ORIGINAL

TOM LEE
President

Harold McLean
Public Counsel

STATE OF FLORIDA
OFFICE OF PUBLIC COUNSEL

c/o THE FLORIDA LEGISLATURE
111 WEST MADISON ST.
ROOM 812
TALLAHASSEE, FLORIDA 32399-1400
850-488-9330

EMAIL: OPC_WEBSITE@LEG.STATE.FL.US
WWW.FLORIDAOPC.GOV

ALLAN BENSE
Speaker

Joseph A. McGlothlin
Associate Public Counsel

February 8, 2005

RECEIVED-FPSC
05 FEB -8 PM 3:53
COMMISSION
CLERK

Ms. Blanca S. Bayó, Director
Division of the Commission Clerk
and Administrative Services
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0870

RE: Docket No. 041291-EI, In Re: Florida Power & Light Company's petition for authority to recover prudently incurred storm restoration costs related to 2004 storm season that exceed storm reserve balance.

Dear Ms. Bayó:

Enclosed for filing in the above-referenced docket are the original and fifteen (15) copies of the Direct Testimony of James A. Rothschild on behalf of the Office of Public Counsel.

Please indicate the time and date of receipt on the enclosed duplicate of this letter and return it to our office.

Thank you for your assistance.

Sincerely,

Joe McGlothlin

Joseph A. McGlothlin
Associate Public Counsel

CMP ____
COM 5
CTR DG
ECR ____
GCL 1
OPC ____
MMS ____
RCA ____
SCR ____
SEC 1
OTH ____

RECEIVED & FILED
FPSC-BUREAU OF RECORDS

JM/pwd
Enclosures

DOCUMENT NUMBER-DATE
01416 FEB-8 05
FPSC-COMMISSION CLERK

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing Direct Testimony of James A. Rothschild in Docket No. 041291-EI, has been furnished by hand delivery(*) and U.S. Mail on this 8th day of February, 2005 to the following:

Florida Power & Light Company(*)
Mr. Bill Walker, Esquire
215 S. Monroe Street, Suite 810
Tallahassee, FL 32301-1859

Florida Power & Light
Mr. R. Wade Litchfield, Esquire
700 Universe Blvd.
Juno Beach, FL 33408

Florida Public Service Commission(*)
Cochran Keating, Esquire
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850

Florida Industrial Power Users Group
John W. McWhirter, Jr.
400 North Tamps Street, Suite 2450
Tampa, FL 33601-3350

McWhirter Law Firm
Vicki Kaufman/Tim Perry
117 S. Gadsden Street
Tallahassee, FL 32301

Michael B. Twomey
Post Office Box 5256
Tallahassee, FL 32314-5256

Joseph A. McGlothlin

Joseph A. McGlothlin
Associate Public Counsel

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for authority to recover prudently incurred storm restoration costs related to 2004 storm season that exceed storm reserve balance, by Florida Power & Light Company ________________________________/	Docket No. 041291-EI Filed: February 8, 2005

DIRECT TESTIMONY

OF

JAMES A. ROTHSCHILD

On Behalf Of

The Citizens of the State of Florida

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 041291--EI

TESTIMONY

OF

JAMES A. ROTHSCHILD

I. STATEMENT OF QUALIFICATIONS OF JAMES A. ROTHSCHILD

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

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

Q. WHAT IS YOUR OCCUPATION?

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

Q. PLEASE SUMMARIZE YOUR UTILITY REGULATORY EXPERIENCE.

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

Q. WHAT IS YOUR EDUCATIONAL BACKGROUND?

A. I received an MBA in Banking and Finance from Case Western University (1971) and a BS in Chemical Engineering from the University of Pittsburgh (1967).

II. BACKGROUND AND PURPOSE

Q. PLEASE EXPLAIN THE BACKGROUND FOR THIS TESTIMONY.

A. Severe damage was inflicted on Florida Power & Light's (FPL) service territory by three hurricanes during 2004: Charlie, Frances, and Jeanne. FP&L states in its 3rd quarter report to the U.S. Securities and Exchange Commission that as a result of these hurricanes, it incurred $710 million of expenses, which it has charged to its storm damage reserve. This $710 million is net of $108 million the Company states that it expects to recover from insurance companies. The Company's charges to the storm damage reserve have resulted in a deficit or negative balance of $354 million which it proposes to recover from retail customers. Since no amortization of this deficit in the storm damage reserve fund has begun, none of the storm damage costs that FPL charged to the storm damage reserve have yet impacted the earnings of FPL. (Source: FPL's 3rd quarter 2004

10Q report to the U.S. Securities & Exchange Commission [SEC] obtained from the SEC website.)

Currently, FPL's rates are based upon a settlement agreement entered into in March 2002, with terms that are to remain in effect between April 15, 2002 and December 31, 2005. As explained in the "Stipulation and Settlement" agreement, FPL was to lower its rates by $250 million. The agreement implements a "revenue sharing" arrangement in lieu of an authorized range for return on equity capital during the term of the stipulation. The stipulation limits FPL's ability to adjust its rates during the term of the agreement. While the agreement refers to FPL's ability to petition the Commission for recovery of losses due to storm damages, the agreement also provides:

> If FPL's retail base rate earnings fall below a 10% ROE as reported on an FPSC adjusted or pro-forma basis on an FPL monthly earnings surveillance report during the term of this Stipulation and Settlement, FPL may petition the FPSC to amend its base rates notwithstanding the provisions of Section 5. (Settlement and Stipulation, p. 4.)

I am advised that the Office of Public Counsel's position is that the 10% criterion of the stipulation is applicable to storm damage expenses, and that the legal effect of the stipulation is such that the source for amortization of the negative balance in the storm damage reserve must first come from earnings to the extent that 2004 earnings exceed 10.0% on equity. In other words, only after the company pays enough of the cost of the storm damage to bring the earned return on equity down to 10.0% is the company entitled to request authority to adjust its rates so as to recover the balance of storm damage costs. OPC has asked me to provide my opinion on the following subjects that are related to the decisions the Commission must make in this case:

(1) Is it appropriate to require a regulated electric utility such as FPL to bear some portion of the risk associated with storm damage losses?

(2) Given that the 10% return on equity is a matter of agreement, is it nonetheless reasonable under prevailing economic conditions?

(3) In the event the Commission decides that the threshold in the stipulation does not govern the situation as a matter of law, on what basis should the Commission apportion the burden of the storm damage costs between the utility and its ratepayers?

III. SUMMARY OF FINDINGS AND RECOMMENDATIONS

Q. PLEASE SUMMARIZE YOUR FINDINGS.

A. For reasons stated later in this testimony:

a) My starting point is OPC's position that there is a requirement flowing from the stipulation that FPL first has to experience an earnings drop to no more than 10.0% on equity before it is entitled to request incremental recovery of any expenses. While it may be true that the company would have been able to earn more than the stipulated minimum 10.0% return on equity absent a storm, in my opinion applying the portion of the 2004 earnings that lowers the return on equity down to 10.0% to reduce the negative storm reserve balance is fully consistent with the nature of risk and investment, as well as applicable principles of regulation. Investors are paid an allowance for risks, including the risk of storm casualty losses. The function of regulation is not to insulate the company from all risks that may cause earnings to decline below the levels they would have been without the realization of the risk. Because ratepayers pay rates that compensate investors for all risks, including storm damage, it would be entirely inappropriate to shift the full risk of such costs to ratepayers. In view of this, it would be proper to require FPL to absorb a portion of the storm damage losses even if there were no stipulation.

b) The 10% return on equity that FPL would be required to demonstrate under the terms of the stipulation before being allowed to request a rate increase is reasonable, if not conservatively high, under current economic conditions. More than half of the electric companies covered by Value Line in its Eastern edition are expected to earn 10% or less in 2004. Furthermore, as explained later in this testimony, the cost of equity determined by the Social Security Administration in its evaluation of what could be earned by allowing people to invest a portion of their Social Security funds in the stock market is 6.5% plus the inflation rate. Given investors' current expectations for inflation, this makes the current cost of equity based upon the Social Security Administration's approach equal to approximately 9.35%.

IV. <u>RISK ALLOWANCE</u>

Q. IS IT APPROPRIATE TO REQUIRE FPL TO BEAR A PORTION OF THE RISK ASSOCIATED WITH CATASTROPHIC STORM LOSSES?

A. Yes, especially if the risk being borne is confined to the risk of reducing earnings to the extent that they are in excess of the stipulated return on equity floor of 10.0%. That FPL bears this portion of the risk associated with extraordinary storm casualty losses is fully consistent with the nature of business risks and investments. Investors understand that the companies in which they invest are exposed to a variety of risks. The possibility of having some reasonable exposure to storm casualty losses is but one example of the variety of risks that investors take—and for which they are compensated in the return on investment that the company is given an opportunity to achieve. Accordingly, to provide the appropriate opportunity to earn a fair return, given a company's overall risk profile, *and* to simultaneously require ratepayers to bear all of the risk of the storm losses that they are paying investors to accept, would be unfair to the company's customers.

Q. CAN YOU DEMONSTRATE THAT FPL AND OTHER COMPANIES ARE COMPENSATED FOR TAKING BUSINESS RISKS?

A. Yes. The return on long-term treasury bonds is indicative of a fully guaranteed (i.e., risk-free return). Because of the risk-free nature of the bonds, investors are willing to buy billions of dollars worth of long-term treasury bonds that are currently priced to yield 4.85%. The returns on equity that FPL and other companies are allowed to earn are significantly higher than this "risk-free" return. This means that ratepayers are paying investors a risk allowance in the range of

5% or more because the return on equity is not guaranteed. In other words, FPL ratepayers are paying investors millions of dollars every year to take risk.

Q. TO WHAT BENEFITS ARE RATEPAYERS ENTITLED AS A RESULT OF PAYING THIS LARGE RISK ALLOWANCE?

A. Ratepayers are supposed to be at least partially shielded from risks because, through the risk premium, they have already paid for that privilege. Investors understand they are paid to take a risk. Because of this understanding, they will still provide equity capital on reasonable terms to electric companies. This availability of capital on reasonable terms will happen so long as investors are confident that prospective rates continue to be set at a level that provides them with a reasonable opportunity to earn the cost of equity. Because ratepayers are making such payments, it is they, and not the company, who should be protected from having to bear the entire risk of storm damage losses.

Q. HAS THE FLORIDA PSC ADDRESSED WHETHER IT IS REASONABLE FOR ELECTRIC COMPANIES TO ABSORB SOME OF THE RISK OF STORM DAMAGE?

A. Yes. On pages 4-5 of its Order No. PSC-93-0918-FOF-EI issued in Docket No. 930405-EI, the Commission stated:

> FPL seeks approval for a Storm Loss Recovery Mechanism that would guarantee 100% recovery of expenses from ratepayers, over and above base rates in effect at the time of implementation. **This would effectively transfer all risk associated with storm damage directly to ratepayers, and would completely insulate the utility from risk.** We decline to approve such a mechanism at this time.

> FPL's cost recovery proposal goes beyond the substitution of self-insurance for its existing policy. The utility wants a guarantee that storm losses will have no effect on its earnings. We believe it would be inappropriate to transfer all risk of storm loss directly to ratepayers. **The Commission has never required ratepayers to indemnify utilities from storm damage.** Even with traditional insurance, utilities are not free from this risk. This type of damage is a normal business risk in Florida.
> (Bold emphasis added.)

The principle that the Commission articulated in its 1993 order is not only fully applicable here, it is further reinforced by the Stipulation. The company is compensated for its entire risk profile, including the risk of storm damage. Even if there were no stipulation, or even if the Commission were to decide that the stipulation does not dictate the amount of storm losses that FPL must absorb, there would be a need to apportion the responsibility for the storm casualty losses between the company and ratepayers in a way that recognizes the risk that the company bears. The following section of my testimony shows that the 10% ROE criterion that OPC advocates as a consequence of the stipulation would be a reasonable basis for this decision even if there were no stipulation.

V. UPDATED EXAMIMATION OF STIPULATED 10.0% MAXIMUM RETURN ON EQUITY PRIOR TO SEEKING AN ADJUSTMENT IN RATES

Q. IS THE STIPULATED 10.0% MAXIMUM RETURN THAT FPL MUST DEMONSTRATE TO BE ELIGIBLE TO REQUEST A RATE INCREASE ADEQUATE TO PROVIDE A FAIR RETURN TO INVESTORS AND ENABLE FPL TO RAISE CAPITAL ON REASONABLE TERMS?

A. Yes. If anything, it is more than adequate. Since the date of the stipulation, there have been some electric companies that have been awarded a cost of equity of less than 10.0%. These companies include Public Service Electric and Gas Company, Jersey Central Power & Light Company, Atlantic City Electric Company, and Connecticut Light and Power Company.

Schedule 1 of my testimony shows the actual earned returns on equity Value Line estimates the electric companies in the edition that covers Eastern electric companies will actually earn on equity in 2004. A review of the Value Line Eastern edition results reveals that in 2004 more than half of the 23 electric companies covered by Value Line are estimated to actually earn 10.0% or less with some companies, including Allegheny Energy, Central Vermont, Northeast Utilities, and TECO expected to earn 8.0% or less on equity. In other words, Florida Power & Light's stipulated settlement that provides for actual earnings of 10.0% or higher produces results that place the Company at or above the median earned return on equity.

Q. HOW DOES THE FINANCIAL RISK OF THE 23 ELECTRIC COMPANIES IN THE VALUE LINE EASTERN EDITION COMPARE TO THE CURRENT CAPITAL STRUCTURE OF FPL?

A. The financial risk of a company is dependent upon the level of common equity in its capital structure. The higher the common equity ratio, the lower the financial risk. According to FPL's July 2004 report to the Commission, its capital structure contains 52.59% common equity. However, to be consistent with the way that Value Line reports common equity ratios, the impact of short-term debt, customer deposits, the investment tax credit, and deferred income taxes must all be excluded. Excluding these amounts makes the common equity ratio of FPL'S 65.1% At 65.1%, FPL's reported regulatory capital structure has a lower financial risk than all 23 of the companies in Value Line's Eastern Edition of electric companies and is a considerably higher ratio than the 44% median common equity ratio for the group. The reduced financial risk associated with a 65.1% common equity ratio causes a reduction in the cost of equity of about 0.75% compared to an electric company with a common equity ratio equal to the 44% group median.

Q. HAVE THERE BEEN CHANGES IN THE CAPITAL MARKETS SINCE THE 10.0% WAS ESTABLISHED?

A. Yes. FPL'S stipulated 10.0% was the result of proceedings based upon direct evidence filed no later than very early in 2002. A revisiting of the 10.0% maximum earnings standard before rate relief could be requested was not specified as a condition of the settlement. Furthermore, since the time of the evidence on which the 10.0% standard was based, long-term interest rates have declined. Therefore, even if one wanted to go beyond the settlement and update the 10% threshold, an updating would cause a revisiting of the threshold to be lowered. As of early February 2005, the interest rate on long-term U.S. treasury bonds is approximately 4.58% compared to the 5.64% as of the March 2002 date that the settlement agreement was made. Therefore, if the 10.0% maximum earnings threshold requirement were updated to reflect current conditions, the minimum required before rate relief should be approximately 9.0%.

Q. YOU SAID THAT THE SOCIAL SECURITY ADMINISTRATION HAS DETERMINED THE COST OF EQUITY. PLEASE EXPLAIN.

A. President Bush has proposed to allow people to choose to invest a portion of their Social Security funds in the stock market. As part of his argument in favor of this approach, it is anticipated that those who choose to invest in the stock market will be able to earn higher returns than if the funds are merely sent to the Social Security Administration in the old way. The cover article that appeared in the January 24, 2005 issue of Business Week addresses this topic. The article, entitled "Special Report. SOCIAL SECURITY. Are Private Accounts A Good Idea?" notes on page 69 that Stephen C. Goss, the SSA's chief actuary has determined that the total return on the stock market will be 6.5% over the inflation rate during the next 75 years. Currently, the future expectation for inflation is about 2.85%, a number I obtained by comparing the difference in yield between normal long-term U.S. treasury bonds and the yield on inflation-indexed U.S. treasury bonds. Adding the 6.50% and the 2.85% produces a cost of equity expectation of 9.35%. This 9.35% is before any risk reduction adjustment that would be applicable.

Q. ARE YOU RECOMMENDING THAT THE STIPULATION UPON WHICH CURRENT RATES ARE BASED SHOULD BE LOWERED FROM 10.0%?

A. No. The stipulation does not provide for a revision of the 10.0% prior to 12/31/05. However, I have provided the 9.2% (based upon an update to the

10.0% finding based upon interest rate changes) or the 9.35% (based upon the method chosen by the Social Security Administration) to show the Commission that if the 10.0% return on equity was appropriate when the stipulation was entered into in March 2002, it is more than reasonable in today's financial climate.

Q. SHOULD THE COMMISSION BE CONCERNED THAT ENFORCING THE 10% ROE CRITERION COULD CAUSE RATING AGENCIES TO DOWNGRADE PEF, RESULTING IN AN INCREASE IN ITS COST OF CAPITAL?

A. No. The terms of the stipulation are not new news to the bond rating agencies. If the Commission allows FPL to earn a return on equity that is commensurate with its risk profile and prevailing economic circumstances, rating agencies would have no reason to be concerned about FPL's ability to meet its debt service requirements. Additionally, for the reasons stated, providing FPL the opportunity to earn 10% on its equity capital while affording it the ability to recover the balance of storm-related costs would be fully adequate to enable FPL to access capital markets on reasonable terms in the current environment.

VIII. <u>CONCLUSION</u>

Q. PLEASE SUMMARIZE YOUR RECOMMENDATIONS IN THIS CASE.

A. Requiring FPL to bear some of the costs associated with repairs to 2004 storm damage that exceeded the positive balance in its storm damage reserve is consistent with the nature of business risk inherent in investments. To induce them to take on risk, investors have been paid millions of dollars to provide a return greater than a risk-free rate. Because they are paid such a large amount to do so, occasionally requiring them to actually bear some of this risk is well within the parameters to which ratepayers are entitled and investors expect. Indeed, because ratepayers have been paying rates that compensate FPL's investors for such risks, it is they, and not shareholders, who are entitled to a degree of insulation from storm damage costs.

Applying the 10% ROE criterion in FPL"s stipulation will not result in the inability of FPL to earn its cost of capital. The 10.0% earned return on equity is still as high or higher a return on equity than the return on equity Value Line expects more than half of the electric companies in its Eastern edition to actually earn, and was established at a time when long-term interest rates on U.S. treasury bonds were higher than they are today.

I recommend that the Commission use the 10% ROE criterion to quantify the portion of FPL's negative storm damage reserve balance for which FPL's shareholders should be responsible. While this position flows from OPC's position regarding the effect of the ratemaking stipulation to which FPL is a party, in my opinion it would be an appropriate basis for assigning the company's responsibility even in the absence of a stipulation.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes.

APPENDIX A TESTIFYING EXPERIENCE OF JAMES A. ROTHSCHILD

THROUGH DECEMBER 31, 2004

ALABAMA

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

ARIZONA

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

CONNECTICUT

Aquarion Water Company, Docket No. 04-02-14, Rate of Return, June 2004
Connecticut American Water Company; Docket No. 800614, Rate of Return, September, 1980
Connecticut American Water Company, Docket No. 95-12-15, Rate of Return, February, 1996
Connecticut Light & Power Company; Docket No. 85-10-22, Accounting and Rate of Return, February, 1986
Connecticut Light & Power Company; Docket No. 88-04-28, Gas Divestiture, August, 1988
Connecticut Light & Power Company, Docket No. 97-05-12, Rate of Return, September, 1997
Connecticut Light & Power Company, Docket No. 98-01-02, Rate of Return, July, 1998
Connecticut Light & Power Company, Docket No. 99-02-05, Rate of Return, April, 1999
Connecticut Light & Power Company, Docket No. 99-03-36, Rate of Return, July, 1999
Connecticut Light & Power Company, Docket No. 98-10-08 RE 4, Financial Issues, September 2000
Connecticut Light & Power Company, Docket No. 00-05-01, Financial Issues, September, 2000
Connecticut Light & Power Company, Docket No. 01-07-02, Capital Structure, August, 2001
Connecticut Light & Power Company, Docket No. 03-07-02 , Rate of Return, October, 2003
Connecticut Natural Gas; Docket No. 780812, Accounting and Rate of Return, March, 1979
Connecticut Natural Gas; Docket No. 830101, Rate of Return, March, 1983
Connecticut Natural Gas; Docket No. 87-01-03, Rate of Return, March, 1987
Connecticut Natural Gas, Docket No. 95-02-07, Rate of Return, June, 1995
Connecticut Natural Gas, Docket No. 99-09-03, Rate of Return, January, 2000
Southern Connecticut Gas, Docket No. 97-12-21, Rate of Return, May, 1998
Southern Connecticut Gas, Docket No. 99-04-18, Rate of Return, September, 1999
United Illuminating Company; Docket No. 89-08-11:ES:BBM, Financial Integrity and Financial Projections, November, 1989.
United Illuminating Company; Docket No. 99-02-04, Rate of Return, April, 1999
United Illuminating Company, Docket No. 99-03-35, Rate of Return, July, 1999
United Illuminating Company, Docket No. 01-10-10-DPUC, Rate of Return, March 2002

DELAWARE

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

FEDERAL ENERGY REGULATORY COMMISSION (FERC)

Koch Gateway Pipeline Company, Docket No. RP97-373-000 Cost of Capital, December, 1997
Maine Yankee Atomic Power Company, Docket No. EL93-22-000, Cost of Capital, July, 1993
New England Power Company; CWIP, February, 1984. Rate of return.

New England Power Company; Docket No.ER88-630-000 & Docket No. ER88-631-000, Rate of Return, April, 1989
New England Power Company; Docket Nos. ER89-582-000 and ER89-596-000, Rate of Return, January, 1990
New England Power Company: Docket Nos. ER91-565-000, ER91-566-000 , FASB 106, March, 1992. Rate of Return.
Philadelphia Electric Company - Conowingo; Docket No. EL-80-557/588, July, 1983. Rate of Return.
Ocean State Power Company, Ocean States II Power Company, Docket No. ER94-998-000 and ER94-999-000, Rate of Return, July, 1994.
Ocean State Power Company, Ocean States II Power Company, Docket No ER 95-533-001 and Docket No. ER-530-001, Rate of Return, June, 1995 and again in October, 1995.
Ocean State Power Company, Ocean State II Power Company, Docket No. ER96-1211-000 and ER96-1212-000, Rate of Return, March, 1996.
Southern Natural Gas, Docket No. RP93-15-000. Rate of Return, August, 1993, and revised testimony December, 1994.
Transco, Docket No. RP95-197-000, Phase I, August, 1995. Rate of Return.

Transco, Docket Nos. RP-97-71-000 and RP97-312-000, June, 1997, Rate of Return.

FLORIDA

Alltel of Florida; Docket No. 850064-TL, Accounting, September, 1985
Florida Power & Light Company; Docket No. 810002-EU, Rate of Return, July, 1981
Florida Power & Light Company; Docket No. 82007-EU, Rate of Return, June, 1982
Florida Power & Light Company; Docket No. 830465-EI, Rate of Return and CWIP, March, 1984
Florida Power & Light Company, Docket No.   , Rate of Return, March 2002
Florida Power Corporation; Docket No. 830470-EI, Rate Phase-In, June, 1984

Florida Power Corp.; Rate of Return, August, 1986
Florida Power Corp.; Docket No. 870220-EI, Rate of Return, October, 1987
Florida Power Corp; Docket No. 000824-EI, Rate of Return, January, 2002
GTE Florida, Inc.; Docket No. 890216-TL, Rate of Return, July, 1989
Gulf Power Company; Docket No. 810136-EU, Rate of Return, October, 1981
Gulf Power Company; Docket No. 840086-EI, Rate of Return, August, 1984
Gulf Power Company; Docket No. 881167-EI, Rate of Return, 1989
Gulf Power Company; Docket No. 891345-EI, Rate of Return, 1990
Gulf Power Company; Docket No.010949-EI, Rate of Return, December 2001
Rolling Oaks Utilities, Inc.; Docket No. 850941-WS, Accounting, October, 1986
Southern Bell Telephone Company; Docket No. 880069-TL, Rate of Return, January, 1992
Southern Bell Telephone Company, Docket No. 920260-TL, Rate of Return, November, 1992
Southern Bell Telephone Company, Docket No. 90260-TL, Rate of Return, November, 1993
Southern States Utilities, Docket No. 950495-WS, Rate of Return, April, 1996
Tampa Electric Company; Docket No. 820007-EU, Rate of Return, June, 1982
Tampa Electric Company; Docket No. 830012-EU, Rate of Return, June, 1983
United Telephone of Florida; Docket No. 891239-TL, Rate of Return, November, 1989
United Telephone of Florida; Docket No. 891239-TL, Rate of Return, August, 1990
Water and Sewer Utilities, Docket No 880006-WS, Rate of Return, February, 1988.

GEORGIA

Georgia Power Company; Docket No. 3397-U, Accounting, July, 1983
BellSouth; Docket No. 14361-U, Rate of Return Rebuttal Testimony, October 2004.

ILLINOIS

Ameritech Illinois, Rate of Return and Capital Structure, Docket 96-0178, January and July, 1997.
Central Illinois Public Service Company; ICC Docket No. 86-0256, Financial and Rate of Return, October, 1986.
Central Telephone Company of Illinois, ICC Docket No. 93-0252, Rate of Return, October, 1993.
Commonwealth Edison Company; Docket No. 85CH10970, Financial Testimony, May, 1986.
Commonwealth Edison Company; Docket No. 86-0249, Financial Testimony, October, 1986.
Commonwealth Edison Company; ICC Docket No. 87-0057, Rate of Return and Income Taxes, April 3, 1987.
Commonwealth Edison Company; ICC Docket No. 87-0043, Financial Testimony, April 27, 1987.
Commonwealth Edison Company; ICC Docket Nos. 87-0169, 87-0427,88-0189,880219,88-0253 on Remand, Financial Planning Testimony, August, 1990.
Commonwealth Edison Company; ICC Docket Nos. 91-747 and 91-748; Financial Affidavit, March, 1991.
Commonwealth Edison Company; Financial Affidavit, December, 1991.
Commonwealth Edison Company, ICC Docket No. 87-0427, Et. Al., 90-0169 (on Second Remand), Financial Testimony, August, 1992.
Genesco Telephone Company, Financial Testimony, July, 1997.
GTE North, ICC Docket 93-0301/94-0041, Cost of Capital, April, 1994

Illinois Power Company, Docket No. 92-0404, Creation of Subsidiary, April, 1993
Illinois Bell Telephone Company, Dockets No. ICC 92-0448 and ICC ______, Rate of Return, July, 1993
Northern Illinois Gas Company; Financial Affidavit, February, 1987.
Northern Illinois Gas Company; Docket No. 87-0032, Cost of Capital and Accounting Issues, June, 1987.
Peoples Gas Light and Coke Company; Docket No. 90-0007, Accounting Issues, May, 1990.

KENTUCKY

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

MAINE

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

MARYLAND

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

MASSACHUSETTS

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

MINNESOTA

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

NEW JERSEY

Atlantic City Sewage; Docket No. 774-315, Rate of Return, May, 1977
Atlantic City Electric Company, Docket Nos. EO97070455 and EO97070456, Cost of Capital, Capital Cost Allocation, and Securitization, December, 1997.

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

Atlantic City Electric Company, Securitization, 2002

Atlantic City Electric Company, BPU Docket No. ER03020121, Securitization, August, 2003

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

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

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

Conectiv/Pepco Merger, BPU Docket No. EM01050308, Financial Issues, September 2001

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

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

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

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

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

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

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

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

Elizabethtown Water Company, BPU Docket No. WR01040205, Cost of Capital, September 2001.

Elizabethtown Water Company, BPU Docket No. WR060307511, Cost of Capital, December 2003.

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

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

GPU/FirstEnergy securitization financing, Docket No.EF99080615, Financial issues, January 2002

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

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

Hackensack Water Company; AFUDC & CWIP, June, 1979

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

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

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

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

Jersey Central Power & Light Company, Docket No. EF03020133, Financial Issues, January 2004.

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

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

Middlesex Water Company; Docket No. WR890302266-J, Accounting and Revenue Forecasting, July, 1989

Middlesex Water Company; Docket No. WR90080884-J, Accounting, Revenue Forecasting, and Rate of Return, February, 1991

Middlesex Water Company, Docket No. WR92070774-J, Rate of Return, January, 1993

Middlesex Water Company, Docket No. WR00060362, Rate of Return, October, 2000

Mount Holly Water Company; Docket No. 805-314, Rate of Return, August, 1980

Mount Holly Water Company, Docket No. WR0307059, Rate of Return, December, 2003.

National Association of Water Companies; Tariff Design, 1977

Natural Gas Unbundling Cases, Financial Issues, August 1999

New Jersey American Water Company, BPU Docket No. WR9511, Rate of Return, September, 1995

New Jersey American Water Company buyout by Thames Water, BPU Docket WM01120833, Financial Issues, July 2002,

New Jersey American Water Company, BPU Docket No. WR03070510, Rate of Return, December 2003.

New Jersey Bell Telephone; Docket No. 7711-1047, Tariff Design, September, 1978

New Jersey Land Title Insurance Companies, Rate of Return and Accounting, August and November, 1985

New Jersey Natural Gas; Docket No. 7812-1681, Rate of Return, April, 1979

New Jersey Water Supply Authority, Ratemaking Issues, February, 1995

Nuclear Performance Standards; BPU Docket No. EX89080719, Nuclear Performance Standards policy testimony

Pinelands Water Company and Pinelands Wastewater Company, Rate of Return, BPU Dockets WR00070454 and WR00070455, October, 2000.

Public Service Electric & Gas Company, Docket No. EX9412058Y and EO97070463, Cost of Capital, Capital Cost Allocation, and Securitization, November 1997

Public Service Electric & Gas Company, BPU Docket No. GR01050328, OAL Docket No. PUC-5052-01, Cost of Capital, August, 2001.

Rockland Electric Company; Docket No. 795-413, Rate of Return, October, 1979

Rockland Electric Company, Docket Nos. EO97070464 and EO97070465, Cost of Capital, Capital Cost Allocation, and Securitization, January, 1998

Rockland Electric Company, Docket No. , Cost of Capital, January 2003

Rockland Electric Company, Docket No. EF02110852, Financial Issues, January, 2004.

Salem Nuclear Power Plant, Atlantic City Electric Company and Public Service Electric & Gas Company, Docket No. ES96030158 & ES96030159, Financial Issues, April, 1996.

South Jersey Gas Company; Docket No. 769-988, Accounting, February, 1977

South Jersey Gas Company, BRC Docket No. GU94010002, June, 1994

South Jersey Gas Company, BPU Docket No. GR00050295, February, 2004

United Artists Cablevision; Docket No. CTV-9924- 83, Rate of Return, April, 1984

Verizon, Rate of Return, BPU Docket No. TO 00060356, October, 2000

Verizon, Rate of Return, BPU Docket No. TO 01020095, May 2001

Verizon, Rate of Return, BPU Docket No. TO00060356, January 2004

West Keansburg Water Company; Docket No. 838-737, Rate of Return, December, 1983

NEW HAMPSHIRE

Verizon New Hampshire, DT 02-110, Rate of Return, January, 2003.

NEW YORK

Consolidated Edison Company; Case No.27353, Accounting and Rate of Return, October, 1978
Consolidated Edison Company; Case No. 27744, Accounting and Rate of Return, August 1980
Generic Financing Case for Electric & Gas Companies; Case No. 27679, May, 1981
Long Island Lighting Company; Case No. 27136, Accounting and Rate of Return, June, 1977
Long Island Lighting Company; Case No. 27774, Rate of Return, November, 1980
Long Island Lighting Company; Case No. 28176 and 28177, Rate of Return and Revenue Forecasting, June, 1982
Long Island Lighting Company, Case No. 28553, Rate of Return and Finance, March, 1984
Long Island Lighting Company, Case No. 93-E-1123, Rate of Return and Finance, May, 1994
New York Telephone, Case No. 27469, April, 1979
New York Telephone, Case No. 27710, Accounting, September, 1981

NOVA SCOTIA

Nova Scotia Power Company, UARB 257-370, Rate of Return, March 2002
Nova Scotia Power Company, UARB 62-113, Rate of Return, October 2004.

OHIO

Columbia Gas Company of Ohio; Case No. 77-1428-GA-AIR, March, 1979
Columbia Gas Company of Ohio; Case No. 78-1118-GA-AIR, Accounting and Rate of Return, May, 1979
Ohio Utilities Company; Case No. 78-1421-WS-AIR, Rate of Return, September, 1979

OKLAHOMA

Oklahoma Natural Gas Company, Case PUD No. 94000047, Rate of Return, May, 1995

OREGON

PacifiCorp, Case UE 116, Rate of Return, May 2001
Portland General Electric, Case UE 102, Rate of Return, July 1998
Portland General Electric, Case UE 115, Rate of Return, May 2001
Northwest Natural Gas Company, Docket No. UG-132, July 1999

PENNSYLVANIA

Allied Gas, Et. Al., Docket No. R-932952, Rate of Return, May, 1994
ATTCOM - Pennsylvania; Docket No. P-830452, Rate of Return, April, 1984
Borough of Media Water Fund; Docket No. R-901725, Rate of Return, November 1990
Bethel and Mt. Aetna Telephone Company; Docket No. LR-770090452, Accounting and Rate of Return, January, 1978

Big Run Telephone Company; Docket No. R-79100968, Accounting and Rate of Return, November, 1980.

Bloomsburg Water Company; Docket Nos. R-912064 and R-912064C001-C003, Rate of Return, December, 1991.

Citizens Utilities Water Company of Pennsylvania and Citizens Utilities Home Water Company; Docket No. R-901663 and R-901664, Rate of Return, September, 1990

Citizens Utilities Water Company of Pennsylvania, Docket No. R-00953300, Rate of Return, September, 1995

City of Bethlehem, Bureau of Water, Docket No. R-943124, Rate of Return, October, 1994

City of Lancaster-Water Fund, Docket R-00984567, Rate of Return, May, 1999

Columbia Gas of Pennsylvania; Docket No. R-78120724, Rate of Return, May, 1979

Dallas Water Co., Harvey's Lake Water Co., Noxen Water Co., Inc. & Shavertown Water Co. Inc., Docket Nos R-922326, R-922327, R-922328, R-922329, Rate of Return, September, 1992

Dauphin Consolidated Water Company; Docket No. R-780-50616, Rate of Return, August, 1978

Dauphin Consolidated Water Company; Docket No. R-860350, Rate of Return, July, 1986

Dauphin Consolidated Water Company; Docket No. R-912000, Rate of Return, September, 1991

Duquesne Light Company; Docket No. RID-373, Accounting and Rate of Return,

Duquesne Light Company; Docket No. R-80011069, Accounting and Rate of Return, June, 1979

Duquesne Light Company; Docket No. R-821945, Rate of Return, August, 1982

Duquesne Light Company; Docket No. R-850021, Rate of Return, August, 1985

Emporium Water Company, Docket No. R-00005050, Rate of Return, October 2000

Equitable Gas Company; Docket No. R-780040598, Rate of Return, September, 1978

General Telephone Company of Pennsylvania; Docket No. R-811512, Rate of Return

Mechanicsburg Water Company; Docket No. R-911946; Rate of Return, July, 1991

Mechanicsburg Water Company, Docket No. R-922502, Rate of Return, February, 1993

Metropolitan Edison and Pennsylvania Electric Company; Rate of Return, December, 1980

National Fuel Gas Company; Docket No. R-77110514, Rate of Return, September, 1978

National Fuel Gas Company, Docket No. R-953299, Rate of Return, June, 1995

North Penn Gas Company, Docket No. R-922276, Rate of Return, September, 1992

North Penn Gas Company, Docket No. R-00943245, Rate of Return, May, 1995

Pennsylvania American Water Company, Docket R-922428, Rate of Return, October, 1992

Pennsylvania Electric Company; Rate of Return, September, 1980

Pennsylvania Gas & Water Company, Docket No. R-80071265, Accounting and Rate of Return

Pennsylvania Gas & Water Company; Docket No. R-78040597, Rate of Return, August, 1978

Pennsylvania Gas & Water Company; Docket No. R-911966; Rate of Return, August, 1991

Pennsylvania Gas & Water Company, Docket No. R-922404; Rate of Return, October, 1992

Pennsylvania Gas & Water Company; Docket No. R-922482; Rate of Return, January, 1993

Pennsylvania Gas & Water Company; Docket No. R-932667; Rate of Return, July, 1993

Pennsylvania Power Company; Docket No. R-78040599, Accounting and Rate of Return, May, 1978

Pennsylvania Power Company; Docket No. R-811510, Accounting, August, 1981

Pennsylvania Power Company; Case No. 821918, Rate of Return, July, 1982

Pennsylvania Power & Light Company; Docket No. R-80031114, Accounting and Rate of Return

Pennsylvania Power & Light Company; Docket No. R-822169, Rate of Return, March, 1983

Peoples Natural Gas Company; Docket No. R-78010545, Rate of Return, August, 1978

Philadelphia Electric Company; Docket No. R-850152, Rate of Return, January, 1986

Philadelphia Suburban Water Company; Docket No. R-79040824, Rate of Return, September, 1979

Philadelphia Suburban Water Company; Docket No. R-842592, Rate of Return, July, 1984

Philadelphia Suburban Water Company; Docket No. R-911892, Rate of Return, May, 1991
Philadelphia Suburban Water Company, Docket No. R-00922476, Rate of Return, March, 1993
Philadelphia Suburban Water Company, Docket No. R-932868, Rate of Return, April, 1994
Philadelphia Suburban Water Company, Docket No. R-00953343, Rate of Return, August, 1995.
Roaring Creek Water Company, Docket No. R-911963, Rate of Return, August, 1991
Roaring Creek Water Company, Docket No. R-00932665, Rate of Return, September, 1993
Sewer Authority of the City of Scranton; Financial Testimony, March, 1991
UGI Luzerne Electric; Docket No. R-78030572, Accounting and Rate of Return, October, 1978
United Water, Pennsylvania Inc., Docket No. R-00973947, Rate of Return, August, 1997
West Penn Power, Docket No. R-78100685, July, 1979
West Penn Power; Docket No. R-80021082, Accounting and Rate of Return
Williamsport vs. Borough of S. Williamsport re Sewage Rate Dispute
York Water Company, Docket No. R-850268, Rate of Return, June, 1986
York Water Company, Docket No. R-922168, Rate of Return, June, 1992
York Water Company, Docket No. R-994605, July, 1999
York Water Company, Docket No. R-00016236, Rate of Return, June 2001

RHODE ISLAND

Blackstone Valley Electric Company; Rate of Return, February, 1980
Blackstone Valley Electric Company; Docket No. 1605, Rate of Return, February, 1982
Blackstone Valley Electric Company, Docket No. 2016, Rate of Return, October, 1991
Block Island Power Company, Docket No. 1998, Interim Relief, Oral testimony only, March, 1991, Permanent relief accounting testimony , August, 1991
Bristol & Warren Gas Company; Docket No. 1395, Rate of Return, February, 1980
Bristol & Warren Gas Company; Docket No. 1395R, Rate of Return, June, 1982
FAS 106 Generic Hearing; Docket No. 2045, Financial Testimony, July, 1992
Interstate Navigation, Financial Testimony, March, 2004.
Narragansett Electric Corporation; Docket No. 1591, Accounting, November, 1981
Narragansett Electric Corporation; Docket No. 1719, Rate of Return, December, 1983
Narragansett Electric Corporation; Docket No. 1938, Rate of Return, October, 1989.
Narragansett Electric Corporation; Docket No. 1976, Rate of Return, October, 1990
Newport Electric Corporation; Docket No. 1410, Accounting, July, 1979
Newport Electric Corporation; Docket No. 1510, Rate of Return
Newport Electric Corporation; Docket No. 1801, Rate of Return, June, 1985
Newport Electric Corporation; Docket 2036, Rate of Return, April, 1992
Providence Gas Company; Docket No. 1971, Rate of Return, October, 1990
Providence Gas Company, Docket No. 2286, Rate of Return, May, 1995
South County Gas Company, Docket No. 1854, Rate of Return, December, 1986
Valley Gas and Bristol & Warren Gas Co., Docket No. 2276, April, 1995
Wakefield Water Company, Docket No. 1734, Rate of Return, April, 1984

SOUTH CAROLINA

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

VERMONT

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

WASHINGTON, D.C.

PEPCO/BGE Merger Case, Formal Case No. 951, Rate of Return, September, 1996
Bell Atlantic- DC, Formal Case No. 814, Phase IV, Rate of Return, September, 1995
Chesapeake and Potomac Telephone Company; Formal Case No. 850; Rate of Return, July, 1991.
Chesapeake and Potomac Telephone Company, Formal Case No. 814-Phase III, Financial Issues, October, 1992.
Chesapeake and Potomac Telephone Company, Formal Case 926, Rate of Return, July, 1993.
PEPCO; Formal Case No. 889, Rate of Return, January, 1990.
PEPCO; Formal Case No. 905, Rate of Return, June, 1991.
PEPCO; Formal Case No. 912, Rate of Return, March, 1992.
PEPCO; Formal Case No. 929, Rate of Return, October, 1993.
PEPCO; Formal Case No. 951, Rate of Return, September, 1996
PEPCO; Formal Case No. 945, Phase I, Rate of Return, June, 1999.
Washington Gas Light Company, Case No. 922, Rate of Return, April, 1993.
Washington Gas Light Company, Case No. 934, Rate of Return, April, 1994.
Washington Gas Light Company, Case No.989, Rate of Return, March, 2002.
Washington Gas Light Company, Case No. 1016, Rate of Return, March, 2003

WASHINGTON, STATE OF

Verizon Northwest, Docket No. UT-040788, Rate of Return, November 2004.

OTHER

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