

**BEFORE THE STATE OF NEW JERSEY
BOARD OF PUBLIC UTILITIES
OFFICE OF ADMINISTRATIVE LAW**

**IN THE MATTER OF THE)
PETITION OF MONTAGUE) BPU Docket Nos. WR03121034 (W)
WATER AND SEWER COMPANIES) WR03121035 (S)
FOR AN INCREASE IN RATES FOR) OAL Docket No. PUCRA 01351-2004N
WATER AND SEWER SERVICE)
AND FOR A PHASE II INCREASE)
IN RATES FOR SEWER SERVICE)**

**DIRECT TESTIMONY AND EXHIBITS OF ANDREA C. CRANE
ON BEHALF OF THE
NEW JERSEY DIVISION OF THE RATEPAYER ADVOCATE**

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1 **I. STATEMENT OF QUALIFICATIONS**

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

3 A. My name is Andrea C. Crane and my business address is 38C Grove Street, Ridgefield,
4 Connecticut 06877.

5
6 **Q. By whom are you employed and in what capacity?**

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

12
13 **Q. Please summarize your professional experience in the utility industry.**

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

19
20 **Q. Have you previously testified in regulatory proceedings?**

21 A. Yes, since joining The Columbia Group, Inc., I have testified in approximately 170
22 regulatory proceedings in the states of Arizona, Arkansas, Connecticut, Delaware,

1 Hawaii, Kansas, Maryland, New Jersey, New Mexico, New York, Oklahoma,
2 Pennsylvania, Rhode Island, South Carolina, Vermont, West Virginia and the District of
3 Columbia. These proceedings involved water, wastewater, gas, electric, telephone, solid
4 waste, cable television, and navigation utilities. A list of dockets in which I have filed
5 testimony is included in Appendix A.
6

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

8 A. I received a Masters degree in Business Administration, with a concentration in Finance,
9 from Temple University in Philadelphia, Pennsylvania. My undergraduate degree is a
10 B.A. in Chemistry from Temple University.
11

12 **II. PURPOSE OF TESTIMONY**

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

14 A. On or about December 31, 2003, Montague Water Company filed a Petition requesting an
15 increase of \$80,315 or 29.8% in its rates for water service. At the same time, Montague
16 Sewer Company filed a Petition requesting an increase of \$275,212 or 265% in its rates
17 for sewer service¹. In addition, Montague Sewer Company filed for a Phase II rate
18 increase in the amount of \$66,945, which it proposed to put into effect after certain
19 capital projects relating to repair and/or replacement of several of the Company's
20 subsurface wastewater disposal beds are completed. The Company subsequently updated

¹ The Term "Company" will be used to refer to both Montague Water Company and Montague Sewer Company, both collectively and individually.

1 its filings to correct an error in its originally filed rate base calculation and to reflect
2 actual results for the twelve months ending December 31, 2003. In those updates,
3 Montague revised its water request from \$80,315 to \$161,880 and its sewer request from
4 \$275,212 to \$281,387.

5 The Columbia Group, Inc. was engaged by The State of New Jersey, Division of
6 the Ratepayer Advocate ("Ratepayer Advocate") to review the Company's Petitions and
7 to provide recommendations to the New Jersey Board of Public Utilities ("BPU" or
8 "Board") regarding the Company's revenue requirement, cost of capital, and rate design.
9 In order to develop my recommendations, I reviewed the prefiled testimony and exhibits
10 of the Company, the responses to data requests propounded upon the Company by the
11 Ratepayer Advocate and by the Staff of the BPU, and certain information from the
12 Company's last base rate case, which was litigated in 1999. I have also relied upon the
13 engineering testimony being submitted on behalf of the Ratepayer Advocate by Howard J.
14 Woods, Jr.

15
16 **III. SUMMARY OF CONCLUSIONS**

17 **Q. What are your conclusions concerning the Company's pro forma income, rate base,
18 and revenue requirement?**

19 **A.** Based on my analysis of the Company's filing and other documentation in this case, my
20 conclusions are as follows:

- 21 1. The twelve months ending December 31, 2003 is an appropriate Test Year in this
22 case.

1 present rates of \$6,938. This is in contrast to the revenue deficiency of \$281,387
2 claimed by Montague.

3 10. The Company's request for an across-the-board increase of any rate increase
4 granted by the BPU is reasonable.

5 11. This testimony may be updated based upon my review of outstanding discovery
6 responses or as a result of additional issues being identified during the hearing
7 phase of this case.
8

9 **IV. OVERALL RATE OF RETURN**

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

12 **A. The Company has utilized the following capital structure and cost of capital:**
13

	Percent	Cost	Weighted Cost
14 Long Term Debt	59.23%	7.28%	4.31%
15 Common Equity	40.77%	9.76%	<u>3.97%</u>
16 Total			<u>8.28%</u>

17
18
19

20 **Q. Are you recommending any adjustments to the Company's proposed capital
21 structure?**

22 **A. No, I am not. The decision as to how to capitalize Montague is made by its parent**

1 company, Utilities, Inc. Utilities, Inc. has generally capitalized Montague with equity
2 capital. Accordingly, it would not be appropriate to utilize the actual capital structure of
3 the Company when determining its required operating income. In its Petitions, the
4 Company has used the consolidated capital structure of its parent, Utilities, Inc., as the
5 pro forma capital structure for both the water and sewer utilities. The resulting capital
6 structure is within the range of reasonableness for capital structures that are typically used
7 by water utilities. Accordingly, I am not recommending any revisions to the capital
8 structure proposed by Montague.

9
10 **Q. Are you recommending any adjustments to the Company's proposed cost of equity?**

11 A. Yes, I am recommending an adjustment to the Company's proposed cost of equity.

12
13 **Q. What cost of equity are you recommending in this case?**

14 A. As shown on Schedules ACC-3W and ACC-3S, I am recommending a cost of equity of
15 9.0%. My recommendation is based upon a discounted cash flow ("DCF") analysis. This
16 is the most frequently used method to determine an appropriate return on equity for a
17 regulated utility. The DCF methodology equates a utility's return on equity to the
18 expected dividend yield plus expected future growth for comparable investments.
19 Specifically, this methodology is based on the following formula:

$$\text{Return on Equity} = \frac{D_1}{P_0} + g$$

1 where "D₁" is the expected dividend, "P₀" is the current stock price, and "g" is the
2 expected growth in dividends.

3 In order to determine a comparable group of companies, I utilized the water
4 companies followed by the Value Line Investment Survey. To determine an appropriate
5 dividend yield for comparable companies, i.e., the expected dividend divided by the
6 current price, I calculated the dividend yield of each of the comparable companies under
7 two scenarios. First, I calculated the dividend yield using the average of the stock prices
8 for each company over the past six months. The use of a dividend yield using a six-
9 month average price mitigates the effect of stock price volatility for any given day. Based
10 on the average stock prices over the past six-months, and the current dividend for each
11 company, I determined an average dividend yield for the comparable group of 2.98%. I
12 also calculated the current dividend yield at May 10, 2004, which showed an average
13 dividend yield for the comparable group of 3.13%. Finally, I examined the average
14 dividend yields for water utilities as reported in the May 2004, C.A. Turner Utilities
15 Reports, which showed an average dividend yield for water utilities of 2.9%. Based on
16 all of this data, I recommend that a dividend yield of 3.0% be used in the DCF
17 calculation.

18
19 **Q. What growth rate did you utilize for Montague?**

20 **A.** The actual growth rate used in the DCF analysis is the dividend growth rate. In spite of
21 the fact that the model is based on dividend growth, it is not uncommon for analysts to
22 examine several growth factors, including growth in earnings, dividends, and book value.

1 Following are the five-year historic growth rates for the companies included in my
 2 comparable group, as well as projected growth rates, based on publicly available
 3 documents:
 4

	Five Year Historic Earnings	Five Year Historic Dividends	Five Year Historic Book Value	Five Year Projected Earnings	Five Year Projected Dividends	Five Year Projected Book Value
American States Water Co.	1.5%	1.0%	4.0%	9.5%	1.5%	4.0%
Aqua America Water Company	9.5%	6.0%	9.5%	9.5%	7.0%	11.5%
California Water Company	(6.5%)	1.0%	1.0%	11.0%	1.0%	14.5%
Connecticut Water Company	2.5%	1.0%	3.5%	NA	NA	NA
Middlesex Water Company	-0.5%	2.5%	3.5%	7.00%	NA	NA
SJW Corporation	-0.5%	4.0%	4.0%	NA	NA	NA
Southwest Water Corporation	15.5%	10.5%	11.5%	9.00%	NA	NA
York Water Company	NA	NA	NA	7.00%	NA	NA
Average	6.8%	3.2%	5.3%	8.83%	3.16%	10.0%

5
 6 With regard to longer-term historic growth rates, Value Line only reports these
 7 growth rates for American States Water Company, Aqua America, and California Water
 8 Company. As shown below, the longer-term ten-year growth rates are generally below
 9 the five-year growth rates for the companies followed by Value Line:

1 Ten Year Earnings Growth 4.0%

2 Ten Year Dividend Growth 2.8%

3 Ten Year Book Value Growth 5.0%

4
5 **Q. Why do you believe that it is reasonable to examine historic growth rates as well as**
6 **projected growth rates when evaluating a utility's cost of equity?**

7 A. I believe that historic growth rates should be considered because security analysts have
8 been notoriously optimistic in forecasting future growth in earnings. At least part of this
9 problem in the past has been the fact that firms that traditionally sell securities are the
10 same firms that provide investors with research on these securities, including forecasts of
11 earnings growth. This results in a direct conflict of interest since it has traditionally been
12 in the best interest of securities firms to provide optimistic earnings forecasts in the hope
13 of selling more stock. As a result of this practice, the Wall Street investment firms agreed
14 to a \$1.4 billion settlement with securities regulators in a settlement announced last year.
15 Pursuant to that settlement, ten major Wall Street law firms agreed to pay \$1.4 billion to
16 investigating state regulators and the United States Securities and Exchange Commission
17 ("SEC"). Approximately \$900 million of this amount constituted fines. The remainder
18 was earmarked for various education and independent research activities. In addition,
19 firms were required to sever the links between their stock research activities and their
20 investment banking activities. Therefore, earnings growth forecasts should be analyzed
21 cautiously by state regulatory commissions.

1 **Q. Based upon your review, what growth rate do you recommend be utilized in the**
2 **DCF calculation?**

3 A. Based on my review of this data, I believe that a growth rate of no greater than 6.0%
4 should be utilized. This growth rate is higher than the actual growth rates over the past
5 five years in dividends or book value. It is also higher than the ten-year growth rate in
6 earnings, dividends, or book value. Moreover, it is higher than the projected growth rate
7 for dividends, which is the growth rate that is reflected in the traditional DCF formula.
8 While the average projected growth rate in earnings and book value are higher than my
9 recommended growth rate, I have already discussed the fact that projected growth rates,
10 particularly in earnings, tend to be overly optimistic.

11
12 **Q. What are the results of your analysis?**

13 A. My analysis indicates a cost of equity using the DCF methodology of 9.00%, as shown
14 below:

15	Dividend Yield	3.00%
16	Expected Growth	<u>6.00%</u>
17	Total	9.00%

18
19 **Q. What is the overall cost of capital that you are recommending?**

20 A. Given the capital structure proposed by Montague, the Company's overall debt cost of
21 7.28%, and a cost of equity of 9.0%, I am recommending an overall cost of capital of
22 7.98%.

1 V. TEST YEAR

2 Q. **What Test Year did the Company select on which to file its case in this proceeding?**

3 A. The Company selected the Test Year ending December 31, 2003. In addition, the
4 Company proposed certain post-test year, rate base adjustments relating to capital
5 projects projected to be in service by June 30, 2004. As filed, the Company's Test Year
6 contained six months of actual results and six months of projected results. The Company
7 subsequently updated its Petitions to reflect actual results for the full Test Year.
8

9 Q. **Was the period ending December 31, 2003 abnormal in any way?**

10 A. Yes, it was. As discussed in the testimony of Mr. Sharp, in January 2003, the Company
11 began to experience serious surface ponding in fields 3A and 3B of its sewer system. The
12 New Jersey Department of Environmental Protection ("DEP") issued an order requiring
13 Montague to haul away 100% of the incoming flows from fields 3A and 3B. The NJDEP
14 subsequently agreed to permit the Company to discharge about 10,000 gpd to the fields.
15 The remaining 20,000 gpd are being hauled away.

16 The Company and DEP are in discussions and negotiations regarding a longer-
17 term solution to the problems encountered in fields 3A and 3B. The Company has
18 proposed a Phase II rate increase for its sewer operation to reflect capital improvements
19 that will be necessary to repair and/or replace these fields. With regard to operating
20 expenses, the Company is proposing that the non-recurring hauling costs that it incurred
21 in the Test Year, as well as costs that will be incurred in 2004 until the problems at fields
22 3A and 3B are corrected, be amortized over a three-year period. These proposals will be

1 discussed later in this testimony.

2

3 **Q. Given the non-recurring expenses that occurred during calendar year 2003, do you**
4 **believe that the twelve months ending December 31, 2003 is a reasonable Test Year**
5 **to use in this case?**

6 A. Yes, I do. Provided that appropriate adjustments are made to reflect the proper
7 ratemaking treatment for these non-recurring hauling costs, then the twelve months
8 ending December 31, 2003 can be modified to reflect an appropriate Test Year in this
9 case. In addition to the costs associated with the failure of fields 3A and 3B, there are a
10 few other normalization adjustments that I am recommending to Test Year expenses.
11 However, it is normal and customary to make such normalization adjustments and in fact
12 such adjustments are routinely made regardless of the Test Year used in regulatory
13 proceedings. Therefore, I have accepted the twelve months ending December 31, 2003,
14 as adjusted, as a reasonable Test Year in this case.

15

1 **VI. RATE BASE ISSUES**

2
3 **A. Utility Plant in Service**

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

5 A. As shown on Exhibit P-4 to the Company's filing, the Company included in rate base its
6 net utility plant at December 31, 2003, plus post-test year additions through June 30,
7 2004. The Company included post-test year additions of \$97,777 for its water utility and
8 of \$35,435 for its sewer utility. In addition, the Company is requesting recovery of
9 capital additions of \$525,000 for the Phase II increase proposed for the sewer utility.

10 The post-test year water utility additions include \$85,277 for two water main
11 extensions, \$5,000 for a road to its water plant, and \$7,500 to replace two fire hydrants
12 and four meter pits. The post-test year sewer plant addition proposed for Phase I amounts
13 to \$35,435 in engineering related to leach fields 3A and 3B. The Phase II projects that
14 the Company is proposing include \$375,000 for repair/replacement of leach fields 3A and
15 3B and \$150,000 for anticipated repairs to leach field 2.

16
17 **Q. Are you recommending any adjustment to the utility plant in service additions being
18 claimed by Montague?**

19 A. Yes, I am recommending that the BPU deny post-test year additions proposed by the
20 Company. The Company did not update its depreciation reserve to reflect additional
21 depreciation expense through June 30, 2004. Nor did it update other components of its
22 rate base claim such as contributions in aid of construction. Moreover, the Company did

1 not include any incremental revenue from new customers that may be added after
2 December 31, 2003. Permitting the Company to include post-test year plant while
3 ignoring the other elements of the regulatory triad creates a mismatch in Montague's
4 revenue requirement calculation.

5
6 **Q. Hasn't the BPU permitted certain post-test year adjustments to be reflected in rate
7 base in the past?**

8 A. I recognize that the BPU has permitted post-test year adjustments to be included under
9 certain circumstances. As stated in the Board's Decision on Motion for Determination of
10 Test Year and Appropriate Time Period for Adjustments²,

11 With regard to the second issue, that is, the appropriate time period and
12 standard to apply to out-of-period adjustments, the standard that shall be applied and
13 shall govern petitioner's filing and proofs is that which the Board has consistently
14 applied, the "known and measurable" standard. Known and measurable changes to
15 the test year must be (1) prudent and major in nature and consequence, (2) carefully
16 quantified through proofs which (3) manifest convincing reliable data. The Board
17 recognizes that known and measurable changes to the test year, by definition, reflect
18 certain contingencies; but in order to prevail, petitioner must quantify such
19 adjustments by reliable forecasting techniques reflected in the record.
20

21 **Q. Has the Company actually completed any of the post-test year projects that it
22 included in its revenue requirement?**

23 A. According to the Company's response to RAR-26, the only water utility project
24 completed to date is the road to the treatment plant. Moreover, the post-test sewer

²*Decision on Motion for Determination of Test Year and Appropriate Time Period for Adjustments, In Re Elizabethtown Water Company Rate Case, BPU Docket No. WR85040330 (Order Dated May 23, 1985), p. 2.*

1 project relates to engineering work for the leaching fields 3A and 3B project that the
2 Company has included in its Phase II request. Therefore, by definition, the post-test year
3 project included in the Company's sewer claim will not be completed by June 30, 2004.
4

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

6 A. I recommend that the Company's projected post-test year plant additions be eliminated
7 from its rate base claim. With one exception, these projections have not been completed.
8 Moreover, the Company has not updated either its depreciation reserve claim or its
9 operating revenue claim to reflect any adjustments beyond the end of the Test Year. My
10 adjustment to eliminate the Company's claim for post-test year plant additions is shown
11 in Schedule ACC-5W for the water utility and in Schedule ACC-5S for the sewer utility.
12

13 **Q. If the Company revises its claim and requests the inclusion of construction work in
14 progress ("CWIP") in rate base, given the fact that it does not complete its projected
15 plant additions by June 30, 2004, what would you recommend?**

16 A. In that case, I would recommend that no CWIP be permitted in rate base. I do not believe
17 that CWIP is an appropriate rate base element. Accordingly, I would not recommend the
18 inclusion of any CWIP in rate base. The Company did not request the inclusion of any
19 CWIP in rate base and no CWIP should be permitted due to any failure of Montague to
20 meet its projections for plant in service additions. The Company should not be permitted
21 to include CWIP in rate base simply because it finds that its actual pro forma period plant
22 additions are less than originally forecast.

1 CWIP does not represent facilities that are used or useful in the provision of utility
2 service. In addition, including this plant in rate base violates the regulatory principle of
3 intergenerational equity by requiring current ratepayers to pay a return on plant that is not
4 providing them with utility service and which may never provide current ratepayers with
5 utility service.

6 One of the basic principles of utility ratemaking is that shareholders are entitled to
7 a return on, and to a return of, plant that is used and useful in the provision of safe and
8 adequate utility service. By its definition, CWIP does not meet these criteria. CWIP
9 requires today's ratepayers to pay for projects that may never provide them with any
10 benefit. In addition, allowing CWIP in rate base transfers the risk during project
11 construction from shareholders, where it properly belongs, to ratepayers. For all these
12 reasons, any requests to include CWIP in rate base should be denied.

13
14 **B. Cash Working Capital**

15 **Q. What is cash working capital?**

16 **A.** Cash working capital is the amount of cash that is required by a utility in order to cover
17 cash outflows between the time that revenues are received from customers and the time
18 that expenses must be paid. For example, assume that a utility bills its customers
19 monthly and that it receives monthly revenues approximately 30 days after the midpoint
20 of the date that service is provided. If the Company pays its employees weekly, it will
21 have a need for cash prior to receiving the monthly revenue stream. If, on the other hand,
22 the Company pays its management service fees quarterly, it will receive these revenues

1 well in advance of needing the funds to pay its management service fee expense.

2

3 **Q. Do companies always have a positive cash working capital requirement?**

4 A. No, they do not. The actual amount and timing of cash flows dictate whether or not a
5 utility requires a cash working capital allowance. Therefore, one should examine actual
6 cash flows through a lead/lag study in order to accurately measure a utility's need for cash
7 working capital.

8

9 **Q. How did the Company determine its cash working capital claim?**

10 A. The Company used a formula method, i.e., its cash working capital claim is based on
11 1/8th of its operating expenses, including taxes other than income taxes. This 1/8th
12 formula method is based on the assumption that a utility requires 45 days of cash working
13 capital, i.e., that it will receive its revenues, on average, 45 days after it pays its expenses.

14

15 **Q. Do you believe that the formula method provides an accurate calculation of a
16 utility's cash working capital requirement?**

17 A. No, I do not. The problem with the formula method is that it will always result in a
18 positive cash working capital requirement. The formula method gives no consideration to
19 the actual timing and pattern of cash flows. Therefore, this method can never accurately
20 measure a utility's need for cash working capital. For example, I understand that in a
21 recent base rate case, Middlesex Water Company reported a negative cash working
22 capital requirement. So a utility's cash working capital requirement is not always

1 positive, even though the formula method will always yield a positive result.

2

3 **Q. What other methods can be used to determine a utility's cash working capital**
4 **requirement?**

5 A. The most accurate method, and one that is commonly used, is the lead/lag method. This
6 methodology examines the actual timing and pattern of cash flows by comparing the
7 average revenue lag, which determines how soon after the midpoint of the service period
8 the Company receives its revenues, with the expense lag, which determines how soon
9 after incurring a particular expense, payment on that expense is required to be made.
10 Montague did not provide a lead/lag study in this case.

11

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

13 A. I recommend that the Company's cash working capital claim be denied. As was recently
14 demonstrated in the Middlesex Water Company case, it is entirely possible for a utility to
15 have a negative cash working capital requirement. Since the Company did not provide a
16 lead/lag study, it has not supported its request for a cash working capital allowance.
17 Accordingly, I recommend that its cash working capital claim be denied. My adjustment
18 is shown in Schedule ACC-6W and in Schedule ACC-6S.

19

20 **C. Consolidated Income Taxes**

21 **Q. Did Montague include a consolidated income tax adjustment in its filing?**

22 A. No, it did not. Montague calculated its test year income tax expense on a "stand-alone"

1 basis. The Company's filing ignored the fact that Montague does not file its federal income
2 taxes on a stand-alone basis, but rather files as part of a consolidated income tax group. By
3 filing a consolidated return, Montague can take advantage of tax losses experienced by other
4 member companies. The tax loss benefits generated by one group member can be shared by
5 the other consolidated group members, resulting in a reduction in the effective federal
6 income tax rate of the Company. These tax savings should be flowed through to the benefit
7 of New Jersey ratepayers.
8

9 **Q. Why should these tax benefits be flowed through to the Company's ratepayers?**

10 A. These tax benefits should be flowed through to ratepayers because these benefits reflect the
11 actual taxes paid. Establishing a revenue requirement based on a stand-alone federal income
12 tax methodology would overstate the Company's expense, result in a windfall to the
13 Company, and result in rates that are higher than necessary.
14

15 **Q. Has this issue been addressed previously by the Board?**

16 A. Yes, this issue has been addressed previously. It is my understanding that the BPU has
17 generally adopted consolidated income tax adjustments based on the "rate base"
18 methodology. This method seeks to compensate ratepayers through a rate base deduction,
19 which is based on the cumulative tax savings resulting from consolidated income tax
20 filings. This methodology treats consolidated tax savings as a source of cost free capital
21 available to the utility.

1 **Q. Have you quantified a consolidated income tax adjustment?**

2 A. Not at this time. In Data Requests SR-14w and SR-14s, the Company was asked to
3 provide its federal income tax returns for 2001, 2002, and 2003 (when available). The
4 Company responded that "Petitioners do not file separate income tax returns." Moreover,
5 Montague did not provide a copy of its consolidated returns. Therefore, at this time we
6 do not know if there were any operating losses that should be used as a rate base offset in
7 this case. However, to the extent that such losses have occurred, resulting in a lower
8 effective tax rate for Montague, Montague's share of these cumulative losses should be
9 reflected as a rate base deduction.

10
11 **D. Summary of Rate Base Issues**

12 **Q. What is the impact of your rate base adjustments?**

13 A. My recommended adjustments reduce the Company's water utility rate base claim from
14 \$690,141 to \$555,994 as summarized on Schedule ACC-2W. My recommended
15 adjustments reduce the Company's sewer utility rate base claim from \$260,914 to
16 \$187,540, as shown on Schedule ACC-2S.

1 VII. OPERATING INCOME ISSUES

2

3 A. Pro Forma Revenue

4 Q. How did the Company develop its pro forma revenue claim in this case?

5 A. The Company used its actual Test Year operating revenue for both its water and sewer
6 utilities as its pro forma operating revenue at present rates.

7

8 Q. Are you recommending any adjustments to the Company's claim?

9 A. I am recommending one revenue adjustment to the Company's water utility claim. As
10 shown in the response to RAR-3, residential sales have fluctuated in each of the past three
11 years. Moreover, a review of the response to RAR-E-2, indicates that the summer of
12 2003 was relatively wet. Water consumption, particularly residential consumption, tends
13 to vary from year-to-year based on a number of factors, particularly rainfall and
14 temperature conditions. Therefore, it is likely that the Company's operating revenues for
15 its water utility were somewhat depressed in the Test Year given wetter than normal
16 conditions.

17

18 Q. Ideally, how should a water utility's operating revenue at present rates be
19 calculated?

20 A. The most accurate method is to calculate an average consumption over a multi-year
21 period, and then to apply that consumption to the pro forma number of customers.

22 Several of the water utilities in New Jersey file their rate case requests using an average

consumption over a multi-year period. Unfortunately, as of the preparation date of this testimony, we do not have the information necessary to undertake this analysis. In addition, I understand that at least some of the customer count information that was provided in response to RAR-2 has been misclassified. Therefore, at this time, we do not have accurate data on customer growth during the Test Year.

2
3
4
5
6
7 **Q. Given the fact that certain information has not been provided by Montague, what**
8 **do you recommend?**

9 A. In the absence of accurate consumption and customer count data, I recommend that
10 residential operating revenues be normalized by averaging the actual residential revenues
11 in 2001, 2002, and 2003. Since the second phase of the Company's last water rate
12 increase went into effect in 2000, there were no rate changes during the last three years
13 and therefore the revenue fluctuations during that time reflect only changes in customers
14 and/or consumption. Using the average of the last three years will tend to understate the
15 actual pro forma revenue at present rates, since it will not reflect changes in customer
16 counts that occurred during this time. However, even though this method is likely to
17 understate pro forma revenue, it is still a more accurate method for determining a
18 normalized usage level than the Company's proposal to use the actual Test Year results.
19 My adjustment to water utility revenue is shown in Schedule ACC-7W.
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Q. In quantifying the impact of your revenue adjustment, did you make an allowance for the additional uncollectible expense and gross receipts and franchise tax (“GR&FT”) expense that will be incurred as a result of receiving additional revenues?

A. Yes, I did. As shown on Schedule ACC-7W, I have included in my adjustment the impact of both incremental uncollectible expense and additional GR&FT payments that will result from my adjustment. Since I am recommending an adjustment that will increase the Company’s pro forma revenue at present rates, Montague will incur additional uncollectible expense and additional GR&FT expense on these additional revenues. I have accounted for both of these additional costs in Schedule ACC-7W. In addition, these additional costs are also included in my income statement shown in Schedule ACC-20W.

Q. Will Montague also incur incremental chemical and power costs as a result of increased sales?

A. Given the relatively small size of my pro forma revenue adjustment, I do not know if the Company is likely to incur additional chemical or power costs. However, to avoid any controversy in this area, I have included an incremental cost adjustment in the calculation shown in Schedule ACC-7W. In that schedule, I have reduced the impact of the Company’s additional sales on Montague’s operating income by including additional costs that may be incurred for relating to chemicals and power costs.

1
2 **Q. Are you recommending a similar operating revenue adjustment to sewer utility**
3 **revenues?**

4 A. No, I am not. The Company bills for sewer service on a flat rate basis. Therefore,
5 changes in weather conditions do not affect the Company's sewer revenues. Accordingly,
6 I am not recommending any adjustment to the Company's claim for pro forma sewer
7 revenues.

8
9 **B. Maintenance and Repair Expense**

10 **Q. Please discuss the Company's claim for maintenance and repair expense.**

11 A. The vast majority of these costs relate to sludge hauling costs incurred by the Company
12 during the Test Year. This issue is being sponsored by Mr. Woods and therefore I will
13 provide just a brief overview of the Company's claim. As previously stated, since
14 January 2003, Montague has been incurring sludge hauling costs as a result of failures at
15 leach fields 3A and 3B. The Company is proposing that the sludge hauling costs incurred
16 between the beginning of the Test Year and June 30, 2004, be amortized over a three-year
17 period. It has included such an amortization in its Phase I revenue requirement claim.

18 In addition, Montague is requesting that capital costs associated with correcting
19 the problems at leach fields 3A and 3B, as well as certain costs relating to corrective
20 action at leach field 2, be recovered through a Phase II increase once these projects are
21 completed.

22 As discussed in Mr. Woods's Testimony, the Ratepayer Advocate is

1 recommending that sludge hauling costs be deferred, and amortized over a 20-year period
2 once the corrective action has been completed and the hauling activities terminated. Mr.
3 Woods is recommending a normalized, prospective level of maintenance and repair costs
4 amounting to \$21,932. Therefore, at Schedule ACC-7S, I have made an adjustment to
5 reduce the Company's maintenance and repair costs to the level recommended by Mr.
6 Woods.

7
8 **C. Salaries and Wages**

9 **Q. How did the Company determine its payroll expense claim?**

10 A. It should be noted that the vast majority of payroll expenses incurred by Montague are
11 allocations based on customer equivalents. Montague has only one dedicated employee.
12 The remaining employees, both operational and administrative, perform work on behalf
13 of one or more subsidiaries of Utilities, Inc. and their costs are allocated to benefiting
14 subsidiaries based on the number of customer equivalents at each subsidiary receiving
15 services.

16 According to page 5, lines 32-34 of Ms. Weeks' testimony, "Wage and salary
17 expense has been adjusted to reflect actual staffing and anticipated merit increases of 3%.
18 The total cost is split between water and sewer based on the number of customers." In
19 addition to allocating salary and wage costs between sewer and water utilities, the
20 Company also reports salaries separately for "Maintenance" and for "General" cost
21 categories. In its filing, Montague is proposing adjustments to increase its actual Test
22 Year Maintenance salary expense by 24.7% and its General salary expense by 36.9%, in

1 both the water and sewer utilities.

2

3 **Q. Has the Company adequately supported these increases?**

4 A. No, it has not. The Company provided an original workpaper showing the development
5 of its salary and wage claim, but it did not identify the specific changes to its Test Year
6 actual results that resulted in the significant increases being requested. It later updated
7 this workpaper, increasing its salary and wage claim by over 10% from the amounts
8 contained in its original filing³. However, it still has not justified the magnitude of the
9 increases over the Test Year actual results that are being requested in this case. The
10 Company has not provided any documentation to show why its pro forma payroll costs
11 should exceed its Test Year actual costs by significantly more than the 3% annual
12 increase discussed in Ms. Weeks' testimony. In addition, both of the workpapers that
13 have been provided by Montague contain costs for an individual that the Company claims
14 no longer works for Montague, as reported in the response to RAR-12. Therefore, at this
15 time, Montague has not adequately supported the pro forma adjustments that it is
16 proposing to its Test Year salary and wage expense.

17

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

19 A. Given the lack of supporting detail provided by the Company, I recommend that
20 Montague's salary and wage claim be limited to the 3% increase discussed in Ms. Weeks'

³ The details of this workpaper are confidential and therefore I will not address salary information for specific employees.

1 testimony. My adjustments relating to Maintenance salaries are shown in Schedules
2 ACC-8W and ACC-8S for the water and sewer utilities respectively. My adjustments
3 relating to General salaries are shown in Schedules ACC-9W and ACC-9S for the water
4 and sewer utilities. Additional amounts should be not approved unless the Company can
5 demonstrate the specific factors that caused the increase and can demonstrate that any
6 additional personnel or changes in cost allocation are reasonable.
7

8 **Q. Have you also made an adjustment to the Company's payroll tax expense claim?**

9 A. Yes, I have made an adjustment to eliminate the payroll taxes associated with the salary
10 and wage costs I recommend be disallowed. In quantifying my adjustment, I applied the
11 social security and medicare tax rate of 7.65% to my recommended salary and wage
12 disallowance in order to quantify the impact on payroll tax expense. My adjustment is
13 shown in Schedule ACC-10W for the water utility and in Schedule ACC-10S for the
14 sewer utility.
15

16 **D. Retirement Benefit Costs**

17 **Q. How did the Company develop its claim for retirement benefits?**

18 A. In addition to health benefits, Montague also provides retirement benefits including a
19 pension plan and a 401(K) plan. The Company has included pension costs of 3% of its
20 salary and wage claim. In addition, it has included 401(K) costs of 4% of its salary and
21 wage claim.

1

2 **Q. Are you recommending any adjustment to the Company's retirement benefit cost**
3 **claims?**

4 A. Yes, since I am recommending an adjustment to the Company's salary and wage claim, it
5 is necessary to make a corresponding adjustment to reduce Montague's pension and
6 401(K) costs. Therefore, I have reduced the Company's pension expense claim by 3% of
7 my recommended salary and wage adjustment. I have also reduced its 401(K) cost claim
8 by 4% of my salary and wage adjustment. My adjustments to retirement benefit costs are
9 shown in Schedule ACC-11W and Schedule ACC-11S for the water utility and sewer
10 utility respectively.

11

12 **E. Regulatory Commission Expenses**

13 **Q. How did the Company develop its rate case expense claim?**

14 A. The Company calculated its regulatory commission expense claim by first estimating
15 costs for the current rate case of \$157,481. These costs were then amortized over a three-
16 year period, for an annual expense of \$52,494. This annual expense was then allocated
17 between water and sewer operations based on the number of customers served by each
18 utility. Finally, the Company added the unrecovered rate case cost from its last rate case
19 to its rate case expense claim in this case.

20

21 **Q. Are you proposing any adjustments to the Company's claim?**

22 A. Yes, I am proposing two adjustments. First, with regard to the present case, I recommend

1 that rate case costs be shared equally between ratepayers and shareholders. The BPU has
2 a long standing policy of requiring regulatory commission expenses to be shared 50/50
3 between ratepayers and shareholders. The purpose of this sharing requirement is to
4 recognize that shareholders, as well as ratepayers, benefit from the filing by the utility of
5 a rate case proceeding and therefore they should share in the associated costs. Montague
6 has not reflected any sharing of regulatory commission expenses in its revenue
7 requirement. My regulatory expense adjustments are shown on Schedules ACC-12W for
8 the water utility and on Schedule ACC-12S for the sewer utility.

9
10 **Q. What is your second adjustment?**

11 A. I recommend that the Company's attempt to recover past rate case costs for Docket Nos.
12 WR981011161-62 through prospective rates be denied. The Company's last base rate
13 case was resolved by stipulation. That stipulation is silent with regard to the treatment of
14 rate case costs. Therefore, it does not appear that any specific amortization period was
15 agreed upon for recovery of the Company's rate case costs. Accordingly, the Company's
16 attempt to recover certain costs relating to its prior case in the current filings constitutes
17 retroactive ratemaking and should be rejected by the Commission. At Schedule ACC-
18 12W and Schedule ACC-12S, I have eliminated all costs relating to the prior rate case
19 from my pro forma regulatory commission expense allowance.

20
21 **F. Outside Services**

22 **Q. What has been the Company's history with regard to outside services expenses?**

1 A. The Company's outside services expenses were relatively stable from 2001-2002 in both
2 its water and sewer utilities. However, these expenses increased significantly in 2003, the
3 Test Year in this case, as shown below:
4
5

<u>Outside Services</u>	<u>Water Utility</u>	<u>Sewer Utility</u>
2000	\$12,850	\$5,067
2001	\$ 4,515	\$1,780
2002	\$ 7,123	\$2,809
2003	\$25,671	\$10,075 ⁴

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11 I have been informed by the Company that the primary reason for the increase in
12 outside services costs experienced during the Test Year was the fact that during 2003 the
13 Company wrote-off some deferred costs relating to prior years. Therefore, the 2003 Test
14 Year costs do not represent a normal, prospective level of outside services costs.
15 Moreover, the incremental costs incurred in the Test Year relate to prior period costs that
16 are not likely to reoccur. Permitting recovery of these costs in prospective rates would
17
18
19

4 The Company claimed \$9,953 in its filing.

2 result in retroactive ratemaking and would also result in rates that do not represent
3 normal, prospective operations.

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

5 A. I recommend that a normal, prospective level of outside services costs be included in the
6 Company's revenue requirement. Given the fact that these costs were relatively stable
7 until 2003, I recommend that the three-year average of these costs from 2000 to 2002 be
8 used to determine an appropriate expense allowance. My recommendation is shown in
9 Schedule ACC-13W for the water utility and in Schedule ACC-13S for the sewer utility.

10
11 **G. Miscellaneous Expenses**

12 **Q. What has been the Company's history with regard to miscellaneous expenses?**

13 A. Like its outside services costs, the Company's miscellaneous expenses were also
14 relatively stable from 2001-2002 in both its water and sewer utilities. However, these
15 expenses also increased significantly in 2003, as shown below:

16

<u>Miscellaneous Costs</u>	<u>Water Utility</u>	<u>Sewer Utility</u>
2000	\$ 1,673	\$ 660
2001	\$ 1,546	\$ 610
2002	\$ 2,803	\$ 1,105
2003	\$32,283	\$12,670 ⁵

17
18
19
20

5 The Company claimed \$12,517 in its filing.

1 According to the Company, the significant increase in miscellaneous costs experienced in
2 the Test Year was due to fines that were imposed upon the Company.

3
4 **Q. Should these fines be included in the Company's miscellaneous expense claim?**

5 A. No, they should not, for two reasons. First, ratepayers should not be required to pay for
6 penalties that are imposed as a result of the Company's failure to comply with all
7 governmental rules and regulations. These costs should be borne by shareholders, who
8 are responsible for ensuring proper operation and management of the utility.

9 Second, fines and penalties are non-recurring expenses. Montague is not expected
10 to incur these costs prospectively. Nor would these costs be incurred under normal
11 operating conditions. For all of these reasons, I recommend that these expenses be
12 eliminated from the Company's revenue requirement claim.

13
14 **Q. How did you determine an appropriate level of miscellaneous costs to include in the
15 Company's revenue requirement?**

16 A. Given the fact that these costs, like the outside services costs, were relatively stable until
17 2003, I recommend that the three-year average of these costs from 2000 to 2002 be used
18 to determine an appropriate expense allowance. My recommendation is shown in
19 Schedule ACC-14W for the water utility and in Schedule ACC-14S for the sewer utility.

H. State Income Taxes

2 **Q. Did the Company include a state income tax liability in its revenue requirement?**

3 A. Yes, it did. Montague included a state income tax liability based on a tax rate of 9.0% in
4 its revenue requirement claims for both the water and sewer utilities. In addition,
5 Montague included a GR&FT expense based on a tax rate of approximately 14.06%.

6

7 **Q. Is Montague subject to a state income tax in New Jersey?**

8 A. No, it is my understanding that the state income tax has been replaced by the GR&FT for
9 water utilities in New Jersey. Montague confirmed that it is no longer subject to the state
10 income tax and that the inclusion of the state income tax in its filing was in error. At
11 Schedules ACC-15W and 15S, I have made adjustments to eliminate the Company's state
12 income tax expense.

13 It should be noted that the Company's filings reflect an operating loss under
14 present rates for both its water and sewer utilities. Therefore, the state income tax
15 included in the filings by Montague was a credit, i.e., it actually served to reduce the
16 Company's deficiency. Therefore, my adjustment to eliminate the state income tax
17 expense will increase the Company's need for rate relief at present rates, all other factors
18 being equal. However, the elimination of the state income tax will also result in a lower
19 revenue multiplier that will have an offsetting effect on the Company's need for rate
20 relief.

21

1 **I. Depreciation Expense**

2 **Q. Are you recommending any adjustment to the Company's depreciation expense**
3 **claim?**

4 **A. Yes, I am recommending an adjustment to revise the Company's depreciation expense**
5 **claim consistent with my recommended utility plant in service adjustment. To determine**
6 **the amount of depreciation expense to exclude from the Company's revenue requirement,**
7 **I applied the Company's composite depreciation rate of 2% as reported in its filing to my**
8 **recommended utility plant in service adjustment. My adjustments are shown in Schedule**
9 **ACC-16W for the water utility and in Schedule ACC-16S for the sewer utility.**

10
11 **J. Interest Synchronization**

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

13 **A. Yes, I have made this adjustment at Schedule ACC-17W for the water utility and at**
14 **Schedule ACC-17S for the sewer utility. It is consistent (synchronized) with my**
15 **recommended rate base, capital structure, and cost of capital recommendations. I am**
16 **recommending a lower rate base than the rate base included in the Company's filing. My**
17 **recommendations, therefore, result in lower pro forma interest expense for the Company.**
18 **This lower interest expense, which is an income tax deduction for federal tax purposes,**
19 **will result in an increase to the Company's income tax liability under my**
20 **recommendations. Therefore, my recommendations result in an interest synchronization**
21 **adjustment that reflects a higher income tax burden for the Company, and a decrease to**
22 **pro forma income at present rates.**

1 **K. Income and Revenue Factors**

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

3 A. As shown on Schedules ACC-18W and 18S, I have used a federal income tax rate of
4 34%, which is the same rate used by the Company in its filing.

5
6 **Q. What revenue multiplier have you used for your adjustments?**

7 A. My revenue multiplier includes the GR&FT rate of 14.06%, an uncollectible rate of
8 1.41% in the water utility and of 1.25% in the sewer utility, and the federal income tax
9 rate of 34% discussed above. My recommendations result in a revenue multiplier of
10 1.792452 for the water utility, as shown on Schedule ACC-19W, and of 1.789102 for the
11 sewer utility, as shown in Schedule ACC-19S.

12
13 **L. Revenue Requirement Summary**

14 **Q. What is the result of the revenue requirement recommendations contained in your
15 testimony?**

16 A. My recommendations indicate a revenue requirement deficiency at present rates of \$24,318
17 for the water utility, as summarized in Schedule ACC-1W, and of \$6,938 for the sewer
18 utility, as summarized in Schedule ACC-1S.

19
20 **Q. Have you developed a pro forma income statement?**

21 A. Yes, in Schedules ACC-20W and ACC-20S, I have provided pro forma income statements
22 for the water and sewer utilities respectively, showing utility operating income under several

1 scenarios, including the Company's claimed operating income at present rates, my
2 recommended operating income at present rates, and operating income under my proposed
3 rate increases. My recommendations will result in an overall return on rate base of 7.98%.

4
5 **Q. Have you quantified the revenue requirement impact of each of your**
6 **recommendations?**

7 A. Yes, at Schedules ACC-21W and ACC-21S, I have quantified the revenue requirement
8 impact of each of the rate of return, rate base, revenue and expense recommendations
9 contained in this testimony for the water and sewer utilities respectively.

10
11
12 **VIII. PHASE II REQUEST**

13 **Q. Should the Board approve the Company's request for a Phase II increase for its**
14 **sewer operations at this time?**

15 A. No, it should not. As stated in Mr. Woods's testimony, there is still some uncertainty
16 regarding the specific manner in which the problems at leach fields 3A and 3B will be
17 resolved and the associated costs. The Ratepayer Advocate recommends that no Phase II
18 increase be approved until the corrective action has been taken and the capital costs are
19 known. At that time, the BPU could also approve the amortization of the Company's
20 deferred costs relating to sludge hauling that has taken place since January 2003. The
21 Phase II increase could include recovery of both the capital costs associated with
22 corrective action taken at the leach fields as well as the annual amortization for the

1 deferred hauling costs. This issue is addressed in more detail in the testimony of Mr.
2 Woods.

3
4
5 **IX. RATE DESIGN ISSUES**

6 **Q. What rate design is the Company proposing to recover any additional revenues that**
7 **may be authorized as a result of this case?**

8 A. As stated on page 8, lines 24-26 of the testimony of Ms. Weeks, “[s]ince the existing
9 rates were designed following Staff’s input, we relied on that expertise here and propose
10 an across the board increase in both the water and sewer rates.”

11
12 **Q. Do you believe that such a proposal is appropriate?**

13 A. Yes, I do. The Company did not provide a cost of study in this filing and therefore there
14 is no basis for changing the current rate design. In addition, the vast majority of the
15 Company’s customers are residential customers. Therefore, there is unlikely to be a
16 serious discrepancy in the margins being contributed by each customer class. In
17 addition, there are very limited ways in which any rate increase could be spread, given the
18 large number of residential customers served by the Company. Accordingly, at this time I
19 support the Company’s proposal to spread any authorized rate increase across-the-board.

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

22 A. Yes, it does.

APPENDIX A

List of Prior Testimonies

<u>Company</u>	<u>Utility</u>	<u>State</u>	<u>Docket</u>	<u>Date</u>	<u>Topic</u>	<u>On Behalf Of</u>
Comcast of New Jersey, Inc.	C	New Jersey	CR03100876,77,79,80	5/04	Form 1240 Cable Rates	Division of the Ratepayer Advocate
Comcast of Central New Jersey, et al.	C	New Jersey	CR03100749-750 CR03100759-762	4/04	Cable Rates	Division of the Ratepayer Advocate
Time Warner	C	New Jersey	CR03100763-764	4/04	Cable Rates	Division of the Ratepayer Advocate
Interstate Navigation Company	N	Rhode Island	3573	3/04	Revenue Requirements	Division of Public Utilities and Carriers
Aqua Pennsylvania, Inc.	W	Pennsylvania	R-00038805	2/04	Revenue Requirements	Pennsylvania Office of Consumer Advocate
Comcast of Jersey City, et al.	C	New Jersey	CR03080598-601	2/04	Cable Rates	Division of the Ratepayer Advocate
Delmarva Power and Light Company	G	Delaware	03-378F	2/04	Fuel Clause	Division of the Public Advocate
Atmos Energy Corp.	G	Kansas	03-ATMG-1036-RTS	11/03	Revenue Requirements	Citizens' Utility Ratepayer Board
Aquila, Inc. (UCU)	G	Kansas	02-UTCG-701-GIG	10/03	Using utility assets as collateral	Citizens' Utility Ratepayer Board
CenturyTel of Northwest Arkansas, LLC	T	Arkansas	03-041-U	10/03	Affiliated Interests	The Arkansas Public Service Commission General Staff
Borough of Butler Electric Utility	E	New Jersey	CR03010049/63	9/03	Revenue Requirements	Division of the Ratepayer Advocate
Comcast Cablevision of Avalon Comcast Cable Communications	C	New Jersey	CR03020131-132	9/03	Cable Rates	Division of the Ratepayer Advocate
Delmarva Power and Light Company d/b/a Conectiv Power Delivery	E	Delaware	03-127	8/03	Revenue Requirements	Division of the Public Advocate
Kansas Gas Service	G	Kansas	03-KGSG-602-RTS	7/03	Revenue Requirements	Citizens' Utility Ratepayer Board
Washington Gas Light Company	G	Maryland	8959	6/03	Cost of Capital Incentive Rate Plan	U.S. DOD/FEA
Pawtucket Water Supply Board	W	Rhode Island	3497	6/03	Revenue Requirements	Division of Public Utilities and Carriers
Atlantic City Electric Company	E	New Jersey	EO03020091	5/03	Stranded Costs	Division of the Ratepayer Advocate
Public Service Company of New Mexico	G	New Mexico	03-000-17 UT	5/03	Cost of Capital Cost Allocations	Office of the New Mexico Attorney General
Comcast - Hopewell, et al.	C	New Jersey	CR02110818 CR02110823-825	5/03	Cable Rates	Division of the Ratepayer Advocate
Cablevision Systems Corporation	C	New Jersey	CR02110838, 43-50	4/03	Cable Rates	Division of the Ratepayer Advocate
Comcast-Garden State / Northwest	C	New Jersey	CR02100715 CR02100719	4/03	Cable Rates	Division of the Ratepayer Advocate
Midwest Energy, Inc. and Westar Energy, Inc.	E	Kansas	03-MDWE-421-ACQ	4/03	Acquisition	Citizens' Utility Ratepayer Board

<u>Company</u>	<u>Utility</u>	<u>State</u>	<u>Docket</u>	<u>Date</u>	<u>Topic</u>	<u>On Behalf Of</u>
Time Warner Cable	C	New Jersey	CR02100722 CR02100723	4/03	Cable Rates	Division of the Ratepayer Advocate
Westar Energy, Inc.	E	Kansas	01-WSRE-949-GIE	3/03	Restructuring Plan	Citizens' Utility Ratepayer Board
Public Service Electric and Gas Company	E	New Jersey	ER02080604 PUC 7983-02	1/03	Deferred Balance	Division of the Ratepayer Advocate
Atlantic City Electric Company d/b/a Conectiv Power Delivery	E	New Jersey	ER02080510 PUC 6917-02S	1/03	Deferred Balance	Division of the Ratepayer Advocate
Walkill Sewer Company	WW	New Jersey	WR02030193 WR02030194	12/02	Revenue Requirements Purchased Sewage Treatment Adjustment	Division of the Ratepayer Advocate
Midwest Energy, Inc.	E	Kansas	03-MDWE-001-RTS	12/02	Revenue Requirements	Citizens' Utility Ratepayer Board
Comcast-LBI Crestwood	C	New Jersey	CR02050272 CR02050270	11/02	Cable Rates	Division of the Ratepayer Advocate
Reliant Energy Arkla	G	Oklahoma	PUD200200166	10/02	Affiliated Interest Transactions	Oklahoma Corporation Commission, Public Utility Division Staff
Midwest Energy, Inc.	G	Kansas	02-MDWG-922-RTS	10/02	Gas Rates	Citizens' Utility Ratepayer Board
Comcast Cablevision of Avalon	C	New Jersey	CR02030134 CR02030137	7/02	Cable Rates	Division of the Ratepayer Advocate
RCN Telecom Services, Inc., and Home Link Communications	C	New Jersey	CR02010044, CR02010047	7/02	Cable Rates	Division of the Ratepayer Advocate
Washington Gas Light Company	G	Maryland	8920	7/02	Rate of Return Rate Design (Rebuttal)	General Services Administration (GSA)
Chesapeake Utilities Corporation	G	Delaware	01-307, Phase II	7/02	Rate Design Tariff Issues	Division of the Public Advocate
Washington Gas Light Company	G	Maryland	8920	6/02	Rate of Return Rate Design	General Services Administration (GSA)
Tidewater Utilities, Inc.	W	Delaware	02-28	6/02	Revenue Requirements	Division of the Public Advocate
Western Resources, Inc.	E	Kansas	01-WSRE-949-GIE	5/02	Financial Plan	Citizens' Utility Ratepayer Board
Empire District Electric Company	E	Kansas	02-EPDE-488-RTS	5/02	Revenue Requirements	Citizens' Utility Ratepayer Board
Southwestern Public Service Company	E	New Mexico	3709	4/02	Fuel Costs	Office of the New Mexico Attorney General
Cablevision Systems	C	New Jersey	CR01110706, et al	4/02	Cable Rates	Division of the Ratepayer Advocate
Potomac Electric Power Company	E	District of Columbia	945, Phase II	4/02	Divestiture Procedures	General Services Administration (GSA)
Vermont Yankee Nuclear Power Corp.	E	Vermont	6545	3/02	Sale of VY to Entergy Corp. (Supplemental)	Department of Public Service

The Columbia Group, Inc., Testimonies of Andrea C. Crane

<u>Company</u>	<u>Utility</u>	<u>State</u>	<u>Docket</u>	<u>Date</u>	<u>Topic</u>	<u>On Behalf Of</u>
Delmarva Power and Light Company	G	Delaware	01-348F	1/02	Gas Cost Adjustment	Division of the Public Advocate
Vermont Yankee Nuclear Power Corp.	E	Vermont	6545	1/02	Sale of VY to Entergy Corp.	Department of Public Service
Pawtucket Water Supply Company	W	Rhode Island	3378	12/01	Revenue Requirements	Division of Public Utilities and Carriers
Chesapeake Utilities Corporation	G	Delaware	01-307, Phase I	12/01	Revenue Requirements	Division of the Public Advocate
Potomac Electric Power Company	E	Maryland	8796	12/01	Divestiture Procedures	General Services Administration (GSA)
Kansas Electric Power Cooperative	E	Kansas	01-KEPE-1106-RTS	11/01	Depreciation Methodology (Cross Answering)	Citizens' Utility Ratepayer Board
Wellsboro Electric Company	E	Pennsylvania	R-00016356	11/01	Revenue Requirements	Office of Consumer Advocate
Kent County Water Authority	W	Rhode Island	3311	10/01	Revenue Requirements (Surrebuttal)	Division of Public Utilities and Carriers
Pepco and New RC, Inc.	E	District of Columbia	1002	10/01	Merger Issues and Performance Standards	General Services Administration (GSA)
Potomac Electric Power Co. & Delmarva Power	E	Delaware	01-194	10/01	Merger Issues and Performance Standards	Division of the Public Advocate
Yankee Gas Company	G	Connecticut	01-05-19PH01	9/01	Affiliated Transactions	Office of Consumer Counsel
Hope Gas, Inc., d/b/a Dominion Hope	G	West Virginia	01-0330-G-42T 01-0331-G-30C 01-1842-GT-T 01-0685-G-PC	9/01	Revenue Requirements (Rebuttal)	The Consumer Advocate Division of the PSC
Pennsylvania-American Water Company	W	Pennsylvania	R-00016339	9/01	Revenue Requirements (Surrebuttal)	Office of Consumer Advocate
Potomac Electric Power Co. & Delmarva Power	E	Maryland	8890	9/01	Merger Issues and Performance Standards	General Services Administration (GSA)
Comcast Cablevision of Long Beach Island, et al	C	New Jersey	CR01030149-50 CR01050285	9/01	Cable Rates	Division of the Ratepayer Advocate
Kent County Water Authority	W	Rhode Island	3311	8/01	Revenue Requirements	Division of Public Utilities and Carriers
Pennsylvania-American Water Company	W	Pennsylvania	R-00016339	8/01	Revenue Requirements	Office of Consumer Advocate
Roxiticus Water Company	W	New Jersey	WR01030194	8/01	Revenue Requirements Cost of Capital Rate Design	Division of the Ratepayer Advocate
Hope Gas, Inc., d/b/a Dominion Hope	G	West Virginia	01-0330-G-42T 01-0331-G-30C 01-1842-GT-T 01-0685-G-PC	8/01	Revenue Requirements	The Consumer Advocate Division of the PSC
Western Resources, Inc.	E	Kansas	01-WSRE-949-GIE	6/01	Restructuring Financial Integrity (Rebuttal)	Citizens' Utility Ratepayer Board
Western Resources, Inc.	E	Kansas	01-WSRE-949-GIE	6/01	Restructuring Financial Integrity	Citizens' Utility Ratepayer Board

<u>Company</u>	<u>Utility</u>	<u>State</u>	<u>Docket</u>	<u>Date</u>	<u>Topic</u>	<u>On Behalf Of</u>
Cablevision of Allamuchy, et al	C	New Jersey	CR00100824, etc.	4/01	Cable Rates	Division of the Ratepayer Advocate
Public Service Company of New Mexico	E	New Mexico	3137, Holding Co.	4/01	Holding Company	Office of the Attorney General
Keauhou Community Services, Inc.	W	Hawaii	00-0094	4/01	Rate Design	Division of Consumer Advocacy
Western Resources, Inc.	E	Kansas	01-WSRE-436-RTS	4/01	Revenue Requirements Affiliated Interests (Motion for Suppl. Changes)	Citizens' Utility Ratepayer Board
Western Resources, Inc.	E	Kansas	01-WSRE-436-RTS	4/01	Revenue Requirements Affiliated Interests	Citizens' Utility Ratepayer Board
Public Service Company of New Mexico	E	New Mexico	3137, Part III	4/01	Standard Offer Service (Additional Direct)	Office of the Attorney General
Chem-Nuclear Systems, LLC	SW	South Carolina	2000-366-A	03/01	Allowable Costs	Department of Consumer Affairs
Southern Connecticut Gas Company	G	Connecticut	00-12-08	03/01	Affiliated Interest Transactions	Office of Consumer Counsel
Atlantic City Sewerage Corporation	S	New Jersey	WR00080575	3/01	Revenue Requirements Cost of Capital Rate Design	Division of the Ratepayer Advocate
Delmarva Power and Light Company d/b/a Conectiv Power Delivery	G	Delaware	00-314	3/01	Margin Sharing	Division of the Public Advocate
Senate Bill 190 Re: Performance Based Ratemaking	G	Kansas	Senate Bill 190	2/01	Performance-Based Ratemaking Mechanisms	Citizens' Utility Ratepayer Board
Delmarva Power and Light Company	G	Delaware	00-463-F	2/01	Gas Cost Rates	Division of the Public Advocate
Waitsfield Fayston Telephone Company	T	Vermont	6417	12/00	Revenue Requirements	Department of Public Service
Delaware Electric Cooperative	E	Delaware	00-365	11/00	Code of Conduct Cost Allocation Manual	Division of the Public Advocate
Commission Inquiry into Performance-Based Ratemaking	G	Kansas	00-GIMG-425-GIG	10/00	Performance-Based Ratemaking Mechanisms	Citizens' Utility Ratepayer Board
Pawtucket Water Supply Board	W	Rhode Island	3164 Separation Plan	10/00	Revenue Requirements	Division of Public Utilities and Carriers
Public Service Company of New Mexico	E	New Mexico	3137, Part III	9/00	Standard Offer Service	Office of the Attorney General
Laie Water Company	W	Hawaii	00-0017 Separation Plan	8/00	Rate Design	Division of Consumer Advocacy
El Paso Electric Company	E	New Mexico	3170, Part II, Ph. 1	7/00	Electric Restructuring	Office of the Attorney General
Public Service Company of New Mexico	E	New Mexico	3137 - Part II Separation Plan	7/00	Electric Restructuring	Office of the Attorney General
PG Energy	G	Pennsylvania	R-00005119	6/00	Revenue Requirements	Office of Consumer Advocate
Consolidated Edison, Inc. and Northeast Utilities	E/G	Connecticut	00-01-11	4/00	Merger issues (Additional Supplemental)	Office of Consumer Counsel

<u>Company</u>	<u>Utility</u>	<u>State</u>	<u>Docket</u>	<u>Date</u>	<u>Topic</u>	<u>On Behalf Of</u>
Sussex Shores Water Company	W	Delaware	99-576	4/00	Revenue Requirements	Division of the Public Advocate
Utilicorp United, Inc.	G	Kansas	00-UTCG-336-RTS	4/00	Revenue Requirements	Citizens' Utility Ratepayer Board
TCI Cablevision	C	Missouri	9972-9146	4/00	Late Fees (Affidavit)	Honora Eppert, et al
Oklahoma Natural Gas Company	G	Oklahoma	PUD 990000166 PUD 980000683 PUD 990000570	3/00	Pro Forma Revenue Affiliated Transactions (Rebuttal)	Oklahoma Corporation Commission, Public Utility Division Staff
Tidewater Utilities, Inc. Public Water Supply Co.	W	Delaware	99-466	3/00	Revenue Requirements	Division of the Public Advocate
Delmarva Power and Light Company	G/E	Delaware	99-582	3/00	Cost Accounting Manual Code of Conduct	Division of the Public Advocate
Philadelphia Suburban Water Company	W	Pennsylvania	R-00994868 R-00994877 R-00994878 R-00994879	3/00	Revenue Requirements (Surrebuttal)	Office of Consumer Advocate
Philadelphia Suburban Water Company	W	Pennsylvania	R-00994868 R-00994877 R-00994878 R-00994879	2/00	Revenue Requirements	Office of Consumer Advocate
Consolidated Edison, Inc. and Northeast Utilities	E/G	Connecticut	00-01-11	2/00	Merger Issues	Office of Consumer Counsel
Oklahoma Natural Gas Company	G	Oklahoma	PUD 990000166 PUD 980000683 PUD 990000570	1/00	Pro Forma Revenue Affiliated Transactions	Oklahoma Corporation Commission, Public Utility Division Staff
Connecticut Natural Gas Company	G	Connecticut	99-09-03	1/00	Affiliated Transactions	Office of Consumer Counsel
Time Warner Entertainment Company, L.P.	C	Indiana	48D06-9803-CP-423	1999	Late Fees (Affidavit)	Kelly J. Whiteman, et al
TCI Communications, Inc., et al	C	Indiana	55D01-9709-CP-00415	1999	Late Fees (Affidavit)	Franklin E. Littell, et al
Southwestern Public Service Company	E	New Mexico	3116	12/99	Merger Approval	Office of the Attorney General
New England Electric System Eastern Utility Associates	E	Rhode Island	2930	11/99	Merger Policy	Department of Attorney General
Delaware Electric Cooperative	E	Delaware	99-457	11/99	Electric Restructuring	Division of the Public Advocate
Jones Intercable, Inc.	C	Maryland	CAL98-00283	10/99	Cable Rates (Affidavit)	Cynthia Maisonette and Ola Renee Chatman, et al
Texas-New Mexico Power Company	E	New Mexico	3103	10/99	Acquisition Issues	Office of Attorney General
Southern Connecticut Gas Company	G	Connecticut	99-04-18	9/99	Affiliated Interest	Office of Consumer Counsel
TCI Cable Company	C	New Jersey	CR99020079 et al	9/99	Cable Rates Forms 1240/1205	Division of the Ratepayer Advocate

<u>Company</u>	<u>Utility</u>	<u>State</u>	<u>Docket</u>	<u>Date</u>	<u>Topic</u>	<u>On Behalf Of</u>
All Regulated Companies	E/GW	Delaware	Reg. No. 4	8/99	Filing Requirements (Position Statement)	Division of the Public Advocate
Mile High Cable Partners	C	Colorado	95-CV-5195	7/99	Cable Rates (Affidavit)	Brett Marshall, an individual, et al
Electric Restructuring Comments	E	Delaware	Reg. 49	7/99	Regulatory Policy (Supplemental)	Division of the Public Advocate
Long Neck Water Company	W	Delaware	99-31	6/99	Revenue Requirements	Division of the Public Advocate
Delmarva Power and Light Company	E	Delaware	99-163	6/99	Electric Restructuring	Division of the Public Advocate
Potomac Electric Power Company	E	District of Columbia	945	6/99	Divestiture of Generation Assets	U.S. GSA - Public Utilities
Comcast	C	Indiana	49C01-9802-CP-000386	6/99	Late Fees (Affidavit)	Ken Hecht, et al
Petitions of BA-NJ and NJPA re: Payphone Ops	T	New Jersey	TO97100792 PUCOT 11269-97N	6/99	Economic Subsidy Issues (Surrebuttal)	Division of the Ratepayer Advocate
Montague Water and Sewer Companies	W/WW	New Jersey	WR98101161 WR98101162 PUCRS 11514-98N	5/99	Revenue Requirements Rate Design (Supplemental)	Division of the Ratepayer Advocate
Cablevision of Bergen, Bayonne, Newark	C	New Jersey	CR98111197-199 CR98111190	5/99	Cable Rates Forms 1240/1205	Division of the Ratepayer Advocate
Cablevision of Bergen, Hudson, Monmouth	C	New Jersey	CR97090624-626 CTV 1697-98N	5/99	Cable Rates - Form 1235 (Rebuttal)	Division of the Ratepayer Advocate
Kent County Water Authority	W	Rhode Island	2860	4/99	Revenue Requirements	Division of Public Utilities & Carriers
Montague Water and Sewer Companies	W/WW	New Jersey	WR98101161 WR98101162	4/99	Revenue Requirements Rate Design	Division of the Ratepayer Advocate
PEPCO	E	District of Columbia	945	4/99	Divestiture of Assets	U.S. GSA - Public Utilities
Western Resources, Inc. and Kansas City Power & Light	E	Kansas	97-WSRE-676-MER	4/99	Merger Approval (Surrebuttal)	Citizens' Utility Ratepayer Board
Delmarva Power and Light Company	E	Delaware	98-479F	3/99	Fuel Costs	Division of the Public Advocate
Lenfest Atlantic d/b/a Suburban Cable	C	New Jersey	CR97070479 et al	3/99	Cable Rates	Division of the Ratepayer Advocate
Electric Restructuring Comments	E	District of Columbia	945	3/99	Regulatory Policy	U.S. GSA - Public Utilities
Petitions of BA-NJ and NJPA re: Payphone Ops	T	New Jersey	TO97100792 PUCOT 11269-97N	3/99	Tariff Revision Payphone Subsidies FCC Services Test (Rebuttal)	Division of the Ratepayer Advocate
Western Resources, Inc. and Kansas City Power & Light	E	Kansas	97-WSRE-676-MER	3/99	Merger Approval (Answering)	Citizens' Utility Ratepayer Board
Western Resources, Inc. and Kansas City Power & Light	E	Kansas	97-WSRE-676-MER	2/99	Merger Approval	Citizens' Utility Ratepayer Board

<u>Company</u>	<u>Utility</u>	<u>State</u>	<u>Docket</u>	<u>Date</u>	<u>Topic</u>	<u>On Behalf Of</u>
Adelphia Cable Communications	C	Vermont	6117-6119	1/99	Late Fees (Additional Direct Supplemental)	Department of Public Service
Adelphia Cable Communications	C	Vermont	6117-6119	12/98	Cable Rates (Forms 1240, 1205, 1235) and Late Fees (Direct Supplemental)	Department of Public Service
Adelphia Cable Communications	C	Vermont	6117-6119	12/98	Cable Rates (Forms 1240, 1205, 1235) and Late Fees	Department of Public Service
Orange and Rockland/ Consolidated Edison	E	New Jersey	EM98070433	11/98	Merger Approval	Division of the Ratepayer Advocate
Cablevision	C	New Jersey	CR97090624 CR97090625 CR97090626	11/98	Cable Rates - Form 1235	Division of the Ratepayer Advocate
Petitions of BA-NJ and NJPA re: Payphone Ops.	T	New Jersey	TO97100792 PUCOT 11269-97N	10/98	Payphone Subsidies FCC New Services Test	Division of the Ratepayer Advocate
United Water Delaware	W	Delaware	Docket No. 98-98	8/98	Revenue Requirements	Division of the Public Advocate
Cablevision	C	New Jersey	CR97100719, 726 730, 732	8/98	Cable Rates (Oral Testimony)	Division of the Ratepayer Advocate
Potomac Electric Power Company	E	Maryland	Case No. 8791	8/98	Revenue Requirements Rate Design	U.S. GSA - Public Utilities
Investigation of BA-NJ IntraLATA Calling Plans	T	New Jersey	TO97100808 PUCOT 11326-97N	8/98	Anti-Competitive Practices (Rebuttal)	Division of the Ratepayer Advocate
Investigation of BA-NJ IntraLATA Calling Plans	T	New Jersey	TO97100808 PUCOT 11326-97N	7/98	Anti-Competitive Practices	Division of the Ratepayer Advocate
TCI Cable Company/ Cablevision	C	New Jersey	CTV 03264-03268 and CTV 05061	7/98	Cable Rates	Division of the Ratepayer Advocate
Mount Holly Water Company	W	New Jersey	WR98020058 PUC 03131-98N	7/98	Revenue Requirements	Division of the Ratepayer Advocate
Pawtucket Water Supply Board	W	Rhode Island	2674	5/98	Revenue Requirements (Surrebuttal)	Division of Public Utilities & Carriers
Pawtucket Water Supply Board	W	Rhode Island	2674	4/98	Revenue Requirements	Division of Public Utilities and Carriers
Energy Master Plan Phase II Proceeding - Restructuring	E	New Jersey	EX94120585U, EO97070457,60,63,66	4/98	Electric Restructuring Issues (Supplemental Surrebuttal)	Division of the Ratepayer Advocate
Energy Master Plan Phase I Proceeding - Restructuring	E	New Jersey	EX94120585U, EO97070457,60,63,66	3/98	Electric Restructuring Issues	Division of the Ratepayer Advocate
Shorelands Water Company	W	New Jersey	WR97110835 PUC 11324-97	2/98	Revenue Requirements	Division of the Ratepayer Advocate
TCI Communications, Inc.	C	New Jersey	CR97030141 and others	11/97	Cable Rates (Oral Testimony)	Division of the Ratepayer Advocate
Citizens Telephone Co. of Kecksburg	T	Pennsylvania	R-00971229	11/97	Alternative Regulation Network Modernization	Office of Consumer Advocate
Consumers Pennsylvania Water Co. - Shenango Valley Division	W	Pennsylvania	R-00973972	10/97	Revenue Requirements (Surrebuttal)	Office of Consumer Advocate

<u>Company</u>	<u>Utility</u>	<u>State</u>	<u>Docket</u>	<u>Date</u>	<u>Topic</u>	<u>On Behalf Of</u>
Universal Service Funding	T	New Jersey	TX95120631	10/97	Schools and Libraries Funding (Rebuttal)	Division of the Ratepayer Advocate
Universal Service Funding	T	New Jersey	TX95120631	9/97	Low Income Fund High Cost Fund	Division of the Ratepayer Advocate
Consumers Pennsylvania Water Co. - Shenango Valley Division	W	Pennsylvania	R-00973972	9/97	Revenue Requirements	Office of Consumer Advocate
Delmarva Power and Light Company	G/E	Delaware	97-65	9/97	Cost Accounting Manual Code of Conduct	Office of the Public Advocate
Western Resources, Oneok, and WAI	G	Kansas	WSRG-486-MER	9/97	Transfer of Gas Assets	Citizens' Utility Ratepayer Board
Universal Service Funding	T	New Jersey	TX95120631	9/97	Schools and Libraries Funding (Rebuttal)	Division of the Ratepayer Advocate
Universal Service Funding	T	New Jersey	TX95120631	8/97	Schools and Libraries Funding	Division of the Ratepayer Advocate
Kent County Water Authority	W	Rhode Island	2555	8/97	Revenue Requirements (Surrebuttal)	Division of Public Utilities and Carriers
Ironton Telephone Company	T	Pennsylvania	R-00971182	8/97	Alternative Regulation Network Modernization (Surrebuttal)	Office of Consumer Advocate
Ironton Telephone Company	T	Pennsylvania	R-00971182	7/97	Alternative Regulation Network Modernization	Office of Consumer Advocate
Comcast Cablevision	C	New Jersey	Various	7/97	Cable Rates (Oral Testimony)	Division of the Ratepayer Advocate
Maxim Sewerage Corporation	WW	New Jersey	WR97010052 PUCRA 3154-97N	7/97	Revenue Requirements	Division of the Ratepayer Advocate
Kent County Water Authority	W	Rhode Island	2555	6/97	Revenue Requirements	Division of Public Utilities and Carriers
Consumers Pennsylvania Water Co. - Roaring Creek	W	Pennsylvania	R-00973869	6/97	Revenue Requirements (Surrebuttal)	Office of Consumer Advocate
Consumers Pennsylvania Water Co. - Roaring Creek	W	Pennsylvania	R-00973869	5/97	Revenue Requirements	Office of Consumer Advocate
Delmarva Power and Light Company	E	Delaware	97-58	5/97	Merger Policy	Office of the Public Advocate
Middlesex Water Company	W	New Jersey	WR96110818 PUCRL 11663-96N	4/97	Revenue Requirements	Division of the Ratepayer Advocate
Maxim Sewerage Corporation	WW	New Jersey	WR96080628 PUCRA 09374-96N	3/97	Purchased Sewerage Adjustment	Division of the Ratepayer Advocate
Interstate Navigation Company	N	Rhode Island	2484	3/97	Revenue Requirements Cost of Capital (Surrebuttal)	Division of Public Utilities & Carriers
Interstate Navigation Company	N	Rhode Island	2484	2/97	Revenue Requirements Cost of Capital	Division of Public Utilities & Carriers
Electric Restructuring Comments	E	District of Columbia	945	1/97	Regulatory Policy	U.S. GSA - Public Utilities

<u>Company</u>	<u>Utility</u>	<u>State</u>	<u>Docket</u>	<u>Date</u>	<u>Topic</u>	<u>On Behalf Of</u>
United Water Delaware	W	Delaware	96-194	1/97	Revenue Requirements	Office of the Public Advocate
PEPCO/ BGE/ Merger Application	E/G	District of Columbia	951	10/96	Regulatory Policy Cost of Capital (Rebuttal)	GSA
Western Resources, Inc.	E	Kansas	193,306-U 193,307-U	10/96	Revenue Requirements Cost of Capital (Supplemental)	Citizens' Utility Ratepayer Board
PEPCO and BGE Merger Application	E/G	District of Columbia	951	9/96	Regulatory Policy, Cost of Capital	U.S. GSA - Public Utilities
Utilicorp United, Inc.	G	Kansas	193,787-U	8/96	Revenue Requirements	Citizens' Utility Ratepayer Board
TKR Cable Company of Gloucester	C	New Jersey	CTV07030-95N	7/96	Cable Rates (Oral Testimony)	Division of the Ratepayer Advocate
TKR Cable Company of Warwick	C	New Jersey	CTV057537-95N	7/96	Cable Rates (Oral Testimony)	Division of the Ratepayer Advocate
Delmarva Power and Light Company	E	Delaware	95-196F	5/96	Fuel Cost Recovery	Office of the Public Advocate
Western Resources, Inc.	E	Kansas	193,306-U 193,307-U	5/96	Revenue Requirements Cost of Capital	Citizens' Utility Ratepayer Board
Princeville Utilities Company, Inc.	W/WW	Hawaii	95-0172 95-0168	1/96	Revenue Requirements Rate Design	Princeville at Hanalei Community Association
Western Resources, Inc.	G	Kansas	193,305-U	1/96	Revenue Requirements Cost of Capital	Citizens' Utility Ratepayer Board
Environmental Disposal Corporation	WW	New Jersey	WR94070319 (Remand Hearing)	11/95	Revenue Requirements Rate Design (Supplemental)	Division of the Ratepayer Advocate
Environmental Disposal Corporation	WW	New Jersey	WR94070319 (Remand Hearing)	11/95	Revenue Requirements	Division of the Ratepayer Advocate
Lanai Water Company	W	Hawaii	94-0366	10/95	Revenue Requirements Rate Design	Division of Consumer Advocacy
Cablevision of New Jersey, Inc.	C	New Jersey	CTV01382-95N	8/95	Basic Service Rates (Oral Testimony)	Division of the Ratepayer Advocate
Cablevision of New Jersey, Inc.	C	New Jersey	CTV01381-95N	8/95	Basic Service Rates (Oral Testimony)	Division of the Ratepayer Advocate
Chesapeake Utilities Corporation	G	Delaware	95-73	7/95	Revenue Requirements	Office of the Public Advocate
East Honolulu Community Services, Inc.	WW	Hawaii	7718	6/95	Revenue Requirements	Division of Consumer Advocacy
Wilmington Suburban Water Corporation	W	Delaware	94-149	3/95	Revenue Requirements	Office of the Public Advocate
Environmental Disposal Corporation	WW	New Jersey	WR94070319	1/95	Revenue Requirements (Supplemental)	Division of the Ratepayer Advocate
Roaring Creek Water Company	W	Pennsylvania	R-00943177	1/95	Revenue Requirements (Surrebuttal)	Office of Consumer Advocate
Roaring Creek Water Company	W	Pennsylvania	R-00943177	12/94	Revenue Requirements	Office of Consumer Advocate

The Columbia Group, Inc., Testimonies of Andrea C. Crane

<u>Company</u>	<u>Utility</u>	<u>State</u>	<u>Docket</u>	<u>Date</u>	<u>Topic</u>	<u>On Behalf Of</u>
Environmental Disposal Corporation	WW	New Jersey	WR94070319	12/94	Revenue Requirements	Division of the Ratepayer Advocate
Delmarva Power and Light Company	E	Delaware	94-84	11/94	Revenue Requirements	Office of the Public Advocate
Delmarva Power and Light Company	G	Delaware	94-22	8/94	Revenue Requirements	Office of the Public Advocate
Empire District Electric Company	E	Kansas	190,360-U	8/94	Revenue Requirements	Citizens' Utility Ratepayer Board
Morris County Municipal Utility Authority	SW	New Jersey	MM10930027 ESW 1426-94	6/94	Revenue Requirements	Rate Counsel
US West Communications	T	Arizona	E-1051-93-183	5/94	Revenue Requirements (Surrebuttal)	Residential Utility Consumer Office
Pawtucket Water Supply Board	W	Rhode Island	2158	5/94	Revenue Requirements (Surrebuttal)	Division of Public Utilities & Carriers
US West Communications	T	Arizona	E-1051-93-183	3/94	Revenue Requirements	Residential Utility Consumer Office
Pawtucket Water Supply Board	W	Rhode Island	2158	3/94	Revenue Requirements	Division of Public Utilities & Carriers
Pollution Control Financing Authority of Camden County	SW	New Jersey	SR91111718J	2/94	Revenue Requirements (Supplemental)	Rate Counsel
Roaring Creek Water Company	W	Pennsylvania	R-00932665	9/93	Revenue Requirements (Supplemental)	Office of Consumer Advocate
Roaring Creek Water Company	W	Pennsylvania	R-00932665	9/93	Revenue Requirements	Office of Consumer Advocate
Kent County Water Authority	W	Rhode Island	2098	8/93	Revenue Requirements (Surrebuttal)	Division of Public Utilities and Carriers
Wilmington Suburban Water Company	W	Delaware	93-28	7/93	Revenue Requirements	Office of Public Advocate
Kent County Water Authority	W	Rhode Island	2098	7/93	Revenue Requirements	Division of Public Utilities & Carriers
Camden County Energy Recovery Associates, Inc.	SW	New Jersey	SR91111718J ESW1263-92	4/93	Revenue Requirements	Rate Counsel
Pollution Control Financing Authority of Camden County	SW	New Jersey	SR91111718J ESW 1263-92	4/93	Revenue Requirements	Rate Counsel
Jamaica Water Supply Company	W	New York	92-W-0583	3/93	Revenue Requirements	County of Nassau Town of Hempstead
New Jersey-American Water Company	W/WW	New Jersey	WR92090908J PUC 7266-92S	2/93	Revenue Requirements	Rate Counsel
Passaic County Utilities Authority	SW	New Jersey	SR91121816J ESW0671-92N	9/92	Revenue Requirements	Rate Counsel
East Honolulu Community Services, Inc.	WW	Hawaii	7064	8/92	Revenue Requirements	Division of Consumer Advocacy
The Jersey Central Power and Light Company	E	New Jersey	PUC00661-92 ER91121820J	7/92	Revenue Requirements	Rate Counsel

<u>Company</u>	<u>Utility</u>	<u>State</u>	<u>Docket</u>	<u>Date</u>	<u>Topic</u>	<u>On Behalf Of</u>
Mercer County Improvement Authority	SW	New Jersey	EWS11261-91S SR91111682J	5/92	Revenue Requirements	Rate Counsel
Garden State Water Company	W	New Jersey	WR9109-1483 PUC 09118-91S	2/92	Revenue Requirements	Rate Counsel
Elizabethtown Water Company	W	New Jersey	WR9108-1293J PUC 08057-91N	1/92	Revenue Requirements	Rate Counsel
New-Jersey American Water Company	WWW	New Jersey	WR9108-1399J PUC 8246-91	12/91	Revenue Requirements	Rate Counsel
Pennsylvania-American Water Company	W	Pennsylvania	R-911909	10/91	Revenue Requirements	Office of Consumer Advocate
Mercer County Improvement Authority	SW	New Jersey	SR9004-0264J PUC 3389-90	10/90	Revenue Requirements	Rate Counsel
Kent County Water Authority	W	Rhode Island	1952	8/90	Revenue Requirements Regulatory Policy (Surrebuttal)	Division of Public Utilities & Carriers
New York Telephone	T	New York	90-C-0191	7/90	Revenue Requirements Affiliated Interests (Supplemental)	NY State Consumer Protection Board
New York Telephone	T	New York	90-C-0191	7/90	Revenue Requirements Affiliated Interests	NY State Consumer Protection Board
Kent County Water Authority	W	Rhode Island	1952	6/90	Revenue Requirements Regulatory Policy	Division of Public Utilities & Carriers
Ellesor Transfer Station	SW	New Jersey	SO8712-1407 PUC 1768-88	11/89	Regulatory Policy	Rate Counsel
Interstate Navigation Co.	N	Rhode Island	D-89-7	8/89	Revenue Requirements Regulatory Policy	Division of Public Utilities & Carriers
Automated Modular Systems, Inc.	SW	New Jersey	PUC1769-88	5/89	Revenue Requirements Schedules	Rate Counsel
SNET Cellular, Inc.	T	Connecticut	-	2/89	Regulatory Policy	First Selectman Town of Redding

APPENDIX B

Supporting Schedules

Water Schedules ACC-1W to ACC-21W

Sewer Schedules ACC-1S to ACC-21S

MONTAGUE WATER COMPANY

TEST PERIOD ENDING DECEMBER 31, 2003

REVENUE REQUIREMENT SUMMARY

	Company Claim	Recommended Adjustment	Recommended Position	
	(A)			
1. Pro Forma Rate Base	\$690,141	(\$134,147)	\$555,994	(B)
2. Cost of Capital	8.28%	-0.30%	7.98%	(C)
3. Required Return	\$57,124	(\$12,749)	\$44,375	
4. Operating Income @ Present Rates	(25,059)	55,867	30,808	(D)
3. Operating Income Deficiency	\$82,183	(\$68,616)	\$13,567	
6. Revenue Multiplier	1.9698		1.7925	(E)
7. Revenue Requirement Increase	<u>\$161,880</u>	<u>(\$137,562)</u>	<u>\$24,318</u>	
8. Increase Over Present Service Rates			<u>8.88%</u>	(F)

Sources:

(A) Company Exhibit P-3 (Revised), page 2 of 10 and Exhibit P-4 (Revised), page 2 of 5.

(B) Schedule ACC-2W.

(C) Schedule ACC-3W.

(D) Schedule ACC-4W.

(E) Schedule ACC-19W.

(F) Based on pro forma water revenues of \$267,978 per Company plus revenue adjustment per Schedule ACC-7W.

MONTAGUE WATER COMPANY

TEST PERIOD ENDING DECEMBER 31, 2003

RATE BASE SUMMARY

	Company Claim (A)	Recommended Adjustment	Recommended Position	
1. Gross Utility Plant in Service	\$2,048,333	\$0	\$2,048,333	
2. Accumulated Depreciation	(678,156)	0	(678,156)	
3. Net Utility Plant	\$1,370,177	\$0	\$1,370,177	
Less:				
4. Contributions in Aid of Construction	(\$371,417)	\$0	(\$371,417)	
5. Accumulated Deferred Income Taxes	(158,937)	0	(158,937)	
6. Customer Deposits	(28,417)	0	(28,417)	
7. Plant Acquisition Adjustment	(261,996)	0	(261,996)	
Plus:				
8. Post Test Year Additions	\$97,777	(\$97,777)	\$0	(B)
9. Cash Working Capital	36,358	(36,358)	0	(C)
10. Water Servcie Corporation	6,584	0	6,584	
11. Net Utility Plant	<u>\$690,129</u>	<u>(\$134,135)</u>	<u>\$555,994</u>	

Sources:

(A) Company Exhibit P-4 (Revised), page 2 of 5.

(B) Schedule ACC-5W.

(C) Schedule ACC-6W.

MONTAGUE WATER COMPANY**TEST PERIOD ENDING DECEMBER 31, 2003****REQUIRED RETURN**

	Capital Structure Amount	Capital Structure Percent	Cost Rate	Weighted Cost
		(A)		
1. Common Equity (B)	\$77,650,144	40.77%	9.00%	3.67%
2. Long Term Debt -Current	112,819,616	59.23%	7.28%	4.31%
3. Total Cost of Capital	\$190,469,760	100.00%		<u>7.98%</u>

Sources:

(A) Derived from W/P [h-1].

(B) Cost Rate Based on Recommendation of Ms. Crane.

MONTAGUE WATER COMPANY**TEST PERIOD ENDING DECEMBER 31, 2003****OPERATING INCOME SUMMARY**

		Schedule No.
1. Company Claim	(\$25,059)	
Recommended Adjustments:		
2. Operating Revenue	2,956	7
3. Salaries and Wages - Maintenance	7,473	8
4. Salaries and Wages - General	2,268	9
5. Payroll Taxes	745	10
6. Employee Benefits Expenses	682	11
7. Rate Case Expense	16,301	12
8. Outside Services - Other	11,556	13
9. Miscellaneous Expenses	19,982	14
10. Income Taxes - State	(5,420)	15
11. Depreciation Expense	1,291	16
12. Interest Synchronization	<u>(1,967)</u>	17
13. Net Operating Income	<u>\$30,808</u>	

MONTAGUE WATER COMPANY

TEST PERIOD ENDING DECEMBER 31, 2003

UTILITY PLANT IN SERVICE ADJUSTMENTS

1. Post Test Year Plant Claim	\$97,777	(A)
2. Recommended Adjustment	<u>(\$97,777)</u>	

Sources:

(A) Company Exhibit P-4 (Revised), page 2 of 5.

MONTAGUE WATER COMPANY

TEST PERIOD ENDING DECEMBER 31, 2003

CASH WORKING CAPITAL

1. Company Claim	\$36,358	(A)
2. Recommended Adjustment	<u>(\$36,358)</u>	

Sources:

(A) Company Exhibit P-4 (Revised), page 2 of 5.

MONTAGUE WATER COMPANY**TEST PERIOD ENDING DECEMBER 31, 2003****PRO FORMA REVENUES**

1. 2003 Service Revenues		\$267,978	(A)
2. 2002 Service Revenues		283,239	(A)
3. 2001 Service Revenues		<u>270,475</u>	(A)
4. Three Year Average		\$273,897	
5. Company Claim		<u>267,978</u>	(B)
6. Recommended Adjustment		\$5,919	
7. GR&FT @	14.06%	832	(C)
8. Uncollectibles @	1.41%	83	(C)
9. Incremental Power and Chemicals		<u>524</u>	(D)
10. Taxable Income		\$4,479	
11. Income Taxes @	34.00%	<u>1,523</u>	(C)
12. Operating Income		<u>\$2,956</u>	

Sources

(A) Company Exhibit P-1, page 2 of 3.

(B) Company Exhibit P-3, page 2 of 10.

(C) Rates per Schedule ACC-19W.

(D) Based on revenue and cost relationship per Company Exhibit P-3,
(Revised), page 2 of 10.

MONTAGUE WATER COMPANY**TEST PERIOD ENDING DECEMBER 31, 2003****SALARIES AND WAGES-MAINTENANCE**

1. Actual 2003 Salaries and Wages		\$52,203	(A)
2. Increases @	3.00%	<u>1,566</u>	(B)
3. Pro Forma Salaries		\$53,769	
4. Company Claim		<u>65,092</u>	(A)
5. Recommended Adjustment		\$11,323	
6. Income Taxes @	34.00%	<u>3,850</u>	
7. Operating Income		<u>\$7,473</u>	

Sources:

(A) Company Exhibit P-3, Revised, page 2 of 10.

(B) 3% increase per testimony of Ms. Weeks, page 5.

MONTAGUE WATER COMPANY

TEST PERIOD ENDING DECEMBER 31, 2003

SALARIES AND WAGES-GENERAL EXPENSES

1. Actual 2003 Salaries and Wages		\$10,149	(A)
2. Increases @	3.00%	<u>304</u>	(B)
3. Pro Forma Salaries		\$10,453	
4. Company Claim		<u>13,890</u>	(A)
5. Recommended Adjustment		\$3,437	
6. Income Taxes @	34.00%	<u>1,168</u>	
7. Operating Income		<u>\$2,268</u>	

Sources:

(A) Exhibit P-3, Revised, page 2 of 10.

(B) 3% increase per testimony of Ms. Weeks, page 5.

MONTAGUE WATER COMPANY**TEST PERIOD ENDING DECEMBER 31, 2003****PAYROLL TAX EXPENSE**

1. Pro Forma Salary Adjustments		\$14,759	(A)
2. Payroll Taxes @	7.65%	1,129	(B)
3. Income Taxes @	34.00%	384	
		<hr/>	
4. Operating Income		<u>\$745</u>	

Sources:

(A) Schedules ACC-8W and ACC-9W.

(B) Reflects statutory rate.

MONTAGUE WATER COMPANY**TEST PERIOD ENDING DECEMBER 31, 2003****EMPLOYEE BENEFITS EXPENSE**

1. Pro Forma Salary Adjustments		\$14,759	(A)
2. Pension and 401K Rate	7.00%	1,033	(B)
3. Income Taxes @	34.00%	351	
		<hr/>	
4. Operating Income		<u>\$682</u>	

Sources:

(A) Schedules ACC-8W and ACC-(W).

(B) Reflects 3% pension rate and 4% 401K rate.

MONTAGUE WATER COMPANY**TEST PERIOD ENDING DECEMBER 31, 2003****RATE CASE EXPENSES**

1. Company Rate Case Claim	\$157,481	(A)
2. Proposed Amortization Period	<u>3</u>	(A)
3. Annual Amortization	\$52,494	
4. Percent to Water	<u>71.72%</u>	(A)
5. Allocation to Water	\$37,649	
6. Sharing with Shareholders	<u>50%</u>	(B)
7. Pro Forma Annual Expense	\$18,824	
8. Company Claim	<u>43,523</u>	(C)
9. Recommended Adjustment	\$24,699	
10. Income Taxes @ 34.00%	<u>8,398</u>	
11. Operating Income	<u>\$16,301</u>	

Sources:

(A) Company Workpaper [d].

(B) Reflects 50/50 sharing.

(C) Derived from Company Workpaper [d].

MONTAGUE WATER COMPANY

TEST PERIOD ENDING DECEMBER 31, 2003

OUTSIDE SERVICES

1. 2000 Expense	\$12,850	(A)
2. 2001 Expense	4,515	(A)
3. 2002 Expense	7,123	(A)
	<hr/>	
4. Three Year Average	\$8,163	
5. Company Claim	25,671	(B)
	<hr/>	
6. Recommended Adjustment	\$17,508	
7. Income Taxes @ 34.00%	5,953	
	<hr/>	
8. Operating Income	<u>\$11,556</u>	

Sources:

(A) Company Exhibit P-1, page 2 of 3.

(B) Company Exhibit P-3 (Revised), page 2 of 10.

MONTAGUE WATER COMPANY

TEST PERIOD ENDING DECEMBER 31, 2003

MISCELLANEOUS EXPENSES

		6,022	
1. 2000 Expense		\$1,673	(A)
2. 2001 Expense		1,546	(A)
3. 2002 Expense		2,803	(A)
		<hr/>	
4. Three Year Average		\$2,007	
5. Company Claim		32,283	(B)
		<hr/>	
6. Recommended Adjustment		\$30,276	
7. Income Taxes @	34.00%	10,294	
		<hr/>	
8. Operating Income		<u>\$19,982</u>	

Sources:

(A) Company Exhibit P-1, page 2 of 3.

(B) Company Exhibit P-3 (Revised), page 2 of 10.

MONTAGUE WATER COMPANY**TEST PERIOD ENDING DECEMBER 31, 2003****STATE INCOME TAXES**

1. Company Claim		(\$8,212)	(A)
2. Recommended Adjustment		(8,212)	(A)
3. Income Taxes @	34.00%	<u>(2,792)</u>	
4. Operating Income		<u>(\$5,420)</u>	

Sources:

(A) Company Exhibit P-3 (Revised), page 2 of 10.

MONTAGUE WATER COMPANY**TEST PERIOD ENDING DECEMBER 31, 2003****DEPRECIATION EXPENSE ADJUSTMENT**

1. Utility Plant In Service Adjustment	(\$97,777)	(A)
2. Depreciation Rate	<u>2.00%</u>	(B)
3. Recommended Adjustment	(\$1,956)	
4. Income Taxes @ 34.00%	<u>(665)</u>	
5. Operating Income	<u>(\$1,291)</u>	

Sources:

(A) Schedule ACC-5W.

(B) Company Workpaper [f].

MONTAGUE WATER COMPANY**TEST PERIOD ENDING DECEMBER 31, 2003****INTEREST SYNCHRONIZATION**

1. Recommended Rate Base	\$555,994	(A)
2. Weighted Cost of Debt	<u>4.31%</u>	(B)
3. Pro Forma Interest Expense	\$23,975	
4. Company Claim	<u>29,760</u>	(C)
5. Increase in Taxable Income	\$5,785	
6. Income Taxes @ 34.00%	<u>\$1,967</u>	

Sources:

(A) Schedule ACC-2W.

(B) Schedule ACC-3W.

(C) Based on Company's claimed rate base and cost of debt.

MONTAGUE WATER COMPANY**TEST PERIOD ENDING DECEMBER 31, 2003****INCOME TAX FACTOR**

1. Revenue	100.00%	
2. State Income Tax Rate	<u>0.00%</u>	
3. Federal Taxable Income	100.00%	
4. Income Taxes @ 34%	<u>34.00%</u>	(A)
5. Net Income	66.00%	
6. Total Tax Rate	<u>34.00%</u>	

Sources:

(A) Rate per Company workpaper [g].

MONTAGUE WATER COMPANY**TEST PERIOD ENDING DECEMBER 31, 2003****REVENUE MULTIPLIER**

1. Revenue		100.00	
2. GR&FT	14.06%	14.06	(A)
3. Uncollectible Expense	1.41%	<u>1.41</u>	(B)
4. State Taxable Income		84.53	
5. State Income Taxes @	0.00%	<u>0.00</u>	
6. Federal Taxable Income		84.53	
7. Federal Income Taxes @	34.00%	<u>28.74</u>	(C)
8. Net Income		55.79	
9. Revenue / Income		<u>1.792452</u>	(D)

Sources:

(A) Rate per Company Workpaper [e].

(B) Derived from Company Exhibit P-3 (Revised), page 2 of 10.

(C) Reflects statutory income tax rate.

(D) Line 1 / Line 8.

MONTAGUE WATER COMPANY

TEST PERIOD ENDING DECEMBER 31, 2003

PRO FORMA INCOME STATEMENT

	Per Company	Recommended Adjustments	Pro Forma Present Rates	Recommended Rate Adjustment	Pro Forma Proposed Rates
1. Operating Revenues	\$267,292	\$5,919	\$273,211	\$24,318	\$297,529
2. Operating Expenses	233,642	(87,668)	145,974	342	146,317
3. Depreciation and Amortization	37,933	(1,956)	35,977	0	35,977
4. Taxes Other Than Income	57,219	(297)	56,922	3,420	60,342
5. Taxable Income Before Interest Expenses	(\$61,502)	\$95,839	34,337	\$20,556	\$54,893
6. Interest Expense	29,760	(5,785)	23,975	0	23,975
7. Taxable Income	(\$91,262)	\$101,624	10,362	\$20,556	\$30,918
8. Income Taxes @ 34.00%	(36,443)	39,966	3,523	6,989	10,512
9. Net Operating Income	(\$25,059)	\$55,873	\$30,814	\$13,567	\$44,381
10. Rate Base	\$690,141		\$555,994		\$555,994
11. Rate of Return	<u>-3.63%</u>		<u>5.54%</u>		<u>7.98%</u>

MONTAGUE WATER COMPANY**TEST PERIOD ENDING DECEMBER 31, 2003****REVENUE REQUIREMENT IMPACT OF ADJUSTMENTS**

1. Rate of Return	(\$3,661)
2. Gross Utility Plant in Service	(13,988)
3. Cash Working Capital	(5,201)
4. Operating Revenue	(5,299)
5. Salaries and Wages - Maintenance	(13,395)
6. Salaries and Wages - General	(4,065)
7. Payroll Taxes	(1,336)
8. Employee Benefits Expenses	(1,222)
9. Rate Case Expense	(29,219)
10. Outside Services - Other	(20,713)
11. Miscellaneous Expenses	(35,817)
12. Income Taxes - State	9,715
13. Depreciation Expense	(2,313)
14. Interest Synchronization	3,525
15. Revenue Multiplier	<u>(14,571)</u>
16. Total Adjustments	(\$137,560)
17. Company Claim	<u>161,880</u>
18. Pro Forma Deficiency	\$24,320
17. Present Rate Revenue	\$273,897
18. Percent Increase	8.88%

MONTAGUE SEWER COMPANY

TEST PERIOD ENDING DECEMBER 31, 2003

REVENUE REQUIREMENT SUMMARY

	Company Claim	Recommended Adjustment	Recommended Position	
	(A)			
1. Pro Forma Rate Base	\$260,914	(\$73,374)	\$187,540	(B)
2. Cost of Capital	8.30%	-0.32%	7.98%	(C)
3. Required Return	\$21,665	(\$6,697)	\$14,968	
4. Operating Income @ Present Rates	(121,459)	132,549	11,090	(D)
3. Operating Income Deficiency	\$143,124	(\$139,246)	\$3,878	
6. Revenue Multiplier	1.9660		1.7891	(E)
7. Revenue Requirement Increase	<u>\$281,387</u>	<u>(\$274,449)</u>	<u>\$6,938</u>	
8. Increase Over Present Service Rates			<u>6.67%</u>	(F)

Sources:

(A) Company Exhibit P-3 (Revised), page 3 of 10 and Exhibit P-4 (Revised), page 3 of 5.

(B) Schedule ACC-2S.

(C) Schedule ACC-3S.

(D) Schedule ACC-4S.

(E) Schedule ACC-19S.

(F) Based on pro forma sewer revenues of \$104,026.

MONTAGUE SEWER COMPANY

TEST PERIOD ENDING DECEMBER 31, 2003

RATE BASE SUMMARY

	Company Claim	Recommended Adjustment	Recommended Position	
	(A)			
1. Gross Utility Plant in Service	\$520,016	\$0	\$520,016	
2. Accumulated Depreciation	(183,273)	0	(183,273)	
3. Net Utility Plant	\$336,743	\$0	\$336,743	
Less:				
4. Contributions in Aid of Construction	(\$108,790)	\$0	(\$108,790)	
5. Accumulated Deferred Income Taxes	(61,625)	0	(61,625)	
6. Customer Deposits	(11,018)	0	(11,018)	
7. Plant Acquisition Adjustment	29,673	0	29,673	
Plus:				
8. Post Test Year Additions	\$35,435	(\$35,435)	\$0	(B)
9. Cash Working Capital	37,939	(37,939)	0	(C)
10. Water Service Corporation	2,557	0	2,557	
11. Net Utility Plant	<u>\$260,914</u>	<u>(\$73,374)</u>	<u>\$187,540</u>	

Sources:

(A) Company Exhibit P-4 (Revised), page 3 of 5.

(B) Schedule ACC-5S.

(C) Schedule ACC-6S.

MONTAGUE SEWER COMPANY**TEST PERIOD ENDING DECEMBER 31, 2003****REQUIRED RETURN**

	Capital Structure Amount	Capital Structure Percent (A)	Cost Rate	Weighted Cost
1. Common Equity (B)	\$77,650,144	40.77%	9.00%	3.67%
2. Long Term Debt -Current	112,819,616	59.23%	7.28%	4.31%
3. Total Cost of Capital	\$190,469,760	100.00%		<u>7.98%</u>

Sources:

(A) Derived from W/P [h-1].

(B) Cost Rate Based on Recommendation of Ms. Crane.

MONTAGUE SEWER COMPANY**TEST PERIOD ENDING DECEMBER 31, 2003****OPERATING INCOME SUMMARY**

		Schedule No.
1. Company Claim	(\$121,459)	
Recommended Adjustments:		
2. Repair and Maintenance Expense	123,081	7
3. Salaries and Wages - Maintenance	2,893	8
4. Salaries and Wages - General	878	9
5. Payroll Taxes	289	10
6. Employee Benefits Expenses	264	11
7. Rate Case Expense	6,693	12
8. Outside Services - Other	4,445	13
9. Miscellaneous Expenses	7,739	14
10. Income Taxes - State	(13,125)	15
11. Depreciation Expense	468	16
12. Interest Synchronization	<u>(1,076)</u>	17
13. Net Operating Income	<u>\$11,090</u>	

MONTAGUE SEWER COMPANY

TEST PERIOD ENDING DECEMBER 31, 2003

UTILITY PLANT IN SERVICE ADJUSTMENTS

1. Post Test Year Plant Claim	\$35,435	(A)
2. Recommended Adjustment	<u>(\$35,435)</u>	

Sources:

(A) Company Exhibit P-4 (Revised), page 3 of 5.

MONTAGUE SEWER COMPANY

TEST PERIOD ENDING DECEMBER 31, 2003

CASH WORKING CAPITAL

1. Company Claim	\$37,939	(A)
2. Recommended Adjustment	<u>(\$37,939)</u>	

Sources:

(A) Company Exhibit P-4 (Revised), page 3 of 5.

MONTAGUE SEWER COMPANY**TEST PERIOD ENDING DECEMBER 31, 2003****MAINTENANCE AND REPAIR EXPENSE**

1. Pro Forma Recommended Expense		\$21,932	(A)
2. Company Claim		<u>208,418</u>	(B)
3. Recommended Adjustment		\$186,486	
4. Income Taxes @	34.00%	<u>63,405</u>	
5. Operating Income		<u>\$123,081</u>	

Sources:

(A) Testimony of Mr. Woods.

(B) Company Exhibit P-3 (Revised), page 3 of 10.

MONTAGUE SEWER COMPANY**TEST PERIOD ENDING DECEMBER 31, 2003****SALARIES AND WAGES-MAINTENANCE**

1. Actual 2003 Salaries and Wages		\$20,241	(A)
2. Increases @	3.00%	<u>607</u>	(B)
3. Pro Forma Salaries		\$20,848	
4. Company Claim		<u>25,232</u>	(A)
5. Recommended Adjustment		\$4,384	
6. Income Taxes @	34.00%	<u>1,490</u>	
7. Operating Income		<u>\$2,893</u>	

Sources:

(A) Company Exhibit P-3, Revised, page 3 of 10.

(B) 3% increase per testimony of Ms. Weeks, page 5.

MONTAGUE SEWER COMPANY**TEST PERIOD ENDING DECEMBER 31, 2003****SALARIES AND WAGES-GENERAL EXPENSES**

1. Actual 2003 Salaries and Wages		\$3,935	(A)
2. Increases @	3.00%	<u>118</u>	(B)
3. Pro Forma Salaries		\$4,053	
4. Company Claim		<u>5,384</u>	(A)
5. Recommended Adjustment		\$1,331	
6. Income Taxes @	34.00%	<u>453</u>	
7. Operating Income		<u>\$878</u>	

Sources:

(A) Exhibit P-3, Revised, page 3 of 10.

(B) 3% increase per testimony of Ms. Weeks, page 5.

MONTAGUE SEWER COMPANY**TEST PERIOD ENDING DECEMBER 31, 2003****PAYROLL TAX EXPENSE**

1. Pro Forma Salary Adjustments		\$5,715	(A)
2. Payroll Taxes @	7.65%	437	(B)
3. Income Taxes @	34.00%	149	
		<hr/>	
4. Operating Income		<u>\$289</u>	

Sources:

(A) Schedules ACC-8S and ACC-9S.

(B) Reflects statutory rate.

MONTAGUE SEWER COMPANY**TEST PERIOD ENDING DECEMBER 31, 2003****EMPLOYEE BENEFITS EXPENSE**

1. Pro Forma Salary Adjustments		\$5,715	(A)
2. Pension and 401K Rate	7.00%	400	(B)
3. Income Taxes @	34.00%	<u>136</u>	
4. Operating Income		<u>\$264</u>	

Sources:

(A) Schedules ACC-8S and ACC-9S.

(B) Reflects 3% pension rate and 4% 401K rate.

MONTAGUE SEWER COMPANY**TEST PERIOD ENDING DECEMBER 31, 2003****RATE CASE EXPENSES**

1. Company Rate Case Claim		\$157,481	(A)
2. Proposed Amortization Period		<u>3</u>	(A)
3. Annual Amortization		\$52,494	
4. Percent to Sewer		<u>28.28%</u>	(A)
5. Allocation to Sewer		\$14,845	
6. Sharing with Shareholders		<u>50%</u>	(B)
7. Pro Forma Annual Expense		\$7,422	
8. Company Claim		<u>17,564</u>	(C)
9. Recommended Adjustment		\$10,142	
10. Income Taxes @	34.00%	<u>3,448</u>	
11. Operating Income		<u>\$6,693</u>	

Sources:

(A) Company Workpaper [d].

(B) Reflects 50/50 sharing.

(C) Derived from Company Workpaper [d].

MONTAGUE SEWER COMPANY**TEST PERIOD ENDING DECEMBER 31, 2003****OUTSIDE SERVICES**

1. 2000 Expense	\$5,067	(A)
2. 2001 Expense	1,780	(A)
3. 2002 Expense	2,809	(A)
	<hr/>	
4. Three Year Average	\$3,219	
5. Company Claim	9,953	(B)
	<hr/>	
6. Recommended Adjustment	\$6,734	
7. Income Taxes @ 34.00%	2,290	
	<hr/>	
8. Operating Income	<u>\$4,445</u>	

Sources:

(A) Company Exhibit P-1, page 3 of 3.

(B) Company Exhibit P-3 (Revised), page 3 of 10.

MONTAGUE SEWER COMPANY**TEST PERIOD ENDING DECEMBER 31, 2003****MISCELLANEOUS EXPENSES**

		2,375	
1. 2000 Expense		\$660	(A)
2. 2001 Expense		610	(A)
3. 2002 Expense		1,105	(A)
		<hr/>	
4. Three Year Average		\$792	
5. Company Claim		12,517	(B)
		<hr/>	
6. Recommended Adjustment		\$11,725	
7. Income Taxes @	34.00%	3,987	
		<hr/>	
8. Operating Income		<u>\$7,739</u>	

Sources:

(A) Company Exhibit P-1, page 3 of 3.

(B) Company Exhibit P-3 (Revised), page 3 of 10.

MONTAGUE SEWER COMPANY**TEST PERIOD ENDING DECEMBER 31, 2003****STATE INCOME TAXES**

1. Company Claim		(\$19,886)	(A)
2. Recommended Adjustment		(19,886)	(A)
3. Income Taxes @	34.00%	<u>(6,761)</u>	
4. Operating Income		<u>(\$13,125)</u>	

Sources:

(A) Company Exhibit P-3 (Revised), page 3 of 10.

MONTAGUE SEWER COMPANY**TEST PERIOD ENDING DECEMBER 31, 2003****DEPRECIATION EXPENSE ADJUSTMENT**

1. Utility Plant In Service Adjustment	\$35,435	(A)
2. Depreciation Rate	<u>2.00%</u>	(B)
3. Recommended Adjustment	\$709	
4. Income Taxes @ 34.00%	<u>241</u>	
5. Operating Income	<u>\$468</u>	

Sources:

(A) Schedule ACC-5S.

(B) Company Workpaper [f].

MONTAGUE SEWER COMPANY**TEST PERIOD ENDING DECEMBER 31, 2003****INTEREST SYNCHRONIZATION**

1. Recommended Rate Base	\$187,540	(A)
2. Weighted Cost of Debt	<u>4.31%</u>	(B)
3. Pro Forma Interest Expense	\$8,087	
4. Company Claim	<u>11,251</u>	(C)
5. Increase in Taxable Income	\$3,164	
6. Income Taxes @ 34.00%	<u>\$1,076</u>	

Sources:

(A) Schedule ACC-2S.

(B) Schedule ACC-3S.

(C) Based on Company's claimed rate base and cost of debt.

MONTAGUE SEWER COMPANY**TEST PERIOD ENDING DECEMBER 31, 2003****INCOME TAX FACTOR**

1. Revenue	100.00%	
2. State Income Tax Rate	<u>0.00%</u>	
3. Federal Taxable Income	100.00%	
4. Income Taxes @ 34%	<u>34.00%</u>	(A)
5. Net Income	66.00%	
6. Total Tax Rate	<u>34.00%</u>	

Sources:

(A) Rate per Company workpaper [g].

MONTAGUE SEWER COMPANY

TEST PERIOD ENDING DECEMBER 31, 2003

REVENUE MULTIPLIER

1. Revenue		100.00	
2. GR&FT	14.06%	14.06	(A)
3. Uncollectible Expense	1.25%	<u>1.25</u>	(B)
4. State Taxable Income		84.69	
5. State Income Taxes @	0.00%	<u>0.00</u>	
6. Federal Taxable Income		84.69	
7. Federal Income Taxes @	34.00%	<u>28.79</u>	(C)
8. Net Income		55.89	
9. Revenue / Income		<u>1.789102</u>	(D)

Sources:

(A) Rate per Company Workpaper [e].

(B) Derived from Company Exhibit P-3 (Revised), page 3 of 10.

(C) Reflects statutory income tax rate.

(D) Line 1 / Line 8.

MONTAGUE SEWER COMPANY

TEST PERIOD ENDING DECEMBER 31, 2003

PRO FORMA INCOME STATEMENT

	Per Company	Recommended Adjustments	Pro Forma Present Rates	Recommended Rate Adjustment	Pro Forma Proposed Rates
1. Operating Revenues	\$103,790	\$0	\$103,790	\$6,938	\$110,728
2. Operating Expenses	282,384	(221,202)	61,182	87	61,269
3. Depreciation and Amortization	9,983	(709)	9,274	0	9,274
4. Taxes Other Than Income	21,129	(437)	20,692	976	21,667
5. Taxable Income Before Interest Expenses	(\$209,706)	\$222,348	12,642	\$5,876	\$18,517
6. Interest Expense	11,251	(3,164)	8,087	0	8,087
7. Taxable Income	(\$220,957)	\$225,512	4,555	\$5,876	\$10,430
8. Income Taxes @ 34.00%	(88,248)	89,797	1,549	1,998	3,546
9. Net Operating Income	(\$121,458)	\$132,551	\$11,093	\$3,878	\$14,971
10. Rate Base	\$260,914		\$187,540		\$187,540
11. Rate of Return	<u>-46.55%</u>		<u>5.92%</u>		<u>7.98%</u>

MONTAGUE SEWER COMPANY**TEST PERIOD ENDING DECEMBER 31, 2003****REVENUE REQUIREMENT IMPACT OF ADJUSTMENTS**

1. Rate of Return	(\$1,504)
2. Gross Utility Plant in Service	(5,060)
3. Cash Working Capital	(5,417)
4. Repair and Maintenance Expense	(220,204)
5. Salaries and Wages - Maintenance	(5,176)
6. Salaries and Wages - General	(1,572)
7. Payroll Taxes	(516)
8. Employee Benefits Expenses	(472)
9. Rate Case Expense	(11,975)
10. Outside Services - Other	(7,952)
11. Miscellaneous Expenses	(13,845)
12. Income Taxes - State	23,482
13. Depreciation Expense	(837)
14. Interest Synchronization	1,925
15. Revenue Multiplier	<u>(25,324)</u>
16. Total Adjustments	(\$274,449)
17. Company Claim	<u>281,387</u>
18. Pro Forma Deficiency	\$6,938
17. Present Rate Revenue	\$104,026
18. Percent Increase	6.67%

APPENDIX C

Referenced Data Requests:

RAR-2

RAR-3

RAR-12

RAR-26

RAR-E-2

SR-14W

SR-14S

**I/M/O the Petition of Montague Water and Sewer Companies
for an Increase in Rates for Water and Sewer Service
and for a Phase II Increase in Rates for Sewer Service
BPU Docket Nos. WR02121034 (Water) & WR03121035 (Sewer)**

Ratepayer Advocate's Initial Discovery Requests

Note: Unless otherwise noted, all information should be provided separately for water and sewer operations.

RAR-2 Please provide, by customer class, the number of customers at December 31, 1999, 2000, 2001, 2002, and 2003.

Response: (Kirsten E. Weeks)

Please see the attached customer count.

Montague Water and Sewer Companies
 BPU Docket Nos. WR03121034 and WR03121035
 Ratepayer Advocate's Initial Discovery Requests
 RAR-2

	27001	27002	27004	27005	27006	27007	27008	27021	27022	27023
	5/8" Residential Water	3/4" Residential Water	Fire Hydrants	1 1/2" Residential Water	Water	2" Commercial Water	3" Commercial Water	5/8" Residential Sewer	3" Clubhouse	3/4" Residential Sewer
12/31/1999	622	41	1	1	4	-	1	258	1	16
12/31/2000	624	44	1	2	4	-	1	258	1	16
12/31/2001	625	44	1	2	4	-	1	258	1	16
12/31/2002	638	44	1	2	4	1	1	259	1	16
12/31/2003	706	.*	1	.*	4	1	1	275	1	.*

*These accounts were likely included in the 5/8" Water and 5/8" Sewer totals. We are investigating.

**I/M/O the Petition of Montague Water and Sewer Companies
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a Phase II Increase in Rates For Sewer Service
BPU Docket Nos. WR03121034 (Water) & WR02131035 (Sewer)**

**Montague Water and Sewer Companies' Responses
to the Ratepayer Advocate's Initial Requests**

RAR-3 Please provide, by customer class, the a) water sales and b) sewer usage for each of the past five years.

RESPONSE: (Kirsten E. Weeks)

- a) Please see attached.
- b) Sewer usage is not metered.

Mohague Water Company
Water Sales by Customer Class

Billing Code	Billing Description	2003	2002	2001	2000	1999	Total
27001	Residential	229,783.31	261,791.03	241,660.53	199,872.44	118,183.04	1,051,290.35
27002	Clubhouse (no longer in use)		23,679.84	20,965.45	14,530.19	10,378.00	69,553.48
27004	Fire Hydrant	5,197.50	6,142.50	5,670.00	4,590.14	2,600.00	24,200.14
27006	Residential (no meter)	1,634.40	2,090.94	2,179.20	3,644.61	3,527.96	13,077.11
27007	2" Meter		1,217.30				1,217.30
27008	3" Meter		2,865.60				2,865.60
27011					(15,051.48)		(15,051.48)
27012					(1,426.98)		(1,426.98)
27016					(399.56)		(399.56)
27024					(357.50)		(357.50)
	SPECIAL One-Time Customer		1,151.30				1,151.30
	Total	236,615.21	298,938.51	270,475.18	205,401.86	134,689.00	1,146,119.76

NOTE: As shown above, some bill codes are incorrect. Upon entry into the General Ledger, some bill codes were miskeyed. As a result, 27011 should be 27001; 27012 should be 27002; 27016 should be 27016; and 27024 should be 27004.

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Ratepayer Advocate's Initial Discovery Requests

RAR-12 Please explain why Stephen Vold, whose salary is shown under Maintenance, is not allocated to Montague while Charles Madison, whose total annualized salary is not shown, is allocated to Montague. Has Mr. Madison replaced Mr. Vold? If so, please provide Mr. Madison's total annualized salary.

Response: (Kirsten Weeks)

The operator allocation line should actually read for Stephen Vold rather than Charles Madison, as it is Stephen Vold's salary that is being allocated. Mr. Madison no longer works for Montague Water and Sewer Companies.

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BPU Docket Nos. WR03121034 (Water) & WR02131035 (Sewer)**

**Montague Water and Sewer Companies' Responses
to the Ratepayer Advocate's Initial Requests**

RAR-26 For each capital project shown in W/P(j), please provide a) the start date of the project, and b) the projected completion date.

RESPONSE: (Tony L. Sharp)

Project Name	Start Date	Projected Completion Date
True Tract Extension	April 2004	June 2004
Armstrong Extension	April 2004	June 2004
Leach Fields 3A/3B	March 2004	November 2004
Montague Pre-Engineering	April 2003	January 2004
Build Road to Plant	Completed	Completed
Replace Meters	April 2004	May 2004

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BPU Docket Nos. WR03121034 (Water) & WR03121035 (Sewer)**

Ratepayer Advocate's Engineering Discovery Requests

RAR-E-2 Please provide, or make available for inspection, full and complete copies of the most recent engineering reports describing the condition of the existing disposal beds and/or offering explanations of the failure of those beds.

RESPONSE: (Supplemental) (Tony L. Sharp)

Attached is a supplement for the response provided earlier.

CLIENT: UTILITIES INC. OF MARYLAND
PROJECT: MONTAGUE WATER AND SEWER COMPANY
LOCATION: MONTAGUE, NEW JERSEY

RECORDED PRECIPITATION AT USGS MONTAGUE, NEW JERSEY RAIN GAUGE STATION FOR JANUARY 2003 TO DECEMBER 2003	
MONTH / 2003	RAINFALL (inches)
JAN.	1.67
FEB.	2.04
MAR.	3.51
APR.	1.60
MAY	1.33
JUNE	6.20
JULY	3.12
AUG.	5.33
SEPT.	7.62
OCT.	3.22
NOV.	3.45
DEC.	4.94
TOTAL RAINFALL (inches):	44.03

**I/M/O The Petition of Montague Water and Sewer Companies
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BPU Docket No. WR03121034
BPU Docket No. WR03121035**

BPU Staff Initial Interrogatories

SR-14w Please provide a copy of Petitioner's Federal Income Tax Returns for the years 2001, 2002 and when available 2003.

RESPONSE: (Kirsten E. Weeks)

Petitioners do not file separate income tax returns.

**I/M/O The Petition of Montague Water and Sewer Companies
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BPU Docket No. WR03121034
BPU Docket No. WR03121035**

BPU Staff Initial Interrogatories

SR-14s Please provide a copy of Petitioner's Federal Income Tax Returns for the years 2001, 2002 and when available 2003.

RESPONSE: (Kirsten E. Weeks)

Petitioners do not file separate income tax returns.