Security

LAW OFFICES
ROSE, SUNDSTROM & BENTLEY, LLP
2548 BLAIRSTONE PINES DRIVE
TALLAHASSEE, FLORIDA 32301

(850) 877-6555
Fax (850) 656-4029
www.rsbattorneys.com

CHRIS H. BENTLEY, P.A.
ROBERT C. BRANNAN
DAVID F. CHESTER
F. MARSHALL DETERDING
MARTIN S. FRIEDMAN, P.A.
JOHN R. JENKINS, P.A.
STEVEN T. MINDLIN, P.A.
DAREN L. SHIPPY
WILLIAM E. SUNDSTROM, P.A.
DIANE D. TREMOR, P.A.
JOHN L. WHARTON

ROBERT M. C. ROSE, *OF COUNSEL*
WAYNE L. SCHIEFELBEIN, *OF COUNSEL*
VALERIE L. LORD, *OF COUNSEL*
(LICENSED IN TEXAS ONLY)

CENTRAL FLORIDA OFFICE
600 S. NORTH LAKE BLVD., SUITE 160
ALTAMONTE SPRINGS, FLORIDA 32701
(407) 830-6331
FAX (407) 830-8522

REPLY TO ALTAMONTE SPRINGS

February 17, 2003

HAND DELIVERY

Ms. Blanca Bayo
Commission Clerk and Administrative Services Director
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399

Re: Docket No. 020071-WS; Application for Rate Increase by Utilities, Inc. of Florida
Our File No.: 30057.40

Dear Ms. Bayo:

Enclosed for filing in the above-referenced docket are the original and fifteen (15) copies of Utilities, Inc. of Florida's Direct Testimony of Hugh A. Gower and Stephen M. Lubertozzi, filed on behalf of Utilities, Inc. of Florida.

Please call if you should have any questions.

Very truly yours,

Valerie L. Lord

VALERIE L. LORD
Of Counsel

VLL:pd
Enclosures
cc: Stephen C. Burgess, Esquire (w/enclosure)
Rosanne Gervasi, Esquire (w/enclosure)
Mr. Steve Lubertozzi (w/o enclosure)
Mr. Hugh Gower, CPA (w/o enclosure)

Gower
DOCUMENT NUMBER-DATE
01587 FEB 17 03
FPSC-COMMISSION CLERK

Lubertozzi
DOCUMENT NUMBER-DATE
01588 FEB 17 03
FPSC-COMMISSION CLERK

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

IN RE: Application of UTILITIES, INC. OF FLORIDA for a rate increase in Marion, Orange, Pasco, Pinellas and Seminole Counties

______________________________/

Docket No. 020071-WS

NOTICE OF FILING

UTILITIES, INC. OF FLORIDA, by and through the undersigned counsel, serves this notice that it has filed the Direct Testimony of Hugh A. Gower and Steven M. Lubertozzi relating to the gain on sale issue on this 17th day of February, 2003.

ROSE, SUNDSTROM & BENTLEY, LLP
600 S. North Lake Boulevard
Suite 160
Altamonte Springs, Florida 32701
Telephone: (407) 830-6331
Facsimile: (407) 830 8255
Email: mfriedman@rsbattorneys.com

____
Martin S. Friedman

CERTIFICATE OF SERVICE
DOCKET NO. 020071-WS

I HEREBY CERTIFY that a true and correct copy of the foregoing Direct Testimony of Hugh A. Gower and Steven M. Lubertozzi relating to the gain on sale issue has been furnished by hand delivery to the following parties on this 17th day of February, 2003:

Charles J. Beck, Deputy Public Counsel.
Office of Public Counsel
C/o The Florida Legislature
111 W. Madison Street, Room 812
Tallahassee, FL 32399-1400

Roseanne Gervasi, Esq.
Lorena Holley, Esq.
Division of Legal Services
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

Martin S. Friedman

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Investigation into ratemaking consideration of gain on sale from

sales of facilities of Utilities, Inc.

of Florida to the City of Maitland in Orange County and the City of Altamonte Springs in Seminole County

____/

Docket No. 020071-WS
Filed: February 17, 2003

DIRECT TESTIMONY OF

HUGH A. GOWER

FILED ON BEHALF

OF

UTILITIES, INC. OF FLORIDA

Martin S. Friedman, Esq.
Rose, Sundstrom & Bentley, LLP
600 North Lake Boulevard
Suite 160
Altamonte Springs, FL 32701

DIRECT TESTIMONY OF

HUGH A. GOWER

Q. PLEASE STATE YOUR NAME, ADDRESS AND OCCUPATION.

A. My name is Hugh Gower and my address is 195 Edgemere Way, S. Naples, Florida 34105.

I am self employed as a consultant on public utility financial, economic regulation and cost containment and control matters. I also provide expert testimony on topics related to public utility economics and rate regulation in cases before public service commissions and courts.

Q. PLEASE SUMMARIZE YOUR EDUCATIONAL AND PROFESSIONAL BACKGROUND.

A. After receiving a Bachelor of Science degree in Accounting and Economics from the University of Florida, I practiced public accounting for more than thirty years, specializing in the public utility area. I am, or have been, registered as a Certified Public Accountant in several states and I am a member of the American Institute of Certified Public Accountants and the Florida Institute of CPAs.

Q. BRIEFLY DESCRIBE THE NATURE OF YOUR WORK EXPERIENCE IN PUBLIC ACCOUNTING.

A. I performed independent audits of the financial statements issued by public utilities and other companies in reports to investors and regulators. I participated in and supervised audits of various statements and schedules and other data required either annually or in connection with rate applications before federal or state regulatory authorities. I have also supervised work in connection with the issuance of billions of dollars of securities by public utilities.

I participated in the development of accounting and management information systems designed to promote close control over utility resources such as materials, fuel and construction costs. I have directed the preparation of financial forecasts, conducted independent reviews of financial forecasts and directed the development of financial forecasting models. I participated in management audits, the purpose of which was to assess whether management systems and procedures promoted economy and efficiency in utility operations.

I have directed depreciation studies which, based on analyses of utility plant investments, retirement transactions, salvage or cost of removal, developed equitable depreciation rates with which to effect capital recovery during the service lives of the assets. I also developed plans which were accepted by regulators to equitably assign the future outlays for spent nuclear fuel disposal, nuclear plant decomissioning and fossil plant dismantlement costs to customers receiving service, considering the effects of inflation, the time value of money and other variables.

I have directed revenue requirements studies involving analysis of rate base, operating revenues and expenses as well as the analysis of specific transactions or alternative rate-making proposals for various cost-of-service components. I have also directed studies to determine the proper assignment of cost of service between customer classes, regulatory jurisdictions or between regulated and nonregulated operations. I have provided expert testimony in cases before regulatory commissions and courts.

I was a representative of the American Institute of Certified Public Accountants on the Telecommunications Industry Advisory Group which advised the Federal Communications Commission on certain matters in connection with the development of its Uniform System of Accounts (Part 32). In this connection, I chaired the Auditing and Regulatory Subcommittee which dealt with issues involving compliance with generally accepted accounting principles ("GAAP") when regulatory rate-setting methods were based on practices at variance with

GAAP.

From 1975 until 1992 I served as the Southeastern Area Director of the public utility and telecommunications practice for Arthur Andersen & Co. (now Andersen LLP). This area of the practice included work for electric, gas, telephone and water & sewer utilities, motor carriers and airlines. I had responsibility for supervising the work done for clients, training of firm personnel and administrative matters, in addition to the direct responsibility for work done for numerous

clients in this and other areas of the practice.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?

A. The purpose of my testimony is to describe the proper ratemaking treatment for the reported $61,699 gain on sale of Utilities, Inc. of Florida's ("Utilities" or "the Company") Druid Isle and a portion of its Oakland Shores water systems and the reported gain of $269,661 on sale of its Green Acres Campground water and wastewater systems cited in Order No. PSC-02-0657-PAA-WU dated May 14, 2002, of the Florida Public Service Commission ("FPSC" or "Commission"). My testimony will show that the long run best interests of both customers and utilities are best served when gains and losses on sales of utility systems which occur prior to the end of useful life retirement of the property are excluded from cost of service for ratemaking purposes.

Q. WHAT IS THE PROPER RATEMAKING TREATMENT OF THE GAINS ON SALES OF THESE UTILITY SYSTEMS BY UTILITIES?

A. Like investments made to construct or acquire utility property from others, sales of utility systems are capital transactions. Construction or acquisition of properties are "investments" of capital supplied by investors. Sales of utility systems are "disinvestments" or recoveries of the capital investors had previously provided. Since either is a capital transaction, they both should be assigned to investors, not customers. Neither gains nor losses on sales of utility systems should be included in cost of service used for rate setting purposes.

Q. WHAT IS "COST OF SERVICE" TO WHICH YOU REFER AND HOW IS IT USED IN SETTING CUSTOMERS' RATES?

A. Although the term "cost of service" is exactly what it implies and is conceptually simple, its application can be complex and it is often misunderstood, misinterpreted or misapplied.

Almost universally, utility regulators with responsibility for setting the rates or prices for utilities in the United States do so on the basis of the affected utility's actual cost of providing service to customers. Use of cost-based ratemaking has a long history and is used because the regulated companies are not subject to market forces or competition to limit either their prices or profits, at least to the same extent as companies which offer products or services in completely open, competitive markets.

Over a period of many years, actual applications of cost based ratemaking in specific cases and the decisions of regulators and courts have developed a regulatory framework which defines the rights and obligations of utility customers and of utilities to maximize the benefits to both. This includes the procedures for determining fair and reasonable prices.

Q. HOW ARE FAIR AND REASONABLE PRICES DETERMINED UNDER THE REGULATORY FRAMEWORK OF COST-BASED RATE REGULATION?

A. Fair and reasonable prices include all and only the costs of the activities undertaken by the utility to provide service. Costs are limited to those reasonably and prudently incurred for the provision of service. In addition to labor, supplies, taxes, depreciation and other operating expenses, utilities are entitled to include in their prices a reasonable return on the capital their owners and lenders have invested for the provision of utility service. These costs are usually measured for a year's period of time (a "test period") and are matched against the quantity and quality of service expected to be provided during that period. "Cost of service" thus includes the cost of resources used or consumed during that period rather than the total amount the utilities may be committed to spend or may have already spent for such resources, or the total return on capital the utilities will need for all the years investors' capital is expected to be devoted to utility service. Further, expenses of activities unrelated to the provision of utility service are excluded from the price of utility services as are returns on capital not devoted to utility service.

Q. HOW ARE OPERATING EXPENSES, TAXES AND DEPRECIATION LIMITED TO THOSE DEVOTED TO UTILITY SERVICE IN THE COST-BASED RATE SETTING PROCESS?

A. Operating expenses, taxes, depreciation, etc. are routinely accounted for and reported by utilities to the applicable regulatory authorities using the Uniform System of Accounts ("USOA") prescribed by the regulatory authorities having jurisdiction. The USOA, through its detailed instructions, limits amounts recorded in "operating expenses" to the cost of those resources consumed to conduct utility operations.

Amounts applicable to nonutility activities are recorded in designated accounts separate and apart from those for utility operations. Transactions related to investors' capital--the issuance, repayment, repurchase or redemption of securities or payment of interest or dividends--are also excluded from the accounts for utility operations. Likewise, USOA instructions explicitly separate construction related expenditures and costs from utility operating accounts as it does the sales of utility systems.

This provides a high level of assurance that amounts recorded in utility operating expense accounts are appropriately limited to the operating costs of providing utility service and are appropriately classified for use in a rate setting proceeding. In addition, nonrecurring, out-of-period or extraneous expenses would be excluded from operating expenses used for rate setting following the rules or practices and procedures employed by the regulatory authority to which application for approval of a rate change is made.

Q. WHAT DOES THE CAPITAL UPON WHICH THE UTILITY INVESTORS ARE ENTITLED TO A RETURN CONSIST OF?

A. The capital upon which investors are entitled to a return consists of debt and equity capital invested in the utility company. Equity capital generally consists of common stock outstanding, other paid-in capital and earnings retained in the business. Some utilities also issue preferred stock shares to finance part of their business. Debt capital generally used by utilities would include mortgage bonds, debentures and long-term notes of various kinds. Some regulators also include in a utility's capital structure other items of a more or less permanent or long-term nature such as customer deposits, accumulated deferred income taxes and interim bank debt financing, if any.

Q. HOW IS THE AMOUNT OF CAPITAL DEVOTED TO THE PROVISION OF UTILITY SERVICE DETERMINED?

A. Although the total amount of capital invested in any utility enterprise is usually easily identified from the company's books and records, it is not readily determinable what part of that total capital is devoted to utility service in cases where the utility operates in more than one jurisdiction, provides more than one kind of utility service, or has nonutility operations. In addition, many companies have capital invested in utility assets under construction, or, which, even if complete and ready for service, are, for one reason or another, not considered to be yet devoted to utility service. As a result, among those practices and procedures which have developed over the years in the application of cost-based rate regulation is the method of estimating how much capital is devoted to utility service at the time of a rate setting proceeding.

Q. HOW IS THE AMOUNT OF CAPITAL DEVOTED TO UTILITY SERVICE ESTIMATED?

A. The amount of capital devoted to utility service is mirrored by the dollar value of the utility's net assets used in providing service. With the type of detailed records maintained by most utilities, assets can be identified as to location and function. Thus, employing values and/or transactions recorded on the utility's books of account, analysts are able to identify the cost of assets devoted to the provision of utility service. Such values include utility plant, inventories, prepayments or other assets along with an allowance for the amount of money needed to finance utility expenses prior to receipt of customers' payments for service. These amounts are reduced by accumulated depreciation, amounts advanced by suppliers or customers and by any other cost-free funds. The amount determined by such a study has come to be known as "rate base".

Although "rate base" is derived from asset values shown on the utility' books of account, rather than representing so many feet of pipe or numbers of meters and pumps, it really is a surrogate for the amount of capital which investors have supplied for the provision of utility service. This is the amount of capital upon which investors are entitled to earn a reasonable return.

Q. IS THE FACT THAT "RATE BASE" IS A SURROGATE FOR INVESTORS' CAPITAL WELL ESTABLISHED?

A. Yes. It is recognized in authoritative literature on regulation and was clearly articulated in Justice Brandeis' minority opinion (concurring as to results) in the United States Supreme Court's 1923 decision in a <u>Southwestern Bell</u>

Telephone Company case. Justice Brandeis wrote:

> "The thing devoted by the investor to the public use is not specific property but capital embarked in the enterprise. Upon the capital so invested the Federal Constitution guarantees to the utility the opportunity to earn a fair return … . The several items of property constituting the utility, taken singly, and freed from public use, may conceivably have an aggregate value greater than if the items are used in combination. The owner is at liberty, in the absence of controlling statutory provisions, to withdraw his property from public service; and, if he does so, may obtain for it exchange value." (Footnote omitted; emphasis added). Southwestern Bell Telephone Company v. Public Service Commission of Missouri, 262 U.S. 276, 290 (1923).

Q. HOW DO REGULATORS WHO EMPLOY COST-BASED RATE REGULATION DETERMINE WHAT TO ALLOW UTILITIES AS A REASONABLE RETURN ON CAPITAL DEVOTED TO PUBLIC SERVICE?

A. The capital structure of each regulated company is reflected on its books of account and shown on its annual reports to regulators and these records reflect how much to the utility's capital structure is common equity, preferred stock or debt. The cost of preferred stock or debt capital can be calculated. The cost of common equity is usually estimated using stock market data. The weighted cost of all forms of capital employed by the utility (together with cost free capital, if any) is the "reasonable return" which regulators allow on investors' capital ("rate base").

These cost-based rate regulation practices yield prices for utility service based on historic original costs rather than current values of the resources devoted to utility service. Courts have held that, however calculated, a reasonable return is one which is sufficient for the utility to maintain its credit standing and financial integrity, sufficient to attract new capital at reasonable costs and commensurate with returns being earned on investments attended by corresponding risks.

Q. DO REGULATORS ADJUST THE RETURN THEY ALLOW A

UTILITY UPWARD IF THE MARKET VALUE OF THE UTILITY'S OUTSTANDING SECURITIES INCREASES?

A. No. The market value of the utility's outstanding securities is not considered in the rate of return calculations; only book values.

Q. DO REGULATORS ALLOW AN INCREASE IN THE AMOUNT OF RETURN ALLOWED IF THE VALUE OF THE ASSETS DEVOTED TO PUBLIC SERVICE AND INCLUDED IN RATE BASE INCREASES ABOVE BOOK VALUES?

A. No. Values other than historic original cost are generally not considered. In its Order No. 25729 issued February 17, 1992 the Commission stated :

> "This Commission has consistently interpreted the "investment of the utility" as contained in Section 367.081(2)(a), Florida Statutes to be the original cost of the property when first devoted to public service, not only in the context of acquisition adjustments, but elsewhere as well."

Consequently, even when the book values of utility assets are far lower than replacement values of those assets, customers are completely shielded from price increases which might otherwise reflect those increased costs. In addition, for those assets which provide service to customers until retirement from service, neither depreciation nor return allowances included in utility service prices reflect the higher costs which investors will face upon replacing such assets. This risk rests squarely on the investors.

Q. HOW ELSE DOES THE REGULATORY FRAMEWORK OF COST-BASED RATE REGULATION DEFINE THE RIGHTS AND OBLIGATIONS OF CUSTOMERS AND UTILITIES?

A. Generally, under this regulatory framework, utilities are obligated to provide safe, adequate, reliable service to all customers willing and able to pay for service within their designated service area. Utilities are able to establish reasonable rules and regulations concerning such matters as safety, payment terms and other commercial aspects. Utilities providing service under such regulation are, as are all businesses, entitled to legal protection of their privately owned property. Among other things, this means that utilities are entitled to charge a fair and reasonable price which covers the costs they incur to provide service and are also protected against confiscation of their property.

Although entitled to safe, adequate and reliable service, customers must pay the fair and reasonable prices set or approved by the applicable regulatory authority. Customers' rights end with the payment for the service they receive and such payments in no way entitles them to any interest in the property of the utility serving them.

Q. HAVE THESE RIGHTS AND OBLIGATIONS OF CUSTOMERS AND OF UTILITIES BEEN SUBJECTED TO JUDICIAL REVIEW?

A. Yes. For example, The Supreme Court of the United States ruled on this issue in a 1926 New York Telephone Company case. In regards to the relative rights, the Court said:

> "The relation between the company and its customers is not that of partners, agent and principal, or trustee and beneficiary."

and further:

> "Customers pay for service, not the property used to render it. Their payments are not contributions to depreciation or other operating expenses, or to capital of the company. By paying bills they do not acquire any interest, legal or equitable, in the property used for their convenience or in the funds of the company. Property paid for out of moneys received for service belongs to the company, just as does that purchased out of proceeds of its bonds and stock." <u>New York Telephone Company</u>, 271 U.S. 23, 31-32 (1926).

Q. AREN'T UTILITY INVESTORS PROTECTED FROM RISK WHEN RATES ARE SET AS YOU DESCRIBE?

A. No, utility investments are not risk free. Although the rate of return allowed on utility investors' capital is generally lower than might be earned in some other types of businesses, this does not signify the absence of risk. As with any business, utility investors carry the risk of the success or failure of the enterprise. In particular, this includes weather, customer usage, management's ability to control costs, competition from other providers, inflation and regulatory lag, market risks and, particularly for the water industry, product risks. Depending on factors both related and unrelated to the specific utility, some investors have suffered substantial capital losses, while others who were more fortunate realized capital gains on their investments. Clearly, investors are exposed to capital losses on the utility securities they hold.

Q. DOES THE REASONABLE RATE OF RETURN ALLOWED BY REGULATORS LIMIT CAPITAL GAINS OR LOSSES INVESTORS MIGHT REALIZE ON SALE OF THEIR INVESTMENTS?

A. No, it does not. Regulators can limit the returns to be earned from providing utility services to customers, but not on capital transactions such as the sale of securities held by investors. Nor do regulators protect investors who are unfortunate and lose money on the sale of their utility investments. Transactions of this kind – whether complete or partial liquidations of an investor's holdings – are capital transactions and investors should bear the risk of any losses and should be entitled to any gains.

Q. WOULDN'T THE FACT THAT CUSTOMERS PAY PRICES WHICH INCLUDE DEPRECIATION AND RETURN ON PROPERTIES SOLD AFTER THE RATES WERE SET SUGGEST THAT GAINS ON SALES SHOULD BE GIVEN TO CUSTOMERS?

A. No, it does not. Any depreciation and return which may be included in the price customers pay for service cover only that part of those resources consumed during the period when that service was provided. Thus customers' payments covered nothing more than the cost of the safe, reliable, adequate service which they received. The obligations of both utility and customer have each been discharged and neither owes the other anything further.

It is important to keep in mind that it is investors who supply the capital which finances the utility plant which serves the customers' needs. Payment of prices which include something for return of and return on the capital investors have provided doesn't change the fact that it is still the investors' capital and it is the investors who own the properties which that capital financed. It is the investors whose capital is exposed to the risks of ownership and to whom gains or losses – including those from property sales – should accrue.

Q. HOW CAN CAPITAL TRANSACTIONS SUCH AS GAINS OR LOSSES ON SALES OF UTILITY FACILITIES BE DISTINGUISHED FROM ORDINARY UTILITY OPERATING TRANSACTIONS WHICH SHOULD BE INCLUDED IN COST OF SERVICE FOR RATE SETTING PURPOSES?

A. Capital transactions can be either "investments" or "disinvestments". In simple terms, construction or purchase of utility facilities would be an "investment" (of investors' capital), while the sale of utility facilities would be a "disinvestment" (of investors" capital). Sales such as Utilities' sales of facilities to Maitland and Altamonte Springs can be either a complete or partial withdrawal of investors' capital from the utility business. Transactions of that type are not related to utility operations, but rather, are capital transactions. That is the reason that the USOA directs accounting which distinguishes them from utility operations.

Q. HOW DOES THE USOA DISTINGUISH SALES OF FACILITIES FROM UTILITY OPERATIONS?

A. The USOA directs that retirements and dispositions of utility facilities in the normal ongoing conduct of utility operations be recorded as "retirements".

That is, the cost of the asset retired is removed from the utility plant accounts and, along with any cost of removal and salvage value, be charged to the accumulated depreciation accounts.

On the other hand, sales of "systems" such as those sold to Maitland and Altamonte Springs are recorded in income accounts which reflect any gain or loss (sales proceeds less depreciated plant value) and which signifies that investors' capital has been withdrawn from the utility business, at least to the extent of the sale(s). This is the kind of transaction which, in accordance with the previously described regulatory framework of cost-based ratemaking, should be excluded from cost of service in any rate setting proceeding in order to preserve the benefits which flow from that framework to both utilities and utility customers.

Q. HOW HAS THIS REGULATORY FRAMEWORK BENEFITTED UTILITIES AND THEIR CUSTOMERS?

A. This regulatory framework benefits utilities by making it easier for them to finance the facilities required to meet customers' needs.

The same regulatory framework benefits customers by assuring adequate, reliable service at prices lower than they might otherwise be. Importantly, regulation helps avoid duplicate facilities which might otherwise exist and also avoids price increases as current values increase and the generally lower capital costs also have a significant price lowering effect considering the capital intensity of the industry. Finally, regulation avoids price increases which might otherwise occur when unfettered demand collides with limited resources as has been shown by some relatively recent attempts at deregulation.

Q. PLEASE SUMMARIZE YOUR TESTIMONY.

A. Both utilities and their customers have benefitted from the historic regulatory framework which recognizes and preserves the distinctly different rights and obligations of utility customers and of utility owners. This framework has benefitted utilities by making it easier for them to attract the large amounts of capital needed to construct the facilities needed to meet customer usage needs. Customers have also benefitted from this historic regulatory framework because it results in lower, more stable prices. Customers' rights end when they receive and pay for safe, adequate, reliable, reasonably priced service.

This regulatory framework and its consequent benefits should be maintained by ratemaking practices which acknowledge that "rate base" is a surrogate for investors' capital and assign to investors gains and losses from sales of utility operating units or systems or which otherwise represent to withdrawal of assets (capital) from the utility service business. Such transactions are (at least partial) liquidations and are not operating, but capital in nature. Failure to assign to investors gains or losses on sales of this type is not only confiscatory, unfair and improper, but also has adverse implications to the utilities' ability to raise capital at reasonable costs. Such a consequence would be detrimental to both utility customers and utility owners in the long run.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes.