

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

THE PLAN OF LOUISVILLE GAS AND)
ELECTRIC COMPANY FOR THE VALUE) CASE NO. 2005-00352
DELIVERY SURCREDIT MECHANISMS)

NOTICE OF FILING AND CERTIFICATION OF SERVICE

I hereby give notice that I have filed the original and ten true copies of the foregoing with the Executive Director of the Kentucky Public Service Commission at 211 Sower Boulevard, Frankfort, Kentucky, 40601, this the 7th day of December, 2005, and certify that this same day I have served the parties by mailing a true copy, postage prepaid, to the following:

KENDRICK R RIGGS ESQ
ODGEN NEWELL & WELCH PLLC
1700 PNC PLAZA
500 WEST JEFFERSON STREET
LOUISVILLE KY 40202

KENT W. BLAKE
DIRECTOR STATE REGULATIONS AND RATES
LOUISVILLE GAS AND ELECTRIC COMPANY
P. O. BOX 32010
LOUISVILLE, KY 40232-2010

ELIZABETH L COCANOUGH ESQ
SENIOR REGULATORY COUNSEL
LOUISVILLE GAS AND ELECTRIC COMPANY
P O BOX 32010
LOUISVILLE KY 40232

MICHAEL L KURTZ ESQ
BOEHM KURTZ & LOWRY
36 EAST SEVENTH STREET SUITE 1510
CINCINNATI OH 45202

RECEIVED

DEC 6 7 2005

PUBLIC SERVICE
COMMISSION



**COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION**

RECEIVED

DEC 6 7 2005

PUBLIC SERVICE
COMMISSION

In the Matter of:

THE PLAN OF LOUISVILLE GAS AND)
ELECTRIC COMPANY FOR THE VALUE)
DELIVERY SURCREDIT MECHANISMS)

2005-00352

**DIRECT TESTIMONY OF
ROBERT J. HENKES**

**On behalf of the
Office of the Attorney General of Kentucky**

**COMMONWEALTH OF KENTUCKY
BEFORE THE KENTUCKY PUBLIC SERVICE COMMISSION**

In the Matter of:

**THE PLAN OF LOUISVILLE GAS AND)
ELECTRIC COMPANY FOR THE VALUE) **CASE NO. 2005-00352**
DELIVERY SURCREDIT MECHANISM)**

**DIRECT TESTIMONY
OF
ROBERT J. HENKES**

**ON BEHALF OF THE OFFICE OF RATE INTERVENTION
OF THE ATTORNEY GENERAL FOR
THE COMMONWEALTH OF KENTUCKY**

December 8, 2005

Louisville Gas & Electric Company
Case No. 2005-00352
Direct Testimony and Exhibits of Robert J. Henkes

TABLE OF CONTENTS

	<u>Page</u>
I. STATEMENT OF QUALIFICATIONS	1
II. SCOPE AND PURPOSE OF TESTIMONY	2
III. SUMMARY OF FINDINGS AND CONCLUSIONS	3
IV. DISCUSSION OF ISSUES	4
A. History of VDT Rate Mechanism	4
B. LG&E's Plan for VDT Surcredit Mechanism	9
C. AG's Recommended Plan for VDT Surcredit Mechanism	10

APPENDIX I: Prior Regulatory Experience of Robert J. Henkes

Direct Testimony of Robert J. Henkes
Louisville Gas & Electric Company – Case No. 2005-00352

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
3

I. STATEMENT OF QUALIFICATIONS

Q. WOULD YOU STATE YOUR NAME AND ADDRESS?

A. My name is Robert J. Henkes, and my business address is 7 Sunset Road, Old Greenwich, Connecticut, 06870.

Q. WHAT IS YOUR PRESENT OCCUPATION?

A. I am Principal and founder of Henkes Consulting, a financial consulting firm that specializes in utility regulation.

Q. WHAT IS YOUR REGULATORY EXPERIENCE?

A. I have prepared and presented numerous testimonies in rate proceedings involving electric, gas, telephone, water and wastewater companies in jurisdictions nationwide including Arkansas, Delaware, District of Columbia, Georgia, Kentucky, Maryland, New Jersey, New Mexico, Pennsylvania, Vermont, the U.S. Virgin Islands, and before the Federal Energy Regulatory Commission. A complete listing of jurisdictions and rate proceedings in which I have been involved is provided in Appendix I attached to this testimony.

Q. WHAT OTHER PROFESSIONAL EXPERIENCE HAVE YOU HAD?

A. Prior to founding Henkes Consulting in 1999, I was a Principal of The Georgetown Consulting Group, Inc. for over 20 years. At Georgetown Consulting, I performed the same type of consulting services that I am currently rendering through Henkes Consulting. Prior to my association with Georgetown Consulting, I was employed by the American Can

Direct Testimony of Robert J. Henkes
Louisville Gas & Electric Company – Case No. 2005-00352

1 Company as Manager of Financial Controls. Before joining the American Can Company, I
2 was employed by the management consulting division of Touche Ross & Company (now
3 Deloitte & Touche) for over six years. At Touche Ross, my experience, in addition to
4 regulatory work, included numerous projects in a wide variety of industries and financial
5 disciplines such as cash flow projections, bonding feasibility, capital and profit forecasting,
6 and the design and implementation of accounting and budgetary reporting and control
7 systems.

8
9 **Q. WHAT IS YOUR EDUCATIONAL BACKGROUND?**

10 A. I hold a Bachelor degree in Management Science received from the Netherlands School of
11 Business, The Netherlands in 1966; a Bachelor of Arts degree received from the University
12 of Puget Sound, Tacoma, Washington in 1971; and an MBA degree in Finance received
13 from Michigan State University, East Lansing, Michigan in 1973. I have also completed
14 the CPA program of the New York University Graduate School of Business.

15
16 **II. SCOPE AND PURPOSE OF TESTIMONY**

17
18 **Q. WHAT IS THE SCOPE AND PURPOSE OF YOUR TESTIMONY?**

19 A. I was engaged by the Office of Rate Intervention of the Attorney General of Kentucky
20 (“AG”) to conduct a review and analysis and present testimony regarding the Plan of
21 Louisville Gas & Electric Company (“LG&E” or “the Company”) to allow the Value
22 Delivery Surcredit Rider to expire and withdraw the tariffs from electric and gas service
23 effective March 31, 2006, subject to final balancing adjustments in May 2006.

Direct Testimony of Robert J. Henkes
Louisville Gas & Electric Company – Case No. 2005-00352

1 The purpose of this testimony is to present to the Kentucky Public Service Commission
2 ("KPSC" or "the Commission") the appropriate future ratemaking treatment that should be
3 applied effective April 1, 2006, to all Value Delivery Team ("VDT")-related issues.
4

5 **Q. WHAT INFORMATION HAVE YOU RELIED UPON IN THE DEVELOPMENT**
6 **OF YOUR TESTIMONY?**

7 A. In developing this testimony, I have reviewed and analyzed the Company's application;
8 testimonies and exhibits; certain responses to interrogatories issued by the AG, KPSC and
9 KIUC; the Settlement Agreement dated May 12, 2004, in Case No. 2003-00335, Case No.
10 2003-00433, and Case No. 2004-00069¹; the Partial Settlement and Stipulation dated May
11 12, 2004 in Case No. 2003-00433; the 2001 Settlement Agreement in Case No. 2001-169²;
12 and the Commission's Order dated June 14, 1999 in Case No. 99-149.³
13

14 **III. SUMMARY OF FINDINGS AND CONCLUSIONS**

15
16 **Q. PLEASE SUMMARIZE YOUR FINDINGS AND CONCLUSIONS IN THIS CASE.**

17 A. My findings and conclusions in this case are as follows:

- 18 1. LG&E's proposed Plan to terminate the Value Delivery Surcredit after March 31,

¹ *In the Matter of: An Investigation Pursuant to KRS 278.260 of the Earnings Sharing Mechanism Tariff of Louisville Gas and Electric Company; In Re the Matter of: An Adjustment of the Electric Rates, Terms and Conditions of Louisville Gas and Electric Company; and the Annual Earnings Sharing Mechanism Filing for Louisville Gas and Electric Company for Calendar Year 2003, respectively.*

² *In the Matter of: Joint Application of Louisville Gas & Electric Company and Kentucky Utilities Company for an Order Approving Proposed Deferred Debits and Declaring the Amortization for the Deferred Debits to be Included in Earnings Sharing Mechanism.*

³ *In The Matter Of The Joint Application Of: Kentucky Power Company, American Electric Power Company, Inc. and Central and South West Corporation Regarding a Proposed Merger.*

Direct Testimony of Robert J. Henkes
Louisville Gas & Electric Company – Case No. 2005-00352

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21

Q. PLEASE DESCRIBE YOUR UNDERSTANDING OF THE HISTORY OF THE VDT RATE MECHANISM.

A. As a result of their VDT initiative, including the 2001 Workforce Separation Program, LG&E and Kentucky Utilities (“KU”) on June 1, 2001, filed a Joint Application⁴ requesting an order from the KPSC approving the deferral and amortization of their VDT implementation costs and declaring the amortization of these deferred VDT costs to be included in the calculation of the existing Earnings Sharing Mechanism (“ESM”). On October 31, 2001, the interested parties in that case reached a Settlement Agreement (“2001 Settlement Agreement”). In accordance with this 2001 Settlement Agreement, LG&E was allowed to book deferred electric and gas VDT implementation costs of approximately \$114.6 million and \$29.8 million, respectively. These deferred VDT costs were to be amortized over a 60-month period, starting April 1, 2001, and ending March 31, 2006, in equal monthly amounts, except as adjusted for certain timing differences allocated during the 9 months ending December 31, 2001.

Under the terms of the 2001 Settlement Agreement, the parties also agreed to use a surcredit mechanism referred to as the Value Delivery Surcredit (“VDS”). In accordance with this surcredit mechanism, the estimated savings from the VDT initiative were netted against the monthly amortization of the deferred VDT costs, and the resulting net VDT savings were then to be shared 40% to ratepayers and 60% to the LG&E shareholder. As

⁴ *Joint Application of Louisville Gas and Electric Company and Kentucky Utilities Company For An Order Approving Proposed Deferred Debts and Declaring the Amortization of The Deferred Debts To Be Included In Earnings Sharing Mechanism, Case No. 2001-169.*

Direct Testimony of Robert J. Henkes
Louisville Gas & Electric Company – Case No. 2005-00352

1 shown in LG&E's electric and gas Value Delivery Surcredit Riders, the bill credits
2 accruing to LG&E's ratepayers were as follows for each year in the 60-month term of the
3 surcredit mechanism:

	<u>VDS Net Savings to Ratepayers</u>	
	<u>Electric</u>	<u>Gas</u>
4		
5		
6		
7	Year 1 – 2001 (4/1/01-12/31/01)	\$1,080,000 \$ 120,000
8	Year 2 – 2002	\$1,120,000 \$ 320,000
9	Year 3 – 2003	\$4,640,000 \$1,240,000
10	Year 4 – 2004	\$5,640,000 \$1,520,000
11	Year 5 – 2005	\$6,680,000 \$1,800,000
12	Year 6 – 2006 (1/1/06-3/31/06)	\$1,760,000 \$ 440,000

13
14
15 **Q. SINCE ITS INCEPTION, HOW WAS THIS SURCREDIT MECHANISM**
16 **REFLECTED FOR RATEMAKING PURPOSES IN LG&E'S ESM FILINGS AND**
17 **RECENT ELECTRIC AND GAS BASE RATE PROCEEDING, CASE NO. 2003-**
18 **00433?**

19 A. For purposes of calculating LG&E's rates in its ESM filings for 2001, 2002, and 2003, the
20 VDT cost amortization and the shareholder's 60% portion of the net VDT savings were
21 included as ESM test year operating expenses, and the ratepayer's 40% portion of the net
22 VDT savings (as reflected in the VDS Rider) was included as a test year revenue reduction.
23 This same ratemaking treatment was used in LG&E's recent electric and gas base rate
24 proceeding, Case No. 2003-00433. The table at the bottom of page 5 of the testimony of
25 Company witness Kent Blake outlines how LG&E's electric and gas base rates established
26 in Case No. 2003-00433 were impacted by the ratemaking treatment for the VDT cost
27 amortization and the 40/60 sharing of the net VDT savings between the Company's
28 ratepayers and shareholders.

Direct Testimony of Robert J. Henkes
Louisville Gas & Electric Company – Case No. 2005-00352

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21

Q. HAD LG&E’S ESM CONTINUED TO BE IN EFFECT AT THE EXPIRATION OF THE VDT SURCREDIT, WHAT WOULD HAVE BEEN THE IMPLICATIONS TO LG&E’S RATEPAYERS OF THE EXPIRATION OF THE VDT SURCREDIT MECHANISM EFFECTIVE MARCH 31, 2006?

A. After the expiration of the VDT surcredit mechanism, the rates charged to the ratepayers under the normal operation of the ESM would have reflected the cessation of the VDT cost amortization and the continuation of all gross VDT savings flowing from the workforce reduction.

⁵

Q. IS THE ESM STILL IN EFFECT FOR LG&E?

A. No. In a separate ESM continuance case, as well as in its base rate case, Case No. 2003-00433, LG&E sought to have the ESM continued. In the base rate case, LG&E maintained that it was entitled to seek a general base rate increase even if the ESM continued under the statutes. Thus, LG&E’s base rate proceeding in Case No. 2003-00433 assumed continuation of the ESM. By agreement of the parties, the two cases were consolidated, and by a subsequent agreement of the parties entered into on May 12, 2004, the ESM was terminated. This was the same day the parties entered into the Partial Settlement and Stipulation resolving issues in LG&E’s general base rate case other than the revenue requirements.

⁵ *In the Matter of : An Investigation Pursuant to KRS 278.260 of the Earnings Sharing Mechanism Tariff of Louisville Gas and Electric Company; In Re the Matter of: An Adjustment of the Electric Rates, Terms and Conditions of Louisville Gas and Electric Company, Case No. 2003-00335.*

Direct Testimony of Robert J. Henkes
Louisville Gas & Electric Company – Case No. 2005-00352

1 **Q. SINCE THE ESM WAS TERMINATED AT THE SAME TIME THAT ALL ISSUES**
2 **OTHER THAN LG&E’S REVENUE REQUIREMENT IN ITS BASE RATE CASE**
3 **IN CASE NO. 2003-00433 WERE SETTLED BY WAY OF THE PARTIAL**
4 **SETTLEMENT AND STIPULATION DATED MAY 12, 2004, DOES THE**
5 **PARTIAL SETTLEMENT AND STIPULATION INCLUDE A SPECIFIC**
6 **PROVISION WHICH ADDRESSES THE EXPIRATION OF THE VDT**
7 **SURCREDITS EFFECTIVE MARCH 31, 2006?**

8 **A. Yes. In recognition of the expiration of the VDT surcredit mechanism effective March 31,**
9 **2006, in the absence of an ESM that would automatically reflect the gross VDT savings on**
10 **a going forward basis following completion fo the collection of the costs to achieve, the**
11 **signatory parties included the following provision in Section 3.5 of the Partial Settlement**
12 **and Stipulation in Case No. 2003-00433:**

13 The signatories hereto, including the AG, agree that, unless the Commission
14 has already modified or terminated the Value Delivery Team (“VDT”)
15 surcredits in a subsequent rate case, six (6) months prior to the expiration of
16 the sixty (60) month period in which the VDT surcredits are in operation, the
17 Utilities shall file with the Commission a plan for the future ratemaking
18 treatment of the VDT surcredits, the shareholder savings, the amortization of
19 VDT costs and all other VDT-related issues. The VDT surcredit tariffs shall
20 remain in effect following the expiration of the sixtieth (60th) month until the
21 Commission enters an order on the future ratemaking treatment of all VDT-
22 related issues.

23
24 Pursuant to this provision in the Partial Settlement and Stipulation, LG&E filed its
25 proposed Plan in the instant proceeding, Case No. 2005-00352, on September 30, 2005.

26
27
28
29

1 **B. LG&E'S PLAN FOR VDT SURCREDIT MECHANISM**

2
3 **Q. WHAT IS LGE'S PLAN FOR THE VDT SURCREDIT MECHANISM AFTER**
4 **MARCH 31, 2006?**

5 A. LG&E's proposed Plan is to allow the VDT surcredit mechanism to expire and to withdraw
6 the tariffs from its electric and gas service effective March 31, 2006, subject to final
7 balancing adjustments in May 2006. The result of this proposed plan is that, effective
8 April 1, 2006, the ratepayers will no longer receive the Value Delivery Surcredit
9 (representing their 40% share of the net VDT savings), and LG&E will no longer book a
10 pro forma expense adjustment to retain its 60% share of the net VDT savings. In addition,
11 LG&E will no longer book the VDT cost amortization as the entire VDT cost deferral
12 balance will have been written down by March 31, 2006.

13
14 **Q. WHAT ARGUMENTS HAVE BEEN ADVANCED BY LG&E IN SUPPORT OF ITS**
15 **PLAN TO TERMINATE THE VDT SURCREDIT MECHANISM?**

16 A. First, LG&E argues that its proposed Plan is in accord with a provision in the 2001
17 Settlement Agreement that the VDT surcredit is to "terminate and be withdrawn from
18 service following the expiration of the sixty month period ending March 31, 2006 ..." In
19 this regard, Mr. Blake states in his testimony that, "The cost to achieve the 2001 Workforce
20 Separation has been recovered and there is no longer any need to continue the
21 mechanism."⁶

22

⁶ Blake testimony page 6, lines 15-16.

Direct Testimony of Robert J. Henkes
Louisville Gas & Electric Company – Case No. 2005-00352

1 Second, LG&E has presented an extensive set of financial exhibits purporting to show that,
2 based on the 12-month period June 30, 2005, its electric and gas operations have claimed
3 revenue deficiencies that are below the authorized return on equity before the expiration of
4 the Value Delivery Surcredit, and that the Company’s proposed termination of the VDT
5 surcredit mechanism does not cause LG&E’s rate of returns to exceed the authorized range
6 of return authorized by the KPSC in the Company’s most recent rate case, Case No. 2003-
7 0433, and most recent ECR application, Case No. 2004-00421. Thus, LG&E argues that
8 the termination of the VDT surcredit mechanism, together with the expiration of the VDT
9 cost amortization, would bring LG&E’s achieved return on equity closer to the range of
10 return authorized by the KPSC. The Company further argues that if the Commission were
11 to extend the VDT surcredit mechanism beyond March 31, 2006, this “could cause LG&E
12 to file for a base rate case sooner and for a greater amount than otherwise would be
13 necessary...”⁷

14
15 Finally, LG&E argues that by accepting its proposal to terminate the VDT surcredit
16 mechanism, the KPSC “can advance the important goals of rate stability and continuity for
17 customers.”⁸

18
19 **C. AG’S RECOMMENDED PLAN FOR VDT SURCREDIT MECHANISM**
20

21
22 **Q. DO YOU AGREE WITH LG&E’S PROPOSED PLAN AND THE COMPANY’S**

⁷ Blake testimony page 11, line 22 to page 12, line 1.

⁸ Blake testimony page 12, lines 18-19.

Direct Testimony of Robert J. Henkes
Louisville Gas & Electric Company – Case No. 2005-00352

1 **ARGUMENTS IN SUPPORT OF ITS PLAN?**

2 A. No, I do not. I believe the Company’s proposed Plan is inconsistent with the original intent
3 of the VDT surcredit mechanism and is inequitable to the ratepayers of LG&E. For those
4 reasons, I recommend that the KPSC implement a plan based on a more appropriate and
5 equitable ratemaking treatment for the surcredit mechanism after March 31, 2006.

6
7 **Q. BEFORE DESCRIBING YOUR RECOMMENDED PLAN, COULD YOU FIRST**
8 **RESPOND TO THE COMPANY’S ARGUMENTS IN SUPPORT OF ITS**
9 **PROPOSED PLAN?**

10 A. Yes. With regard to LG&E’s first argument, the Company is correct that the 2001
11 Settlement Agreement includes a provision stating that “the surcredit mechanism will
12 terminate and be withdrawn from service following the expiration of the sixty month
13 period ending March 31, 2006...” However, it is important to note that both the operation
14 of and the termination of the VDT surcredit mechanism assumed a continuation of LG&E’s
15 ESM.

16
17 The VDT was developed to allow collection of the costs to achieve the Workforce
18 Separation in the context of the functioning ESM while, “avoiding an otherwise one-time
19 increase in rates to customers caused by the earnings falling below the ESM dead band.”⁹
20 Its termination was also established in the context of a functioning ESM at a time when
21 there was no indication that that ESM would not also be functioning when the termination

⁹ See, Response to Commission Staff, Question 6, in 2001-169, which response is recited in full in response to Question 6 of the Request of the Attorney General in this case.

Direct Testimony of Robert J. Henkes
Louisville Gas & Electric Company – Case No. 2005-00352

1 of the surcredit was scheduled to occur.

2
3 Had the ESM continued, the cessation of the VDT cost amortization and the continued
4 benefits flowing from the workforce reduction would have been reflected through the
5 normal operation of the ESM. The expiration of the VDT tariff was never intended to
6 create an automatic de facto rate increase. This was also recognized in the Partial
7 Settlement and Stipulation in Case No. 2003-00433, which, in view of the termination of
8 the ESM at that time, provided that the VDT surcredit mechanism must remain in effect
9 following the expiration of the 60th month of the VDT term until the Commission has made
10 a decision and entered an order on the future ratemaking treatment of all VDT-related
11 issues.

12
13 With regard to LG&E's second argument, the Company's attempt to consider this VDT
14 surcredit expiration issue within the context of an overall earnings review is inappropriate.
15 The VDT deferred debit matter was introduced by the Companies in Case No. 2001-169 as
16 a single issue, irrespective of any overall earnings review and should not be evaluated
17 within the context of an overall earnings review when the deferred debit amortization ends.
18 LG&E has filed financial exhibits for a test year ended June 30, 2005, including numerous
19 pro forma adjustments, in an attempt to show the Commission that its current financial
20 position is such that it needs the incremental earnings that would flow from its proposed
21 termination of the VDT surcredit mechanism in order to achieve its authorized returns.
22 However, such overall earnings matters need to be evaluated within the context of a
23 general base rate case, and this is not a rate case. Rather, this involves a proceeding to

Direct Testimony of Robert J. Henkes
Louisville Gas & Electric Company – Case No. 2005-00352

1 determine the future ratemaking treatment of all VDT-related issues after March 31, 2006.

2 If the Company believes it needs rate relief due to its current financial condition, it always
3 has the opportunity to file a base rate case.

4
5 With regard to LG&E's third argument that the expiration of the Value Delivery Surcredits
6 would advance the important goals of rate stability and continuity, I can only say that the
7 Company's proposed Plan produces the opposite effect, i.e., it would result in a de facto
8 rate increase which is not consistent with the stated goals of rate stability and continuity.

9
10 **Q. COULD YOU NOW DESCRIBE YOUR RECOMMENDATION FOR THE**
11 **RATEMAKING TREATMENT OF ALL VDT-RELATED ISSUES AFTER**
12 **MARCH 31, 2006?**

13 A. Yes. I recommend that the status quo of the ratepayer/shareholder 40/60 sharing concept
14 of the net VDT savings should be maintained after the VDT costs will have been fully
15 amortized, from March 31, 2006 until the Company brings its next general base rate case.
16 All along, the intent of the VDT surcredit mechanism has been to allow for sharing of the
17 net VDT savings while the VDT costs were being amortized within the context of the
18 ESM. If the ESM had been continued, the ratepayers would have continued to share in the
19 VDT savings after March 31, 2006 by virtue of the fact that the VDT cost amortization
20 would cease effective March 31, 2006, while the continued benefits flowing from the
21 workforce reduction would have been reflected through the operation of the ESM. Though
22 the ESM has been terminated, there is no reason to change this ratepayer/shareholder
23 sharing of the net VDT savings. Thus, after March 31, 2006, the status quo should be

Direct Testimony of Robert J. Henkes
Louisville Gas & Electric Company – Case No. 2005-00352

1 maintained and the original intent of the VDT mechanism should be upheld by continued
2 application of the sharing concept to the gross VDT savings, savings that are no longer
3 offset by the VDT costs that have been fully amortized and will no longer be incurred by
4 LG&E.

5
6 Specifically, I recommend the following rate treatment of all VDT-related issues after
7 March 31, 2006 includes the following approach:

- 8 1) Continuation of the Value Delivery Surcredit (ratepayer's 40% share of the gross
9 VDT savings net of the VDT cost amortization) that is in effect in the last year¹⁰
10 (Year 6) of the current VDT surcredit mechanism;
- 11 2) Continued ratepayer/shareholder sharing, at ratios of 40% and 60%, of the ceased
12 VDT cost amortization; the Value Delivery Surcredit amount described in 1) above
13 should be increased by the 40% ratepayer share of the ceased VDT cost
14 amortization;
- 15 3) Maintaining this increased Value Delivery Surcredit until the rates from LG&E's
16 next base rate case become effective, at which time LG&E's ratepayers should
17 receive 100% of the gross VDT savings.

18
19 In summary, the ratemaking approach outlined in points 1) and 2) retains the status quo of
20 the ratepayer/shareholder 40/60 sharing of the net VDT savings after March 31, 2006. The
21 only difference from the pre-March 31, 2006 sharing approach is that the recommended

¹⁰ For LG&E electric, the VDS for the three months of 1/1/06 – 3/31/06 in Year 6 totals \$1,760,000, which would be \$7,040,000 on an annualized basis. For LG&E gas, the VDS for the three months of 1/1/06 – 3/31/06 in Year 6 totals \$440,000, which would be \$1,760,000 on an annualized basis.

Direct Testimony of Robert J. Henkes
Louisville Gas & Electric Company – Case No. 2005-00352

1 post-March 31, 2006 sharing approach recognizes that the net VDT savings are no longer
2 offset by the expired VDT costs and, for that reason, are in fact equal to the gross VDT
3 savings.

4
5 **Q. HAS THE KPSC PREVIOUSLY APPROVED A RATEPAYER/SHAREHOLDER**
6 **SHARING PLAN SIMILAR TO YOUR RECOMMENDED ALTERNATIVE PLAN**
7 **FOR THE RATEMAKING TREATMENT OF ALL VDT-RELATED ISSUES**
8 **AFTER MARCH 31, 2006?**

9 A. Yes. In its Order dated June 14, 1999, in Case No. 99-149, the Commission approved a
10 Settlement Agreement involving the rate treatment of net merger savings experienced by
11 Kentucky Power Company (“KPC”).¹¹ In this Settlement Agreement, KPC was allowed to
12 defer and amortize its merger related implementation costs over an 8-year period. These
13 annual merger cost amortizations were then offset against KPC’s annual gross merger
14 savings and the resulting net merger savings were shared between the ratepayers and
15 shareholders at respective sharing ratios of 55% and 45%. The ratepayer’s received their
16 55% net merger savings share by way of a Net Merger Savings Credit tariff which would
17 remain in effect for an initial 8-year period, with all associated merger costs amortized over
18 the same 8-year period. Significantly, the Settlement Agreement also provided for the Net
19 Merger Savings Credit tariff to continue beyond the initial 8-year period at a rate equal to
20 the ratepayer’s 55% share of the gross merger savings. In this regard, the Stipulation and

¹¹ *In The Matter Of The Joint Application Of: Kentucky Power Company, American Electric Power Company, Inc. and Central and South West Corporation Regarding a Proposed Merger.*

Direct Testimony of Robert J. Henkes
Louisville Gas & Electric Company – Case No. 2005-00352

1 Settlement Agreement states:¹²

2 Notwithstanding any base rate proceeding during the eight year period after the
3 consummation of the merger, the annual amounts [of the Net Merger Savings
4 Credit] shown in Attachment A will remain in effect. After the eight year
5 period and absent a base rate proceeding, the Company will continue through
6 the Net Merger Savings Credit to reduce bills to customers by the annual
7 amount shown on Attachment A which is the customers' portion of the net
8 savings without the amortization of the costs to achieve during the eighth year
9 after the consummation of the merger. [emphasis supplied]

10
11
12 The Settlement Agreement specifically quantified the annual bill credit for the ratepayer's
13 55% of the gross merger savings after the eighth year and provided that this annual Net
14 Merger Savings Credit amount be continued until KPC's next base rate case, which would
15 then allocate 100% of the gross merger savings to customers. On page 8 of its Order in
16 Case No. 99-149, the Commission stated the following finding with regard to this net
17 merger savings issue:

18 Having thoroughly reviewed the Settlement Agreement, the Commission finds
19 that the Settlement Agreement represents a reasonable resolution to the issues
20 surrounding the proposed merger and should be approved. The Settlement
21 Agreement allows for a fair and equitable distribution of the merger benefits
22 between ratepayers and shareholders.

23
24 My recommended plan for the rate treatment of all VDT-related net savings issues after
25 March 31, 2006 is based on the exact same ratemaking approach that was approved by the
26 Commission as a fair and equitable distribution of the net savings in the above-described
27 KPC merger proceeding.

28
29 **Q. MR. HENKES, DOES THIS CONCLUDE YOUR TESTIMONY?**

30 A. Yes, it does.

¹² Stipulation and Settlement Agreement, Case No. 99-149, top of page 4.

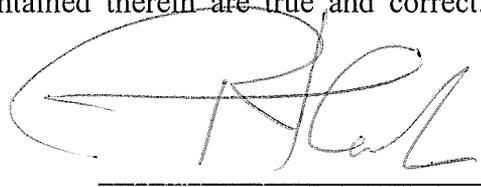
COMMONWEALTH OF KENTUCKY
BEFORE THE KENTUCKY PUBLIC SERVICE COMMISSION

In the Matter of:

The Plan of Louisville Gas and)
Electric Company for the Value) Case No. 2005-00352
Delivery Surcredit Mechanism)

AFFIDAVIT

Comes the Affiant, Robert J. Henkes, and being duly sworn states as follows:
The prepared Direct Testimony, together with supporting schedules, exhibits,
and/or appendices attached thereto constitute the direct testimony of Affiant in the
above styled case. Affiant further states that to the best of his information and
belief, all statements made and matters contained therein are true and correct.
Further Affiant saith not.



STATE OF CONNECTICUT

COUNTY OF Fairfield

Subscribed and sworn to before me by Robert J. Henkes this the 2ND day of December, 2005.

MY COMMISSION EXPIRES: _____

NOTARY PUBLIC
MY COMMISSION EXPIRES
MARCH 31, 2009



Notary Public, State at Large

APPENDIX I

PRIOR REGULATORY EXPERIENCE OF ROBERT J. HENKES

* = Testimonies prepared and submitted

ARKANSAS

Southwestern Bell Telephone Company Divestiture Base Rate Proceeding*	Docket 83-045-U	09/1983
--	-----------------	---------

DELAWARE

Delmarva Power and Light Company Electric Fuel Clause Proceeding	Docket 41-79	04/1980
---	--------------	---------

Delmarva Power and Light Company Electric Fuel Clause Proceeding	Docket 80-39	02/1981
---	--------------	---------

Delmarva Power and Light Company Sale of Power Station Generation	Complaint Docket 279-80	04/1981
--	----------------------------	---------

Delmarva Power and Light Company Electric Base Rate Proceeding	Docket 81-12	06/1981
---	--------------	---------

Delmarva Power and Light Company Gas Base Rate Proceeding*	Docket 81-13	08/1981
---	--------------	---------

Delmarva Power and Light Company Electric Fuel Clause Proceeding*	Docket 82-45	04/1983
--	--------------	---------

Delmarva Power and Light Company Electric Fuel Clause Proceeding*	Docket 83-26	04/1984
--	--------------	---------

Delmarva Power and Light Company Electric Fuel Clause Proceeding*	Docket 84-30	04/1985
--	--------------	---------

Delmarva Power and Light Company Electric Fuel Clause Proceeding*	Docket 85-26	03/1986
--	--------------	---------

Delmarva Power and Light Company Report of DP&L Operating Earnings*	Docket 86-24	07/1986
--	--------------	---------

Delmarva Power and Light Company Electric Base Rate Proceeding*	Docket 86-24	12/1986 01/1987
--	--------------	--------------------

Delmarva Power and Light Company Report Re. PROMOD and Its Use in	Docket 85-26	10/1986
--	--------------	---------

Appendix Page 2
Prior Regulatory Experience of Robert J. Henkes

Fuel Clause Proceedings*

Diamond State Telephone Company Base Rate Proceeding*	Docket 86-20	04/1987
Delmarva Power and Light Company Electric Fuel Clause Proceeding*	Docket 87-33	06/1988
Delmarva Power and Light Company Electric Fuel Clause Proceeding*	Docket 90-35F	05/1991
Delmarva Power and Light Company Electric Base Rate Proceeding*	Docket 91-20	10/1991
Delmarva Power and Light Company Gas Base Rate Proceeding*	Docket 91-24	04/1992
Artesian Water Company Water Base Rate Proceeding*	Docket 97-66	07/1997
Artesian Water Company Water Base Rate Proceeding*	Docket 97-340	02/1998
United Water Delaware Water Base Rate Proceeding*	Docket 98-98	08/1998
Delmarva Power and Light Company Revenue Requirement and Stranded Cost Reviews	Not Docketed	12/1998
Artesian Water Company Water Base Rate Proceeding*	Docket 99-197 (Direct Test.)	09/1999
Artesian Water Company Water Base Rate Proceeding*	Docket 99-197 (Supplement. Test)	10/1999
Tidewater Utilities/ Public Water Co. Water Base Rate Proceedings*	Docket No. 99-466	03/2000
Delmarva Power & Light Company Competitive Services Margin Sharing Proceeding*	Docket No. 00-314	03/2001
Artesian Water Company Water Base Rate Proceeding*	Docket No. 00-649	04/2001
Chesapeake Gas Company	Docket No. 01-307	12/2001

Gas Base Rate Proceeding*

Tidewater Utilities Water Base Rate Proceeding*	Docket No. 02-28	07/2002
Artesian Water Company Water Base Rate Proceeding*	Docket No. 02-109	09/2002
Delmarva Power & Light Company Electric Cost of Service Proceeding	Docket No. 02-231	03/2003
Delmarva Power & Light Company Gas Base Rate Proceeding*	Docket No. 03-127	08/2003
Artesian Water Company Water Base Rate Proceeding*	Docket No. 04-42	08/2004

DISTRICT OF COLUMBIA

District of Columbia Natural Gas Co. Gas Base Rate Proceeding*	Formal Case 870	05/1988
District of Columbia Natural Gas Co. Gas Base Rate Proceeding*	Formal Case 890	02/1990
District of Columbia Natural Gas Co. Waiver of Certain GS Provisions	Formal Case 898	08/1990
Chesapeake and Potomac Telephone Co. Base Rate Proceeding*	Formal Case 850	07/1991
Chesapeake and Potomac Telephone Co. Base Rate Proceeding*	Formal Case 926	10/1993
Bell Atlantic - District of Columbia SPF Surcharge Proceeding	Formal Case 926	06/19/94
Bell Atlantic - District of Columbia Price Cap Plan and Earnings Review	Formal Case 814 IV	07/1995

GEORGIA

Southern Bell Telephone Company Base Rate Proceeding	Docket 3465-U	08/1984
---	---------------	---------

Appendix Page 4
Prior Regulatory Experience of Robert J. Henkes

Southern Bell Telephone Company Base Rate Proceeding	Docket 3518-U	08/1985
Georgia Power Company Electric Base Rate and Nuclear Power Plant Phase-In Proceeding*	Docket 3673-U	08/1987
Georgia Power Company Electric Base Rate and Nuclear Power Plant Phase-In Proceeding*	Docket 3840-U	08/1989
Southern Bell Telephone Company Base Rate Proceeding	Docket 3905-U	08/1990
Southern Bell Telephone Company Implementation, Administration and Mechanics of Universal Service Fund*	Docket 3921-U	10/1990
Atlanta Gas Light Company Gas Base Rate Proceeding*	Docket 4177-U	08/1992
Southern Bell Telephone Company Report on Cash Working Capital*	Docket 3905-U	03/1993
Atlanta Gas Light Company Gas Base Rate Proceeding*	Docket No. 4451-U	08/1993
Atlanta Gas Light Company Gas Base Rate Proceeding	Docket No. 5116-U	08/1994
Georgia Independent Telephone Companies Earnings Review and Show Cause Proceedings	Various Dockets	1994
Georgia Power Company Earnings Review - Report to GPSC*	Non-Docketed	09/1995
Georgia Alltel Telecommunication Companies Earnings and Rate Reviews	Docket No. 6746-U	07/1996
Frontier Communications of Georgia Earnings and Rate Review	Docket No. 4997-U	07/1996
Georgia Power Company Electric Base Rate / Accounting Order Proceeding	Docket No. 9355-U	12/1998

Appendix Page 5
Prior Regulatory Experience of Robert J. Henkes

Savannah Electric Power Company Electric Base Rate Case/Alternative Rate Plan*	Docket No. 14618-U	03/2002
Georgia Power Company Electric Base Rate / Alternative Rate Plan Proceeding*	Docket No. 18300-U	12/2004
Savannah Electric Power Company Electric Base Rate Case/Alternative Rate Plan*	Docket No. 19758-U	03/2005

FERC

Philadelphia Electric/Conowingo Power Electric Base Rate Proceeding*	Docket ER 80-557/558	07/1981
---	----------------------	---------

KENTUCKY

Kentucky Power Company Electric Base Rate Proceeding*	Case 8429	04/1982
Kentucky Power Company Electric Base Rate Proceeding*	Case 8734	06/1983
Kentucky Power Company Electric Base Rate Proceeding*	Case 9061	09/1984
South Central Bell Telephone Company Base Rate Proceeding*	Case 9160	01/1985
Kentucky-American Water Company Base Rate Proceeding*	Case 97-034	06/1997
Delta Natural Gas Company Base Rate Proceeding*	Case 97-066	07/1997
Kentucky Utilities and LG&E Company Environmental Surcharge Proceeding	97-SC-1091-DG	01/1999
Delta Natural Gas Company Experimental Alternative Regulation Plan*	Case No. 99-046	07/1999
Delta Natural Gas Company Base Rate Proceeding*	Case No. 99-176	09/1999
Louisville Gas & Electric Company	Case No. 2000-080	06/2000

Gas Base Rate Proceeding*

Kentucky-American Water Company Base Rate Proceeding*	Case No. 2000-120	07/2000
Jackson Energy Cooperative Corporation Electric Base Rate Proceeding*	Case No. 2000-373	02/2001
Kentucky-American Water Company Base Rate Rehearing*	Case No. 2000-120	02/2001
Kentucky-American Water Company Rehearing Opposition Testimony*	Case No. 2000-120	03/2001
Union Light Heat and Power Company Gas Base Rate Proceeding*	Case No. 2001-092	09/2001
Louisville Gas & Electric Company and Kentucky Utilities Company Deferred Debits Accounting Order	Case No. 2001-169	10/2001
Fleming-Mason Energy Cooperative Electric Base Rate Proceeding	Case No. 2001-244	05/2002
Northern Kentucky Water District Water District Base Rate Proceeding	Case No. 2003-0224	02/2004
Louisville Gas & Electric Company Electric Base Rate Proceeding*	Case No. 2003-0433	03/2004
Louisville Gas & Electric Company Gas Base Rate Proceeding*	Case No. 2003-0433	03/2004
Delta Natural Gas Company Base Rate Proceeding*	Case No. 2004-00067	07/2004
Union Light Heat and Power Company Gas Base Rate Proceeding*	Case No. 2005-00042	06/2005
Big Sandy Rural Electric Cooperative Electric Base Rate Proceeding	Case No. 2005-00125	08/2005

MAINE

Continental Telephone Company of Maine	Docket 90-040	12/1990
--	---------------	---------

Base Rate Proceeding

Central Maine Power Company Electric Base Rate Proceeding	Docket 90-076	03/1991
New England Telephone Corporation - Maine Chapter 120 Earnings Review	Docket 94-254	12/1994

MARYLAND

Potomac Electric Power Company Electric Base Rate Proceeding*	Case 7384	01/1980
Delmarva Power and Light Company Electric Base Rate Proceeding*	Case 7427	08/1980
Chesapeake and Potomac Telephone Company Western Electric and License Contract	Case 7467	10/1980
Chesapeake and Potomac Telephone Company Base Rate Proceeding*	Case 7467	10/1980
Washington Gas Light Company Gas Base Rate Proceeding	Case 7466	11/1980
Delmarva Power and Light Company Electric Base Rate Proceeding*	Case 7570	10/1981
Chesapeake and Potomac Telephone Company Base Rate Proceeding*	Case 7591	12/1981
Chesapeake and Potomac Telephone Company Base Rate Proceeding*	Case 7661	11/1982
Chesapeake and Potomac Telephone Company Computer Inquiry II*	Case 7661	12/1982
Chesapeake and Potomac Telephone Company Divestiture Base Rate Proceeding*	Case 7735	10/1983
AT&T Communications of Maryland Base Rate Proceeding	Case 7788	1984
Chesapeake and Potomac Telephone Company Base Rate Proceeding*	Case 7851	03/1985

Potomac Electric Power Company Electric Base Rate Proceeding	Case 7878	1985
---	-----------	------

Delmarva Power and Light Company Electric Base Rate Proceeding	Case 7829	1985
---	-----------	------

NEW HAMPSHIRE

Granite State Electric Company Electric Base Rate Proceeding	Docket DR 77-63	1977
---	-----------------	------

NEW JERSEY

Elizabethtown Water Company Water Base Rate Proceeding	Docket 757-769	07/1975
---	----------------	---------

Jersey Central Power and Light Company Electric Base Rate Proceeding	Docket 759-899	09/1975
---	----------------	---------

Middlesex Water Company Water Base Rate Proceeding	Docket 761-37	01/1976
---	---------------	---------

Jersey Central Power and Light Company Electric Base Rate Proceeding	Docket 769-965	09/1976
---	----------------	---------

Public Service Electric and Gas Company Electric and Gas Base Rate Proceedings	Docket 761-8	10/1976
---	--------------	---------

Atlantic City Electric Company Electric Base Rate Proceeding*	Docket 772-113	04/1977
--	----------------	---------

Public Service Electric and Gas Company Electric and Gas Base Rate Proceedings*	Docket 7711-1107	05/1978
--	------------------	---------

Public Service Electric and Gas Company Raw Materials Adjustment Clause	Docket 794-310	04/1979
--	----------------	---------

Rockland Electric Company Electric Base Rate Proceeding*	Docket 795-413	09/1979
---	----------------	---------

New Jersey Bell Telephone Company Base Rate Proceeding	Docket 802-135	02/1980
---	----------------	---------

Appendix Page 9
Prior Regulatory Experience of Robert J. Henkes

Rockland Electric Company Electric Fuel Clause Proceeding*	Docket 8011-836	02/1981
Rockland Electric Company Electric Base Rate Proceeding*	Docket 811-6	05/1981
Rockland Electric Company Electric Fuel Clause Proceeding*	Docket 8110-883	02/1982
Public Service Electric and Gas Company Electric Fuel Clause Proceeding*	Docket 812-76	08/1982
Public Service Electric and Gas Company Raw Materials Adjustment Clause	Docket 812-76	08/1982
New Jersey Bell Telephone Company Base Rate Proceeding	Docket 8211-1030	11/1982
Rockland Electric Company Electric Fuel Clause Proceeding*	Docket 829-777	12/1982
Public Service Electric and Gas Company Electric and Gas Base Rate Proceedings*	Docket 837-620	10/1983
New Jersey Bell Telephone Company Base Rate Proceeding	Docket 8311-954	11/1983
AT&T Communications of New Jersey Base Rate Proceeding*	Docket 8311-1035	02/1984
Rockland Electric Company Electric Fuel Clause Proceeding*	Docket 849-1014	11/1984
AT&T Communications of New Jersey Base Rate Proceeding*	Docket 8311-1064	05/1985
Public Service Electric and Gas Company Electric and Gas Base Rate Proceedings*	Docket ER8512-1163	05/1986
Public Service Electric and Gas Company Electric Fuel Clause Proceeding*	Docket ER8512-1163	07/1986
Rockland Electric Company Electric Fuel Clause Proceeding*	Docket ER8609-973	12/1986
Rockland Electric Company	Docket ER8710-1189	01/1988

Electric Fuel Clause Proceeding*		
Public Service Electric and Gas Company Electric Fuel Clause Proceeding*	Docket ER8512-1163	02/1988
United Telephone of New Jersey Base Rate Proceeding	Docket TR8810-1187	08/1989
Rockland Electric Company Electric Fuel Clause Proceeding*	Docket ER9009-10695	09/1990
United Telephone of New Jersey Base Rate Proceeding	Docket TR9007-0726J	02/1991
Elizabethtown Gas Company Gas Base Rate Proceeding*	Docket GR9012-1391J	05/1991
Rockland Electric Company Electric Fuel Clause Proceeding	Docket ER9109145J	11/1991
Jersey Central Power and Light Company Electric Fuel Clause Proceeding	Docket ER91121765J	03/1992
New Jersey Natural Gas Company Gas Base Rate Proceeding*	Docket GR9108-1393J	03/1992
Public Service Electric and Gas Company Electric and Gas Base Rate Proceedings*	Docket ER91111698J	07/1992
Rockland Electric Company Electric Fuel Clause Proceeding	Docket ER92090900J	12/1992
Middlesex Water Company Water Base Rate Proceeding*	Docket WR92090885J	01/1993
Elizabethtown Water Company Water Base Rate Proceeding*	Docket WR92070774J	02/1993
Public Service Electric and Gas Company Electric Fuel Clause Proceeding	Docket ER91111698J	03/1993
New Jersey Natural Gas Company Gas Base Rate Proceeding*	Docket GR93040114	08/1993
Atlantic City Electric Company Electric Fuel Clause Proceeding	Docket ER94020033	07/1994

Appendix Page 11
Prior Regulatory Experience of Robert J. Henkes

Borough of Butler Electric Utility Various Electric Fuel Clause Proceedings	Docket ER94020025	1994
Elizabethtown Water Company Water Base Rate Proceeding	Non-Docketed	11/1994
Public Service Electric and Gas Company Electric Fuel Clause Proceeding	Docket ER 94070293	11/1994
Rockland Electric Company Electric Fuel Clause Proceeding and Purchased Power Contract By-Out	Docket Nos. 940200045 and ER 9409036	12/1994
Jersey Central Power & Light Company Electric Fuel Clause Proceeding	Docket ER94120577	05/1995
Elizabethtown Water Company Purchased Water Adjustment Clause Proceeding*	Docket WR95010010	05/1995
Middlesex Water Company Purchased Water Adjustment Clause Proceeding	Docket WR94020067	05/1995
New Jersey American Water Company* Base Rate Proceeding	Docket WR95040165	01/1996
Rockland Electric Company Electric Fuel Clause Proceeding	Docket ER95090425	01/1996
United Water of New Jersey Base Rate Proceeding*	Docket WR95070303	01/1996
Elizabethtown Water Company Base Rate Proceeding*	Docket WR95110557	03/1996
New Jersey Water and Sewer Adjustment Clauses Rulemaking Proceeding*	Non-Docketed	03/1996
United Water Vernon Sewage Company Base Rate Proceeding*	Docket WR96030204	07/1996
United Water Great Gorge Company Base Rate Proceeding*	Docket WR96030205	07/1996
South Jersey Gas Company Base Rate Proceeding	Docket GR960100932	08/1996

Appendix Page 12
 Prior Regulatory Experience of Robert J. Henkes

Middlesex Water Company Purchased Water Adjustment Clause Proceeding*	Docket WR96040307	08/1996
Atlantic City Electric Company Fuel Adjustment Clause Proceeding*	Docket No.ER96030257	08/1996
Public Service Electric & Gas Company and Atlantic City Electric Company Investigation into the continuing outage of the Salem Nuclear Generating Station*	Docket Nos. ES96039158 & ES96030159	10/1996
Rockland Electric Company Electric Fuel Clause Proceeding*	Docket No.EC96110784	01/1997
Consumers New Jersey Water Company Base Rate Proceeding*	Docket No.WR96100768	03/1997
Atlantic City Electric Company Fuel Adjustment Clause Proceeding*	Docket No.ER97020105	08/1997
Public Service Electric & Gas Company Electric Restructuring Proceedings*	Docket Nos. EX912058Y, EO97070461, EO97070462, EO97070463	11/1997
Atlantic City Electric Company Limited Issue Rate Proceeding*	Docket No.ER97080562	12/1997
Rockland Electric Company Limited Issue Rate Proceeding	Docket No.ER97080567	12/1997
South Jersey Gas Company Limited Issue Rate Proceeding	Docket No.GR97050349	12/1997
New Jersey American Water Company Limited Issue Rate Proceeding	Docket No.WR97070538	12/1997
Elizabethtown Water Company and Mount Holly Water Company Limited Issue Rate Proceedings	Docket Nos. WR97040288, WR97040289	12/1997
United Water of New Jersey, United Water Toms River and United Water Lambertville Limited Issue Rate Proceedings	Docket Nos. WR9700540, WR97070541, WR97070539	12/1997
Public Service Electric & Gas Company	Docket Nos. EX912058Y,	

Appendix Page 13
 Prior Regulatory Experience of Robert J. Henkes

Electric Restructuring Proceedings*	EO97070461, EO97070462, EO97070463	01/1998
Consumers New Jersey Water Company Base Rate Proceeding*	Docket No. WR97080615	01/1998
New Jersey-American Water Company Base Rate Proceeding*	Docket No. WR98010015	07/1998
Consumers New Jersey Water Company Merger Proceeding	Docket No. WM98080706	12/1998
Atlantic City Electric Company Fuel Adjustment Clause Proceeding*	Docket No. ER98090789	02/1999
Middlesex Water Company Base Rate Proceeding*	Docket No. WR98090795	03/1999
Mount Holly Water Company Base Rate Proceeding - Phase I*	Docket No. WR99010032	07/1999
Mount Holly Water Company Base Rate Proceeding - Phase II*	Docket No. WR99010032	09/1999
New Jersey American Water Company Acquisitions of Water Systems	Docket Nos. WM9910018 WM9910019	09/1999 09/1999
Mount Holly Water Company Merger with Homestead Water Utility	Docket No. WM99020091	10/1999
Applied Wastewater Management, Inc. Merger with Homestead Treatment Utility	Docket No. WM99020090	10/1999
Environmental Disposal Corporation (Sewer) Base Rate Proceeding*	Docket No. WR99040249	02/2000
Elizabethtown Gas Company Gas Cost Adjustment Clause Proceeding DSM Adjustment Clause Proceeding	Docket No. GR99070509 Docket No. GR99070510	03/2000 03/2000
New Jersey American Water Company Gain on Sale of Land	Docket No. WM99090677	04/2000
Jersey Central Power & Light Company NUG Contract Buydown	Docket No. EM99120958	04/2000

Appendix Page 14
Prior Regulatory Experience of Robert J. Henkes

Shore Water Company Base Rate Proceeding	Docket No. WR99090678 05/2000
Shorelands Water Company Water Diversion Rights Acquisition	Docket No. WO00030183 05/2000
Mount Holly and Elizabethtown Water Companies Computer and Billing Services Contracts	Docket Nos. WO99040259 06/2000 WO9904260 06/2000
United Water Resources, Inc. Merger with Suez-Lyonnaise	Docket No. WM99110853 06/2000
E'Town Corporation Merger with Thames, Ltd.	Docket No. WM99120923 08/2000
Consumers Water Company Water Base Rate Proceeding*	Docket No. WR00030174 09/2000
Atlantic City Electric Company Buydown of Purchased Power Contract	Docket No. EE00060388 09/2000
Applied Wastewater Management, Inc. Authorization for Accounting Changes	Docket No. WR00010055 10/2000
Elizabethtown Gas Company Gas Cost Adjustment Clause Proceeding DSM Adjustment Clause Proceeding	Docket No. GR00070470 10/2000 Docket No. GR00070471 10/2000
Trenton Water Works Water Base Rate Proceeding*	Docket No. WR00020096 10/2000
Middlesex Water Company Water Base Rate Proceeding*	Docket No. WR00060362 11/2000
New Jersey American Water Company Land Sale - Ocean City	Docket No. WM00060389 11/2000
Pineland Water Company Water Base Rate Proceeding*	Docket No. WR00070454 12/2000
Pineland Wastewater Company Wastewater Base Rate Proceeding*	Docket No. WR00070455 12/2000
Elizabethtown Gas Company Regulatory Treatment of Gain on Sale of Property*	Docket No. GR00070470 02/2001

Wildwood Water Utility Water Base Rate Proceeding*	Docket No. WR00100717	04/2001
Roxbury Water Company Water Base Rate Proceeding	Docket No. WR01010006	06/2001
SB Water Company Water Base Rate Proceeding	Docket No. WR01040232	06/2001
Pennsgrove Water Company Water Base Rate Proceeding*	Docket No. WR00120939	07/2001
Public Service Electric & Gas Company Gas Base Rate Proceeding* Direct Testimony	Docket No. GR01050328	08/2001
Public Service Electric & Gas Company Gas Base Rate Proceeding* Surrebuttal Testimony	Docket No. GR01050328	09/2001
Elizabethtown Water Company Water Base Rate Proceeding*	Docket No. WR01040205	10/2001
Middlesex Water Company Financing Proceeding	Docket No. WF01090574	12/2001
New Jersey American Water Company Financing Proceeding	Docket No. WF01050337	12/2001
Consumers New Jersey Water Company Stock Transfer/Change in Control Proceeding	Docket No. WF01080523	01/2002
Consumers New Jersey Water Company Water Base Rate Proceeding	Docket No. WR02030133	07/2002
New Jersey American Water Company Change of Control (Merger) Proceeding*	Docket No. WM01120833	07/2002
Borough of Haledon – Water Department Water Base Rate Proceeding*	Docket No. WR01080532	07/2002
New Jersey American Water Company Change of Control (Merger) Proceeding	Docket No. WM02020072	09/2002
Public Service Electric & Gas Company	Docket No. ER02050303	10/2002

Electric Base Rate Proceeding
Direct Testimony*

United Water Lambertville
Land Sale Proceeding

Docket No. WM02080520 11/2002

United Water Vernon Hills & Hampton
Management Service Agreement

Docket No. WE02080528 11/2002

United Water New Jersey
Metering Contract With Affiliate

Docket No. WO02080536 12/2002

Public Service Electric & Gas Company
Electric Base Rate Proceeding
Surrebuttal and Supplemental Surrebuttal Testimonies*

Docket No. ER02050303 12/2002

Public Service Electric & Gas Company
Minimum Pension Liability Proceeding

Docket No. EO02110853 12/2002

Public Service Electric & Gas Company
Electric Base Rate Proceeding
Supplemental Direct Testimony*

Docket No. ER02050303 12/2002

Public Service Electric & Gas Company
Electric Deferred Balance Proceeding
Direct Testimony*

Docket No. ER02050303 01/2003

Rockland Electric Company
Electric Base Rate Proceeding
Direct Testimony*

Docket No. ER02100724 01/2003

Public Service Electric & Gas Company
Supplemental Direct Testimony*

Docket No. ER02050303 02/2003

Rockland Electric Company
Electric Base Rate Proceeding
Supplemental Direct Testimony*

Docket No. ER02100724 02/2003

Consumers New Jersey Water Company
Acquisition of Maxim Sewerage Company

Docket No. WM02110808 05/2003

Rockland Electric Company
Audit of Competitive Services

Docket No. EA02020098 06/2003

New Jersey Natural Gas Company
Audit of Competitive Services

Docket No. GA02020100 06/2003

Public Service Electric & Gas Company Audit of Competitive Services	Docket No. EA02020097	06/2003
Mount Holly Water Company Water Base Rate Proceeding*	Docket No. WR03070509	12/2003
Elizabethtown Water Company Water Base Rate Proceeding*	Docket No. WR03070510	12/2003
New Jersey-American Water Company Water and Sewer Base Rate Proceeding*	Docket No. WR03070511	12/2003
Applied Wastewater Management, Inc. Water and Sewer Base Rate Proceeding*	Docket No. WR03030222	01/2004
Middlesex Water Company Water Base Rate Proceeding	Docket No. WR03110900	04/2004
Consumers New Jersey Water Company Water Base Rate Proceeding	Docket No. WR02030133	07/2004
Roxiticus Water Company Purchased Water Adjustment Clause	Docket No. WR04060454	08/2004
Rockland Electric Company Societal Benefit Charge Proceeding	Docket No. ET04040235	08/2004
Wildwood Water Utility Water Base Rate Proceeding - Interim Rates	Docket No. WR04070620	08/2004
United Water Toms River Litigation Cost Accounting Proceeding	Docket No. WF04070603	11/2004
Lake Valley Water Company Water Base Rate Proceeding	Docket No. WR04070722	12/2004
Public Service Electric & Gas Company Customer Account System Proceeding	Docket No. EE04070718	02/2005
Jersey Central Power and Light Company Various Land Sales Proceedings	Docket No. EM04101107	02/2005
	Docket No. EM04101073	02/2005
	Docket No. EM04111473	03/2005
Environmental Disposal Corporation Water Base Rate Proceeding	Docket No. WR040080760	05/2005

Universal Service Fund Compliance Filing For 7 New Jersey Electric and Gas Utilities	Docket No. EX00020091	05/2005
Rockland Electric Company Societal Benefit Charge Proceeding	Docket No. ET05040313	08/2005
Public Service Electric & Gas Company Buried Underground Distribution Tariff Proceeding	Docket No. ET05010053	08/2005
Aqua New Jersey Acquisition of Berkeley Water Co. Water Merger Proceeding	Docket No. WM04121767	08/2005
Middlesex Water Company Water Base Rate Proceeding	Docket No. WR05050451	10/2005
Public Service Electric & Gas Company Land Sale Proceeding	Docket No. EM05070650	10/2005
Public Service Electric & Gas Company Merger of PSEG and Exelon Corporation	Docket No. EM05020106	11/2005

NEW MEXICO

Southwestern Public Service Company Electric Base Rate Proceeding*	Case 1957	11/1985
El Paso Electric Company Rate Moderation Plan	Case 2009	1986
El Paso Electric Company Electric Base Rate Proceeding	Case 2092	06/1987
Gas Company of New Mexico Gas Base Rate Proceeding*	Case 2147	03/1988
El Paso Electric Company Electric Base Rate Proceeding*	Case 2162	06/1988
Public Service Company of New Mexico Phase-In Plan*	Case 2146/Phase II	10/1988
El Paso Electric Company Electric Base Rate Proceeding*	Case 2279	11/1989

Appendix Page 19
Prior Regulatory Experience of Robert J. Henkes

Gas Company of New Mexico Gas Base Rate Proceeding*	Case 2307	04/1990
El Paso Electric Company Rate Moderation Plan*	Case 2222	04/1990
Generic Electric Fuel Clause - New Mexico Amendments to NMPSC Rule 550	Case 2360	02/1991
Southwestern Public Service Company Rate Reduction Proceeding	Case 2573	03/1994
El Paso Electric Company Base Rate Proceeding	Case 2722	02/1998

OHIO

Dayton Power and Light Company Electric Base Rate Proceeding	Case 76-823	1976
---	-------------	------

PENNSYLVANIA

Duquesne Light Company Electric Base Rate Proceeding*	R.I.D. No. R-821945	09/1982
AT&T Communications of Pennsylvania Base Rate Proceeding*	Docket P-830452	04/1984
AT&T Communications of Pennsylvania Base Rate Proceeding*	Docket P-830452	11/1984
National Fuel Gas Distribution Company Gas Base Rate Proceeding*	Docket R-870719	12/1987

RHODE ISLAND

Blackstone Valley Electric Company Electric Base Rate Proceeding	Docket No. 1289	
Newport Electric Company Report on Emergency Relief		

VERMONT

Continental Telephone Company of Vermont Base Rate Proceeding	Docket No. 3986	
Green Mountain Power Corporation Electric Base Rate Proceeding	Docket No. 5695	01/1994
Central Vermont Public Service Corp. Rate Investigation	Docket No. 5701	04/1994
Central Vermont Public Service Corp. Electric Base Rate Proceeding*	Docket No. 5724	05/1994
Green Mountain Power Corporation Electric Base Rate Proceeding*	Docket No. 5780	01/1995
Green Mountain Power Corporation Electric Base Rate Proceeding*	Docket No. 5857	01/1996

VIRGIN ISLANDS

Virgin Islands Telephone Corporation Base Rate Proceeding*	Docket 126	
---	------------	--