

**BEFORE THE
STATE OF NEW JERSEY
BOARD OF PUBLIC UTILITIES**

In the Matter of:

**THE PETITION OF
NEW JERSEY AMERICAN WATER)
COMPANY, INC. FOR AUTHORIZATION) BPU DOCKET NO WO08050358
TO IMPLEMENT A DISTRIBUTION)
SYSTEM IMPROVEMENT CHARGE ("DSIC"))**

**DIRECT TESTIMONY
OF**

ROBERT J. HENKES

**ON BEHALF OF THE
NEW JERSEY
DEPARTMENT OF THE PUBLIC ADVOCATE
DIVISION OF RATE COUNSEL**

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**NEW JERSEY AMERICAN WATER COMPANY
BPU Docket No. WO08050358
Direct Testimony of Robert J. Henkes**

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I. STATEMENT OF QUALIFICATIONS

Q. WOULD YOU STATE YOUR NAME AND ADDRESS?

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

Q. WHAT IS YOUR PRESENT OCCUPATION?

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

Q. WHAT IS YOUR REGULATORY EXPERIENCE?

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

1 **Q. WHAT OTHER PROFESSIONAL EXPERIENCE HAVE YOU HAD?**

2 A. Prior to founding Henkes Consulting in 1999, I was a Principal of The Georgetown
3 Consulting Group, Inc. for over 20 years. At Georgetown Consulting I performed the same
4 type of consulting services as I am currently rendering through Henkes Consulting. Prior
5 to my association with Georgetown Consulting, I was employed by the American Can
6 Company as Manager of Financial Controls. Before joining the American Can Company, I
7 was employed by the management consulting division of Touche Ross & Company (now
8 Deloitte & Touche) for over six years. At Touche Ross, my experience, in addition to
9 regulatory work, included numerous projects in a wide variety of industries and financial
10 disciplines such as cash flow projections, bonding feasibility, capital and profit forecasting,
11 and the design and implementation of accounting and budgetary reporting and control
12 systems.

13

14 **Q. WHAT IS YOUR EDUCATIONAL BACKGROUND?**

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

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II. SCOPE AND PURPOSE OF TESTIMONY

Q. WHAT IS THE SCOPE AND PURPOSE OF THIS TESTIMONY?

A. I was engaged by the New Jersey Department of the Public Advocate, Division of Rate Counsel (“Rate Counsel”) to conduct a review and analysis and present testimony in the matter of the petition of New Jersey American Water Company (“NJAWC” or “the Company”) for authorization to implement a Distribution System Improvement Charge (“DSIC”).

The purpose of this testimony is to present to the New Jersey Board of Public Utilities (“BPU” or “the Board”) Rate Counsel’s recommended position regarding the Company’s proposed DSIC rate mechanism.

In developing this testimony, I have reviewed NJAWC’s May 23, 2008 DSIC filing; supporting testimonies and exhibits; and NJAWC’s responses to initial and follow-up data requests by Rate Counsel and the BPU Staff.

III. DISTRIBUTION SYSTEM IMPROVEMENT CHARGE

1
2
3 **Q. PLEASE GENERALLY DESCRIBE THE DISTRIBUTION SYSTEM**
4 **IMPROVEMENT CHARGE (“DSIC”) RATE MECHANISM THE COMPANY HAS**
5 **PROPOSED IN THIS CASE.**

6 A. In this case, NJAWC has proposed a new rate mechanism (the DSIC) which would allow
7 the Company to implement, on a quarterly basis, a reconcilable surcharge to recover
8 capital-related revenue requirements related to certain plant projects completed and placed
9 in service between rate cases that are alleged to be non-revenue producing and non-expense
10 reducing. This novel rate proposal, which is equivalent to a request for automatic,
11 reconcilable rate increases every quarter, is unprecedented in New Jersey.

12
13 The proposed DSIC rate mechanism uses a so-called DSIC Year that runs from January 1
14 through December 31. During the DSIC Year, the Company would be allowed to
15 implement quarterly DSIC rate increases reflecting recovery of depreciation expenses, pre-
16 tax return on investment, and related revenue taxes and BPU/RC assessments associated
17 with certain non-revenue producing and non-expense reducing DSIC-eligible infrastructure
18 replacement plant. This infrastructure replacement plant must have been placed in service
19 during the DSIC Year and must not previously have been recognized in the Company’s
20 most recent base rate case. The rates to be set in each quarterly DSIC filing will be self-
21 implementing and will go into effect without review at the time of the filing, on a
22 provisional basis, subject to refund. Within two months after the end of the DSIC Year,
23 NJAWC would file an Annual Filing in which it will petition the Board to make the

1 provisional rates implemented in the DSIC Year permanent. In the Annual Filing, the
2 Company will also reconcile the DSIC rates collected in the DSIC Year with the actual
3 DSIC costs incurred and any DSIC rate over- or under-recoveries would be returned or
4 charged to the ratepayers with interest. The Company also proposes that, during the
5 Annual Filing, a public hearing be held and that other parties may challenge the
6 Company's calculations of its provisional DSIC rates and may review the prudence of the
7 plant underlying the provisional DSIC rates.

8
9 The Company is also proposing the following DSIC provisions:

- 10 ○ The return on investment rate to be recovered in the DSIC rate is to be based on the
11 weighted pre-tax cost of capital authorized by the Board in NJAWC's most recent
12 base rate case, adjusted for the addition of 200 basis points to the current Board-
13 allowed return on equity;
- 14 ○ The cumulative DSIC rate charged between base rate cases will not exceed a ceiling
15 of 7.5% of the gross revenues from the prior DSIC Year, exclusive of DSIC rate
16 revenues;
- 17 ○ The Annual Filing will include a simple earnings test, consisting of dividing the
18 Company's DSIC Year net income available to common stockholders into the DSIC
19 Year-end common equity balance; and
- 20 ○ The DSIC rate will be assessed not only to NJAWC's water customers but also to
21 NJAWC's sewer customers.

1 **Q. PLEASE SUMMARIZE YOUR OVERALL RECOMMENDATION REGARDING**
2 **THE COMPANY’S PROPOSED DSIC RATE MECHANISM.**

3 A. I recommend that NJAWC’s proposed DSIC rate mechanism be rejected by the Board as
4 this proposed surcharge mechanism:

- 5 1) Represents inappropriate single-issue ratemaking;
- 6 2) Is in violation of accepted ratemaking principles and inconsistent with appropriate
7 regulatory policy;
- 8 3) Represents a request for extraordinary remedy that is not needed and is
9 unsubstantiated;
- 10 4) Reduces the Company’s incentive to manage its infrastructure replacement program
11 in the most efficient manner and at the lowest possible cost; and
- 12 5) Produces no benefits to the ratepayers and inappropriately shifts virtually all risks
13 from the stockholders to the ratepayers.

14
15 **Q. WHY DOES NJAWC’S DSIC PROPOSAL REPRESENT INAPPROPRIATE**
16 **SINGLE-ISSUE RATEMAKING?**

17 A. A very important principle of proper ratemaking is the principle of “matching” all of the
18 components in the ratemaking formula. In other words, at the time rates are set or changed,
19 all of the ratemaking components that determine a utility’s revenue requirement within a
20 defined test period must be considered and subjected to regulatory review. The proposed
21 DSIC surcharge mechanism violates this matching principle because it would permit
22 NJAWC to change (increase) its rates based on the consideration of two selected

1 ratemaking components¹ that will experience increases without at the same time
2 considering changes in all other ratemaking components, some of which will or may
3 experience decreases. Thus, the proposed DSIC would inappropriately raise rates without
4 regulatory scrutiny of all of NJAWC's revenue requirement components and could result in
5 an achieved return higher than justified if all components of the ratemaking formula were
6 considered. This single-issue ratemaking proposal is inappropriate and should be rejected
7 by the Board.

8
9 **Q. COULD YOU GIVE EXAMPLES OF CHANGES IN RATEMAKING**
10 **COMPONENTS THAT WOULD REDUCE REVENUE REQUIREMENTS IN**
11 **BETWEEN RATE CASES, BUT WHICH ARE NOT RECOGNIZED AS OFFSETS**
12 **IN THE PROPOSED DSIC SURCHARGE?**

13 A. Yes. In paragraph 4 of the DSIC Petition, the Company states that its average annual
14 capital expenditures for the Company's proposed DSIC-eligible plant during the past five
15 years have been approximately \$35.6 million. Under the DSIC proposal, NJAWC would
16 be able, in the first DSIC Year, to receive very timely and automatic, reconcilable rate
17 relief for the depreciation and overall rate of return requirement on \$35.6 million worth of
18 plant additions not recognized in the rates to be set in NJAWC's pending base rate
19 proceeding. However, this \$35.6 million annual plant addition amount will be significantly
20 more than offset by the annual growth in NJAWC's embedded accumulated depreciation
21 reserve, accumulated deferred income tax, and customer advances (CA)/contributions in

¹ Depreciation expenses and the return on plant investment.

1 aid of construction (CIAC) balances. In this regard, the response to RCR-A-6 shows the
2 following annual growth numbers for each of these rate base deduction components:

3
4 Annual Growth in NJAWC's Rate Base Deduction Balances (\$millions)

5
6

	<u>Depr. Reserve</u>	<u>ADIT</u>	<u>CA/CIAC</u>	<u>TOTAL</u>
7 2004 over 2003	\$44.8	\$23.2	\$ 6.1	\$ 74.1
8 2005 over 2004	\$46.4	\$ 5.2	\$11.0	\$ 62.6
9 2006 over 2005	\$34.5	\$24.0	\$ 7.4	\$ 65.9
10 2007 over 2006	\$48.6	\$ 6.6	\$11.3	\$ 66.5
11 2008 over 2007	\$55.4	\$48.4	\$ 3.8	\$107.6
12				
13 5-Year Average	<u>\$45.9</u>	<u>\$21.5</u>	<u>\$ 7.9</u>	<u>\$ 75.3</u>

14

15 The facts in the above table indicate that while NJAWC's proposed DSIC rate mechanism
16 is designed to recognize average annual between-rate case plant additions of about \$35.6
17 million, it does not recognize the offsetting average annual between-rate case rate base
18 decrease of about \$75.3 million from growth in NJAWC's embedded depreciation reserve,
19 ADIT, and CA/CIAC balances. The results in the table undeniably show that NJAWC's
20 average annual DSIC-eligible plant investment will be more than twice offset by rate base
21 reductions from the annual growth in NJAWC's depreciation reserve, ADIT and CA/CIAC
22 balances. While it is true that a portion of the average annual rate base deduction balance
23 relates to non-DSIC-eligible plant, the fact remains that the proposed DSIC mechanism
24 does not account for the portion of the average annual rate base deduction balance of \$75.3
25 million that is associated with embedded DSIC-eligible plant.

26
27 Furthermore, the proposed implementation of the DSIC will reduce NJAWC's business
28 risk in that the surcharge reduces the risk of regulatory lag and provides NJAWC with a

1 reconcilable, guaranteed revenue requirement recovery for a major portion of its between-
2 rate case plant additions. This reduction in business risk reduces NJAWC's return on equity
3 requirement, however, NJAWC is not proposing that this cost reduction be recognized in
4 the determination of the DSIC surcharge rate. In fact, NJAWC has made the *opposite*
5 adjustment by requesting that the return on equity requirement incorporated in the DSIC
6 rate be 200 basis points *higher* than the current BPU-authorized return on equity.

7
8 Additionally, while NJAWC proposes that the DSIC-eligible plant inclusion will be limited
9 to non-revenue producing, non-expense reducing plant investments, this will be very
10 difficult if not impossible to verify. The matching principle will also be violated to the
11 extent that the DSIC includes plant investments that will generate associated revenue
12 growth and/or cost reductions. The replacement and cleaning and lining of aging
13 distribution mains will have a cost reduction impact on NJAWC's pumping, repair and
14 maintenance, and unaccounted for water expenses. It would be bad regulatory policy not
15 to recognize that these incremental revenues and cost reductions will fully or partially
16 absorb the incremental plant depreciation and return related revenue requirement proposed
17 to be recovered through the DSIC.

18
19 **Q. WHY IS THE COMPANY'S PROPOSED DSIC RATE MECHANISM IN**
20 **VIOLATION OF ACCEPTED RATEMAKING PRINCIPLES AND**
21 **INCONSISTENT WITH APPROPRIATE REGULATORY POLICY?**

22 A. The proposed DSIC rate mechanism represents a drastic move away from traditional
23 regulation. It seeks a guaranteed, dollar-for-dollar recovery of capital-related revenue

1 requirements related to certain plant projects that are placed in service between rate cases.
2 One of the most important tenets of ratemaking is that utilities are not guaranteed a return
3 on investment; rather, the ratemaking process entitles the utility no more than a reasonable
4 opportunity to earn a fair rate of return. Regulation is not intended to be a mechanism
5 whereby a utility is guaranteed dollar-for-dollar recovery of either its costs or a particular
6 level of profit and rate of return. This inappropriate kind of regulation is generally referred
7 to as reimbursement ratemaking. Instead, traditional regulation is based on the principle
8 that the utility has an opportunity to earn its rate of return. It is poor regulatory policy to
9 guarantee revenue requirement recovery because the production of safe, adequate and
10 proper utility services at the lowest possible cost requires that a company exert itself and
11 work efficiently; and I believe that the Company will be less likely to do so if it is
12 guaranteed that the consequences of its operating decisions are immune from any cost
13 recovery risks.

14
15 By proposing the DSIC rate mechanism, the Company has completely disregarded the
16 foundation upon which the regulatory process was developed, that is, that regulation is
17 supposed to be a substitute for competition. This principal of regulation was designed to
18 stimulate a utility to act as it would if it were in a competitive industry. Clearly, if a
19 utility's rate of return is guaranteed, this represents a departure from traditional ratemaking
20 foundations. Competitive entities do not have any such return guarantees. Regulation is
21 intended to take the place of competition, therefore, regulated entities should not receive
22 guaranteed recovery of their revenue requirement including a guaranteed rate of return if
23 such guarantees are not available in the competitive marketplace.

1
2 In summary, the Board has to make some major policy decisions in this case. Either it can
3 retain the current regulatory process, where the risks and rewards of the efficient operation
4 of the Company remain with the utility and which provides the utility the *opportunity* to
5 earn its authorized rate of return and recover its revenue requirement, or it can go down the
6 slippery slope of reimbursement ratemaking which shifts all the risks and none of the
7 rewards to the ratepayers and guarantees dollar-for-dollar recovery of the utility's revenue
8 requirement and rate of return. For all of the preceding and following reasons, I would
9 respectfully urge the Board to favor the first alternative.

10
11 **Q. HAS THE COMPANY SUBSTANTIATED THE NEED FOR THE PROPOSED**
12 **DSIC RATE MECHANISM?**

13 A. No. The proposed DSIC rate mechanism is essentially a request by NJAWC for
14 extraordinary rate relief. As I explained before, traditional ratemaking involves the
15 establishment of a base rate that allows the utility a reasonable opportunity to recover its
16 cost of service and to earn a fair rate of return but does not guarantee either. Both the risk
17 and reward of the efficient operation of the company are on the utility when the cost of
18 service is recovered through base rates. Adjustment clauses such as the proposed DSIC
19 rate mechanism are formula rates that set up the elements of cost to be collected under the
20 rate. The purpose of an adjustment clause is to guarantee rate recovery for the particular
21 ratemaking element for which the clause was set up.

22
23 From a regulatory policy standpoint, the impact of an adjustment clause established in the

1 context of a general rate case - where the base rates are set on traditional principles of
2 ratemaking - is to declare that the general rates established in the case cannot in and of
3 themselves be fair, just and reasonable because the revenue requirement covered by the
4 clause cannot be accommodated within the traditional ratemaking process. Typically, the
5 use of reconcilable surcharges or adjustment clauses to provide a utility with extraordinary
6 rate relief have been limited to costs of service that have a significant financial impact, are
7 outside the control of management, and exhibit extreme volatility and unpredictability. In
8 addition, such surcharges generally do not provide rate recovery for capital costs, including
9 guaranteed recovery for the return on plant in service additions. These are the properties
10 that underlie the most commonly utilized adjustment clauses such as fuel adjustment
11 clauses and gas cost recovery clauses. Rate recovery through an automatic rate adjustment
12 mechanism should continue to be allowed only when management has little or no control
13 over the item at issue and specific requirements of volatility and unpredictability can be
14 met.

15
16 NJAWC's proposed DSIC rate mechanism does not meet these requirements. The
17 Company has not provided evidence that the infrastructure replacement and rehabilitation
18 related plant additions to be included for recovery in the DSIC have a significant financial
19 impact on NJAWC and its parent, the American Water Works Company, or that the plant
20 additions are particularly volatile and unpredictable. The DSIC-eligible plant additions are
21 also within the control of management.

22
23 In summary, there is no substantiation for the claims made by NJAWC in support of the

1 proposed DSIC rate mechanism and NJAWC has not met the burden of proof that there is a
2 true and legitimate need for the extraordinary remedy sought by it in this case through the
3 proposed surcharge. The ratepayers should not now be called upon to provide a bail-out
4 fund for NJAWC's management in the form of the proposed DSIC surcharge mechanism.

5
6 **Q. DOES THE PROPOSED DSIC RATE MECHANISM PROVIDE THE PROPER**
7 **INCENTIVE FOR NJAWC TO RUN ITS BUSINESS AT THE LOWEST POSSIBLE**
8 **COST?**

9 A. No, it does not. Under current traditional ratemaking, NJAWC management has an
10 incentive to make infrastructure investments in ways that are efficient and economical as
11 the Company strives to achieve its rate of return objectives. This incentive will be lost if
12 the DSIC rate mechanism is implemented. The guaranteed revenue requirement recovery
13 provided by the proposed DSIC removes or reduces the incentives for the Company to
14 manage its infrastructure replacement and rehabilitation programs in the most efficient
15 manner and at the lowest possible cost. If these incentives are removed or reduced through
16 the implementation of the DSIC, it may leave ratepayers to fund unnecessarily high DSIC-
17 eligible capital expenditures with a reduced prospect for management attention to cost
18 containment. This concept is also discussed in the testimony of Howard Woods.
19 Surcharge mechanisms such as the proposed DSIC that diminish the incentive for a utility
20 to efficiently and cost-effectively manage its costs remove some of the ratepayer
21 protections provided under traditional regulation.

22
23 **Q. WHAT DOES NJAWC CLAIM TO BE THE BENEFITS TO THE RATEPAYERS**

1 **FROM THE IMPLEMENTATION OF THE PROPOSED DSIC RATE**
2 **MECHANISM?**

3 A. As described in paragraph 9 of the DSIC Petition, the Company claims that the ratepayers
4 directly benefit from improved service and service reliability resulting from the
5 implementation of the DSIC. Examples of such improvements would include the reduction
6 of main breaks, service interruptions and unaccounted for water; the improvement of water
7 quality and pressure and the enhancement of fire protection. The Company also claims that
8 the DSIC will result in rate stability.

9
10 **Q. DO YOU HAVE ANY COMMENTS ON THESE CLAIMED DSIC BENEFITS?**

11 A. Yes. The Regulatory Compact under which the Company is operating requires that the
12 Company must provide, and the ratepayer must fund, safe, adequate and proper water and
13 sewer service at the lowest possible cost in exchange for having received a monopoly
14 franchise. All of the benefits listed by the Company represent regular franchise
15 requirements dictated by the Regulatory Compact. In other words, under the Compact,
16 NJAWC should always strive to improve service and service reliability as part of its normal
17 on-going responsibility. It is obvious that when an old pipe is replaced with a new pipe,
18 one could claim that a benefit has been achieved in the form of potentially reduced main
19 breaks and service interruptions. However, such a pipe replacement does not represent an
20 extraordinary act by NJAWC beyond the call of its normal duty under the Compact. There
21 is nothing so extraordinary about such a pipe replacement under the DSIC that would
22 qualify the investment as an “extra” benefit to the ratepayers, particularly given that the
23 ratepayers are paying for 100% of the investment and that the Company expects the

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1 ratepayers to pay a return on the investment that is 200 basis point in excess of NJAWC's
2 currently authorized rate of return.

3
4 I also completely disagree with the Company's claim that one of the benefits of the DSIC is
5 rate stability. In fact, the opposite is true. Under the Company's proposed DSIC rate
6 mechanism, the ratepayers will not only be faced with base rate increases every two years
7 or so (based on the experience in the recent past), they would also have to absorb quarterly
8 DSIC rate increases during the time period between the Company's base rate cases. And
9 the Company is making this proposal during the worst economic downturn since the Great
10 Depression, where ratepayers are faced with job losses, plunging home values, and 401(k)s
11 that have turned into 201(k)s.

12
13 I believe that the only beneficiaries of the proposed DSIC are NJAWC's shareholders as
14 this proposed surcharge mechanism reduces any potential earnings erosion that may occur
15 between base rate cases and provides the Company's shareholders with a guaranteed,
16 dollar-for-dollar rate of return that is 200 basis points in excess of the Company's most
17 recent Board-authorized rate of return. Thus, while the Company claims that the proposed
18 DSIC is of benefit to the ratepayers, the mechanism focuses predominantly on the interests
19 of NJAWC and its shareholders and shifts virtually all risks from the shareholders to the
20 ratepayers.

21
22 **Q. NOW THAT YOU HAVE DISCUSSED THE MAJOR REASONS WHY THE DSIC**
23 **SHOULD BE REJECTED BY THE BOARD, ARE THERE OTHER**

1 **SHORTCOMINGS IN THIS PROPOSED SURCHARGE MECHANISM THAT**
2 **SHOULD BE OF CONCERN TO THE BOARD?**

3 A. Yes. There are a number of other issues associated with the proposed DSIC rate
4 mechanism that should be of concern to the Board. I note, though, that even if the
5 Company were to fix these additional issues, this should not render the proposed DSIC
6 appropriate for implementation. The proposed DSIC mechanism should be rejected by the
7 Board for all of the reasons and regulatory policy issues previously described in this
8 testimony. The additional issues that I will discuss now are to be considered supplemental
9 reasons for rejecting the proposed DSIC.

10
11 What should be of first concern to the Board is the Company's proposal to include in the
12 DSIC plant items that are not part of the Company's distribution system. Typical
13 distribution-related infrastructure plant for water and sewer utilities would include mains,
14 valves, services, meters, hydrants and collection mains (sewer). In fact, these were the
15 infrastructure plant items which the Company proposed to include as DSIC-eligible plant
16 in the DSIC it proposed in its prior rate case, BPU Docket No. 06030257.² In the current
17 case, the Company has expanded its proposed DSIC-eligible plant to include such items as
18 replacement wells; leak detection equipment; replacement water storage tanks; pressure
19 reducing equipment; emergency interconnection projects; replacement manholes;
20 replacement lift and pump stations; security projects; and investments to deal with
21 regional water supply issues and/or health and safety concerns. While these items may
22 represent integral parts of the Company's system and indirectly contribute to the

² This is confirmed in the Company's responses to RCR-A-31 and RCR-A-32 in the current case.

1 distribution of water and collection of sewage, they do not fall squarely within the
2 distribution functional category. This is another example of the Company's attempt to
3 disassemble the traditional ratemaking process through its proposed DSIC mechanism and
4 why the Board should reject the proposed DSIC.

5
6 Second, the Company has proposed that its stockholders be allowed to earn a return on
7 DSIC-eligible plant additions that includes a premium of 200 basis points over the return
8 authorized by the Board in the Company's most recent base rate proceeding. In other
9 words, if the Company's current authorized equity return rate on non-DSIC plant under
10 traditional regulation is 10%, NJAWC's proposal is that the equity return rate on DSIC-
11 eligible plant that would be *dollar-for-dollar guaranteed* in the DSIC be set at 12%. This
12 makes no sense at all and represents an insult to the intelligence of anybody who
13 understands financial risk/reward concepts. The Company's return on equity is partially a
14 function of the degree of earnings and business risk it experiences. As previously
15 discussed, the proposed implementation of the DSIC will significantly reduce NJAWC's
16 business risk in that the surcharge reduces the risk of regulatory lag and provides NJAWC
17 with a reconcilable, dollar-for-dollar guaranteed revenue requirement recovery for a major
18 portion of its between-rate case plant additions. This reduction in business risk should
19 *reduce* and not *increase* NJAWC's return on equity requirement. This represents another
20 reason why the proposed DSIC should be disallowed.

21
22 Third, the Company has proposed what it claims to be an "earnings test" which presumably
23 would assure the Board that the DSIC will not allow NJAWC to earn more than its

1 currently authorized return on equity plus 200 basis points. The entire earnings test
2 consists of two numbers, (1) NJAWC's net income available for common equity in the
3 DSIC Year and (2) NJAWC's common equity balance at the end of the DSIC Year. When
4 these two numbers are divided into each other, it produces a return on equity rate which the
5 Company would then compare to the Company's authorized return on equity plus 200 basis
6 points. If this rate of return comparison indicates that the Company is earning in excess of
7 its allowed return on equity plus 200 basis points, a refund with interest will be made of
8 such excess earnings.

9
10 The many deficiencies inherent in this proposed simple earnings test render it both
11 disingenuous and meaningless from a regulatory viewpoint. First, the return on equity rate
12 to be produced by this so-called earnings test will be artificially understated because the net
13 income available for common equity number is divided into the *year-end* common equity
14 balance rather than the *average* common equity balance for the DSIC Year. The DSIC
15 Year net income is generated by the DSIC Year average plant and customer levels which,
16 in turn, are supported by the DSIC Year average common equity balance. Therefore, the
17 proper rate of return determination would divide the DSIC Year net income into the DSIC
18 Year average common equity balance. Due to the growth in NJAWC's net income and
19 common equity infusions during the DSIC Year, the Company's year-end common equity
20 balance will be higher than the year's average common equity balance, and the division of
21 the DSIC Year's net income in this higher year-end equity balance will therefore
22 misleadingly produce a lower return on equity number.

23

1 Next, the net income available for common equity number (numerator) and the common
2 equity balance (denominator) used in the proposed earnings test include items that
3 represent “below-the-line” non-regulated and non-operating items which are always
4 removed for purposes of determining the Company’s regulated authorized return on equity.
5 Therefore, comparing the return on equity number derived in the proposed earnings test to
6 the Company’s BPU-regulated authorized return on equity is like comparing apples to
7 oranges and can result in very inaccurate conclusions.

8
9 Finally, the net income number and common equity balance used in the proposed earnings
10 test have not been adjusted to reflect all of the pro forma ratemaking adjustments adopted
11 by the Board in establishing NJAWC’s current rates. For example, the actual per books net
12 income number included in the proposed earnings test includes operating expenses such as
13 incentive compensation, donations, lobbying expenses, institutional advertising expenses,
14 community and public relations expenses, etc. which are disallowed by the Board for
15 ratemaking purposes. The removal of these expenses from the actual per books net income
16 number would increase the net income in the numerator of the proposed earnings test and
17 produce a higher achieved return on equity number.

18
19 Fourth, the Company has proposed that if the DSIC reconciliation process in the Annual
20 Filing results in a DSIC over-recovery, this over-recovery should be returned to the
21 ratepayers with interest and if there is a DSIC under-recovery, this under-recovery should
22 be charged to the ratepayers with interest. Ratepayers should receive interest on DSIC
23 over-recoveries, however, they should not be charged interest on DSIC under-recoveries.

1 This so-called “one-way interest provision” is consistent with the similar one-way interest
2 provisions currently in effect in the Company’s Purchased Water Adjustment Clause
3 (PWAC) and Purchased Sewer Treatment Adjustment Clause (PSTAC). While Rate
4 Counsel highlights this item as another inappropriate DSIC component, in no way does this
5 mean that Rate Counsel supports the implementation of the proposed DSIC.

6
7 Fifth, the Company has inappropriately proposed to apply the DSIC to both its water and
8 sewer customers. Since the vast majority of the DSIC-eligible plant to be recovered in the
9 DSIC is related to NJAWC’s water operations, the charging of the same DSIC rate to all of
10 the Company’s water and sewer customers would result in an inappropriate subsidization
11 of the water customers by the sewers customers.

12
13 Finally, there may well be other reasons for rejecting the proposed DSIC rate mechanism
14 that fall outside of my area of expertise such as, for example, legal reasons.

15
16 **Q. MR. HENKES, DOES THIS CONCLUDE YOUR TESTIMONY?**

17 **A.** Yes, it does.

APPENDIX I

PRIOR REGULATORY EXPERIENCE OF ROBERT J. HENKES

* = Testimonies prepared and submitted

ARKANSAS

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

Delmarva Power and Light Company Electric Fuel Clause Proceeding	Docket 41-79	04/1980
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Delmarva Power and Light Company Electric Fuel Clause Proceeding	Docket 80-39	02/1981
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Delmarva Power and Light Company Sale of Power Station Generation	Complaint Docket 279-80	04/1981
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Delmarva Power and Light Company Electric Base Rate Proceeding	Docket 81-12	06/1981
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Delmarva Power and Light Company Gas Base Rate Proceeding*	Docket 81-13	08/1981
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Delmarva Power and Light Company Electric Fuel Clause Proceeding*	Docket 82-45	04/1983
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Delmarva Power and Light Company Electric Fuel Clause Proceeding*	Docket 83-26	04/1984
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Delmarva Power and Light Company Electric Fuel Clause Proceeding*	Docket 84-30	04/1985
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Delmarva Power and Light Company Electric Fuel Clause Proceeding*	Docket 85-26	03/1986
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Delmarva Power and Light Company Report of DP&L Operating Earnings*	Docket 86-24	07/1986
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Delmarva Power and Light Company Electric Base Rate Proceeding*	Docket 86-24	12/1986 01/1987
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Delmarva Power and Light Company Report Re. PROMOD and Its Use in	Docket 85-26	10/1986
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Prior Regulatory Experience of Robert J. Henkes

Fuel Clause Proceedings*

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

Gas Base Rate Proceeding*

Tidewater Utilities Water Base Rate Proceeding*	Docket No. 02-28	07/2002
Artesian Water Company Water Base Rate Proceeding*	Docket No. 02-109	09/2002
Delmarva Power & Light Company Electric Cost of Service Proceeding	Docket No. 02-231	03/2003
Delmarva Power & Light Company Gas Base Rate Proceeding*	Docket No. 03-127	08/2003
Artesian Water Company Water Base Rate Proceeding*	Docket No. 04-42	08/2004
United Water Delaware Water Base Rate Proceeding*	Docket No. 06-174	10/2006

DISTRICT OF COLUMBIA

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

GEORGIA

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Prior Regulatory Experience of Robert J. Henkes

Southern Bell Telephone Company Base Rate Proceeding	Docket 3465-U	08/1984
Southern Bell Telephone Company Base Rate Proceeding	Docket 3518-U	08/1985
Georgia Power Company Electric Base Rate and Nuclear Power Plant Phase-In Proceeding*	Docket 3673-U	08/1987
Georgia Power Company Electric Base Rate and Nuclear Power Plant Phase-In Proceeding*	Docket 3840-U	08/1989
Southern Bell Telephone Company Base Rate Proceeding	Docket 3905-U	08/1990
Southern Bell Telephone Company Implementation, Administration and Mechanics of Universal Service Fund*	Docket 3921-U	10/1990
Atlanta Gas Light Company Gas Base Rate Proceeding*	Docket 4177-U	08/1992
Southern Bell Telephone Company Report on Cash Working Capital*	Docket 3905-U	03/1993
Atlanta Gas Light Company Gas Base Rate Proceeding*	Docket No. 4451-U	08/1993
Atlanta Gas Light Company Gas Base Rate Proceeding	Docket No. 5116-U	08/1994
Georgia Independent Telephone Companies Earnings Review and Show Cause Proceedings	Various Dockets	1994
Georgia Power Company Earnings Review - Report to GPSC*	Non-Docketed	09/1995
Georgia Alltel Telecommunication Companies Earnings and Rate Reviews	Docket No. 6746-U	07/1996
Frontier Communications of Georgia Earnings and Rate Review	Docket No. 4997-U	07/1996

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Prior Regulatory Experience of Robert J. Henkes

Georgia Power Company Electric Base Rate / Accounting Order Proceeding	Docket No. 9355-U	12/1998
Savannah Electric Power Company Electric Base Rate Case/Alternative Rate Plan*	Docket No. 14618-U	03/2002
Georgia Power Company Electric Base Rate / Alternative Rate Plan Proceeding*	Docket No. 18300-U	12/2004
Savannah Electric Power Company Electric Base Rate Case/Alternative Rate Plan*	Docket No. 19758-U	03/2005
Georgia Power Company Electric Base Rate Case/Alternative Rate Plan*	Docket No. 25060-U	10/2007

FERC

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

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

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Prior Regulatory Experience of Robert J. Henkes

Experimental Alternative Regulation Plan*

Delta Natural Gas Company Base Rate Proceeding*	Case No. 99-176	09/1999
Louisville Gas & Electric Company Gas Base Rate Proceeding*	Case No. 2000-080	06/2000
Kentucky-American Water Company Base Rate Proceeding*	Case No. 2000-120	07/2000
Jackson Energy Cooperative Corporation Electric Base Rate Proceeding*	Case No. 2000-373	02/2001
Kentucky-American Water Company Base Rate Rehearing*	Case No. 2000-120	02/2001
Kentucky-American Water Company Rehearing Opposition Testimony*	Case No. 2000-120	03/2001
Union Light Heat and Power Company Gas Base Rate Proceeding*	Case No. 2001-092	09/2001
Louisville Gas & Electric Company and Kentucky Utilities Company Deferred Debits Accounting Order	Case No. 2001-169	10/2001
Fleming-Mason Energy Cooperative Electric Base Rate Proceeding	Case No. 2001-244	05/2002
Northern Kentucky Water District Water District Base Rate Proceeding	Case No. 2003-0224	02/2004
Louisville Gas & Electric Company Electric Base Rate Proceeding*	Case No. 2003-0433	03/2004
Louisville Gas & Electric Company Gas Base Rate Proceeding*	Case No. 2003-0433	03/2004
Delta Natural Gas Company Base Rate Proceeding*	Case No. 2004-00067	07/2004
Union Light Heat and Power Company Gas Base Rate Proceeding*	Case No. 2005-00042	06/2005
Big Sandy Rural Electric Cooperative	Case No. 2005-00125	08/2005

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Prior Regulatory Experience of Robert J. Henkes

Electric Base Rate Proceeding

Louisville Gas & Electric Company Value Delivery Surcredit Mechanism*	Case No. 2005-00352	12/2005
Kentucky Utilities Company Value Delivery Surcredit Mechanism*	Case No. 2005-00351	12/2005
Kentucky Power Company Electric Base Rate Proceeding*	Case No. 2005-00341	01/2006
Cumberland Valley Electric Cooperative Electric Base Rate Proceeding	Case No. 2005-00187	05/2006
South Kentucky Rural Electric Cooperative Electric Base Rate Proceeding	Case No. 2005-00450	07/2006
Duke Energy Kentucky Electric Base Rate Proceeding*	Case No. 2006-00172	09/2006
Atmos Energy Corporation Gas Show Cause Proceeding*	Case No. 2005-00057	09/2006
Inter County Electric Cooperative Electric Base Rate Proceeding	Case No. 2006-00415	04/2007
Atmos Energy Corporation Gas Base Rate Proceeding*	Case No. 2006-00464	04/2007
Columbia Gas of Kentucky Gas Base Rate Proceeding*	Case No. 2007-00008	06/2007
Delta Natural Gas Company Gas Base Rate Proceeding – Alternative Rate Mechanism*	Case No. 2007-00089	08/2007
Nolin Rural Electric Cooperative Corporation Electric Rate Proceeding	Case No. 2006-00466	09/2007
Fleming-Mason Energy Cooperative Electric Base Rate Proceeding	Case No. 2006-00022	10/2007
Jasckson Energy Cooperative Electric Base Rate Proceeding	Case No. 2007-00333	03/2008

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Prior Regulatory Experience of Robert J. Henkes

Jackson Purchase Energy Corporation Electric Base Rate Proceeding	Case No. 2007-00116	04/2008
Blue Grass Energy Cooperative Electric Base Rate Proceeding	Case No. 2008-00011	7/2008
Louisville Gas & Electric Company Electric and Gas Base Rate Proceedings*	Case No. 2008-00252	10/2008
Kentucky Utilities Company Electric Base Rate Proceeding*	Case No. 2008-00251	10/2008
Owen Electric Cooperative Corporation Electric Base Rate Proceeding	Case No. 2008-00154	12/2008
Kenergy Corporation Electric Base Rate Proceeding	Case No. 2008-00323	12/2008

MAINE

Continental Telephone Company of Maine Base Rate Proceeding	Docket 90-040	12/1990
Central Maine Power Company Electric Base Rate Proceeding	Docket 90-076	03/1991
New England Telephone Corporation - Maine Chapter 120 Earnings Review	Docket 94-254	12/1994

MARYLAND

Potomac Electric Power Company Electric Base Rate Proceeding*	Case 7384	01/1980
Delmarva Power and Light Company Electric Base Rate Proceeding*	Case 7427	08/1980
Chesapeake and Potomac Telephone Company Western Electric and License Contract	Case 7467	10/1980
Chesapeake and Potomac Telephone Company Base Rate Proceeding*	Case 7467	10/1980

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Washington Gas Light Company Gas Base Rate Proceeding	Case 7466	11/1980
Delmarva Power and Light Company Electric Base Rate Proceeding*	Case 7570	10/1981
Chesapeake and Potomac Telephone Company Base Rate Proceeding*	Case 7591	12/1981
Chesapeake and Potomac Telephone Company Base Rate Proceeding*	Case 7661	11/1982
Chesapeake and Potomac Telephone Company Computer Inquiry II*	Case 7661	12/1982
Chesapeake and Potomac Telephone Company Divestiture Base Rate Proceeding*	Case 7735	10/1983
AT&T Communications of Maryland Base Rate Proceeding	Case 7788	1984
Chesapeake and Potomac Telephone Company Base Rate Proceeding*	Case 7851	03/1985
Potomac Electric Power Company Electric Base Rate Proceeding	Case 7878	1985
Delmarva Power and Light Company Electric Base Rate Proceeding	Case 7829	1985
<u>NEW HAMPSHIRE</u>		
Granite State Electric Company Electric Base Rate Proceeding	Docket DR 77-63	1977
<u>NEW JERSEY</u>		
Elizabethtown Water Company Water Base Rate Proceeding	Docket 757-769	07/1975
Jersey Central Power and Light Company Electric Base Rate Proceeding	Docket 759-899	09/1975
Middlesex Water Company	Docket 761-37	01/1976

Water Base Rate Proceeding

Jersey Central Power and Light Company Electric Base Rate Proceeding	Docket 769-965	09/1976
Public Service Electric and Gas Company Electric and Gas Base Rate Proceedings	Docket 761-8	10/1976
Atlantic City Electric Company Electric Base Rate Proceeding*	Docket 772-113	04/1977
Public Service Electric and Gas Company Electric and Gas Base Rate Proceedings*	Docket 7711-1107	05/1978
Public Service Electric and Gas Company Raw Materials Adjustment Clause	Docket 794-310	04/1979
Rockland Electric Company Electric Base Rate Proceeding*	Docket 795-413	09/1979
New Jersey Bell Telephone Company Base Rate Proceeding	Docket 802-135	02/1980
Rockland Electric Company Electric Fuel Clause Proceeding*	Docket 8011-836	02/1981
Rockland Electric Company Electric Base Rate Proceeding*	Docket 811-6	05/1981
Rockland Electric Company Electric Fuel Clause Proceeding*	Docket 8110-883	02/1982
Public Service Electric and Gas Company Electric Fuel Clause Proceeding*	Docket 812-76	08/1982
Public Service Electric and Gas Company Raw Materials Adjustment Clause	Docket 812-76	08/1982
New Jersey Bell Telephone Company Base Rate Proceeding	Docket 8211-1030	11/1982
Rockland Electric Company Electric Fuel Clause Proceeding*	Docket 829-777	12/1982
Public Service Electric and Gas Company Electric and Gas Base Rate Proceedings*	Docket 837-620	10/1983

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New Jersey Bell Telephone Company Base Rate Proceeding	Docket 8311-954	11/1983
AT&T Communications of New Jersey Base Rate Proceeding*	Docket 8311-1035	02/1984
Rockland Electric Company Electric Fuel Clause Proceeding*	Docket 849-1014	11/1984
AT&T Communications of New Jersey Base Rate Proceeding*	Docket 8311-1064	05/1985
Public Service Electric and Gas Company Electric and Gas Base Rate Proceedings*	Docket ER8512-1163	05/1986
Public Service Electric and Gas Company Electric Fuel Clause Proceeding*	Docket ER8512-1163	07/1986
Rockland Electric Company Electric Fuel Clause Proceeding*	Docket ER8609-973	12/1986
Rockland Electric Company Electric Fuel Clause Proceeding*	Docket ER8710-1189	01/1988
Public Service Electric and Gas Company Electric Fuel Clause Proceeding*	Docket ER8512-1163	02/1988
United Telephone of New Jersey Base Rate Proceeding	Docket TR8810-1187	08/1989
Rockland Electric Company Electric Fuel Clause Proceeding*	Docket ER9009-10695	09/1990
United Telephone of New Jersey Base Rate Proceeding	Docket TR9007-0726J	02/1991
Elizabethtown Gas Company Gas Base Rate Proceeding*	Docket GR9012-1391J	05/1991
Rockland Electric Company Electric Fuel Clause Proceeding	Docket ER9109145J	11/1991
Jersey Central Power and Light Company Electric Fuel Clause Proceeding	Docket ER91121765J	03/1992

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 Prior Regulatory Experience of Robert J. Henkes

New Jersey Natural Gas Company Gas Base Rate Proceeding*	Docket GR9108-1393J	03/1992
Public Service Electric and Gas Company Electric and Gas Base Rate Proceedings*	Docket ER91111698J	07/1992
Rockland Electric Company Electric Fuel Clause Proceeding	Docket ER92090900J	12/1992
Middlesex Water Company Water Base Rate Proceeding*	Docket WR92090885J	01/1993
Elizabethtown Water Company Water Base Rate Proceeding*	Docket WR92070774J	02/1993
Public Service Electric and Gas Company Electric Fuel Clause Proceeding	Docket ER91111698J	03/1993
New Jersey Natural Gas Company Gas Base Rate Proceeding*	Docket GR93040114	08/1993
Atlantic City Electric Company Electric Fuel Clause Proceeding	Docket ER94020033	07/1994
Borough of Butler Electric Utility Various Electric Fuel Clause Proceedings	Docket ER94020025	1994
Elizabethtown Water Company Water Base Rate Proceeding	Non-Docketed	11/1994
Public Service Electric and Gas Company Electric Fuel Clause Proceeding	Docket ER 94070293	11/1994
Rockland Electric Company Electric Fuel Clause Proceeding and Purchased Power Contract By-Out	Docket Nos. 940200045 and ER 9409036	12/1994
Jersey Central Power & Light Company Electric Fuel Clause Proceeding	Docket ER94120577	05/1995
Elizabethtown Water Company Purchased Water Adjustment Clause Proceeding*	Docket WR95010010	05/1995
Middlesex Water Company Purchased Water Adjustment Clause Proceeding	Docket WR94020067	05/1995

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 Prior Regulatory Experience of Robert J. Henkes

New Jersey American Water Company* Base Rate Proceeding	Docket WR95040165	01/1996
Rockland Electric Company Electric Fuel Clause Proceeding	Docket ER95090425	01/1996
United Water of New Jersey Base Rate Proceeding*	Docket WR95070303	01/1996
Elizabethtown Water Company Base Rate Proceeding*	Docket WR95110557	03/1996
New Jersey Water and Sewer Adjustment Clauses Rulemaking Proceeding*	Non-Docketed	03/1996
United Water Vernon Sewage Company Base Rate Proceeding*	Docket WR96030204	07/1996
United Water Great Gorge Company Base Rate Proceeding*	Docket WR96030205	07/1996
South Jersey Gas Company Base Rate Proceeding	Docket GR960100932	08/1996
Middlesex Water Company Purchased Water Adjustment Clause Proceeding*	Docket WR96040307	08/1996
Atlantic City Electric Company Fuel Adjustment Clause Proceeding*	Docket No.ER96030257	08/1996
Public Service Electric & Gas Company and Atlantic City Electric Company Investigation into the continuing outage of the Salem Nuclear Generating Station*	Docket Nos. ES96039158 & ES96030159	10/1996
Rockland Electric Company Electric Fuel Clause Proceeding*	Docket No.EC96110784	01/1997
Consumers New Jersey Water Company Base Rate Proceeding*	Docket No.WR96100768	03/1997
Atlantic City Electric Company Fuel Adjustment Clause Proceeding*	Docket No.ER97020105	08/1997
Public Service Electric & Gas Company Electric Restructuring Proceedings*	Docket Nos. EX912058Y, EO97070461, EO97070462,	

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	EO97070463	11/1997
Atlantic City Electric Company Limited Issue Rate Proceeding*	Docket No.ER97080562	12/1997
Rockland Electric Company Limited Issue Rate Proceeding	Docket No.ER97080567	12/1997
South Jersey Gas Company Limited Issue Rate Proceeding	Docket No.GR97050349	12/1997
New Jersey American Water Company Limited Issue Rate Proceeding	Docket No.WR97070538	12/1997
Elizabethtown Water Company and Mount Holly Water Company Limited Issue Rate Proceedings	Docket Nos. WR97040288, WR97040289	12/1997
United Water of New Jersey, United Water Toms River and United Water Lambertville Limited Issue Rate Proceedings	Docket Nos.WR9700540, WR97070541, WR97070539	12/1997
Public Service Electric & Gas Company Electric Restructuring Proceedings*	Docket Nos. EX912058Y, EO97070461, EO97070462, EO97070463	01/1998
Consumers New Jersey Water Company Base Rate Proceeding*	Docket No. WR97080615	01/1998
New Jersey-American Water Company Base Rate Proceeding*	Docket No.WR98010015	07/1998
Consumers New Jersey Water Company Merger Proceeding	Docket No.WM98080706	12/1998
Atlantic City Electric Company Fuel Adjustment Clause Proceeding*	Docket No.ER98090789	02/1999
Middlesex Water Company Base Rate Proceeding*	Docket No.WR98090795	03/1999
Mount Holly Water Company Base Rate Proceeding - Phase I*	Docket No. WR99010032	07/1999
Mount Holly Water Company Base Rate Proceeding - Phase II*	Docket No. WR99010032	09/1999

New Jersey American Water Company Acquisitions of Water Systems	Docket Nos. WM9910018 09/1999 WM9910019 09/1999
Mount Holly Water Company Merger with Homestead Water Utility	Docket No. WM99020091 10/1999
Applied Wastewater Management, Inc. Merger with Homestead Treatment Utility	Docket No. WM99020090 10/1999
Environmental Disposal Corporation (Sewer) Base Rate Proceeding*	Docket No. WR99040249 02/2000
Elizabethtown Gas Company Gas Cost Adjustment Clause Proceeding DSM Adjustment Clause Proceeding	Docket No. GR99070509 03/2000 Docket No. GR99070510 03/2000
New Jersey American Water Company Gain on Sale of Land	Docket No. WM99090677 04/2000
Jersey Central Power & Light Company NUG Contract Buydown	Docket No. EM99120958 04/2000
Shore Water Company Base Rate Proceeding	Docket No. WR99090678 05/2000
Shorelands Water Company Water Diversion Rights Acquisition	Docket No. WO00030183 05/2000
Mount Holly and Elizabethtown Water Companies Computer and Billing Services Contracts	Docket Nos. WO99040259 06/2000 WO9904260 06/2000
United Water Resources, Inc. Merger with Suez-Lyonnaise	Docket No. WM99110853 06/2000
E'Town Corporation Merger with Thames, Ltd.	Docket No. WM99120923 08/2000
Consumers Water Company Water Base Rate Proceeding*	Docket No. WR00030174 09/2000
Atlantic City Electric Company Buydown of Purchased Power Contract	Docket No. EE00060388 09/2000
Applied Wastewater Management, Inc. Authorization for Accounting Changes	Docket No. WR00010055 10/2000

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Elizabethtown Gas Company Gas Cost Adjustment Clause Proceeding	Docket No. GR00070470	10/2000
DSM Adjustment Clause Proceeding	Docket No. GR00070471	10/2000
Trenton Water Works Water Base Rate Proceeding*	Docket No. WR00020096	10/2000
Middlesex Water Company Water Base Rate Proceeding*	Docket No. WR00060362	11/2000
New Jersey American Water Company Land Sale - Ocean City	Docket No. WM00060389	11/2000
Pineland Water Company Water Base Rate Proceeding*	Docket No. WR00070454	12/2000
Pineland Wastewater Company Wastewater Base Rate Proceeding*	Docket No. WR00070455	12/2000
Elizabethtown Gas Company Regulatory Treatment of Gain on Sale of Property*	Docket No. GR00070470	02/2001
Wildwood Water Utility Water Base Rate Proceeding*	Docket No. WR00100717	04/2001
Roxbury Water Company Water Base Rate Proceeding	Docket No. WR01010006	06/2001
SB Water Company Water Base Rate Proceeding	Docket No. WR01040232	06/2001
Pennsgrove Water Company Water Base Rate Proceeding*	Docket No. WR00120939	07/2001
Public Service Electric & Gas Company Gas Base Rate Proceeding* Direct Testimony	Docket No. GR01050328	08/2001
Public Service Electric & Gas Company Gas Base Rate Proceeding* Surrebuttal Testimony	Docket No. GR01050328	09/2001
Elizabethtown Water Company Water Base Rate Proceeding*	Docket No. WR01040205	10/2001

Middlesex Water Company Financing Proceeding	Docket No. WF01090574	12/2001
New Jersey American Water Company Financing Proceeding	Docket No. WF01050337	12/2001
Consumers New Jersey Water Company Stock Transfer/Change in Control Proceeding	Docket No. WF01080523	01/2002
Consumers New Jersey Water Company Water Base Rate Proceeding	Docket No. WR02030133	07/2002
New Jersey American Water Company Change of Control (Merger) Proceeding*	Docket No. WM01120833	07/2002
Borough of Haledon -- Water Department Water Base Rate Proceeding*	Docket No. WR01080532	07/2002
New Jersey American Water Company Change of Control (Merger) Proceeding	Docket No. WM02020072	09/2002
Public Service Electric & Gas Company Electric Base Rate Proceeding Direct Testimony*	Docket No. ER02050303	10/2002
United Water Lambertville Land Sale Proceeding	Docket No. WM02080520	11/2002
United Water Vernon Hills & Hampton Management Service Agreement	Docket No. WE02080528	11/2002
United Water New Jersey Metering Contract With Affiliate	Docket No. WO02080536	12/2002
Public Service Electric & Gas Company Electric Base Rate Proceeding Surrebuttal and Supplemental Surrebuttal Testimonies*	Docket No. ER02050303	12/2002
Public Service Electric & Gas Company Minimum Pension Liability Proceeding	Docket No. EO02110853	12/2002
Public Service Electric & Gas Company Electric Base Rate Proceeding Supplemental Direct Testimony*	Docket No. ER02050303	12/2002

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Public Service Electric & Gas Company Electric Deferred Balance Proceeding Direct Testimony*	Docket No. ER02050303	01/2003
Rockland Electric Company Electric Base Rate Proceeding Direct Testimony*	Docket No. ER02100724	01/2003
Public Service Electric & Gas Company Supplemental Direct Testimony*	Docket No. ER02050303	02/2003
Rockland Electric Company Electric Base Rate Proceeding Supplemental Direct Testimony*	Docket No. ER02100724	02/2003
Consumers New Jersey Water Company Acquisition of Maxim Sewerage Company	Docket No. WM02110808	05/2003
Rockland Electric Company Audit of Competitive Services	Docket No. EA02020098	06/2003
New Jersey Natural Gas Company Audit of Competitive Services	Docket No. GA02020100	06/2003
Public Service Electric & Gas Company Audit of Competitive Services	Docket No. EA02020097	06/2003
Mount Holly Water Company Water Base Rate Proceeding*	Docket No. WR03070509	12/2003
Elizabethtown Water Company Water Base Rate Proceeding*	Docket No. WR03070510	12/2003
New Jersey-American Water Company Water and Sewer Base Rate Proceeding*	Docket No. WR03070511	12/2003
Applied Wastewater Management, Inc. Water and Sewer Base Rate Proceeding*	Docket No. WR03030222	01/2004
Middlesex Water Company Water Base Rate Proceeding	Docket No. WR03110900	04/2004
Consumers New Jersey Water Company Water Base Rate Proceeding	Docket No. WR02030133	07/2004
Roxiticus Water Company	Docket No. WR04060454	08/2004

Purchased Water Adjustment Clause

Rockland Electric Company Societal Benefit Charge Proceeding	Docket No. ET04040235	08/2004
Wildwood Water Utility Water Base Rate Proceeding - Interim Rates	Docket No. WR04070620	08/2004
United Water Toms River Litigation Cost Accounting Proceeding	Docket No. WF04070603	11/2004
Lake Valley Water Company Water Base Rate Proceeding	Docket No. WR04070722	12/2004
Public Service Electric & Gas Company Customer Account System Proceeding	Docket No. EE04070718	02/2005
Jersey Central Power and Light Company Various Land Sales Proceedings	Docket No. EM04101107 Docket No. EM04101073 Docket No. EM04111473	02/2005 02/2005 03/2005
Environmental Disposal Corporation Water Base Rate Proceeding	Docket No. WR040080760	05/2005
Universal Service Fund Compliance Filing For 7 New Jersey Electric and Gas Utilities	Docket No. EX00020091	05/2005
Rockland Electric Company Societal Benefit Charge Proceeding	Docket No. ET05040313	08/2005
Public Service Electric & Gas Company Buried Underground Distribution Tariff Proceeding	Docket No. ET05010053	08/2005
Aqua New Jersey Acquisition of Berkeley Water Co. Water Merger Proceeding	Docket No. WM04121767	08/2005
Middlesex Water Company Water Base Rate Proceeding	Docket No. WR05050451	10/2005
Public Service Electric & Gas Company Land Sale Proceeding	Docket No. EM05070650	10/2005
Public Service Electric & Gas Company Merger of PSEG and Exelon Corporation Direct Testimony	Docket No. EM05020106	11/2005

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Public Service Electric & Gas Company* Merger of PSEG and Exelon Corporation Surrebuttal Testimony	Docket No. EM05020106	12/2005
Public Service Electric & Gas Company* Financial Review of Electric Operations	Docket No. ER02050303	12/2005
Rockland Electric Company Competitive Services Audit	Docket No. EA02020098	12/2005
Public Service Electric & Gas Company Customer Accounting System Cost Recovery	Docket No. EE04070718	01/2006
Roxiticus Water Company Stock Sale and Change of Ownership and Control	Docket No. WM05080755	01/2006
Public Service Electric & Gas Company Competitive Services Audit	Docket No. EA02020097	02/2006
Wildwood Water Company Water Base Rate Proceeding	Docket No. WR05070613	03/2006
Pinelands Water Company Water Base Rate Proceeding*	Docket No. WR05080681	03/2006
Pinelands Wastewater Company Wastewater Base Rate Proceeding*	Docket No. WR05080680	03/2006
Aqua New Jersey Water Company Water Base Rate Proceeding*	Docket No. WR05121022	06/2006
Public Service Electric & Gas Company Gas Base Rate Proceeding*	Docket No. GR05100845	07/2006
New Jersey American Company Consolidated Water Base Rate Proceeding,* New Jersey American Water Company, Elizabethtown Water Company, and Mount Holly Water Company	Docket No. WR06030257	10/2006
Roxiticus Water Company Water Base Rate Proceeding	Docket No. WR06120884	04/2007
United Water Company of New Jersey Change of Control Proceeding	Docket No. WM06110767	05/2007

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United Water Company of New Jersey Water Base Rate Proceeding*	Docket No. WR07020135	09/2007
Middlesex Water Company Water Base Rate Proceeding	Docket No. WR07040275	09/2007
Maxim Wastewater Company Purchased Sewerage Treatment Adjustment Clause	Docket No. WR07080632	11/2007
Fayson Lake Water Company Financing Case	Docket No. WF07080593	12/2007
Atlantic City Electric Company Sales of Utility Properties	Docket No. EM07100800	12/2007
Atlantic City Sewerage Company Base Rate and Purchased Sewerage Treatment Clause Proceedings	Docket No. WR07110866	04/2008
SB Water Company Water Base Rate Proceeding	Docket No. WR07110840	04/2008
Aqua New Jersey Water Company Water Base Rate Proceeding	Docket No. WR07120955	06/2008
Environmental Disposal Corporation Water Base Rate Proceeding	Docket No. WR07090715	06/2008
Middlesex Water Company Financing Case	Docket No. WF08040213	07/2008
Aqua New Jersey Water Company Franchise Case	Docket No. WE08040230	07/2008
Aqua New Jersey Water Company Financing Case	Docket No. WF08040216	07/2008
New Jersey American Water Company Water Base Rate Proceeding*	Docket No. WR08010020	07/2008
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New Jersey American Water Company Purchased Water and Purchased Sewer Treatment Adjustment Clauses	Docket No. WR08050371	10/2008

Pinelands Water Company Water Base Rate Proceeding	Docket No. WR08040282	12/2008
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Pinelands Wastewater Company Wastewater Base Rate Proceeding	Docket No. WR08040283	12/2008
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Central Vermont Public Service Corp. Rate Investigation	Docket No. 5701	04/1994
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Electric Base Rate Proceeding*

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