU" or "Board").

Q. How many times have you addressed public utility depreciation in New Jersey proceedings?

A. I have appeared in more than twenty New Jersey proceedings on the subject of public utility depreciation. These have included electric, gas, water, telephone, and waste removal utilities.

II. Purpose of Testimony

Q. Explain the purpose of your testimony.

A. Rate Counsel asked me to review South Jersey Gas Company's ("SJG," or "the Company") depreciation-related testimony and exhibits. I am to express an opinion regarding the reasonableness of the Company's depreciation proposal and, if warranted, make alternative recommendations.

III. SJG's Current Depreciation Rates

Q. When did the Board approve SJG's current depreciation rates?

A. The Board approved SJG's current depreciation rates in BPU Docket No. GR03080683. Exhibit___ (MJM-1) contains a copy of Exhibit B from the Stipulation in that proceeding setting forth the stipulated depreciation rates. Exhibit__ (MJM-1) also contains a table applying the current rates to 2009 end of year balances.

The Stipulation explained that "Exhibit B was a schedule showing the depreciable group rates supporting the composite rate of 2.24%. Exhibit B also reflected the Stipulated Annual Net Salvage Allowance of $1,416,816, which would be separately accounted for in the future. The Net Salvage Allowance combined with the 2.24% composite rate, yielded the effective depreciation composite rate of 2.41%. The most significant change in the composite rate resulted from the reduction in the rate for distribution plant services from 3.32% to 2.00%."[1]

The Stipulation also specified specific amortizations for new plant

[1] BPU Docket GR03080683 Partial Stipulation, Paragraph IV. Depreciation

additions to several general plant accounts starting on January 1, 2005. As of the December 31, 2002 depreciation study date, there were "0" plant balances in these "post-2004 subaccounts." However, because SJG has made plant additions, this had the effect of implicitly changing the 2.24% composite rate to 2.28%.

Q. Did you submit testimony in BPU Docket No.GR03080683?

A. Yes. SJG filed a depreciation study proposing a $5.1 million increase and I filed a counterproposal recommending a $4.2 million decrease.[2] Due to a lack of sufficient data in that proceeding, I was unable to analyze adequately plant lives and curve patterns, but I was able to express an opinion concerning the Company's net salvage request.

IV. SJG's Current Depreciation Proposal

Q. Please describe SJG's depreciation-related proposal in the current case.

A. In this case, SJG proposes to retain the current depreciation rates and net salvage allowance.[3] Exhibit___ (MJM-2) shows SJG's depreciation proposals. As one can see, SJG applied the 2.24% composite depreciation rate established in BPU Dkt. GR0308683, and then added depreciation on its post-test year additions and the $1.4 million net salvage allowance.

SJG's decision to retain its existing depreciation rates is inconsistent with its statement in the Infrastructure Proceeding that it would take a "fully-developed depreciation study on all of the Company's utility plant in service" to identify and quantify the effects these projects would have upon plant lives.[4] On the other

[2] Id., Majoros Testimony, page 4.
[3] Direct Testimony of T.S.Kavanaugh, pp. 27-8; responses to RCR-DEP-38 and RCR-RR-031.
[4] Docket No. GR09010051, response to RC-SJ-IN-A-011.

hand, the Company did not use this as an opportunity to file a study proposing an unwarranted increase.

Q. Have you summarized SJG's initial depreciation proposals?

A. Yes, the following table summarizes SJG's depreciation proposals as presented in SJG Exhibits SAP-3 and TSK-8:[5]

SJG's Depreciation Expense Proposals

	Pre-Tax Expense ($000)
Annualized Expense at 2.24%	$29,569
Net Salvage Allowance	1,417
Sub Total	$30,986
Expense on Post TY Additions	1,112
Total	$32,098

Q. Are you addressing the post-test year additions?

A. Rate Counsel Witness Robert J. Henkes is addressing the post-test year plant additions.

Q. Do you have a comparison of the Company's proposal to your proposal?

A. Yes, Exhibit___ (MJM-2) compares my proposal to the Company's proposal.

Q. Will you discuss your fine tuning adjustments below?

A. Yes. I will discuss the adjustments in my testimony, including my depreciation study.

Q. Do you have any other recommendations in addition to the fine tuning?

A. Yes. I recommend that the Board require SJG to reclassify its $48.7 million regulatory liability for non-legal Asset Retirement Obligations ("ARO") out of

[5] SJG's treatment of the Net Salvage Allowance is explained in its response to RCR-RR-031.

Account 108 - Accumulated depreciation and into account 254 - Other regulatory liabilities for ratemaking and regulatory reporting purposes. I also recommend amortization of this amount over a 20-year period. This results in the $2.4 million negative amortization shown above, which I will discuss in more detail after I discuss my depreciation study.

Q. Please summarize your recommended adjustments.

A. The following summarizes my adjustments as shown on Rate Counsel Witness Henkes' Exhibit___ (RJH-22) and my Exhibit___ (MJM-2). My "fine tuning" of SJG's current depreciation rates that reduces the composite rate from 2.24% to 1.98%.

Recommended Depreciation Expense Adjustments[6]

	Pre-Tax Expense ($000)
Annualized Expense at 1.98%	$26,137
Net Salvage Allowance	1,417
Sub Total	$27,554
Expense on Post TY Additions	83
Amortization of Regulatory Liability	(2,435)
Total	$25,202

V. Depreciation Study

Q. What did you do to prepare yourself to provide your recommendations?

A. As I explained earlier, I am familiar with SJG's depreciation rates and approaches as a result of prior proceedings in which my firm was involved. In addition, I also represented Rate Counsel in SJG's recent infrastructure proceeding and gathered

[6] Exhibit___(MJM-2).

data and information concerning the probable impacts of those incremental investments. In this case, I conducted extensive discovery and interviews with Company operating and financial personnel, including participating in the May 5, 2010 onsite discovery meeting. I used these data and information along with internal life study techniques to conduct a complete depreciation study. Exhibit___ (MJM-3) is my life study. I have only included my life analyses of the four plant accounts where I am recommending changes. I will include all life studies in my workpapers.

Q. What are the results of your depreciation study?

A. As a result of my study, I recommend the following:

1. Whole-life depreciation for all accounts other than General Plant.
2. Retention of current depreciation and amortization rates for General Plant Accounts
3. Four Service Life changes
4. Retention of current $1.4 million net salvage allowance, with reservations.

Q. What is the difference between whole-life and remaining life depreciation?

A. A whole-life depreciation rate is the reciprocal of the average service life for a plant account. In other words, for example, if the Widget Account's service life is 10 years, the whole-life depreciation rate would be 10 percent. A remaining life rate is the net plant (gross plant minus accumulated depreciation) divided by the <u>remaining</u> life rather than the whole-life of the account. The remaining life technique is a mechanism to account for imbalances in the accumulated depreciation account resulting from changes to service estimates. In theory, a whole-life rate and remaining life rate are the same if there is no reserve imbalance. On the other hand, if a reserve imbalance does exist, the remaining life rate will be either higher or lower than the whole life rate depending on the direction of the imbalance.

Whole-life depreciation is superior to remaining life depreciation for new additions to plant. While a remaining life rate may be adequate for existing plant, it is wholly inappropriate for new additions; it will create even more imbalances on a going-forward basis. A whole-life rate is appropriate for both existing plant and new additions to plant. SJG will depreciate its new plant additions using depreciation rates approved here. If the new rates are remaining life rates, the only thing we know for sure is that they are the wrong rates for new plant additions.

Q. Can you demonstrate that whole life is superior to remaining life?

A. Yes. Consider an example in which a $1,000 asset initially assumed to have a 20-year life was depreciated using a 5% depreciation rate.[7] After 10 years, the accumulated depreciation would be $500 or 50 percent of the original $1,000 cost. Now assume, that at the end of 10 years, it is determined that the life is going to be 15 years rather than 20 years. The existing depreciation reserve is immediately deficient, based on the new life assumption. The new whole-life rate is 6.7 percent.[8] The remaining life rate, however, would be 10 percent.[9] The 6.7 percent whole-life rate reflects the life anticipated for both the original $1,000 asset and any additional assets going-forward. Hence, it is appropriate for all assets in the account. Any excess or deficiency relating to existing assets can be dealt with

---

7 1/20 years = 5.0%
8 1/15 years = 6.7%.
9 (100%-50%)/5 years=10%

separately.

The 10 percent rate is only appropriate for the initial $1,000 asset; it is inappropriate for the new assets. Application of the 10 percent to new assets would create reserve excesses for those assets.

Q. If a whole-life depreciation rate is appropriate, how can the Board deal with reserve imbalances resulting from changes to prior service life estimates?

A. If there is a significant reserve imbalance, the Board can adopt a separate amortization of the imbalance. This will provide the appropriate depreciation rate for both existing plant and new additions going forward, and still amortize the imbalance.

VI. General Plant Depreciation Rates

Q. Why do you recommend retention of the current general plant rates and amortizations?

A. As shown on page 2 of 3 of Exhibit___ (MJM-1), the Stipulation in Docket No. GR03080683 provided for several amortizations of investment in various vintages of plant. The general plant rates and amortizations should stand until the amortizations are completed.

VII. Service Life Changes

Q. Please explain your recommended service life changes.

A. Once again, SJG was not able to provide complete data sufficient to conduct either actuarial or simulated plant record analysis ("SPR"). Consequently, I conducted geometric mean turnover analyses for each of the company's plant account. Based on these studies, I determined that in some cases I had data and other information sufficient to rely on the analyses and suggest a service life change. In other cases, I either had sufficient data, but it led me to conclude that the current life was appropriate, or that I did not have sufficient data to conduct the analysis.

Q. Do you expect that SJG will ever have the data necessary to conduct different types of service life analyses?

A. Yes. At the May 5, 2010 Onsite Discovery Meeting the Company demonstrated its newly developed PowerPlant record keeping system. With this system in place, the Company should be ready to conduct virtually any type of statistical life analyses within the next three to five years.

Q. Identify the accounts where you are proposing life changes.

A. I am proposing life changes for the following accounts:

Account	Current	Recommended
369-Measuring and Regulating Equip.	33	57
376-Dist. Mains	52	75
380-Dist. Services	45	51
385-Ind.Meas. &Reg. Equip.	30	49

For all four accounts, my service life recommendation is the result of the full 1982 to 2009 life indication from the available data.[10]

Q. Are your recommended lives reasonable?

A. My recommendations are reasonable. They conform to the full band of data available for statistical studies and they are within industry ranges.

[10] Exhibit___ (MJM-3), pp. 4 (Acct. 369), 9 (Acct. 376), 14 (Acct. 380), and 19 (Acct. 385).

Q. **In your study did you consider the operational and engineering factors underlying additions and retirements of the physical units in the plant accounts?**

A. No. In my studies and the studies SJG presented in Docket No. GR03080683, it is *dollar* lives that are analyzed, not the physical lives of units. As my studies show, dollar additions and dollar retirements control dollar lives. Consequently, operational and engineering considerations are appropriate to consider when analyzing plant *unit* lives, but they have marginal bearing on dollar lives. For example, SJG states that it is unaware of any "operational and maintenance changes" since 2002 including "wear and tear, decay, action of the elements, inadequacy, obsolescence, changes in the art, changes in demand and requirements of public authorities which might affect plant lives, net salvage or depreciation rates."[11]

Q. Did you attempt to conduct a unit life analysis?

A. Yes, but the data were not available.

Q. Can you demonstrate that you recommendations are within industry ranges?

A. Yes. We maintain a set of industry statistics. It is somewhat dated, but it is the best we have. We requested updated statistics from the Company, but it did not provide any.[12] AGA/EEI conducted the original surveys, and some consider them to be confidential. Although we do not think they should be confidential, we do not identify any of the individual data from the surveys.

[11] Response to RCR-DEP-007.
[12] Response to RCR-DEP-005.

Account	**Recommended**	**Industry Range**
369-Measuring and Regulating Equip.	57	11-100
376-Dist. Mains	75	10-80
380-Dist. Services	51	10-63
385-Ind.Meas. &Reg. Equip.	49	9-50

VIII. Net Salvage Allowance

Q. Why are you concerned about SJG's net salvage allowance proposal?

A. Although SJG is proposing to retain its existing net salvage allowance, and I do not object to that proposal, I believe some discussion of the issue is necessary because it has an impact on the regulatory liability/asset issue discussed below. The Board adopted a $1.4 million net salvage allowance approach for SJG in Docket No. GR03080683. That was a stipulated number which was significantly higher than the $865,000 5-year average net salvage allowance at the time.

Since then, SJG's actual net salvage has been steadily rising as shown in the following table:

SJG Annual Net Salvage[13]

Year Ended	**Gross Salvage**	**Cost of Removal**	**Net Salvage**
12/31/05	294,274	984,834	(690,560)
12/31/06	258,530	1,368,864	(1,110,334)
12/31/07	185,182	1,274,796	(1,089,614)
12/31/08	146,839	1,463,425	(1,316,586)
12/31/09	147,280	1,669,229	(1,521,949)
Total	**1,032,105**	**6,761,148**	**(5,729,043)**
Average	**206,421**	**1,352,230**	**(1,145,809)**

[13] Response to RCR-DEP-23

I am concerned because a majority of the "actual cost" of removal is in reality an allocation of a portion of plant replacement costs to the cost of removal. It is not incremental cost of removal. Instead, it is an assignment or allocation of a portion of a cost that SJG would incur regardless of an accounting allocation procedure. SJG's property accounting system does not segregate retirements with and without replacements, but it does maintain such records at the operational level.[14]

Q. Do you object to the procedure?

A. I object to the procedure if it continues to result in cost of removal driven increases in depreciation expense. According to Federal Energy Regulatory Commission ("FERC") rules, SJG should capitalize and depreciate all of the cost of a replacement, including the cost of removal. The FERC Uniform System of Accounts ("USoA") defines cost of removal as follows:

> 10. *Cost of removal* means the cost of demolishing, dismantling, tearing down or otherwise removing gas plant, including the cost of transportation and handling incidental thereto. (18 CFR Ch.1, Subchapter C, Part 101, Definition 10.)

The FERC USoA also defines replacements as follows:

> 31. A. *Replacing or replacement*, when not otherwise indicated in the context, means the construction or installation of gas plant, together with the removal of the property retired. (Id., Definition 31.)

FERC's definition means that cost of removal incurred in connection with a replacement is a component of the replacement cost. In fact, it is my understanding that when the Company, for example, relocates mains at the

[14] Responses to RCR-DEP-026 and 027 and May 5, 2010 Onsite Discovery Meeting.

request of a third party (so-called third-party reimbursements), it capitalizes the attendant cost of removal as a component of the replacement cost rather than cost of removal.[15]

The Board should make the Company whole for its reasonable and prudent removal costs. However, given that SJG controls what that cost is, I recommend that SJG limit the amount it allocates to removal costs to no more than the allowed $1.4 million level of the allowance. In other words, SJG's present net salvage allowance should remain at $1.4 million per year. Going forward, it should allocate no more than $1.4 million of its replacement costs to cost of removal.

Q. Are there any alternatives to this approach?

A. Yes. The Board could order the company to discontinue its practice of allocating any replacement costs to cost of removal.

IX. Results of Study

Q. What are the individual results of your study?

A. Exhibit___ (MJM-4) shows the individual depreciation rates resulting from my study; they composite to 1.98%.

Q. Does this end your discussion of your depreciation study?

A. Yes. My recommendation is that the Board direct SJG to use whole life depreciation rates and the revised service lives set forth in Exhibit___ (MJM-4). I will now discuss the related regulatory assets and liabilities.

[15] Per discussion during May 5, 2010 Onsite Discovery Meeting.

X. Regulatory Liability Resulting from SFAS No. 143

Q. What is SFAS No. 143?

A. Statement of Financial Accounting Standard ("SFAS") No. 143 is an accounting standard promulgated by the Financial Accounting Standards Board ("FASB"), which in turn is responsible for the development and maintenance of Generally Accepted Accounting Principles ("GAAP.") FASB adopted SFAS No. 143 in 2002. It addresses asset retirement obligations ("AROs") associated with long-lived plant.[16] SFAS No. 143 focuses primarily on *legal* obligations to incur a cost when an asset is retired. In this testimony, I refer to such obligations as "legal asset retirement obligations" or "legal AROs." As an example, nuclear decommissioning trust funds result from a legal ARO. SFAS No. 143 considers such obligations to be a component of the original cost of the asset. It requires capitalization and depreciation of the discounted fair value of the estimated asset retirement cost over the asset's life. As the legal ARO liability increases due to inflation, the increase is "accreted" to income, i.e. treated as interest expense.

Although SFAS No. 143 focused primarily on legal AROs, it <u>also</u> identified a significant regulatory liability resulting from public utilities' past inclusion of inflated future cost of removal and dismantlement factors in depreciation rates. FERC identified these amounts as "non-legal" AROs, meaning that utilities do not have actual legal obligations to incur these costs in the future. Consequently, they are not a capital cost of the asset. SFAS No. 143

[16] FERC Order No. 631 is that agency's implementation of SFAS No. 143 for utility operations subject to that agency's jurisdiction.

requires price regulated public utilities to report non-legal AROs as liabilities to ratepayers – if the requirements of SFAS No. 71 are met. SJG reports a $48.7 million regulatory liability to ratepayers at December 31, 2009.[17]

Q. Did you investigate SJG's regulatory liability?

A. Yes, SFAS No. 143 required utilities to determine their SFAS 143 liability for legal AROs and compare that amount to what they had actually collected for future removal costs through depreciation rates. SFAS No. 143 paragraph B.73 required reclassification of any *excess* collections from accumulated depreciation to a regulatory liability account.

Q. What was the logic for this reclassification?

A. If a non-regulated entity had included cost of removal in excess of its legal AROs in its depreciation rates in the past, its depreciation rates would have been overstated, and it would have understated its net income by virtue of the overstated depreciation expense. Consequently, SFAS No. 143 required the non-regulated entity to record a cumulative adjustment as an increase to income or shareholders' equity.

At the same time, SFAS No. 143 recognized the relationship between regulated utilities' costs and prices and, instead of requiring them to take these prior excess collections into income, they were required to report them as regulatory liabilities owed to ratepayers.

Q. What conditions create a regulatory liability using GAAP?

A. SFAS 71, ¶11, provides that a regulator's rate actions impose a liability on the

[17] Id., page 41.

utility to its customers (regulatory liability) if the regulator provides "current rates intended to recover costs expected to be incurred in the future with the understanding that if those costs are not incurred, future rates will be reduced by corresponding amounts."[18] For Board-regulated utilities, this "understanding" has been implicit. Nevertheless, the understanding is sufficiently clear that, in response, SJG has created a regulatory liability for GAAP financial reporting purposes.

Q. What should the Board do about the $48.7 million regulatory liability?

A. The Board should recognize the $48.7 million as a regulatory liability and require SJG to record it in Account 254 – Other regulatory liabilities. Although SJG acknowledges the $48.7 million represents excess collections from ratepayers, it records the $48.7 million in accumulated depreciation in its regulatory and ratemaking books. That is because utilities consider accumulated depreciation to represent the portion of their invested capital that they have recovered from ratepayers. In short, utilities think of accumulated depreciation as "their" money.

The $48.7 million is different, because it represents (excess) money collected from ratepayers in anticipation of a future expense. It is not the utility's money and the Board should not treat it as the utility's money. The proper method for recognizing the ear-marked nature of funds collected from ratepayers for future removal costs is to establish a regulatory liability.

Q. What is wrong with continuing to record the regulatory liability as accumulated depreciation?

[18] SFAS No. 71, ¶11 and 11(b).

A. As I noted above, utilities consider accumulated depreciation to represent the measure of their capital that they have recovered from their ratepayers, and they consider any amount in accumulated depreciation to be "their money" even if they collected it for an estimated un-incurred future cost.

Q. Is it true that ratepayers are better off because accumulated depreciation is a rate base deduction?

A. No, that is not true. Accumulated depreciation is indeed a rate base deduction, but this regulatory liability is also a rate base deduction. There is no distinction between the two approaches on this point. The difference between them is that, with a regulatory liability, regulators do not allow a utility to transfer the regulatory liability into its own income because it owes those funds to ratepayers unless spent on their intended purpose.

Q. Does SJG agree that its collections for non-legal AROS result in a regulatory liability?

A. SJG agrees that it has a regulatory liability for GAAP purposes since it reported it in its GAAP financial statements. However, it does not agree that it has a regulatory liability for regulatory accounting and ratemaking purposes.

The Edison Electric Institute and several individual utilities fought hard before FASB and FERC to avoid the identification and reporting of the regulatory liability that I have just described. I am concerned because, if SJG were to be deregulated or if regulation were to change from "cost-based" to some form of alternative "price-based" regulation, or if there was a significant accounting rule change, history tells us the Company would have every interest in immediately transferring its $48.7 million regulatory liability into its GAAP income. This amount could well disappear unless the Board protects it on behalf of ratepayers.

Q. Why do you believe that SJG would transfer its $48.7 million regulatory liability into GAAP income?

A. SJG will transfer the regulatory liability into GAAP income because that is what GAAP requires. If utilities are deregulated, or if regulation changes significantly, the provisions of SFAS No. 71 will no longer apply. The regulatory liability amount will flow immediately and explicitly to GAAP income, because SFAS No. 143 requires it to flow to income if it is not payable to ratepayers. This is what electric utilities did when their production plants were deregulated, and upon adoption of alternative regulation, the telephone industry took $11.5 billion of its excess collections into equity.

After that, SJG could assert that any attempt by the Board to get the money back would constitute an unlawful taking. The urgency for the Board to declare this as a regulatory liability for regulatory and ratemaking purposes has never been so great. Therefore, SJG must specifically designate this amount as a regulatory liability for ratemaking purposes.

Q. Do you have any other evidence to corroborate the money is at risk?

A. Yes. The impending move from GAAP to International Financial Reporting Standards ("IFRS") puts the money at great risk.

Q. Please explain your concerns regarding IFRS.

A. Any time a company moves away from rate base regulation its regulatory liabilities are at risk. For instance, the U.S. is moving towards adopting IFRS in place of GAAP. Exhibit___ (MJM-5) contains two recent articles from the Public Utilities Fortnightly.[19] The author of the first article, Mr. Ferguson, is a depreciation witness who regularly testifies on behalf of utilities and advocates that they continue to collect the excess cost of removal I have discussed. In November 2008, Mr. Ferguson proposed that when these companies move to the new set of accounting standards, IFRS, the utilities should transfer the regulatory liabilities to their equity accounts. In the second article, Mr. Hartman from the accounting firm of Ernst & Young says the same thing. As originally contemplated, the initial adoption of IFRS would have sanctioned this treatment, i.e. transferred the entire regulatory liability into the utilities' equity accounts.

However, On July 23, 2009 the International Accounting Standards Board ("IASB") published for public comment an Exposure Draft on Rate-Regulated Activities. This Exposure Draft would require utilities to report legal and non-legal ARO liabilities "at the expected present value of the cash flows to be recovered or refunded as a result of regulation, both on initial recognition and at the end of each subsequent reporting period"[20] and to take into income all amounts collected above those present values. Since these non-legal AROs are long-term numbers, a reduction to net present value would result in almost all of the excess above the present value to be taken into income.

Q. But won't that be merely for financial reporting purposes?

[19] John Ferguson, "Fixing Depreciation Accounting", Public Utility Fortnightly, October 2008, pp. 16-20 and Scott Hartman, "Ready for IFRS?", Public Utility Fortnightly, January 2009, pp. 10-16.
[20] IASB July 2009 Exposure Draft – Rate-regulated Activities, p. 9.

A. Once SJG takes that money into income, there may no longer be any remedy for ratepayers. SJG may consider any regulatory attempt in the future to recover the money, whether through depreciation or otherwise, as a "taking" of property or "confiscation of capital."

Q. Did you ask SJG about the anticipated impact of a switch to IFRS?

A. Yes. Although the Company is aware of the impending move, it has not actually begun to consider its impact.[21]

Q. What is the overall extent of this problem?

A. Recently the Public Utilities Fortnightly issued a survey titled The 40 Best Energy Companies.[22] I used the same 40 energy companies to determine the extent of the SFAS No. 143 cost of removal regulatory liability problem. The summary is shown on Exhibit___ (MJM-6). SJG is on the list. As of December 31, 2007, the total amount was $18.4 billion and it increased to $19.2 billion at the end of 2008 and to $19.5 billion as of 2009. This is significant, because from these 40 energy companies' standpoint there is $19.5 billion at risk of loss to them. Furthermore, they do not have the cash because they spent the cash on other things. That is why it is so important for regulators to protect the money on behalf of ratepayers. Otherwise, these companies will transfer the money to net income and ratepayers will lose it forever.

Q. What should the Board do with the amount once it is reclassified to Account 254?

[21] Response to RCR-DEP-10.
[22] Public Utilities Fortnightly, September 2009, page 37.

A. I recommend 20-year amortization of the regulatory liability. 20-year amortization of the $48.7 million results in a $2,435,000 reduction to Annualized Depreciation.[23]

XI. Regulatory Asset Resulting from SFAS No. 143

Q. Does SJG report any legal AROs?

A. Yes. SJG reports $23.2 million of legal AROs in its 2009 Annual Report.[24] SJG describes these amounts as follows:

> *The amounts included under Asset Retirement Obligations (ARO) are primarily related to the legal obligations the Company has to cut and cap gas distribution pipelines when taking those pipelines out of service in future years. These liabilities are generally recognized upon the acquisition or construction of the asset. The related asset retirement cost is capitalized concurrently by increasing their carrying amount of the related asset by the same amount as the liability.*[25]

Q. Did SJG's legal AROs have any impact on ratepayers?

A. SJG recorded a $21.9 million regulatory asset and the $48.7 million regulatory liability discussed above as a result of adopting SFAS No. 143. The regulatory asset is a transition adjustment relating to legal AROs. SJG describes the regulatory asset as Deferred Asset Retirement Costs and explains it as follows:

> SJG recovers asset retirement costs through rates charged to customers. All related accumulated accretion and depreciation amounts for these [legal] AROs represent timing differences in the recognition of costs that SJG is currently recovering in rates and, as such, SJG is deferring such differences as regulatory assets.[26]

---

[23] Exhibit___ (MJM-2), Line 10.
[24] Annual Report, page 31.
[25] Id.
[26] Id., page 41.

Q. Did you investigate this regulatory asset?

A. Yes. When SJG created its legal ARO, it increased the estimate to account for a return on that amount since the assets were originally placed in service. In my opinion this regulatory asset is not necessary. As the company concedes, it recovers all its costs in service rates. I am recommending continuation of the Company's current $1.4 million annual net salvage allowance, and the Company controls the amount of cost of removal it reports. New Jersey is a "pay as you go" state, and the net salvage allowance approach is consistent with that principle. Again, if recovery is an issue, then SJG can eliminate asset retirement cost issues merely by NOT allocating so much cost of replacement to cost of removal.

Q. Is the Company requesting recovery of this regulatory asset in this proceeding?

A. No, but the caveat is manifested in the phrase "in this proceeding." That leaves open the possibility that it will try to recover the amount in a future proceeding. If it does, the Company will double recover its allocated cost of removal.

Q. What should the Board do?

A. The Board should instruct the Company, in its Order, that it does not recognize this regulatory asset, and that SJG should move it "below-the-line" and not seek recovery in any future proceeding.

Q. Does this conclude your testimony?

A. Yes, it does. As the Company has not yet provided all the data that I requested and that it agreed to provide, I reserve my right to supplement my testimony.

EXHIBITS

South Jersey Gas Company
Docket No. GR03080683
Depreciation Accrual Rate and Net Salvage Allowance

DEPRECIABLE PLANT		Annual Accrual Rate %
Production Plant		
305	Structures and Improvements	7.22
311	Liquefied Petroleum Gas Equipment	137.78
320	Other Equipment - Miscellaneous	8.84
Total Production Plant		13.56
Underground Storage Plant		
351	Structures and Improvements	0.50
354	Compressor Station Equipment	2.55
355	Measuring and Regulating Equipment	3.15
357	Other Equipment	0.00
Total Underground Storage Plant		0.93
Liquefied Natural Gas Plant		
361	Structures and Improvements	2.55 *
362	Gas Holders	1.53 *
363	Purification Equipment	4.06 *
Total Liquefied Natural Gas Plant		3.18
Transmission Plant		
366	Structures and Improvements	1.49
367	Mains	1.80
368	Compressor Station Equipment	0.06
369	Measuring and Regulating Equipment	2.73
370	Communication Equipment	
371	Other Equipment	15.07
Total Transmission Plant		2.00
Distribution Plant		
375	Structures and Improvements	2.79
376	Mains	1.92
377	Compressor Station Equipment	
378	Measuring & Regulating Station Equipment - General	2.98
379	Measuring & Regulating Station Equipment - City Gate	2.24
380	Services	2.00
381	Meters	3.34
382	Meter Installations	3.01
383	House Regulators	2.40
384	House Regulator Installations	2.30
385	Industrial Measuring and Regulating Equipment	1.61
387	Other Equipment	
Total Distribution Plant		2.04

General Plant

390	Structures and Improvements		2.05
391	Office Furniture and Equipment		9.81 **
391.1	Office Furniture and Equipment - EDP Equip. - Prior to 1985		150.90 **
391.2	Office Furniture and Equipment - EDP Equip. - Post 1985		26.89 **
391.3	Office Furniture and Equipment - Computer		4.47 **
392	Transportation Equipment		9.95
392.1	Transportation Equipment - Van Pool		
393	Stores Equipment		
394	Tools, Shop and Garage Equipment		7.99 **
394.1	Shop and Garage Equipment - Leased		
395	Laboratory Equipment		3.16 **
396	Power Operated Equipment		8.32
397	Communication Equipment		13.57 **
398	Miscellaneous Equipment		12.41 **
399	Other Tangible Property		3.39
Total General Plant			6.71
TOTAL DEPRECIABLE PLANT			2.24
Stipulated Annual Net Salvage Allowance		$1,416,816	
EFFECTIVE COMPOSITE RATE		2.41%	

* Life span procedure used.

** Per settlement, amortization to begin 1/1/05 on new assets.

391 - Office Furniture and Equipment	5.00%
391.1 - Office Furniture and Equipment - EDP Equip. - Prior to 1985	10.00%
391.2 - Office Furniture and Equipment - EDP Equip. - Post 1985	20.00%
391.3 - Office Furniture and Equipment - Computer	20.00%
393 - Stores Equipment	4.00%
394 - Tools, Shop and Garage Equipment	5.00%
394.1 - Shop and Garage Equipment - Leased	5.00%
395 - Laboratory Equipment	5.00%
397 - Communication Equipment	6.67%
398 - Miscellaneous Equipment	5.00%

SOUTH JERSEY GAS COMPANY

ESTIMATED SURVIVOR CURVES, ORIGINAL COST, BOOK RESERVE AND CALCULATED ANNUAL DEPRECIATION ACCRUALS RELATED TO GAS PLANT AT DECEMBER 31, 2009

	Depreciable Group	Original Cost at December 31, 2009 [1]	Book Reserve December 31, 2009 [1]	Current Rates (RL) Survivor Curve	Average Service Life		Net Salvage Percent	Rate [2]	Annual Accrual
	(1)	(2)	(3)	(4)	(5)		(6)	(7)	(8)
DEPRECIABLE PLANT									
Production Plant									
305	Structures and Improvements	260,988	119,718	R4	30		0	7.22	18,843
311	Liquefied Petroleum Gas Equipment	13,446	(265,159)	R2.5	28		0	137.78	18,526
320	Other Equipment - Miscellaneous	3,021	747	R3	25		0	8.84	267
Total Production Plant		277,455	(144,695)						37,636
Underground Storage Plant									
351	Structures and Improvements	-	(102,285)	R3	45		0	0.50	0
354	Compressor Station Equipment	-	(133,106)	R4	35		0	2.55	0
355	Measuring and Regulating Equipment	-	(36,183)	R2.5	30		0	3.15	0
357	Other Equipment	-	0	R3	25		0	0.00	0
Total Underground Storage Plant		-	(271,574)						-
Liquefied Natural Gas Plant									
361	Structures and Improvements	430,648	374,255	R3	45	*	0	2.55	10,982
362	Gas Holders	3,139,443	2,949,771	S5	45	*	0	1.53	48,033
363	Purification Equipment	8,572,884	3,582,728	R4	30	*	0	4.06	348,059
Total Liquefied Natural Gas Plant		12,142,975	6,906,754						407,074
Transmission Plant									
366	Structures and Improvements	2,062,986	810,705	R3	45		0	1.49	30,738
367	Mains	121,310,970	41,800,390	S2.5	50		0	1.80	2,183,597
368	Compressor Station Equipment	7,707	(25,673)	R2	30		0	0.06	5
369	Measuring and Regulating Equipment	23,400,876	9,782,687	R2.5	33		0	2.73	638,844
370	Communication Equipment	44,562	38,757	S3	20		0		0
371	Other Equipment	424,079	421,001	S4	30		0	15.07	63,909
Total Transmission Plant		147,251,179	52,827,867						2,917,093
Distribution Plant									
375	Structures and Improvements	9,727,982	3,141,767	S1.5	60	*	0	2.79	271,411
376	Mains	498,511,605	126,082,038	S0.5	52		0	1.92	9,571,423
377	Compressor Station Equipment	14,678	14,678	R0.5	43		0		0
378	Measuring & Regulating Station Equipment - General	4,782,716	2,848,099	R4	31		0	2.98	142,525
379	Measuring & Regulating Station Equipment - City Gate	222,911	168,882	R4	31		0	2.24	4,993
380	Services	424,043,370	128,781,904	S1	45		0	2.00	8,480,867
381	Meters	35,000,211	8,384,682	S4	38		0	3.34	1,169,007
382	Meter Installations	19,861,044	4,624,096	R1.5	34		0	3.01	597,817
383	House Regulators	3,969,703	1,845,828	S3	40		0	2.40	95,273
384	House Regulator Installations	13,614,805	3,183,760	R2.5	40		0	2.30	313,141
385	Industrial Measuring and Regulating Equipment	7,168,278	2,500,969	R1	30		0	1.61	115,409
387	Other Equipment	155,583	178,848	R3	25		0		0
Total Distribution Plant		1,017,072,886	281,755,551						20,761,866
General Plant									
390	Structures and Improvements	13,552,701	3,479,743	S2	70	*	0	2.05	277,830
391	Office Furniture and Equipment	2,344,626	1,527,718	SQ	20		0	9.81	230,008
391.05	Office Furniture and Equipment - Post 12/04	1,066,094	110,036					5.00	53,305
391.10	Office Furniture and Equipment - EDP Equip. - Prior to 1985	21,467	(146,606)	SQ	10		0	150.90	32,393
391.20	Office Furniture and Equipment - EDP Equip. - Post 1985	52,104	146,682	SQ	5		0	26.89	14,011
391.25	Office Furniture and Equipment - EDP Equip. - Post 12/04	8,200	5,057					20.00	1,640
391.30	Office Furniture and Equipment - Computer - Post 2/85	2,746,264	2,466,983	SQ	5		0	4.47	122,758
391.35	Office Furniture and Equipment - Computer - Post 12/04	6,970,232	2,410,478					20.00	1,394,046
391.37	Office Furniture and Equipment - Computer - ADS	1,242,126	230,597	SQ	5			4.47	55,523
392	Transportation Equipment	8,135,065	2,901,802	L2	8		0	9.95	809,439
392.1	Transportation Equipment - Van Pool	20,607	24,764	L2.5	9		0	0.00	0
393	Stores Equipment	105,632	110,367	SQ	25		0	0.00	0
394	Tools, Shop and Garage Equipment	3,417,343	2,520,654	SQ	20		0	7.99	273,046
394.05	Tools, Shop and Garage Equipment - Post 12/04	908,089	112,109					5.00	45,404
394.07	Tools and Equipment - Serv Sentry	1	1	SQ	20			7.99	0
394.10	Shop and Garage Equipment	161,765	161,765	SQ	20		0	0.00	0
395	Laboratory Equipment	20,502	8,704	SQ	20		0	3.16	648
395.05	Laboratory Equipment - Post 12/04	1,539	340					5.00	77
396	Power Operated Equipment	2,334,435	1,095,498	L1	11		0	8.32	194,225
397	Communication Equipment	382,903	40,679	SQ	15		0	13.57	51,960
397.05	Communication Equipment - Post 12/04	964,381	109,412					6.67	64,324
397.07	Communication Equipment - ADS	227,241	(77,988)	SQ	15			13.57	30,837
398	Miscellaneous Equipment	175,090	217,892	SQ	20		0	12.41	21,729
398.05	Miscellaneous Equipment - Post 12/04	25,622	1,355					5.00	1,281
398.10	Miscellaneous Equipment Assc w/Lease	953	0					0.00	0
399	Other Tangible Property		0	R3	30		0	3.39	0
Total General Plant		44,884,981	17,458,042						3,674,484
TOTAL DEPRECIABLE PLANT		1,221,629,476	358,531,945					2.28%	27,798,154
5-Year Average Net Salvage Allowance									**1,416,816**

1. Source: RCR-DEP-38
2. Source: Exhibit B, GR03080683

Exhibit___(MJM-2)

	SJG 9&3	Adjustments	RC	
1. Total Projected UPIS at 6/30/10	$ 1,330,704,452		$ 1,330,704,452	RJH-4
3. Non-Depreciable UPIS	(10,644,218)		(10,644,218)	(1)
4. Depreciable UPIS	1,320,060,234		1,320,060,234	
5. Composite Depreciation Rate	2.24%		1.98%	(2)
6. Annualized Depreciation Exp.	29,569,349	(3,432,157)	26,137,193	
7. Plus: Depreciation for Post-TY Net Distribution UPIS	747,291	(747,291)	-	TSK-8 9&3
8. Plus: Depreciation for Post- TY Transmission/Production UPIS	365,194	(281,753)	83,441	(3)
9. Plus: Net Salvage Allowance	1,416,816	-	1,416,816	
10. Less: Amortization of Regulatory Liability - Non-Legal AROs	-	(2,435,000)	(2,435,000)	(4)
11. Total Annualized Depreciation Per SAP-3 9&3, L18	$ 32,098,651	$ (6,896,201)	$ 25,202,449	

(1) Response to RCR-RR-31

(2) MJM-4, composite rate for Total Depreciable Plant

(3) Recommended post-TY UPIS additions	$ 4,635,589	RJH-4, L3
Applicable depreciation rate	1.80%	TSK-8 9&3
Annualized depreciation expense	$ 83,441	

(4) 20 year amortization of $48.7 million non-legal ARO balance as of March 31, 2010 (SJG response to RCR-RR-185)

SERVICE LIFE STUDIES

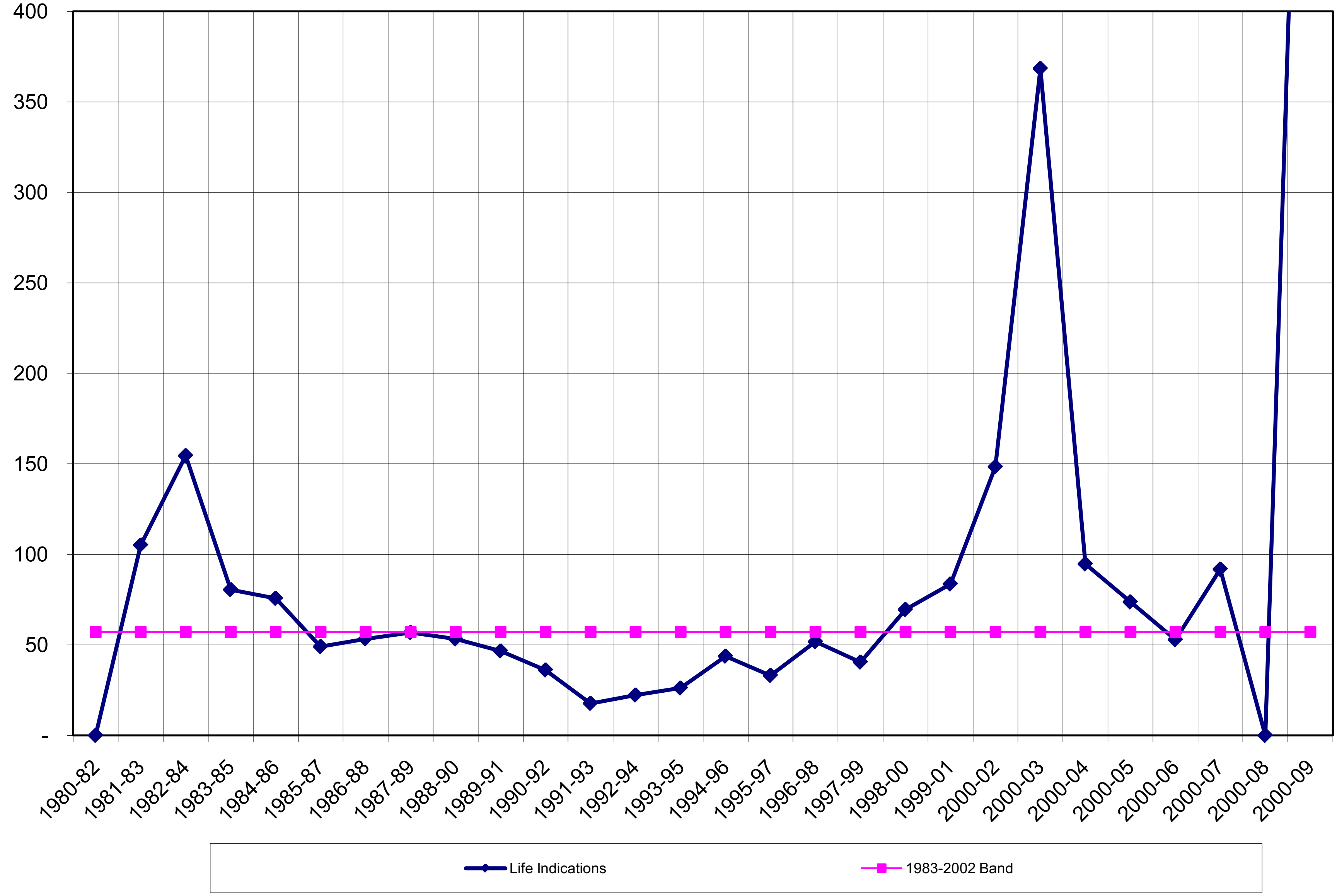
South Jersey Gas Company

Account 369 - Transmission Measuring and Regulating Equipment

Trans Year	Adds	Rets	EOY
1981	3,606,508	0	3,606,508
1982	437,068	0	4,043,576
1983	69,443	11,140	4,101,879
1984	52,216	(300)	4,154,395
1985	204,786	62,075	4,297,106
1986	177,507	3,353	4,471,260
1987	434,617	24,363	4,881,514
1988	661,812	28,360	5,514,966
1989	138,552	7,168	5,646,350
1990	307,813	51,645	5,902,518
1991	2,174,291	196	8,076,613
1992	1,835,957	31,991	9,880,579
1993	631,083	431,899	10,079,763
1994	701,727	82,717	10,698,773
1995	570,513	233,104	11,036,182
1996	476,995	0	11,513,177
1997	1,726,013	156,902	13,082,288
1998	639,237	22,548	13,698,977
1999	1,054,322	103,818	14,649,481
2000	517,546	42,320	15,124,707
2001	352,251	0	15,476,958
2002	978,962.00	10,000.00	16,445,920
2003	358,020		16,803,940
2004	473,577	141,122	17,136,395
2005	1,398,769	76,624	18,458,540
2006	3,052,847		21,511,387
2007	1,088,799		22,600,186
2008	580,495		23,180,682
2009	294,330	4,017	23,470,994

Source: 2002-2009 - GR10010035, response to RCR-DEP-014; 1982-200

South Jersey Gas Company
Geometric Mean Rolling Band Analysis
Life Indications - Account 369 - Measuring and Regulating Equipment



Industry Range: ASL 11 - 100

South Jersey Gas Company

Geometric Mean Turnover Analysis

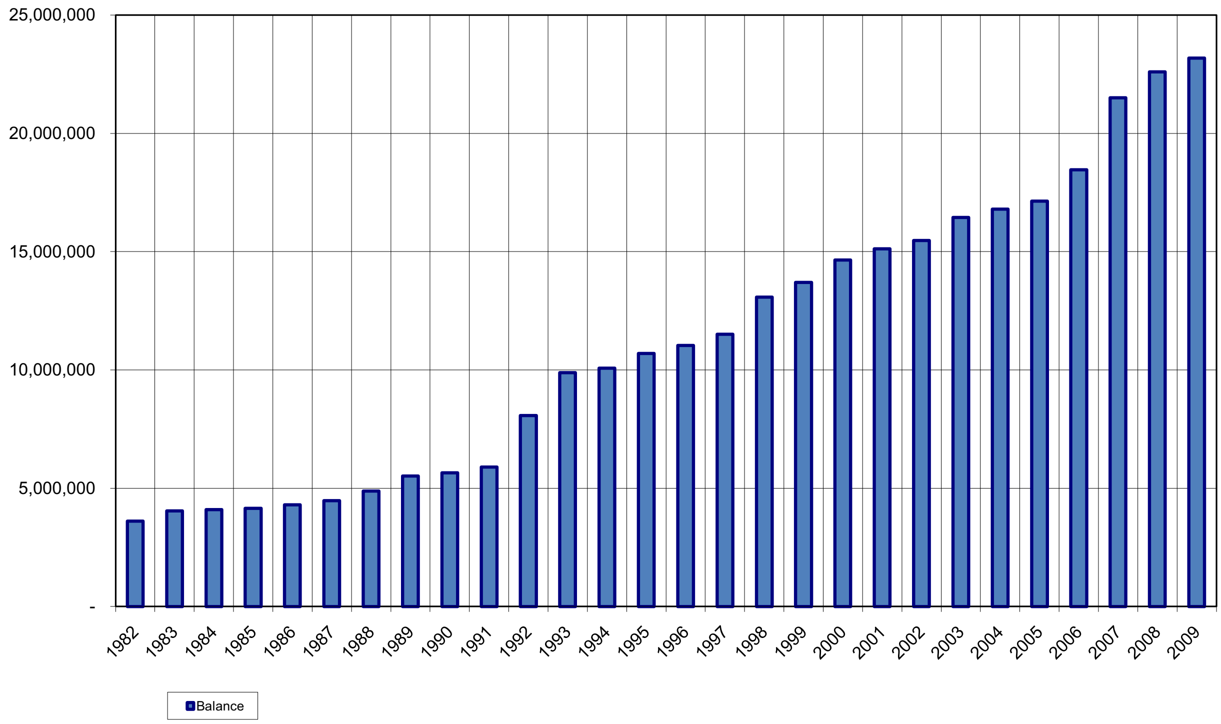
Account 369 - Measuring and Regulating Equipment

									3 Year Band							
Year	BOY Plant Balance	Avg. Plant Balance	Single Year Additions	Single Year Retirements	Addition Ratio	Retirement Ratio	Geometric Mean Life Estimate	3 Year Band	Avg. Plant Balance	Additions	Retirements	Addition Ratio	Retirement Ratio	Geometric Mean Life Estimate		
	a	b=(a+(a+c-d))/2	c	d	e = c/b	f = d/b	g = 1/sqrt(e*f)	h	i	j	k	l = j/i	m = k/i	n = 1/sqrt(l*m)	sub-band	full band
1982	3,606,508	3,825,042	437,068	0	0.11426	-	-	1980-82	3,825,042	437,068	-	0.11426	-	-	43.41	57.08
1983	4,043,576	4,072,728	69,443	11,140	0.01705	0.00274	146.43	1981-83	7,897,770	506,511	11,140	0.06413	0.00141	105.14	43.41	57.08
1984	4,101,879	4,128,137	52,216	(300)	0.01265	(0.00007)	-	1982-84	12,025,907	558,727	10,840	0.04646	0.00090	154.53	43.41	57.08
1985	4,154,395	4,225,751	204,786	62,075	0.04846	0.01469	37.48	1983-85	12,426,615	326,445	72,915	0.02627	0.00587	80.55	43.41	57.08
1986	4,297,106	4,384,183	177,507	3,353	0.04049	0.00076	179.71	1984-86	12,738,071	434,509	65,128	0.03411	0.00511	75.72	43.41	57.08
1987	4,471,260	4,676,387	434,617	24,363	0.09294	0.00521	45.45	1985-87	13,286,321	816,910	89,791	0.06149	0.00676	49.06	43.41	57.08
1988	4,881,514	5,198,240	661,812	28,360	0.12731	0.00546	37.94	1986-88	14,258,810	1,273,936	56,076	0.08934	0.00393	53.35	43.41	57.08
1989	5,514,966	5,580,658	138,552	7,168	0.02483	0.00128	177.08	1987-89	15,455,285	1,234,981	59,891	0.07991	0.00388	56.83	43.41	57.08
1990	5,646,350	5,774,434	307,813	51,645	0.05331	0.00894	45.80	1988-90	16,553,332	1,108,177	87,173	0.06695	0.00527	53.26	43.41	57.08
1991	5,902,518	6,989,566	2,174,291	196	0.31108	0.00003	338.58	1989-91	18,344,658	2,620,656	59,009	0.14286	0.00322	46.65	43.41	57.08
1992	8,076,613	8,978,596	1,835,957	31,991	0.20448	0.00356	37.05	1990-92	21,742,596	4,318,061	83,832	0.19860	0.00386	36.14	43.41	57.08
1993	9,880,579	9,980,171	631,083	431,899	0.06323	0.04328	19.12	1991-93	25,948,333	4,641,331	464,086	0.17887	0.01789	17.68	43.41	57.08
1994	10,079,763	10,389,268	701,727	82,717	0.06754	0.00796	43.12	1992-94	29,348,035	3,168,767	546,607	0.10797	0.01862	22.30	43.41	57.08
1995	10,698,773	10,867,478	570,513	233,104	0.05250	0.02145	29.80	1993-95	31,236,917	1,903,323	747,720	0.06093	0.02394	26.18	43.41	57.08
1996	11,036,182	11,274,680	476,995	0	0.04231	-	-	1994-96	32,531,425	1,749,235	315,821	0.05377	0.00971	43.77	43.41	57.08
1997	11,513,177	12,297,733	1,726,013	156,902	0.14035	0.01276	23.63	1995-97	34,439,890	2,773,521	390,006	0.08053	0.01132	33.11	43.41	57.08
1998	13,082,288	13,390,633	639,237	22,548	0.04774	0.00168	111.54	1996-98	36,963,045	2,842,245	179,450	0.07689	0.00485	51.76	43.41	57.08
1999	13,698,977	14,174,229	1,054,322	103,818	0.07438	0.00732	42.84	1997-99	39,862,594	3,419,572	283,268	0.08578	0.00711	40.50	43.41	57.08
2000	14,649,481	14,887,094	517,546	42,320	0.03476	0.00284	100.59	1998-00	42,451,956	2,211,105	168,686	0.05208	0.00397	69.51	43.41	57.08
2001	15,124,707	15,300,833	352,251	0	0.02302	-	-	1999-01	44,362,156	1,924,119	146,138	0.04337	0.00329	83.66	43.41	57.08
2002	15,476,958	15,961,439	978,962.00	10,000	0.06133	0.00063	161.32	2000-02	46,149,366	1,848,759	52,320	0.04006	0.00113	148.39	43.41	57.08
2003	16,445,920	16,624,930	358,020.00	0.00	0.02154	-	-	2000-03	47,887,202	1,689,233	10,000	0.03528	0.00021	368.45	110.16	57.08
2004	16,803,940	16,970,168	473,577.19	141,122.00	0.02791	0.00832	65.64	2000-04	49,556,537	1,810,559	151,122	0.03654	0.00305	94.74	110.16	57.08
2005	17,136,395	17,797,468	1,398,769.04	76,624.09	0.07859	0.00431	54.36	2000-05	51,392,565	2,230,366	217,746	0.04340	0.00424	73.75	110.16	57.08
2006	18,458,540	19,984,964	3,052,847.19	0.00	0.15276	-	-	2000-06	54,752,599	4,925,193	217,746	0.08995	0.00398	52.87	110.16	57.08
2007	21,511,387	22,055,787	1,088,798.89	0.00	0.04937	-	-	2000-07	59,838,218	5,540,415	76,624	0.09259	0.00128	91.84	110.16	57.08
2008	22,600,186	22,890,434	580,495.46	0.00	0.02536	-	-	2000-08	64,931,184	4,722,142	-	0.07273	-	-	110.16	57.08
2009	23,180,682	23,325,838	294,329.86	4,017.37	0.01262	0.00017	678.34	2000-09	68,272,059	1,963,624	4,017	0.02876	0.00006	768.68	110.16	57.08

2003-2008	136,137,051	139,649,588	7,246,838	221,763	0.05189	0.00159	110.16
1982-2008	316,074,621	326,006,864	21,389,549	1,525,062	0.06561	0.00468	57.08
1982-2003	179,937,570 16,445,920	186,357,276	14,142,711	1,303,299	0.07589	0.00699	43.41

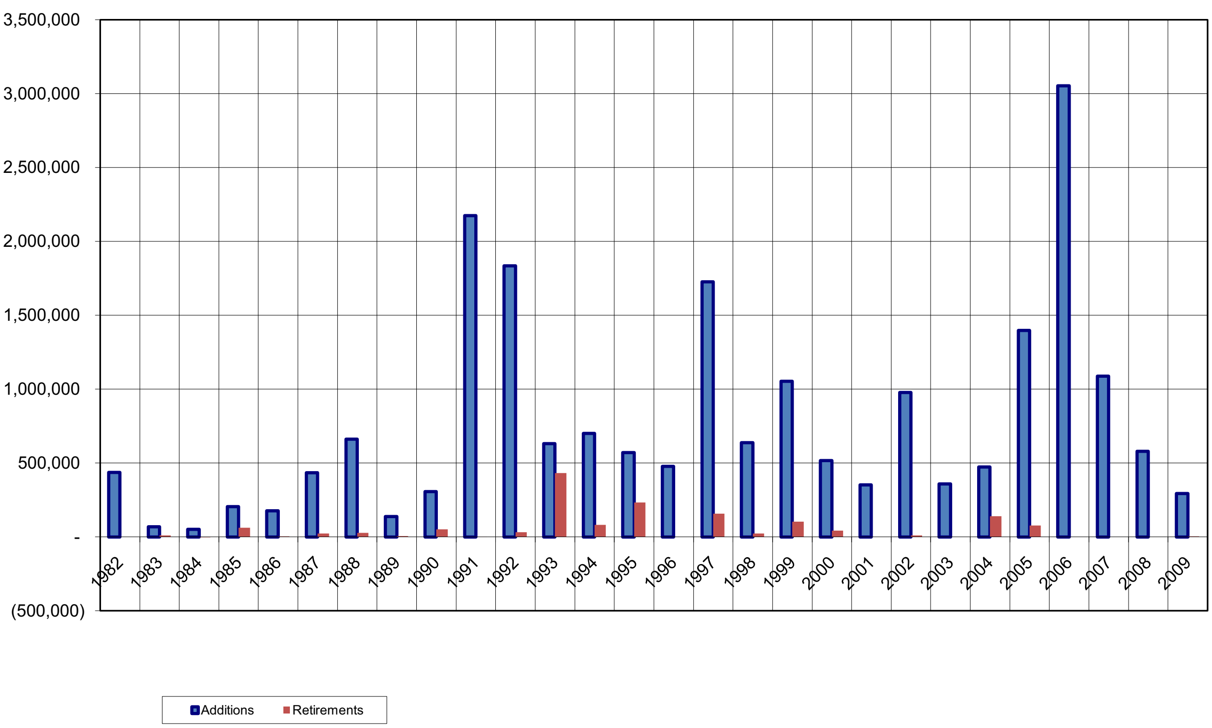
Company: SJG
Account: 369
Category: Measuring and Regulating Equipment

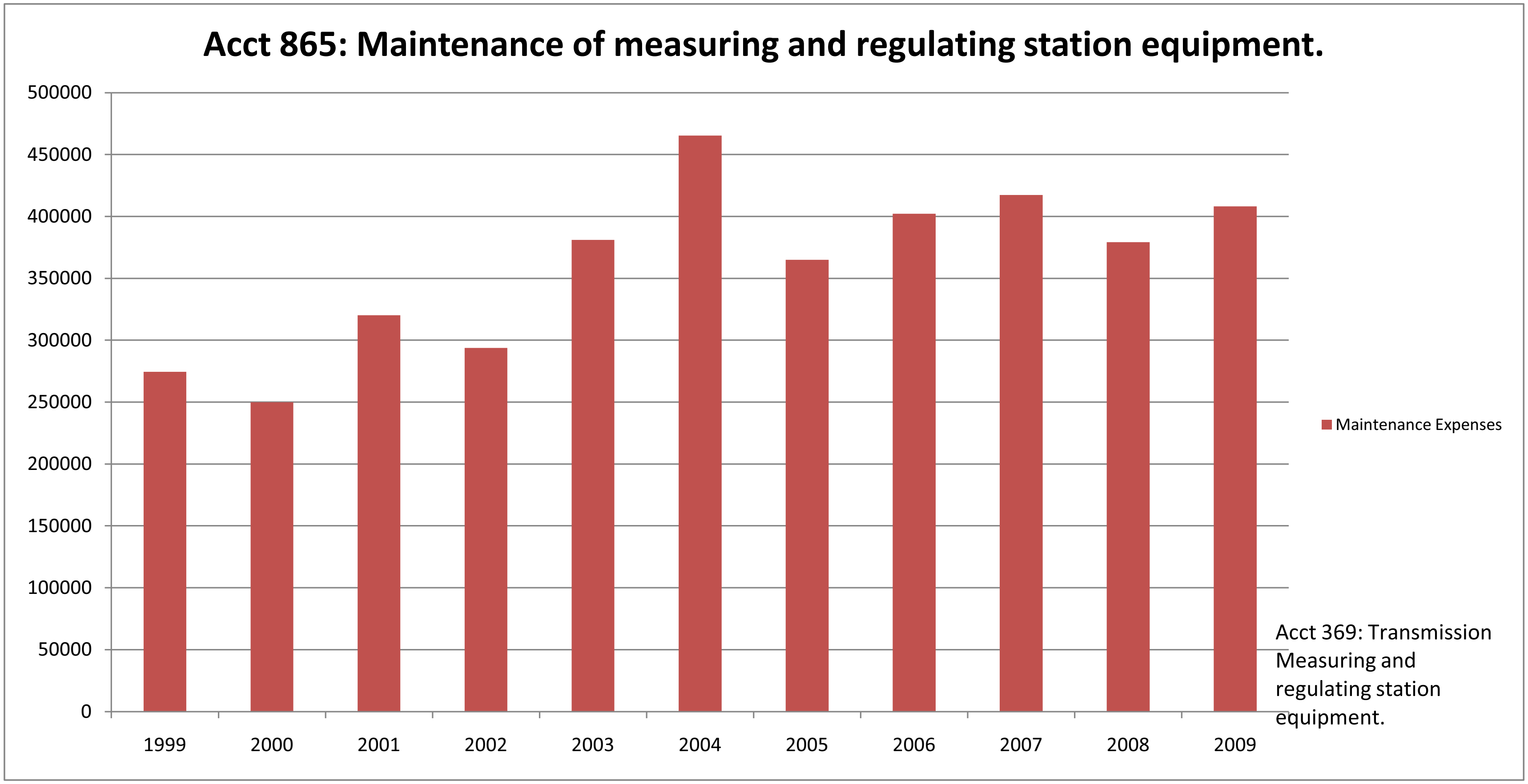
Balances
Life Indications - Account 369 - Measuring and Regulating Equipments



Company: SJG
Account: 369
Category: Measuring and Regulating Equipment

Additions and Retirements
Life Indications - 369 - Measuring and Regulating Equipment





Source: GR10010035, response to RCR-DEP-16

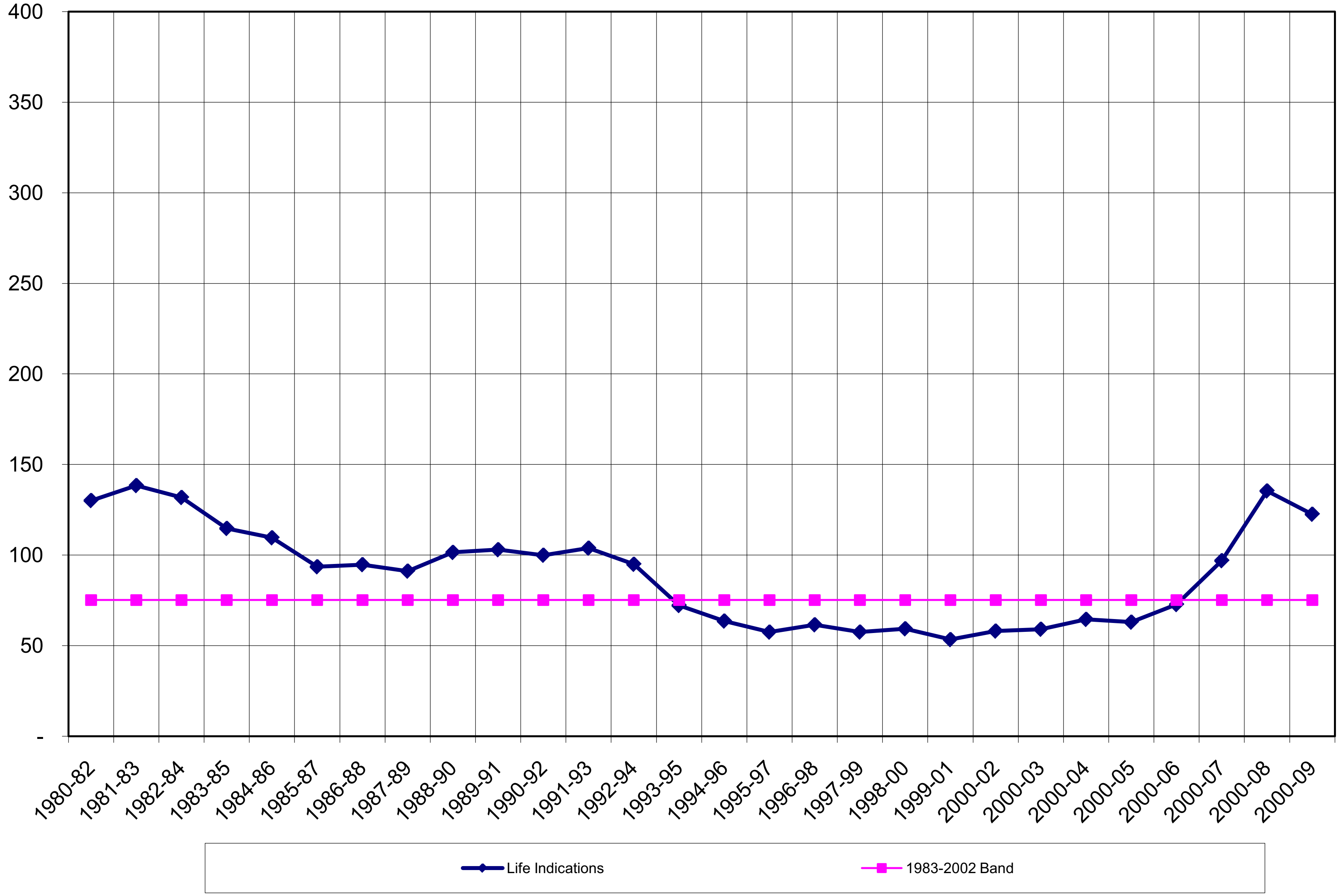
South Jersey Gas Company

Account 376 - Mains

Trans Year	Adds	Rets	EOY
1981	104,854,660	0	104,854,660
1982	5,007,638	135,853	109,726,445
1983	5,822,195	97,399	115,451,241
1984	7,151,849	134,526	122,468,564
1985	9,026,713	212,004	131,283,273
1986	8,197,035	150,153	139,330,155
1987	8,753,499	361,968	147,721,686
1988	10,289,147	249,964	157,760,869
1989	9,777,622	267,339	167,271,152
1990	10,341,571	242,208	177,370,515
1991	9,852,547	331,634	186,891,428
1992	9,574,612	429,042	196,036,998
1993	9,865,688	284,543	205,618,143
1994	12,555,410	551,652	217,621,901
1995	17,727,866	1,111,109	234,238,658
1996	14,402,960	884,472	247,757,146
1997	17,022,090	1,215,770	263,563,466
1998	16,304,116	1,160,259	278,707,323
1999	16,466,948	1,634,060	293,540,211
2000	17,593,969	1,364,687	309,769,493
2001	16,892,045	2,641,050	324,020,488
2002	17,713,439	1,130,718	340,603,209
2003	18,347,833	1,617,435	357,333,607
2004	22,363,388	1,775,501	377,921,494
2005	22,221,265	1,495,217	398,647,543
2006	22,497,690	560,000	420,585,233
2007	20,343,305	414,659	440,513,879
2008	22,357,342	421,962	462,449,259
2009	38,893,165	479,572	500,862,853

Source: 2002-2009 - GR10010035, response to RCR-DEP-014;
1982-2002 - GR03080683, response to RAR-DEP-002

South Jersey Gas Company
Geometric Mean Rolling Band Analysis
Life Indications - Account 376 - Mains



Industry Range: ASL 10 - 80

South Jersey Gas Company

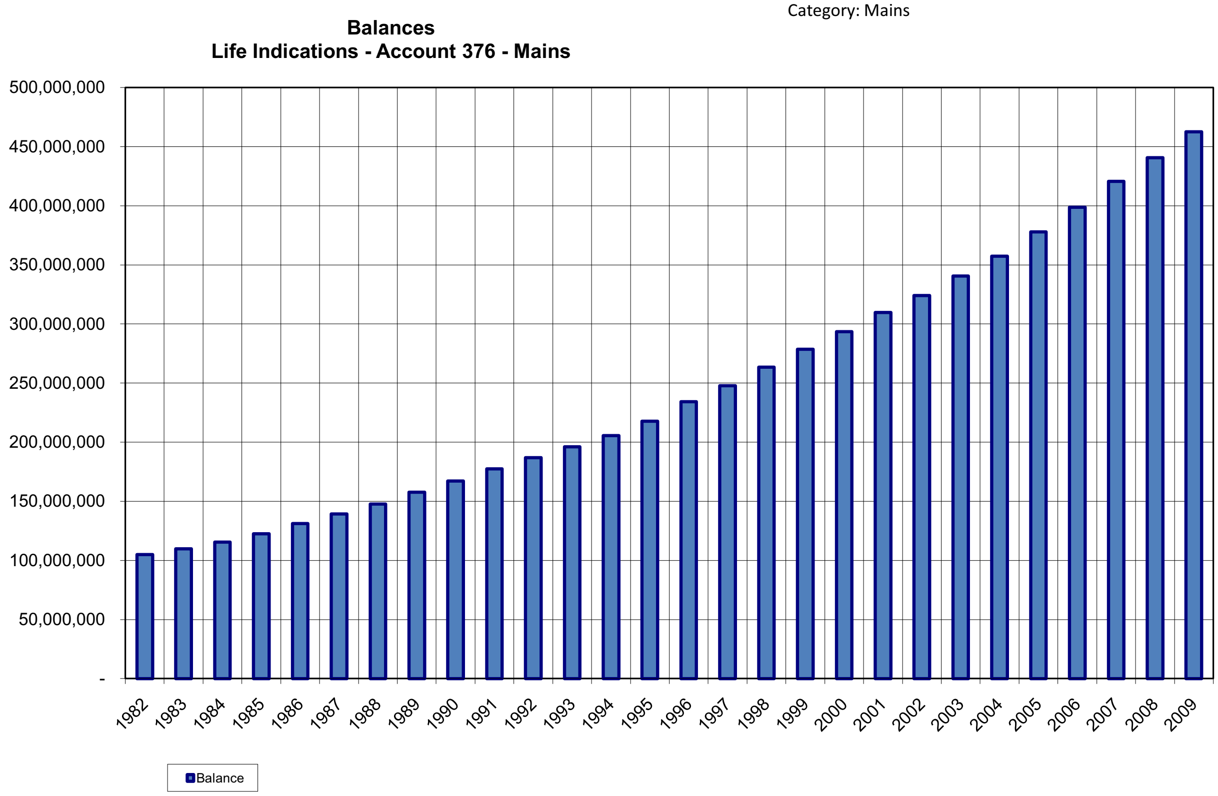
Geometric Mean Turnover Analysis

Account 376 - Mains

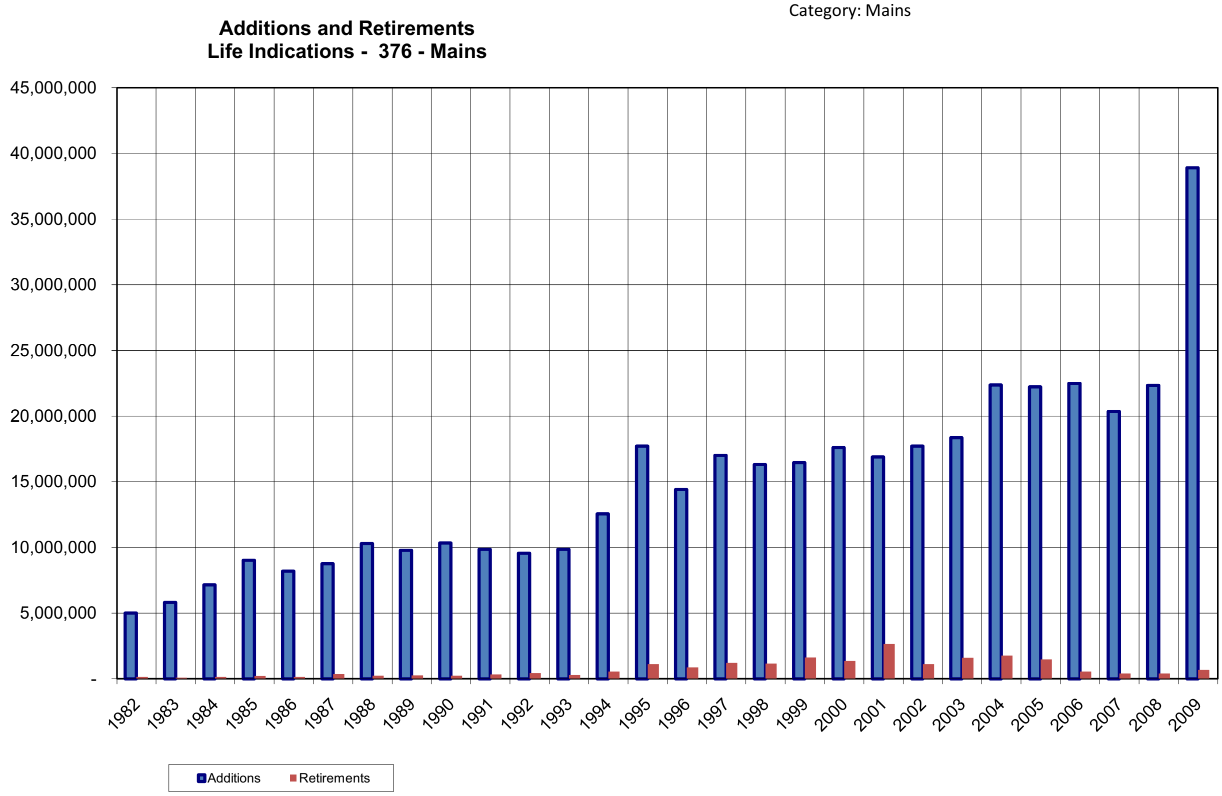
Year	BOY Plant Balance	Avg. Plant Balance	Single Year Additions	Single Year Retirements	Addition Ratio	Retirement Ratio	Geometric Mean Life Estimate	3 Year Band	Avg. Plant Balance (3 Year Band)	Additions (3 Year Band)	Retirements (3 Year Band)	Addition Ratio (3 Year Band)	Retirement Ratio (3 Year Band)	Geometric Mean Life Estimate (3 Year Band)	sub-band	full band
	a	b=(a+(a+c-d))/2	c	d	e = c/b	f = d/b	g = 1/sqrt(e*f)	h	i	j	k	l = j/i	m = k/i	n = 1/sqrt(l*m)		
1982	104,854,660	107,290,553	5,007,638	135,853	0.04667	0.00127	130.08	1980-82	107,290,553	5,007,638	135,853	0.04667	0.00127	130.08	70.30	75.14
1983	109,726,445	112,588,843	5,822,195	97,399	0.05171	0.00087	149.51	1981-83	219,879,396	10,829,833	233,252	0.04925	0.00106	138.34	70.30	75.14
1984	115,451,241	118,959,903	7,151,849	134,526	0.06012	0.00113	121.28	1982-84	338,839,298	17,981,682	367,778	0.05307	0.00109	131.76	70.30	75.14
1985	122,468,564	126,875,919	9,026,713	212,004	0.07115	0.00167	91.72	1983-85	358,424,664	22,000,757	443,929	0.06138	0.00124	114.69	70.30	75.14
1986	131,283,273	135,306,714	8,197,035	150,153	0.06058	0.00111	121.96	1984-86	381,142,535	24,375,597	496,683	0.06395	0.00130	109.54	70.30	75.14
1987	139,330,155	143,525,921	8,753,499	361,968	0.06099	0.00252	80.63	1985-87	405,708,553	25,977,247	724,125	0.06403	0.00178	93.54	70.30	75.14
1988	147,721,686	152,741,278	10,289,147	249,964	0.06736	0.00164	95.24	1986-88	431,573,912	27,239,681	762,085	0.06312	0.00177	94.72	70.30	75.14
1989	157,760,869	162,516,011	9,777,622	267,339	0.06016	0.00165	100.52	1987-89	458,783,209	28,820,268	879,271	0.06282	0.00192	91.14	70.30	75.14
1990	167,271,152	172,320,834	10,341,571	242,208	0.06001	0.00141	108.88	1988-90	487,578,122	30,408,340	759,511	0.06237	0.00156	101.46	70.30	75.14
1991	177,370,515	182,130,972	9,852,547	331,634	0.05410	0.00182	100.76	1989-91	516,967,816	29,971,740	841,181	0.05798	0.00163	102.96	70.30	75.14
1992	186,891,428	191,464,213	9,574,612	429,042	0.05001	0.00224	94.47	1990-92	545,916,018	29,768,730	1,002,884	0.05453	0.00184	99.91	70.30	75.14
1993	196,036,998	200,827,571	9,865,688	284,543	0.04913	0.00142	119.86	1991-93	574,422,755	29,292,847	1,045,219	0.05100	0.00182	103.81	70.30	75.14
1994	205,618,143	211,620,022	12,555,410	551,652	0.05933	0.00261	80.41	1992-94	603,911,806	31,995,710	1,265,237	0.05298	0.00210	94.92	70.30	75.14
1995	217,621,901	225,930,280	17,727,866	1,111,109	0.07847	0.00492	50.91	1993-95	638,377,872	40,148,964	1,947,304	0.06289	0.00305	72.20	70.30	75.14
1996	234,238,658	240,997,902	14,402,960	884,472	0.05976	0.00367	67.52	1994-96	678,548,204	44,686,236	2,547,233	0.06586	0.00375	63.60	70.30	75.14
1997	247,757,146	255,660,306	17,022,090	1,215,770	0.06658	0.00476	56.20	1995-97	722,588,488	49,152,916	3,211,351	0.06802	0.00444	57.51	70.30	75.14
1998	263,563,466	271,135,395	16,304,116	1,160,259	0.06013	0.00428	62.34	1996-98	767,793,603	47,729,166	3,260,501	0.06216	0.00425	61.55	70.30	75.14
1999	278,707,323	286,123,767	16,466,948	1,634,060	0.05755	0.00571	55.16	1997-99	812,919,468	49,793,154	4,010,089	0.06125	0.00493	57.53	70.30	75.14
2000	293,540,211	301,654,852	17,593,969	1,364,687	0.05832	0.00452	61.56	1998-00	858,914,014	50,365,033	4,159,006	0.05864	0.00484	59.35	70.30	75.14
2001	309,769,493	316,894,991	16,892,045	2,641,050	0.05330	0.00833	47.44	1999-01	904,673,610	50,952,962	5,639,797	0.05632	0.00623	53.37	70.30	75.14
2002	324,020,488	332,311,849	17,713,439.00	1,130,718.00	*0.05330*	*0.00340*	*74.25*	*2000-02*	950,861,691	52,199,453	5,136,455	0.05490	0.00540	58.07	70.30	75.14
2003	340,603,209	348,968,408	18,347,833.00	1,617,435.00	0.05258	0.00463	64.06	2000-03	998,175,247	52,953,317	5,389,203	0.05305	0.00540	59.09	84.38	75.14
2004	357,333,607	367,627,551	22,363,388.37	1,775,501.00	0.06083	0.00483	58.34	2000-04	1,048,907,807	58,424,660	4,523,654	0.05570	0.00431	64.52	84.38	75.14
2005	377,921,494	388,284,519	22,221,265.41	1,495,216.72	0.05723	0.00385	67.36	2000-05	1,104,880,477	62,932,487	4,888,153	0.05696	0.00442	62.99	84.38	75.14
2006	398,647,543	409,616,388	22,497,690.00	560,000.00	0.05492	0.00137	115.40	2000-06	1,165,528,457	67,082,344	3,830,718	0.05756	0.00329	72.71	84.38	75.14
2007	420,585,233	430,549,556	20,343,304.79	414,658.97	0.04725	0.00096	148.24	2000-07	1,228,450,463	65,062,260	2,469,876	0.05296	0.00201	96.91	84.38	75.14
2008	440,513,879	451,481,569	22,357,342.49	421,961.94	0.04952	0.00093	146.99	2000-08	1,291,647,513	65,198,337	1,396,621	0.05048	0.00108	135.36	84.38	75.14
2009	462,449,259	481,555,165	38,893,165.31	681,353.57	0.08077	0.00141	93.55	2000-09	1,363,586,290	81,593,813	1,517,974	0.05984	0.00111	122.52	84.38	75.14

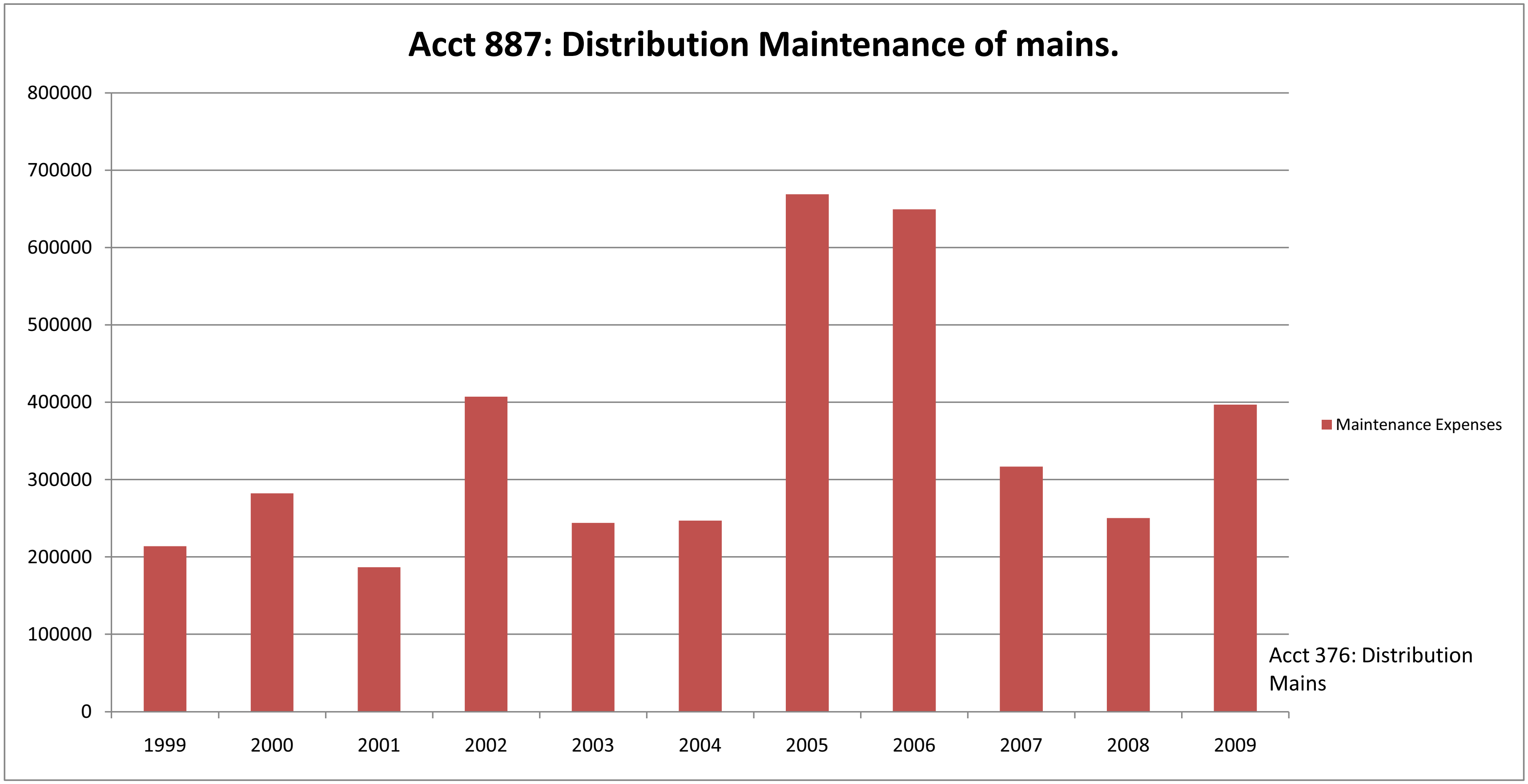
2003-2008	2,798,054,225	2,878,083,156	167,023,989	6,966,127	0.05803	0.00242	84.38
1982-2008	6,929,058,040	7,126,961,245	417,362,948	21,556,537	0.05856	0.00302	75.14
1982-2003	4,131,003,815 340,603,209	4,248,878,090	250,338,959	14,590,410	0.05892	0.00343	70.30

Company: SJG
Account: 376
Category: Mains



Company: SJG
Account: 376
Category: Mains





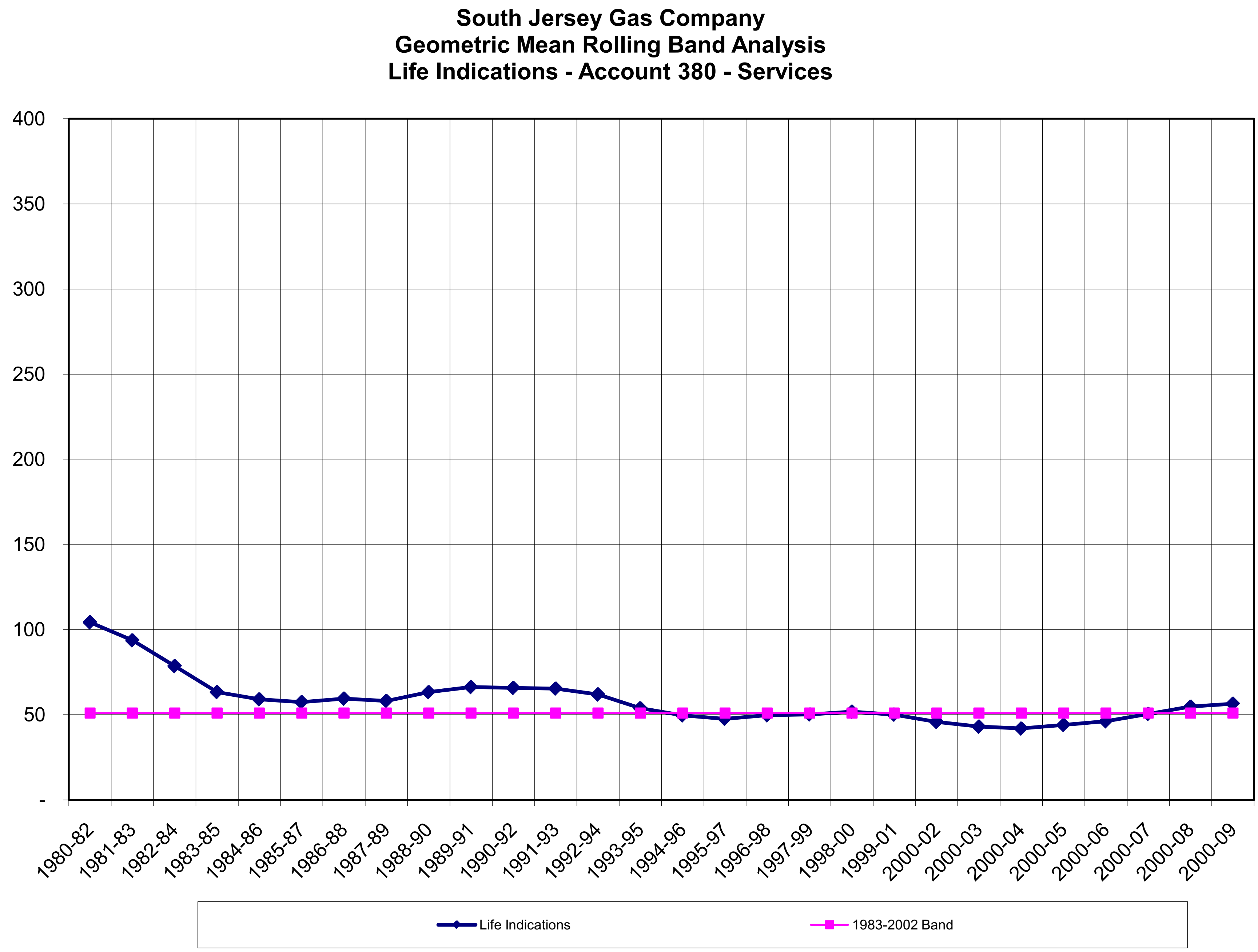
Source: GR10010035, response to RCR-DEP-16

South Jersey Gas Company

Account 380 - Services

Trans Year	Adds	Rets	EOY
1981	69,152,050	0	69,152,050
1982	3,223,137	142,597	72,232,590
1983	4,089,583	184,454	76,137,719
1984	6,543,009	260,868	82,419,860
1985	7,620,881	338,550	89,702,191
1986	7,616,084	281,418	97,036,857
1987	9,100,044	363,662	105,773,239
1988	10,871,354	314,961	116,329,632
1989	10,600,108	400,367	126,529,373
1990	10,515,282	320,466	136,724,189
1991	9,892,448	422,254	146,194,383
1992	10,239,294	614,246	155,819,431
1993	9,903,124	562,303	165,160,252
1994	12,232,440	698,750	176,693,942
1995	14,016,445	1,265,311	189,445,076
1996	14,270,054	1,073,229	202,641,901
1997	16,407,088	1,091,188	217,957,801
1998	16,947,437	1,234,481	233,670,757
1999	15,790,203	1,378,089	248,082,871
2000	17,014,825	1,307,097	263,790,599
2001	16,427,876	2,090,410	278,128,065
2002	19,299,180	2,368,313	295,058,932
2003	18,697,883	2,400,645	311,356,170
2004	22,900,637	2,593,958	331,662,849
2005	21,468,965	2,543,330	350,588,483
2006	21,865,396	2,476,625	369,977,254
2007	18,578,096	2,559,608	385,995,743
2008	18,685,780	2,369,751	402,311,772
2009	21,919,815	2,688,273	421,543,314

Source: 2002-2009 - GR10010035, response to RCR-DEP-014; 1982-2002 - GR03080683, response to RAR-DEP-002


South Jersey Gas Company
Geometric Mean Rolling Band Analysis
Life Indications - Account 380 - Services
400
350
300
250
200
150
100
50
-
1980-82
1981-83
1982-84
1983-85
1984-86
1985-87
1986-88
1987-89
1988-90
1989-91
1990-92
1991-93
1992-94
1993-95
1994-96
1995-97
1996-98
1997-99
1998-00
1999-01
2000-02
2000-03
2000-04
2000-05
2000-06
2000-07
2000-08
2000-09
Life Indications
1983-2002 Band

Industry Range: ASL 10 - 63

South Jersey Gas Company

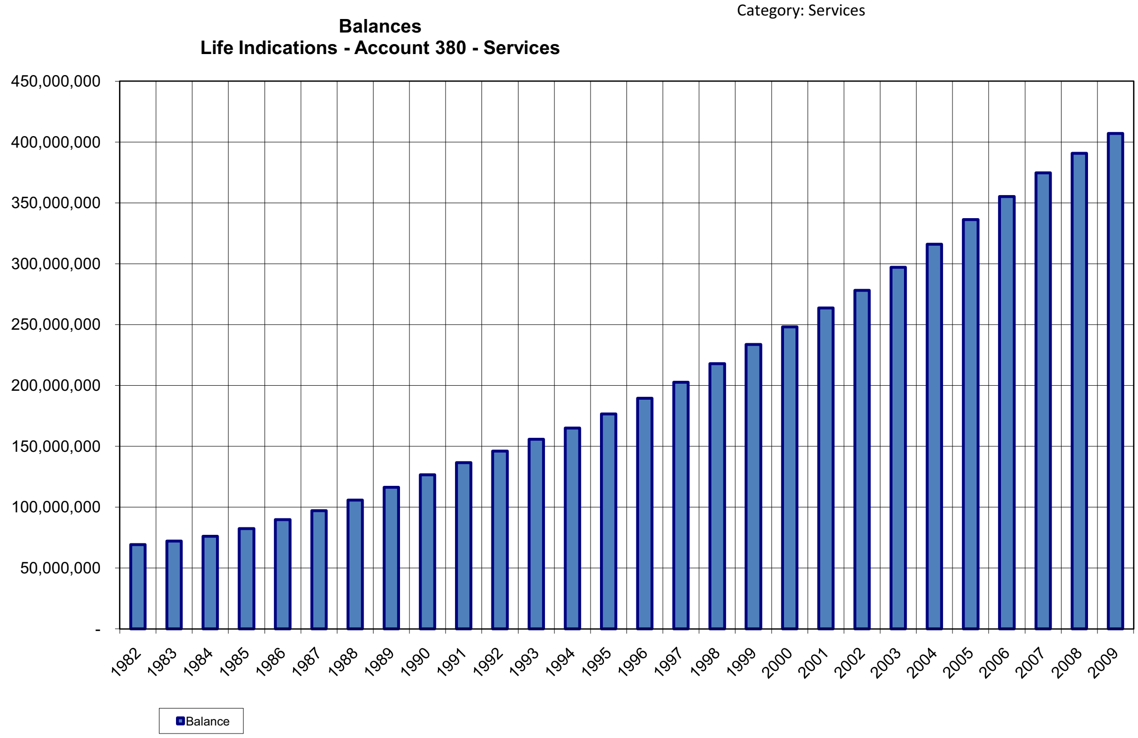
Geometric Mean Turnover Analysis

Account 380 - Services

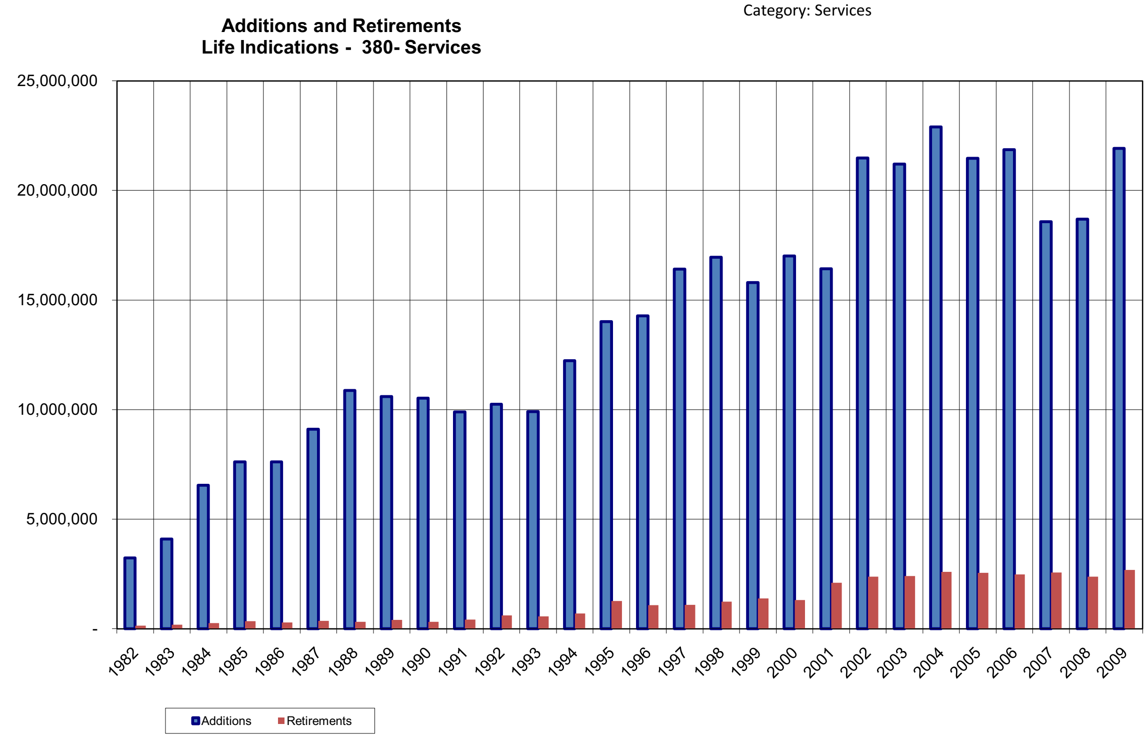
Year	BOY Plant Balance	Avg. Plant Balance	Single Year Additions	Single Year Retirements	Addition Ratio	Retirement Ratio	Geometric Mean Life Estimate	3 Year Band	Avg. Plant Balance	Additions	Retirements	Addition Ratio	Retirement Ratio	Geometric Mean Life Estimate	sub-band	full band
								3 Year Band								
	a	b=(a+(a+c-d))/2	c	d	e = c/b	f = d/b	g = 1/sqrt(e*f)	h	i	j	k	l = j/i	m = k/i	n = 1/sqrt(l*m)	sub-band	full band
1982	69,152,050	70,692,320	3,223,137	142,597	0.04559	0.00202	104.27	1980-82	70,692,320	3,223,137	142,597	0.04559	0.00202	104.27	52.59	50.93
1983	72,232,590	74,185,155	4,089,583	184,454	0.05513	0.00249	85.41	1981-83	144,877,475	7,312,720	327,051	0.05048	0.00226	93.68	52.59	50.93
1984	76,137,719	79,278,790	6,543,009	260,868	0.08253	0.00329	60.68	1982-84	224,156,264	13,855,729	587,919	0.06181	0.00262	78.54	52.59	50.93
1985	82,419,860	86,061,026	7,620,881	338,550	0.08855	0.00393	53.58	1983-85	239,524,970	18,253,473	783,872	0.07621	0.00327	63.32	52.59	50.93
1986	89,702,191	93,369,524	7,616,084	281,418	0.08157	0.00301	63.78	1984-86	258,709,339	21,779,974	880,836	0.08419	0.00340	59.07	52.59	50.93
1987	97,036,857	101,405,048	9,100,044	363,662	0.08974	0.00359	55.74	1985-87	280,835,598	24,337,009	983,630	0.08666	0.00350	57.40	52.59	50.93
1988	105,773,239	111,051,436	10,871,354	314,961	0.09789	0.00284	60.01	1986-88	305,826,008	27,587,482	960,041	0.09021	0.00314	59.43	52.59	50.93
1989	116,329,632	121,429,503	10,600,108	400,367	0.08729	0.00330	58.94	1987-89	333,885,986	30,571,506	1,078,990	0.09156	0.00323	58.13	52.59	50.93
1990	126,529,373	131,626,781	10,515,282	320,466	0.07989	0.00243	71.70	1988-90	364,107,719	31,986,744	1,035,794	0.08785	0.00284	63.26	52.59	50.93
1991	136,724,189	141,459,286	9,892,448	422,254	0.06993	0.00298	69.21	1989-91	394,515,570	31,007,838	1,143,087	0.07860	0.00290	66.27	52.59	50.93
1992	146,194,383	151,006,907	10,239,294	614,246	0.06781	0.00407	60.21	1990-92	424,092,974	30,647,024	1,356,966	0.07226	0.00320	65.76	52.59	50.93
1993	155,819,431	160,489,842	9,903,124	562,303	0.06171	0.00350	68.01	1991-93	452,956,035	30,034,866	1,598,803	0.06631	0.00353	65.37	52.59	50.93
1994	165,160,252	170,927,097	12,232,440	698,750	0.07157	0.00409	58.46	1992-94	482,423,846	32,374,858	1,875,299	0.06711	0.00389	61.91	52.59	50.93
1995	176,693,942	183,069,509	14,016,445	1,265,311	0.07656	0.00691	43.47	1993-95	514,486,448	36,152,009	2,526,364	0.07027	0.00491	53.83	52.59	50.93
1996	189,445,076	196,043,489	14,270,054	1,073,229	0.07279	0.00547	50.09	1994-96	550,040,095	40,518,939	3,037,290	0.07367	0.00552	49.58	52.59	50.93
1997	202,641,901	210,299,851	16,407,088	1,091,188	0.07802	0.00519	49.70	1995-97	589,412,849	44,693,587	3,429,728	0.07583	0.00582	47.61	52.59	50.93
1998	217,957,801	225,814,279	16,947,437	1,234,481	0.07505	0.00547	49.37	1996-98	632,157,619	47,624,579	3,398,898	0.07534	0.00538	49.69	52.59	50.93
1999	233,670,757	240,876,814	15,790,203	1,378,089	0.06555	0.00572	51.64	1997-99	676,990,944	49,144,728	3,703,758	0.07259	0.00547	50.18	52.59	50.93
2000	248,082,871	255,936,735	17,014,825	1,307,097	0.06648	0.00511	54.27	1998-00	722,627,828	49,752,465	3,919,667	0.06885	0.00542	51.75	52.59	50.93
2001	263,790,599	270,959,332	16,427,876	2,090,410	0.06063	0.00771	46.24	1999-01	767,772,881	49,232,904	4,775,596	0.06412	0.00622	50.07	52.59	50.93
2002	278,128,065	287,686,001	21,484,184.00	2,368,313	0.07468	0.00823	40.33	2000-02	814,582,068	54,926,885	5,765,820	0.06743	0.00708	45.77	52.59	50.93
2003	297,243,936	306,642,582	21,197,937.00	2,400,645.00	0.06913	0.00783	42.99	2000-03	865,287,915	59,109,997	6,859,368	0.06831	0.00793	42.97	49.99	50.93
2004	316,041,228	326,194,567	22,900,636.74	2,593,958.00	0.07021	0.00795	42.32	2000-04	920,523,150	65,582,758	7,362,916	0.07125	0.00800	41.89	49.99	50.93
2005	336,347,907	345,810,724	21,468,964.83	2,543,330.42	0.06208	0.00735	46.80	2000-05	978,647,873	65,567,539	7,537,933	0.06700	0.00770	44.02	49.99	50.93
2006	355,273,541	364,967,927	21,865,396.00	2,476,625.03	0.05991	0.00679	49.60	2000-06	1,036,973,218	66,234,998	7,613,913	0.06387	0.00734	46.18	49.99	50.93
2007	374,662,312	382,671,557	18,578,096.43	2,559,607.51	0.04855	0.00669	55.49	2000-07	1,093,450,207	61,912,457	7,579,563	0.05662	0.00693	50.48	49.99	50.93
2008	390,680,801	398,838,816	18,685,779.96	2,369,750.56	0.04685	0.00594	59.94	2000-08	1,146,478,299	59,129,272	7,405,983	0.05157	0.00646	54.79	49.99	50.93
2009	406,996,830	416,612,601	21,919,814.69	2,688,273.18	0.05261	0.00645	54.27	2000-09	1,198,122,974	59,183,691	7,617,631	0.04940	0.00636	56.43	49.99	50.93

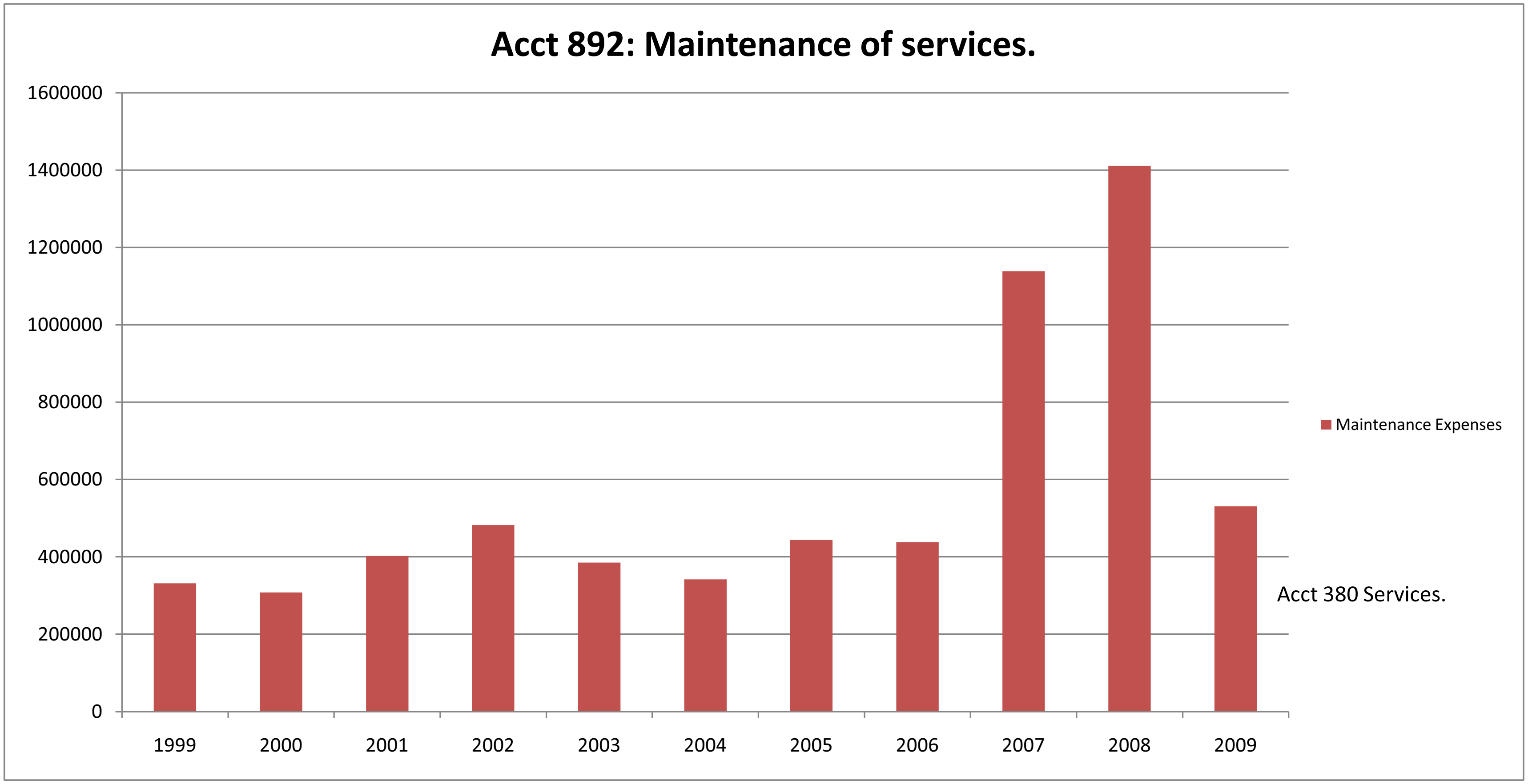
2003-2008	2,477,246,555	2,541,738,773	146,616,626	17,632,190	0.05768	0.00694	49.99
1982-2008	5,726,869,333	5,905,407,494	391,421,526	34,345,204	0.06628	0.00582	50.93
1982-2003	3,249,622,778	3,363,668,721	244,804,900	16,713,014	0.07278	0.00497	52.59
	297,243,936						

Company: SJG
Account: 380
Category: Services



Company: SJG
Account: 380
Category: Services





Source: GR10010035, response to RCR-DEP-16

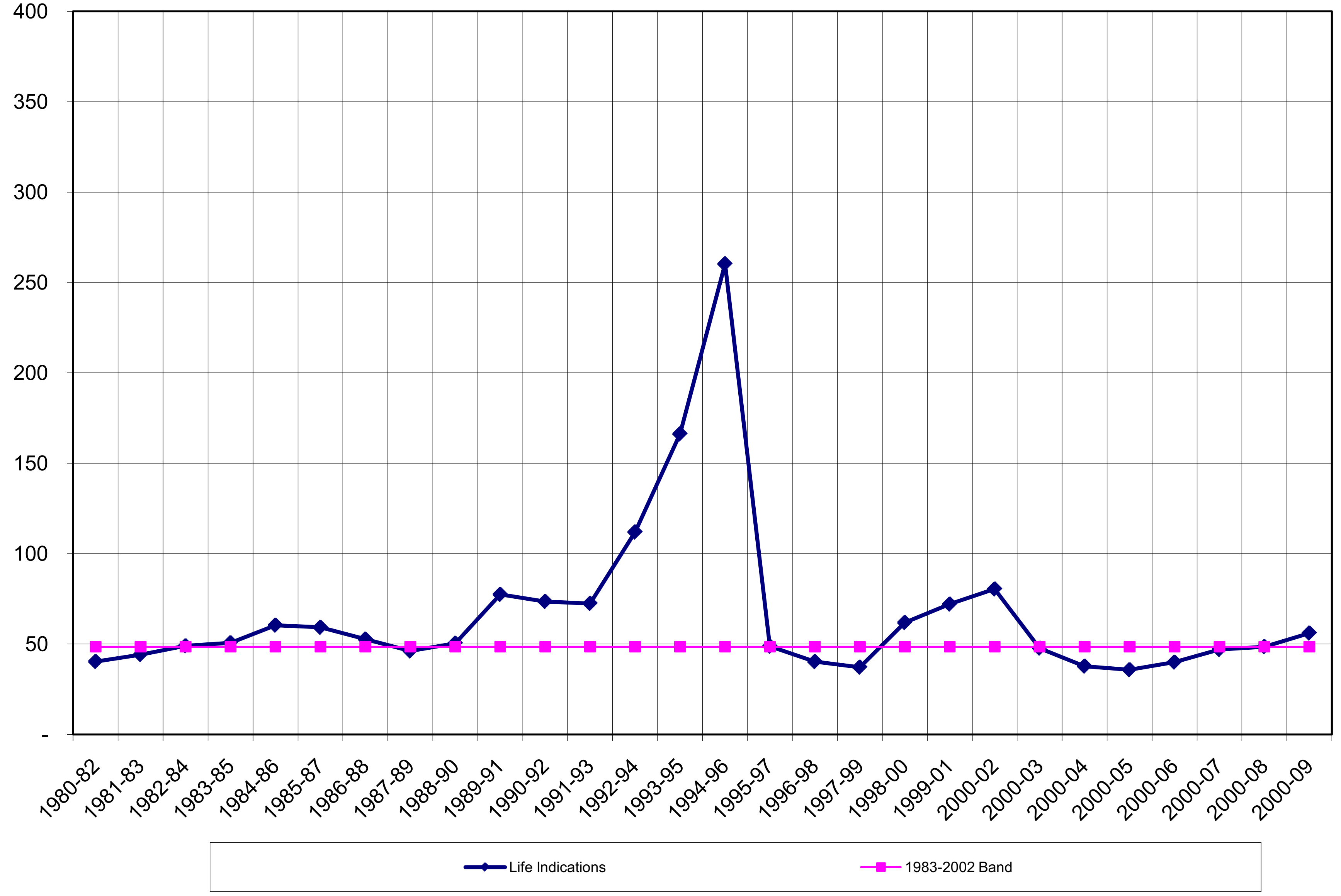
South Jersey Gas Company

Account 385 - Ind. Meas. & Reg. Station Equipment

Trans Year	Adds	Rets	EOY
1981	914,470	0	914,470
1982	69,128	7,936	975,662
1983	61,126	6,984	1,029,804
1984	60,299	4,814	1,085,289
1985	30,352	13,695	1,101,946
1986	62,419	775	1,163,590
1987	70,098	6,012	1,227,676
1988	64,852	16,580	1,275,948
1989	138,600	2,077	1,412,471
1990	142,747	250	1,554,968
1991	149,260	5,357	1,698,871
1992	47,124	7,106	1,738,889
1993	90,252	5,009	1,824,132
1994	51,050	0	1,875,182
1995	63,251	414	1,938,019
1996	85,762	2,013	2,021,768
1997	222,066	38,310	2,205,524
1998	161,983	12,959	2,354,548
1999	158,695	10,737	2,502,506
2000	86,360	10,003	2,578,863
2001	195,339	4,787	2,769,415
2002	301,487	2,737	3,068,165
2003	371,890	10,150	3,429,905
2004	463,669	0	3,893,574
2005	460,293	0	4,353,867
2006	593,141	0	4,947,008
2007	859,397	0	5,806,405
2008	699,945	0	6,506,350
2009	668,983	0	7,175,333

Source: 2002-2009 - GR10010035, response to RCR-DEP-014; 1982-200

South Jersey Gas Company
Geometric Mean Rolling Band Analysis
Life Indications - Account 385 - Ind. Meas. & Reg. Station Equipment



Industry Range: ASL 9 - 50

South Jersey Gas Company

Geometric Mean Turnover Analysis

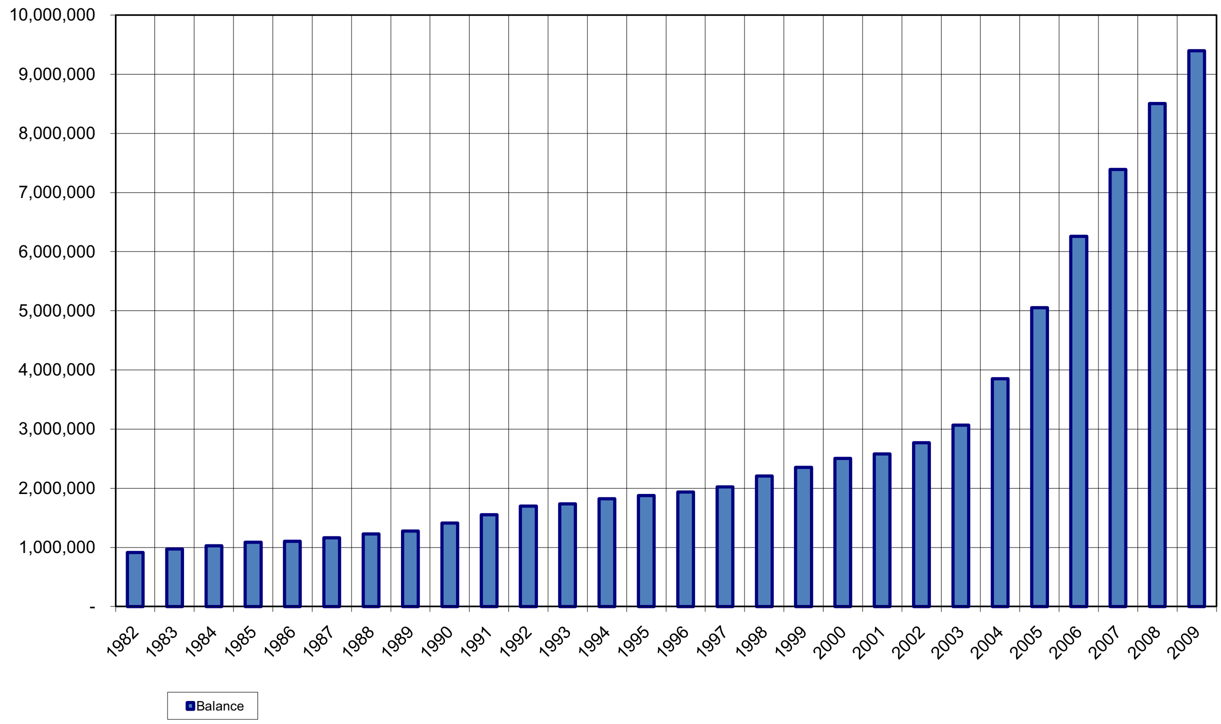
Account 385 - Ind. Meas. & Reg. Station Equipment

Year	BOY Plant Balance	Avg. Plant Balance	Single Year Additions	Single Year Retirements	Addition Ratio	Retirement Ratio	Geometric Mean Life Estimate	3 Year Band	3 Year Band: Avg. Plant Balance	3 Year Band: Additions	3 Year Band: Retirements	3 Year Band: Addition Ratio	3 Year Band: Retirement Ratio	3 Year Band: Geometric Mean Life Estimate	sub-band	full band
	a	b=(a+(a+c-d))/2	c	d	e = c/b	f = d/b	g = 1/sqrt(e*f)	h	i	j	k	l = j/i	m = k/i	n = 1/sqrt(l*m)		
1982	914,470	945,066	69,128	7,936	0.07315	0.00840	40.35	1980-82	945,066	69,128	7,936	0.07315	0.00840	40.35	59.99	48.56
1983	975,662	1,002,733	61,126	6,984	0.06096	0.00696	48.53	1981-83	1,947,799	130,254	14,920	0.06687	0.00766	44.18	59.99	48.56
1984	1,029,804	1,057,547	60,299	4,814	0.05702	0.00455	62.07	1982-84	3,005,346	190,553	19,734	0.06340	0.00657	49.01	59.99	48.56
1985	1,085,289	1,093,618	30,352	13,695	0.02775	0.01252	53.64	1983-85	3,153,897	151,777	25,493	0.04812	0.00808	50.70	59.99	48.56
1986	1,101,946	1,132,768	62,419	775	0.05510	0.00068	162.87	1984-86	3,283,932	153,070	19,284	0.04661	0.00587	60.44	59.99	48.56
1987	1,163,590	1,195,633	70,098	6,012	0.05863	0.00503	58.24	1985-87	3,422,019	162,869	20,482	0.04759	0.00599	59.25	59.99	48.56
1988	1,227,676	1,251,812	64,852	16,580	0.05181	0.01324	38.18	1986-88	3,580,213	197,369	23,367	0.05513	0.00653	52.72	59.99	48.56
1989	1,275,948	1,344,210	138,600	2,077	0.10311	0.00155	79.23	1987-89	3,791,655	273,550	24,669	0.07215	0.00651	46.16	59.99	48.56
1990	1,412,471	1,483,720	142,747	250	0.09621	0.00017	248.37	1988-90	4,079,741	346,199	18,907	0.08486	0.00463	50.43	59.99	48.56
1991	1,554,968	1,626,920	149,260	5,357	0.09174	0.00329	57.54	1989-91	4,454,849	430,607	7,684	0.09666	0.00172	77.45	59.99	48.56
1992	1,698,871	1,718,880	47,124	7,106	0.02742	0.00413	93.93	1990-92	4,829,519	339,131	12,713	0.07022	0.00263	73.55	59.99	48.56
1993	1,738,889	1,781,511	90,252	5,009	0.05066	0.00281	83.79	1991-93	5,127,310	286,636	17,472	0.05590	0.00341	72.45	59.99	48.56
1994	1,824,132	1,849,657	51,050	0	0.02760	-	-	1992-94	5,350,048	188,426	12,115	0.03522	0.00226	111.98	59.99	48.56
1995	1,875,182	1,906,601	63,251	414	0.03317	0.00022	372.59	1993-95	5,537,768	204,553	5,423	0.03694	0.00098	166.27	59.99	48.56
1996	1,938,019	1,979,894	85,762	2,013	0.04332	0.00102	150.69	1994-96	5,736,151	200,063	2,427	0.03488	0.00042	260.32	59.99	48.56
1997	2,021,768	2,113,646	222,066	38,310	0.10506	0.01813	22.92	1995-97	6,000,140	371,079	40,737	0.06185	0.00679	48.80	59.99	48.56
1998	2,205,524	2,280,036	161,983	12,959	0.07104	0.00568	49.76	1996-98	6,373,576	469,811	53,282	0.07371	0.00836	40.28	59.99	48.56
1999	2,354,548	2,428,527	158,695	10,737	0.06535	0.00442	58.83	1997-99	6,822,209	542,744	62,006	0.07956	0.00909	37.19	59.99	48.56
2000	2,502,506	2,540,685	86,360	10,003	0.03399	0.00394	86.44	1998-00	7,249,248	407,038	33,699	0.05615	0.00465	61.90	59.99	48.56
2001	2,578,863	2,674,139	195,339	4,787	0.07305	0.00179	87.45	1999-01	7,643,351	440,394	25,527	0.05762	0.00334	72.09	59.99	48.56
2002	2,769,415	2,918,790	301,487.00	2,737	0.10329	0.00094	101.61	2000-02	8,133,614	583,186	17,527	0.07170	0.00215	80.45	59.99	48.56
2003	3,068,165	3,461,285	806,324.00	20,084.00	0.23296	0.00580	27.20	2000-03	9,054,214	1,303,150	27,608	0.14393	0.00305	47.73	45.39	48.56
2004	3,854,405	4,452,742	1,209,374.78	12,700.00	0.27160	0.00285	35.93	2000-04	10,832,817	2,317,186	35,521	0.21390	0.00328	37.76	45.39	48.56
2005	5,051,080	5,654,003	1,217,490.95	11,645.03	0.21533	0.00206	47.48	2000-05	13,568,030	3,233,190	44,429	0.23829	0.00327	35.80	45.39	48.56
2006	6,256,926	6,824,706	1,161,152.27	25,591.00	0.17014	0.00375	39.59	2000-06	16,931,451	3,588,018	49,936	0.21191	0.00295	40.00	45.39	48.56
2007	7,392,487	7,947,459	1,126,591.47	16,646.72	0.14175	0.00209	58.03	2000-07	20,426,168	3,505,235	53,883	0.17161	0.00264	47.00	45.39	48.56
2008	8,502,432	8,949,829	926,811.76	32,017.35	0.10356	0.00358	51.95	2000-08	23,721,995	3,214,556	74,255	0.13551	0.00313	48.55	45.39	48.56
2009	9,397,226	9,851,252	935,489.71	27,438.75	0.09496	0.00279	61.49	2000-09	26,748,540	2,988,893	76,103	0.11174	0.00285	56.08	45.39	48.56

2003-2008	43,522,720	47,141,276	7,383,235	146,123	0.15662	0.00310	45.39
1982-2008	78,772,261	83,467,665	9,695,485	304,678	0.11616	0.00365	48.56
1982-2003	35,249,541 3,068,165	36,326,389	2,312,250	158,555	0.06365	0.00436	59.99

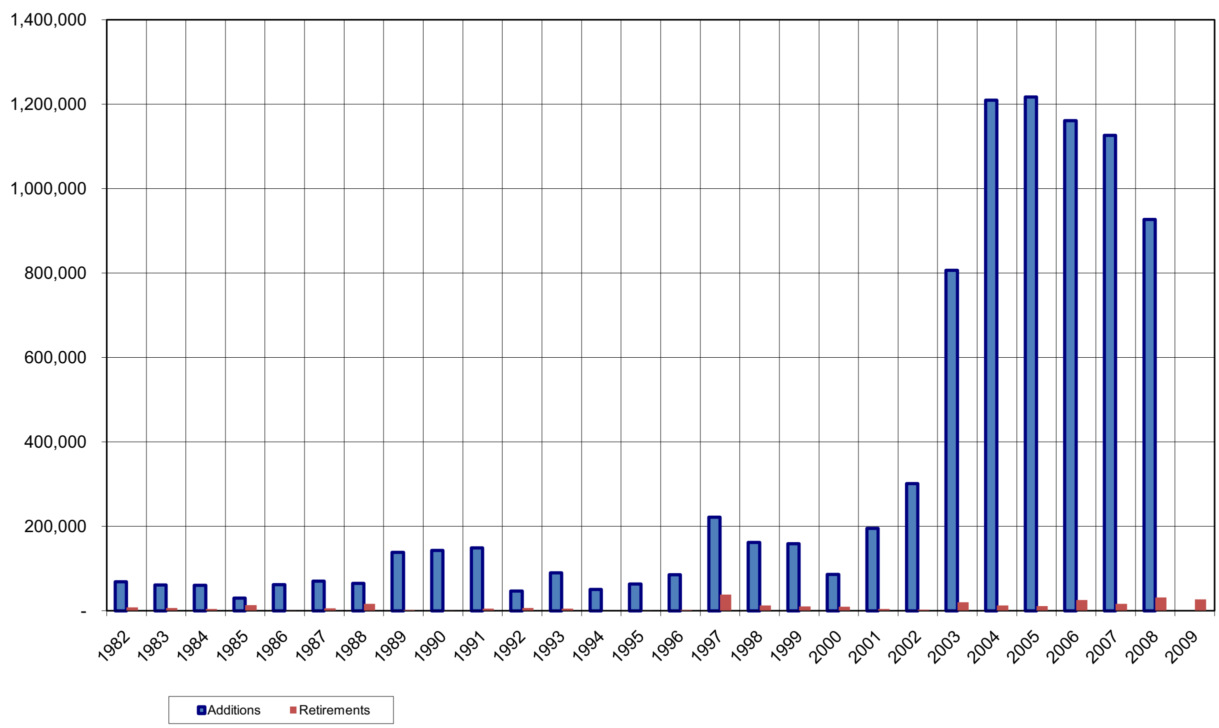
Company: SJG
Account: 385
Category: Ind. Meas. & Reg. Station Equipment

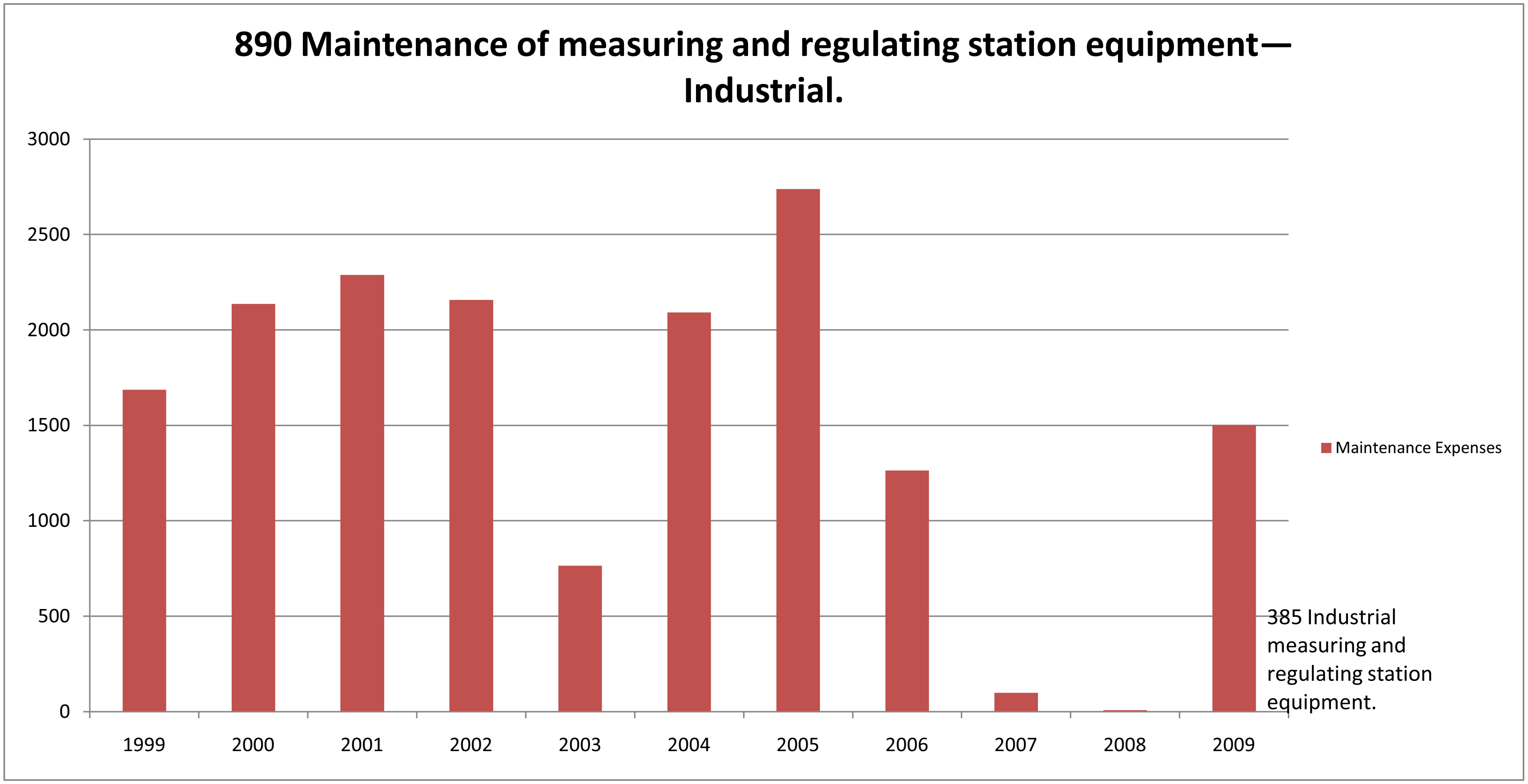
Balances
Life Indications - Account 385 - Ind. Meas. & Reg. Station Equipment



Company: SJG
Account: 385
Category: Ind. Meas. & Reg. Station Equipment

Additions and Retirements
Life Indications - 385 - Ind. Meas. & Reg. Station Equipment





Source: GR10010035, response to RCR-DEP-16

SOUTH JERSEY GAS COMPANY

ESTIMATED SURVIVOR CURVES, ORIGINAL COST, BOOK RESERVE AND CALCULATED ANNUAL DEPRECIATION ACCRUALS RELATED TO GAS PLANT AT DECEMBER 31, 2009

	Depreciable Group	Original Cost at December 31, 2009 [1]	Book Reserve December 31, 2009 [1]	SK Rec Rates (WL) Survivor Curve	Average Service Life	Rate	Annual Accrual
	(1)	(2)	(3)	(9)	(10)	(11)	(12)
DEPRECIABLE PLANT							
Production Plant							
305	Structures and Improvements	260,988	119,718	R4	30	3.33%	8,700
311	Liquefied Petroleum Gas Equipment	13,446	(265,159)	R2.5	28	3.57%	480
320	Other Equipment - Miscellaneous	3,021	747	R3	25	4.00%	121
Total Production Plant		277,455	(144,695)				9,301
Underground Storage Plant							
351	Structures and Improvements	-	(102,285)	R3	45	2.22%	0
354	Compressor Station Equipment	-	(133,106)	R4	35	2.86%	0
355	Measuring and Regulating Equipment	-	(36,183)	R2.5	30	3.33%	0
357	Other Equipment	-	0	R3	25	4.00%	0
Total Underground Storage Plant		-	(271,574)				-
Liquefied Natural Gas Plant							
361	Structures and Improvements	430,648	374,255	R3	45	2.22%	9,570
362	Gas Holders	3,139,443	2,949,771	S5	45	2.22%	69,765
363	Purification Equipment	8,572,884	3,582,728	R4	30	3.33%	285,763
Total Liquefied Natural Gas Plant		12,142,975	6,906,754				365,098
Transmission Plant							
366	Structures and Improvements	2,062,986	810,705	R3	45	2.22%	45,844
367	Mains	121,310,970	41,800,390	S2.5	50	2.00%	2,426,219
368	Compressor Station Equipment	7,707	(25,673)	R2	30	3.33%	257
369	Measuring and Regulating Equipment	23,400,876	9,782,687	R2.5	57	1.75%	410,542
370	Communication Equipment	44,562	38,757	S3	20		0
371	Other Equipment	424,079	421,001	S4	30	3.33%	14,136
Total Transmission Plant		147,251,179	52,827,867				2,896,998
Distribution Plant							
375	Structures and Improvements	9,727,982	3,141,767	S1.5	60	1.67%	162,133
376	Mains	498,511,605	126,082,038	S0.5	75	1.33%	6,646,821
377	Compressor Station Equipment	14,678	14,678	R0.5	43	2.33%	341
378	Measuring & Regulating Station Equipment - General	4,782,716	2,848,099	R4	71	1.41%	67,362
379	Measuring & Regulating Station Equipment - City Gate	222,911	168,882	R4	31	3.23%	7,191
380	Services	424,043,370	128,781,904	S1	51	1.96%	8,314,576
381	Meters	35,000,211	8,384,682	S4	38	2.63%	921,058
382	Meter Installations	19,861,044	4,624,096	R1.5	34	2.94%	584,148
383	House Regulators	3,969,703	1,845,828	S3	40	2.50%	99,243
384	House Regulator Installations	13,614,805	3,183,760	R2.5	40	2.50%	340,370
385	Industrial Measuring and Regulating Equipment	7,168,278	2,500,969	R1	49	2.04%	146,291
387	Other Equipment	155,583	178,848	R3	25		0
Total Distribution Plant		1,017,072,886	281,755,551				17,289,535
General Plant							
390	Structures and Improvements	13,552,701	3,479,743	S2	70	2.05%	277,830
391	Office Furniture and Equipment	2,344,626	1,527,718	SQ	20	9.81%	230,008
391.05	Office Furniture and Equipment - Post 12/04	1,066,094	110,036			5.00%	53,305
391.10	Office Furniture and Equipment - EDP Equip. - Prior to 1985	21,467	(146,606)	SQ	10	150.90%	32,393
391.20	Office Furniture and Equipment - EDP Equip. - Post 1985	52,104	146,682	SQ	5	26.89%	14,011
391.25	Office Furniture and Equipment - EDP Equip. - Post 12/04	8,200	5,057			20.00%	1,640
391.30	Office Furniture and Equipment - Computer - Post 2/85	2,746,264	2,466,983	SQ	5	4.47%	122,758
391.35	Office Furniture and Equipment - Computer - Post 12/04	6,970,232	2,410,478			20.00%	1,394,046
391.37	Office Furniture and Equipment - Computer - ADS	1,242,126	230,597	SQ	5	4.47%	55,523
392	Transportation Equipment	8,135,065	2,901,802	L2	8	9.95%	809,439
392.1	Transportation Equipment - Van Pool	20,607	24,764	L2.5	9	0.00%	0
393	Stores Equipment	105,632	110,367	SQ	25	0.00%	0
394	Tools, Shop and Garage Equipment	3,417,343	2,520,654	SQ	20	7.99%	273,046
394.05	Tools, Shop and Garage Equipment - Post 12/04	908,089	112,109			5.00%	45,404
394.07	Tools and Equipment - Serv Sentry	1	1	SQ	20	7.99%	0
394.10	Shop and Garage Equipment	161,765	161,765	SQ	20	0.00%	0
395	Laboratory Equipment	20,502	8,704	SQ	20	3.16%	648
395.05	Laboratory Equipment - Post 12/04	1,539	340			5.00%	77
396	Power Operated Equipment	2,334,435	1,095,498	L1	11	8.32%	194,225
397	Communication Equipment	382,903	40,679	SQ	15	13.57%	51,960
397.05	Communication Equipment - Post 12/04	964,381	109,412		0	6.67%	64,324
397.07	Communication Equipment - ADS	227,241	(77,988)	SQ	15	13.57%	30,837
398	Miscellaneous Equipment	175,090	217,892	SQ	20	12.41%	21,729
398.05	Miscellaneous Equipment - Post 12/04	25,622	1,355			5.00%	1,281
398.10	Miscellaneous Equipment Assc w/Lease	953	0			0.00%	0
399	Other Tangible Property		0	R3	30	3.39%	0
Total General Plant		44,884,981	17,458,042				3,674,484
TOTAL DEPRECIABLE PLANT		1,221,629,476	358,531,945			1.98%	24,235,416

1. Source: RCR-DEP-38

Business & Money

Fixing Depreciation Accounting

Accumulated provisions for depreciation belong on the right side of the balance sheet.

BY JOHN S. FERGUSON

Until the late 1940s, the accepted accounting convention was to locate the accumulated provision for depreciation on the right (liability and capital) side of the balance sheet. The convention since has been to locate it on the left (asset) side as a contra-asset. This change was controversial, and has led to some strange accounting for the expenditures incurred to remove or abandon in place property, plant, and equipment (PP&E) at the end of its useful life (referred to here as removal costs or expenditures).

Recent events suggest now is an opportune time to revisit where the accumulated provision belongs. For example, the Financial Accounting Standards Board (FASB) and the International Accounting Standards Board are working to harmonize their respective standards. The Securities and Exchange Commission (SEC) announced its intention to allow financial reporting based on international accounting standards without reconciliation to U.S. generally accepted accounting principles (GAAP). And the SEC's advisory committee on improvements to financial reporting recommended that accounting rules avoid special treatment for specific industries. Finally, financial accounting has moved away from emphasizing the concept of matching to emphasizing fair value.

In this context, accounting practices might be poised for a change, putting accumulated provisions for depreciation back on the right side of the balance sheet.

Allocation, Not Valuation

The balance sheet location controversy didn't cease with moving the accumulated provision to the left side. For instance, a January 1959 *Accounting Review* article suggested that the location change be revisited.[1] In the article, a random sample of the then-recent annual reports of 90 industrials and railroads and 10 utilities showed one industrial, one railroad and three utilities continuing to report the accumulated provision on the right side, rather than as a contra-asset on the left side. Right-side treatment by utilities is not surprising, because utilities objected to the change 50 years ago.

Depreciation accounting is a cost-allocation concept—not a valuation concept—and an objection to left-side treatment was that it can lead some to incorrectly interpret the resulting net asset amount as being the current value of the assets. An objection to right-side treatment was that the accumulated provision is not a liability, so does not belong on the right side. The accumulated provision obviously isn't a liability, but it is a source of funds, and sources of capital are recorded on the right side. The removal or abandonment obligation clearly is a liability. However, the liability is the estimated expenditure measured at the price level expected at the time of expenditure, not the amount of the estimated expenditure already recorded as an expense and charged by regulated enterprises to their ratepayers.

For enterprises subject to price regulation, the accumulated provision clearly is a source of funds because rate-base regulation treats the accumulated provision as being ratepayer-supplied capital, for which a credit is provided at the allowed cost of capital. Recognizing » depreciation as a source of funds also is evident from the U.S. government allowing income-tax depreciation to be accelerated in order to provide funds (tax savings) for business expansion. This view was reinforced when the initial attempts by price regulators to pass the tax savings on to ratepayers prompted the IRS to deny accelerated tax depreciation to entities not allowed to retain the resulting tax savings.

Being recorded as a contra-asset has led to concern that net asset amounts could become negative, which has led to some strange accounting for expenditures for removing or abandoning PP&E. For long-lived assets, salvage usually is inconsequential, and removal expenditures frequently exceed the historical cost of the related assets. Therefore, accurately recognizing these expenditures for accounting purposes is at least as important, if not more important, than is recognizing the consumption of the related PP&E when providing a product or service. However, accounting practices don't recognize this importance.

Regulatory agencies were well ahead of the accounting profession in recognizing that the concept of retirement accounting made no sense, and so adopted depreciation accounting. Under retirement accounting, investment is recorded as an expense upon retirement, salvage is recorded as income when received, and removal cost is recorded as an expense when incurred. Regulators also were ahead in recognizing there are three components to depreciation—investment, salvage, and removal expenditures—and that accurately charging these costs to ratepayers necessitates recording them ratably over the useful life of the related PP&E.

This recognition means a known investment cost is accrued (recorded as a periodic expense) after being incurred, an estimated future salvage amount is accrued (recorded as a periodic credit) before being received, and an estimated future removal expenditure is accrued (recorded as a periodic expense) before being spent. This treatment assures that ratepayers are charged no more and no less than the costs being incurred to serve them, at the time the service is rendered and the costs are incurred—which is known as the regulatory principle of intergenerational ratepayer equity.

Regulatory depreciation accounting rules are more detailed than are financial accounting rules, and are specified by the Uniform Systems of Accounts (USofAs) prescribed by FERC and other entities. Almost all USofAs dictate that salvage and removal costs be treated as components of depreciation,[2] and this treatment predates World War I. The basic foundation for the regulatory accounting treatment of salvage and removal cost is evident from the FERC USofAs for electric utilities and natural gas companies, which define depreciation as "loss in service value," define service value as "the difference between original cost and net salvage value," and define net salvage value as "the salvage value of property retired less the cost of removal."

Depreciation Under GAAP

Depreciation accounting is a system of accounting that aims to distribute cost or other basic value of tangible capital assets, less salvage value (if any), over the estimated useful life of the unit (which may be a group of assets) in a systematic and rational manner.

It's a process of allocation, not of valuation. Depreciation for the year is the portion of the total charge under such a system that is allocated to the year. Although the allocation properly may take into account occurrences during the year, it's not intended to be a measurement of the effect of all such occurrences.–*JF*

54 percent of the total accretion is recorded after the unit ceases to operate and generate revenues. This is really strange accounting.

Salvage vs. Net Salvage

It took a while, but the U.S. accounting profession eventually caught up with the regulators, evident from the definition of depreciation given in a sidebar that was issued during the 1950s. Three aspects of this definition are significant to the treatment of removal costs—the requirement to be systematic and rational, consideration of salvage, and recognition that depreciation accounting is a process of allocation, not of valuation.

The rational aspect of "systematic and rational" means that depreciation is to be recorded in a manner that matches the pattern of usage or revenue-generating capability of the related assets, consistent with the regulatory principle of intergenerational ratepayer equity. Thus, if the asset usage or revenue pattern is decreasing, the depreciation method should be accelerated relative to the life span of the asset. If the pattern is constant, depreciation should be constant relative to the life span, and if the pattern is increasing, depreciation should be deferred relative to the life span.

The PP&E of regulated entities exhibits decreasing or constant patterns over their lifetimes—not increasing patterns. Therefore, U.S. GAAP dictates that the depreciation rates of such entities (and probably of all entities) be constant (ratable) over life defined by either time or asset usage.

The U.S. GAAP definition reference to salvage is intended to mean "net salvage," thereby encompassing removal costs. If the definition had been meant to incorporate only salvage into depreciation, it would have stated "gross salvage" rather than merely "salvage." This terminology has proven to be unfortunate, because it has created confusion concerning how removal costs are to be dealt with for accounting purposes. As a result, the true intention of the GAAP definition has been lost, and strange accounting has occurred.

Several facts support the "net salvage" definition of "salvage" within GAAP. At the time of the definition, the term "salvage" generally was used to mean "net salvage" (*i.e.,* salvage proceeds less removal expenditures), and utilities typically incorporated removal costs into depreciation for regulatory accounting purposes. Additionally, the "net salvage" definition supports greater consistency in treating different end-of-life transactions (salvage and removal costs) ratably through depreciation. Treating removal costs differently from investment and salvage conflicts with the premise that accounting practices should be reliable and relevant.

The ratable treatment of removal costs through depreciation for regulatory accounting purposes has a long history, but periodically is challenged by proposals to defer recording and recovery. Such challenges also have a long history, but have taken on renewed vigor as a consequence of FASB Statement of Financial Accounting Standards No. 143, *Accounting for Asset Retirement Obligations*, (SFAS 143), issued in 2001.

Challenges to ratable treatment of removal costs for regulatory purposes are unfortunate, because they lead to proposals for deferral mechanisms that, if accepted by regulators, increase the costs to be borne by ratepayers over the life of the related PP&E, thereby increasing energy costs and damaging the competitiveness of the state[3] (*see "Depreciation Shell Game," Fortnightly, April 2008*).

Removal cost deferrals result from regulatory decisions that emphasize near-term political considerations over long-term economic considerations. The financial community and large energy users can be expected to interpret such regulatory unfairness as signaling deterioration of the business climate. The financial community might react to such a signal by downgrading the securities of jurisdictional entities and of the state itself. Additionally, large energy users typically work from multiple locations, so they can shift production between locations in reaction to regulatory decisions—and sometimes they do. Large energy users participating in regulatory proceedings typically emphasize long-term considerations, through addressing cost-allocation (equity) issues, rather than issues concerning the magnitude of cost of service. It's not unusual for such users to react to a business-climate deterioration signal by shifting from emphasizing equity to emphasizing the near-term cost-of-service magnitude in their participation in regulatory proceedings.

> The removal obligation clearly is a liability, but rate-base regulation treats accumulated provisions for depreciation as ratepayer-supplied capital.

SFAS 143 is an example of the movement away from emphasizing matching to emphasizing fair value. It segregates retirement obligations (removal expenditures) imposed by law, statute, regulation or contract (legal obligations) from depreciation, and specifies that such obligations be recorded as liabilities—not as depreciation. The specified treatment is to record the initial discounted amount of the expected expenditure as part of the depreciable cost of the related asset and as an initial liability, and to record future accretion—due to the discounting unwinding over time—as accretion expense. This treatment is a single-payment (prepaid) annuity, but is recorded in a manner that gives it a structure similar to a multiple-payment annuity—the typical form of sinking-fund depreciation.

SFAS 92, *Regulated Enterprises—Accounting for Phase-in Plans*, defines annuity methods of depreciation as phase-in plans that are precluded from use for either regulatory or financial accounting purposes, unless the practice was regulatory policy prior to 1982. SFAS 143 side steps this limitation by classifying legal obligations as liabilities, so the specified treatment is not required to be "rational." Also, SFAS 92 is interpreted as applying only to investment, which is another consequence of the accumulated provision being on the left side of the balance sheet.

The deferral inherent in SFAS 143 treatment is evident in the obligation for decommissioning a nuclear generating unit, which is the obligation that prompted issuance of SFAS 143. A nuclear unit that receives a renewed operating license from the Nuclear Regulatory Commission is likely to have an operating life span of about 55 years. If decommissioning occurs 10 years after operations cease and the SFAS 143 discount rate is 8 percent, then 99.3 percent of the obligation would be recorded as accretion over 65 years, with the accretion amount recorded during the final year being 137 times the amount recorded during the first year, and 54 percent of the total accretion being recorded after the unit ceases to operate and generate revenues—and, for a single-asset entity, after the enterprise ceases to be viable. This is really strange accounting.

Intergenerational Equity

The exposure draft of what eventually became SFAS 143 called for liability treatment of both legal and constructive obligations, which is the same as for international standards. However, SFAS 143 was limited to only legal obligations when FASB concluded that constructive obligations could not be defined tightly enough for consistent application, which suggests the international standard is not consistently being applied.

Limiting SFAS 143 to legal obligations did not preclude inconsistent application, and the FASB felt the need for clarification through issuing FASB Interpretation 47, *Accounting for Conditional Asset Retirement Obligations*, (FIN 47) in 2005. FIN 47 improved the consistency of reporting, but did not eliminate the problem—which is due, in part, to the difficulty in applying SFAS 143 by entities practicing the group concept of depreciation accounting. However, the remaining inconsistency pales when compared to the inconsistency resulting from the misinterpretation of the GAAP definition of depreciation accounting.

This misinterpretation means that regulated entities record removal or abandonment obligations ratably over the life of the related PP&E, except for a few that are subject to the jurisdiction of regulatory agencies that have imposed deferral mechanisms. At the same time, non-regulated entities record such obligations using one of two deferral mechanisms—SFAS 143 treatment for legal obligations, and cash treatment for other obligations. Entities practicing the item concept of depreciation accounting record and depreciate each item of PP&E separately, so related legal removal obligations easily are identified, recorded and tracked. Entities practicing the group concept easily can identify, record, and track such obligations for PP&E recorded and depreciated by location, such as for power plants, but it is next to impossible to track such obligations for PP&E not so recorded and depreciated, such as for electric and gas distribution systems.

> Using the group concept of depreciation accounting, it's nearly impossible to track legal obligations for electric and gas distribution systems.

SFAS 71, *Accounting for the Effects of Certain Types of Regulation*, allows qualified entities to utilize accounting practices that cannot be utilized by non-qualifying entities. The effect of qualification is that the income statement reflects regulatory accounting requirements, with any differences from financial accounting requirements being disclosed on the balance sheet as regulatory assets or liabilities. For example, obligations qualifying for liability treatment under SFAS 143 typically are reflected in depreciation for ratemaking purposes, so depreciation treatment would be reflected on the income statement and a regulatory liability disclosed. Disclosing a regulatory liability means that regulated entities must maintain accounting records for both depreciation treatment and liability treatment of legal obligations. SFAS 71 would be rescinded, if the SEC follows the recommendation of its advisory committee to avoid special treatment for specific industries. Rescinding would be a problem for regulators, because the financial statements of regulated entities could no longer match removal costs to the usage of the PP&E providing service to ratepayers, thereby violating the principle of intergenerational ratepayer equity.

It wouldn't be difficult to eliminate the strange removal cost accounting and the potential for violating the principle of intergenerational ratepayer equity. Doing so would allow financial statements to more accurately depict the financial position and results of operations of the reporting enterprises and ensure that ratepayers bear the costs being incurred to serve them. All that's necessary is to recognize that the accumulated provision for depreciation is a source of funds that belongs on the right side of the balance sheet, and to change the reference to "salvage" in the GAAP definition of depreciation accounting to "net salvage."

These two actions would allow FASB to rescind SFAS 143, and would promote consistency, comparability, reliability, and relevance by requiring all enterprises to use the same removal cost treatment for accounting purposes.

John Ferguson, CDP, formerly was a principal with Deloitte & Touche, and now chairs the current issues committee of the Society of Depreciation Professionals. This article reflects the views of the author and not Deloitte or the Society. Email him at johnferg@swbell.net.

ENDNOTES

1. Simon, Sidney, "The Right Side of Accumulated Depreciation"*Accounting Review*, Rutgers University, January 1959.
2. The only exception to incorporating removal or abandonment costs in depreciation that the author is aware of is the railroad USofA of the Surface Transportation Board, and that exception is limited to PP&E other than the track structure accounts.
3. Detrimental impacts easily are demonstrated, but are beyond the scope of this article.

Business & Money

Ready for IFRS?

International reporting standards are coming for U.S. public companies.

BY SCOTT HARTMAN

Adoption of IFRS (International Financial Reporting Standards) in the United States undoubtedly would mark a significant change for many U.S. companies. It would require a shift to a more principles-based approach, place far greater reliance on management (and auditor) judgment, and spur major changes in company processes and systems.

But this change should not be feared. A move to IFRS also presents a tremendous opportunity. Moving to an entirely new accounting structure ultimately might enable companies to streamline reporting processes and reduce compliance costs.

IFRS has fewer bright lines and less interpretive and application guidance than does U.S. GAAP (Generally Accepted Accounting Principles). Companies will need to consider carefully the economic substance of their transactions and then apply the principles embodied in IFRS to that substance. Arguably, doing so might enable a closer alignment with underlying business objectives.

Many financial professionals in the power and utility industries today are aware of IFRS, which presently is used or under consideration in every major financial market around the world. There is a growing recognition, both in the United States and internationally, that a single set of high-quality global accounting standards offers real benefits. IFRS seems increasingly likely to provide that single set of standards.

Going Global

The Securities and Exchange Commission (SEC) is aware of the growing global acceptance of IFRS and has taken comments from listed companies, audit firms, investment groups, rating agencies, the legal community and government agencies in an effort to create a comprehensive plan for a smooth transition to using IFRS in the United States. These discussions take into consideration issues like whether to allow U.S. filers the option of either adopting IFRS or setting an effective date for implementation by all U.S. registrants.

The SEC hosted a roundtable meeting in August 2008 that focused on the performance of IFRS during the market turmoil that already was churning earlier this year. While panelists shared a general consensus that IFRS performed quite well, they acknowledged that challenges exist in the application of both IFRS and U.S. GAAP in areas such as fair-value accounting. In addition, the roundtable focused on accounting for off-balance sheet arrangements and commodity pricing, both topics of particular interest for the power and utility industries. Panelists also expressed the view that IFRS could benefit from additional application guidance to reduce certain inconsis- »

Five Steps to Implementing IFRS

■ **Step 1**: Develop goals: The company's management team and board of directors decide how best to present the company's financials on an ongoing basis. Then, preliminary mapping begins and high-level risk assessments are conducted, outlining the potential impact that IFRS can have on the company's balance sheet, financial reporting and accounting policies, tax liabilities, and contracts and joint venture agreements.

■ **Step 2**: Design and planning: The transition team validates the conversion recommendations made in Step 1 and evaluates the various options to determine the impact that different financial accounting and reporting policies will have across the enterprise.

■ **Step 3**: Solution development: New IFRS policies are modeled, and the transition team develops the process and system change requirements that the new guidelines require.

■ **Step 4**: Implementation: At its heart, implementation is a straightforward change-management effort that includes communication and training, followed by carrying out the agreed-upon approaches. At this step, the transition team can begin to test the new guidelines as implemented and remediate as needed.

■ **Step 5**: Post-implementation review: This occurs when all key parties—financial accounting and reporting, treasury, tax and others—meet to debrief and identify opportunities for improvement.

These five steps might take as long as two or three years from initial diagnostic discussions to post-implementation changes. This period allows for a thoughtful, well-planned transition that increases the long-term benefit of IFRS. Companies that wait—until either the SEC determines a definitive timeline or their competitors accelerate efforts toward transition—might find themselves playing catch-up.–*SH*

tencies as presently applied.

In late August, the SEC approved for public comment its long-awaited "Roadmap" to the eventual use of IFRS by U.S. companies. The proposed Roadmap anticipates mandatory reporting under IFRS beginning in 2014, 2015 or 2016, depending on the size of the issuer, and provides for early adoption in 2009 by a small number of very large companies that meet certain criteria. The SEC later might decide to allow other companies to adopt IFRS early, before the mandatory date of conversion. The roadmap also identifies several milestones that the SEC will consider in making its decision in 2011 about whether to proceed with mandatory adoption of IFRS.

While there are differences between U.S. GAAP and IFRS, the general principles, conceptual framework and accounting results between them are often the same, or similar, for most commonly-encountered transactions.

In general, IFRS standards are broader than their U.S. counterparts, with limited interpretive guidance. While U.S. standards contain underlying principles as well, the strong regulatory and legal environment in U.S. markets has resulted in a more prescriptive approach—with far more "bright lines," comprehensive implementation guidance and industry interpretations.

The International Accounting Standards Board (IASB) generally has avoided issuing interpretations of its own standards, preferring instead to leave implementation of the principles embodied in its standards to preparers and auditors, and its official interpretive body, the International Financial Reporting Interpretations Committee (IFRIC).

> The more principles-based approach of IFRS will present some unique challenges for regulated utilities.

IFRS Challenges

The more principles-based approach offered by IFRS will present some unique challenges for the regulated utility industry. With IFRS likely to arrive in the near—rather than distant—future, affected utilities should consider the implications of IFRS and start planning now.

■ **Accounting by regulated entities:** Under U.S. GAAP, FASB Statement No. 71, Accounting for the Effects of Certain Types of Regulation, regulated entities are allowed to account for certain incurred costs that will be able to be recovered through future rates as regulatory assets. Conversely, amounts previously collected but owed back to ratepayers are accounted for as regulatory liabilities. There is no comparable provision under IFRS, which means that, from the regulatory-asset perspective, certain costs (including stranded costs from deregulation, fuel recoveries, storm damage, environmental remediation, and losses on refinancing to a name a few) will need to be written-off (despite the regulatory provision to recover such costs from ratepayers in the future). This would result in the recording of future revenues with no corresponding cost recognition.

■ **Property, plant and equipment:** Accounting for items such as property, » plant and equipment may be more granular under IFRS than under U.S. GAAP. IFRS requires companies to account for fixed assets at the component level, which is defined as the unit of measurement to separately identify an asset, or part thereof, with a separately identifiable estimated useful life. Although most utilities account for assets using a retirement-unit level, reviewing current fixed-asset accounting records will help utilities determine which components should be depreciated over what estimated useful lives.

Lack of a parallel standard to Statement No. 71 in IFRS will mean that the treatment of gains and losses arising from disposal of assets belonging to regulated entities also will require review, as will the treatment of impairments and decommissioning obligations for current operating assets—particularly as the trend toward new nuclear generation and expansion into alternative energy sources continues. Policies that bear reviewing include those relating to allowable capitalized costs and accounting for subsequent replacement of components to make sure amounts are not overcapitalized on a company's balance sheet.

■ **Financial instruments**: This area poses probably the biggest conversion challenge. Commodity contracts and hedging activity play a significant part in the operations of utilities. Although the two relevant accounting standards, FASB Statement No. 133, Accounting for Derivative Instruments and Hedging Activities (as amended for U.S. GAAP purposes), and IAS 39, Financial Instruments: Recognition and Measurement, generally are comparable, some fundamental differences merit utilities' consideration. Review of contractual language and details will be key: Reevaluating contracts will allow utilities to determine the proper accounting treatment in accordance with IFRS.

IFRS uses the "own-use" definition to exempt contracts that were entered into and continue to be held for the purpose of receipt or delivery of a non-financial item in accordance with the entity's expected purchase, sale or usage requirements. Certain hedging relationships—or the concept of normal purchases and normal sales—might be treated differently under U.S. GAAP than they are under IFRS and its related own-use determination. Under IFRS, it's also possible to hedge components (portions) of risk that give rise to changes in fair value. The overall valuation of financial instruments (specifically, considering the definition of fair value as set forth in the literature) and the accounting for day-one gains also may result in differing accounting results under the two standards.

> Certain hedging relationships might be treated differently under IFRS and its "own-use" determination.

■ **Accounting for joint ventures**: Currently, IFRS states that investments in associated companies are accounted for using the equity method, and investments in jointly controlled entities are accounted for under the equity method or proportionate consolidation. However, the treatment of joint ventures, including jointly-controlled assets, operations and entities, and the use of *pro rata* consolidation currently allowed under IFRS, are under review. This is another challenging area that likely will affect certain operating structures in place in the U.S. power and utilities industries. While varying structures allow companies to account for such joint ownership in the United States, some companies also have used the *pro rata* consolidation concept in U.S. GAAP-based financial statements to account for ownership interests in plants and related assets.

■ **Emissions**: Due to a worldwide focus on climate change, emissions generated by power and utility companies have received a lot of attention, and this also has raised accounting awareness. In addition, the recent District of Columbia Circuit Court of Appeals ruling in July 2008 striking down the U.S. Environmental Protection Agency's Clean Air Interstate Rule raised valuation and potential impairment issues related to nitrogen oxide and sulphur dioxide trading programs. This ruling has affected companies that began installing certain emissions-reduction control equipment at their plants. While both the Financial Accounting Standards Board (FASB) and IASB have accounting for emission allowances as current projects, neither U.S. GAAP nor IFRS currently sheds much light on any specific method of accounting for these allowances, resulting in at least two different methods of accounting. The two methods primarily focus on whether the emission allowances should be recorded as inventory or intangibles with the valuation question focused on whether to carry the allowances at historical cost or fair value. A related question arises as to whether an obligation should be recorded, and as of what date, related to a company's emissions.

IFRIC previously issued Interpretation 3 related to accounting in this area, but that interpretation was withdrawn, leaving unanswered questions about accounting for emissions. However, IASB recently added an Emission Trading Schemes project onto its agenda. The board tentatively decided that the scope of the project will address accounting for all tradable emission rights and obligations, and for activities to receive tradable rights in the » future. Accounting commentary and literature increasingly address IFRS issues, so conversion likely will lend additional guidance in this area.

Agency Treatment

Investor-owned U.S. power and utility companies are regulated by the SEC as well as other entities, such as the Federal Energy Regulatory Commission (FERC) and local agencies of the states in which they operate. The accounting rules of FERC and other regulatory agencies heavily have influenced the accounting policies guiding U.S. utilities. To date, IFRS makes no allowance for other regulators, and this is not likely to be covered by the continuing SEC roundtable and other planning discussions.

At this point, FERC isn't expected to change its Uniform System of Accounts simply because of a proposed U.S. conversion to IFRS. Even if a change eventually would be forthcoming, it wouldn't happen until after U.S. issuers convert to IFRS.

For most industries, IFRS ultimately might enable companies to streamline reporting processes and reduce the cost of compliance. However, for U.S. power and utility companies, if the concepts of Statement No. 71 are not adopted or embraced by IFRS rule makers, accounting practices mandated by FERC and other regulatory bodies

> Momentum is building for U.S. adoption of IFRS, and conversion no longer appears to be a matter of "if," but more a matter of "when" and "how."

might result in the requirement to maintain a separate set of financial records, similar to the process for current statutory reporting in certain international jurisdictions. The need to generate the required accounting information could have significant implications for a company's information-technology system. As a result, these companies would need to continue evaluating accounting for industry-specific issues and how it affects their IFRS planning.

In any case, momentum is building for U.S. adoption of IFRS, and conversion no longer appears to be a matter of "if," but more a matter of "when" and "how." For companies that report in multiple jurisdictions, the adoption of a single global set of accounting standards can be a benefit in terms of process standardization and related efficiency gains. Multiple approaches to financial reporting continue to be inefficient and troublesome, and many affected companies strongly support the SEC's continued efforts in the U.S. transition to IFRS.

The question that power and utility executives and directors need to tackle—sooner, rather than later—is how they can maximize the opportunities presented by IFRS and effectively and efficiently deal with any challenges as a result of the conversion. The straightforward answer is to start planning now, dedicate the appropriate management focus and create a project team across all aspects of the company—including the financial accounting and reporting, tax and IT departments—to assess the effort and work toward transition activities. Also, it's never too early to begin educating analysts and investors on how a conversion to IFRS might impact the company's financial results.

Now is the time to begin planning for conversion from GAAP to IFRS. The resources needed and the impact on the organization will be far-reaching. But with proper strategic planning, benefits can be substantial.

Scott Hartman is executive director with Ernst & Young Assurance and Advisory Business Services.

Snavely King Majoros O'Connor & Bedell
40 Best Energy Companies
2007-2009 Regulatory Liability

Companies (1)	State	COR ($M) 2009	2008	2007
DPL	OH	99.1	96	92
Energen	AL	137	130	122
PPL	PA	0	0	0
National Fuel Gas (**)	NJ	105	103	91
Exelon	IL	1,212	1,145	1,145
First Energy (Note 1)	OH	0	215	183
Entergy	LA	44	63	-6
NJ Resources (**)	NJ	56	63	61
Southern Company	GA	1091	1,321	1,308
Questar	UT	0	0	0
CLECO	LA	0	0	0
Equitable Resources	PA	0	0	0
Edison International	CA	2,515	2,368	2,230
MDU Resources	MN	251.1	94.7	90
TECO Energy	FL	554	551	543
Dominion Resources	VA	766	688	623
Public Service Enterprise Group	NJ	289	307	325
Allegheny Energy	PA	374	407	396
Sempra Energy	CA	2,557	2,430	2,522
AGL Resources	GA	183	178	169
Mirant	GA	0	0	0
Nicor	IL	797	752	721
OGE Energy	OK	168	151	140
UGI (**)	PA	0	0	0
Nstar	MA	220	217	214
So Jersey Industries	NJ	50	49	49
Delta National Gas (*)	KY	304	615	304
Centerpoint Energy	TX	818	779	734
DTE Energy	MI	506	534	581
PG&E	CA	2933	2,735	2,568
El Paso Electric	TX	0	0	0
NRG	PA	0	0	0
SCANA	SC	733	688	643
WGL Holdings (**)	VA	319	306	285
MGE Energy	WI	12	12	13
Vectren	IN	294	292	288
AES	VA	402	291	351
Northwest Natural Gas	OR	239	224	205
Alliant	WI	403	409	411
Ameren	MO	1,084	1,018	980
		19,515	19,233	18,382

Companies (1) Fiscal Year December 31, 2009
*: Fiscal year June 30,2009
**: Fiscal year September 30, 2009
Note 1: First Energy is now a subsidiary of Basic Energy
Source: 10k filings with the SEC

APPENDICES

Experience

Snavely King Majoros O'Connor & Bedell, Inc.

Vice President and Treasurer (1988 to Present)
Senior Consultant (1981-1987)

Mr. Majoros provides consultation specializing in accounting, financial, and management issues. He has testified as an expert witness or negotiated on behalf` of clients in more than one hundred thirty regulatory federal and state regulatory proceedings involving telephone, electric, gas, water, and sewerage companies. His testimony has encompassed a wide array of complex issues including taxation, divestiture accounting, revenue requirements, rate base, nuclear decommissioning, plant lives, and capital recovery. Mr. Majoros has also provided consultation to the U.S. Department of Justice and appeared before the U.S. EPA and the Maryland State Legislature on matters regarding the accounting and plant life effects of electric plant modifications and the financial capacity of public utilities to finance environmental controls. He has estimated economic damages suffered by black farmers in discrimination suits.

Van Scoyoc & Wiskup, Inc., *Consultant (1978-1981)*

Mr. Majoros conducted and assisted in various management and regulatory consulting projects in the public utility field, including preparation of electric system load projections for a group of municipally and cooperatively owned electric systems; preparation of a system of accounts and reporting of gas and oil pipelines to be used by a state regulatory commission; accounting system analysis and design for rate proceedings involving electric, gas, and telephone utilities. Mr. Majoros provided onsite management accounting and controllership assistance to a municipal electric and water utility. Mr. Majoros also assisted in an antitrust proceeding involving a major electric utility. He submitted expert testimony in FERC Docket No. RP79-12 (El Paso Natural Gas Company), and he co-authored a study entitled Analysis of Staff Study on Comprehensive Tax Normalization that was submitted to FERC in Docket No. RM 80-42.

Handling Equipment Sales Company, Inc.

Controller/Treasurer (1976-1978)

Mr. Majoros' responsibilities included financial management, general accounting and reporting, and income taxes.

Ernst & Ernst, *Auditor (1973-1976)*

Mr. Majoros was a member of the audit staff where his responsibilities included auditing, supervision, business systems analysis, report preparation, and corporate income taxes.

University of Baltimore - *(1971-1973)*

Mr. Majoros was a full-time student in the School of Business.

During this period Mr. Majoros worked consistently on a part-time basis in the following positions: Assistant Legislative Auditor – State of Maryland, Staff Accountant – Robert M. Carney & Co., CPA's, Staff Accountant – Naron & Wegad, CPA's, Credit Clerk – Montgomery Wards.

Central Savings Bank, *(1969-1971)*

Mr. Majoros was an Assistant Branch Manager at the time he left the bank to attend college as a full-time student. During his tenure at the bank, Mr. Majoros gained experience in each department of the bank. In addition, he attended night school at the University of Baltimore.

Education

University of Baltimore, School of Business, B.S. – Concentration in Accounting

Professional Affiliations

American Institute of Certified Public Accountants
Maryland Association of C.P.A.s
Society of Depreciation Professionals

Publications, Papers, and Panels

"Analysis of Staff Study on Comprehensive Tax Normalization," FERC Docket No. RM 80-42, 1980.

"Telephone Company Deferred Taxes and Investment Tax Credits – A Capital Loss for Ratepayers," Public Utility Fortnightly, September 27, 1984.

"The Use of Customer Discount Rates in Revenue Requirement Comparisons," Proceedings of the 25th Annual Iowa State Regulatory Conference, 1986

"The Regulatory Dilemma Created By Emerging Revenue Streams of Independent Telephone Companies," Proceedings of NARUC 101st Annual Convention and Regulatory Symposium, 1989.

"BOC Depreciation Issues in the States," National Association of State Utility Consumer Advocates, 1990 Mid-Year Meeting, 1990.

"Current Issues in Capital Recovery" 30th Annual Iowa State Regulatory Conference, 1991.

"Impaired Assets Under SFAS No. 121," National Association of State Utility Consumer Advocates, 1996 Mid-Year Meeting, 1996.

"What's 'Sunk' Ain't Stranded: Why Excessive Utility Depreciation is Avoidable," with James Campbell, Public Utilities Fortnightly, April 1, 1999.

"Local Exchange Carrier Depreciation Reserve Percents," with Richard B. Lee, Journal of the Society of Depreciation Professionals, Volume 10, Number 1, 2000-2001

"Rolling Over Ratepayers," Public Utilities Fortnightly, Volume 143, Number 11, November, 2005.

"Asset Management – What is it?," American Water Works Association, Pre-Conference Workshop, March 25, 2008.

Michael J. Majoros, Jr.

Date	Jurisdiction / Agency	Docket	Utility

Federal Courts

2005	US District Court, Northern District of AL, Northwestern Division 55/56/57/	CV 01-B-403-NW	Tennessee Valley Authority

State Legislatures

2006	Maryland General Assembly 61/	SB154	Maryland Healthy Air Act
2006	Maryland House of Delegates 62/	HB189	Maryland Healthy Air Act

Federal Regulatory Agencies

1979	FERC-US 19/	RP79-12	El Paso Natural Gas Co.
1980	FERC-US 19/	RM80-42	Generic Tax Normalization
1996	CRTC-Canada 30/	97-9	All Canadian Telecoms
1997	CRTC-Canada 31/	97-11	All Canadian Telecoms
1999	FCC 32/	98-137 (Ex Parte)	All LECs
1999	FCC 32/	98-91 (Ex Parte)	All LECs
1999	FCC 32/	98-177 (Ex Parte)	All LECs
1999	FCC 32/	98-45 (Ex Parte)	All LECs
2000	EPA 35/	CAA-00-6	Tennessee Valley Authority
2003	FERC 48/	RM02-7	All Utilities
2003	FCC 52/	03-173	All LECs
2003	FERC 53/	ER03-409-000, ER03-666-000	Pacific Gas and Electric Co.

State Regulatory Agencies

1982	Massachusetts 17/	DPU 557/558	Western Mass Elec. Co.
1982	Illinois 16/	ICC81-8115	Illinois Bell Telephone Co.
1983	Maryland 8/	7574-Direct	Baltimore Gas & Electric Co.
1983	Maryland 8/	7574-Surrebuttal	Baltimore Gas & Electric Co.
1983	Connecticut 15/	810911	Woodlake Water Co.
1983	New Jersey 1/	815-458	New Jersey Bell Tel. Co.
1983	New Jersey 14/	8011-827	Atlantic City Sewerage Co.
1984	Dist. Of Columbia 7/	785	Potomac Electric Power Co.
1984	Maryland 8/	7689	Washington Gas Light Co.
1984	Dist. Of Columbia 7/	798	C&P Tel. Co.
1984	Pennsylvania 13/	R-832316	Bell Telephone Co. of PA
1984	New Mexico 12/	1032	Mt. States Tel. & Telegraph
1984	Idaho 18/	U-1000-70	Mt. States Tel. & Telegraph

Michael J. Majoros, Jr.

1984	Colorado 11/	1655	Mt. States Tel. & Telegraph
1984	Dist. Of Columbia 7/	813	Potomac Electric Power Co.
1984	Pennsylvania 3/	R842621-R842625	Western Pa. Water Co.
1985	Maryland 8/	7743	Potomac Edison Co.
1985	New Jersey 1/	848-856	New Jersey Bell Tel. Co.
1985	Maryland 8/	7851	C&P Tel. Co.
1985	California 10/	I-85-03-78	Pacific Bell Telephone Co.
1985	Pennsylvania 3/	R-850174	Phila. Suburban Water Co.
1985	Pennsylvania 3/	R850178	Pennsylvania Gas & Water Co.
1985	Pennsylvania 3/	R-850299	General Tel. Co. of PA
1986	Maryland 8/	7899	Delmarva Power & Light Co.
1986	Maryland 8/	7754	Chesapeake Utilities Corp.
1986	Pennsylvania 3/	R-850268	York Water Co.
1986	Maryland 8/	7953	Southern Md. Electric Corp.
1986	Idaho 9/	U-1002-59	General Tel. Of the Northwest
1986	Maryland 8/	7973	Baltimore Gas & Electric Co.
1987	Pennsylvania 3/	R-860350	Dauphin Cons. Water Supply
1987	Pennsylvania 3/	C-860923	Bell Telephone Co. of PA
1987	Iowa 6/	DPU-86-2	Northwestern Bell Tel. Co.
1987	Dist. Of Columbia 7/	842	Washington Gas Light Co.
1988	Florida 4/	880069-TL	Southern Bell Telephone
1988	Iowa 6/	RPU-87-3	Iowa Public Service Company
1988	Iowa 6/	RPU-87-6	Northwestern Bell Tel. Co.
1988	Dist. Of Columbia 7/	869	Potomac Electric Power Co.
1989	Iowa 6/	RPU-88-6	Northwestern Bell Tel. Co.
1990	New Jersey 1/	1487-88	Morris City Transfer Station
1990	New Jersey 5/	WR 88-80967	Toms River Water Company
1990	Florida 4/	890256-TL	Southern Bell Company
1990	New Jersey 1/	ER89110912J	Jersey Central Power & Light
1990	New Jersey 1/	WR90050497J	Elizabethtown Water Co.
1991	Pennsylvania 3/	P900465	United Tel. Co. of Pa.
1991	West Virginia 2/	90-564-T-D	C&P Telephone Co.
1991	New Jersey 1/	90080792J	Hackensack Water Co.
1991	New Jersey 1/	WR90080884J	Middlesex Water Co.
1991	Pennsylvania 3/	R-911892	Phil. Suburban Water Co.
1991	Kansas 20/	176, 716-U	Kansas Power & Light Co.
1991	Indiana 29/	39017	Indiana Bell Telephone
1991	Nevada 21/	91-5054	Central Tele. Co. – Nevada
1992	New Jersey 1/	EE91081428	Public Service Electric & Gas
1992	Maryland 8/	8462	C&P Telephone Co.
1992	West Virginia 2/	91-1037-E-D	Appalachian Power Co.
1993	Maryland 8/	8464	Potomac Electric Power Co.
1993	South Carolina 22/	92-227-C	Southern Bell Telephone
1993	Maryland 8/	8485	Baltimore Gas & Electric Co.
1993	Georgia 23/	4451-U	Atlanta Gas Light Co.

Michael J. Majoros, Jr.

1993	New Jersey 1/	GR93040114	New Jersey Natural Gas. Co.
1994	Iowa 6/	RPU-93-9	U.S. West – Iowa
1994	Iowa 6/	RPU-94-3	Midwest Gas
1995	Delaware 24/	94-149	Wilm. Suburban Water Corp.
1995	Connecticut 25/	94-10-03	So. New England Telephone
1995	Connecticut 25/	95-03-01	So. New England Telephone
1995	Pennsylvania 3/	R-00953300	Citizens Utilities Company
1995	Georgia 23/	5503-0	Southern Bell
1996	Maryland 8/	8715	Bell Atlantic
1996	Arizona 26/	E-1032-95-417	Citizens Utilities Company
1996	New Hampshire 27/	DE 96-252	New England Telephone
1997	Iowa 6/	DPU-96-1	U S West – Iowa
1997	Ohio 28/	96-922-TP-UNC	Ameritech – Ohio
1997	Michigan 28/	U-11280	Ameritech – Michigan
1997	Michigan 28/	U-112 81	GTE North
1997	Wyoming 27/	7000-ztr-96-323	US West – Wyoming
1997	Iowa 6/	RPU-96-9	US West – Iowa
1997	Illinois 28/	96-0486-0569	Ameritech – Illinois
1997	Indiana 28/	40611	Ameritech – Indiana
1997	Indiana 27/	40734	GTE North
1997	Utah 27/	97-049-08	US West – Utah
1997	Georgia 28/	7061-U	BellSouth – Georgia
1997	Connecticut 25/	96-04-07	So. New England Telephone
1998	Florida 28/	960833-TP et. al.	BellSouth – Florida
1998	Illinois 27/	97-0355	GTE North/South
1998	Michigan 33/	U-11726	Detroit Edison
1999	Maryland 8/	8794	Baltimore Gas & Electric Co.
1999	Maryland 8/	8795	Delmarva Power & Light Co.
1999	Maryland 8/	8797	Potomac Edison Company
1999	West Virginia 2/	98-0452-E-GI	Electric Restructuring
1999	Delaware 24/	98-98	United Water Company
1999	Pennsylvania 3/	R-00994638	Pennsylvania American Water
1999	West Virginia 2/	98-0985-W-D	West Virginia American Water
1999	Michigan 33/	U-11495	Detroit Edison
2000	Delaware 24/	99-466	Tidewater Utilities
2000	New Mexico 34/	3008	US WEST Communications, Inc.
2000	Florida 28/	990649-TP	BellSouth -Florida
2000	New Jersey 1/	WR30174	Consumer New Jersey Water
2000	Pennsylvania 3/	R-00994868	Philadelphia Suburban Water
2000	Pennsylvania 3/	R-0005212	Pennsylvania American Sewerage
2000	Connecticut 25/	00-07-17	Southern New England Telephone
2001	Kentucky 36/	2000-373	Jackson Energy Cooperative
2001	Kansas 38/39/40/	01-WSRE-436-RTS	Western Resources
2001	South Carolina 22/	2001-93-E	Carolina Power & Light Co.
2001	North Dakota 37/	PU-400-00-521	Northern States Power/Xcel Energy

Michael J. Majoros, Jr.

2001	Indiana 29/41/	41746	Northern Indiana Power Company
2001	New Jersey 1/	GR01050328	Public Service Electric and Gas
2001	Pennsylvania 3/	R-00016236	York Water Company
2001	Pennsylvania 3/	R-00016339	Pennsylvania America Water
2001	Pennsylvania 3/	R-00016356	Wellsboro Electric Coop.
2001	Florida 4/	010949-EL	Gulf Power Company
2001	Hawaii 42/	00-309	The Gas Company
2002	Pennsylvania 3/	R-00016750	Philadelphia Suburban
2002	Nevada 43/	01-10001 &10002	Nevada Power Company
2002	Kentucky 36/	2001-244	Fleming Mason Electric Coop.
2002	Nevada 43/	01-11031	Sierra Pacific Power Company
2002	Georgia 27/	14361-U	BellSouth-Georgia
2002	Alaska 44/	U-01-34,82-87,66	Alaska Communications Systems
2002	Wisconsin 45/	2055-TR-102	CenturyTel
2002	Wisconsin 45/	5846-TR-102	TelUSA
2002	Vermont 46/	6596	Citizen's Energy Services
2002	North Dakota 37/	PU-399-02-183	Montana Dakota Utilities
2002	Kansas 40/	02-MDWG-922-RTS	Midwest Energy
2002	Kentucky 36/	2002-00145	Columbia Gas
2002	Oklahoma 47/	200200166	Reliant Energy ARKLA
2002	New Jersey 1/	GR02040245	Elizabethtown Gas Company
2003	New Jersey 1/	ER02050303	Public Service Electric and Gas Co.
2003	Hawaii 42/	01-0255	Young Brothers Tug & Barge
2003	New Jersey 1/	ER02080506	Jersey Central Power & Light
2003	New Jersey 1/	ER02100724	Rockland Electric Co.
2003	Pennsylvania 3/	R-00027975	The York Water Co.
2003	Pennsylvania /3	R-00038304	Pennsylvania-American Water Co.
2003	Kansas 20/ 40/	03-KGSG-602-RTS	Kansas Gas Service
2003	Nova Scotia, CN 49/	EMO NSPI	Nova Scotia Power, Inc.
2003	Kentucky 36/	2003-00252	Union Light Heat & Power
2003	Alaska 44/	U-96-89	ACS Communications, Inc.
2003	Indiana 29/	42359	PSI Energy, Inc.
2003	Kansas 20/ 40/	03-ATMG-1036-RTS	Atmos Energy
2003	Florida 50/	030001-E1	Tampa Electric Company
2003	Maryland 51/	8960	Washington Gas Light
2003	Hawaii 42/	02-0391	Hawaiian Electric Company
2003	Illinois 28/	02-0864	SBC Illinois
2003	Indiana 28/	42393	SBC Indiana
2004	New Jersey 1/	ER03020110	Atlantic City Electric Co.
2004	Arizona 26/	E-01345A-03-0437	Arizona Public Service Company
2004	Michigan 27/	U-13531	SBC Michigan
2004	New Jersey 1/	GR03080683	South Jersey Gas Company
2004	Kentucky 36/	2003-00434,00433	Kentucky Utilities, Louisville Gas & Electric
2004	Florida 50/ 54/	031033-EI	Tampa Electric Company

Michael J. Majoros, Jr.

2004	Kentucky 36/	2004-00067	Delta Natural Gas Company
2004	Georgia 23/	18300, 15392, 15393	Georgia Power Company
2004	Vermont 46/	6946, 6988	Central Vermont Public Service Corporation
2004	Delaware 24/	04-288	Delaware Electric Cooperative
2004	Missouri 58/	ER-2004-0570	Empire District Electric Company
2005	Florida 50/	041272-EI	Progress Energy Florida, Inc.
2005	Florida 50/	041291-EI	Florida Power & Light Company
2005	California 59/	A.04-12-014	Southern California Edison Co.
2005	Kentucky 36/	2005-00042	Union Light Heat & Power
2005	Florida 50/	050045 & 050188-EI	Florida Power & Light Co.
2005	Kansas 38/ 40/	05-WSEE-981-RTS	Westar Energy, Inc.
2006	Delaware 24/	05-304	Delmarva Power & Light Company
2006	California 59/	A.05-12-002	Pacific Gas & Electric Co.
2006	New Jersey 1/	GR05100845	Public Service Electric and Gas Co.
2006	Colorado 60/	06S-234EG	Public Service Co. of Colorado
2006	Kentucky 36/	2006-00172	Union Light, Heat & Power
2006	Kansas 40/	06-KGSG-1209-RTS	Kansas Gas Service
2006	West Virginia 2/	06-0960-E-42T, 06-1426-E-D	Allegheny Power
2006	West Virginia 2/	05-1120-G-30C, 06-0441-G-PC, et al.	Hope Gas, Inc. and Equitable Resources, Inc.
2007	Delaware 24/	06-284	Delmarva Power & Light Company
2007	Kentucky 36/	2006-00464	Atmos Energy Corporation
2007	Colorado 60/	06S-656G	Public Service Co. of Colorado
2007	California 59/	A.06-12-009, A.06-12-010	San Diego Gas & Electric Co., and Southern California Gas Co.
2007	Kentucky 36/	2007-00143	Kentucky-American Water Co.
2007	Kentucky 36/	2007-00089	Delta Natural Gas Co.
2008	Kansas 40/	08-ATMG-280-RTS	Atmos Energy Corporation
2008	New Jersey 1/	GR07110889	New Jersey Natural Gas Co.
2008	North Dakota 37/	PU-07-776	Northern States Power/Xcel Energy
2008	Pennsylvania 3/	A-2008-2034045 et al	UGI Utilities, Inc. / PPL Gas Utilities Corp.
2008	Washington 63/	UE-072300, UG-072301	Puget Sound Energy
2008	Pennsylvania 3/	R-2008-2032689	Pennsylvania-American Water Co. - Coatesville
2008	New Jersey 1/	WR08010020	NJ American Water Co.
2008	Washington 63/ 64/	UE-080416, UG-080417	Avista Corporation
2008	Texas 65/	473-08-3681, 35717	Oncor Electric Delivery Co.
2008	Tennessee 66/	08-00039	Tennessee-American Water Co.
2008	Kansas	08-WSEE-1041-RTS	Westar Energy, Inc.
2009	Kentucky 36/	2008-00409	East Kentucky Power Coop.

Michael J. Majoros, Jr.

2009	Indiana 29/	43501	Duke Energy Indiana
2009	Indiana 29/	43526	Northern Indiana Public Service Co.
2009	Michigan 33/	U-15611	Consumers Energy Company
2009	Kentucky 36/	2009-00141	Columbia Gas of Kentucky
2009	New Jersey 1/	GR00903015	Elizabethtown Gas Company
2009	District of Columbia 7/	FC 1076	Potomac Electric Power

Michael J. Majoros, Jr.

PARTICIPATION AS NEGOTIATOR IN FCC TELEPHONE DEPRECIATION RATE REPRESCRIPTION CONFERENCES

COMPANY	YEARS	CLIENT
Diamond State Telephone Co. 24/	1985 + 1988	Delaware Public Service Comm
Bell Telephone of Pennsylvania 3/	1986 + 1989	PA Consumer Advocate
Chesapeake & Potomac Telephone Co. - Md. 8/	1986	Maryland People's Counsel
Southwestern Bell Telephone – Kansas 20/	1986	Kansas Corp. Commission
Southern Bell – Florida 4/	1986	Florida Consumer Advocate
Chesapeake & Potomac Telephone Co.-W.Va. 2/	1987 + 1990	West VA Consumer Advocate
New Jersey Bell Telephone Co. 1/	1985 + 1988	New Jersey Rate Counsel
Southern Bell - South Carolina 22/	1986 + 1989 + 1992	S. Carolina Consumer Advocate
GTE-North – Pennsylvania 3/	1989	PA Consumer Advocate

Michael J. Majoros, Jr.

PARTICIPATION IN PROCEEDINGS WHICH WERE SETTLED BEFORE TESTIMONY WAS SUBMITTED

STATE	DOCKET NO.	UTILITY
Maryland 8/	7878	Potomac Edison
Nevada 21/	88-728	Southwest Gas
New Jersey 1/	WR90090950J	New Jersey American Water
New Jersey 1/	WR900050497J	Elizabethtown Water
New Jersey 1/	WR91091483	Garden State Water
West Virginia 2/	91-1037-E	Appalachian Power Co.
Nevada 21/	92-7002	Central Telephone - Nevada
Pennsylvania 3/	R-00932873	Blue Mountain Water
West Virginia2/	93-1165-E-D	Potomac Edison
West Virginia2/	94-0013-E-D	Monongahela Power
New Jersey 1/	WR94030059	New Jersey American Water
New Jersey 1/	WR95080346	Elizabethtown Water
New Jersey 1/	WR95050219	Toms River Water Co.
Maryland 8/	8796	Potomac Electric Power Co.
South Carolina 22/	1999-077-E	Carolina Power & Light Co.
South Carolina 22/	1999-072-E	Carolina Power & Light Co.
Kentucky 36/	2001-104 & 141	Kentucky Utilities, Louisville Gas and Electric
Kentucky 36/	2002-485	Jackson Purchase Energy Corporation

Michael J. Majoros, Jr.

Clients

1/ New Jersey Rate Counsel/Advocate	34/ New Mexico Attorney General
2/ West Virginia Consumer Advocate	35/ Environmental Protection Agency Enforcement Staff
3/ Pennsylvania OCA	36/ Kentucky Attorney General
4/ Florida Office of Public Advocate	37/ North Dakota Public Service Commission
5/ Toms River Fire Commissioner's	38/ Kansas Industrial Group
6/ Iowa Office of Consumer Advocate	39/ City of Witchita
7/ D.C. People's Counsel	40/ Kansas Citizens' Utility Rate Board
8/ Maryland's People's Counsel	41/ NIPSCO Industrial Group
9/ Idaho Public Service Commission	42/ Hawaii Division of Consumer Advocacy
10/ Western Burglar and Fire Alarm	43/ Nevada Bureau of Consumer Protection
11/ U.S. Dept. of Defense	44/ GCI
12/ N.M. State Corporation Comm.	45/ Wisc. Citizens' Utility Rate Board
13/ City of Philadelphia	46/ Vermont Department of Public Service
14/ Resorts International	47/ Oklahoma Corporation Commission
15/ Woodlake Condominium Association	48/ National Assn. of State Utility Consumer Advocates
16/ Illinois Attorney General	49/ Nova Scotia Utility and Review Board
17/ Mass Coalition of Municipalities	50/ Florida Office of Public Counsel
18/ U.S. Department of Energy	51/ Maryland Public Service Commission
19/ Arizona Electric Power Corp.	52/ MCI
20/ Kansas Corporation Commission	53/ Transmission Agency of Northern California
21/ Public Service Comm. – Nevada	54/ Florida Industrial Power Users Group
22/ SC Dept. of Consumer Affairs	55/ Sierra Club
23/ Georgia Public Service Comm.	56/ Our Children's Earth Foundation
24/ Delaware Public Service Comm.	57/ National Parks Conservation Association, Inc.
25/ Conn. Ofc. Of Consumer Counsel	58/ Missouri Office of the Public Counsel
26/ Arizona Corp. Commission	59/ The Utility Reform Network
27/ AT&T	60/ Colorado Office of Consumer Counsel
28/ AT&T/MCI	61/ MD State Senator Paul G. Pinsky
29/ IN Office of Utility Consumer Counselor	62/ MD Speaker of the House Michael Busch
30/ Unitel (AT&T – Canada)	63/ Washington Office of Public Counsel
31/ Public Interest Advocacy Centre	64/ Industrial Customers of Northwestern Utilities
32/ U.S. General Services Administration	65/ Steering Committee of Cities
33/ Michigan Attorney General	66/ City of Chattanooga