

BEFORE THE
KANSAS CORPORATION COMMISSION

STATE CORPORATION COMMISSION

SEP 09 2005

 Docket
Room

In the Matter of the Applications)
of Westar Energy, Inc. and Kansas)
Gas and Electric Company for)
Approval to Make Certain Changes)
in their Charges for Electric Service.)

Docket No. 05-WSEE-981-RTS

DIRECT TESTIMONY OF

ANDREA C. CRANE

RE: REVENUE REQUIREMENTS

ON BEHALF OF
THE CITIZENS' UTILITY RATEPAYER BOARD

September 9, 2005

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1 **I. STATEMENT OF QUALIFICATIONS**

2 **Q. Please state your name and business address.**

3 A. My name is Andrea C. Crane and my business address is PO Box 810, One North Main
4 Street, Georgetown, Connecticut 06829.

5

6 **Q. By whom are you employed and in what capacity?**

7 A. I am Vice President of The Columbia Group, Inc., a financial consulting firm that specializes
8 in utility regulation. In this capacity, I analyze rate filings, prepare expert testimony, and
9 undertake various studies relating to utility rates and regulatory policy. I have held several
10 positions of increasing responsibility since I joined The Columbia Group, Inc. in January
11 1989.

12

13 **Q. Please summarize your professional experience in the utility industry.**

14 A. Prior to my association with The Columbia Group, Inc., I held the position of Economic
15 Policy and Analysis Staff Manager for GTE Service Corporation, from December 1987 to
16 January 1989. From June 1982 to September 1987, I was employed by various Bell Atlantic
17 (now Verizon) subsidiaries. While at Bell Atlantic, I held assignments in the Product
18 Management, Treasury, and Regulatory Departments.

19

20 **Q. Have you previously testified in regulatory proceedings?**

21 A. Yes, since joining The Columbia Group, Inc., I have testified in approximately 200
22 regulatory proceedings in the states of Arizona, Arkansas, Connecticut, Delaware, Hawaii,

1 Kansas, Kentucky, Maryland, New Jersey, New Mexico, New York, Oklahoma,
2 Pennsylvania, Rhode Island, South Carolina, Vermont, West Virginia and the District of
3 Columbia. These proceedings involved electric, gas, water, wastewater, telephone, solid
4 waste, cable television, and navigation utilities. A list of dockets in which I have filed
5 testimony is included in Appendix A.

6
7 **Q. What is your educational background?**

8 A. I received a Masters degree in Business Administration, with a concentration in Finance,
9 from Temple University in Philadelphia, Pennsylvania. My undergraduate degree is a B.A.
10 in Chemistry from Temple University.

11
12 **II. PURPOSE OF TESTIMONY**

13 **Q. What is the purpose of your testimony?**

14 A. On May 1, 2005, Westar Energy, Inc. (“Westar” or “Company”) filed an Application with
15 the Kansas Corporation Commission (“KCC” or “Commission”) seeking a rate increase of
16 \$47.8 for its Westar Energy North (“WEN”) operations, and a rate increase of \$36.3 million
17 for its Westar Energy South (“WES”) operations.¹ The requested increases would result in an
18 overall increase of approximately 7.3% for WEN and of 5.4% for WES. WEN encompasses
19 the operations of the former Kansas Power and Light Company (“KPL”), while WES
20 encompasses the operations of the former Kansas Gas and Electric Company (“KGE”).

1 The Columbia Group, Inc. was engaged by the State of Kansas, Citizens' Utility
2 Ratepayer Board ("CURB") to review the Company's Application and to provide
3 recommendations to the KCC regarding the Company's revenue requirement claims, cost of
4 capital, and certain policy issues. I am testifying on revenue requirement and regulatory
5 policy issues. Dr. J. Randall Woolridge, Vice President of the Columbia Group, Inc., is
6 testifying on cost of capital issues. In addition, CURB is also sponsoring the testimony of
7 Michael J. Majoros on depreciation issues, and of Brian Kalcic on certain rate design issues.
8 In developing my recommendations, I relied upon the cost of capital recommendations of Dr.
9 Woolridge and upon the depreciation rate recommendations of Mr. Majoros.

10
11 **Q. What are the most significant issues in this rate proceeding?**

12 A. The most significant issues driving Westar's rate increase request are: 1) the Company's
13 claim for a return on equity of 11.5%, 2) requested increases in depreciation rates, 3)
14 requested recovery of certain costs resulting from ice storms, 4) fuel normalization costs, 5)
15 increases in payroll costs and related benefits, and 5) the loss of economies resulting from
16 termination of certain agreements by Kansas Gas Service ("KGS") and Protection One ("P-
17 1").

18 A major policy issue in this case is the Company's request for establishment of a
19 Retail Energy Cost Adjustment ("RECA") clause. In addition, the Company is also
20 requesting the implementation of a Performance-Based Regulatory ("PBR") Plan, the

1 "Westar" will be used to denote Westar Energy, Inc. or to denote the combined electric operations of WES and

1 establishment of a Transmission Delivery Charge (“TDC”) pass-through, and recovery of
2 environmental expenditures between rate cases through an Environmental Cost Recovery
3 Rider (“ECRR”).
4

5 **III. SUMMARY OF CONCLUSIONS**

6 **Q. What are your conclusions concerning the Company’s revenue requirement and its
7 need for rate relief?**

8 A. Based on my analysis of the Company’s filing and other documentation in this case, my
9 conclusions are as follows:

- 10 1. The twelve months ending December 31, 2004, is an acceptable test year to use in
11 this case to evaluate the reasonableness of the Company’s claim.
- 12 2. Westar has a pro forma capital structure that includes 44.59% common equity,
13 52.41% long-term debt, 0.69% preferred stock, and 2.31% post-1970 investment tax
14 credits (“ITCs”), as shown in Schedules ACC-2N and ACC-2S.²
- 15 3. The Company has a pro forma cost of equity of 8.75%, as shown in Schedules ACC-
16 2N and ACC-2S and an overall cost of capital of 7.32%.
- 17 4. WEN has a test year pro forma rate base of \$1,014,785,586, as shown in Schedule
18 ACC-3N.
- 19 5. WEN has pro forma operating income at present rates of \$77,857,428 as shown in

WEN.

2 Schedules ACC-1, ACC-37, and ACC-38 are summary schedules, ACC-2 is a cost of capital schedule, ACC-3 to ACC-10 are rate base schedules, and ACC-11 to ACC-36 are operating income schedules.

1 Schedule ACC-11N.

2 6. WEN has a test year, pro forma, revenue requirement surplus of \$5,926,327 as
3 shown on Schedule ACC-1N. This is in contrast to WEN's claimed deficiency of
4 \$47,834,545.

5 7. WES has a test year pro forma rate base of \$1,106,877,090, as shown in Schedule
6 ACC-3S.

7 8. WES has pro forma operating income at present rates of \$106,386,790 as shown in
8 Schedule ACC-11S.

9 9. WES has a test year, pro forma, revenue requirement surplus of \$42,105,009 as
10 shown on Schedule ACC-1S. This is in contrast to WES's claimed deficiency of
11 \$36,311,462.

12 10. Westar's request for a TDC rate pass-through, based on rates approved by the Federal
13 Energy Regulatory Commission ("FERC"), should be approved.

14 11. Westar's request for establishment of a RECA should be rejected.

15 12. Westar's request to recover certain environmental expenditures between base rate
16 case proceedings through an ECRR should be denied.

17 13. Westar's request for the establishment of a PBR Plan is a thinly-veiled attempt to
18 weaken the KCC's regulatory authority and control, and should be rejected.

19

20

1 **Q. What principles did you use in evaluating the Company's proposals in this case?**

2 A. In evaluating the Company's revenue requirement claims, I have relied upon well established
3 and traditional ratemaking principles. I view regulation as a substitute for competition, not
4 as a reimbursement system. Therefore, I believe that shareholders are entitled to the
5 opportunity to earn an appropriate return on their investment. I also believe that
6 shareholders, and not ratepayers, should bear certain risks of providing utility service. Utility
7 rates should be established based on an historic test year, adjusted to reflect known and
8 measurable changes, and non-recurring test year costs should be eliminated from a utility's
9 revenue requirement. If costs increase between rate cases, then generally shareholders should
10 bear these cost increases until such time as the utility files for new base rates. If costs
11 decrease between rate cases, then generally shareholders should benefit from that decrease
12 unless the regulatory commission initiates a rate review. In evaluating Westar's revenue
13 requirement claim, these are the principles that I have attempted to uphold. Many of these
14 basic principles will be discussed more fully in the following testimony.

15

16

17 **IV. COST OF CAPITAL AND CAPITAL STRUCTURE**

18 **Q. What is the cost of capital and capital structure that the Company is requesting in this**
19 **case?**

20 A. The Company has utilized the following capital structure and cost of capital:

1

	Percent	Cost	Weighted Cost
Common Equity	44.59%	11.50%	5.13%
Long Term Debt	52.41%	6.62%	3.47%
Preferred Stock	0.69%	4.55%	0.03%
Post 1970 ITCs	2.31%	8.84%	0.21%
Total			8.84%

2

3

4

5 **Q. What capital structure and cost of capital have you used in the development of your**
6 **recommended revenue requirement?**

7 A. I have relied upon the recommended capital structure and cost of capital as determined by Dr.
8 Woolridge. Dr. Woolridge's recommendations, which are summarized on Schedule JRW-1
9 of his testimony, result in an overall cost of capital of 7.55%, as shown below:

10

	Percentage	Cost	Weighted Cost
Common Equity	44.59%	8.75%	3.90%
Long-Term Debt	52.41%	6.14%	3.22%
Preferred Stock	0.69%	4.55%	0.03%
Post 1970 ITCs	2.31%	7.32%	0.17%
Total	100.00%		7.32%

11

12

13 **V. RATE BASE ISSUES**

14 **Q. What test year did the Company utilize to develop its rate base claim in this**
15 **proceeding?**

1 A. The Company selected the test year ending December 31, 2004.

2

3 **A. Utility Plant-in-Service**

4 **Q. How did the Company develop its utility plant-in-service claim in this case?**

5 A. Westar began with its utility plant-in-service balance at December 31, 2004. It then made
6 several pro forma adjustments, to include construction work in progress (“CWIP”), to
7 include certain environmental upgrade projects, and to eliminate property that has been sold.
8 It also made an adjustment to unbundle certain plant related to the provision of transmission
9 service.

10

11 **Q. Are you recommending any adjustment to the Company’s claim for utility plant-in-**
12 **service?**

13 A. Yes, I am recommending several adjustments. I have made adjustments to Westar’s utility
14 plant-in-service claim to allocate some projects to the FERC wholesale jurisdiction, to
15 eliminate certain projects that were double-counted by the Company, to adjust the amount of
16 CWIP included by Westar in its rate base claim, and to eliminate certain post-test year
17 environmental projects from the Company’s claim.

18

19 **Q. Please discuss your first adjustment.**

20 A. In its filing, Westar did not allocate any of its intangible plant to the wholesale FERC
21 jurisdiction. In response to KCC-65, the Company acknowledged that intangible plant was

1 allocated between the FERC and KCC jurisdictions in the last two rate cases and that it
2 would be appropriate to allocate a portion of intangible plant to the wholesale jurisdiction in
3 this case. The Company stated that in the past, intangible plant was allocated based on the
4 gross plant allocator. Intangible plant clearly serves both the wholesale and retail
5 jurisdictions and therefore it is entirely reasonable and appropriate to allocate a portion of
6 this plant to the wholesale jurisdiction. Therefore, at Schedules ACC-4N and ACC-4S, I
7 have made adjustments to allocate a portion of intangible plant to the wholesale jurisdiction
8 based on the Company's gross plant allocator.

9
10 **Q. Please describe your adjustment to eliminate from rate base certain projects that were**
11 **double-counted by Westar in its rate base claims.**

12 A. In response to KCC-123, Westar indicated that there were certain work orders that were
13 booked to both utility plant-in-service at December 31, 2004, and to CWIP. In some cases,
14 additional charges were received and booked to CWIP after the project was completed and
15 placed into service. In these cases, the fact that a work order appears in both utility plant- in-
16 service and in CWIP does not necessarily result in an inflated rate base claim.

17 However, according to this response, there are other work orders that were
18 inadvertently booked to both utility plant-in-service and to CWIP, resulting in a double-
19 counting of investment. Specifically, there are two projects, one in WEN and one in WES,
20 that were erroneously booked to utility plant-in-service but should only have been booked to
21 CWIP. At Schedules ACC-5N and ACC-5S, I have made adjustments to utility plant-in-

1 service to eliminate these projects from Westar's utility plant-in-service claim, since the
2 Company has indicated that they should have only been booked to CWIP.

3

4 **Q. How much CWIP has the Company included in its rate base claims?**

5 A. The Company has included \$18,778,345 of CWIP in its rate base claim for its WEN
6 operations and \$23,852,013 of CWIP for its WES operations.

7

8 **Q. Should CWIP be included in rate base?**

9 A. I do not believe that CWIP is an appropriate rate base element. CWIP is plant that is being
10 constructed but has not yet been completed and placed into service. Once the plant is
11 completed and serving customers, then the plant will be booked to utility plant-in-service and
12 the utility will begin to take depreciation expense on the plant. Inclusion of CWIP in rate
13 base creates a mismatch among the components of the test year, since it represents plant that
14 was not actually serving customers at any time during the test year. Moreover, CWIP does
15 not represent plant that is used and useful. Therefore, it should be excluded from rate base
16 until it is serving utility customers and providing them with utility service. In addition,
17 including this plant in rate base violates the regulatory principle of intergenerational equity
18 by requiring current ratepayers to pay a return on plant that is not providing them with utility
19 service and that may never provide current ratepayers with utility service. Nevertheless, I
20 recognize in some recent cases, the KCC has permitted some CWIP to be included in rate

1 base.³

2

3 **Q. Is there a statute that addresses the inclusion of CWIP in rate base?**

4 A. Yes, there is.⁴ K.S.A. 66-128 (b)(1), provides for the KCC to determine the value of the
5 property included in rate base. The statute generally requires “property of any public utility
6 which has not been completed and dedicated to commercial service shall not be deemed to be
7 used and required to be used in the public utility’s service to the public.” The statute does
8 provide that public utility property “may be deemed to be completed and dedicated to
9 commercial service” if certain conditions are met, one of which is that “[c]onstruction of the
10 property will be commenced and completed in one year or less.”⁵

11

12 **Q. Did the Company provide any information with its filing explaining why it believes that**
13 **it should be permitted to include CWIP in rate base?**

14 A. No, the Company did not provide any justification for its CWIP claim in its testimony. In
15 CURB-81, I asked the Company to explain why each CWIP project should be included in
16 rate base. In response, the Company stated that, “[e]ach of the CWIP projects included is
17 anticipated to be completed and in service when rates set in this case go into effect. One
18 principle of utility ratemaking is that costs should match the revenue at the time rates are

3 See Order in Docket No. 04-AQLE-1065-RTS, January 28, 2005, paragraph 31.

4 I am not an attorney and my discussions of statutes, KCC Orders, or other rules and regulations are not intended as legal interpretations, but rather are based on my views as an expert witness.

5 K.S.A. 66-128 (b) (2) (A).

1 established. Inclusion of CWIP projects that were started prior to the end of the test period
2 but will be completed prior to the time rates are set accomplishes this result.” The
3 Company appears to believe that any CWIP project that goes into service during 2005 should
4 be included in its rate base claim. There are several flaws with this argument.

5 First, Westar did not provide an estimated in-service date for all projects included in
6 its CWIP claim. Thus, there are some projects that are not yet in service and for which no
7 estimated in-service dates have been provided.

8 Second, the inclusion of projects that are not yet complete is speculative. These
9 projects do not represent known and measurable changes to test year results. We have no
10 way of knowing if, in fact, these projects will go into service within the one-year time frame
11 established in the legislation or if they will ever go into utility service.

12 Moreover, the CWIP legislation also requires projects to commence and be
13 completed within one year. According to the response to KCC-61, there were numerous
14 projects included in CWIP that began more than one year prior to their completion dates.
15 Thus, Westar has clearly not demonstrated that its CWIP claim meets the one-year
16 requirement contained in the statute.

17
18 **Q. Are there other provisions of the statute that permit CWIP to be included in rate base**
19 **even if the one-year requirement is not met?**

20 **A.** Yes, there are. The statute identifies several circumstances under which CWIP may be
21 included in rate base. However, Westar has not referenced these provisions in support of its

1 CWIP claim. Nor has the Company made any attempt to demonstrate that the projects
2 included in CWIP meet the requirements of these additional provisions.

3
4 **Q. Do you have any other comments regarding Westar's CWIP claim?**

5 A. Yes, I do. Since K.S.A. 66-128 was enacted, it has been my experience that Kansas utilities
6 have pushed the envelope of reasonableness with regard to CWIP claims. Companies seem
7 to believe that all CWIP claims must automatically be approved by the KCC. It should be
8 noted that even if the conditions of the statute are met, the statute states that CWIP "may" be
9 deemed to be completed and dedicated to commercial service. The statute does not state that
10 the KCC must include CWIP in rate base. Moreover, the qualifying provisions of the CWIP
11 statute are routinely ignored by Kansas utilities, who make no effort to demonstrate that their
12 CWIP claims meet the provisions of the statute.

13
14 **Q. What do you recommend?**

15 A. While I believe that the correct ratemaking methodology is to eliminate all CWIP from the
16 Company's rate base claim, I recognize that some CWIP has been included in rate base by
17 the KCC in other cases. Therefore, I am recommending that only those projects that have
18 actually been completed by July 31, 2005, be included in rate base. Other projects are too
19 speculative to include in Westar's regulated rate base. My adjustments are shown in
20 Schedules ACC-6N and ACC-6S.

1 **Q. Please discuss the Company's claim for inclusion in rate base of costs related to a new**
2 **low nitrogen oxide (NOx) burner at the Jeffrey Energy Center ("JEC").**

3 A. Westar has included projected costs for the construction of a low NOx burner at JEC and the
4 removal of the retired burner. According to the testimony of Mr. Kongs, construction is
5 anticipated during a planned fall outage at JEC Unit 3.

6
7 **Q. Are you recommending any adjustment to the Company's claim?**

8 A. Yes, I am recommending that the Company's claim be disallowed. Westar is violating the
9 test year matching principle by including a plant project that was not in service during the
10 test year, that was not CWIP during the test year, and that is still not in service eight months
11 after the test year-end. The KCC uses an historic, not a forecasted, test year. There is no
12 reason to make an exception to good ratemaking principles in this case and include this
13 future construction program in rate base.

14 Moreover, the Company has not demonstrated why this project should be given
15 extraordinary ratemaking treatment. Based on traditional ratemaking principles, plant that
16 is put in service by a utility between rate cases is not included in rate base until a subsequent
17 rate case is filed by the utility. The low NOx burner project proposed by Westar in this case
18 is not significant enough in scope to warrant the extraordinary ratemaking treatment being
19 requested here. As stated in the response to KCC-302, low NOx burners are common within
20 the industry. Accordingly, there is no rationale for deviating from good ratemaking
21 principles and allowing this future project to be included in the Company's rate base claim in

1 this case. At Schedules ACC-7N and ACC-7S, I have made an adjustment to eliminate the
2 costs associated with the low NOx burner project from the Company's rate base. In addition,
3 in those schedules, I have also reflected an adjustment to eliminate Westar's proposed
4 depreciation reserve addition associated with costs of removal and retirement of the existing
5 burner.

6
7 **B. Regulatory Assets**

8 **Q. Please describe the regulatory assets included in the Company's rate base claim.**

9 A. Westar has included a net regulatory asset in its rate base claim. This net regulatory asset is
10 composed of a regulatory asset related to unamortized storm damage costs, offset in part by
11 regulatory liabilities associated with deferred cost savings resulting from a former service
12 agreement with P-1, a power purchase true-up for State Line, deferred gains from emission
13 allowances, and deferred gains from the sale of several properties.

14
15 **Q. Are you recommending any adjustment to the Company's claim?**

16 A. Yes, I am recommending that the KCC deny the Company's claim for inclusion of the net
17 regulatory asset in rate base. With regard to the deferred storm damage costs, Westar did
18 receive approval to defer these costs. However, approval for deferred accounting treatment
19 does not mean that a utility will necessarily be permitted to recover deferred costs. It
20 generally means only that these costs will be reviewed in a subsequent base rate proceeding.
21 If these costs are found to be reasonable, then they may be recovered over some period of

1 time found by the KCC to be appropriate.

2 One of the criteria for determining whether or not deferred costs should be recovered
3 in rates is the extent to which such costs are likely to reoccur. If such deferred costs are
4 likely to reoccur, then I generally recommend recovery of these costs over some future
5 period. As discussed in greater detail, I am providing for recovery of storm damage costs in
6 this case over a five-year period.

7 However, ratemaking is not a reimbursement system. It is not unusual for a
8 regulatory commission to provide for future recovery of deferred costs, but to exclude
9 unamortized balances from rate base. For example, it is my understanding that the KCC has
10 traditionally excluded unamortized balances associated with rate case costs from rate base.
11 Similarly, I recommend that the KCC deny rate base treatment for the unamortized balances
12 associated with deferred storm damage costs.

13
14 **Q. How do you believe that costs such as storm damage costs, which occur periodically but
15 not annually, ultimately should be treated for ratemaking purposes?**

16 **A.** First, I understand that the Company maintains a storm damage reserve to handle “routine”
17 storm damage costs. However, it is likely that the Company will periodically incur storm
18 damage costs that are of an extraordinary nature. In addition, there are other costs that
19 utilities incur on a periodic recurring basis, but which are not incurred annually. Rate case
20 costs are a good example. In my opinion, these types of costs should be normalized, rather
21 than amortized, to avoid violating the prohibition against retroactive ratemaking.

1 Normalization attempts to include a normalized, prospective level of costs in future rates,
2 while amortization provides for the recovery of previously incurred costs.

3 If a utility incurs a cost periodically, but not necessarily annually, regulators should
4 include an annual amount in rates that is likely to permit the utility to recover these periodic
5 costs. This is a different regulatory philosophy than providing for guaranteed dollar-for-
6 dollar recovery of a previously incurred cost through prospective rates. If costs are
7 normalized, then by definition there is no unamortized balance to include in rate base. My
8 adjustments to eliminate the regulatory asset are shown in Schedules ACC-8N and ACC-8S.

9
10 **C. Sale and Leaseback of La Cygne Generating Station**

11 **Q. Please provide a brief history of the LaCygne Generating Station sale and leaseback**
12 **arrangement.**

13 A. In 1987, the Company obtained approval from the KCC to sell its 50% undivided interest in
14 LaCygne Unit 2, and to lease back the facility. This was a complex transaction. In
15 requesting KCC approval, the Company represented that there were benefits to both
16 shareholders and to ratepayers. In its order approving the transaction, the KCC stated that,

17 Of equal importance to the Commission is the benefit to the
18 customer. KGE contends the benefits of the transaction will be
19 reflected in its cost of service. KGE proposes to amortize the
20 book gain on the sale of LaCygne 2 to its Kansas jurisdictional
21 cost of service over the life of the lease transaction. KGE also
22 proposes to reduce its rate base by the book value of LaCygne 2,
23 reflect the unamortized gain as a reduction in rate base for future
24 rate cases and include the benefits of the use of the proceeds from

1 the sale in its cost of service.⁶
2

3 **Q. Did the Company reflect the unamortized gain as a reduction to rate base in this case?**

4 A. No, it did not. In its filing, Westar failed to reduce rate base by the unamortized balances
5 relating to the LaCygne transaction. Instead, it argues that “the Commission was mistaken”
6 in adopting such an adjustment.⁷ The Company contends that the unamortized gain should
7 not be used to reduce rate base, since the cash from the gain was used to buy back debt and
8 equity, effectively reducing the utility’s cost of service.

9
10 **Q. Do you agree with the Company’s position?**

11 A. No, I do not, for several reasons. First, and most importantly, the LaCygne sale and
12 leaseback transaction was a complicated transaction that was extensively reviewed by the
13 KCC in the proceeding in which approval of the transaction was requested. In that
14 proceeding, and as a condition of approval, the KCC stated that the unamortized balance
15 should be reflected as a rate base deduction during the life of the lease. The KCC should
16 reject the Company’s current attempt to revise the ratemaking treatment upon which approval
17 of the transaction was based. Effectively, the Company is now trying to change the rules of
18 the transaction and limit its potential benefit to ratepayers. However, those rules were
19 established based on a comprehensive review and analysis conducted by the KCC at the time

6 Docket No. 156,521-U, September 17, 1987 Order, page 11.

7 Testimony of Mr. Haines, page 22, lines 5-6.

1 of approval. The transaction might not have been approved without the Company's
2 representation that it would reduce rate base by the unamortized gain. It is unfair to
3 ratepayers for the Company to revise its position regarding the ratemaking treatment of the
4 transaction many years after approval for that transaction has been obtained.

5 Second, the Company does not dispute the requirements of the Order. It simply states
6 that the KCC was "mistaken" in its finding, a finding that appears to have been based on the
7 Company's own representations to the parties.

8 Third, the Company has already raised this issue in several rate cases. In the 1997
9 rate proceedings involving KPL and KGE, the Company argued against this adjustment.
10 That case was resolved by stipulation. In the last base rate case, the Company again raised
11 this issue, without success. In that case, the Commission found that "[t]he provisions of the
12 1987 Order are clear and reasonable, and will be followed by the Commission."⁸

13 Finally, the Company's argument that the rate base reduction should not be made
14 because the funds were used in other ways that benefited ratepayers is without merit.
15 Utilities are not regulated on a "cash" basis. Therefore, how the Company used the cash
16 associated with this transaction is not an issue. The issue is how the transaction was
17 recorded for ratemaking purposes.

8 Docket No. 01-WSRE-436-RTS, Order, July 25, 2001, paragraph 76.

1 **Q. What do you recommend?**

2 A. The sale and leaseback of LaCygne was a complicated transaction that was thoroughly
3 reviewed by Staff and the Commission when approval for the transaction was sought. Based
4 on representations made during that review process, the Commission approved the
5 transaction with certain conditions, one of which was that the unamortized gain should be
6 reflected as a rate base reduction. I recommend that the KCC uphold the findings of prior
7 commissions that were based on Westar's representation regarding the treatment of the
8 unamortized gain. Therefore, at Schedule ACC-9S, I have made an adjustment to reduce rate
9 base by the net unamortized gain associated with the LaCygne sale/leaseback transaction.

10

11 **D. ADIT Associated with Merger Savings**

12 **Q. Did Westar also ignore the Commission's finding in the last case that accumulated**
13 **deferred income taxes associated with merger-related savings should be deducted from**
14 **rate base?**

15 A. Yes, it did. When KPL acquired KGE, KPL paid an acquisition premium, i.e., an amount
16 over and above net book value for the assets acquired. KPL argued that it should be
17 permitted to recover this acquisition premium from ratepayers, claiming that the merger
18 would result in economies of scale that would provide merger savings for customers. In
19 1991, the KCC allowed the Company to begin to amortize \$12.9 million of the acquisition
20 premium. Savings above that amount were to be determined in the next base rate case and
21 shared 50-50 between ratepayers and shareholders.

1 In the next base rate case, the annual merger savings were found to be \$40 million, or
2 \$27 million above the \$12.9 million amortization of the acquisition premium previously
3 approved by the KCC. Half of this amount, or \$13.5 million was to be treated as an
4 operating expense, for a total revenue requirement recovery related to the acquisition
5 premium of \$26.5 million.

6 In Docket No. 01-WSRE-436-RTS, Staff argued that it was necessary to make an
7 accumulated deferred income tax adjustment associated with recovery of the merger-related
8 savings. After considerable testimony on this issue, the KCC agreed, finding that,

9 Including ADIT in rate base is a well-recognized
10 regulatory accounting concept that is applied in a
11 variety of situations to account for deferred income tax
12 benefits related to rate base assets or for timing differences
13 between when expenses are deductible for income tax
14 purposes and financial reporting purposes.⁹

15 The KCC also found that,

16 Because the Applicants receive a return on the present
17 value of the deferred income tax payments and recovery of
18 the deferred income tax essentially provides an interest-free
19 loan from the ratepayers to the Applicants, it is necessary to
20 decrease rate base by ADIT to avoid an unfair benefit to
21 the Applicants.¹⁰

22 In spite of the KCC's ruling in the last case, Westar has not included a rate base reduction in
23 this case relating to the accumulated deferred income taxes associated with the merger
24 savings adjustment.
25 savings adjustment.

26 **Q. What do you recommend?**

1 A. I generally oppose recovery of any acquisition premium from ratepayers. The decision to pay
2 more than book value for an acquired company is one made by a utility's shareholders, and
3 they should be responsible for funding any such premium. Acquisition premiums are not
4 necessary to the provision of safe and adequate utility service. Moreover, the attempt to tie
5 recovery of an acquisition premium to merger savings implies that there is a degree of
6 measurement precision in tracking savings that is impossible to achieve. Given changes that
7 occur from year to year, it is virtually impossible to accurately measure merger savings over a
8 long period of time, such as the 40-year time horizon used by the KCC for the KPL/KGE
9 merger. This is especially true given organizational changes that take place over time. For
10 example, when the KCC authorized recovery of a portion of the acquisition premium, it
11 anticipated that Westar would retain its gas operations. Since that approval was granted,
12 Westar has sold those operations, and has also sold a portion of its electric utility service
13 area. Therefore, certain economies of scale that were assumed to result from the merger
14 simply are not being realized, as one can see from the expense increase adjustments made by
15 the Company in this case relating to the termination of certain contracts with KGS and P-1.

16 In spite of my opposition to recovery of acquisition premiums, I recognize that the
17 KCC did in fact state that some portion of the acquisition premium could be recovered from
18 ratepayers. Therefore, I have not recommended that the KCC disallow the merger savings
19 adjustment included by Westar in its filing. However, if Westar is going to seek recovery of
20 this acquisition premium, then it should also adhere to the KCC finding that the accumulated

9 Docket No. 01-WSRE-436-RTS, Order, July 25, 2001, paragraph 67.

1 deferred income taxes associated with this recovery should be deducted from rate base.
2 Accordingly, at Schedules ACC-10N and ACC-10S, I have made adjustments to reduce rate
3 base by these accumulated deferred income taxes, consistent with the KCC's Order in
4 Westar's last base rate case.

5
6 **Q. How did you quantify your adjustments?**

7 A. My adjustments are based on the rate base deductions approved by the KCC in the last case,
8 reduced by the amount amortized since that case. Since the amount of the rate base
9 deductions was based on the overall cost of capital approved by the KCC in Docket No. 01-
10 WSRE-436-RTS, one could argue that these deductions should be updated from case-to-case
11 to reflect current capital costs. However, these periodic updates would, in my view,
12 unnecessarily complicate the calculation and could result in under-recovery or over-recovery
13 of the deferred income taxes. Therefore, I have not revised the unamortized balance to
14 reflect the cost of capital recommended by CURB in this case.

15
16 **E. Summary of Rate Base Adjustments**

17 **Q What is the net impact of the rate base adjustments recommended by CURB?**

18 A. My rate base adjustments will result in a pro forma rate base of \$1,014,785,586 for WEN and
19 of \$1,106,877,090 for WES. These recommendations reflect rate base adjustments of

10 Id., paragraph 69.

1 \$37,705,187 to the rate base claim of WEN and of \$173,681,789 to the rate base claim of
2 WES.

3 **VI. OPERATING INCOME ISSUES**

4 **A. Pro Forma Revenue**

5 **Q. Are you recommending any adjustments to the Company's claim for pro forma**
6 **revenue?**

7 A. Yes, I am recommending an adjustment to the Company's claim for actual revenues billed.
8 In addition, I am recommending imputation of revenue relating to the Company's economic
9 development tariffs.

10
11 **Q. Please discuss your adjustment to the Company's claim for actual revenues billed.**

12 A. In its filing, the Company made an adjustment to reflect actual revenues billed during the test
13 year. Each month, as explained in Mr. Kong's Direct Testimony at page 9, Westar makes a
14 journal entry to record "unbilled revenues", representing an estimate of the amount of energy
15 delivered after each customer's meter is read until the end of the month. The Company made
16 an adjustment to eliminate the net effect of these estimates. However, in quantifying this
17 adjustment, the Company failed to include any adjustment for December 2004 revenues that
18 were billed in January 2005.

19 According to the response to CURB-117, the Company did not reflect these January
20 2005 billings, even though they relate to usage during the test year. In that response, the
21 Company indicated that such revenues should have been included in its adjustment. It

1 quantified the amounts billed in January 2005 relating to test year usage. At Schedules ACC-
2 12N and ACC-12S, I have made adjustment to increase operating revenue to include this test
3 year usage.

4
5 **Q. Did the Company impute revenue relating to its economic development credits?**

6 A. No, it did not. The Company has an economic development rider tariff that provides for
7 certain discounts to new commercial and industrial customers, or to expanding commercial
8 and industrial customers that meet certain criteria. The discounts provided to these
9 customers during the test year were not imputed by Westar in its filing. I am recommending
10 an adjustment to impute revenue to reflect the difference between the revenue that would
11 have been received at tariff rates from these customers and the actual revenue received under
12 the rate discounts.

13
14 **Q. Why do you believe that it is appropriate to impute this revenue?**

15 A. I believe that it is appropriate to impute this revenue because captive residential and small
16 commercial customers should not be burdened with higher rates as a result of subsidizing
17 these large customers. The problem inherent in any competitive discount provided by a
18 utility is that it establishes two classes of customers: those that have competitive alternatives
19 and those that do not. Moreover, there has been no evidence in this case to suggest that the
20 discounts given in the test year were actually responsible for attracting new customers or for
21 the expansion of existing customers. Nor have these discounts been shown to provide

1 specific indirect benefits to the ratepayers that are being asked to subsidize them.

2
3 **Q. Has the KCC required imputation of revenue relating to these discounts in prior cases?**

4 A. Yes, specifically, the Order approving the economic development rate in WES stated that,

5 Because [Westar South's] Economic Development Rider may
6 result in reduced revenue, provisions must be made to protect
7 non-participating customers from any potential costs of the
8 reduced rates. The [Westar South] shareholders must be made
9 responsible for any shortfall in revenues due to the rider.¹¹

10
11 Imputation was apparently not required in 1987, when the KCC approved the economic
12 development rate for WEN. However, Westar proposed to impute the revenue relating to the
13 discounts to WEN in the first rate review subsequent to the KPL/KGE merger.

14
15 **Q. What do you recommend?**

16 A. For the reasons stated in the KCC's Order approving the economic development rate for
17 WES, I recommend that the Commission impute the revenue related to the discounts for the
18 purpose of establishing Westar's revenue requirement in this case. This imputation will
19 retain the treatment mandated by the KCC in the WES order, continue the treatment
20 proposed by Westar for both companies subsequent to the merger, and eliminate any
21 subsidization among customer classes resulting from the discount. My adjustments are
22 shown in Schedules ACC-13N and ACC-13S.

¹¹ Docket No. 87-KG&E-460-TAR, Order, page 1, February 26, 1988.

1 **B. LaCygne Lease Expense**

2 **Q. Has Westar renegotiated the terms of its lease for the LaCygne Generating Station?**

3 A. Yes, it has. In June 2005, subsequent to the filing of this case, Westar renegotiated the terms
4 of its lease. The original termination date of the lease was September 2016. The lease term
5 has now been extended to September 2029. As a result of the renegotiation, the owner of
6 LaCygne Unit 2 refinanced the debt used to purchase the facility. Since Westar's lease
7 payment is tied to the cost of financing for the facility, refinancing of LaCygne Unit 2 will
8 reduce WES's annual lease expense by approximately \$11 million.

9
10 **Q. Have you made an adjustment to reflect this lower lease expense?**

11 A. Yes, I have. On Schedule ACC-14S, I have made an adjustment to reduce the Company's
12 lease expense consistent with the renegotiation of this lease.

13
14 **C. Restricted Share Units ("RSUs")**

15 **Q. What are RSUs?**

16 A. RSUs are stock awards made to officers pursuant to the Company's 1996 Long Term
17 Incentive Plan. Under this plan, the RSUs vest ratably in equal installments on an annual
18 basis over 2-year, 3-year and 4-year periods. The number of RSUs and the terms of the
19 specific awards are determined by the Compensation Committee of the Board of Directors.

20
21 **Q. How did the Company determine its claim for RSUs in this case?**

1 A. The Company's claim was based on the amortization of existing grants, as well as the
2 amortization of grants anticipated for 2005, and on the dividend payments associated with
3 both existing and projected grants. In addition, Westar included an additional expense that
4 would be payable if the Company's stock price reached certain price targets.

5

6 **Q. Are you recommending any adjustment to the Company's claim?**

7 A. Yes, I am recommending two adjustments. First, subsequent to preparing its filing, Westar
8 granted certain RSUs in April 2005. In response to KCC-309, the Company revised its
9 projected 2005 claim to reflect costs associated with the actual grants issued in April.
10 Therefore, the Company's filed claim should be updated to reflect this more recent
11 information.

12 Second, I recommend that the speculative expenses included by the Company in the
13 event that Westar's stock reaches certain price targets be disallowed. This adjustment does
14 not represent a known and measurable change to the test year. The Company's stock has not
15 reached these price targets and it is impossible to know when, or if, these price targets will be
16 met. Therefore, I recommend that the Commission disallow the adjustment made to RSUs
17 relating to meeting these price targets.

18 Both of my adjustments are shown in Schedules ACC-15N and ACC-15S for WEN
19 and WES, respectively.

20

21

1 **D. Medical Benefits Expense**

2 **Q. Has the Company made any changes to its medical benefits plan?**

3 A. Yes, it has. In KIC-73, Westar was asked to describe any changes made to its medical
4 benefits plan since 2003 and to quantify the impact of any such changes. While the
5 Company did not provide a detailed description of these changes, it appears that Westar has
6 eliminated an HMO option and instead offers three levels of insurance with various coverage
7 ratios and deductibles. The Company's discovery response indicates that these changes were
8 anticipated to result in cost savings of \$654,058. Therefore, at Schedules ACC-16N and
9 ACC-16S, I have made adjustments to reduce the Company's medical insurance expense
10 claim to reflect these estimated savings.

11
12 **E. Bad Debt Expense**

13 **Q. Please describe the Company's claim for bad debt expense.**

14 A. Westar's claim is based on a three-year average of actual net charge-offs incurred as a
15 percentage of revenue averaged over the past three years. In addition, according to the
16 response to KIC-164, the Company's bad debt expense claim includes bad debt expenses on
17 its requested rate increase, even though that increase is unlikely to be granted by the KCC.

18
19 **Q. How does this compare with the actual level of bad debts booked in the test year?**

20 A. In the test year, the Company actually booked "\$0" bad debt expense. This is because
21 Westar sells 100% of its bad debts to a wholly-owned subsidiary, WR Receivables

1 Corporation. According to the response to USD259-48, WR Receivables Corporation is a
2 “special purpose entity [that] has sold and, subject to certain conditions, may from time to
3 time sell, up to \$125 million of undivided fractional ownership interest in the pool of
4 receivables to a third party financial entity.” According to the response to KIC-160, WR
5 Receivables Corporation purchases receivables from WEN and WES at a 2% discount and
6 sells those receivables to a financial institution at book value. In 2004, WR Receivables had
7 after-tax net income of \$13.6 million, well above the bad debt expense claim included in
8 Westar’s filing.

9
10 **Q. What do you recommend?**

11 A. I recommend that the KCC deny Westar’s claim for bad debt expense in this case. The
12 Company did not book any bad debt expense in the test year. Moreover, WR Receivables
13 Corporation recorded significant net income during 2004, net income that was significantly
14 greater than the bad debt expense claim in this case. Finally, the Company’s bad debt
15 expense claim includes bad debt expense on a rate increase that has not been authorized and
16 is unlikely to be authorized by the KCC. For all these reasons, I have eliminated all bad debt
17 expense from the Company’s revenue requirement. My adjustment is shown in Schedules
18 ACC-17N and ACC-17S.

1 **F. Storm Damage Expense**

2 **Q. Please describe the Company's claim for storm damage expense.**

3 A. Westar has included costs associated with two storms in its revenue requirement. First, the
4 Company included approximately \$20 million of costs related to a January 2002 storm.¹² In
5 addition, it included costs of approximately \$29.3 million relating to a January 2005 storm.
6 It is proposing to recover costs charged to WEN over 3 years, while it is proposing to recover
7 costs charged to WES over 5 years.

8
9 **Q. Did the Company charge its storm damage reserve for any of the costs of these storms?**

10 A. Yes, Westar charged the reserve \$4.1 million for costs incurred during the January 2005
11 storm. The Company did not charge the storm damage reserve for any costs associated with
12 the January 2002 storm.

13
14 **Q. Did the Company receive approval to defer these costs?**

15 A. Yes, it did. On May 8, 2002, in Docket No. 02-WSRE-723-ACT, the KCC approved
16 deferred accounting treatment for \$4,977,314 of WEN's costs and for \$8,047,055 of WES's
17 costs relating to the January 2002 storm. On March 22, 2005, in Docket No. 05-WSEE-645-
18 ACT, the KCC approved deferred accounting treatment for operating costs incurred in the
19 January 2005 storm, excluding the \$4.1 million to be recovered from the storm damage

12 These amounts included carrying costs on the deferred charges through December 2005.

1 reserve. The KCC also authorized Westar to defer carrying costs on these deferred charges,
2 based on its currently authorized overall return.
3

4 **Q. Are you recommending any adjustment to the Company's claim?**

5 A. Yes, I am recommending two adjustments. First, I recommend that the recoverable amounts
6 relating to the January 2002 storm be limited to the amount of the deferral approved by the
7 KCC, plus applicable carrying costs as authorized in the KCC's Order. In the Order
8 approving deferred accounting treatment, the KCC specified the amount of the deferral being
9 authorized. Westar's claim exceeds the amount of the deferral that was approved by the
10 KCC. Inclusion of these additional amounts that have not been approved for deferral would
11 constitute retroactive ratemaking. Therefore, on Schedules ACC-18N and ACC-18S, I have
12 made adjustments to limit Westar's cost recovery for the January 2002 storm to those costs
13 that were authorized by the KCC, plus carrying costs.
14

15 **Q. What is your second adjustment?**

16 A. I am recommending that costs charged to WEN be recovered over five years, the same
17 recovery period as has been requested for WES. There is no reason to utilize different
18 recovery periods for the same storm. The use of a five-year recovery period for both systems
19 will permit Westar to recover these extraordinary costs over a reasonable period of time
20 without placing an undue burden on ratepayers. This adjustment is also included in Schedule
21 ACC-18N. In addition, as previously noted, I am recommending that the Company's request

1 to include in rate base the unamortized balances associated with these adjustments be denied.

2
3 **G. Discontinued Contracts**

4 **Q. Please describe the Company's adjustments with regard to discontinued contracts.**

5 A. As discussed on page 11 of Mr. Kong's testimony, from 1997 to September 2004, Westar
6 provided customer service, billing, meter reading and other services to KGS. While KGS
7 continues to take some services from Westar, in September 2004, KGS terminated the billing
8 and customer service agreements with the Company. In its filing, Westar made an
9 adjustment to eliminate revenues and expenses associated with the termination of this shared
10 services agreement from its revenue requirement.

11 Similarly, in the past, Westar also provided certain shared services to P-1. As a result
12 of the sale of P-1, Westar is no longer providing these services. Accordingly, Westar also
13 made an adjustment in its filing to eliminate revenues and costs associated with the
14 termination of the P-1 shared services agreement.

15
16 **Q. Are you recommending any revisions to the Company's adjustments associated with
17 these discontinued operations to KGS and P-1?**

18 A. Yes, I am. In response to KIC-220, the Company indicated that there were some errors in its
19 filing relating to these adjustments. It appears that there were certain off setting cost savings
20 that were not reflected in the original adjustment. Therefore, at Schedules ACC-19N and
21 ACC-19S, I have made adjustments to update the Company's discontinued contracts

1 adjustment relating to KGS to reflect the revisions outlined in KIC-220. Similarly, at
2 Schedules ACC-20N and ACC-20S, I have made adjustments to update the Company's
3 discontinued contracts adjustment relating to P-1 to reflect this revised claim.
4

5 **H. Tree Trimming Costs**

6 **Q. How did the Company develop its claim for tree trimming costs?**

7 A. According to the testimony of Mr. Kongs at page 12, the Company's claim is based on the
8 year-end number of tree trimming crews, which was 111, and the test year weighted average
9 contract price increased by 3.4%, resulting in a pro forma cost of \$13,095 per month per
10 crew. The Company's methodology results in a net increase of approximately 12% over the
11 actual test year expense.
12

13 **Q. Do you believe that this methodology is reasonable?**

14 A. No, I do not. A review of the 2005 data indicates that the Company's crew projections are
15 overstated. Per the response to KIC-157, during the first six months of 2005, the actual
16 number of crews ranged from 102 to 106, in all cases well below the 111 included in the
17 Company's claim. In addition, actual costs for the first six months of 2005 were \$7,225,186,
18 or \$14,450,372 on an annualized basis, well below the \$15,584,383 incurred in the test year.
19 Therefore, the Company's adjustment appears to be overstated, with regard to both the
20 number of crews utilized and the overall level of expense.
21

1 **Q. What do you recommend?**

2 A. I recommend that the Company's adjustment be eliminated from cost of service. This
3 adjustment was based on speculative projections. Moreover, actual results through June
4 2005 demonstrate that the Company's claim for tree trimming costs is overstated. At
5 Schedules ACC-21N and ACC-21S, I have made adjustments to eliminate the post-test year
6 increases included by the Company in its claim.

7

8 **I. Regulatory Commission Costs**

9 **Q. Please describe the Company's claim for regulatory commission costs.**

10 A. Westar has included an astronomical rate case expense claim of \$3.47 million in this case.
11 According to the Company's workpapers, this claim was based on the costs incurred by the
12 Company in Docket No. 01-WSRE-436-RTS and Docket No. 02-WSRE-301-RTS, increased
13 by an additional \$75,000 in legal costs and an additional \$50,000 in consultants' fees.
14 Westar is requesting a three-year recovery period for these costs.

15

16 **Q. Are you recommending any adjustment to the Company's claim?**

17 A. Absolutely. Westar is a very different company today than it was in November 2000, when
18 it initiated its last base rate case. Docket 01-WSRE-436-RTS was not completed until
19 March 3, 2003, well over two years after the docket was initiated. A review of the docket
20 filing archive indicates that Docket 01-WSRE-436-RTS was complex and contentious. As
21 stated in my testimony filed in that case,

1 In analyzing the Company's revenue requirement...there are
2 two factors that must be considered. First, WRI has devoted
3 considerable effort to its unregulated, and in many cases,
4 unprofitable subsidiaries. The utility has served as the cash
5 cow which has provided not only cash flow but has also
6 allowed the Company to take on significant amounts of debt
7 to support its unregulated operations. The Company recently
8 announced a merger with Public Service Company of New
9 Mexico ("PNM"), which would acquire WRI's electric operations
10 along with substantial amounts of WRI's debt. Therefore, one of
11 the issues in this case is the lack of financial stewardship over
12 utility operations. Along with this lack of financial stewardship,
13 there have been large payments to WRI's officers that have allowed
14 these officers to profit handsomely while the value of the
15 shareholders' investment has been considerably reduced.

16
17 Second, the rates cases filed by KPL and KGE were not
18 initiated by the Company as a result of a perceived need for
19 higher rates. Instead, this filing was made by WRI in reaction
20 to a complaint brought by the Kansas Industrial Customers ("KIC")
21 on March 17, 2000.¹³
22

23 Many of the issues that were eventually addressed in Docket No. 01-WSRE-949-GIE
24 were initially raised in Docket No. 01-WSRE-436-RTS. Accordingly, the last base rate case
25 was not a typical case. There were extensive financial and managerial problems at the
26 Company that were raised and examined in that rate case. Fortunately, the Company has
27 corrected those problems and, for the most part, those issues will not be addressed in this
28 proceeding.

29 In addition, rate design issues were bifurcated from revenue requirement issues and
30 litigated separately in Docket No. 02-WSRE-301-RTS, requiring duplication of many

13 Testimony of Andrea C. Crane in Docket No. 01-WSRE-436-RTS, page 8.

1 activities. The current case, while very significant in terms of the overall amount being
2 requested, is not as complex, and hopefully will not be a contentious, as the prior proceeding.

3 Moreover, costs for the prior revenue requirement proceeding were higher than
4 necessary due to the Company's proposal for a PBR Plan that would weaken KCC oversight,
5 a proposal that is being repeated here. At least six of the Company's 18 witnesses address
6 this PBR Plan. Extensive testimony was submitted in this case regarding performance
7 measures and other criteria that would not have been necessary if the Company had not
8 attempted to change the basic form of regulation exercised by the KCC. Since these efforts
9 were directed at minimizing KCC authority to the benefit of shareholders, it is unreasonable
10 to ask ratepayers to fund these efforts. Accordingly, for many reasons, I believe that the
11 Company's claim for \$3.47 million in rate case costs is excessive.

12
13 **Q. What do you recommend?**

14 A. I recommend that the KCC limit the Company's claim for rate case costs to \$2.5 million.
15 Based on the historic rate case costs shown in the response to CURB-106, my
16 recommendation represents an increase over the \$2.3 million incurred in Docket No. 01-
17 WSRE-436-RTS, which was aggressively litigated, and is almost double the cost of the 1995
18 cases of \$1.27 million. Any amounts over \$2.5 million should be borne by shareholders,
19 who would be the beneficiaries of the proposals to introduce a PBR Plan, which would
20 increase the opportunity for shareholders to realize returns well above their required cost of
21 capital. My adjustment is shown in Schedules ACC-22N and ACC-22S.

1 **J. FERC Enforcement Costs**

2 **Q. Please discuss the costs incurred by Westar during the test year relating to FERC**
3 **Enforcement Costs.**

4 A. According to the response to KCC-252, Westar incurred legal fees of \$232,014 during the
5 test year relating to an investigation by FERC's Division of Enforcement. FERC initiated a
6 formal investigation to evaluate Westar's compliance with certain aspects of the Federal
7 Power Act and with FERC's regulations, including its Standards of Conduct.

8 Westar entered into a Stipulation and Consent Agreement with FERC's Division of
9 Enforcement as a result of this investigation. This Stipulation included a series of remedial
10 actions designed to ensure future compliance. The Stipulation was approved by FERC in
11 May 2005.

12
13 **Q. Do you believe that costs associated with this investigation should be recovered from**
14 **retail ratepayers?**

15 A. No, I do not. Westar has an ongoing responsibility to comply with FERC and KCC
16 regulations. To the extent that these regulations are violated, shareholders, not ratepayers,
17 should bear the costs of any investigation and remedial action. The investigation and
18 resulting remedial action that the FERC Stipulation requires would not have been necessary
19 if the Company had complied with such regulations. Accordingly, at Schedules ACC-23N
20 and ACC-23S, I have made adjustments to eliminate the test year legal fees associated with
21 this investigation from the Company's revenue requirement claim.

1

2 **Q. Is there another reason why Kansas ratepayers should not be required to pay these**
3 **costs in rates?**

4 A. Yes, there is. The FERC investigation has been resolved and these legal fees are not
5 expected to reoccur. Building these costs into annual rates will not only allow shareholders
6 to recover these costs from regulated ratepayers, but it will allow them to recover these costs
7 each year until the Company files another base rate case, effectively resulting in a windfall to
8 shareholders. Therefore, even if these costs were appropriate to recover from ratepayers,
9 which they are not, they should be excluded from rates based on the fact that they are not
10 expected to reoccur prospectively.

11

12 **K. Sarbanes-Oxley Costs**

13 **Q. Are there other non-recurring costs included in the Company's revenue requirement**
14 **claim relating to Sarbanes-Oxley compliance?**

15 A. Yes, there are. Westar's audit fees were significantly higher in the test year than in prior
16 years. Westar incurred audit costs of \$2,201,985 in 2004, while auditing costs in 2003 were
17 only \$1,422,251. Much of this increase was the result of new requirements mandated by the
18 Sarbanes-Oxley Act. The Sarbanes-Oxley requirements were recently implemented and
19 many of the costs incurred during 2004 by companies in response to the Act are non-
20 recurring costs necessary to establish certain systems and processes for compliance.
21 Accordingly, these costs should be eliminated from the Company's revenue requirement

1 claim. Price Waterhouse Coopers (“PWC”) and Protiviti were two of the firms that provided
2 assistance to Westar in the test year with regard to Sarbanes-Oxley compliance. At least
3 some of the costs from these two firms are not expected to reoccur.

4 According to the response to KIC-171, PWC was hired to “provide advisory services
5 related to Sarbanes-Oxley 404 and to assist Westar’s Sarbanes 404 team in the development
6 of templates, training materials or other materials needed to address Westar’s Sarbanes 404
7 requirements.” PWC provided services to Westar until early in 2004. Westar included
8 \$250,033 of costs from PWC in its revenue requirement claim.

9 Protiviti was hired to provide testing of Westar’s Information Technology (“IT”)
10 control activities. While Protiviti is continuing to provide services to Westar in 2005, the
11 2005 costs are expected to be considerably below those incurred in the test year. Westar
12 included a total of \$271,511 in its revenue requirement for services from Protiviti, but it
13 reported in response to KCC-251 that 2005 costs are estimated to be only \$167,400.

14
15 **Q. What do you recommend?**

16 A. I am recommending adjustments to eliminate the test year costs paid to PWC, since these
17 costs are not anticipated to reoccur. In addition, I am recommending that the costs included
18 in the filing for Protiviti be reduced to reflect the anticipated 2005 costs. Past costs that are
19 not expected to reoccur should be eliminated from prospective utility rates. My adjustments
20 are shown in Schedules ACC-24N and ACC-24S.

1 **L. Civic and Charitable Contributions**

2 **Q. How did the Company treat donations in its revenue requirement claim?**

3 A. According to the testimony of Mr. Kongs at page 13, the Company included 50% of civic
4 and charitable expenses incurred during the test year in its revenue requirement claim.
5 However, according to the response to KCC-51, the Company also included in its filing
6 \$4,949 of employee expenses in WEN and \$3,810 of employee expenses in WES that should
7 have been classified as donations. Thus, these expenses should have been subject to the 50-
8 50 sharing afforded to other types of donations. At Schedules ACC-25N and ACC-25S, I
9 have made adjustments to eliminate 50% of these employee expenses on the basis that they
10 are actually contributions and should have been treated as such by Westar in its filing.

11
12 **Q. Do you believe that civic and charitable contributions are an appropriate revenue**
13 **requirement component?**

14 A. No, I do not. Utility rates should include a reasonable level of costs that are necessary for the
15 provision of safe and reliable utility service. Civic and charitable contributions, while
16 worthwhile expenditures, should not be borne by ratepayers. Civic and charitable
17 contributions are not necessary to the provision of safe and adequate utility service.
18 Furthermore, by including such contributions in utility rates, utilities force ratepayers to
19 indirectly contribute to those organizations selected by utility management, effectively
20 forcing ratepayers to support organizations whose goals and objectives may conflict with
21 those of any specific ratepayer. For these reasons, many regulatory commissions prohibit

1 utilities from recovering donations and charitable contributions in their utility rates.

2 However, I recognize that in the past, the KCC has permitted some civic and
3 charitable contributions to be included in utility rates. For that reason, I am not opposing the
4 Company's claim to include 50% of its donations in rates. However, if the KCC is going to
5 permit 50% of donations to be recovered, then all donations, including those that were
6 booked to employee expenses, should be subject to this ratemaking treatment.

7
8 **M. Advertising Expenses**

9 **Q. Did the Company include any advertising costs in its revenue requirement claim?**

10 A. Yes, it did. Westar included costs for three advertisements that it deemed "non-image"
11 advertising. Its other advertising costs were excluded from its revenue requirement on the
12 basis that these costs were for ads intended to promote the corporate image and therefore
13 were inappropriate to recover from ratepayers.

14
15 **Q. Did you review the three advertisements that were included in Westar's revenue
16 requirement claim?**

17 A. Yes, I did.

18
19 **Q. Do you agree that these three advertisements should be funded by ratepayers?**

20 A. One of these advertisements is clearly related to safety and its costs should be included in the
21 Company's revenue requirement. However, the other two advertisements are intended to

1 promote the corporate image, and costs for these two advertisements should be disallowed.

2
3 **Q. Please describe the two advertisements that you believe are intended to enhance**
4 **Westar’s image.**

5 A. One of these ads states “Many Hands Make Light Work. 2,045 to be exact.”¹⁴ This ad was
6 run on Labor Day and goes on to “applaud” Westar’s employees. Company management did
7 not need to run this advertisement in order to thank its employees for a job well done. It is
8 fare more likely that the Company took advantage of the Labor Day holiday to promote its
9 employees, and therefore itself, to the community at large.

10 The second ad is described as the International Lineman Rodeo Ad. It states “Bulls
11 & Broncos are Child’s Play. Try Taming a 7200-Volt Behemoth.” The tag line notes that
12 Westar Energy is one of the “[p]roud participants in the 2004 International Lineman’s Rodeo
13 & Expo.” This advertisement is clearly intended to promote Westar’s corporate image.

14
15 **Q. What do you recommend?**

16 A. I recommend that costs for the Labor Day ad and the Rodeo ad be eliminated from the
17 Company’s revenue requirement. It is not appropriate to recover costs for corporate image
18 advertising from ratepayers, since these costs are not necessary to the provision of safe and

14 Response to CURB-124.

1 adequate utility service. Instead, these costs should be borne by shareholders. My
2 adjustment is shown in Schedules ACC-26N and ACC-26S.

3
4 **N. Membership Dues**

5 **Q. Are you recommending any adjustment to Westar's claim for membership dues?**

6 A. Yes, I am. In response to KCC-50, Westar stated that its test year claim includes \$9,390 in
7 membership costs for the Topeka County Club and \$8,150 in fitness club memberships. I
8 am recommending that both of these costs be disallowed.

9
10 **Q. Do you believe that it is appropriate to recover country club dues and fitness center
11 dues from captive ratepayers?**

12 A. No, I do not. Utility rates should include a reasonable level of costs that are necessary for
13 the provision of safe and reliable utility service. Country club dues and fitness center dues
14 do not meet this standard and should not be borne by ratepayers. These dues are not
15 necessary to the provision of safe and adequate utility service. At Schedules ACC-27N and
16 ACC-27S, I have made an adjustment to eliminate country club dues and fitness center dues
17 from the Company's revenue requirement claim.

18
19 **O. Edison Electric Institute Dues**

20 **Q. Are you recommending any adjustment to the Company's claim for dues paid to the
21 Edison Electric Institute ("EEI")?**

1 A. Yes, I am recommending one adjustment. The Company's filing includes dues of \$514,250
2 to EEI, all of which has been included in the Company's cost of service. EEI estimates that
3 25% of its core dues are used for legislative advocacy. Therefore, I am recommending that
4 25% of the Company's test year EEI dues be disallowed, on the basis that these dues are used
5 primarily for lobbying activities. Since the Company booked its EEI dues to WEN, I have
6 only made this adjustment in that division. My adjustment is shown in Schedule ACC-28N.

7

8 **Q. Are lobbying costs an appropriate expense to include in a regulated utility's cost of**
9 **service?**

10 A. No, they are not. Lobbying expenses are not necessary for the provision of safe and adequate
11 utility service. Moreover, the lobbying activities of a regulated utility may be focused on
12 policies and positions that enhance shareholders but may not benefit, and may even harm,
13 ratepayers. Regulatory agencies generally disallow costs involved with lobbying, since most
14 of these efforts are directed toward promoting the interests of the utilities' shareholders rather
15 than their ratepayers. Ratepayers have the ability to lobby on their own through the
16 legislative process. Moreover, lobbying activities have no functional relationship to the
17 provision of safe and adequate electric utility service. If the Company were to immediately
18 cease contributing to these types of efforts, utility service would in no way be disrupted. For
19 all these reasons, I recommend that lobbying activities be disallowed. It appears that Westar
20 agrees conceptually with my adjustment, since it did book directly-incurred lobbying costs
21 below-the-line. However, it should also have removed all EEI dues expenses associated with

1 lobbying activities from its revenue requirement claim.

2
3
4 **P. Legal Costs**

5 **Q. In addition to the legal costs discussed above with regard to the FERC Enforcement**
6 **proceeding, are there other legal fees included in the Company's claim you recommend**
7 **be disallowed?**

8 A. Yes, there are. In response to KCC-32, Westar identified \$550,691 in legal fees included in
9 its test year claim that related to the Company's sale of P-1. These costs related to charges
10 from the law firm of David Polk Wardwell and were recorded above-the-line. Costs incurred
11 by Westar to sell an unregulated business should not be included in the regulated entity's cost
12 of service. These costs do not relate to the provision of regulated utility service and they
13 should not be recovered from ratepayers.

14
15 **Q. Did the Company agree that these costs should not be charged to ratepayers?**

16 A. Yes, in response to KIC-170, the Company stated that it "believes that vendor and employee-
17 related costs incurred for the sale of our investment in Protection One should be excluded
18 from the cost of service in the test year." Thus, at Schedules ACC-29N and ACC-29S, I have
19 made adjustments to eliminate these costs from the Company's revenue requirement claim.

1 **Q. Non-Recurring Costs**

2 **Q. As a result of the termination of certain agreements with KGS, did Westar incur other**
3 **non-recurring costs during the test year that you recommend be eliminated?**

4 A. Yes, it did. As described in the testimony of Ms. Williams beginning on page 6, Westar
5 undertook a “significant initiative” during the test year to inform customers about the
6 separation of the electric and gas billing that occurred in September 2004. As discussed
7 previously, KGS terminated certain shared services contracts with Westar in 2004,
8 specifically those contracts relating to customer service and billing. As a result, Westar
9 undertook a comprehensive customer education program to inform customers about this
10 change in an effort to minimize customer confusion.

11
12 **Q. What types of costs were incurred by Westar?**

13 A. The most significant cost was postage for a direct mailing notifying customers of the change.
14 Westar also incurred costs for refrigerator magnets that were provided to customers and for
15 temporary labor costs.

16
17 **Q. Should these costs be recovered from ratepayers?**

18 A. No, they should not. These costs are clearly non-recurring costs and they should not be
19 incorporated in prospective utility rates. Accordingly, at Schedules ACC-30N and ACC-30S,
20 I have made adjustments to eliminate these costs from the Company’s revenue requirement
21 claims.

1

2 **R. Amortization of Accumulated Deferred Income Taxes**3 **Q. Please describe your adjustment with regard to amortization of the accumulated**
4 **deferred income taxes associated with the merger adjustment.**

5 A. As previously discussed, Westar was ordered in its last base rate case to reflect a rate base
6 deduction associated with accumulated deferred income taxes related to KPL/KGE merger
7 savings. The Commission found that this reserve should be amortized over the remaining
8 34.83 years of the merger savings period. Thus, the KCC reflected amortization expenses in
9 its revenue requirement calculations for both WEN and WES. Since Westar did not include
10 the rate base reduction associated with these accumulated deferred income taxes in its filing,
11 it similarly did not include an adjustment to reflect the associated annual expense. As
12 discussed in the Rate Base section of this testimony, I have made an adjustment to deduct
13 accumulated deferred income taxes from rate base. Therefore, it is necessary to also include
14 an adjustment to reflect the amortization of these deferred taxes. At Schedules ACC-31N
15 and ACC-31S, I have made adjustments to include this amortization expense in the revenue
16 requirements for WEN and WES respectively.

17

18 **S. Depreciation Expenses**19 **Q. How did the Company calculate its depreciation expense claims in this case?**

20 A. Westar reflected three adjustments to its actual test year booked depreciation expense. First,
21 the Company included a depreciation reserve adjustment to reflect the fact that it delayed the

1 implementation of lower depreciation rates ordered by the KCC in the last base case. As a
2 result of this delay, Westar's booked depreciation reserve was lower than it would have been
3 had the Company complied with the KCC's Order and implemented new depreciation rates
4 immediately. Therefore, in this case, Westar has made a depreciation reserve adjustment to
5 reflect the depreciation reserve that would have resulted if the KCC's approved depreciation
6 rates had been implemented in a timely manner. Since this adjustment was not incorporated
7 into the Company's depreciation study, the Company made a corresponding depreciation
8 expense adjustment to reflect recovery of the reserve adjustment over 10 years. The rate base
9 and expense adjustments relating to the delay in implementing the prior approved
10 depreciation rates is referred to as the "Difference in Depreciation" adjustment per the
11 Company's filing. Second, Westar made an adjustment to annualize depreciation expense
12 based on its its current rates and its utility plant in service claim in this case, which includes
13 depreciation on the low NOx burner and CWIP. Third, Westar made an adjustment to reflect
14 the impact of new depreciation rates that it is requesting in this proceeding.

15
16 **Q. Are you recommending any adjustments to the Company's depreciation expense claim?**

17 **A.** Yes, I am. First, with regard to the Difference in Depreciation adjustment, I have not made
18 any adjustment to Westar's rate base claim. However, if that rate base adjustment results in
19 investment being unrecovered by the Company, then Westar should have adjusted its
20 depreciation study to update its reserve balances prior to developing proposed new
21 depreciation rates. The use of a 10-year recovery period for this investment is arbitrary and it

1 does not bear any relationship to the remaining useful life of the plant in question.

2
3 **Q. What do you recommend?**

4 A. I recommend that the KCC reject Westar's arbitrary recovery period of 10 years for this
5 investment and instead require that any recovery be determined pursuant to a depreciation
6 study. I understand that Mr. Majoros has agreed to update the results of his depreciation
7 study if the Company provides the information necessary to incorporate this additional
8 investment in the study. In the interim, at Schedules ACC- 32N and ACC-32S, I have made
9 an adjustment to eliminate the depreciation expense recovery over 10 years that is included in
10 Westar's claim.

11
12 **Q. Has CURB also made an adjustment to reflect different prospective depreciation rates**
13 **than the rates included in the Company's filing?**

14 A. Yes, we have. Mr. Majoros is recommending depreciation rates that are different than those
15 requested by Westar in its filing. Accordingly, his recommended depreciation rates result in
16 annual depreciation expense that is significantly different from the Company's depreciation
17 expense claims. At Schedules ACC- 33N and ACC-33S, I have made adjustments to reflect
18 the impact of Mr. Majoros's recommended depreciation rates on my recommended pro forma
19 utility plant-in-service.

20
21 **Q. Have you also made an adjustment to eliminate depreciation expense on plant that you**

1 **are recommending be eliminated from the Company's rate base?**

2 A. Yes, I have. As previously discussed, I am recommending that the KCC disallow a portion
3 of the Company's CWIP claim and its utility plant-in-service claim associated with the future
4 low NOx burner project. I have also recommended that a portion of intangible plant be
5 allocated to the FERC jurisdiction. Therefore, it is necessary to make a corresponding
6 adjustment to eliminate depreciation expense associated with the utility plant that I have
7 eliminated from rate base. At Schedules ACC- 34N and ACC-34S, I have reduced the
8 Company's depreciation expense to eliminate the annual depreciation expense associated
9 with the low NOx burner, with that portion of CWIP that I recommend be disallowed, and
10 with the intangible plant allocated to the FERC jurisdiction.

11
12 **T. Interest Synchronization and Taxes**

13 **Q. Have you adjusted the pro forma interest expense for income tax purposes?**

14 A. Yes, I made this adjustment at Schedules ACC-35N and ACC-35S. These adjustments are
15 consistent (synchronized) with CURB's recommended rate base, capital structure, and cost
16 of capital recommendations. CURB is recommending a lower rate base and a lower cost of
17 debt than the rate base and cost of debt that the Company included in its filing. CURB's
18 recommendations result in lower pro forma interest expense for the Company. This lower
19 interest expense, which is an income tax deduction for state and federal tax purposes, will
20 result in an increase to the Company's income tax liability under CURB's recommendations.
21 Therefore, CURB's recommendations result in an interest synchronization adjustment that

1 reflects a higher income tax burden for the Company, and a decrease to pro forma income at
2 present rates.

3
4 **Q. What income tax factor have you used to quantify your adjustments?**

5 A. As shown on Schedules ACC-36N and ACC-36S, I have used a composite income tax factor
6 of 39.78%, which includes a state income tax rate of 7.35% and a federal income tax rate of
7 35%. These are the state and federal income tax rates contained in the Company's filing.
8 My recommendations result in a revenue multiplier of 1.66051.

9
10
11 **VII. REVENUE REQUIREMENT SUMMARY**

12 **Q. What is the result of the recommendations contained in your testimony?**

13 A. For WEN, my adjustments result in a revenue requirement surplus at present rates of
14 \$5,926,327, as summarized on Schedule ACC-1N. This recommendation reflects revenue
15 requirement adjustments of \$53,760,592 to the revenue requirement increase of \$47,834,265
16 requested by WEN.

17 For WES, my adjustments result in a revenue requirement surplus at present rates of
18 \$42,105,009, as summarized on Schedule ACC-1S. This recommendation reflects revenue
19 requirement adjustments of \$78,416,471 to the revenue requirement increase of \$36,311,462
20 requested by WEN.

1 **Q. Have you quantified the revenue requirement impact of each of your**
2 **recommendations?**

3 A. Yes, at Schedules ACC-37N and ACC-37S, I have quantified the impact on Westar's
4 revenue requirement of the rate of return, rate base, revenue and expense recommendations
5 contained in this testimony.

6

7 **Q. Have you developed pro forma income statements for WEN and WES?**

8 A. Yes, Schedules ACC-38N and ACC-38S contain pro forma income statements, showing
9 utility operating income under several scenarios, including the Company's claimed operating
10 income at present rates, my recommended operating income at present rates, and operating
11 income under my proposed rate decreases. My recommendations will result in an overall
12 return on rate base of 7.32% for both WEN and WES.

13

14

15 **VIII. RETAIL ENERGY COST ADJUSTMENT**

16 **Q. How is Westar proposing to treat its fuel and purchased power costs for ratemaking**
17 **purposes?**

18 A. Westar has proposed the establishment of a Retail Energy Cost Adjustment ("RECA") Rider
19 that would remove all fuel and purchased power expense from base rates. Under the
20 Company's proposal, the RECA would operate as a monthly adjustment consisting of two
21 components: a Fuel Adjustment Clause ("FAC") factor to account for changes in fuel costs

1 and an Off-System Sales Adjustment (“OSSA”) factor to share off-system sales margins.

2
3 **Q. How would the RECA be calculated?**

4 A. Westar is proposing a monthly adjustment, based on estimated fuel and purchased power
5 costs for the current month, plus or minus a correction factor to account for differences
6 between estimated and actual fuel and purchased power costs in the prior month.

7
8 **Q. Would all off-system sales margins be shared between ratepayers and shareholders
9 under the Company’s proposal?**

10 A. No. Westar is proposing to include \$24 million of off-system sales margins in base rates.
11 Margins between \$24 million and \$32 million would be shared on a 50-50 basis. Margins
12 above \$32 million would be shared 25% to ratepayers and 75% to shareholders.

13
14 **Q. Would the OSSA be recomputed each month?**

15 A. No, Westar is proposing that the OSSA be recomputed annually, based on actual margins and
16 estimated total sales to all requirements customers. Thus, Westar is proposing the same
17 OSSA factor for both WES and WEN.

18
19 **Q. Are you opposed to establishing a RECA for Westar?**

20 A. Yes, I am. Regulation is not, and should not be, a reimbursement system. Under the
21 Company’s proposal, Westar would receive dollar-for-dollar reimbursement for

1 approximately 50% of its operating and maintenance costs. Such treatment eliminates
2 incentives for management to minimize these costs. While utility companies argue that
3 regulatory commissions always have the ability to review fuel costs and to determine if such
4 costs were prudently incurred, the fact is that regulatory commissions have routinely
5 approved fuel adjustments and have rarely, if ever, challenged a claimed fuel cost on the
6 basis that such costs were imprudently incurred. Part of the problem is that the staffs of
7 regulatory commissions are generally overworked and their resources are severely limited,
8 especially as compared with the resources available to the typical utility company.
9 Moreover, the complexity of purchasing contracts and energy requirement forecasts make it
10 very difficult, if not impossible, for staff members to appropriately evaluate the purchasing
11 decisions made by the utility in light of options available to it at the time. If a utility knows
12 that dollar-for-dollar recovery is assured, and that any regulatory review will be limited, then
13 it has no incentive to reduce costs.

14
15 **Q. Is there another reason why you believe that a RECA is especially unnecessary in this**
16 **case?**

17 **A.** Yes, there is. Virtually all of Westar's electricity is generated by nuclear or coal plants.
18 According to the Company's 2004 Annual Report to Shareholders, at page 6,

1 We have an ideal mix of generation facilities.
2 Although we have the capability to generate
3 substantial electricity with natural gas and
4 oil, almost all of our electricity is made with
5 coal or uranium.
6

7 The Annual Report states that more than 95% of the electricity generated in 2004 was
8 produced by coal or uranium-fueled plants. The price of these fuels are much more stable
9 than some other fuels such as oil and natural gas. In addition, both coal and uranium are
10 purchased pursuant to long-term contracts. Westar also has long-term contracts for
11 transportation of the coal to its various facilities. Thus, Westar does not have significant
12 exposure to fluctuating market prices for fuel.
13

14 **Q. What are the problems inherent in RECA mechanisms?**

15 A. There are several. First, a RECA mechanism results in single-issue ratemaking. It provides
16 for dollar-for-dollar true-up and recovery of costs associated with only one component of the
17 Company's overall revenue requirement. With a RECA, a utility can seek to increase rates
18 even if it is earning well above its authorized rate of return.

19 Second, a RECA mechanism results in reimbursement ratemaking. Rather than
20 providing the opportunity for a utility to earn its authorized rate of return, the RECA
21 mechanism assures the utility that its overall return will not be impacted by its fuel and
22 purchased power procurement practices.

1 Third, a RECA mechanism provides a disincentive to the utility to engage in hedging
2 activities or to adopt good management practices in order to control costs. With a RECA, the
3 utility has no incentive to minimize its fuel procurement and purchased power costs, since
4 the utility knows that such costs will be fully recovered from ratepayers. I recognize that
5 hedging is expected to be of less value to Westar than to other electric and gas utilities, since
6 Westar's generation is primarily fueled by coal and uranium that are purchased pursuant to
7 long-term contracts. Nevertheless, a RECA will eliminate incentives for Westar to
8 aggressively manage its fuel costs or to aggressively negotiate long-term contracts as they
9 expire.

10 Fourth, a RECA mechanism results in rate uncertainty for ratepayers. This is
11 especially true of RECA mechanisms that provide for monthly adjustments to customers'
12 rates. These constant rate changes make it difficult for customers to anticipate their electric
13 charges or to assess the accuracy of their monthly bills.

14 Fifth, given limited resources, there is no way for Commission Staff to undertake a
15 thorough and comprehensive review of the purchasing decisions made by Westar. Any
16 review is further complicated by the complexity of the fuel purchasing contracts and of the
17 purchasing decisions that must be made. It is virtually unheard of for any state regulatory
18 commission to successfully pursue a RECA disallowance based on issues regarding the
19 prudence of the purchasing decisions. Any review that Staff conducts will be largely to
20 verify the arithmetic in the Company's RECA claims, rather than to determine whether or not
21 appropriate purchasing decisions were made.

1 Sixth, the Commission has not examined the impact of the RECA on the Company's
2 overall return requirements. Any mechanism that provides for a dollar-for-dollar pass-
3 through of actual fuel and purchased power costs will significantly reduce the Company's
4 risk, a factor that must be considered by the KCC.

5 Finally, if the RECA is adopted, the Commission will find itself in the position of
6 approving rate increases without knowing the potential magnitude of those increases.
7 Moreover, the Commission has not examined important issues such as gradualism, rate
8 stability, and the avoidance of rate shock, issues which should be thoroughly explored prior
9 to implementing the adjustment mechanism proposed by Westar. Although Westar's fuel
10 costs are not expected to be vulnerable to significant price swings, the impact of possible
11 unforeseen price fluctuations on ratepayers should certainly be considered by the KCC.

12
13 **Q. Given the problems you just identified with RECA mechanisms, what do you**
14 **recommend?**

15 **A.** I recommend that the KCC reject the Company's proposal. RECA mechanisms provide a
16 disincentive for effective utility management and they result in rate instability that is harmful
17 to customers. They reflect poor regulatory policy because such mechanisms result in
18 reimbursement ratemaking on a single issue. I recommend that the Commission continue to
19 include fuel and purchased power costs in base rates. This ratemaking treatment provides the
20 most efficient incentive for the Company to minimize these costs.

21

1 **Q. Do you believe that ratepayers and shareholders should share off-system sales margins?**

2 A. No, I do not. When a normalized level of off-system sales margin is included in base rates,
3 then the utility has an incentive to maximize off-system sales margins between base rate
4 cases, since it will retain all net margins above the amount included in base rates.
5 Alternatively, the utility also has an incentive to aggressively pursue sales up to the amount
6 included in base rates, since the utility's shareholders will be at risk for this amount. For
7 these reasons, including a normalized amount of off-system sales margins in base rates
8 provides the best incentive to the utility to maximize these sales. The ratemaking treatment
9 for off-system sales margins should be comparable to the treatment afforded fuel and
10 purchased power expenses. Thus, I recommend that the Commission also include a
11 normalized level of off-system sales margins in base rates.

12

13 **Q. Does your recommendation regarding the RECA provide the proper incentives to**
14 **utility management?**

15 A. Yes, it does. My recommendation provides utility management with incentives both to
16 reduce energy costs and to maximize off-system sales. To the extent that off-system sales
17 are higher than the pro forma sales included in my revenue requirement recommendation,
18 shareholders would benefit. If, however, the Commission adopts a RECA mechanism, then
19 100% of off- system sales should be flowed through that mechanism in order to provide
20 ratepayers, who are paying 100% of the fuel and purchased power costs, with 100% of the
21 benefit from such sales.

1 Moreover, my recommendation also provides the Company with an incentive to
2 reduce fuel and purchased power costs. To the extent that fuel and purchased power costs
3 are lower than those included in the Company's filing, shareholders would receive the
4 benefit of these reduced costs between rate filings. In return, ratepayers receive rate stability
5 and rate certainty.

6
7
8 **IX. ENVIRONMENTAL COST RECOVERY RIDER**

9 **Q. Please describe the Environmental Cost Recovery Rider (“ECRR”) that the Company**
10 **is requesting in this case.**

11 A. Westar is requesting an ECRR to recover the capital and operating maintenance costs
12 associated with installing new pollution control equipment. The Company is proposing to
13 recover the return on incremental investment, depreciation expense, related operating and
14 maintenance costs, and income taxes through an annual ECRR filing. When new rates are
15 established, these costs would be rolled into base rates.

16
17 **Q. Do you support the establishment of an ECRR for Westar?**

18 A. No, I do not. The theme of Westar’s filing in this case has been to shift as much risk and as
19 much uncertainty as possible from shareholders to ratepayers, while reducing regulatory
20 control and oversight. The ECRR is just one more example of the Company’s attempt to
21 increase prospective rates without the need to file a full base rate case.

1

2 **Q. Should environmental expenditures be treated any differently from other types of**
3 **capital investment made by Westar?**

4 A. No, they should not. While environmental expenditures are important, the fact is that all
5 capital investment necessary to provide safe and reliable utility service is important.
6 Moreover, in order to recover the costs associated with this investment, the KCC requires
7 utilities to file a base rate case, which provides a forum for the KCC, its Staff, and other
8 interested parties to review the proposed rates and to determine whether or not they are just
9 and reasonable. Permitting the Company to increase rates between rate cases for one class
10 of investment is arbitrary. Moreover, it shifts significant risk from shareholders to
11 ratepayers. There is no justification for treating this investment differently from other
12 investment required to provide service.

13 In addition, the arguments discussed above with regard to the RECA also apply here.

14 The Company's proposal constitutes single-issue ratemaking. Moreover, this proposal
15 could result in rate increases even if Westar is earning its authorized rate of return.

16

17 **Q. What do you recommend?**

18 A. I recommend that Westar's proposal for an ECRR be denied. These capital expenditures
19 should be treated in the same manner as other investments made by Westar. Westar
20 generally does not begin to recover incremental costs until it files for new base rates. The
21 Company's proposal would constitute a major change in regulatory methodology, shifting

1 considerable additional costs to ratepayers. This is another example of the Company's
2 attempt to minimize its risk and maximize its return. I recommend that the KCC reject this
3 transparent proposal and retain the current regulatory mechanism for reflecting incremental
4 investment in base rates.

5
6
7 **X. PERFORMANCE-BASED REGULATORY PLAN**

8 **Q. Please describe the PBR Plan that the Company is requesting in this case.**

9 A. In addition to requesting rate increases of over \$84 million in this case, the Company is also
10 proposing to implement a PBR Plan, which it calls a "Reliability Based Sharing" proposal.
11 This proposal is somewhat similar to the plan that was proposed in the Company's last base
12 rate case.

13 Westar is proposing to establish a deadband of plus or minus 100 basis points around
14 its requested return on equity of 11.5%. If actual returns exceed the top of the deadband,
15 then the Company would share excess earnings 50-50 with ratepayers. Ratepayers would
16 receive their share of any excess earnings through a rebate. If actual returns exceeded the top
17 of the deadband by more than 200 basis points, then the KCC or any party could request a
18 rate review.

19 Under the Company's proposal, Westar would only be able to initiate a rate increase
20 request if its actual return on equity is more than 100 basis points below the bottom of the
21 deadband. The entire deadband could be moved up or down by up to 100 basis points,

1 depending upon the results of quality of service indicators.

2
3 **Q. Please describe how the deadband would be impacted by these quality of service**
4 **indicators.**

5 A. Westar has proposed that the return on equity deadband be adjusted depending upon the
6 results of several service quality indicators. The Company's proposal contains five
7 indicators: the System Average Interruption Duration Index ("SAIDI"), the System Average
8 Interruption Frequency Index ("SAIFI"), the Equivalent Forced Outage Rate ("EFOR"), the
9 answered call rate, and the meter read rate. Under the Company's proposal, a mean value for
10 each of these metrics would be developed, based on 36 months of actual results, from 2002-
11 2004. A distribution around the mean would be established for each metric. This
12 distribution would contain five "Levels".

13 Each metric would result in a maximum adjustment to the midpoint of the deadband
14 of plus or minus 20 basis points. Level 1 would be the lowest level of performance for each
15 metric and would have a penalty equal to 100% of the allocated amount or 20 basis points.
16 Level 2 would be the second lowest performance level and would have a penalty equal to
17 40% of the allocated amount or 8 basis points. Level 3 would be the deadband and neither a
18 reward nor a penalty would be associated with performance at this level. Level 4 would be
19 the lowest level of reward, with a 40% reward of 8 basis points. Level 5 would be the
20 highest level of reward and would have a reward of 100% of the 20 basis points for each
21 metric.

1 The deadband for each service indicator is intended to capture 50% of possible
 2 outcomes. The first reward or penalty step from the deadband (Levels 2 and 4) would
 3 capture an additional 30% of the potential occurrences under the distribution and the second
 4 reward/penalty steps (Levels 1 and 5) would capture the final 20% of the total area or
 5 potential occurrences for each metric.

6
 7 **Q. What are the actual values that would be used for each metric?**

8 A. Based on the three most recent years of data, the values would be those shown below:

	SAIDI	SAIFI	EFOR	Ans. Call Rate	Meters Read
Level 1	>160.32 minutes	>1.72 outages	> 5.80%	< 92.94%	< 98.84%
Level 2	>146.79 but < = 160.32 minutes	>1.60 outages but <= 1.72 outages	>5.32% but <= 5.80%	< 93.84% but > 92.94%	< 98.91% but >= 98.84%
Level 3	127.99 minutes to 146.79 minutes	1.42 outages to 1.60 outages	4.64% to 5.32%	93.84% to 94.74%	98.91% to 99.01%
Level 4	<127.99 minutes but > = 114.46 minutes	< 1.42 outages but >= 1.30 outages	< 4.64% but >= 4.16%	>94.74% but <= 95.64%	>99.01% but <= 99.08%
Level 5	< 114.46 minutes	<1.30 outages	<4.16%	>95.64%	> 99.08%

10

1

2

The Company proposes that the incentive plan would remain in place for three years, or “longer if the initial trial works well.”¹⁵

4

5 **Q. Do you believe that the service quality incentive mechanism proposed by the Company**
6 **is appropriate?**

7 A. No, I do not. Utility companies are currently charged with the obligation to provide safe and
8 adequate utility service at just and reasonable rates. The regulatory framework is based upon
9 the premise that in return for the right to a monopoly service territory, the utility companies
10 will take all reasonable measures to provide service at the lowest reasonable cost. The
11 regulatory framework is also based upon the premise that the utility companies have an
12 opportunity to earn their overall rate of return. This is an opportunity and not a guarantee; it
13 is up to each company to operate efficiently in order to maximize the return for its
14 shareholders under existing rates. The current service quality incentive mechanism would
15 take us a step further and provide “rewards”, where “rewards” are given for meeting what
16 should be the inherent obligation of the utility.

17 In exchange for the exclusive right to provide service, an electric utility should be
18 required to provide a safe and adequate level of service. Moreover, it should be up to the
19 Commission to determine the level of service that meets the “safe and adequate” standard. It
20 is good public policy to ensure that safe and adequate utility service is provided at the lowest

1 reasonable cost. By allowing the Company “rewards” for service that exceeds a certain
2 expected standard, the Commission is sending the wrong message to the Company and the
3 resulting rates will be higher than necessary.
4

5 **Q. How are variations in service quality addressed in a competitive market?**

6 A. In a competitive market, customers can evaluate various levels of service that are available
7 and determine if incremental service quality is “worth” a particular price. Basically,
8 customers conduct their own cost/benefit analyses. Therefore, if higher quality options exist
9 that are more expensive than the “average”, customers in a competitive environment can
10 choose whether or not to spend the extra money on the higher quality service. No such choice
11 exists in a regulated utility. In fact, under the Company’s proposal, ratepayers would pay
12 higher costs for a service quality level that they may not need and from which they may never
13 even benefit.
14

15 **Q. Why do you state that ratepayers may never benefit from the higher quality service?**

16 A. Under the Company’s proposal, all customers would pay for any “rewards” even if those
17 customers were not impacted by the higher quality of service. For example, to a customer
18 who never calls the service center, it makes no difference if the answered call rate is 95% or
19 75%. Similarly, a customer who never has estimated meter readings will not benefit from
20 increasing the meter read rate. Customers who have not experienced any outages will not

1 benefit from fewer outages or from outages of a shorter duration. Therefore, even if one
2 believes that some customers are willing to pay more for a higher quality of service, forcing
3 all customers to pay for service from which they may not benefit is unreasonable and unfair.

4
5 **Q. Could the Company's proposal increase rates in other ways?**

6 A. Yes, it could. In order to exceed the benchmarks and earn its rewards, the Company will have
7 an incentive to add additional costs, especially if these costs can be passed along to
8 ratepayers. For example, the Company currently balances its service center staff needs with
9 its opportunity to earn its authorized rate of return. Under the Company's proposal, it could
10 increase its service center staff, claim that this increased level is required in order to provide
11 safe and adequate service, pass these increased staffing costs along to ratepayers in its next
12 base rate case, and position itself to take advantage of further "rewards" by increasing its
13 answered call rate.

14
15 **Q. Has the Company quantified the amount that ratepayers would be willing to pay for a
16 higher level of service?**

17 A. No, there is no quantified linkage between the value of improved performance and what
18 ratepayers may be willing to pay for that improvement. Therefore a key assumption, that
19 ratepayers should be willing to pay a premium for increases in service quality, has not been
20 verified. Further the Company assumes that shareholders deserve a greater reward if service
21 quality improves, ignoring the possibility that management could inspire better efforts from

1 employees or that productivity gains and other sources of service improvements could be
2 identified without additional costs to ratepayers.

3
4 **Q. Has the Company already taken steps that may help it to improve its historic quality of
5 service?**

6 A. Yes. Various company witnesses discuss recent actions taken by the Company to improve
7 customer service and electric service reliability. For example, Ms. Williams discusses
8 enhancements to the Company's interactive voice response system, improvements to the
9 website, improved customer communications, introduction of systems to estimate restoration
10 times, the introduction of Power Quality seminars, and other measures taken by Westar.
11 Costs for these programs are included in the Company's revenue requirement claim, but any
12 improvement in service quality may not yet be fully reflected in the proposed benchmarks.
13 Therefore, without incurring any additional costs or taking any additional action, the
14 Company may be poised to realize improvements in service quality relative to a three-year
15 average. If so, then these results would translate into higher return thresholds for Westar,
16 without any incremental benefit to ratepayers, who are already paying any associated costs.

17 Similarly, Mr. Sterbenz discusses improvements with regard to generation
18 performance, many of which could result in improvements in the Company's reliability
19 indices. To the extent that costs were incurred in order to improve generation performance,
20 then these costs are included in the Company's test year claim. However, the performance
21 standards for these quality indicators are based on historic results even though recent results

1 are presumably superior due to the improvements cited above. Thus, it should be easier for
2 the Company to meet or exceed its historic performance, increasing the prospect for return on
3 equity premiums to shareholders.

4
5 **Q. In addition to the philosophical flaws with the Company’s proposals, are there also**
6 **other problems?**

7 A. Yes, the Company has crafted its indices in such a way that the most useful benefit of
8 improved service quality is not included in the mechanism. For example, in measuring the
9 SAIFI and SAIDI indices, the Company normalized the actual results experienced over the
10 past three years. As a result, at the very times when good service is most critical to
11 customers, i.e., when there are major weather problems or other factors impacting reliability,
12 the Company’s performance is not included in the reliability calculation. Moreover, in
13 normalizing these indices, the Company did not use the KCC proscribed “10% Rule”, but
14 instead utilized the “IEEE 1366 2003” normalization methodology.

15
16 **Q. How do these two standards differ?**

17 A. The KCC “10% Rule” defines a major event as “a catastrophic event caused by forces
18 exceeding the design limits required by codes and regulations, and characterized by extensive
19 damage to the electric power system and sustained interruptions to more than 10% of a

1 utility's customers within a 24 hour period."¹⁶ "IEEE-1366 2003" states that "a major day
2 event is defined as a day in which the daily SAIDI exceeds a threshold derived statistically
3 from the company's historical daily SAIDI results for the prior five years."¹⁷ Thus, the IEEE
4 standard becomes a self-fulfilling prophecy. If the Company has a very bad performing day
5 and its service deteriorates beyond what is normal in a five-year average, that poor
6 performance will not be included in the actual results that are measured against the
7 benchmark. The value of the benchmark, especially as it is being used here to increase
8 returns to shareholders, is of limited value if particularly poor performance can be excluded
9 from calculated actual results used to evaluate performance. Thus, the very periods when
10 customers are most in need of obtaining very high quality service will not be included in
11 determining the service incentive benchmark.

12
13 **Q. Has the Company offered an explanation as to why this proposed change to the way
14 KCC regulates Westar is appropriate or necessary?**

15 **A.** No, the Company has offered no compelling justification for such a significant change to the
16 way in which Westar is regulated. Utility companies are charged with the obligation to
17 provide safe and adequate utility service at just and reasonable rates. The regulatory
18 framework is based upon the premise that in return for the right to a monopoly service
19 territory, a utility will take all reasonable measures to provide service at the lowest

¹⁶ Testimony of Mr. Henry, page 9, lines 13-17.

¹⁷ *Id.*, page 9, lines 8-10.

1 reasonable cost. The regulatory framework is also based upon the premise that utility
2 companies have an opportunity to earn an overall rate of return as determined by the
3 regulatory body. This is not a guarantee and it is up to each company to operate efficiently in
4 order to maximize the return for its shareholders under existing rates.

5 Mr. Harrison states on page 3 of his testimony that the proposal will allow more
6 timely review of the Company's operating and financial performance. But the KCC already
7 has processes necessary to review both the financial and operating performance of Westar.
8 Mr. Harrison also states that the Company's proposal will provide an opportunity for
9 customers to share in the benefits of strong financial performance, but clearly this proposal
10 will provide far more benefits to the Company's shareholders than to its ratepayers. Finally,
11 Mr. Harrison states that the proposal will encourage continued improvement in reliability.

12 There is no reason why management, under a traditional regulatory framework,
13 cannot assess and adopt innovative industry practices that would benefit its bottom line while
14 improving reliability. Regulatory lag already provides the Company the opportunity to keep
15 the profit contribution from innovations between rate cases, which can be a period of several
16 years.

17 The Company's proposal is also likely to result in additional work for the KCC and
18 its Staff, while at the same time weakening the KCC's regulatory control. Under Westar's
19 proposal, the Company's earnings and its performance metrics will be subject to annual
20 review. However, at the same time, the KCC and its Staff will be limited as to what action
21 they can take with regard to any specific financial or operational results, since their actions

1 will be largely proscribed based on the formula proposed by Westar.

2 Westar's primary justification for its PBR Plan is largely a "me too" argument, stating
3 that PBR plans are used in other jurisdictions and should therefore be adopted in Kansas.

4
5 **Q. What do you believe is the primary motivation of utility companies that seek PBR
6 incentive plans?**

7 **Q.** The only logical motivation for such proposals is a belief that they will reduce regulatory
8 oversight and provide shareholders with greater earnings opportunities. PBR incentive
9 proposals are generally biased in favor of utility companies and their shareholders.

10
11 **Q. Why do you believe that PBR proposals are biased in favor of utility companies and
12 their shareholders?**

13 **A.** These proposals are biased in favor of utility companies and their shareholders due to the
14 problem of information asymmetry between the utilities and regulators. This asymmetry in
15 information is especially pronounced under the current proposal because the Company
16 proposes significant new regulatory activity that is to take place outside of the regular rate
17 case environment. This is especially burdensome on intervenors who have no regular staff or
18 budget with which to respond to ongoing regulatory review activities that can significantly
19 alter their rates, especially when one considers that this activity will be conducted on an
20 expedited basis. The annual analyses required under the Company's proposal will also be
21 burdensome on the Commission Staff, who will be required to undertake annual earnings

1 reviews. Moreover, in a regulatory proceeding, Staff normally benefits from the involvement
2 of intervenors who propound discovery, identify issues, offer testimony and submit briefs. It
3 is unlikely that intervenors can afford to participate fully in the annual reviews required under
4 the Company's proposal and therefore even more effort will be required for the Staff to
5 perform an analysis of the Company's annual filings.

6 The Company has another informational advantage under the PBR Plan because the
7 Company has a good idea during the year how earnings will compare to the authorized return
8 and can take actions to influence the timing of events and their recognition in financial
9 results. Thus, if actual performance is such that the Company expects to make a rebate to
10 ratepayers under the plan, then the Company may elect to undertake discretionary
11 expenditures or take other actions that will decrease earnings. Even though there is an
12 opportunity to review the Company's financial results each year, the KCC and other parties
13 will always be at an informational disadvantage relative to the Company.

14
15 **Q. What do you recommend?**

16 **A.** I recommend that the Commission deny the Company's request for a service quality
17 incentive mechanism. The Commission should establish the level of service that constitutes
18 safe and adequate service. Electric utilities should be expected to meet these standards.
19 Routinely rewarding or penalizing companies through a formal program for service that is
20 above or below acceptable levels is not appropriate given the monopoly position of Westar
21 and the fact that its ratepayers have no choice but to take service from the Company.

1 The Company's proposal is nothing more than a thinly-veiled attempt to increase its
2 return on equity with the attendant burden being placed on ratepayers. Under the Company's
3 proposal, shareholders would retain all earnings up to 12.5% on equity. Given that the
4 Company's actual cost of equity is 8.75%, the Company's proposal initially results in excess
5 earnings of up to 375 basis points. However, even if the threshold is adjusted to reflect the
6 cost of equity of 8.75% that CURB recommends, the proposed incentive plan should still be
7 rejected for the reasons stated above. Moreover, while the incentive plan would only share
8 over-earnings, and at this time the Company is not proposing to collect any under-earnings, it
9 is possible that the Company's proposal is Step 1 of a two-step process that will eventually
10 seek to recover such amounts from ratepayers.

11 Regulatory agencies should not approve incentive programs that permit electric
12 utilities to consciously trade off additional earnings against adequate service quality. The
13 Commission should have service standards, and electric utilities should be expected to
14 provide service that meets those standards. If a utility does not meet those standards, the
15 Commission can examine the specific reasons for the failure (e.g., extreme weather, poor
16 management, inadequate staffing, etc.) and can take appropriate remedial action, if necessary.
17 The Company should not be permitted to choose quality of service objectives depending
18 upon the financial incentives that result from these actions. Accordingly, I recommend that
19 the KCC reject the Company's proposed PBR Plan.

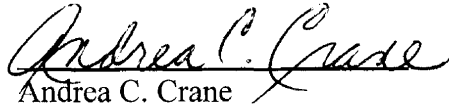
20
21 **Q. Does this complete your testimony?**

- 1 A. Yes, it does.

VERIFICATION

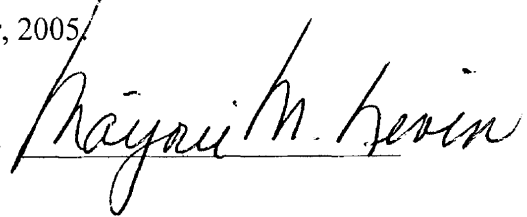
STATE OF CONNECTICUT)
COUNTY OF FAIRFIELD) ss:

Andrea C. Crane, being duly sworn upon her oath, deposes and states that she is a consultant for the Citizens' Utility Ratepayer Board, that she has read and is familiar with the foregoing testimony, and that the statements made herein are true to the best of her knowledge, information and belief.


Andrea C. Crane

Subscribed and sworn before me this 7th day of September, 2005.

Notary Public



My Commission Expires: December 31, 2008

APPENDIX A

List of Prior Testimonies

<u>Company</u>	<u>Utility</u>	<u>State</u>	<u>Docket</u>	<u>Date</u>	<u>Topic</u>	<u>On Behalf Of</u>
Empire Electric District Company	E	Kansas	05-EPDE-980-RTS	8/05	Revenue Requirements Cost of Capital	Citizens' Utility Ratepayer Board
Pawtucket Water Supply Board	W	Rhode Island	3674	7/05	Revenue Requirements	Division of Public Utilities and Carriers
Delmarva Power and Light Company	E	Delaware	04-391	7/05	Standard Offer Service	Division of the Public Advocate
Patriot Media & Communications CNJ, LLC	C	New Jersey	CR04111453-455	6/05	Cable Rates	Division of the Ratepayer Advocate
Cablevision	C	New Jersey	CR04111379, et al.	6/05	Cable Rates	Division of the Ratepayer Advocate
Comcast of Mercer County, LLC	C	New Jersey	CR04111458	6/05	Cable Rates	Division of the Ratepayer Advocate
Comcast of South Jersey, LLC, et al.	C	New Jersey	CR04101356, et al.	5/05	Cable Rates	Division of the Ratepayer Advocate
Comcast of Central New Jersey LLC, et al.	C	New Jersey	CR04101077, et al.	4/05	Cable Rates	Division of the Ratepayer Advocate
Kent County Water Authority	W	Rhode Island	3660	4/05	Revenue Requirements	Division of Public Utilities and Carriers
Aquila, Inc.	G	Kansas	05-AQLG-367-RTS	3/05	Revenue Requirements Cost of Capital Tariff Issues	Citizens' Utility Ratepayer Board
Chesapeake Utilities Corporation	G	Delaware	04-334-F	3/05	Gas Service Rates	Division of the Public Advocate
Delmarva Power and Light Company	G	Delaware	04-301F	3/05	Gas Cost Rates	Division of the Public Advocate
Delaware Electric Cooperative, Inc.	E	Delaware	04-288	12/04	Revenue Requirements Cost of Capital	Division of the Public Advocate
Public Service Company of New Mexico	E	New Mexico	04-00311-UT	11/04	Renewable Energy Plans	Office of the New Mexico Attorney General
Woonsocket Water Division	W	Rhode Island	3626	10/04	Revenue Requirements	Division of Public Utilities and Carriers
Aquila, Inc.	E	Kansas	04-AQLE-1065-RTS	10/04	Revenue Requirements Cost of Capital	Citizens' Utility Ratepayer Board
United Water Delaware, Inc.	W	Delaware	04-121	8/04	Conservation Rates (Affidavit)	Division of the Public Advocate
Atlantic City Electric Company	E	New Jersey	ER03020110 PUC 06061-2003S	8/04	Deferred Balance Phase II	Division of the Ratepayer Advocate
Kentucky American Water Company	W	Kentucky	2004-00103	8/04	Revenue Requirements	Office of Rate Inter- vention of the Attorney General
Shorelands Water Company	W	New Jersey	WR04040295	8/04	Revenue Requirements Cost of Capital	Division of the Ratepayer Advocate
Artesian Water Company	W	Delaware	04-42	8/04	Revenue Requirements Cost of Capital	Division of the Public Advocate
Long Neck Water Company	W	Delaware	04-31	7/04	Cost of Equity	Division of the Public Advocate

<u>Company</u>	<u>Utility</u>	<u>State</u>	<u>Docket</u>	<u>Date</u>	<u>Topic</u>	<u>On Behalf Of</u>
Tidewater Utilities, Inc.	W	Delaware	04-152	7/04	Cost of Capital	Division of the Public Advocate
Cablevision	C	New Jersey	CR03100850, et al.	6/04	Cable Rates	Division of the Ratepayer Advocate
Montague Water and Sewer Companies	W/WW	New Jersey	WR03121034 (W) WR03121035 (S)	5/04	Revenue Requirements	Division of the Ratepayer Advocate
Comcast of South Jersey, Inc.	C	New Jersey	CR03100876,77,79,80	5/04	Form 1240 Cable Rates	Division of the Ratepayer Advocate
Comcast of Central New Jersey, et al.	C	New Jersey	CR03100749-750 CR03100759-762	4/04	Cable Rates	Division of the Ratepayer Advocate
Time Warner	C	New Jersey	CR03100763-764	4/04	Cable Rates	Division of the Ratepayer Advocate
Interstate Navigation Company	N	Rhode Island	3573	3/04	Revenue Requirements	Division of Public Utilities and Carriers
Aqua Pennsylvania, Inc.	W	Pennsylvania	R-00038805	2/04	Revenue Requirements	Pennsylvania Office of Consumer Advocate
Comcast of Jersey City, et al.	C	New Jersey	CR03080598-601	2/04	Cable Rates	Division of the Ratepayer Advocate
Delmarva Power and Light Company	G	Delaware	03-378F	2/04	Fuel Clause	Division of the Public Advocate
Atmos Energy Corp.	G	Kansas	03-ATMG-1036-RTS	11/03	Revenue Requirements	Citizens' Utility Ratepayer Board
Aquila, Inc. (UCU)	G	Kansas	02-UTCG-701-GIG	10/03	Using utility assets as collateral	Citizens' Utility Ratepayer Board
CenturyTel of Northwest Arkansas, LLC	T	Arkansas	03-041-U	10/03	Affiliated Interests	The Arkansas Public Service Commission General Staff
Borough of Butler Electric Utility	E	New Jersey	CR03010049/63	9/03	Revenue Requirements	Division of the Ratepayer Advocate
Comcast Cablevision of Avalon Comcast Cable Communications	C	New Jersey	CR03020131-132	9/03	Cable Rates	Division of the Ratepayer Advocate
Delmarva Power and Light Company d/b/a Conectiv Power Delivery	E	Delaware	03-127	8/03	Revenue Requirements	Division of the Public Advocate
Kansas Gas Service	G	Kansas	03-KGSG-602-RTS	7/03	Revenue Requirements	Citizens' Utility Ratepayer Board
Washington Gas Light Company	G	Maryland	8959	6/03	Cost of Capital Incentive Rate Plan	U.S. DOD/FEA
Pawtucket Water Supply Board	W	Rhode Island	3497	6/03	Revenue Requirements	Division of Public Utilities and Carriers
Atlantic City Electric Company	E	New Jersey	EO03020091	5/03	Stranded Costs	Division of the Ratepayer Advocate
Public Service Company of New Mexico	G	New Mexico	03-000-17 UT	5/03	Cost of Capital Cost Allocations	Office of the New Mexico Attorney General
Comcast - Hopewell, et al.	C	New Jersey	CR02110818 CR02110823-825	5/03	Cable Rates	Division of the Ratepayer Advocate

<u>Company</u>	<u>Utility</u>	<u>State</u>	<u>Docket</u>	<u>Date</u>	<u>Topic</u>	<u>On Behalf Of</u>
Cablevision Systems Corporation	C	New Jersey	CR02110838, 43-50	4/03	Cable Rates	Division of the Ratepayer Advocate
Comcast-Garden State / Northwest	C	New Jersey	CR02100715 CR02100719	4/03	Cable Rates	Division of the Ratepayer Advocate
Midwest Energy, Inc. and Westar Energy, Inc.	E	Kansas	03-MDWE-421-ACQ	4/03	Acquisition	Citizens' Utility Ratepayer Board
Time Warner Cable	C	New Jersey	CR02100722 CR02100723	4/03	Cable Rates	Division of the Ratepayer Advocate
Westar Energy, Inc.	E	Kansas	01-WSRE-949-GIE	3/03	Restructuring Plan	Citizens' Utility Ratepayer Board
Public Service Electric and Gas Company	E	New Jersey	ER02080604 PUC 7983-02	1/03	Deferred Balance	Division of the Ratepayer Advocate
Atlantic City Electric Company d/b/a Conectiv Power Delivery	E	New Jersey	ER02080510 PUC 6917-02S	1/03	Deferred Balance	Division of the Ratepayer Advocate
Wallkill Sewer Company	WW	New Jersey	WR02030193 WR02030194	12/02	Revenue Requirements Purchased Sewage Treatment Adj. (PSTAC)	Division of the Ratepayer Advocate
Midwest Energy, Inc.	E	Kansas	03-MDWE-001-RTS	12/02	Revenue Requirements	Citizens' Utility Ratepayer Board
Comcast-LBI Crestwood	C	New Jersey	CR02050272 CR02050270	11/02	Cable Rates	Division of the Ratepayer Advocate
Reliant Energy Arkla	G	Oklahoma	PUD200200166	10/02	Affiliated Interest Transactions	Oklahoma Corporation Commission, Public Utility Division Staff
Midwest Energy, Inc.	G	Kansas	02-MDWG-922-RTS	10/02	Gas Rates	Citizens' Utility Ratepayer Board
Comcast Cablevision of Avalon	C	New Jersey	CR02030134 CR02030137	7/02	Cable Rates	Division of the Ratepayer Advocate
RCN Telecom Services, Inc., and Home Link Communications	C	New Jersey	CR02010044, CR02010047	7/02	Cable Rates	Division of the Ratepayer Advocate
Washington Gas Light Company	G	Maryland	8920	7/02	Rate of Return Rate Design (Rebuttal)	General Services Administration (GSA)
Chesapeake Utilities Corporation	G	Delaware	01-307, Phase II	7/02	Rate Design Tariff Issues	Division of the Public Advocate
Washington Gas Light Company	G	Maryland	8920	6/02	Rate of Return Rate Design	General Services Administration (GSA)
Tidewater Utilities, Inc.	W	Delaware	02-28	6/02	Revenue Requirements	Division of the Public Advocate
Western Resources, Inc.	E	Kansas	01-WSRE-949-GIE	5/02	Financial Plan	Citizens' Utility Ratepayer Board
Empire District Electric Company	E	Kansas	02-EPDE-488-RTS	5/02	Revenue Requirements	Citizens' Utility Ratepayer Board
Southwestern Public Service Company	E	New Mexico	3709	4/02	Fuel Costs	Office of the New Mexico Attorney General
Cablevision Systems	C	New Jersey	CR01110706, et al	4/02	Cable Rates	Division of the Ratepayer Advocate

<u>Company</u>	<u>Utility</u>	<u>State</u>	<u>Docket</u>	<u>Date</u>	<u>Topic</u>	<u>On Behalf Of</u>
Potomac Electric Power Company	E	District of Columbia	945, Phase II	4/02	Divestiture Procedures	General Services Administration (GSA)
Vermont Yankee Nuclear Power Corp.	E	Vermont	6545	3/02	Sale of VY to Entergy Corp. (Supplemental)	Department of Public Service
Delmarva Power and Light Company	G	Delaware	01-348F	1/02	Gas Cost Adjustment	Division of the Public Advocate
Vermont Yankee Nuclear Power Corp.	E	Vermont	6545	1/02	Sale of VY to Entergy Corp.	Department of Public Service
Pawtucket Water Supply Company	W	Rhode Island	3378	12/01	Revenue Requirements	Division of Public Utilities and Carriers
Chesapeake Utilities Corporation	G	Delaware	01-307, Phase I	12/01	Revenue Requirements	Division of the Public Advocate
Potomac Electric Power Company	E	Maryland	8796	12/01	Divestiture Procedures	General Services Administration (GSA)
Kansas Electric Power Cooperative	E	Kansas	01-KEPE-1106-RTS	11/01	Depreciation Methodology (Cross Answering)	Citizens' Utility Ratepayer Board
Wellsboro Electric Company	E	Pennsylvania	R-00016356	11/01	Revenue Requirements	Office of Consumer Advocate
Kent County Water Authority	W	Rhode Island	3311	10/01	Revenue Requirements (Surrebuttal)	Division of Public Utilities and Carriers
Pepco and New RC, Inc.	E	District of Columbia	1002	10/01	Merger Issues and Performance Standards	General Services Administration (GSA)
Potomac Electric Power Co. & Delmarva Power	E	Delaware	01-194	10/01	Merger Issues and Performance Standards	Division of the Public Advocate
Yankee Gas Company	G	Connecticut	01-05-19PH01	9/01	Affiliated Transactions	Office of Consumer Counsel
Hope Gas, Inc., d/b/a Dominion Hope	G	West Virginia	01-0330-G-42T 01-0331-G-30C 01-1842-GT-T 01-0685-G-PC	9/01	Revenue Requirements (Rebuttal)	The Consumer Advocate Division of the PSC
Pennsylvania-American Water Company	W	Pennsylvania	R-00016339	9/01	Revenue Requirements (Surrebuttal)	Office of Consumer Advocate
Potomac Electric Power Co. & Delmarva Power	E	Maryland	8890	9/01	Merger Issues and Performance Standards	General Services Administration (GSA)
Comcast Cablevision of Long Beach Island, et al	C	New Jersey	CR01030149-50 CR01050285	9/01	Cable Rates	Division of the Ratepayer Advocate
Kent County Water Authority	W	Rhode Island	3311	8/01	Revenue Requirements	Division of Public Utilities and Carriers
Pennsylvania-American Water Company	W	Pennsylvania	R-00016339	8/01	Revenue Requirements	Office of Consumer Advocate
Roxiticus Water Company	W	New Jersey	WR01030194	8/01	Revenue Requirements Cost of Capital Rate Design	Division of the Ratepayer Advocate
Hope Gas, Inc., d/b/a Dominion Hope	G	West Virginia	01-0330-G-42T 01-0331-G-30C 01-1842-GT-T 01-0685-G-PC	8/01	Revenue Requirements	Consumer Advocate Division of the PSC

<u>Company</u>	<u>Utility</u>	<u>State</u>	<u>Docket</u>	<u>Date</u>	<u>Topic</u>	<u>On Behalf Of</u>
Western Resources, Inc.	E	Kansas	01-WSRE-949-GIE	6/01	Restructuring Financial Integrity (Rebuttal)	Citizens' Utility Ratepayer Board
Western Resources, Inc.	E	Kansas	01-WSRE-949-GIE	6/01	Restructuring Financial Integrity	Citizens' Utility Ratepayer Board
Cablevision of Allamuchy, et al	C	New Jersey	CR00100824, etc.	4/01	Cable Rates	Division of the Ratepayer Advocate
Public Service Company of New Mexico	E	New Mexico	3137, Holding Co.	4/01	Holding Company	Office of the Attorney General
Keauhou Community Services, Inc.	W	Hawaii	00-0094	4/01	Rate Design	Division of Consumer Advocacy
Western Resources, Inc.	E	Kansas	01-WSRE-436-RTS	4/01	Revenue Requirements Affiliated Interests (Motion for Suppl. Changes)	Citizens' Utility Ratepayer Board
Western Resources, Inc.	E	Kansas	01-WSRE-436-RTS	4/01	Revenue Requirements Affiliated Interests	Citizens' Utility Ratepayer Board
Public Service Company of New Mexico	E	New Mexico	3137, Part III	4/01	Standard Offer Service (Additional Direct)	Office of the Attorney General
Chem-Nuclear Systems, LLC	SW	South Carolina	2000-366-A	03/01	Allowable Costs	Department of Consumer Affairs
Southern Connecticut Gas Company	G	Connecticut	00-12-08	3/01	Affiliated Interest Transactions	Office of Consumer Counsel
Atlantic City Sewerage Corporation	S	New Jersey	WR00080575	3/01	Revenue Requirements Cost of Capital Rate Design	Division of the Ratepayer Advocate
Delmarva Power and Light Company d/b/a Conectiv Power Delivery	G	Delaware	00-314	3/01	Margin Sharing	Division of the Public Advocate
Senate Bill 190 Re: Performance Based Ratemaking	G	Kansas	Senate Bill 190	2/01	Performance-Based Ratemaking Mechanisms	Citizens' Utility Ratepayer Board
Delmarva Power and Light Company	G	Delaware	00-463-F	2/01	Gas Cost Rates	Division of the Public Advocate
Waitsfield Fayston Telephone Company	T	Vermont	6417	12/00	Revenue Requirements	Department of Public Service
Delaware Electric Cooperative	E	Delaware	00-365	11/00	Code of Conduct Cost Allocation Manual	Division of the Public Advocate
Commission Inquiry into Performance-Based Ratemaking	G	Kansas	00-GIMG-425-GIG	10/00	Performance-Based Ratemaking Mechanisms	Citizens' Utility Ratepayer Board
Pawtucket Water Supply Board	W	Rhode Island	3164 Separation Plan	10/00	Revenue Requirements	Division of Public Utilities and Carriers
Comcast Cablevision of Philadelphia, L.P.	C	Pennsylvania	3756	10/00	Late Payment Fees (Affidavit)	Kaufman, Lankelis, et al.
Public Service Company of New Mexico	E	New Mexico	3137, Part III	9/00	Standard Offer Service	Office of the Attorney General
Laie Water Company	W	Hawaii	00-0017 Separation Plan	8/00	Rate Design	Division of Consumer Advocacy
El Paso Electric Company	E	New Mexico	3170, Part II, Ph. 1	7/00	Electric Restructuring	Office of the Attorney General

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Public Service Company of New Mexico	E	New Mexico	3137 - Part II Separation Plan	7/00	Electric Restructuring	Office of the Attorney General
PG Energy	G	Pennsylvania	R-00005119	6/00	Revenue Requirements	Office of Consumer Advocate
Consolidated Edison, Inc. and Northeast Utilities	E/G	Connecticut	00-01-11	4/00	Merger Issues (Additional Supplemental)	Office of Consumer Counsel
Sussex Shores Water Company	W	Delaware	99-576	4/00	Revenue Requirements	Division of the Public Advocate
Utilicorp United, Inc.	G	Kansas	00-UTCG-336-RTS	4/00	Revenue Requirements	Citizens' Utility Ratepayer Board
TCI Cablevision	C	Missouri	9972-9146	4/00	Late Fees (Affidavit)	Honora Eppert, et al
Oklahoma Natural Gas Company	G	Oklahoma	PUD 990000166 PUD 980000683 PUD 990000570	3/00	Pro Forma Revenue Affiliated Transactions (Rebuttal)	Oklahoma Corporation Commission, Public Utility Division Staff
Tidewater Utilities, Inc. Public Water Supply Co.	W	Delaware	99-466	3/00	Revenue Requirements	Division of the Public Advocate
Delmarva Power and Light Company	G/E	Delaware	99-582	3/00	Cost Accounting Manual Code of Conduct	Division of the Public Advocate
Philadelphia Suburban Water Company	W	Pennsylvania	R-00994868 R-00994877 R-00994878 R-00994879	3/00	Revenue Requirements (Surrebuttal)	Office of Consumer Advocate
Philadelphia Suburban Water Company	W	Pennsylvania	R-00994868 R-00994877 R-00994878 R-00994879	2/00	Revenue Requirements	Office of Consumer Advocate
Consolidated Edison, Inc. and Northeast Utilities	E/G	Connecticut	00-01-11	2/00	Merger Issues	Office of Consumer Counsel
Oklahoma Natural Gas Company	G	Oklahoma	PUD 990000166 PUD 980000683 PUD 990000570	1/00	Pro Forma Revenue Affiliated Transactions	Oklahoma Corporation Commission, Public Utility Division Staff
Connecticut Natural Gas Company	G	Connecticut	99-09-03	1/00	Affiliated Transactions	Office of Consumer Counsel
Time Warner Entertainment Company, L.P.	C	Indiana	48D06-9803-CP-423	1999	Late Fees (Affidavit)	Kelly J. Whiteman, et al
TCI Communications, Inc., et al	C	Indiana	55D01-9709-CP-00415	1999	Late Fees (Affidavit)	Franklin E. Littell, et al
Southwestern Public Service Company	E	New Mexico	3116	12/99	Merger Approval	Office of the Attorney General
New England Electric System Eastern Utility Associates	E	Rhode Island	2930	11/99	Merger Policy	Department of Attorney General
Delaware Electric Cooperative	E	Delaware	99-457	11/99	Electric Restructuring	Division of the Public Advocate
Jones Intercable, Inc.	C	Maryland	CAL98-00283	10/99	Cable Rates (Affidavit)	Cynthia Maisonette and Ola Renee Chatman, et al

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Texas-New Mexico Power Company	E	New Mexico	3103	10/99	Acquisition Issues	Office of Attorney General
Southern Connecticut Gas Company	G	Connecticut	99-04-18	9/99	Affiliated Interest	Office of Consumer Counsel
TCI Cable Company	C	New Jersey	CR99020079 et al	9/99	Cable Rates Forms 1240/1205	Division of the Ratepayer Advocate
All Regulated Companies	E/G/W	Delaware	Reg. No. 4	8/99	Filing Requirements (Position Statement)	Division of the Public Advocate
Mile High Cable Partners	C	Colorado	95-CV-5195	7/99	Cable Rates (Affidavit)	Brett Marshall, an individual, et al
Electric Restructuring Comments	E	Delaware	Reg. 49	7/99	Regulatory Policy (Supplemental)	Division of the Public Advocate
Long Neck Water Company	W	Delaware	99-31	6/99	Revenue Requirements	Division of the Public Advocate
Delmarva Power and Light Company	E	Delaware	99-163	6/99	Electric Restructuring	Division of the Public Advocate
Potomac Electric Power Company	E	District of Columbia	945	6/99	Divestiture of Generation Assets	U.S. GSA - Public Utilities
Comcast	C	Indiana	49C01-9802-CP-000386	6/99	Late Fees (Affidavit)	Ken Hecht, et al
Petitions of BA-NJ and NJPA re: Payphone Ops	T	New Jersey	TO97100792 PUCOT 11269-97N	6/99	Economic Subsidy Issues (Surrebuttal)	Division of the Ratepayer Advocate
Montague Water and Sewer Companies	W/WW	New Jersey	WR98101161 WR98101162 PUCRS 11514-98N	5/99	Revenue Requirements Rate Design (Supplemental)	Division of the Ratepayer Advocate
Cablevision of Bergen, Bayonne, Newark	C	New Jersey	CR98111197-199 CR98111190	5/99	Cable Rates Forms 1240/1205	Division of the Ratepayer Advocate
Cablevision of Bergen, Hudson, Monmouth	C	New Jersey	CR97090624-626 CTV 1697-98N	5/99	Cable Rates - Form 1235 (Rebuttal)	Division of the Ratepayer Advocate
Kent County Water Authority	W	Rhode Island	2860	4/99	Revenue Requirements	Division of Public Utilities & Carriers
Montague Water and Sewer Companies	W/WW	New Jersey	WR98101161 WR98101162	4/99	Revenue Requirements Rate Design	Division of the Ratepayer Advocate
PEPCO	E	District of Columbia	945	4/99	Divestiture of Assets	U.S. GSA - Public Utilities
Western Resources, Inc. and Kansas City Power & Light	E	Kansas	97-WSRE-676-MER	4/99	Merger Approval (Surrebuttal)	Citizens' Utility Ratepayer Board
Delmarva Power and Light Company	E	Delaware	98-479F	3/99	Fuel Costs	Division of the Public Advocate
Lenfest Atlantic d/b/a Suburban Cable	C	New Jersey	CR97070479 et al	3/99	Cable Rates	Division of the Ratepayer Advocate
Electric Restructuring Comments	E	District of Columbia	945	3/99	Regulatory Policy	U.S. GSA - Public Utilities

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Petitions of BA-NJ and NJPA re: Payphone Ops	T	New Jersey	TO97100792 PUCOT 11269-97N	3/99	Tariff Revision Payphone Subsidies FCC Services Test (Rebuttal)	Division of the Ratepayer Advocate
Western Resources, Inc. and Kansas City Power & Light	E	Kansas	97-WSRE-676-MER	3/99	Merger Approval (Answering)	Citizens' Utility Ratepayer Board
Western Resources, Inc. and Kansas City Power & Light	E	Kansas	97-WSRE-676-MER	2/99	Merger Approval	Citizens' Utility Ratepayer Board
Adelphia Cable Communications	C	Vermont	6117-6119	1/99	Late Fees (Additional Direct Supplemental)	Department of Public Service
Adelphia Cable Communications	C	Vermont	6117-6119	12/98	Cable Rates (Forms 1240, 1205, 1235) and Late Fees (Direct Supplemental)	Department of Public Service
Adelphia Cable Communications	C	Vermont	6117-6119	12/98	Cable Rates (Forms 1240, 1205, 1235) and Late Fees	Department of Public Service
Orange and Rockland/ Consolidated Edison	E	New Jersey	EM98070433	11/98	Merger Approval	Division of the Ratepayer Advocate
Cablevision	C	New Jersey	CR97090624 CR97090625 CR97090626	11/98	Cable Rates - Form 1235	Division of the Ratepayer Advocate
Petitions of BA-NJ and NJPA re: Payphone Ops.	T	New Jersey	TO97100792 PUCOT 11269-97N	10/98	Payphone Subsidies FCC New Services Test	Division of the Ratepayer Advocate
United Water Delaware	W	Delaware	Docket No. 98-98	8/98	Revenue Requirements	Division of the Public Advocate
Cablevision	C	New Jersey	CR97100719, 726 730, 732	8/98	Cable Rates (Oral Testimony)	Division of the Ratepayer Advocate
Potomac Electric Power Company	E	Maryland	Case No. 8791	8/98	Revenue Requirements Rate Design	U.S. GSA - Public Utilities
Investigation of BA-NJ IntraLATA Calling Plans	T	New Jersey	TO97100808 PUCOT 11326-97N	8/98	Anti-Competitive Practices (Rebuttal)	Division of the Ratepayer Advocate
Investigation of BA-NJ IntraLATA Calling Plans	T	New Jersey	TO97100808 PUCOT 11326-97N	7/98	Anti-Competitive Practices	Division of the Ratepayer Advocate
TCI Cable Company/ Cablevision	C	New Jersey	CTV 03264-03268 and CTV 05061	7/98	Cable Rates	Division of the Ratepayer Advocate
Mount Holly Water Company	W	New Jersey	WR98020058 PUC 03131-98N	7/98	Revenue Requirements	Division of the Ratepayer Advocate
Pawtucket Water Supply Board	W	Rhode Island	2674	5/98	Revenue Requirements (Surrebuttal)	Division of Public Utilities & Carriers
Pawtucket Water Supply Board	W	Rhode Island	2674	4/98	Revenue Requirements	Division of Public Utilities and Carriers
Energy Master Plan Phase II Proceeding - Restructuring	E	New Jersey	EX94120585U, EO97070457,60,63,66	4/98	Electric Restructuring Issues (Supplemental Surrebuttal)	Division of the Ratepayer Advocate
Energy Master Plan Phase I Proceeding - Restructuring	E	New Jersey	EX94120585U, EO97070457,60,63,66	3/98	Electric Restructuring Issues	Division of the Ratepayer Advocate

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Shorelands Water Company	W	New Jersey	WR97110835 PUC 11324-97	2/98	Revenue Requirements	Division of the Ratepayer Advocate
TCI Communications, Inc.	C	New Jersey	CR97030141 and others	11/97	Cable Rates (Oral Testimony)	Division of the Ratepayer Advocate
Citizens Telephone Co. of Kecksburg	T	Pennsylvania	R-00971229	11/97	Alternative Regulation Network Modernization	Office of Consumer Advocate
Consumers Pennsylvania Water Co. - Shenango Valley Division	W	Pennsylvania	R-00973972	10/97	Revenue Requirements (Surrebuttal)	Office of Consumer Advocate
Universal Service Funding	T	New Jersey	TX95120631	10/97	Schools and Libraries Funding (Rebuttal)	Division of the Ratepayer Advocate
Universal Service Funding	T	New Jersey	TX95120631	9/97	Low Income Fund High Cost Fund	Division of the Ratepayer Advocate
Consumers Pennsylvania Water Co. - Shenango Valley Division	W	Pennsylvania	R-00973972	9/97	Revenue Requirements	Office of Consumer Advocate
Delmarva Power and Light Company	G/E	Delaware	97-65	9/97	Cost Accounting Manual Code of Conduct	Office of the Public Advocate
Western Resources, Oneok, and WAI	G	Kansas	WSRG-486-MER	9/97	Transfer of Gas Assets	Citizens' Utility Ratepayer Board
Universal Service Funding	T	New Jersey	TX95120631	9/97	Schools and Libraries Funding (Rebuttal)	Division of the Ratepayer Advocate
Universal Service Funding	T	New Jersey	TX95120631	8/97	Schools and Libraries Funding	Division of the Ratepayer Advocate
Kent County Water Authority	W	Rhode Island	2555	8/97	Revenue Requirements (Surrebuttal)	Division of Public Utilities and Carriers
Ironton Telephone Company	T	Pennsylvania	R-00971182	8/97	Alternative Regulation Network Modernization (Surrebuttal)	Office of Consumer Advocate
Ironton Telephone Company	T	Pennsylvania	R-00971182	7/97	Alternative Regulation Network Modernization	Office of Consumer Advocate
Comcast Cablevision	C	New Jersey	Various	7/97	Cable Rates (Oral Testimony)	Division of the Ratepayer Advocate
Maxim Sewerage Corporation	WW	New Jersey	WR97010052 PUCRA 3154-97N	7/97	Revenue Requirements	Division of the Ratepayer Advocate
Kent County Water Authority	W	Rhode Island	2555	6/97	Revenue Requirements	Division of Public Utilities and Carriers
Consumers Pennsylvania Water Co. - Roaring Creek	W	Pennsylvania	R-00973869	6/97	Revenue Requirements (Surrebuttal)	Office of Consumer Advocate
Consumers Pennsylvania Water Co. - Roaring Creek	W	Pennsylvania	R-00973869	5/97	Revenue Requirements	Office of Consumer Advocate
Delmarva Power and Light Company	E	Delaware	97-58	5/97	Merger Policy	Office of the Public Advocate
Middlesex Water Company	W	New Jersey	WR96110818 PUCRL 11663-96N	4/97	Revenue Requirements	Division of the Ratepayer Advocate
Maxim Sewerage Corporation	WW	New Jersey	WR96080628 PUCRA 09374-96N	3/97	Purchased Sewerage Adjustment	Division of the Ratepayer Advocate

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Interstate Navigation Company	N	Rhode Island	2484	3/97	Revenue Requirements Cost of Capital (Surrebuttal)	Division of Public Utilities & Carriers
Interstate Navigation Company	N	Rhode Island	2484	2/97	Revenue Requirements Cost of Capital	Division of Public Utilities & Carriers
Electric Restructuring Comments	E	District of Columbia	945	1/97	Regulatory Policy	U.S. GSA - Public Utilities
United Water Delaware	W	Delaware	96-194	1/97	Revenue Requirements	Office of the Public Advocate
PEPCO/ BGE/ Merger Application	E/G	District of Columbia	951	10/96	Regulatory Policy Cost of Capital (Rebuttal)	GSA
Western Resources, Inc.	E	Kansas	193,306-U 193,307-U	10/96	Revenue Requirements Cost of Capital (Supplemental)	Citizens' Utility Ratepayer Board
PEPCO and BGE Merger Application	E/G	District of Columbia	951	9/96	Regulatory Policy, Cost of Capital	U.S. GSA - Public Utilities
Utilicorp United, Inc.	G	Kansas	193,787-U	8/96	Revenue Requirements	Citizens' Utility Ratepayer Board
TKR Cable Company of Gloucester	C	New Jersey	CTV07030-95N	7/96	Cable Rates (Oral Testimony)	Division of the Ratepayer Advocate
TKR Cable Company of Warwick	C	New Jersey	CTV057537-95N	7/96	Cable Rates (Oral Testimony)	Division of the Ratepayer Advocate
Delmarva Power and Light Company	E	Delaware	95-196F	5/96	Fuel Cost Recovery	Office of the Public Advocate
Western Resources, Inc.	E	Kansas	193,306-U 193,307-U	5/96	Revenue Requirements Cost of Capital	Citizens' Utility Ratepayer Board
Princeville Utilities Company, Inc.	W/WW	Hawaii	95-0172 95-0168	1/96	Revenue Requirements Rate Design	Princeville at Hanalei Community Association
Western Resources, Inc.	G	Kansas	193,305-U	1/96	Revenue Requirements Cost of Capital	Citizens' Utility Ratepayer Board
Environmental Disposal Corporation	WW	New Jersey	WR94070319 (Remand Hearing)	11/95	Revenue Requirements Rate Design (Supplemental)	Division of the Ratepayer Advocate
Environmental Disposal Corporation	WW	New Jersey	WR94070319 (Remand Hearing)	11/95	Revenue Requirements	Division of the Ratepayer Advocate
Lanai Water Company	W	Hawaii	94-0366	10/95	Revenue Requirements Rate Design	Division of Consumer Advocacy
Cablevision of New Jersey, Inc.	C	New Jersey	CTV01382-95N	8/95	Basic Service Rates (Oral Testimony)	Division of the Ratepayer Advocate
Cablevision of New Jersey, Inc.	C	New Jersey	CTV01381-95N	8/95	Basic Service Rates (Oral Testimony)	Division of the Ratepayer Advocate
Chesapeake Utilities Corporation	G	Delaware	95-73	7/95	Revenue Requirements	Office of the Public Advocate
East Honolulu Community Services, Inc.	WW	Hawaii	7718	6/95	Revenue Requirements	Division of Consumer Advocacy

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Wilmington Suburban Water Corporation	W	Delaware	94-149	3/95	Revenue Requirements	Office of the Public Advocate
Environmental Disposal Corporation	WW	New Jersey	WR94070319	1/95	Revenue Requirements (Supplemental)	Division of the Ratepayer Advocate
Roaring Creek Water Company	W	Pennsylvania	R-00943177	1/95	Revenue Requirements (Surrebuttal)	Office of Consumer Advocate
Roaring Creek Water Company	W	Pennsylvania	R-00943177	12/94	Revenue Requirements	Office of Consumer Advocate
Environmental Disposal Corporation	WW	New Jersey	WR94070319	12/94	Revenue Requirements	Division of the Ratepayer Advocate
Delmarva Power and Light Company	E	Delaware	94-84	11/94	Revenue Requirements	Office of the Public Advocate
Delmarva Power and Light Company	G	Delaware	94-22	8/94	Revenue Requirements	Office of the Public Advocate
Empire District Electric Company	E	Kansas	190,360-U	8/94	Revenue Requirements	Citizens' Utility Ratepayer Board
Morris County Municipal Utility Authority	SW	New Jersey	MM10930027 ESW 1426-94	6/94	Revenue Requirements	Rate Counsel
US West Communications	T	Arizona	E-1051-93-183	5/94	Revenue Requirements (Surrebuttal)	Residential Utility Consumer Office
Pawtucket Water Supply Board	W	Rhode Island	2158	5/94	Revenue Requirements (Surrebuttal)	Division of Public Utilities & Carriers
US West Communications	T	Arizona	E-1051-93-183	3/94	Revenue Requirements	Residential Utility Consumer Office
Pawtucket Water Supply Board	W	Rhode Island	2158	3/94	Revenue Requirements	Division of Public Utilities & Carriers
Pollution Control Financing Authority of Camden County	SW	New Jersey	SR91111718J	2/94	Revenue Requirements (Supplemental)	Rate Counsel
Roaring Creek Water Company	W	Pennsylvania	R-00932665	9/93	Revenue Requirements (Supplemental)	Office of Consumer Advocate
Roaring Creek Water Company	W	Pennsylvania	R-00932665	9/93	Revenue Requirements	Office of Consumer Advocate
Kent County Water Authority	W	Rhode Island	2098	8/93	Revenue Requirements (Surrebuttal)	Division of Public Utilities and Carriers
Wilmington Suburban Water Company	W	Delaware	93-28	7/93	Revenue Requirements	Office of Public Advocate
Kent County Water Authority	W	Rhode Island	2098	7/93	Revenue Requirements	Division of Public Utilities & Carriers
Camden County Energy Recovery Associates, Inc.	SW	New Jersey	SR91111718J ESW1263-92	4/93	Revenue Requirements	Rate Counsel
Pollution Control Financing Authority of Camden County	SW	New Jersey	SR91111718J ESW 1263-92	4/93	Revenue Requirements	Rate Counsel
Jamaica Water Supply Company	W	New York	92-W-0583	3/93	Revenue Requirements	County of Nassau Town of Hempstead
New Jersey-American Water Company	W/WWW	New Jersey	WR92090908J PUC 7266-92S	2/93	Revenue Requirements	Rate Counsel

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Passaic County Utilities Authority	SW	New Jersey	SR91121816J ESW0671-92N	9/92	Revenue Requirements	Rate Counsel
East Honolulu Community Services, Inc.	VWV	Hawaii	7064	8/92	Revenue Requirements	Division of Consumer Advocacy
The Jersey Central Power and Light Company	E	New Jersey	PUC00661-92 ER91121820J	7/92	Revenue Requirements	Rate Counsel
Mercer County Improvement Authority	SW	New Jersey	EWS11261-91S SR91111682J	5/92	Revenue Requirements	Rate Counsel
Garden State Water Company	W	New Jersey	WR9109-1483 PUC 09118-91S	2/92	Revenue Requirements	Rate Counsel
Elizabethtown Water Company	W	New Jersey	WR9108-1293J PUC 08057-91N	1/92	Revenue Requirements	Rate Counsel
New-Jersey American Water Company	W/VWV	New Jersey	WR9108-1399J PUC 8246-91	12/91	Revenue Requirements	Rate Counsel
Pennsylvania-American Water Company	W	Pennsylvania	R-911909	10/91	Revenue Requirements	Office of Consumer Advocate
Mercer County Improvement Authority	SW	New Jersey	SR9004-0264J PUC 3389-90	10/90	Revenue Requirements	Rate Counsel
Kent County Water Authority	W	Rhode Island	1952	8/90	Revenue Requirements Regulatory Policy (Surrebuttal)	Division of Public Utilities & Carriers
New York Telephone	T	New York	90-C-0191	7/90	Revenue Requirements Affiliated Interests (Supplemental)	NY State Consumer Protection Board
New York Telephone	T	New York	90-C-0191	7/90	Revenue Requirements Affiliated Interests	NY State Consumer Protection Board
Kent County Water Authority	W	Rhode Island	1952	6/90	Revenue Requirements Regulatory Policy	Division of Public Utilities & Carriers
Ellesor Transfer Station	SW	New Jersey	SO8712-1407 PUC 1768-88	11/89	Regulatory Policy	Rate Counsel
Interstate Navigation Co.	N	Rhode Island	D-89-7	8/89	Revenue Requirements Regulatory Policy	Division of Public Utilities & Carriers
Automated Modular Systems, Inc.	SW	New Jersey	PUC1769-88	5/89	Revenue Requirements Schedules	Rate Counsel
SNET Cellular, Inc.	T	Connecticut	-	2/89	Regulatory Policy	First Selectman Town of Redding