

Layout HOPE RATE hope information  
 Cost Center 700102... CHAIRMAN OF BOARD...  
 Report currency USD US Dollar

Cost Elem.	Cost element name	Postg Date	Per	Val.in RC	Cost Ctr	Vendor Name	CO object name	Aux.coct assignm...	Document Header Text	DocTyp
5308090	Other Dues&Membershp	05/31/2004	5	116.00	703233		LEGAL SERVICES EXEC			AB
5308090	Other Dues&Membershp	05/31/2004	5	268.75	703274		EXEC - DELIVERY			AB
5308090	Other Dues&Membershp	05/31/2004	5	374.44	704004		FIN EXEC DELIVERY			AB
*			5	53,598.39						
5308090	Other Dues&Membershp	05/15/2004	6	200.00	700102	TWENTY FIVE YEAR CLUB OF THE	CHAIRMAN OF BOARD		2004 membership dues	KN
5308090	Other Dues&Membershp	06/28/2004	6	200.00	700102		CHAIRMAN OF BOARD		to charge a billing proje	SA
5308090	Other Dues&Membershp	06/28/2004	6	200.00	700102		CHAIRMAN OF BOARD	WBS EXEC.ALLOC1	to charge a billing proje	SA
5308090	Other Dues&Membershp	06/30/2004	6	327.00	700142		FIN ANAL & PLAN-EXEC			AB
5308090	Other Dues&Membershp	06/30/2004	6	50.00	700205		GAS DISTR EXEC			AB
5308090	Other Dues&Membershp	06/30/2004	6	289.00	700228		DRS RETAIL EXEC			AB
5308090	Other Dues&Membershp	06/29/2004	6	59.95	700577		EXTERNAL AFFAIR EXEC			PD
5308090	Other Dues&Membershp	06/29/2004	6	23.45	700577		EXTERNAL AFFAIR EXEC			PD
5308090	Other Dues&Membershp	06/30/2004	6	232.00	700832		TREASURY EXECUTIVE	WBS EXEC.ALLOC1		AB
5308090	Other Dues&Membershp	06/30/2004	6	2.59	703233		LEGAL SERVICES EXEC	WBS EXEC.ALLOC1		AB
5308090	Other Dues&Membershp	06/30/2004	6	324.76	703274		EXEC - DELIVERY			AB
5308090	Other Dues&Membershp	06/30/2004	6	279.25	704004		FIN EXEC DELIVERY			AB
*			6	1,787.99						
5308090	Other Dues&Membershp	07/31/2004	7	66.00	700142		FIN ANAL & PLAN-EXEC			AB
5308090	Other Dues&Membershp	07/31/2004	7	50.00	700205		GAS DISTR EXEC			AB
5308090	Other Dues&Membershp	07/31/2004	7	289.00	700228		DRS RETAIL EXEC			AB
5308090	Other Dues&Membershp	07/15/2004	7	40,901.00	700577	GREATER RICHMOND	EXTERNAL AFFAIR EXEC	WBS EXTAPFRS.ALLOC6	SERVICE	KN
5308090	Other Dues&Membershp	07/26/2004	7	40,901.00	700577		EXTERNAL AFFAIR EXEC	WBS EXTAPFRS.ALLOC6	to correct billing projec	SA
5308090	Other Dues&Membershp	07/26/2004	7	40,901.00	700577		EXTERNAL AFFAIR EXEC	WBS EXEC.ALLOC5	to correct billing projec	SA
5308090	Other Dues&Membershp	07/21/2004	7	4,000.00	700806	CONFERENCE BOARD INC	HR EXECUTIVE		HR Advisory Council	KN
5308090	Other Dues&Membershp	07/28/2004	7	4,000.00	700806		HR EXECUTIVE		to charge a billing proje	SA
5308090	Other Dues&Membershp	07/28/2004	7	4,000.00	700806		HR EXECUTIVE	WBS HR.ALLOC1	to charge a billing proje	SA
5308090	Other Dues&Membershp	07/31/2004	7	116.00	700832		TREASURY EXECUTIVE			AB
5308090	Other Dues&Membershp	07/29/2004	7	50.00	702044		SHARED SERVICES EXEC			PD
5308090	Other Dues&Membershp	07/31/2004	7	116.00	703233		LEGAL SERVICES EXEC	WBS EXEC.ALLOC1		AB
5308090	Other Dues&Membershp	07/31/2004	7	342.26	703274		EXEC - DELIVERY			AB
5308090	Other Dues&Membershp	07/13/2004	7	250.00	704002	VIRGINIA COMMONWEALTH OF	Regulation Exec		Bar dues	KN
5308090	Other Dues&Membershp	07/31/2004	7	187.22	704004		FIN EXEC DELIVERY			AB
*			7	46,367.48						
5308090	Other Dues&Membershp	08/31/2004	8	192.20	700142		FIN ANAL & PLAN-EXEC		PF0000003303	AB
5308090	Other Dues&Membershp	08/31/2004	8	64.19	700205		GAS DISTR EXEC		PF0000003303	AB
5308090	Other Dues&Membershp	08/31/2004	8	289.00	700228		DRS RETAIL EXEC		PF0000003303	AB
5308090	Other Dues&Membershp	08/31/2004	8	370.00	700460		AUDIT SVCS EXEC		PF0000003303	AB
5308090	Other Dues&Membershp	08/09/2004	8	1,074.00	700577	ELSEVIER SCIENCE INC	EXTERNAL AFFAIR EXEC		subscription	KN
5308090	Other Dues&Membershp	08/11/2004	8	325.00	700577	CAPITOL HILL CLUB THE	EXTERNAL AFFAIR EXEC		annual dues billing	KN
5308090	Other Dues&Membershp	08/24/2004	8	597.00	700577	IO ENERGY LLC	EXTERNAL AFFAIR EXEC	WBS EXEC.ALLOC1	UTILITIES	KN
5308090	Other Dues&Membershp	08/30/2004	8	119.97	700577		EXTERNAL AFFAIR EXEC			PD
5308090	Other Dues&Membershp	08/30/2004	8	59.95	700577		EXTERNAL AFFAIR EXEC			PD
5308090	Other Dues&Membershp	08/31/2004	8	252.00	700806		HR EXECUTIVE		PF0000003303	AB
5308090	Other Dues&Membershp	08/31/2004	8	342.25	703274		EXEC - DELIVERY		PF0000003303	AB
*			8	3,685.56						
5308090	Other Dues&Membershp	09/30/2004	9	228.38	700102		CHAIRMAN OF BOARD		PF0000003495	AB
5308090	Other Dues&Membershp	09/30/2004	9	66.00	700142		FIN ANAL & PLAN-EXEC		PF0000003495	AB
5308090	Other Dues&Membershp	09/14/2004	9	650.00	700228		DRS RETAIL EXEC			PD
5308090	Other Dues&Membershp	09/30/2004	9	289.00	700228		DRS RETAIL EXEC		PF0000003495	AB
5308090	Other Dues&Membershp	09/22/2004	9	455.00	700575		TAX EXECUTIVE			PD
5308090	Other Dues&Membershp	09/30/2004	9	116.00	700832		TREASURY EXECUTIVE	WBS EXEC.ALLOC1	PF0000003495	AB
5308090	Other Dues&Membershp	09/30/2004	9	116.00	703233		LEGAL SERVICES EXEC	WBS EXEC.ALLOC1	PF0000003495	AB
5308090	Other Dues&Membershp	09/28/2004	9	45,000.00	703233	GENERAL COUNSEL ROUNDTABLE	LEGAL SERVICES EXEC	WBS EXEC.ALLOC1	Membership Fee	KN
5308090	Other Dues&Membershp	09/30/2004	9	342.25	703274		EXEC - DELIVERY		PF0000003495	AB
5308090	Other Dues&Membershp	09/30/2004	9	469.57	704004		FIN EXEC DELIVERY		PF0000003495	AB
5308090	Other Dues&Membershp	09/20/2004	9	475.00	704062		Gas & Elec Del Exec			PD

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Cost Elem.	Cost element name	Postg Date	Per	Val.in RC	Cost Ctr	Vendor Name	CO object name	Aux.acct assignment_1	Document Header Text	DocTyp
5308090	Other Dues&Membershp	09/20/2004	9	200.00	704062		Gas & Elec Del Exec			PD
*			9	40,407.80						
5308090	Other Dues&Membershp	10/15/2004	10	116.00	700102	COMMONWEALTH CLUB THE	CHAIRMAN OF BOARD		MONTHLY DUES	KN
5308090	Other Dues&Membershp	10/31/2004	10	66.00	700142		FIN ANL & PLAN-EXEC		PP0000003631	AB
5308090	Other Dues&Membershp	10/31/2004	10	289.00	700228		DRS RETAIL EXEC		PP0000003631	AB
5308090	Other Dues&Membershp	10/12/2004	10	50.00	700577	CAPITOL HILL CLUB THE	EXTERNAL AFFAIR EXEC	WBS EXEC.ALLOCI	service	KN
5308090	Other Dues&Membershp	10/22/2004	10	14,175.00	700577	CORPORATE EXECUTIVE BOARD	EXTERNAL AFFAIR EXEC	WBS EXEC.ALLOCI	MEMBERSHIP SERVICES	KN
5308090	Other Dues&Membershp	10/25/2004	10	495.00	700577		EXTERNAL AFFAIR EXEC			PD
5308090	Other Dues&Membershp	10/31/2004	10	232.00	700832		TREASURY EXECUTIVE	WBS EXEC.ALLOCI	PP0000003631	AB
5308090	Other Dues&Membershp	10/15/2004	10	116.00	703233	COMMONWEALTH CLUB THE	LEGAL SERVICES EXEC		MONTHLY DUES	KN
5308090	Other Dues&Membershp	10/31/2004	10	484.04	703274		EXEC - DELIVERY		PP0000003631	AB
5308090	Other Dues&Membershp	10/15/2004	10	116.00	703498	COMMONWEALTH CLUB THE	CHIEF FINANCIAL OFFR		MONTHLY DUES	KN
5308090	Other Dues&Membershp	10/31/2004	10	251.80	704004		FIN EXEC DELIVERY		PP0000003631	AB
*			10	16,390.84						
5308090	Other Dues&Membershp	11/19/2004	11	350.00	700102	KINLOCH GOLF CLUB	CHAIRMAN OF BOARD		MONTHLYSTATEMENT	KN
5308090	Other Dues&Membershp	11/19/2004	11	331.00	700102	ROLLING ROCK CLUB	CHAIRMAN OF BOARD		QUARTERLY DUES	KN
5308090	Other Dues&Membershp	11/19/2004	11	116.00	700102	COMMONWEALTH CLUB THE	CHAIRMAN OF BOARD		MONTHLYDUES	KN
5308090	Other Dues&Membershp	11/30/2004	11	32.00	700205		GAS DISTR EXEC		PP0000003730	AB
5308090	Other Dues&Membershp	11/30/2004	11	289.00	700228		DRS RETAIL EXEC		PP0000003730	AB
5308090	Other Dues&Membershp	11/30/2004	11	49.00	700460		AUDIT SVCS EXEC		PP0000003730	AB
5308090	Other Dues&Membershp	11/29/2004	11	100.00	700460		AUDIT SVCS EXEC			PD
5308090	Other Dues&Membershp	11/01/2004	11	2,100.00	700577	KING PUBLISHING GROUP	EXTERNAL AFFAIR EXEC		SERVICE	KN
5308090	Other Dues&Membershp	11/30/2004	11	84.00	700806		HR EXECUTIVE		PP0000003730	AB
5308090	Other Dues&Membershp	11/30/2004	11	116.00	700832		TREASURY EXECUTIVE		PP0000003730	AB
5308090	Other Dues&Membershp	11/16/2004	11	54.77	703233		LEGAL SERVICES EXEC		JAMES L. SANDERLIN	SA
5308090	Other Dues&Membershp	11/19/2004	11	170.77	703233	COMMONWEALTH CLUB THE	LEGAL SERVICES EXEC		MONTHLYDUES	KN
5308090	Other Dues&Membershp	11/30/2004	11	276.25	703274		EXEC - DELIVERY		PP0000003730	AB
5308090	Other Dues&Membershp	11/19/2004	11	331.00	703274	ROLLING ROCK CLUB	EXEC - DELIVERY		MONTHLYDUES	KN
5308090	Other Dues&Membershp	11/19/2004	11	116.00	703274	COMMONWEALTH CLUB THE	EXEC - DELIVERY		MONTHLYDUES	KN
5308090	Other Dues&Membershp	11/16/2004	11	21.70	703498		CHIEF FINANCIAL OFFR		THOMAS F. FARRZELL	SA
5308090	Other Dues&Membershp	11/19/2004	11	137.70	703498	COMMONWEALTH CLUB THE	CHIEF FINANCIAL OFFR		MONTHLYDUES	KN
5308090	Other Dues&Membershp	11/19/2004	11	116.00	703498	COMMONWEALTH CLUB THE	CHIEF FINANCIAL OFFR		MONTHLYDUES	KN
5308090	Other Dues&Membershp	11/24/2004	11	100.00	703498	OLD NORTH STATE CLUB THE	CHIEF FINANCIAL OFFR	WBS EXEC.ONSC	FRES	KN
5308090	Other Dues&Membershp	11/30/2004	11	187.32	704004		FIN EXEC DELIVERY		PP0000003730	AB
5308090	Other Dues&Membershp	11/19/2004	11	385.25	704062	SHOREBY CLUB	Gas & Elec Del Exec		MONTHLYDUES	KN
*			11	5,310.72						
5308090	Other Dues&Membershp	12/16/2004	12	116.00	700102	COMMONWEALTH CLUB THE	CHAIRMAN OF BOARD		MONTHLYDUES	KN
5308090	Other Dues&Membershp	12/16/2004	12	40.00	700102	COMMONWEALTH CLUB THE	CHAIRMAN OF BOARD		MONTHLYDUES	KN
5308090	Other Dues&Membershp	12/28/2004	12	285.00	700102	EXECUTIVE WOMEN INTERNATIONAL	CHAIRMAN OF BOARD		membership renewal	KN
5308090	Other Dues&Membershp	12/31/2004	12	184.00	700142		FIN ANL & PLAN-EXEC		PP0000003894	AB
5308090	Other Dues&Membershp	12/31/2004	12	624.00	700228		DRS RETAIL EXEC		PP0000003894	AB
5308090	Other Dues&Membershp	12/16/2004	12	76.50	700577		EXTERNAL AFFAIR EXEC			PD
5308090	Other Dues&Membershp	12/31/2004	12	116.00	700832		TREASURY EXECUTIVE		PP0000003894	AB
5308090	Other Dues&Membershp	12/22/2004	12	5,000.00	701720		CHIEF INFO OFFICER			PD
5308090	Other Dues&Membershp	12/28/2004	12	5,000.00	701720		CHIEF INFO OFFICER		to charge a billing proje	SA
5308090	Other Dues&Membershp	12/28/2004	12	5,000.00	701720		CHIEF INFO OFFICER	WBS EXEC.ALLOCI	to charge a billing proje	SA
5308090	Other Dues&Membershp	12/16/2004	12	156.00	703233	COMMONWEALTH CLUB THE	LEGAL SERVICES EXEC		MONTHLYDUES	KN
5308090	Other Dues&Membershp	12/31/2004	12	342.25	703274		EXEC - DELIVERY		PP0000003894	AB
5308090	Other Dues&Membershp	12/16/2004	12	156.00	703274	COMMONWEALTH CLUB THE	EXEC - DELIVERY		MONTHLYDUES	KN
5308090	Other Dues&Membershp	12/16/2004	12	116.00	703498	COMMONWEALTH CLUB THE	CHIEF FINANCIAL OFFR		MONTHLYDUES	KN
5308090	Other Dues&Membershp	12/16/2004	12	116.00	703498	COMMONWEALTH CLUB THE	CHIEF FINANCIAL OFFR		MONTHLYDUES	KN
5308090	Other Dues&Membershp	12/17/2004	12	1,040.00	703498	UMHARRIE POINT COMMUNITY ASSN INC	CHIEF FINANCIAL OFFR	WBS EXEC.ONSC	service	KN
5308090	Other Dues&Membershp	12/31/2004	12	232.00	704002		Regulation Exec		PP0000003894	AB
5308090	Other Dues&Membershp	12/31/2004	12	354.94	704004		FIN EXEC DELIVERY		PP0000003894	AB
5308090	Other Dues&Membershp	12/17/2004	12	385.25	704062	SHOREBY CLUB	Gas & Elec Del Exec		MONTHLYDUES	KN

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Cost Elem.	Cost element name	Posty Date	Vol. in HC	Cost Ctr	Vendor Name	CO object name	Aux. acct assignment	Header Text	DocTyp
*		12	9,338.84						
**			257,783.59						

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Schedule SJR-11

Cost Element	Cost element name	Post Date	Per	Val in	NC	Cost Ctr	Vendor Name	CO object name	Account name	Document Header Text	DocTyp
5302020	Entertainment Expense	04/13/2004	4	895.14		700577	EXTERNAL AFFAIR EXEC				FD
5302020	Entertainment Expense	04/08/2004	4	30,000.00		703498	GILLONVILLE PLAWMTRON	CHIEF FINANCIAL OFFR		Dues for 2004-2005 Season	KN
5302020	Entertainment Expense	04/27/2004	4	30,000.00		703498	CHIEF FINANCIAL OFFR			to change a billing proje	SA
5302020	Entertainment Expense	04/27/2004	4	30,000.00		703498	CHIEF FINANCIAL OFFR			to change a billing proje	SA
5302020	Entertainment Expense	04/27/2004	4	30,895.14							
5302020	Entertainment Expense	05/27/2004	5	103.40		700577	EXTERNAL AFFAIR EXEC				FD
5302020	Entertainment Expense	05/27/2004	5	63.30		700577	EXTERNAL AFFAIR EXEC				FD
5302020	Entertainment Expense	05/27/2004	5	169.70							
5302020	Entertainment Expense	06/16/2004	6	1,308.00		700102	CHAIRMAN OF BOARD				FD
5302020	Entertainment Expense	06/16/2004	6	1,308.00		700102	CHAIRMAN OF BOARD				FD
5302020	Entertainment Expense	11/08/2004	11	5,000.00		700102	HAYES & ASSOCIATES LLC	CHAIRMAN OF BOARD		October 14, 2004 Byvac	KN
5302020	Entertainment Expense	11/29/2004	11	5,000.00		700102	CHAIRMAN OF BOARD			to change a billing proje	SA
5302020	Entertainment Expense	11/29/2004	11	5,000.00		700102	CHAIRMAN OF BOARD			to change a billing proje	SA
5302020	Entertainment Expense	11/19/2004	11	2,750.00		700577	EXTERNAL AFFAIR EXEC				FD
5302020	Entertainment Expense	11/24/2004	11	23,182.90		703498	OLD NORTH STATE CLUB THE	CHIEF FINANCIAL OFFR			KN
5302020	Entertainment Expense	11/24/2004	11	22.73		703498	OLD NORTH STATE CLUB THE	CHIEF FINANCIAL OFFR			KN
5302020	Entertainment Expense	12/03/2004	12	56,800.00		703498	GILLONVILLE PLAWMTRON	CHIEF FINANCIAL OFFR		2004-2005 Dues Balance	KN
5302020	Entertainment Expense	12/09/2004	12	795.27		703498	OLD NORTH STATE CLUB THE	CHIEF FINANCIAL OFFR			KN
5302020	Entertainment Expense	12/09/2004	12	466.36		703498	OLD NORTH STATE CLUB THE	CHIEF FINANCIAL OFFR			KN
5302020	Entertainment Expense	12/16/2004	12	402.32		703498	CHIEF FINANCIAL OFFR				SA
5302020	Entertainment Expense	12/29/2004	12	56,800.00		703498	CHIEF FINANCIAL OFFR			to add an interm project	SA
5302020	Entertainment Expense	12/29/2004	12	56,800.00		703498	CHIEF FINANCIAL OFFR			to add an interm project	SA
**				120,987.78							

Report currency: USD  
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 HOPS DATE: hope information

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Layout: HOPE NOTE Hope Information  
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Cost Elem.	Cost element name	Postg Date	Per	Vol in RC	Cost Ctr	Vendor Name	CO object zone	AudactAnnul_1	Document Header Text	DocTyp
6202020	Civic/Political Actvty	01/15/2004	1	1,642.94	700577		EXTERNAL AFFAIR EXEC			PC
6202020	Civic/Political Actvty	01/24/2004	3	1,000.00	703274	VIRGINIA CHAMBER OF COMMERCE	EXEC - DELIVERY		VA Chamber Golf Classic	EN
6202020	Civic/Political Actvty	01/31/2004	3	1,000.00	703274		EXEC - DELIVERY		to charge a billing prof	EA
6202020	Civic/Political Actvty	01/31/2004	3	1,000.00	703274		EXEC - DELIVERY	MBS EXEC.ALLOC	to charge a billing prof	EA
6202020	Civic/Political Actvty	07/29/2004	7	33.73	700806		HR EXECUTIVE			PD
6202020	Civic/Political Actvty	11/13/2004	12	25,000.00	700577	THOMAS JEFFERSON INSTITUTE FOR	EXTERNAL AFFAIR EXEC	MBS EXEC.ALLOC	contribution	EN
6202020	Civic/Political Actvty	01/15/2004	1	1,642.94						
6202020	Civic/Political Actvty	01/24/2004	3	1,000.00						
6202020	Civic/Political Actvty	01/31/2004	3	1,000.00						
6202020	Civic/Political Actvty	07/29/2004	7	33.73						
6202020	Civic/Political Actvty	11/13/2004	12	25,000.00						
6202020	Civic/Political Actvty	01/15/2004	1	1,642.94						
6202020	Civic/Political Actvty	01/24/2004	3	1,000.00						
6202020	Civic/Political Actvty	01/31/2004	3	1,000.00						
6202020	Civic/Political Actvty	07/29/2004	7	33.73						
6202020	Civic/Political Actvty	11/13/2004	12	25,000.00						
6202020	Civic/Political Actvty	01/15/2004	1	1,642.94						
6202020	Civic/Political Actvty	01/24/2004	3	1,000.00						
6202020	Civic/Political Actvty	01/31/2004	3	1,000.00						
6202020	Civic/Political Actvty	07/29/2004	7	33.73						
6202020	Civic/Political Actvty	11/13/2004	12	25,000.00						
6202020	Civic/Political Actvty	01/15/2004	1	1,642.94						
6202020	Civic/Political Actvty	01/24/2004	3	1,000.00						
6202020	Civic/Political Actvty	01/31/2004	3	1,000.00						
6202020	Civic/Political Actvty	07/29/2004	7	33.73						
6202020	Civic/Political Actvty	11/13/2004	12	25,000.00						
6202020	Civic/Political Actvty	01/15/2004	1	1,642.94						
6202020	Civic/Political Actvty	01/24/2004	3	1,000.00						
6202020	Civic/Political Actvty	01/31/2004	3	1,000.00						
6202020	Civic/Political Actvty	07/29/2004	7	33.73						
6202020	Civic/Political Actvty	11/13/2004	12	25,000.00						
6202020	Civic/Political Actvty	01/15/2004	1	1,642.94						
6202020	Civic/Political Actvty	01/24/2004	3	1,000.00						
6202020	Civic/Political Actvty	01/31/2004	3	1,000.00						
6202020	Civic/Political Actvty	07/29/2004	7	33.73						
6202020	Civic/Political Actvty	11/13/2004	12	25,000.00						
6202020	Civic/Political Actvty	01/15/2004	1	1,642.94						
6202020	Civic/Political Actvty	01/24/2004	3	1,000.00						
6202020	Civic/Political Actvty	01/31/2004	3	1,000.00						
6202020	Civic/Political Actvty	07/29/2004	7	33.73						
6202020	Civic/Political Actvty	11/13/2004	12	25,000.00						
6202020	Civic/Political Actvty	01/15/2004	1	1,642.94						
6202020	Civic/Political Actvty	01/24/2004	3	1,000.00						
6202020	Civic/Political Actvty	01/31/2004	3	1,000.00						
6202020	Civic/Political Actvty	07/29/2004	7	33.73						
6202020	Civic/Political Actvty	11/13/2004	12	25,000.00						

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 Cost Center 700102... CHAIRMAN OF BOARD...  
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Cost Elem.	Cost element name	Postg Date	Per	Val.in RC	Cost Ctr	Vendor Name	CO object name	Aux.acct assignment_1	Doc.Header Text	DocTyp
6202050	Civic/Politic Lobby	01/01/2004	1	2,500.00	700577	NATIONAL CONSULTING GROUP INC	EXTERNAL AFFAIR EXEC		CONSULTING	KE
*			1	2,500.00						
6202050	Civic/Politic Lobby	02/06/2004	2	2,000.00	700577	E L CRUMP JR	EXTERNAL AFFAIR EXEC	WBS EXTAPFRS.ALLOC6	Consulting	KN
6202050	Civic/Politic Lobby	02/25/2004	2	2,000.00	700577	E L CRUMP JR	EXTERNAL AFFAIR EXEC	WBS EXTAPFRS.ALLOC6	Consulting Fee	KE
*			2	4,000.00						
6202050	Civic/Politic Lobby	03/25/2004	3	2,000.00	700577	E L CRUMP JR	EXTERNAL AFFAIR EXEC	WBS EXTAPFRS.ALLOC6	Consulting Fee	KE
*			3	2,000.00						
6202050	Civic/Politic Lobby	04/25/2004	4	2,000.00	700577	E L CRUMP JR	EXTERNAL AFFAIR EXEC	WBS EXTAPFRS.ALLOC6	Consulting Fee	KE
*			4	2,000.00						
6202050	Civic/Politic Lobby	05/18/2004	5	2,500.00	700577	NATIONAL CONSULTING GROUP INC	EXTERNAL AFFAIR EXEC		Consulting Services	KN
6202050	Civic/Politic Lobby	05/25/2004	5	2,000.00	700577	E L CRUMP JR	EXTERNAL AFFAIR EXEC	WBS EXTAPFRS.ALLOC6	Consulting Fee	KE
*			5	4,500.00						
6202050	Civic/Politic Lobby	06/25/2004	6	2,000.00	700577	E L CRUMP JR	EXTERNAL AFFAIR EXEC	WBS EXTAPFRS.ALLOC6	Consulting Fee	KE
*			6	2,000.00						
6202050	Civic/Politic Lobby	12/30/2004	12	17,500.00	700577	NATIONAL CONSULTING GROUP INC	EXTERNAL AFFAIR EXEC	WBS EXEC.ALLOC1	CONSULTING SERVICES	KN
*			12	17,500.00						
**				34,500.00						

NOTE. Cost Element not used in 2005

AVIATION BILLING - JULY 2004

(IPJ.AVIATION.DRS - SPECIAL PROJECTS)

- AVIATION.ALLOC1 = All Companies
- AVIATION.ALLOC1A = All Dominion Electric Companies
- AVIATION.ALLOC1B = All Dominion Gas Companies
- AVIATION.ALLOC2E = All Transmission
- AVIATION.ALLOC2J = All Energy (DEC & Transm)
- AVIATION.ALLOC2C = All Generation
- AVIATION.ALLOC2H = All Clearinghouse
- AVIATION.ALLOC3 = All Delivery Companies
- AVIATION.ALLOC3B = Delivery Companies - Gas LDCs
- AVIATION.ALLOC3D = All Delivery Companies w/o Telecom
- AVIATION.ALLOC4 = All E&P Companies
- AVIATION.ALLOC6 = All VP Companies

Koonce  
McGett

Note: Using new methodology and new rates effective 01/2004

Aircraft Codes	CCTR/ACTTYPE
G = Gulfstream (N600DR)	702050 - AVGS
HP = Hawker 2 (N601DR)	702052 - AVHP
HR = Hawker 1 (N600DR)	702051 - AVHR
HR = Hawker 2 (N602DR)	702056 - AVHN

Note: July '04 - used N600DR as model for N602DR

	Daily Rate	Hourly Rate	Total Charges
Assessed & allocated	\$ 2,384	\$ 2,384	\$ 2,384
Assessed & allocated	\$ 1,647	\$ 1,647	\$ 1,647
Assessed & allocated	\$ 1,468	\$ 1,468	\$ 1,468
Assessed & allocated	\$ 1,468	\$ 1,468	\$ 1,468

Date	A/C	Days	Hours	Authorizer	Billing WBS	Note	Destination			
							<del>702050 - AVGS</del>			
							<del>N600DR</del>			
7/25	G	1.00		2.3 HARDY	ALLOC 1	DEMOCRATIC NATIONAL CONVENTION	BOSTON MA			
7/27	G	0.50		2.4 CAPPs	ALLOC 1	DEMOCRATIC NATIONAL CONVENTION	BEDFORD			
7/29	G	0.33		0.6 CAPPs	ALLOC 1	MAKE PREPARATIONS FOR CONGRESSMAN RICHARD BURR	MA/RICHMOND VA			
		1.83		5.3	ALLOC 1	FUNDRAISER ON AUGUST 12	WILMINGTON NC			
								N/A	\$ 12,635.20	\$ 12,635.20
7/27	G	0.50		2.1 JOHNSON	ALLOC 3D	WEEKLY DELIVERY TRAVEL	CLEVELAND			
							OH/RICHMOND VA			
							CLEVELAND			
7/29	G	0.33		2.0 JOHNSON	ALLOC 3D	WEEKLY DELIVERY TRAVEL	OH/RICHMOND VA			
7/1	G	1.00		0.8 CAPPs	ALLOC 3D	BUSINESS TRIP WITH JAY JOHNSON	WASHINGTON			
		1.83		4.9	ALLOC 3D				\$ 11,681.60	\$ 11,681.60
								N/A		
7/28	G	0.50		0.8 JOHNSON	AVIATION.CAVALIER	BUSINESS MEETING	WASHINGTON/RICHMOND VA			
		0.50		0.8	AVIATION.CAVALIER		ND VA		\$ 1,907.20	\$ 1,907.20
								N/A		
7/16	G	1.00		4.8 DOSWELL	CNGP	E&P INTERN EVENT	HOUSTON			
7/20	G	0.50		1.3 FARRELL	CNGP	DOMINION GOLF INVITATIONAL & STAFF MEETING	TX/RICHMOND VA			
							CLARKSBURG WVA			
7/20	G	0.50		3.2 RADTKE	CNGP	DOMINION GOLF INVITATIONAL & STAFF MEETING	RICHMOND/NO/HOUSTON TX			
7/21	G	1.00		2.3 RADTKE	CNGP	DOMINION GOLF INVITATIONAL & STAFF MEETING	RICHMOND VA			
		3.00		11.6	CNGP				\$ 27,654.40	\$ 27,654.40
								N/A		
7/5	G	1.00		7.4 KOONCE	DCOVE	STATOIL	STAVANGER NO			
7/6	G	2.00		0.8 KOONCE	DCOVE	STATOIL	OSLO NO			
7/8	G	1.00		1.6 KOONCE	DCOVE	STATOIL	TROMSO NO			
7/9	G	1.00		1.6 KOONCE	DCOVE	STATOIL	OSLO NO			
7/10	G	1.00		7.9 KOONCE	DCOVE	STATOIL	RICHMOND VA			
		8.00		19.1	DCOVE				\$ 45,534.40	\$ 45,534.40
								N/A		
7/12	G	1.00		1.4 MCGETTRICK	DEIBD	US GEN DUE DILIGENCE	PROVIDENCE			
7/13	G	1.00		1.3 MCGETTRICK	DEIBD	US GEN DUE DILIGENCE	R/BOSTON MA			
		2.00		2.7	DEIBD		RICHMOND VA		\$ 6,436.80	\$ 6,436.80
								N/A		
7/26	G	0.50		3.4 MCGETTRICK	DEK	KEWAUNEE INTEGRATION TEAM	GREEN BAY			
		0.50		3.4	DEK		W/RICHMOND VA		\$ 8,105.60	\$ 8,105.60
								N/A		

7. 8100031  
 a. Detail of DRS billing true-up for 2004 and Jan – May 2005.  
 i. See attachment 7(2004) and 7(2005).
8. What are 62\_ cost elements?  
 a. 62\_ cost elements are 'Other Income / Expense accounts used to facilitate GAAP reporting.
9. What are 83\_ cost elements?  
 a. 83\_ cost elements are used to settle costs accumulated in a project to the appropriate cost object. Virginia Power uses interim projects that settle to WIRES.CUSTSVC.HOPE.
10. What are 84\_ cost elements?  
 a. 84\_ cost elements are used for affiliated company surcharges that represent fixed/overhead charges. Virginia Power is required to be compensated at full cost and therefore applies a surcharge to projects to bill appropriately.
11. DRS Deliver Segment – why substantial difference is % of cost allocated to Hope for exec/admin?
- |      |       |
|------|-------|
| 6/04 | 4.60% |
| 9/04 | 6.60% |
| 2/05 | 4.97% |
- The Gas Distribution Executive, Tom Wester, retired in September 2004. There was an increase in expenses for the month billed on EXEC.ALLOC3B on the true-up cost element. EXEC.ALLOC3B is the executive gas delivery allocator that billed East Ohio Gas 68.9%, Peoples Natural Gas 21.51% and Hope Gas 9.59% in September.**
12. Copy of J-19 spreadsheet?  
 a. Overnight to J. Gregorini 7/11/05
13. Meaning of "DNC"?  
 a. Dominion Nuclear Connecticut



Layout HOPE RATE hope information  
 Cost Center 700102... CHAIRMAN OF BOARD...  
 Report currency USD US Dollar

Cost Elem.	Cost element name	Postg Date	Per	Val.in RC	Cost Ctr	Vend Name	CO object name	AuxAcct	Documant Header Text	DocTyp
8100031	DRS Billing True-Up	07/31/2004	7	21,758.02	704001		ELEC DISTRIB EXEC		A01DS720010101DRS Exec True Up	
8100031	DRS Billing True-Up	07/31/2004	7	43,157.41	704002		Regulation Exec		A01DS720010101DRS Exec True Up	
8100031	DRS Billing True-Up	07/31/2004	7	47,387.80	704003		ELEC TRANSITION EXEC		A01DS720010101DRS Exec True Up	
8100031	DRS Billing True-Up	07/31/2004	7	97,435.91	704004		PIN EXEC DELIVERY		A01DS720010101DRS Exec True Up	
8100031	DRS Billing True-Up	07/31/2004	7	194,406.39	704062		Gas & Elec Del Exec		A01DS720010101DRS Exec True Up	
8100031	DRS Billing True-Up	07/31/2004	7	67,221.90	704085		Business Plang Exec		A01DS720010101DRS Exec True Up	
*			7	2,397,527.20						
8100031	DRS Billing True-Up	08/31/2004	8	118,070.43	700102		CHAIRMAN OF BOARD		A01DS720010101DRS Exec True Up	
8100031	DRS Billing True-Up	08/31/2004	8	31,325.62	700142		PIN ANAL & PLAN-EXEC		A01DS720010101DRS Exec True Up	
8100031	DRS Billing True-Up	08/31/2004	8	64,561.03	700205		GAS DISTR EXEC		A01DS720010101DRS Exec True Up	
8100031	DRS Billing True-Up	08/31/2004	8	21,653.61	700228		DRS RETAIL EXEC		A01DS720010101DRS Exec True Up	
8100031	DRS Billing True-Up	08/31/2004	8	7,217.94	700228		DRS RETAIL EXEC		A01DS720010101DRS Exec True Up	
8100031	DRS Billing True-Up	08/31/2004	8	25,744.06	700460		AUDIT SVCS EXEC		A01DS720010101DRS Exec True Up	
8100031	DRS Billing True-Up	08/31/2004	8	28,967.31	700575		TAX EXECUTIVE		A01DS720010101DRS Exec True Up	
8100031	DRS Billing True-Up	08/31/2004	8	44,210.60	700577		EXTERNAL AFFAIR EXEC		A01DS720010101DRS Exec True Up	
8100031	DRS Billing True-Up	08/31/2004	8	24,549.89	700806		HR EXECUTIVE		A01DS720010101DRS Exec True Up	
8100031	DRS Billing True-Up	08/31/2004	8	5,716.36	700832		TRASURY EXECUTIVE		A01DS720010101DRS Exec True Up	
8100031	DRS Billing True-Up	08/31/2004	8	50,190.59	700886		CHIEF ACTG OFFICER		A01DS720010101DRS Exec True Up	
8100031	DRS Billing True-Up	08/31/2004	8	54,715.27	700890		Chief Admin Officer		A01DS720010101DRS Exec True Up	
8100031	DRS Billing True-Up	08/31/2004	8	60,024.91	701720		CHIEF INFO OFFICER		A01DS720010101DRS Exec True Up	
8100031	DRS Billing True-Up	08/31/2004	8	19,592.33	702044		SHARED SERVICES EXEC		A01DS720010101DRS Exec True Up	
8100031	DRS Billing True-Up	08/31/2004	8	4,781.25	703189		Professional Develop		A01DS720010101DRS Exec True Up	
8100031	DRS Billing True-Up	08/31/2004	8	59,052.80	703233		LEGAL SERVICES EXEC		A01DS720010101DRS Exec True Up	
8100031	DRS Billing True-Up	08/31/2004	8	206,024.12	703274		EXEC - DELIVERY		A01DS720010101DRS Exec True Up	
8100031	DRS Billing True-Up	08/31/2004	8	34,149.78	703281		CORP SECRETARY EXEC		A01DS720010101DRS Exec True Up	
8100031	DRS Billing True-Up	08/31/2004	8	177,183.44	703498		CHIEF FINANCIAL OFFR		A01DS720010101DRS Exec True Up	
8100031	DRS Billing True-Up	08/31/2004	8	79,023.50	704000		DRS Finl Mgt Exec		A01DS720010101DRS Exec True Up	
8100031	DRS Billing True-Up	08/31/2004	8	13,335.50	704001		ELEC DISTRIB EXEC		A01DS720010101DRS Exec True Up	
8100031	DRS Billing True-Up	08/31/2004	8	320,249.90	704002		Regulation Exec		A01DS720010101DRS Exec True Up	
8100031	DRS Billing True-Up	08/31/2004	8	22,621.62	704003		ELEC TRANSITION EXEC		A01DS720010101DRS Exec True Up	
8100031	DRS Billing True-Up	08/31/2004	8	60,874.73	704004		PIN EXEC DELIVERY		A01DS720010101DRS Exec True Up	
8100031	DRS Billing True-Up	08/31/2004	8	93,990.37	704062		Gas & Elec Del Exec		A01DS720010101DRS Exec True Up	
8100031	DRS Billing True-Up	08/31/2004	8	71,313.22	704085		Business Plang Exec		A01DS720010101DRS Exec True Up	
*			8	1,652,040.62						
8100031	DRS Billing True-Up	09/30/2004	9	172,026.72	700102		CHAIRMAN OF BOARD		A01DS720010101DRS Exec True Up	
8100031	DRS Billing True-Up	09/30/2004	9	21,736.05	700142		PIN ANAL & PLAN-EXEC		A01DS720010101DRS Exec True Up	
8100031	DRS Billing True-Up	09/30/2004	9	449,737.41	700205		GAS DISTR EXEC		A01DS720010101DRS Exec True Up	
8100031	DRS Billing True-Up	09/30/2004	9	20,058.21	700228		DRS RETAIL EXEC		A01DS720010101DRS Exec True Up	
8100031	DRS Billing True-Up	09/30/2004	9	6,686.07	700228		DRS RETAIL EXEC		A01DS720010101DRS Exec True Up	
8100031	DRS Billing True-Up	09/30/2004	9	26,009.31	700460		AUDIT SVCS EXEC		A01DS720010101DRS Exec True Up	
8100031	DRS Billing True-Up	09/30/2004	9	32,459.02	700575		TAX EXECUTIVE		A01DS720010101DRS Exec True Up	
8100031	DRS Billing True-Up	09/30/2004	9	99,813.04	700577		EXTERNAL AFFAIR EXEC		A01DS720010101DRS Exec True Up	
8100031	DRS Billing True-Up	09/30/2004	9	37,853.33	700806		HR EXECUTIVE		A01DS720010101DRS Exec True Up	
8100031	DRS Billing True-Up	09/30/2004	9	32,722.73	700832		TRASURY EXECUTIVE		A01DS720010101DRS Exec True Up	
8100031	DRS Billing True-Up	09/30/2004	9	33,093.79	700886		CHIEF ACTG OFFICER		A01DS720010101DRS Exec True Up	
8100031	DRS Billing True-Up	09/30/2004	9	35,477.96	700890		Chief Admin Officer		A01DS720010101DRS Exec True Up	
8100031	DRS Billing True-Up	09/30/2004	9	16,028.14	701720		CHIEF INFO OFFICER		A01DS720010101DRS Exec True Up	
8100031	DRS Billing True-Up	09/30/2004	9	22,784.08	702044		SHARED SERVICES EXEC		A01DS720010101DRS Exec True Up	
8100031	DRS Billing True-Up	09/30/2004	9	1,317.92	703189		Professional Develop		A01DS720010101DRS Exec True Up	
8100031	DRS Billing True-Up	09/30/2004	9	60,395.05	703233		LEGAL SERVICES EXEC		A01DS720010101DRS Exec True Up	
8100031	DRS Billing True-Up	09/30/2004	9	82,840.99	703274		EXEC - DELIVERY		A01DS720010101DRS Exec True Up	
8100031	DRS Billing True-Up	09/30/2004	9	26,404.40	703281		CORP SECRETARY EXEC		A01DS720010101DRS Exec True Up	
8100031	DRS Billing True-Up	09/30/2004	9	165,074.64	703498		CHIEF FINANCIAL OFFR		A01DS720010101DRS Exec True Up	
8100031	DRS Billing True-Up	09/30/2004	9	72,254.80	704000		DRS Finl Mgt Exec		A01DS720010101DRS Exec True Up	
8100031	DRS Billing True-Up	09/30/2004	9	15,235.74	704001		ELEC DISTRIB EXEC		A01DS720010101DRS Exec True Up	
8100031	DRS Billing True-Up	09/30/2004	9	48,532.55	704002		Regulation Exec		A01DS720010101DRS Exec True Up	

Layout HOPE RATE hope information  
 Cost Center 700102... CHAIRMAN OF BOARD...  
 Report currency USD US Dollar

Cost Elem.	Cost element name	Postg Date	Par	Val.in RC	Cost Ctr	Vend Name	CO object name	AuxAcct	Document Header Text	DocTyp
8100031	DRS Billing True-Up	09/30/2004	9	27,214.29	704003		ELEC TRANSITION EXEC		A01DS720010101DRS Exec True Up	
8100031	DRS Billing True-Up	09/30/2004	9	70,263.71	704004		FIN EXEC DELIVERY		A01DS720010101DRS Exec True Up	
8100031	DRS Billing True-Up	09/30/2004	9	118,779.15	704062		Gas & Elec Del Exec		A01DS720010101DRS Exec True Up	
8100031	DRS Billing True-Up	09/30/2004	9	71,929.41	704085		Business Plang Exec		A01DS720010101DRS Exec True Up	
*			9	1,785,768.51						
8100031	DRS Billing True-Up	10/31/2004	10	49,382.28	700102		CHAIRMAN OF BOARD		A01DS720010101DRS Exec True Up	
8100031	DRS Billing True-Up	10/31/2004	10	34,914.88	700142		FIN ANAL & PLAN-EXEC		A01DS720010101DRS Exec True Up	
8100031	DRS Billing True-Up	10/31/2004	10	62,289.42	700205		GAS DISTR EXEC		A01DS720010101DRS Exec True Up	
8100031	DRS Billing True-Up	10/31/2004	10	24,592.62	700228		DRS RETAIL EXEC		A01DS720010101DRS Exec True Up	
8100031	DRS Billing True-Up	10/31/2004	10	8,197.54	700228		DRS RETAIL EXEC		A01DS720010101DRS Exec True Up	
8100031	DRS Billing True-Up	10/31/2004	10	23,428.02	700460		AUDIT SVCS EXEC		A01DS720010101DRS Exec True Up	
8100031	DRS Billing True-Up	10/31/2004	10	25,701.13	700575		TAX EXECUTIVE		A01DS720010101DRS Exec True Up	
8100031	DRS Billing True-Up	10/31/2004	10	106,624.95	700577		EXTERNAL AFFAIR EXEC		A01DS720010101DRS Exec True Up	
8100031	DRS Billing True-Up	10/31/2004	10	21,315.67	700806		HR EXECUTIVE		A01DS720010101DRS Exec True Up	
8100031	DRS Billing True-Up	10/31/2004	10	12,217.90	700832		TREASURY EXECUTIVE		A01DS720010101DRS Exec True Up	
8100031	DRS Billing True-Up	10/31/2004	10	88,542.38	700888		CHIEF ACTG OFFICER		A01DS720010101DRS Exec True Up	
8100031	DRS Billing True-Up	10/31/2004	10	31,891.21	700890		Chief Admin Officer		A01DS720010101DRS Exec True Up	
8100031	DRS Billing True-Up	10/31/2004	10	29,687.90	701720		CHIEF INFO OFFICER		A01DS720010101DRS Exec True Up	
8100031	DRS Billing True-Up	10/31/2004	10	16,230.77	702044		SHARED SERVICES EXEC		A01DS720010101DRS Exec True Up	
8100031	DRS Billing True-Up	10/31/2004	10	12,670.43	703189		Professional Develop		A01DS720010101DRS Exec True Up	
8100031	DRS Billing True-Up	10/31/2004	10	46,918.95	703233		LEGAL SERVICES EXEC		A01DS720010101DRS Exec True Up	
8100031	DRS Billing True-Up	10/31/2004	10	62,540.13	703274		EXEC - DELIVERY		A01DS720010101DRS Exec True Up	
8100031	DRS Billing True-Up	10/31/2004	10	20,699.33	703281		CORP SECRETARY EXEC		A01DS720010101DRS Exec True Up	
8100031	DRS Billing True-Up	10/31/2004	10	198,965.90	703498		CHIEF FINANCIAL OFFR		A01DS720010101DRS Exec True Up	
8100031	DRS Billing True-Up	10/31/2004	10	80,719.76	704000		DRS Finl Mgt Exec		A01DS720010101DRS Exec True Up	
8100031	DRS Billing True-Up	10/31/2004	10	17,804.26	704001		ELEC DISTRIB EXEC		A01DS720010101DRS Exec True Up	
8100031	DRS Billing True-Up	10/31/2004	10	44,469.79	704002		Regulation Exec		A01DS720010101DRS Exec True Up	
8100031	DRS Billing True-Up	10/31/2004	10	27,958.74	704003		ELEC TRANSITION EXEC		A01DS720010101DRS Exec True Up	
8100031	DRS Billing True-Up	10/31/2004	10	48,608.89	704004		FIN EXEC DELIVERY .		A01DS720010101DRS Exec True Up	
8100031	DRS Billing True-Up	10/31/2004	10	118,123.81	704062		Gas & Elec Del Exec		A01DS720010101DRS Exec True Up	
8100031	DRS Billing True-Up	10/31/2004	10	68,165.84	704085		Business Plang Exec		A01DS720010101DRS Exec True Up	
*			10	1,183,887.94						
8100031	DRS Billing True-Up	11/30/2004	11	89,276.38	700102		CHAIRMAN OF BOARD		A01DS720010101DRS Exec True Up	
8100031	DRS Billing True-Up	11/30/2004	11	16,256.99	700142		FIN ANAL & PLAN-EXEC		A01DS720010101DRS Exec True Up	
8100031	DRS Billing True-Up	11/30/2004	11	20,302.11	700205		GAS DISTR EXEC		A01DS720010101DRS Exec True Up	
8100031	DRS Billing True-Up	11/30/2004	11	20,393.88	700228		DRS RETAIL EXEC		A01DS720010101DRS Exec True Up	
8100031	DRS Billing True-Up	11/30/2004	11	6,797.96	700228		DRS RETAIL EXEC		A01DS720010101DRS Exec True Up	
8100031	DRS Billing True-Up	11/30/2004	11	27,709.73	700460		AUDIT SVCS EXEC		A01DS720010101DRS Exec True Up	
8100031	DRS Billing True-Up	11/30/2004	11	33,095.86	700575		TAX EXECUTIVE		A01DS720010101DRS Exec True Up	
8100031	DRS Billing True-Up	11/30/2004	11	105,028.65	700577		EXTERNAL AFFAIR EXEC		A01DS720010101DRS Exec True Up	
8100031	DRS Billing True-Up	11/30/2004	11	43,075.14	700806		HR EXECUTIVE		A01DS720010101DRS Exec True Up	
8100031	DRS Billing True-Up	11/30/2004	11	21,956.85	700832		TREASURY EXECUTIVE		A01DS720010101DRS Exec True Up	
8100031	DRS Billing True-Up	11/30/2004	11	72,330.74	700888		CHIEF ACTG OFFICER		A01DS720010101DRS Exec True Up	
8100031	DRS Billing True-Up	11/30/2004	11	46,654.10	700890		Chief Admin Officer		A01DS720010101DRS Exec True Up	
8100031	DRS Billing True-Up	11/30/2004	11	61,281.22	701720		CHIEF INFO OFFICER		A01DS720010101DRS Exec True Up	
8100031	DRS Billing True-Up	11/30/2004	11	27,062.41	702044		SHARED SERVICES EXEC		A01DS720010101DRS Exec True Up	
8100031	DRS Billing True-Up	11/30/2004	11	3,725.79	703189		Professional Develop		A01DS720010101DRS Exec True Up	
8100031	DRS Billing True-Up	11/30/2004	11	66,540.19	703233		LEGAL SERVICES EXEC		A01DS720010101DRS Exec True Up	
8100031	DRS Billing True-Up	11/30/2004	11	111,656.30	703274		EXEC - DELIVERY		A01DS720010101DRS Exec True Up	
8100031	DRS Billing True-Up	11/30/2004	11	23,037.63	703281		CORP SECRETARY EXEC		A01DS720010101DRS Exec True Up	
8100031	DRS Billing True-Up	11/30/2004	11	120,556.27	703498		CHIEF FINANCIAL OFFR		A01DS720010101DRS Exec True Up	
8100031	DRS Billing True-Up	11/30/2004	11	84,475.48	704000		DRS Finl Mgt Exec		A01DS720010101DRS Exec True Up	
8100031	DRS Billing True-Up	11/30/2004	11	49,321.77	704001		ELEC DISTRIB EXEC		A01DS720010101DRS Exec True Up	
8100031	DRS Billing True-Up	11/30/2004	11	44,061.67	704002		Regulation Exec		A01DS720010101DRS Exec True Up	
8100031	DRS Billing True-Up	11/30/2004	11	49,011.07	704003		ELEC TRANSITION EXEC		A01DS720010101DRS Exec True Up	
8100031	DRS Billing True-Up	11/30/2004	11	86,069.60	704004		FIN EXEC DELIVERY		A01DS720010101DRS Exec True Up	

**Hope Gas, Inc., d/b/a Dominion Hope  
Case No. 05-0304-G-42T**

**DRS Services Rendered to Dominion Hope Gas, Inc., Calendar Year 2004**  
(information copied from CAD J-5)

**Associated Company Charges**

Customer Service	2,382,243
Gas Supply	11,399
Facilities	3,937
Information Technology	<u>104,632</u>
Subtotal	2,502,211

**DRS Direct Charges**

Accounting Services	337,272
Aviation Costs	1,320
Corp Communications	34,264
Corporate Planning	101,713
Corporate Secretary	23,527
Customer Service	71,842
Emp Benefits/Pension	6,494
Environmental	33,151
Ext Affairs & Policy	6,891
Facilities	41,447
General Services	465,606
HR/Employee Relations	170,092
Information Technology	383,139
Legal	317,872
Procurement	32,054
Risk Management	34,179
Security	1,967
Tax	87,238
Treasury	<u>133,697</u>
Subtotal	2,283,765

**DRS Delivery Segment Charges**

Accounting Services	122,538
Aviation Costs	16,467
Corporate Planning	22,382
Environmental	77,205
Executive/Admin	421,903
General Services	31,140
HR/Employee Relations	9,538
Information Technology	900,622
Operations	186,736
Other Expense	<u>15,971</u>
Subtotal	1,804,502

**DRS Corporate Allocated Charges**

Accounting Services	95,628
Accounts Payable	30,897
Auditing	45,841
Aviation Costs	80,820
Business Planning	27,037
Corp Communications	81,540
Corporate Planning	4,125
Customer Service	155,004
Emp Benefits/Pension	36,710
Energy Marketing	39,085
Environmental	10,381
Executive/Admin	220,021
Ext Affairs & Policy	41,928
Facilities	22,261
Fleet Mgt	45,820
General Services	43,149
HR/Employee Relations	226,701
Information Technology	1,364,936
Legal	32,608
Medical	6,950
Other Expense	(107,441)
Payroll	43,130
Procurement	19,676
Risk Management	6,034
Security	69,584
Software Pooling	22,912
Tax	50,754
Travel Services	15,050
Treasury	19,991
Subtotal	<u>2,751,132</u>

**Intercompany Interest Expense**

Interest	21,885
Subtotal	21,885
<b>TOTAL BILL</b>	<b>9,363,495</b>

## Exhibit B

## Gas Line Repair/Replacement Program Service Agreement

This Agreement is made as of this 11<sup>th</sup> day of March 1999, by and between CNG Products and Services, Inc. (doing business as "Hope Energy"), a Delaware Corporation, with its principal offices at One Chatham Center, Pittsburgh, PA 15219 (hereinafter referred to as "CNGPS") and Hope Gas, Inc., a West Virginia Corporation, with its principal offices at P.O. Box 2868, Clarksburg, WV 26301 (hereinafter referred to as "Hope").

CNGPS requests and Hope agrees to provide services, upon the terms and conditions hereinafter provided, which CNGPS will require in order to conduct CNGPS' Gas Line Repair/Replacement Program (hereinafter referred to as "GLRP") on the Hope system.

Accordingly, in consideration of the mutual promises herein contained, CNGPS and Hope agree as follows:

## ARTICLE I

Hope Services Provided to CNGPS

A. Repair/Replacement Services: Hope agrees to provide underground gas line repair and replacement services for CNGPS customers covered under the GLRP in order to restore such covered customer-owned gas lines to full and safe operating condition. Hope shall provide basic site cleanup services to the affected area. Cleanup shall include back filling ditches, removal of material/debris, and reseeding of grass where necessary. Hope agrees to commence repair/replacement services within twenty-four (24) hours of verification of the gas line leak condition and to complete such services as soon as practicable. Hope may provide gas line repair or replacement services with its own qualified personnel or it may, after prior consultation with CNGPS, secure the services of such qualified third party contractors as Hope, in its judgment, may deem necessary or appropriate.

B. Billing/Payment Services : Hope agrees to provide customer billing, payment processing, and related administrative/customer services using Hope's CAMP information system for CNGPS customers covered under the GLRP. Hope will provide CNGPS direct, realtime, on-line access to Hope's CAMP system in connection with the GLRP.

## ARTICLE II

Reimbursement For Services Provided

A. Services Provided at Cost: Hope shall render monthly invoice statements to CNGPS for GLRP repair/replacement services and billing/payment processing services provided by Hope in the manner set forth in Article I. Each monthly invoice statement will be provided by Hope to CNGPS no later than thirty (30) days from the end of a given billing month. The monthly invoice statements for gas line repair/replacement services will include customer account data and actual job cost data.

CNGPS shall make payment hereunder upon receipt of Hope monthly invoice statements. All services rendered hereunder shall be provided at cost. The cost of rendering such services shall include:

- (1) a portion of the salaries and wages of Hope employees determined according to the time devoted by such employees to the performance of services hereunder for CNGPS;
- (2) the cost of Hope employees' benefits, payroll taxes and compensated absences attributable to salaries and wages directly billed under (1) above;
- (3) all other out-of-pocket operating costs, including expenses for transportation tolls, and other expenses incurred by Hope or its employees in connection with the performance of services under this Agreement.
- (4) the actual costs of materials and supplies furnished by Hope in connection with the performance of services under this Agreement.
- (5) administrative and general costs attributable to services performed under this Agreement (including reasonable amounts for general office maintenance and depreciation, amortization, return and related taxes on Hope's general plant investment), determined in accordance with Hope's policies and procedures; and
- (6) the actual cost incurred by Hope in procuring third-party contractors to provide replacement and replacement services in accordance with Article I.

B. Payment for Repair/Replacement and Billing/Payment Processing Services: CNGPS agrees to pay Hope the sum of \$~~500.00~~ as reimbursement for the successful completion of each GLRP job. The payment amount can be adjusted by mutual agreement during the first six months to reflect actual incurred costs. Thereafter, the payment amount shall be adjusted annually at year end for application during the forthcoming calendar year. The payment amount for each forthcoming year will be equal to Hope's actual average job cost experience for the prior year and will be made in conjunction with the annual reconciliation process set forth in Article III.

CNGPS will not reimburse Hope for any work not listed in the GLRP coverage guidelines.

CNGPS shall also pay Hope Eight Cents (\$0.08) per bill as reimbursement for billing/payment processing services.

### **ARTICLE III** **Annual Reconciliation**

Actual GLRP payment and cost experience shall be subject to an annual, year-end reconciliation to be performed by CNGPS. In the event of CNGPS underpayment, CNGPS will remit additional funds to Hope to the extent Hope's actual annual GLRP job costs exceed CNGPS' actual annual payments to Hope. In the event of CNGPS overpayment, Hope will remit funds to CNGPS to the extent CNGPS' actual annual payments to Hope exceed Hope's actual annual GLRP job costs.

### **ARTICLE IV** **GLRP Customer Information**

Hope agrees that CNGPS will have access to any customer account information in accordance with GLRP customers' prior authorization regarding the release of account information.

Hope agrees to notify CNGPS as soon as possible of any preexisting customer line leak conditions for new sign-ups during the waiting period. Hope also agrees to document, maintain and provide to CNGPS, upon request, and in accordance with GLRP customers' prior authorizations regarding the release of account information, customer gas line inspection records in order to facilitate CNGPS' identification and verification of preexisting gas line conditions.

**ARTICLE V**  
**Term of Agreement**

This Agreement shall have an initial term of one (1) years, after which period it shall renew automatically for successive additional terms of one (1) years unless either party shall provide 60 days' written notice to the other of its intention not to continue the Agreement; provided, however, that this Agreement shall be subject to termination or modification at any time to the extent that its performance may conflict with the provisions of the Public Utility Holding Company Act of 1935, as amended, or any rule, regulation or order of the Securities and Exchange Commission adopted or promulgated prior or subsequent to the making of this Agreement; and provided, further, that this Agreement shall be subject to the approval of any state or federal regulatory body or agency, the approval of which is, by the laws of said state or of the United States, a legal prerequisite to the execution, acceptance or performance of this Agreement.

**ARTICLE VI**  
**Assignment**

Either party may, without relieving itself of its obligations under this Agreement, assign any of its rights hereunder to a person with which it is affiliated, but otherwise no assignment of this Agreement or any of the rights or obligations hereunder shall be made unless there first shall have been obtained in writing the consent thereto of the other party.

**ARTICLE VII**  
**Entire Agreement**

This Agreement represents the entire Agreement of the parties hereto and supersedes all prior negotiations, representations or agreements, either oral or written.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first written above.

BY: [Signature]  
Vice President  
CNG PRODUCTS AND SERVICES, INC.

ATTEST: [Signature]  
Assistant Secretary

BY: [Signature]  
Vice President  
HOPE GAS, INC.

ATTEST: [Signature]  
Secretary

**FOCUSED MANAGEMENT  
AND  
OPERATIONS AUDIT**

**OF**

**THE PEOPLES NATURAL GAS  
COMPANY**

**d/b/a**

**DOMINION PEOPLES**

**PREPARED BY THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION  
BUREAU OF AUDITS  
MANAGEMENT AUDIT DIVISION  
ISSUED JANUARY 2003**



## **Findings and Conclusions**

Our examination of Affiliated Relationships and Transactions focused on a review of the cost allocation methodology; compliance with existing cost allocation policies, practices, and procedures; verification of direct costs; inter-company billings; and the roles and responsibilities of employees. Based on our review, the Company should initiate or devote additional efforts to improving the efficiency and/or effectiveness of its affiliated relationships and transactions by addressing the following:

### **1. Dominion Peoples does not consistently adhere to the billing and payment terms established in its affiliated interest agreements.**

Dominion Peoples is not consistently adhering to the terms in three of its affiliated interest agreements which require that it bill each affiliate on a monthly basis for expenses incurred, and accordingly, payment would be due upon receipt. We identified three specific examples of delayed billing and payments. First, Dominion Peoples billed Dominion Retail a rental adjustment of \$16,888 in June 2002, for additional space that it occupied but was not billed for during the months of December 2000 to May 2002. This billing adjustment was not issued until after Dominion Retail left the premises. Payment terms were “net due last day of month” (or June 30, 2002), and no interest charges for the billing delay were recorded on the invoice. Also in June 2002, Dominion Peoples billed Dominion Telecom \$474,327 for rent owed for the space it occupied from October 2000 to June 2002. Although the rent invoice to Dominion Telecom included a charge of \$19,537 for interest, Dominion Peoples granted payment terms of net 60 days (or August 27, 2002) even though the invoice was already issued late.

Another similar delay in billing occurred in April 2002, when Dominion Peoples issued Dominion Products and Services an invoice for \$82,642 to recover billing and collection fees it earned for the following periods:

- December 2000.
- June 2001 through December 2001.
- January 2002 through March 2002.

The fees were earned because Dominion Peoples is allowed to charge \$0.15 per bill for including a monthly surcharge for the Gas Line Replacement Program on Dominion Peoples’ customer’s bills. The invoice issued in April 2002, included payment terms of “net due at the end of the month” (or April 30, 2002) and again no interest charges for the delayed billing were charged on the invoice.

Dominion Peoples attributed the delayed billings to the effects of corporate downsizing and centralization of both the Property Management and Accounting

functions. Each incident of a delay in billing by Dominion Peoples and/or a receipt of a late payment from an affiliate adversely affect Dominion Peoples' cash flow.

In order to eliminate the appearance of cross-subsidization of a non-regulated affiliate, Dominion Peoples should consider charging interest when it does not bill affiliates on time or receives a late payment. Any assessment made by Dominion Peoples on amounts owned by an affiliate should be sufficient to fully cover its increased cost of borrowing, or cost of capital encounter. Although a policy to assess interest on delayed billings and/or late payments is not included in Dominion Peoples affiliated interest agreements; in the future, Dominion Peoples (as the regulated entity) should consider applying interest to delayed billings to affiliates, even when it is at fault, as a method to make itself whole.

**2. There has been a significant increase in the funds borrowed by Dominion Peoples from the Corporate Money Pool.**

Funds borrowed by Dominion Peoples from the Corporate Money Pool have increased from approximately \$15 million as of March 31, 1999 to approximately \$112 million as of June 30, 2002. A cash flow analysis for this period shows that part of the reason for this increase is the fact that Dominion Peoples financed approximately \$90 million in capital projects and retired approximately \$13 million in long-term debt with Corporate Money Pool funds. The funds generated by ongoing operations were not sufficient to meet these requirements, support normal obligations and pay approximately \$125 million in dividends to the parent corporation during this period.

A Corporate Money Pool is primarily established so that a subsidiary can invest excess funds or meet short-term obligations without using a bank. It is not intended to finance capital projects for long periods of time or to be used to retire a significant amount of long-term debt. However, as the interest rate charged by the Corporate Money Pool has been reasonable over the last several years, Dominion Peoples did not refinance capital projects and bond retirements into either long-term debt or increase its equity during the last three years. The interest rate charged by the Corporate Money Pool in June 2002, was approximately two percent.

The low interest rates existing during the second half of 2002 presented an excellent opportunity for Dominion Peoples to reduce its debt owed to the Corporate Money Pool both by increasing cash flow and establishing long-term financing. Allowing the debt owed to the Corporate Money Pool to increase from the present level will inevitably result in higher interest expense or dividend payments in the future.

Management indicated that Dominion Peoples does face some challenges in trying to increase cash flow but we noted some opportunities. For example, it seems that a

1. Agreement for Customer Support and Call Center Services. The Agreement dated May 9, 2000 between AWR and Pennsylvania-American is incorporated herein by reference.

2. Amendment. (a) In addition to Section 4 Paragraph 4.1 of the Agreement, Paragraph 4.1.1 is incorporated herein as follows:

4.1.1 Billing and Collection Fee. The Fee for billing and collection services rendered by Pennsylvania-American as set forth in Paragraph 5.1.3 shall be based on a structured sliding scale fee as follows:

Number of Customers	Rate
1 - 2,500	\$0.55 per customer bill
2,501 - 5,000	\$0.45 per customer bill
5,001 - 10,000	\$0.30 per customer bill
10,001 - 15,000	\$0.20 per customer bill
15,001 +	\$0.10 per customer bill

The per customer sliding scale fee shall be adjusted, by mutual agreement of the parties, in direct proportion to changes in the Consumer Price Index for All Urban Consumers published by the Bureau of Labor Statistics of the United States Department of Labor (the "Consumer Price Index") from one calendar year to the next for each successive year of the Agreement.

(b) Section 5 Paragraph 5.1.3 of the Agreement, is hereby deleted, in its entirety, and the following substituted therefore:

5.1.3 Billing and Collection Services Included. Pennsylvania-American shall be responsible for the preparation, distribution and collection of any bills and invoices for services rendered to customer who have enrolled in the Water Line Protection Program and have requested that those charges be included on their regular monthly or bimonthly water bill. AWR shall be responsible for the collection and distribution of invoices and bills paid by the customer by all other means except as provided by the above.

(d) Section 7 Paragraph 7.4 of the Agreement, is hereby deleted, in its entirety, and the following substituted therefore:

7.4 Administration. AWR shall be responsible for coordinating all administrative activities for the Program and its customers including, but not limited to, enrollments, billings s provided for in Section 5 Paragraph 5.1.3, accounting, marketing, financial analysis and reporting. AWR shall promptly notify Pennsylvania-American of customer enrollments in the Program, including any changes in enrollment status.

3. Balance of Agreement. All other terms and conditions of the Agreement shall be and remain in effect, and the Agreement shall only be amended as set forth in this Amendment.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to the Agreement for Customer Support and Call Center Services between American Water Resources, Inc. and Pennsylvania-American Water Company to be executed on the day and year first above written.

3.3.3 Transition Services Following Termination Without Cause - Upon termination of the Agreement without cause, Pennsylvania-American shall continue to provide services to AWR on a day-to-day basis, at AWR's request, for a period of not less than sixty (60) days during AWR's transition to another service provider. Such transition services shall be provided under and subject to the same terms and provisions of its Agreement, including compensation.

SECTION 4. Compensation.

4.1 Fee. The Fee paid to Pennsylvania-American by AWR for Services rendered pursuant to this Agreement shall be equal to one hundred and fifteen (115%) percent of the total expenses incurred by Pennsylvania-American in providing the Services, inclusive of labor, materials and overheads:

$$\text{Fee} = \text{Total Expenses} \times 115\%$$

The Fee for Call Center services rendered during the first three (3) months of the initial term of this Agreement shall be Five Dollars and Sixty-One Cents (\$5.61) per call received or made by Pennsylvania-American in connection with the Program, which Fee is based on Total Expenses per call of Four Dollars and Eighty-Eight Cents (\$4.88). At the end of the first three (3) months of this Agreement, the per-call Fee for future Call Center services shall be adjusted by mutual consent of the parties to reflect the actual costs experienced during the three (3) month period. At the end of the first year of the Agreement, and at one year intervals thereafter, the per-call Fee for future Call Center services shall be adjusted by mutual agreement of the parties to reflect the actual costs experienced during the prior one year period and also adjusted in direct proportion to changes in the Consumer

Price Index for All Urban Consumers published by the Bureau of Labor Statistics of the United States Department of Labor (the "Consumer Price Index") from one calendar year to the next for each successive year of the Agreement, using 2000 as the base year.

4.2 Reporting and Payments.

4.2.1 Pennsylvania-American shall maintain detailed records of (i) the number of telephone calls received by and made to the Call Center for the Program pursuant to this Agreement, and (ii) all other expenses incurred, inclusive of labor, materials and overhead expenses, in providing services to AWR. Pennsylvania-American will make such detailed records available for AWR's periodic review upon request by AWR.

4.2.2 Pennsylvania-American shall invoice AWR monthly or quarterly, at Pennsylvania-American's discretion, for the Fee for services on or about the tenth business day of each billing period during the term of this Agreement. The invoice shall detail the services provided and the expenses incurred, including labor, materials and overhead. AWR shall pay such Fee to Pennsylvania-American within thirty (30) days of receiving the invoice.

SECTION 5. Scope of Services.

5.1 Pennsylvania-American agrees that it shall provide the following customer support and Call Center services for the Program in accordance with the terms and provisions of this Agreement:

5.1.1 Distribution of Promotional Materials. Pennsylvania-American shall manage and direct the distribution of informational and promotional materials regarding the Program to its customers. Such materials shall be developed by AWR and provided to Pennsylvania-American in

Hope Gas, Inc., d/b/a Dominion Hope  
Case No. 05-0304-G-42T

**Calculation of Revenue Increase from GLRP Billing**

<u>Line</u>		
1	Number of Hope customers billed for GLRP	8,147
2	Annual number of bills	97,764
3	Current Hope charge per bill	\$ 0.08
4	Current Hope revenue for GLRP	\$ 7,821
5	Recommended charge per bill	\$ 0.32
6	Recommended revenue from GLRP	\$ 31,284
7	Addition to going level revenue	\$ 23,463

Notes:

Line 1 from CAD J-51

Line 2: line 1 x 12

Line 3: Sch. SJR-18

Line 4: line 2 x line 3

Line 5: see testimony

Line 6: line 2 x line 5

Line 7: line 6 - line 4

BEFORE THE  
MAINE PUBLIC UTILITIES COMMISSION

Re: Consumers Maine Water Company :  
Request for Approval of Contracts : Docket No. 94-352  
with Consumers Water Company and with :  
Ohio Water Service Company :

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DIRECT TESTIMONY OF  
SCOTT J. RUBIN  
ON BEHALF OF  
THE MAINE PUBLIC ADVOCATE

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December 1994



1 **I. INTRODUCTION**

2 Q. PLEASE STATE YOUR NAME, OCCUPATION, AND BUSINESS ADDRESS.

3 A. My name is Scott Rubin. I am an independent public utility consultant and attorney. My business  
4 address is 3 Lost Creek Drive, Selinsgrove, PA 17870.

5 Q. PLEASE DISCUSS YOUR BACKGROUND AND QUALIFICATIONS.

6 A. I was employed by the Pennsylvania Office of Consumer Advocate ("OCA") from 1983 through  
7 January 1994 in increasingly responsible positions. Since January 1994, I have been an  
8 independent public utility consultant and attorney. I have developed substantial expertise in  
9 matters relating to the economic regulation of public utilities, particularly water and electric  
10 utilities. I have published articles and written speeches and other presentations, on both the  
11 national and state level, relating to regulatory issues. From 1990 until I left the OCA, I was one  
12 of two senior attorneys in that Office. Among my other responsibilities in this position, I had a  
13 major role in setting the OCA's policy positions on water and electric matters. In addition, I was  
14 responsible for supervising the technical staff of that Office. I have testified as an expert witness  
15 on several occasions in Pennsylvania, West Virginia, Kentucky, and New Jersey. This case will  
16 mark my first appearance in Maine. I also would note that I am currently representing a  
17 municipally owned electric utility in Pennsylvania, where I am part of a team that is negotiating  
18 power purchase and service contracts. Thus, I have first-hand experience not only with the  
19 regulatory issues associated with affiliated service contracts, but also with the practical side of  
20 negotiating arms' length agreements to provide support services to a utility. Appendix A to this  
21 testimony is my curriculum vitae.

22 Q. WHAT DOCUMENTS HAVE YOU REVIEWED IN PREPARATION FOR TESTIFYING  
23 IN THIS CASE?

24 A. In addition to the agreement between Consumers Maine Water Company ("Consumers Maine")  
25 and Consumers Water Company ("Consumers"), and the affiliated interest portions of the

1 Commission's order in Consumers Maine's recent rate case, I reviewed similar agreements  
2 between Consumers and several of its other subsidiaries, including:

- 3 ● Camden and Rockland Water Company (now part of Consumers Maine)
- 4 ● Garden State Water Company (New Jersey)
- 5 ● Inter-state Water Company (Illinois)
- 6 ● Maine Water Company (now part of Consumers Maine)
- 7 ● Ohio Water Service Company
- 8 ● Roaring Creek Water Company (Pennsylvania)

9 Over the years, I have reviewed many other agreements among other companies that are  
10 engaged in providing services to public utilities, both affiliated and non-affiliated.

11 I also reviewed documentation of the expenses which Consumers charges to Consumers  
12 Maine (and its predecessor companies) under the terms of its agreement, the original draft of the  
13 agreement between Consumers Maine and Consumers, and the other information provided by  
14 Consumers Maine during the discovery process in this case.

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

16 A. My testimony will address whether the provisions of the contract between Consumers Maine and  
17 its parent company, Consumers, are in the public interest.

18 Q. WHAT DO YOU CONCLUDE ABOUT THE AGREEMENT BETWEEN CONSUMERS  
19 MAINE AND CONSUMERS?

20 A. I conclude that the agreement in its current form is one-sided and greatly favors Consumers over  
21 the interests of Consumers Maine and the latter's customers. In my opinion, such an agreement  
22 could not be the product of arms' length bargaining and would be likely to result in a loss of  
23 control of portions of the utility's daily operations to its parent company. In addition, if the  
24 agreement is used to allocate costs for ratemaking purposes, the customers of Consumers Maine  
25 would be responsible for costs that are unrelated to the provision of water service in the State of

1 Maine and are otherwise inappropriate for inclusion in the jurisdictional cost of service. In short,  
2 it is my opinion that the unconditional approval of this agreement is not in the public interest.

3 Q. BEFORE DISCUSSING THE REASONS FOR YOUR CONCLUSIONS, CAN YOU GIVE  
4 US SOME BACKGROUND ON THE REASONS WHY IT IS SO IMPORTANT TO  
5 CLOSELY SCRUTINIZE CONTRACTS AND TRANSACTIONS AMONG AFFILIATES?

6 A. Yes, the regulation of agreements and transactions among affiliates of public utilities is absolutely  
7 essential to keep the traditional ratemaking process honest. Under traditional rate base / rate of  
8 return regulation, the cost of service is based on the utility's actual expenditures. When those  
9 expenditures are made in arms' length transactions that are subject to market forces, the public  
10 has some assurance that it is paying rates based on the actual cost of doing business, plus a  
11 reasonable profit margin. However, when the utility's expenditures are made in affiliated  
12 transactions, this assurance is lost. Affiliates can be used, intentionally or unintentionally, to  
13 inflate the cost of goods or services above those which the utility could provide by its own  
14 personnel (or obtain in the open market), pass on expenses that are otherwise improper, or obtain  
15 unreasonably high profits. Thus, the careful scrutiny of affiliated relationships is required to  
16 ensure the very integrity of the regulatory process.

17 This public policy has been implemented in Maine through Me. Rev. Stat., tit. 35-A, §  
18 707. This statutory provision requires Commission approval of all "contracts or arrangements"  
19 between a public utility and an affiliated interest. The Commission's approval can be given only if  
20 it finds that "the contract or arrangement is not adverse to the public interest" (§ 707(3)).  
21 Moreover, the Commission has the authority to make its approval "subject to such terms,  
22 conditions and requirements as it determines necessary to safeguard the public interest" (§  
23 707(3)(B)).

24 Q. NOW PLEASE DISCUSS THE FACTORS THAT LED YOU TO CONCLUDE THAT THE  
25 AGREEMENT BETWEEN CONSUMERS MAINE AND CONSUMERS IS NOT IN THE  
26 PUBLIC INTEREST.

1 A. The major factor that has led me to this conclusion is Consumers Maine's lack of control over the  
2 services for which it is obligated to pay.

3 Q. CAN YOU GIVE US SOME EXAMPLES OF CONSUMERS MAINE'S LACK OF  
4 CONTROL UNDER THIS AGREEMENT?

5 A. Yes, I can. The major element of control that I would expect to find is a requirement that  
6 Consumers Maine request a service before Consumers provides it. That is, rather than giving the  
7 parent company *carte blanche* to provide whatever service it feels like providing, services must  
8 be requested by the subsidiary. This element is missing in several key instances from the  
9 contract between Consumers Maine and Consumers.

10 Q. WHY IS IT IMPORTANT THAT CONSUMERS MAINE REQUEST THE SERVICE FROM  
11 CONSUMERS?

12 A. When dealing with affiliated transactions, it is essential that the utility be held responsible for the  
13 purchasing decision. In this way, the utility can be required to compare the services offered by its  
14 affiliate to those that are available in the open market. If the utility then decides to purchase the  
15 service from an affiliate, it can be held accountable for that decision (for example, by being  
16 required to prove in a subsequent rate case that the services were lower in cost, higher in quality,  
17 more timely, or in some other way more valuable than those available in the open market).  
18 Simply, it places the decision-making authority squarely with the utility. This is essential because  
19 it is the utility that is the regulated entity; it is the utility that holds the certificate of public  
20 convenience and necessity; and it is the utility that has the legal obligation to provide adequate,  
21 reliable, and cost-effective service. These obligations are not transferrable to another entity and  
22 should not be ceded to an unregulated, affiliated company.

23 For example, Professor Phillips, in his comprehensive text on public utility regulation,  
24 notes the following general principles regarding payments among affiliates:

25 In general, service fees will not be approved unless the company can  
26 show some specific services rendered by the management firm. This

1 requirement follows the principle expressed by the Securities and Exchange  
2 Commission (SEC) in a 1943 case:

3 Each service company should confine itself to functions which  
4 *the operating subsidiaries cannot perform as efficiently and*  
5 *economically themselves.* These services should be limited to  
6 services of an "operating nature" as distinguished from  
7 managerial, executive, or policy-forming functions.

8 At the federal level, the service contracts of electric and gas holding  
9 companies are closely controlled by the SEC. In the Public Utility Holding  
10 Company Act of 1935, the commission was authorized to approve service  
11 companies if it finds that services will be performed efficiently and economically  
12 "at a cost fairly and equitably allocated among" operating subsidiaries and "*at a*  
13 *reasonable saving over the cost of comparable services ... sold by*  
14 *independent persons.*"

15 (Charles F. Phillips, Jr., *The Regulation of Public Utilities* (3rd Ed. 1993), page 267 (emphasis  
16 added; citations omitted).

17 This standard — that the operating subsidiary cannot perform or obtain the service for a  
18 comparable cost — provides the basis for determining whether an affiliated arrangement is in the  
19 public interest. In order to meet this standard, the utility must have control over the procurement  
20 of services or there must be some other objective measure of the market value of the services  
21 being provided.

22 Q. DOES THE CONTRACT BETWEEN CONSUMERS MAINE AND CONSUMERS  
23 VIOLATE THE REQUIREMENT OF UTILITY CONTROL OVER THE RELATIONSHIP?

24 A. Yes, it does. In nearly every instance, Consumers has the ability to charge Consumers Maine for  
25 services, without Consumers Maine having made a request for such services. Only in the  
26 relatively minor areas of executive recruitment (Section 1), hiring a certified public accountant  
27 (Section 5), and purchasing supplies (Section 10) does the agreement state that Consumers Maine  
28 must request the service from Consumers. In all other instances, Consumers simply has the right  
29 to "assist" or "advise" Consumers Maine, without first having been asked. That is, Consumers will  
30 have the ability, on its own, to charge Consumers Maine for work that the utility never requested  
31 and may not even need. I find such a contractual relationship to be abusive and not in the public  
32 interest.

1 Q. IN WHAT SPECIFIC AREAS WOULD CONSUMERS HAVE THE UNILATERAL RIGHT  
2 TO PROVIDE SERVICES UNDER THE CONTRACT WITH CONSUMERS MAINE?

3 A. Under the contract between Consumers Maine and Consumers, Consumers has the unilateral  
4 right to provide assistance and advice in the following areas:

- 5 ● Long-range planning (Section 2)
- 6 ● Accounting, budgeting, regulatory relations and compliance, construction, tax  
7 matters, business planning, pensions, personnel, and "all other matters incident to  
8 the operations and business of Consumers Maine" (Section 3)
- 9 ● Federal, state, and local taxation (Section 4)
- 10 ● Accounting requirements and corporate records, with the exception of employing  
11 a certified public accountant (Section 5)
- 12 ● Short- and long-term financing (Section 6)
- 13 ● Data processing (Section 7)
- 14 ● Employee benefits (Section 8)
- 15 ● Engineering, construction, legal, and "other specialized services" (Section 9)
- 16 ● Insurance and risk management (Section 11)
- 17 ● Comparative analysis of operations (Section 12)

18 In other words, in almost every area of water utility operations, Consumers has the right  
19 to provide Consumers Maine with services without the utility having first requested those  
20 services.

21 In addition, as I will explain below, these provisions of the contract also fail to incorporate  
22 any objective measure of the market value of the services provided. Thus, the agreement fails  
23 both methods of achieving the standard summarized above.

24 Q. DO ANY OF THESE AREAS RAISE A SPECIAL CONCERN?

25 A. Yes. I am particularly troubled by the lack of control that Consumers Maine has in the area of  
26 "general assistance" (Section 3 of the contract). This is an extremely broad provision that permits  
27 Consumers to provide virtually any type of service without first having been requested to do so by  
28 Consumers Maine. In particular, this provision states:

1 Consumers will provide advice and assistance to Consumers Maine as to  
2 Consumers Maine's business, its trends, accounting matters, budgetary control,  
3 relations with regulatory agencies, construction requirements, purchase  
4 requirements, financing and financial requirements, state and federal water  
5 quality requirements, tax matters, business planning, rates, and without limitation  
6 by specific enumeration, all other matters incident to the operations and business  
7 of Consumers Maine, and will assist or advise Consumers Maine on such matters  
8 as personnel, surveys, pensions, labor contracts, the selection of key personnel  
9 and any other of Consumers Maine's activities.

10 Frankly, it is difficult for me to imagine a broader provision. This gives Consumers virtually  
11 unlimited power to provide whatever service it desires to Consumers Maine, without regard to the  
12 utility's need for, or request for, the service. Indeed, this provision even encompasses the types of  
13 managerial, executive, and policy-making functions that the SEC found should not be delegated to  
14 an affiliate. (See Phillips, *supra*, page 267, citing *In re Columbia Engineering Corp.* (SEC),  
15 Holding Co. Act Release No. 4166 (March 1943).)

16 Q. HOW IS THIS PROVISION REFLECTED IN CONSUMERS'S CONTRACTS WITH ITS  
17 OTHER SUBSIDIARIES?

18 A. Without exception the contracts with Consumers's other subsidiaries require the utility to request  
19 these types of services from Consumers. For example, the contract with Maine Water Company,  
20 that this Commission approved in 1977, stated:

21 Consumers' organization will, *at Maine's request, be available to* advise and  
22 assist Maine as to Maine's business, its trends, accounting matters, budgetary  
23 control, relations with regulatory agencies, construction requirements, purchase  
24 requirements, financing and financial requirements, tax matters, new business  
25 plans, rates and will, *at Maine's request*, assist or advise Maine on such matters  
26 as personnel, surveys, pensions, labor contracts, the selection of key personnel  
27 and, without limitation by specific enumeration, all other matters incident to the  
28 operations and business of Maine.

29 (Emphasis added.)

30 Similar provisions, requiring the utility to request the service from Consumers, appear in  
31 the contracts between Consumers and all of the other subsidiaries for which I have reviewed  
32 copies of the agreements. Only Consumers Maine has given Consumers *carte blanche* in this  
33 area.

1 Q. ARE THERE ANY OTHER INDICATIONS IN THE CONTRACT THAT CONSUMERS  
2 MAINE HAS CEDED TOO MUCH AUTHORITY TO CONSUMERS?

3 A. Yes, there are. Section 4 of the Consumers Maine Covenants (Third Party Payments) requires  
4 Consumers Maine to pay bills from third parties when such third parties "have been authorized by  
5 Consumers to provide services to Consumers Maine in furtherance of the terms of this  
6 agreement." This provision would permit Consumers to make a contract with a third party to  
7 provide a service to Consumers Maine, apparently without Consumers Maine being either a party  
8 to that contract or having any say in the award of such a contract. Once again, I find such a  
9 provision to be unacceptable, both as a matter of public policy and as a matter of providing  
10 adequate legal protection to Consumers Maine.

11 Q. DO CONSUMERS'S OTHER SUBSIDIARIES HAVE SIMILAR PROVISIONS IN THEIR  
12 AGREEMENTS?

13 A. All of the other agreements that I examined have provisions that govern the payment of third  
14 parties, but none of them contain the language that is in the Consumers Maine contract. All of  
15 the other agreements contain language on this point that is identical (except for the name of the  
16 subsidiary) to that found in the Maine Water Company agreement that this Commission approved  
17 in 1977, which follows:

18 Maine agrees to pay all bills rendered to Maine by any third parties which third  
19 parties have been approved by Maine to be engaged solely for Maine's account.

20 This language is very different from that which is contained in the Consumers Maine agreement.  
21 Consumers's other subsidiaries retain control over their relationships with third party contractors  
22 (they must specifically approve the use of third parties and the third parties will bill the utility  
23 directly). In contrast, Consumers Maine apparently has ceded control over this aspect of its  
24 operations to Consumers, but it is unclear whether it did so voluntarily. Indeed, the original draft  
25 of this agreement, that was prepared by Consumers Maine's President, contained the following  
26 provision:



1 Consumers Maine agrees to pay all bills rendered to Consumers Maine by any  
2 third parties which third parties have been approved by Consumers Maine to be  
3 engaged solely for Consumers Maine's account, with no amount added for profit.

4 (Staff DR 1-29).

5 Consumers Maine was unable to identify why this provision was changed, or the person  
6 who recommended the change (Staff DR 1-29). However, it is apparent that the change in this  
7 provision works to the detriment of Consumers Maine and its customers and is not consistent with  
8 the public interest. Simply, I cannot think of a valid reason for permitting the current version of  
9 this provision to remain in the contract.

10 Q. YOU HAVE EXPLAINED WHY YOU BELIEVE THAT CONSUMERS MAINE HAS  
11 GIVEN TOO MUCH AUTHORITY TO CONSUMERS. DO YOU ALSO HAVE A  
12 CONCERN WITH THE TYPES OF CHARGES THAT CONSUMERS WILL BE ABLE TO  
13 PASS ON TO CONSUMERS MAINE?

14 A. Yes, I do. While I recognize that this proceeding is limited to approving the contract itself, and  
15 not any specific charges that might flow to Consumers Maine under the contract, I do have  
16 several concerns in this area. I will focus my testimony on the contract itself, referring to specific  
17 charges only as examples of the way in which the contract has been implemented by the parties.

18 I am troubled by Consumers's ability to pass on all of its overhead expenses to its  
19 subsidiaries, including Consumers Maine. The key provision of the contract is found on page 4,  
20 Section 1, which requires Consumers Maine to reimburse Consumers for the "cost of service" for  
21 all time that Consumers employees spend working for Consumers Maine. "Cost of service" is  
22 defined as follows:

23 an equitable proportion, based on time spent in the performance of services for  
24 Consumers Maine, of the total reasonable and necessary annual compensation  
25 paid by Consumers to the personnel of Consumers performing the services, plus  
26 an equitable proportion of the reasonable and necessary annual overhead  
27 expenses of Consumers, all audited in accordance with general accepted auditing  
28 standards by independent certified public accountants. No amount will be added  
29 for profit.

1 My concern with this definition is that it permits Consumers to bill a proportion of all of its  
2 "overhead expenses" to Consumers Maine. Importantly, the contract does not define "overhead  
3 expenses" or limit the types of costs that can be included in this charge.

4 Q. DO YOU HAVE ANY INDICATION OF THE TYPES OF CHARGES THAT  
5 CONSUMERS APPARENTLY CONSIDERS TO BE OVERHEAD EXPENSES?

6 A. Yes, I do. In response to Staff Data Request 1-21, Consumers Maine provided a copy of the  
7 monthly billings that it (or its predecessors) received from Consumers for the months of October  
8 1993 through September 1994. Included in Consumers's overhead are charges that are  
9 completely unrelated to the provision of water service in the State of Maine. For example, the  
10 following types of charges are classified as "overhead expenses" by Consumers and are being  
11 partially charged to Consumers Maine:

- 12 ● Costs for attending conferences that are completely unrelated to Consumers's  
13 operations in the State of Maine (for example, the Great Lakes Conference of  
14 Public Utilities Commissioners, the Southeast Area Regulatory Utility  
15 Commissioners Conference, and the Mid-America Regulatory Commissioners  
16 Conference), for William Holmes, who was not then (and is not now) an  
17 employee, officer, or director of Consumers.
- 18 ● Costs for attending board meetings of the National Association of Water  
19 Companies for Mr. Holmes.
- 20 ● Costs for Mr. Holmes to attend a NARUC conference in California.
- 21 ● Entertainment expenses.
- 22 ● Charitable contributions.
- 23 ● Marketing expenses.

24 Simply, I believe that the undefined category of "overhead expenses" is much too broad  
25 and essentially permits Consumers to charge Consumers Maine for costs which are unrelated to  
26 the provision of utility service in Maine. If Consumers Maine incurred these expenses directly, I  
27 believe that they would be considered to be "below-the-line" expenses. The contract should not  
28 permit Consumers Maine to convert such expenses into "above-the-line" expenses simply by  
29 passing them through an affiliate.

1 Q. CAN'T THIS PROBLEM WITH THE CONTRACT BE HANDLED BY DISALLOWING  
2 SOME OF THESE EXPENSES IN A CONSUMERS MAINE RATE CASE?

3 A. Obviously, if such charges appear on the books of Consumers Maine, I would recommend that  
4 they be disallowed in a rate case. However, I do not believe that this is the best way to handle  
5 these charges. These are expenses of the parent company that are unrelated to providing service  
6 in Maine. There is no good reason for them to be charged at all to an operating utility in this  
7 State. Again, I would reiterate that the central issue is the degree of control and responsibility  
8 that Consumers Maine has in its relationship with its affiliate. Allowing these costs to be passed  
9 through to Consumers Maine means that the utility has less control over its own costs. In  
10 addition, of course, having to deal with such issues in rate cases can be expensive and time-  
11 consuming for the Commission, intervenors, utility and, ultimately, for the ratepayers in the State  
12 of Maine. In my opinion, there is no good reason why these costs should be passed on to  
13 Consumers Maine at all.

14 Q. YOU HAVE BEEN FAIRLY CRITICAL OF THE CONTRACT BETWEEN CONSUMERS  
15 MAINE AND CONSUMERS. ARE YOU SUGGESTING THAT THE UTILITY SHOULD  
16 NOT PURCHASE ANY SERVICES FROM CONSUMERS?

17 A. No, I am not. I know some of the people at Consumers and I believe that they are  
18 knowledgeable and have something of value to offer to their subsidiaries. What I am suggesting  
19 is that Consumers Maine be given greater responsibility for procuring such services, including  
20 being given the option of obtaining them from an unaffiliated company. In addition, Consumers  
21 Maine should not be charged for broad categories of expenses that are unrelated to the provision  
22 of water service in Maine.

23 In particular, I recommend that Consumers Maine should be required to competitively bid  
24 services that are readily available from other companies. These types of services would include  
25 those in the following areas: engineering; rate case support; tax and accounting; financing;  
26 employment (hiring and placement); legal; and insurance and risk management. In fact, in its  
27 supplemental response to Staff DR 1-2, 10, and 12-20, Consumers Maine identified (with an "R")

1 the services that it typically requests from Consumers. In so doing, it said: "These items are  
2 services that are available from other vendors, but the relationship between the company and  
3 Consumers is such that there is an ongoing dialogue and sharing of information." I interpret this to  
4 mean that these services could be competitively bid. Any successful bidder would soon develop  
5 the same type of "ongoing dialogue and sharing of information" that Consumers Maine enjoys with  
6 Consumers. In my opinion, by refusing to competitively bid for these services, Consumers Maine  
7 is failing to act in the best interests of its customers. The Commission and Consumers Maine's  
8 customers cannot be fully assured that Consumers Maine is being charged a reasonable amount  
9 by Consumers for providing these services.

10 Q. WOULD YOU PROHIBIT CONSUMERS FROM BIDDING FOR THE PROVISION OF  
11 THESE SERVICES?

12 A. No, I certainly would not. I would encourage Consumers to submit a competitive bid for  
13 providing these services to Consumers Maine. As I mentioned earlier, Consumers has qualified  
14 personnel who can provide knowledgeable assistance to Consumers Maine; but that assistance  
15 must be provided at a reasonable price. Thus, I would caution that such a bid should contain the  
16 types of terms and conditions that one would expect in the commercial services market (stated  
17 hourly rates for employees, the basis for determining charges for expenses, limits on the amount  
18 to be spent for a particular project, etc.).

19 Q. WHAT DO YOU RECOMMEND THAT THE COMMISSION DO TO REMEDY THE  
20 PROBLEMS THAT YOU HAVE ADDRESSED?

21 A. I would recommend that the relationship between Consumers Maine and Consumers be changed.  
22 This could be accomplished by either (1) amending the agreement between Consumers Maine  
23 and Consumers, or (2) by the Commission conditioning its approval of this agreement. Whichever  
24 method is chosen, I recommend that the following changes be instituted:

- 25 ● Consumers Maine should be required to procure the following types of services  
26 through written, competitive bids: engineering; rate case support; tax and

1 accounting; financing; employment (hiring and placement); legal; and insurance  
2 and risk management.

3 ● Any requests from Consumers Maine to Consumers for services in other areas  
4 (such as pensions and benefits, business planning, consolidated taxation issues,  
5 and data processing) should be made in writing and be subject to the same  
6 approval limitations that Consumers Maine uses for procuring outside services.  
7 (The necessary approvals for procuring services were provided in response to  
8 Staff DR 2-5. For example, amounts between \$1,000 and \$5,000 must be  
9 approved by a Vice President; amounts between \$5,000 and \$25,000 must be  
10 approved by the President; etc.)

11 ● The types of "overhead services" that are allowable should be specifically  
12 defined. Any charges for such services should be limited to those which would  
13 be eligible for inclusion in rates above-the-line.

14 ● Section 4 of the Consumers Maine Covenants should be revised to require that  
15 Consumers Maine request the services of a third party before being required to  
16 pay for such services.

17 Q. HOW WOULD THE COMPETITIVE BIDDING PROCESS WORK?

18 A. I would leave the specific details of this process up to the management of Consumers Maine. I  
19 would urge the Commission to impose the following conditions:

20 ● Certain, discrete projects (for example, engineering services for a significant  
21 construction project) should be bid separately.

22 ● Other types of services (for example, general accounting services) should be bid  
23 periodically (for a term of no more than one year).

24 I do wish to make it clear, however, that I do not envision a process where Consumers Maine  
25 would have to obtain a bid before its Treasurer could call an accountant to ask a question. Such  
26 services would be handled through a periodic solicitation for professional services.

27 Q. DOES THIS CONCLUDE YOUR TESTIMONY?

28 A. Yes, it does.

BEFORE THE  
MAINE PUBLIC UTILITIES COMMISSION

Re: Consumers Maine Water Company :  
Request for Approval of Contracts : Docket No. 94-352  
with Consumers Water Company and with :  
Ohio Water Service Company :

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REBUTTAL TESTIMONY OF  
SCOTT J. RUBIN  
ON BEHALF OF  
THE MAINE PUBLIC ADVOCATE

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May 1995

1 Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

2 A. My name is Scott Rubin. My business address is 3 Lost Creek Drive, Selinsgrove, PA 17870.

3

4 Q. DID YOU PREVIOUSLY OFFER PREPARED DIRECT TESTIMONY IN THIS CASE?

5 A. Yes, I did. That testimony was submitted in December 1994.

6

7 Q. WHAT IS THE PURPOSE OF THIS REBUTTAL TESTIMONY?

8 A. I will briefly address several of the statements made by the President of Consumers Maine Water  
9 Company ("Consumers Maine"), Judith W. Hayes, in her testimony.

10

11 Q. WHAT IS YOUR MAJOR CONCERN WITH MS. HAYES'S TESTIMONY?

12 A. My primary concern is that she failed to address or fully understand many of the points that I  
13 raised in my direct testimony. To briefly review, my testimony concluded that the contract  
14 between Consumers Maine and its parent, Consumers Water Company ("Consumers") was not in  
15 the public interest, largely because of the lack of control that Consumers Maine has over the  
16 services that it would receive from Consumers. In addition, I pointed out several areas where the  
17 services that were subject to an exclusive contract with Consumers should be competitively bid.

18

19 Q. HAS MS. HAYES RESPONDED TO YOUR CONCERN WITH CONSUMERS MAINE'S  
20 LACK OF CONTROL UNDER ITS CONTRACT WITH CONSUMERS?

21 A. She does not dispute the fact that the contract, as submitted to the Commission, gives Consumers  
22 nearly total control over the operations of Consumers Maine. In fact, Ms. Hayes states that there  
23 is a "new culture" developing at Consumers that would give the subsidiaries more authority and  
24 control. Specifically, she states: "The parent central services are developed and priced to meet

1 the needs and wants of the working subsidiaries, *instead of the existing structure where less*  
2 *input was allowed.*” (pages 12-13; emphasis added) She also testifies that, under this new  
3 structure, she has “a lot more input into the decisions, and the costs associated with them, than a  
4 subsidiary ever had before.” (page 13)

5 This was precisely my point. The existing structure of Consumers, as evidenced by the  
6 contract between Consumers and Consumers Maine, places most of the control in the hands of  
7 the parent company. This is inappropriate and not in the public interest. From Ms. Hayes’s  
8 testimony, it appears that this general corporate policy is changing at Consumers. If that is the  
9 case, then the contract also must be changed. It makes no sense to put in place an agreement  
10 that gives very little authority to the subsidiary when the new “corporate culture” is designed to  
11 give more control to the subsidiary. My original recommendations -- to require Consumers Maine  
12 to make an affirmative request for services and to competitively bid certain types of services --  
13 appear to be consistent with the new management style at Consumers.

14  
15 Q. ONE OF THE AREAS WHERE YOU HIGHLIGHTED THE LACK OF CONTROL IN THE  
16 CONTRACT WAS IN THE PROCUREMENT OF SERVICES FROM THIRD PARTIES.  
17 DOES MS. HAYES RESPOND TO THIS POINT?

18 A. No, she does not. My concern here was that the contract would give Consumers the right to  
19 procure services from third parties on behalf of Consumers Maine, without Consumers Maine  
20 ever having requested the service. In my opinion, this was the most egregious area where  
21 Consumers Maine had ceded control over its operations to Consumers. Ms. Hayes does not even  
22 mention this issue in her testimony. Needless to say, this provision of the contract appears to be in  
23 direct conflict with the new “corporate culture” at Consumers.

24



1 Q. ON THE ISSUE OF CONTROL, YOU ALSO HIGHLIGHTED THE NEED FOR WRITTEN  
2 REQUESTS FOR CERTAIN TYPES OF SERVICES. HOW DOES MS. HAYES  
3 RESPOND?

4 A. She states that she has no objection to this recommendation (page 17). She does not specifically  
5 mention my related recommendation that appropriate approvals be obtained within Consumers  
6 Maine (for example, that the President must approve any requisition involving between \$5,000 and  
7 \$25,000). I believe that this must be an integral part of any controls that are put in place.  
8 Requests for services from Consumers should be treated in the same fashion as requests for  
9 services from an independent company.

10

11 Q. COULD YOU REVIEW FOR US THE TYPES OF SERVICES THAT YOU THOUGHT  
12 SHOULD BE COMPETITIVELY BID BY CONSUMERS MAINE?

13 A. I recommended that the following types of services should be competitively bid:

- 14 • Engineering
- 15 • Rate case support
- 16 • Tax and accounting
- 17 • Financing
- 18 • Employment
- 19 • Legal
- 20 • Insurance and risk management

21

22 Q. HOW DOES MS. HAYES RESPOND TO YOUR RECOMMENDATION?

23 A. She did not address the areas of rate case support, employment, and legal. She briefly discusses  
24 engineering and tax/accounting services. She spends a good deal of her testimony discussing  
25 financing, insurance, and issues that I did not even dispute (such as data processing and employee  
26 benefits).

27

1 Q. DOES MS. HAYES'S TESTIMONY ON ENGINEERING AND TAX/ACCOUNTING  
2 SERVICES AFFECT YOUR ORIGINAL RECOMMENDATION?

3 A. No, it does not. Her testimony on those points is essentially that the current service provider  
4 (Consumers) knows Consumers Maine and, therefore, does a good job. While I have no doubt  
5 that Consumers knows Consumers Maine, this does not mean that independent engineering and  
6 accounting firms could not provide comparable services. What we don't know -- because  
7 Consumers Maine has never asked -- is what it would cost to have an independent firm provide  
8 these services. Again, it bears repeating that this is precisely the point of my initial  
9 recommendation: These are services that are available in the open market. There is no reason  
10 that Consumers should automatically provide these services, unless it can do so in the most cost-  
11 effective manner.

12

13 Q. DOES MS. HAYES DISAGREE WITH YOU?

14 A. I'm not sure if she completely disagrees. On page 12, she says that the new corporate structure  
15 of Consumers "demands cost-efficient services that are regularly benchmarked against the  
16 marketplace." I can think of no better way to benchmark Consumers's services against the  
17 market than to require Consumers to compete with independent companies to provide these  
18 services. If Consumers cannot capture enough of the economies of scale to compete with  
19 independent companies, then it should either stop providing that service or it should streamline its  
20 operations to become more competitive.

21

22 Q. DOES MS. HAYES'S TESTIMONY ON FINANCING AND INSURANCE CHANGE  
23 YOUR ORIGINAL RECOMMENDATIONS?

1 A. No, it does not. She explains how Consumers is currently able to provide these services at a  
2 lower cost. However, none of her examples reflect actual, competitive quotations from other  
3 service providers for providing these services to Consumers Maine. I have never suggested that  
4 Consumers could not be the low bidder or that it was unable to provide some services in a cost-  
5 effective manner. My point was, and remains, that there is no reason to give Consumers an  
6 exclusive contract to provide these services. They are available from dozens of independent  
7 companies that might be able to provide them at a lower price. We simply have no way of  
8 knowing if Consumers is providing a cost-effective service unless it is subjected to the test of  
9 competition.

10  
11 Q. DO YOU HAVE OTHER, SPECIFIC CONCERNS WITH MS. HAYES'S TESTIMONY?

12 A. Yes, I do. There are several instances where she makes statements that I believe are  
13 unsupported or inaccurate.

14 First, on page 7, lines 7-9, Ms. Hayes states that “[m]ost stand-alone water systems can  
15 not afford to hire the expertise, or if they do, they are also paying for a profit component.” I find  
16 no basis for concluding that a water system the size of Consumers Maine (more than 10,000  
17 customers) would be unable to contract for the necessary expertise in the open market. In 1994,  
18 Consumers Maine paid Consumers more than \$340,000 for services. In addition, Consumers  
19 Maine paid more than \$135,000 for corporate overhead and sundry items. These figures are  
20 calculated on my Schedule 1. In my opinion, the \$475,000 that Consumers Maine paid to  
21 Consumers last year would be more than adequate to procure such services in the competitive  
22 market. Moreover, Ms. Hayes’s point about paying a “profit component” to independent firms is  
23 misleading. That “profit component” is used to cover such items as overhead, officers’ salaries,  
24 shareholder services, financing costs, and so on -- all of which are being billed directly to

1 Consumers Maine by Consumers. The amounts included for these items and profit are subject to  
2 competitive market forces. Of course, these companies want to make a profit, but their ability to  
3 do so depends on how efficiently they can provide services for their clients. What we don't know  
4 (because Consumers Maine has not asked) is whether the combination of overhead and profit for  
5 independent companies is less than the overhead and sundry charges of Consumers.

6  
7 Q. ON PAGE 10 OF HER TESTIMONY, MS. HAYES STATES THAT IT IS NOT  
8 NECESSARY TO BE CONCERNED WITH THE COSTS OF SERVICES FROM  
9 CONSUMERS IN THIS CASE, BECAUSE THE COMMISSION REVIEWS THEM IN A  
10 RATE CASE. DO YOU AGREE?

11 A. No, I do not. While I agree that we should not be reviewing the precise costs that Consumers  
12 Maine paid to Consumers in this case, I think that it is necessary to look at the elements of cost  
13 that are being passed down to Consumers Maine. One of the very bases for requiring  
14 Commission review of affiliated interest agreements is to ensure that the resources of the  
15 operating utility are not diverted to the parent company. Even if the Commission were able to  
16 eliminate all improper expenses from the cost of service, if Consumers Maine is required (by  
17 contract) to pay that money to Consumers, then it could have an adverse effect on Consumers  
18 Maine's balance sheet and cash flow and, ultimately, its ability to provide adequate service. In  
19 addition, as I have mentioned previously, it removes the incentive for Consumers to become a  
20 more efficient provider of services.

21 Simply, unlike Ms. Hayes, I believe that there is a good reason why the Commission is  
22 required to approve affiliated interest contracts. The review of these agreements protects  
23 ratepayers, encourages competition, and fosters efficiency in the utility and its affiliates. As I  
24 stated in my direct testimony, it is my opinion that the contract itself is harmful to ratepayers,

1 discourages competitive providers, and does nothing to force Consumers and Consumers Maine to  
2 become more efficient. Therefore, I concluded then, and I still conclude now, that the contract is  
3 not in the public interest and should not be approved.

4

5 Q. ON PAGES 13 AND 14, MS. HAYES COMPLAINS THAT THERE IS INCONSISTENT  
6 TREATMENT OF TRANSACTIONS WITH AFFILIATES AND INDEPENDENT  
7 COMPANIES. DO YOU AGREE?

8 A. No, I do not. As I discussed in my direct testimony, there are very good reasons why enhanced  
9 review is required of transactions with affiliates. I will not try to review all of those reasons here.  
10 However, one of the major reasons for a different level of review is that affiliated transactions are  
11 not at arms' length and are not subjected to market forces. Competitive forces will control how  
12 much overhead, profit, and inefficiency can be passed on to the end user. When a transaction  
13 occurs outside of the marketplace, these external controls are not present. Consequently, it  
14 becomes the role of the regulator to ensure that the terms and conditions, as well as the price  
15 being paid, are appropriate and otherwise in the public interest.

16

17 Q. ON PAGE 16, MS. HAYES PROVIDES A NUMBER OF REASONS WHY BIDDING  
18 WOULD NOT BE APPROPRIATE FOR VARIOUS TYPES OF SERVICES. DO YOU  
19 HAVE A RESPONSE TO HER TESTIMONY?

20 A. Most of her arguments are either irrelevant to the issues that I have raised or do not provide a  
21 valid reason why it would be inappropriate to competitively bid these services. Initially, in the first  
22 paragraph on page 16, she states that audit costs, health insurance costs, and insurance costs are  
23 regularly bid by Consumers. First, it must be noted that I have not proposed any change in the  
24 procurement of health insurance. As with other employee benefits, I believe that this is one area

1 where there are clear benefits to the purchasing power of Consumers as a whole. Moreover, the  
2 mere fact that audit and insurance costs are occasionally put out for bids does not mean that an  
3 individual subsidiary's needs could not be met more cost effectively in the market. There is a big  
4 difference between trying to meet the needs of the entire Consumers organization and trying to  
5 meet the needs of an individual operating utility like Consumers Maine.

6 Her next argument (the second paragraph on the page) concerns pension, health  
7 insurance, and the 401(k) plan. Each of these are employee benefit programs which I have not  
8 contested.

9 Paragraph 3 on page 16 states that Consumers's employees have in-depth knowledge of  
10 the accounting and data processing systems. I agree and, again, I have not challenged the  
11 provision of data processing services by Consumers to Consumers Maine.

12 In her final argument on page 16, Ms. Hayes states that there might be harm to  
13 Consumers as a whole if individual companies can go in and out of the system. First, this  
14 argument has little relevance to the issues that I raised. Further, if it is possible for a number of  
15 subsidiaries to reach a better deal outside of the Consumers organization, then Consumers is  
16 failing to provide any of the "economies of scale" that Ms. Hayes is afraid will be lost.

17  
18 Q. DO YOU HAVE ANY FINAL COMMENTS?

19 A. Yes. I would like to summarize my testimony simply and directly. The contract that Consumers  
20 and Consumers Maine have signed gives Consumers an enormous amount of discretion in  
21 providing services for Consumers Maine. The result of this contractual relationship is that  
22 Consumers Maine would lose control over several critically important aspects of its operations and  
23 could be required to pay for services that it did not request and that do not provide a benefit to it.  
24 Ms. Hayes appears to have recognized some of these concerns with the relationship between

1 Consumers and its subsidiaries, and she indicates that the relationship is changing. While this is  
2 good news for ratepayers, the contract between Consumers and Consumers Maine must reflect  
3 these changes, as well as other procedures that ensure that Consumers Maine is neither paying  
4 for services that it does not need nor paying more than market rates for services. The changes  
5 that I have proposed -- competitive bidding for certain services, increased cost controls and  
6 procedures, and placing the control in the hands of Consumers Maine -- would resolve these  
7 problems. As it presently stands, the contract between Consumers and Consumers Maine is not  
8 in the public interest. In my opinion, the modifications that I propose would make their relationship  
9 one that is reasonable and in the best interests of ratepayers, Consumers Maine, and the  
10 Consumers organization as a whole.

11  
12 Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?

13 A. Yes, it does.

BEFORE THE  
PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Regulation of the Electric  
Fuel Component Contained Within the Rate  
Schedules of Cincinnati Gas & Electric Company  
and Related Matters

Case No. 97-103-EL-EFC

Direct Testimony of  
**Scott J. Rubin**

on Behalf of  
The Ohio Consumers' Counsel

April 14, 1998



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1 Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

2 A. My name is Scott J. Rubin. My business address is 3 Lost Creek Drive, Selinsgrove, PA.

3 Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

4 A. I am an independent attorney and consultant, with a practice limited to matters affecting the  
5 public utility industry.

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

7 A. I have been asked by the Ohio Consumers' Counsel ("OCC") to examine the manner in which  
8 Cincinnati Gas & Electric Company ("CG&E") has been conducting fuel-related transactions  
9 and the effect of those transactions on its EFC for CG&E's retail customers.

10 Q. WHAT ARE YOUR QUALIFICATIONS TO PROVIDE THIS TESTIMONY IN THIS CASE?

11 A. I was employed by the Pennsylvania Office of Consumer Advocate ("OCA") from 1983  
12 through January 1994 in increasingly responsible positions. Since January 1994, I have been an  
13 independent public utility consultant and attorney. I have developed substantial expertise in  
14 matters relating to the economic regulation of public utilities. I have published articles and  
15 written speeches and other presentations, on both the national and state level, relating to  
16 regulatory issues. From 1990 until I left the OCA, I was one of two senior attorneys in that  
17 Office. Among my other responsibilities in this position, I had a major role in setting the OCA's  
18 policy positions on water and electric matters. In addition, I was responsible for supervising the  
19 technical staff of that Office. During 1991, I served as a member of the U.S. Environmental  
20 Protection Agency's Acid Rain Advisory Committee, Subcommittee on Nitrogen Oxides. I