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

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| **I/M/O THE JOINT PETITION OF PUBLIC** | **)** | |
| **SERVICE ELECTRIC AND GAS COMPANY** | **)** | **BPU DKT. NO. EM05020106** |
| **AND EXELON CORPORATION FOR** | **)** | **OAL DKT. NO.PUC-1874-05** |
| **APPROVAL OF A CHANGE IN CONTROL** | **)** | |
| **OF PUBLIC SERVICE ELECTRIC AND GAS** | **)** | |
| **COMPANY AND RELATED AUTHORIZATIONS** | **)** | |

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# TESTIMONY OF MATTHEW I. KAHAL ON BEHALF OF THE NEW JERSEY DIVISION OF THE RATEPAYER ADVOCATE

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## I. QUALIFICATIONS

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Matthew I. Kahal. I am employed as an independent consultant retained in this matter by the Division of the Ratepayer Advocate (Ratepayer Advocate). My business address is 5565 Sterrett Place, Suite 310, Columbia, Maryland 21044.

Q. PLEASE STATE YOUR EDUCATIONAL BACKGROUND.

A. I hold B.A. and M.A. degrees in economics from the University of Maryland and have completed course work and examination requirements for the Ph.D. degree in economics. My areas of academic concentration included industrial organization, economic development and econometrics.

Q. WHAT IS YOUR PROFESSIONAL BACKGROUND?

A. I have been employed in the area of energy, utility and telecommunications consulting for the past 25 years working on a wide range of topics. Most of my work has focused on electric utility integrated planning, plant licensing, environmental issues, mergers and financial issues. I was a co-founder of Exeter Associates, and from 1981 to 2001 I was employed at Exeter Associates as a Senior Economist and Principal. During that time, I took the lead role at Exeter in performing cost of capital and financial studies. In recent years, the focus of much of my professional work has shifted to electric utility restructuring and competition.

Prior to entering consulting, I served on the Economics Department faculties at the University of Maryland (College Park) and Montgomery College teaching courses on economic principles, development economics and business.

A complete description of my professional background is provided in Appendix A.

Q. HAVE YOU PREVIOUSLY TESTIFIED AS AN EXPERT WITNESS BEFORE UTILITY REGULATORY COMMISSIONS?

A. Yes. I have testified before approximately two-dozen state and federal utility commissions in more than 250 separate regulatory cases. My testimony has addressed a variety of subjects including fair rate of return, resource planning, financial assessments, load forecasting, competitive restructuring, rate design, purchased power contracts, merger economics and other regulatory policy issues. These cases have involved electric, gas, water and telephone utilities. In 1989, I testified before the U.S. House of Representatives, Committee on Ways and Means, on proposed federal tax legislation affecting utilities. A list of these cases may be found in Appendix A, with my statement of qualifications.

Q. WHAT PROFESSIONAL ACTIVITIES HAVE YOU ENGAGED IN SINCE LEAVING EXETER AS A PRINCIPAL IN 2001?

A. Since 2001, I have worked on a variety of consulting assignments pertaining to electric restructuring, purchase power contracts, environmental controls, cost of capital and other regulatory issues. Current and recent clients include the U.S. Department of Justice, U.S. Air Force, U.S. Department of Energy, the Federal Energy Regulatory Commission, Connecticut Attorney General, Pennsylvania Office of Consumer Advocate, New Jersey Division of the Ratepayer Advocate, Rhode Island Division of Public Utilities, Louisiana Public Service Commission, Arkansas Public Service Commission, Maryland Department of Natural Resources and Energy Administration, and MCI.

Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE NEW JERSEY BOARD OF PUBLIC UTILITIES?

A. Yes. I have testified on cost of capital and other matters before the Board of Public Utilities (Board or BPU) in gas, water and electric cases during the past 15 years. A listing of those cases is provided in my attached Statement of Qualifications.

## II. OVERVIEW AND RECOMMENDATIONS SUMMARY

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

A. This case is a review of the proposed merger between Exelon Corporation and Public Service Enterprise Group, Inc. (PSEG), the latter being the parent company of Public Service Electric and Gas Company (PSE&G or the Company). I have been asked by the Ratepayer Advocate to evaluate the implications of the proposed merger for PSE&G's capital structure and cost of capital. This includes the request by Joint Petitioners for approval of the Utility Money Pool, which potentially can provide PSE&G with an additional source of short-term borrowing.

Q. DOES YOUR TESTIMONY ADDRESS THE THRESHOLD QUESTION AS TO WHETHER THE PROPOSED MERGER IS IN THE PUBLIC INTEREST AND SHOULD BE APPROVED BY THE BOARD OF PUBLIC UTILITIES?

A. No, it does not. My testimony provides certain financial assessments, and, in the event that the BPU decides to approve the merger, I recommend certain customer protections, including those associated with the Utility Money Pool. I do not address the broader overall question as to whether the merger is in the public interest.

As discussed later in this Overview section, I alert the BPU to a significant financial risk issue for Exelon Corporation and one of its largest subsidiaries (resulting from pending litigation in Illinois) that has recently come to light. Until and unless this problem is successfully resolved, this merger will be highly problematic for PSE&G and should not go forward.

Q. BEFORE TURNING TO A SUMMARY OF YOUR FINDINGS, PLEASE SUMMARIZE THE MERGER TRANSACTION.

A. The two companies entered into and publicly announced the merger agreement in December 2004. The merger is structured as an exchange of stock transaction (no cash component), whereby PSEG shareholders receive Exelon stock at a ratio of 1.225 to 1.0. This provides PSEG shareholders with a substantial premium value over market value. Exelon has indicated that it plans to increase its dividend so that PSEG shareholders do not experience a per share dividend cut, post merger.

Exelon consists of two very large electric utilities, PECO Energy, which serves the Philadelphia area, and Commonwealth Edison Company (ComEd), which serves the Chicago area. In addition, Exelon Generation is one of the largest unregulated owners of electric generating capacity in the U.S., and is far and away the largest U.S. owner and operator of nuclear capacity, with 17 units. The merged company will be the largest electric utility in the U.S., with about 7 million customers, and, with the addition of PSEG's approximately 3,500 MW of nuclear capacity, the nation's largest nuclear company will become even larger. In addition, PSEG's extensive fossil fleet will provide generation fuel mix diversity to Exelon Generation, which presently is primarily nuclear.

According to the filed case, the newly merged Exelon (to be named Exelon Electric & Gas Corporation) will continue to operate as a multi-utility holding company, with a utility segment and a non-regulated generation segment. PSE&G will continue as an operating subsidiary within the Exelon utility segment (Exelon Energy Delivery), with its own debt issues and balance sheet. While PSE&G will be a separate corporate entity, it will be subject, post merger, to the control and the financial policies/practices of Exelon management.

Q. WHAT ARE YOUR MAIN FINDINGS ON THE FINANCIAL ISSUES THAT YOU HAVE REVIEWED?

A. There are a number of financial implications of the merger that potentially could affect PSE&G's utility service.

(1) Exelon and PSEG management emphasize reduction in business risk, i.e., cost of capital savings, as one of the main benefits of the merger for both regulated and non-regulated operations. However, this does not appear to be addressed in the synergy savings identified in this case, and there is no offer to reduce PSE&G's authorized rate of return. I estimate that even a modest reduction in cost of equity (i.e., 0.25 percent) would reduce utility revenue requirements by $11 million per year, but Joint Petitioners do not propose to flow through that benefit.

(2) The major credit rating agencies have issued reports for the PSEG companies following merger announcement. In general, these reports – for the PSE&G utility – have been neutral to slightly positive. This may be partly due to the fact that the merger is structured as a pure exchange of stock (i.e., no large debt build up to finance the merger), and partly because the credit ratings have no information indicating a change in PSE&G financial practices or policies.

(3) PSE&G today is a financially sound, credit-worthy utility company and does not "need" the merger in order to operate successfully or finance its utility operations. Joint Petitioners have not identified in their filing in this case any significant financial (i.e., access to capital, cost of capital) benefits. That is, the merger does not "solve" a financial problem for PSE&G.

(4) It seems clear that shareholders expect to receive substantial benefits from the merger, with PSEG shareholders receiving a large premium. Exelon projects the merger will be accretive to earnings within the first year or

two, thereby benefiting Exelon shareholders as well as PSEG shareholders.

(5) Mergers can mean substantial organizational changes and therefore potential increases in business risk. Joint Petitioners assert the merger will not adversely impact PSE&G's cost of capital and therefore do not offer ratepayers any protection in the event of such a merger-caused increase.

(6) The merger carries with it certain risks that PSE&G could pursue an increasingly expensive capital structure as a result of the merger (i.e., an overly expensive capital structure beyond that necessary for reasonable credit quality protection needs). I calculate that moving PSE&G toward a more expensive capital structure (e.g., a 10 percentage point increase in the equity ratio) could cost utility customers nearly $60 million per year. Again, no customer protections concerning capital structure have been offered in this case.

(7) Joint Petitioners propose to include PSE&G in the Exelon Utility Money Pool, and they estimate that this arrangement could provide some modest savings for PSE&G. However, based on recent experience, it appears that the main borrower under the existing Utility Money Pool is Exelon's unregulated generation subsidiary, not its regulated utilities.

Q. BASED ON YOUR FINDINGS, WHAT ARE YOUR RECOMMENDATIONS AT THIS TIME?

A. I have several recommendations pertaining to cost of capital and capital structure in the event that the Board decides to approve this merger.

- Joint Petitioners have assured the Board that PSE&G will continue to operate (as it does now) as a stand-alone corporate entity that procures its own external debt capital and has its own separate bond rating. Joint Petitioners should commit in this case not to seek to change that corporate financial structure without obtaining prior Board approval.

- Statements by the Joint Petitioners imply that the merger should lower PSE&G's cost of capital. Any cost of capital reductions should be flowed through to customers as a merger benefit. However, it also is possible that the merger could increase the cost of capital. Therefore, the Joint Petitioners should agree that, if the merger is shown to increase PSE&G's cost of capital, the authorized rate of return for New Jersey retail ratemaking should not reflect that premium cost.

- Based on Joint Petitioners' accounting and financial testimony, the merger could affect PSE&G's balance sheet. Any increase in PSE&G's cost of capital due to capital structure changes directly attributable to the merger (and merger-related accounting) should <u>not</u> be reflected in PSE&G retail rates.

- PSE&G should not be permitted to participate in the Exelon Utility Money Pool. I believe that it is inappropriate to include the unregulated generation subsidiary of Exelon in the <u>Utility</u> Money Pool. Joint Petitioners have not provided justification for that arrangement. PSE&G should be permitted to participate in the Utility Money Pool only if the unregulated generation subsidiary is excluded. In addition, there are various other conditions and clarifications that are appropriate and should accompany any Board approval to participate in the Utility Money Pool.

Q. CAN YOU EXPAND ON THE ADDITIONAL CONDITIONS THAT SHOULD ACCOMPANY ANY BOARD APPROVAL FOR PSE&G PARTICIPATION IN THE UTILITY MONEY POOL?

A. Yes. The Board has previously reviewed and addressed standards for utility participation in a Money Pool (of a multi-utility holding company) for Jersey Central Power & Light Company (JCP&L) (BPU Docket No. EF02030185). I believe the standards established in that docket (most recently updated in the Board's 2005 renewal, Amendment No. 3) are appropriate for PSE&G in this case. In addition, PSE&G has indicated in its discovery responses that shareholders, not ratepayers, should be responsible for any losses (or foregone earnings) that it experiences on Utility Money Pool loans. This concurrence should be made explicit as part of any Board approval.

Q. DOES YOUR TESTIMONY ADDRESS ANY OTHER AREAS OF FINANCIAL PRACTICE?

A. Yes. In August of this year the U.S. Congress enacted the Energy Policy Act of 2005 which will have the effect of repealing the Public Utility Holding Company Act (PUHCA). Exelon is currently a non-exempt utility holding company, and absent PUHCA repeal, the proposed Exelon Electric & Gas Corporation would be as well. PUHCA includes certain financial practice restrictions that protect utility operations, and I believe these restrictions should be continued and adhered to as part of any merger approval. This would include maintaining a minimum level of equity capitalization and prohibiting PSE&G from loaning funds or extending credit to its corporate affiliates other than through the Exelon Utility Money Pool, if PSE&G's participation is approved by the Board. Also, PSE&G must not guarantee the debt or credit instrument of any corporate affiliate nor should PSE&G allow its assets to be pledged as security or collateral for an affiliate. (The term "affiliate" would include both Exelon Energy Delivery and Exelon Corporation.)

Q. EARLIER YOU STATED THAT EXELON CORPORATION IS FACING SUBSTANTIAL FINANCIAL EXPOSURE DUE TO PENDING LITIGATION IN ILLINOIS. WHAT IS THE SOURCE OF THAT UNCERTAINTY?

A. ComEd presently provides bundled electric service to most of its customers in the Chicago area under capped rates that are scheduled to remain in effect until the end of 2006. Only a small portion of ComEd customers and load presently take competitive retail service. ComEd has proposed a wholesale auction process to obtain generation supply after 2006 for its Provider of Last Resort (POLR) retail customers and it further proposes full retail rate recovery of these supply costs. This plan is before the Illinois Commerce Commission (ICC) in Docket No. 05-0159 and is expected to be ruled on by the ICC in early 2006.

This procurement and rate plan is presently being challenged by several consumer and governmental intervenors, with the challenge including the legal authority of the ICC to approve such a plan. Opponents include the Citizens Utility Board (CUB), the Illinois Attorney General and others. The Governor of Illinois also has strongly criticized ComEd's post-2006 plan and has urged ICC rejection. The ICC has rejected the legal challenge of the intervenors to dismiss the docket and has permitted the current docket to continue. The intervenors (hereafter Illinois Plaintiffs) have filed a lawsuit in the Cook County Circuit Court challenging the ICC's rejection of their petition to dismiss and, as of this writing, a court decision on this matter is pending.

Q. WHY IS THIS LEGAL DISPUTE OVER COMED'S POST-2006 PROCUREMENT/RATE PLAN A SERIOUS THREAT TO EXELON'S FINANCIAL POSITION?

A. Exelon portrays this legal challenge as potentially denying ComEd's ability to recover from its customers its full costs of power supply after 2006. ComEd argues that as part of the restructuring process it divested its generation assets, although Exelon Generation (the unregulated affiliate) does own the ComEd former nuclear assets. If ComEd is unable to increase its bundled service rates to recover wholesale procurement costs, it fears that it would experience a "California style" rate squeeze (i.e., retail revenues versus wholesale costs) that could threaten its financial viability.

ComEd has stressed the seriousness of this situation in its various public statements including its October 12, 2005 Memorandum of Law in the pending Circuit Court appeal case. As stated in the Introduction and Overview of that Memorandum,

> At stake is the financial viability of ComEd and the reliability of electric service for millions of consumers in Northern Illinois.

The Memorandum later states

> ComEd cannot continue to provide reliable electric service, or survive financially, if it is forced to incur millions of dollars of costs purchasing electricity at FERC-regulated market prices that the company cannot recover from its customers. (Citation omitted)

Thus, management itself has raised the specter of bankruptcy (or severe financial distress) for its largest utility subsidiary.

Q. HOW IS THIS DISPUTE IN ILLINOIS RELATED TO THIS MERGER CASE?

A. The Joint Petitioners' entire case is predicated on the notion that PSEG and PSE&G will be merged into a highly successful, stable and financially strong corporation. They argue that New Jersey utility customers of PSE&G will benefit from such an arrangement. Such assertions are at best highly questionable as long as the dark cloud of this litigation hangs over ComEd and Exelon. If the Illinois Plaintiffs prevail, Exelon management itself has raised questions concerning ComEd's "financial survival" or "viability." This would mean that the BPU would be asked to approve PSE&G's integration into a financially crippled organization, with a potentially bankrupt sister utility. It would be completely unreasonable and unwise to impose such a risk on PSE&G customers, even if PSEG shareholders and management are willing to do so.

Q. IN RAISING THIS ISSUE, ARE YOU INTENDING TO VENTURE AN OPINION CONCERNING THE OUTCOME OF THIS DISPUTE?

A. No, I offer no opinion regarding the likely outcome of the legal challenge or the merits (legal or policy) of the Illinois Plaintiffs' position. I do observe that this is a highly visible dispute that has involved Exelon, the Governor, the Attorney General, a major consumer agency and others and clearly is regarded as a serious threat by Exelon management. It is therefore vitally important that the BPU be fully aware of this dispute as part of its consideration of this merger case.

Q. IN LIGHT OF PRESENT CIRCUMSTANCES WHAT DO YOU RECOMMEND?

A. The BPU needs to be fully aware of this dispute and should monitor it if it otherwise is inclined to approve the merger. Joint Petitioners can assist by providing updated status reports on this dispute during the pendency of this case.

My testimony in this case addresses only a subset of the public interest issues implicated by this merger (i.e., those related to financing and cost of capital), and for that reason I do not reach an overall conclusion on the merits of the merger. However, I view the potential of a ComEd bankruptcy or severe financial distress as by itself being a merger “fatal flaw.” Even if the Board finds merit in merger approval (even with extensive conditions), I urge that such approval be withheld until Joint Petitioners can demonstrate that this dispute has been acceptably resolved and ComEd’s financial viability no longer is threatened.

Q. HOW IS THE REMAINDER OF YOUR TESTIMONY ORGANIZED?

A. The next section provides financial background on the merger, including the financial benefits that shareholders have received or expect to receive from the merger. Section IV discusses my concerns over cost of capital risks and the need for a cost of capital protection (or “hold harmless”), including one for capital structure. Section V discusses the need for conditions associated with approval PSE&G participation in the Exelon Utility Money Pool. The final section discusses the needs for restrictions given the repeal of PUHCA.

## III. FINANCIAL BACKGROUND

Q. WHAT IS YOUR UNDERSTANDING OF THE MERGER TRANSACTION'S FINANCIAL STRUCTURE?

A. Under the proposed merger, PSE&G will be merged into Exelon Corporation creating the largest electric utility in the U.S. and an unregulated generation company with more than 50,000 MW of installed capacity (prior to divestiture). Post-merger Exelon will be renamed Exelon Electric & Gas Corporation (EEG), and PSEG will cease to exist as of merger closing. The merger will be accomplished by a non-cash exchange of stock, with each PSEG share exchanged for 1.225 shares of Exelon stock.

The new Exelon will have a delivery service subsidiary that will own all three utility companies, PECO Energy, ComEd and PSE&G. Under the present plan, PSE&G will remain intact as a separate corporation, with its own capitalization and debt/preferred stock securities, as a second tier subsidiary of EEG. Although PSE&G will be a separate corporation, it will receive a range of corporate and business services from an Exelon service company that will also provide such services to PECO and ComEd.

Q. PSE&G WILL REMAIN AS A CORPORATE UTILITY SUBSIDIARY POST MERGER. DOES THIS MEAN THAT ITS FINANCIAL PRACTICES AND POLICIES WILL REMAIN UNCHANGED?

A. Based on the filing of Joint Petitioners and data responses, there is no indication that the present financial practices or policies will materially change. For example, Joint Petitioners' witness J. Barry Mitchell suggests that PSE&G can meet capital requirements primarily from internally generated funds, and it will pursue capital structure policies so as to maintain its current relatively favorable credit rating.

Q. WHAT ARE PSE&G'S AND EXELON'S CURRENT CREDIT RATINGS?

A. For senior secured debt, PSE&G is rated low single-A by Standard & Poors (S&P) and Moody's and A by Fitch Ratings. The two Exelon utilities also have single-A credit ratings, while the unregulated subsidiaries have somewhat lower but investment-grade ratings.

Q. WHAT IS THE REACTION OF THE CREDIT RATING AGENCIES TO THE MERGER ANNOUNCEMENT FOR PSE&G?

A. So far, it appears that the rating agencies have taken no action to raise or lower ratings for PSE&G, nor have they indicated that they expect to change those ratings.

Moody's Investors Service (December 2004) suggests the merger is a positive for PSEG's unregulated operations ("the combined entity [Exelon] is expected to have strong credit metrics and Exelon's nuclear expertise is expected to address NRC concerns"). Moody's notes that PSEG's "business risk is higher than a number of comparably rated peers." With respect to PSE&G, however, Moody's notes:

> We anticipate that the merger with Exelon would not have an immediate impact, given that Exelon plans to operate PSE&G along its current business plan, at least initially.

In its December 20 report, Moody's states that it "views the acquisition as being essentially credit neutral" (for PSE&G).

Similarly, S&P finds that the merger is highly beneficial for the parent company's credit quality ("a Lifeline for Public Service Enterprise Group's Credit Quality," January 10, 2005), but there was no such favorable comment for the utility.

Q. WHAT ARE THE IMPLICATIONS OF THESE REPORTS FOR PSE&G?

A. Obviously, these credit rating reports (provided in response to RAR-CS-8) are very limited and based on the information available at and shortly after merger announcement. The credit rating agencies do not express concern that the merger will impair PSE&G's

credit quality, due in part to "the stock for stock nature of the transaction" (Fitch Ratings, December 20, 2004), nor do they see an improvement.

Another implication of these credit reports is that the merger is not needed to protect or support PSE&G's financial integrity, but rather is needed to protect the credit quality of the unregulated operations. Fitch Ratings refers to "the predictable earnings and stable cash flow" of PSE&G. Similarly, Moody's refers to PSE&G as "a low-risk electric and gas T&D business with stable and predictable cash flows." Joint Petitioners' witness Mr. Mitchell indicates that PSE&G should be able to finance its operations with internally generated funds.

Q. HAS MANAGEMENT CONSIDERED THE IMPACT OF THE MERGER ON THE COST OF CAPITAL?

A. As far as I can determine, the issue has been addressed only qualitatively. Exelon and PSEG management state that the merger will result in a "Lower risk profile." (Presentation to securities analysts, February 7-9, 2005, provided in response to RAR-CS-7).

Despite this statement from management asserting a risk reduction, Joint Petitioners claim the merger will not impact PSE&G's cost of capital. In response to RAR-CS-1, Joint Petitioners state:

> The merger is anticipated to maintain risk at comparable levels; as a result, PSE&G's cost of common equity should not be impacted.

The response to this data request does not reflect the diversification and financial strength risks that management has previously and publicly attributed to the merger.

This asserted absence of a cost of equity benefit for PSE&G is contradicted by the August 15, 2005 prefiled testimony of Joint Petitioners' witness E. James Ferland and

Thomas M. O'Flynn. These witnesses discuss business risk reduction from diversification:

> In regard to regulation, PSEG's delivery business falls within the regulatory jurisdiction of a single state. While this jurisdiction has been historically fair and reasonable, such a single-state concentration nonetheless represents a risk. (page 3)

The obvious implication is that the merger mitigates that "single-state concentration" risk, thereby reducing PSE&G's cost of equity. These witnesses also assert that the merger will benefit the Company's credit ratings "from being associated with a parent company with stronger, more diversified cash flows." (Id.)

Q. HOW HAVE EQUITY MARKETS RESPONDED TO THE PROPOSED MERGER?

A. Generally speaking, the reaction from financial markets has been positive for both the PSEG and Exelon sides of the merger transaction. I have had an opportunity to review the post-merger announcement security analyst reports which have been largely favorable, but perhaps the best evidence is the behavior of the stock prices of both companies. Table 1 below shows the price changes for PSEG and Exelon stock, month-end November 2004 and month-end December 2004, with the merger announcement occurring on December 20, 2004.

| Table 1<br>Stock Price Changes for Exelon and PSEG | | | |
|---|---|---|---|
| | **Nov 04** | **Dec 04** | **% Gain** |
| Exelon | $41.71 | $44.07 | +5.66% |
| PSEG | 43.99 | 51.77 | +17.69% |
| S&P 500 | 1,173.82 | 1,211.92 | +3.25% |
| Source: S&P Stock Guide. December 2004, January 2005 | | | |

During December 2004, both companies outperformed the S&P 500, with PSEG shareholders seeing an 18 percent gain. Management estimates the stock price premium to be $1.8 to $2.0 billion, which appears to be consistent with the stock price gain figures shown on Table 1. It is also notable that Exelon stock outperformed the S&P 500 in December 2004 despite incurring the exchange of stock premium. At the time of merger announcement, Exelon indicated its intention to boost its dividend payout such that the former PSEG shareholders acquiring the Exelon stock do not experience a reduction in dividend payments, after accounting for the stock exchange ratio.

Q. WHAT HAS HAPPENED TO EXELON AND PSEG SHARE PRICES SINCE DECEMBER 2004?

A. Shares of both companies have performed quite well. At month end September 2005, Exelon shares were selling at $53, and PSEG shares were selling at $64 (a slight discount to the 1.225 exchange ratio).

Q. HAVE JOINT PETITIONERS OFFERED TO SHARE PSE&G'S COST OF EQUITY REDUCTION BENEFIT WITH CUSTOMERS?

A. No, they have not. Their statements can be interpreted as acknowledging that such a benefit exists (and that it is significant), but no quantification has been provided, nor is there any proposal to flow through even a portion of this benefit to customers.

Q. WHAT WOULD BE A PLAUSIBLE ESTIMATE OF THESE SAVINGS?

A. If Joint Petitioners are correct and PSE&G will enjoy diversification risk reduction and a more favorable credit profile, it would be reasonable to expect a cost of equity reduction of about 25 basis points. That would be a small but meaningful reduction. At year-end 2004, PSE&G's common equity capitalization was $2.7 billion, and hence, the 25 basis point reduction would translate into a $6.8 million annual cost reduction, or about $11 million per year in reduced revenue requirements (i.e., including the income tax gross up). This is a total revenue amount reflecting electric distribution, gas and transmission service based on the simplified assumption that capitalization equals rate base. Absent a flow through to customers, this benefit will go entirely to the EEG shareholders post merger.

Q. DO YOU CONCUR WITH MANAGEMENT'S ASSESSMENT THAT THE MERGER WILL REDUCE THE COST OF CAPITAL FOR PSE&G'S UTILITY OPERATIONS?

A. There are several observations concerning the "risk profile" and therefore cost of equity that are pertinent to this question. The merger does have the potential to reduce the merged entity's risk profile through diversification effects and improving financial performance (i.e., synergies) particularly on the non-regulated side. This may be why management has referred to improving the (merged) Exelon's price/earnings ratio as a potential merger benefit for PSEG and Exelon shareholders. PSE&G could be expected to share in that benefit, although precise quantification of the lower cost of equity is difficult.

The other side of the issue is that mergers sometimes can introduce risk because they require the integration of two very large and complex organizations, often resulting in inefficiencies. This has been noted in the professional literature on mergers.

Q. PLEASE EXPLAIN THE CONCERN IN THE PROFESSIONAL LITERATURE REGARDING RISKS ASSOCIATED WITH MERGERS.

A. Joint Petitioners are entering into this merger based on the belief that the merger will produce the efficiencies, operating risk reductions and other benefits described in this case. There is also, however, a risk that a merger could lead to unanticipated problems or will fail to produce the predicted benefits.

Although there is little systematic evidence concerning merger efficiencies for large electric utilities, numerous studies have been conducted concerning merger efficiency and profitability for unregulated companies. This evidence provides a very mixed picture concerning efficiency gains. After reviewing the academic literature on mergers, Scherer and Ross conclude:

> To sum up, statistical evidence supporting the hypothesis that profitability and efficiency increase following mergers is weak at best.[1]

Jacquemis and Slade reach a nearly identical finding in the literature review chapter they authored in the Handbook of Industrial Organization:

> After examining both theoretical and empirical studies, we conclude that the benefits of merger are not evident, either from the point of view of the shareholder or of society as a whole.[2] (page 437)

Although this literature is referring to mergers in general, the same principle may apply specifically to electric utilities. There is no assurance that predicted efficiencies

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[1] Page 174, Industrial Market Structure and Economic Performance, F.M. Scherer and David Ross, Third Edition, 1990.

[2] Chapter 7, "Cartels, Collusion, and Horizontal Merger," Handbook of Industrial Organization, Richard Schmalensee and Robert Willig (editors), Northern Holland, 1989.

and operating performance benefits will be realized, and this could lead to an increase in the cost of capital.

This concern from the professional literature is directly acknowledged by Joint Petitioners' witnesses Ferland and O'Flynn in their August 15, 2005 prefiled testimony. They explicitly (and correctly, in my view) acknowledge several "concerns and uncertainties" with the merger including:

> The complexities involved in integrating the operations and systems of two large companies. (page 6)

Ratepayers of PSE&G will bear this risk, at least for the regulated side of EEG.

Q. WHAT DO YOU CONCLUDE CONCERNING THE FINANCIAL BACKGROUND ON THE MERGER?

A. The reaction in financial markets for the merger has been neutral to favorable, with the largest beneficiaries to date being PSEG shareholders and bondholders. The lack of market (or credit rating) reaction on the PSE&G side is because the utility today is considered low-risk and financially sound, and no change is being proposed to its current financial practices. Post merger, it will continue to be a stand-alone utility with its own defined capitalization.

A potential concern is that PSE&G's future financial structure and polices will be controlled by Exelon management in Chicago, and there is no way to determine what changes in structure or practices may be introduced in the future. Therefore, Exelon should not be permitted to change the stand-alone corporate or financial structure of PSE&G without BPU prior approval.

## IV. <u>COST OF CAPITAL HOLD HARMLESS</u>

Q. WHY DO YOU BELIEVE A COST OF CAPITAL "HOLD HARMLESS" IS APPROPRIATE TO ACCOMPANY MERGER APPROVAL?

A. I believe that there are two areas for the consideration of such a "hold harmless" condition. The first would be to protect PSE&G ratepayers from an <u>increase</u> in cost rates for debt and equity capital <u>attributable to the merger</u> for inclusion in the Company's fair rate of return on rate base. The second concern would be if the merger resulted in PSE&G claiming a more expensive capital structure for retail ratemaking purposes due to the merger.

With regard to the first issue, there is no specific information presently available that would cause me at this time to predict that a cost of debt or equity increase will occur. In fact, as mentioned, management predicts the opposite, <u>i.e</u>., a risk reduction benefit and improvement in the Exelon price/earnings ratio. There are, however, specific reasons for concern that the merger could result in a more expensive capital structure.

Q. WHAT IS YOUR PRESENT ASSESSMENT OF THE MERGER'S IMPACT ON PSE&G'S CAPITAL COST RATES?

A. As discussed in the last section, if Exelon management continues to employ the same operational and financial practices (and corporate structures) for PSE&G, there is no specific reason to predict an increase in the cost of capital. In fact, the cost of capital could actually decline somewhat due to being part of a more diversified and financially strong corporate entity, as discussed in the last section. The <u>Value Line Investment Survey</u> presently rates Exelon Corporation "1" for Safety (its highest rating), and the two Exelon delivery service utilities (PECO and ComEd) have single-A credit ratings. Exelon was created in 2000 by the merger of Unicom and PECO Energy, and since that merger, the utility credit ratings have remained stable or improved. (Source: July 19, 2005 Discovery Meeting)

Q. WHAT IS THE POSITION OF THE JOINT PETITIONERS ON HOW THE MERGER WILL IMPACT THE PSE&G UTILITY COST OF CAPITAL?

A. Joint Petitioners do not see a basis for predicting an increase or decrease in capital costs due to the merger. In response to RAR-CS-1, they state that the merger "is anticipated to maintain risk at comparable levels," and therefore the cost of capital will not change. In response to RAR-CS-30, the Company states that PSE&G would remain a stand-alone corporate subsidiary; it will continue to be subject to BPU regulation; and the BGS supply acquisition process will not be changed by the merger. "PSE&G will continue to be an electric and gas transmission and distribution business with the same processes for obtaining energy and supplying customers." (RAR-CS-30)

Q. DO YOU CONCUR WITH THE COMPANY'S ASSESSMENT?

A. I agree that PSE&G's basic business structure can be expected to continue. The reality, however, is that PSE&G post merger will be subject to the control of Exelon management, and the current management practices and policies could change in the future, with possible implications for risk. Moreover, as discussed in the last section, mergers represent major challenges and carry with them their own set of risks. This includes the difficulties of integrating two very large corporations and achieving the predicted efficiencies (as noted by witnesses Ferland and O'Flynn), while maintaining a high level of service quality. In addition, PSE&G will be affiliated with the Nation's largest nuclear power asset owner.

As a result of these unpredictable changes in the future, I believe a capital cost hold harmless condition is warranted to protect ratepayers. Given the Joint Petitioners' view that the merger will not increase PSE&G's business risk (and therefore cost of capital), they should have no objection to such a protective condition.

Q. HAVE JOINT PETITIONERS EXPRESSED A POSITION ON A HOLD HARMLESS CONDITION?

A. Yes. In response to RAR-CS-28, Joint Petitioners argue that a capital cost hold harmless "is unnecessary and impractical, for three reasons." Their first argument is that the merger simply will not adversely affect PSE&G's risk profile, as discussed above, and therefore the Board should ignore this issue. Second, the response questions the analytical difficulty of identifying and quantifying an increase in the cost of capital caused by the merger (as opposed to factors unrelated to the merger). Third, it appears that Joint Petitioners believe that it would be proper to reflect such a risk premium in PSE&G's authorized rate of return due to other merger-related benefits that ratepayers will enjoy.

Q. PLEASE RESPOND TO THESE ARGUMENTS.

A. With regard to the first point, if the merger has no identifiable adverse impact on risk, as claimed, then Joint Petitioners should have no objection to this protection. It will be costless to shareholders. The important point is that, although Joint Petitioners may be correct with regard to the current outlook, it is difficult to predict future developments, and many aspects of PSE&G future operations will be controlled by Exelon management, not ratepayers or the BPU. Joint Petitioners should be accountable for the merger's success and ensuring that the merger does not impair PSE&G's risk profile.

The second issue is Joint Petitioners' contention that such a risk premium can be difficult to identify and quantify. This concern is understandable, and I am certainly not suggesting that PSE&G in a rate proceeding must demonstrate the absence of a merger risk premium. At the same time, there is no need to establish and define "the mechanisms for measuring the risk premium" in this proceeding, as Joint Petitioners suggest. Rather, I am merely suggesting that in this proceeding the Board establish a ratemaking principle that PSE&G's fair rate of return on jurisdictional rate base must not include a merger-caused risk premium. In rate cases, all parties should have the right to present evidence identifying and quantifying any such risk premium, and presumably in each case in which such a claim is made that claim will be decided on its own merits. PSE&G, however, should forgo the right to claim the inclusion of a premium in its authorized rate of return that results directly or indirectly from the merger.

I understand Joint Petitioners' third argument as being that PSE&G should be, in fact, entitled to a rate of return premium if the merger does actually increase the cost of capital. They make this assertion because the merger is claimed to provide customers with other rate and non-rate benefits. I do not agree with this argument. Over time, it will be very difficult to verify that customers are being made better off as a result of the merger (and to quantify that benefit), and no mechanism for tracking such benefits in future years has been proposed. Although I am not predicting an increase in capital costs, the risks of such an increase do exist, and it should not result in a rate of return premium.

Q. WHY IS CAPITAL STRUCTURE A RISK?

A. There are several reasons why the merger could adversely affect the capital structure that the Company uses for ratemaking purposes. I believe that PSE&G has a public utility responsibility to employ a reasonable and economical capital structure that (to the extent practicable) minimizes its utility cost of capital, while ensuring the necessary credit quality, financial flexibility and access to capital. Post-merger financial policies for PSE&G (including capital structure) will be subject to the control of Exelon management in Chicago.

A second area of concern is that the merger, as proposed, follows the "purchase method" of accounting and Joint Petitioners propose a number of adjustments to the PSE&G balance sheet. Ratepayer Advocate witness Robert Henkes will be addressing the proposed treatment of regulatory assets and liabilities. At this time, Joint Petitioners propose to allocate approximately $4 billion in goodwill to PSE&G's balance sheet, which has the effect of substantially increasing the common equity balance. (I understand the $4 billion to be a very preliminary estimate subject to revision.)

Q. WITH REGARD TO THE FIRST POINT, DO YOU HAVE ANY REASON TO BELIEVE THAT EXELON WILL ALTER THE PSE&G CAPITAL STRUCTURE FOR RATEMAKING?

A. Yes. Ratepayer Advocate request RAR-CS-11 sought the ratemaking capital structures for PSE&G and the two current Exelon delivery service utilities as of year-end 2004. I summarize the information provided on Schedule MIK-1. The PSE&G capital structure, which excludes the $2.1 billion of securitized debt, shows a 45.9 percent common equity ratio and a 52 percent debt ratio. This appears to be consistent with the current low single-A credit rating that PSE&G management seeks to retain. However, the data response also shows a common equity ratio of 66.8 percent for PECO and 58.0 percent for ComEd, equity ratios that I believe are excessive and would unreasonably increase the cost of capital and retail rates.

It is true that the PECO/ComEd ratemaking capital structures shown on Schedule MIK-1 apply to those companies and not PSE&G. However, they do suggest that Exelon management is very aggressive in establishing expensive capital structures for companies that are very low-risk distribution utilities. This may be an indication that Exelon will seek to move PSE&G to a more expensive capital structure, an increase in cost that would not occur but for the merger.

Q. HOW WILL THE PROPOSED ACCOUNTING CHANGES AFFECT PSE&G'S CAPITAL STRUCTURE?

A. This is shown on a pro forma basis on Exhibit JP-1I, page 2, of the Petition as of September 30, 2004. I show the PSE&G capitalization data on Table 2 below. These values reflect the "actual" capital structure (excluding securitized debt) versus the merger pro-forma capital structure.

**Table 2**

**PSE&G Capital Structure**
**(Sept. 30, 2004)**

| | Actual | | Pro Forma | |
|---|---|---|---|---|
| | **Balance*** | **%** | **Balance*** | **%** |
| Long-Term Debt | $2,936 | 48.8% | $3,053 | 32.0% |
| Current Portion | 362 | 6.0 | 417 | 4.4 |
| Preferred Stock | 80 | 1.3 | 80 | 0.8 |
| Common Equity | 2,637 | 43.8 | 6,000 | 62.8 |
| **Total** | **$6,015** | **100%** | **$9,550** | **100%** |

Source: Exhibit JP-1I, page 2
*Millions of dollars. Actuals are unaudited.

The table shows a dramatic increase in the equity ratio due to the merger, increasing from 44 percent to 63 percent. If this post-merger capital structure is used for ratemaking, it will substantially increase the (pre-tax) rate of return and customer rates.

Q. CAN YOU ESTIMATE THE COST TO RATEPAYERS OF MOVING TO A MORE EXPENSIVE CAPITAL STRUCTURE?

A. Yes. PSE&G currently has a claimed ratemaking capital structure including a common equity ratio of 46.3 percent (excluding securitzed debt) and an overall cost of capital of 7.38 percent, based on a 9.75 percent cost of equity. If PSE&G were to follow PECO and ComEd and increase its equity ratio, its overall pre-tax rate of return would increase substantially. For example, increasing the equity ratio by 10 percentage points from 46.3 to 56.3 percent would increase the overall pre-tax rate of return by a full percentage point. Assuming a combined total rate base for electric distribution, gas distribution and transmission of $5.8 billion (i.e., PSE&G's permanent capitalization), the cost to customers of moving to the thicker equity ratio is nearly $60 million per year for these PSE&G utility services. Moving to the post merger capital structure shown on Table 2 above would produce an even larger cost penalty for PSE&G's utility customers.

Q. IS THE COMPANY INTENDING TO UTILIZE THIS PRO FORMA CAPITAL STRUCTURE FOR RATEMAKING PURPOSES?

A. The Joint Petitioners are non-committal on that issue. The response to RAR-RA-20 states that PSE&G does not plan to alter the debt balance (or cost rate) for ratemaking purposes, i.e., "the debt structure would be the same as if purchase accounting had not been performed at PSE&G". However, the much larger issue is the equity balance. Subsection (b) of that response merely states:

> The equity structure used for ratemaking purposes will be dependent upon the facts and circumstances of the equity balance at the time of the next rate filing. These circumstances will include equity contributions, dividends, earnings, and other adjustments to equity that may be required.

Joint Petitioners' response to RAR-CS-15 acknowledges the equity balance impact of goodwill shown on Exhibit JP-1I, but it declines to state a position on the ratemaking implications:

> PSE&G is not proposing, or asking the BPU to approve, a capital structure to be used for ratemaking purposes as part of this proceeding, and believes that determination should appropriately be made in the context of a future ratemaking proceeding.

Q. WHAT IS YOUR RESPONSE TO THESE STATEMENTS?

A. I appreciate the fact that Joint Petitioners are not specifically requesting capital structure/ratemaking recognition of goodwill as part of this proceeding since doing so potentially could be very harmful to PSE&G customers. However, I believe explicit protections are needed as part of the Board's approval of the merger in this proceeding, rather than leaving this problem and ratepayer exposure for future resolution. While this issue could be left for a future rate case, it is preferable that the terms of Board approval and ratepayer protections – if only in the form of principles – be established in this case.

With regard to capital structure, the Board should rule that the merger should not cause an increase in the common equity ratio to be used for rate of return purposes. To protect customers, for rate of return purposes I recommend capping the PSE&G common equity ratio at its pre-merger level (i.e., level prior to merger closing) for purposes of the first general rate case that occurs after merger closing. The current capital structure appears to be adequate to meet PSE&G's capital access and credit needs. After the first rate case, PSE&G must justify any increase in the common equity ratio and should not propose a more expensive capital structure that is caused solely by the merger.

I accept Joint Petitioners' representation in RAR-CS-15 that the merger will not be used to alter the "historical cost of debt" to be used for ratemaking purposes, but the same should be true for the common equity ratio.

## V. <u>UTILITY MONEY POOL</u>

Q. WHAT IS THE PROPOSAL OF THE JOINT PETITIONERS CONCERNING THE UTILITY MONEY POOL?

A. Exelon presently operates a Utility Money Pool in which its utility subsidiaries may invest on a short-term basis their excess cash, and the participants may borrow available funds instead of or in addition to other borrowing sources. Mr. Mitchell suggests that at times the Utility Money Pool could be a less expensive source of funds than external borrowing. In its filing in this case, Joint Petitioners seek authority for PSE&G to join the Exelon Utility Money Pool and participate as a borrower or source of funds.

Q. WHAT ARE THE PRINCIPAL TERMS BY WHICH A PARTY, SUCH AS PSE&G, MAY PARTICIPATE?

A. Each Party may contribute funds to the Utility Money Pool or borrow from it, to the extent loanable funds are available. Each Party has sole discretion to determine whether to contribute funds, and may withdraw its own contributed funds at any time. Under the Agreement, the contributed funds may either be the utility's surplus cash or funds acquired from external borrowing. However, Mr. Mitchell has indicated that the practice at Exelon has been to limit the funding source to internal funds.

Each Party may borrow from the Utility Money Pool to the extent funds are available up to the borrowing limits set by the Securities and Exchange Commission (SEC), its state regulators or other restrictions. The applicable interest rate is the published rate for high grade commercial paper, or the rate available on money market funds, whichever is higher. If External Funds are the only funds being borrowed, then the cost rate of acquiring those External Funds shall be the Utility Money Pool interest rate.

Funds deposited in the Utility Money Pool not being used for participant loans shall be invested in short-term instruments or bank accounts.

Q. UNDER THE JOINT PETITIONERS' PROPOSAL, WHO WOULD BE THE PARTIES TO THE UTILITY MONEY POOL?

A. It would consist of the three Exelon delivery service utilities (ComEd, PSE&G and PECO), Exelon holding company, Exelon Business Services Company and Exelon Generation Company. It should be noted that Exelon Corporation may participate in the Pool but only as a contributor of funds, not as a borrower.

Q. THE UTILITY MONEY POOL INCLUDES EXELON GENERATION. IS THIS A UTILITY COMPANY?

A. It is my understanding that Exelon Generation is the non-regulated generation affiliate that sells power at market rates, and it is not a utility in the same sense as the delivery service companies, such as PSE&G. Joint Petitioners have not convincingly explained why Exelon Generation's participation is in the public interest. (See the response to RAR-CS-33.) Absent such a convincing explanation, the Board should not approve this arrangement whereby PSE&G is lending its surplus funds (or its borrowing capability) to finance the unregulated Exelon Generation Company.

Q. UNDER THE CURRENT EXELON MONEY POOL, HAS EXELON GENERATION BEEN BORROWING FROM THE UTILITY MONEY POOL?

A. Yes. I show the month-end borrowing balances for each Exelon Money Pool participant during the time period January 2004 to February 2005 on Schedule MIK-2. This schedule shows that the two delivery service utilities have had almost no borrowings (presumably, they are the source of funds), while Exelon Generation borrows about $200 million per month. Exelon Business Services Company's borrowings also are significant, about $82 million on average.

Q. IS THERE ANY DISADVANTAGE TO ALLOWING EXELON GENERATION TO PARTICIPATE AS A BORROWER?

A. There may be. If the credit quality of Exelon Generation declines, then large loans to this unregulated company could increase PSE&G's risk profile. My understanding is that participants in the Utility Money Pool need not meet any credit quality standards. In addition, if there is a corporate objective of financing Exelon Generation with low-cost excess utility cash, it may be more attractive for PSE&G to lend the cash to Exelon Generation (with such loans being assets thereby contributing to PSE&G's common equity ratio), than to transfer that cash to Exelon (through the first tier subsidiary) as a dividend (in which case it stops being common equity). Hence, the Utility Money Pool, with Exelon Generation as a borrower, could contribute to a thicker common equity ratio for PSE&G, and therefore a higher utility cost of capital.

I recommend disallowing PSE&G's participation in the Utility Money Pool unless borrowing is restricted to the actual utilities (and the service company), and Exelon Generation is excluded as an eligible participant.

Q. DO THE JOINT PETITIONERS CLAIM PSE&G WILL OBTAIN SAVINGS OR OTHER BENEFITS FROM THE UTILITY MONEY POOL?

A. Yes. In response to NJLEUC/RESA-PSEG-14, Joint Petitioners have identified Utility Money Pool savings for PSE&G of about 5 to 10 basis points. Since during the past year, PSE&G's short-term borrowings have averaged about $112 million (see response to RAR-CS-13), these savings would average about $50,000 to $100,000 in interest expense. These savings most likely would show up as (small) reductions in Allowance For Funds Used During Construction (AFUDC), and they are <u>not</u> part of the Company's synergy savings estimate.

Q. HAS THE BOARD PREVIOUSLY ADDRESSED THE STANDARDS FOR MONEY POOL PARTICIPATION?

A. Yes. As part of the FirstEnergy merger, JCP&L sought authority from the Board to join the FirstEnergy Intersystem Utility Money Pool. This was approved by the Board in 2002 in Docket No. EF02030185, recently affirmed in Amendment No. 3 in April 2005, subject to certain conditions and restrictions. The restrictions include the following:

(1) The utility shall not acquire external short-term funds (i.e., bank borrowings or commercial paper issuances) in order to contribute funds to the Money Pool.

(2) The utility shall not borrow from the Money Pool if it can do so at lower cost from other sources (e.g., bank borrowings or commercial paper).

(3) The utility's chief financial officer (or designee) shall make decisions concerning the Money Pool based on what is in the best interest of the utility's retail customers.

(4) The utility shall limit its Money Pool contributions to its Internal Funds (i.e., surplus cash from operation) that it otherwise would invest in short-term instruments or bank balances.

(5) Money Pool borrowings shall not equal or exceed one year in duration.

(6) The utility's borrowing amount from the Money Pool shall not exceed the limit on unsecured indebtedness in the Certificate of Incorporation.

(7) The utility shall file with the Board quarterly statements comparing Money Pool interest rates on its borrowing/contributions activity with the contemporaneous market rates for similarly situated utilities.

(8) The utility shall inform the Board within three days if any Money Pool participant fails to meet credit rating standards specified in the Money Pool Agreement.

Q. SHOULD THESE STANDARDS AND REQUIREMENTS ALSO APPLY TO PSE&G'S PARTICIPATION IN THE EXELON UTILITY MONEY POOL?

A. Yes. I believe these standards and requirements are reasonable, and for the most part, they seem to be consistent with either current practice by Exelon companies or the Agreement itself. However, as I mentioned earlier, I do question Exelon Generation's participation since it effectively is a non-regulated merchant generating company. I also recommend that Exelon establish and the BPU approve credit standards for participation as part of any approval process for the Utility Money Pool. It is particularly important given the recent PUHCA repeal that the BPU require standards and conditions for the operation of the Utility Money Pool.

Q. DO YOU HAVE ANY OTHER RECOMMENDATIONS CONCERNING THE UTILITY MONEY POOL?

A. Yes. In any approval of PSE&G's participation in the Utility Money Pool, the Board should require that any losses incurred by PSE&G on Utility Money Pool contributions (including defaults) are treated as "below the line" for retail ratemaking and must not be borne by retail ratepayers. The Company has agreed to this treatment in its responses to RAR-CS-21 and 23. In addition, PSE&G should keep sufficient records to demonstrate its Utility Money Pool borrowings are its lowest cost source of short-term debt.

## VI. <u>PUHCA FINANCIAL ISSUES</u>

Q. WHY IS THE STATUS OF PUHCA AN ISSUE IN THIS CASE?

A. Exelon Corporation is a non-exempt utility holding company under PUHCA, and the assumption at the time this case was filed is that the merged entity, Exelon Electric and Gas Corporation, would be so as well. A number of the data responses submitted in this case by the Joint Petitioners cite to PUHCA requirements as regulating Exelon's activities concerning capital structure, financial transactions and affiliate relationships. As a general matter, such requirements are overseen by the SEC and provide a certain degree of consumer protection.

The recently enacted Energy Policy Act of 2005 effectively provides repeal of PUHCA although some of the SEC's oversight may be transferred to the Federal Energy Regulatory Commission (FERC) and the state commissions. (FERC has recently initiated a rulemaking on this subject.) However, it presently is uncertain how the utility customer protections pertaining to financial policies will be maintained in the future, post merger, with PSE&G operating as one operating company within a larger, financially integrated holding company.

Q. WHY IS THIS A CONCERN?

A. This is a concern because financial policies and practices for PSE&G will be established by Exelon management (at the holding company corporate level) for all three operating utilities and Exelon's large unregulated operations, with the PUHCA protection no longer in place. At issue is whether some or all of those protections should be retained in the form of merger approval conditions.

Q. HAVE THE JOINT PETITIONERS GIVEN ANY INDICATION WHETHER THE REPEAL OF PUHCA WILL RESULT IN ANY CHANGES IN FINANCIAL PRACTICES OR POLICIES?

A. After the enactment of the Energy Policy Act of 2005, the Ratepayer Advocate and Board Staff submitted a number of data requests exploring PUHCA repeal issues. In general, Joint Petitioners have indicated in those responses that they do not at this time intend to change financial plans or policies in response to PUHCA repeal, but there is also no assurance that they would not do so at some future time. (See response to RAR PI-1.) Hence, to ensure that key protections provided by PUHCA continue post merger, certain approval conditions may be warranted.

Q. PLEASE SUMMARIZE THE PERTINENT CHANGES ASSOCIATED WITH PUHCA REPEAL.

A. Joint Petitioners' response to S-OCI-FIN-35 provides a summary of existing PUHCA provisions affecting Exelon utility operations that are subject to the repeal provision of the Energy Policy Act 2005.

- The utility may pay dividends to the parent only out of current and retained earnings and not capital, absent an SEC waiver.
- Securities issuances must be approved (unless approved by the state regulator).
- Holding companies may not borrow from utility subsidiaries.
- Utility money pools are restricted to utilities and utility service companies and are subject to SEC regulatory oversight.
- The holding company and each utility must have a common equity ratio of at least 30 percent and investment grade ratings. (PECO has an exemption.)

- The utilities may not seek higher rates to support exempt wholesale generators (EWGs) or foreign utility companies (FUCOs) or to compensate for their losses.

- Utilities may not issue securities for financing FUCOs or encumber assets for a FUCO.

- There are restrictions on the types of non-utility investments that the corporation may engage in.

- Acquisition of utility stock or assets above a threshold level without SEC approval is prohibited.

- There are various restrictions on affiliate transactions to prevent cross subsidization. Power purchases from affiliate EWGs require state commission public interest findings.

- There are certain limitations on lobbying activities and officers and directors.

In this response, the Joint Petitioners note that some of these PUHCA restrictions or regulations could be retained depending on state and/or FERC rules.

Q. ARE YOU ADDRESSING ALL OF THESE RESTRICTIONS?

A. No, I am not. My testimony addresses issues associated with capital structure and cost of capital effects of the merger. The previous section of my testimony discusses my recommended conditions for any participation by PSE&G in the Utility Money Pool, and I believe these conditions would address PUHCA repeal. Also, my testimony does not address affiliate transactions issues associated with PUHCA restrictions on future Exelon investments.

Q. GIVEN PUHCA REPEAL, WHAT RESTRICTIONS ARE APPROPRIATE?

A. As a result of this merger, PSE&G will be a subsidiary of a much larger corporate entity with at least two utility affiliates and a much larger non-utility segment. In addition, Exelon might engage in future mergers and/or acquisitions creating additional affiliate relationships. The combination of these complex changes and PUHCA repeal creates the need for ensuring that certain protections continue to help ensure PSE&G's financial integrity.

If the Board approves this merger, I recommend retaining the following restrictions:

- Exelon should continue to be required to maintain a minimum common equity ratio of 30 percent. This will help ensure that Exelon (the ultimate parent) retains financial strength and can serve as a source of capital for PSE&G, if needed.

- Other than through the Utility Money Pool (already addressed), PSE&G should not loan funds to, purchase the securities of or extend credit to either the Exelon holding company (including Exelon Energy Delivery) or any corporate affiliate.

- PSE&G shall pay dividends only from current and retained earnings, not from capital.

- PSE&G should not guarantee the debt of Exelon or any corporate affiliate nor encumber its assets to provide security for Exelon or any affiliate.

Q. IS THIS THE FULL SET OF RESTRICTIONS THAT THE BOARD SHOULD IMPOSE AS THE RESULT OF PUHCA REPEAL?

A. No. This is merely the subset of such restrictions relating to capital structure that I am recommending at this time in connection with this merger. The Energy Policy Act of 2005 was only recently enacted and the Ratepayer Advocate will continue to study the implications of PUHCA repeal and the need for consumer protections. Hence, the Ratepayer Advocate may recommend further regulations or restrictions due to PUHCA repeal for Exelon and PSE&G outside of this merger proceeding. In addition, the BPU presently has considerable authority over PSE&G's financial practices, e.g., approval authority over securities issuances. The BPU approval of this merger and my proposed conditions should not in any way waive or substitute for any of the BPU's current regulatory authority over financial practices.

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes, it does.

**PUBLIC SERVICE ELECTRIC & GAS COMPANY**

Ratemaking Capital Structures
of the Operating Utilities
(12/31/2004)

| | PSE&G | PECO | ComEd |
|---|---|---|---|
| Long-Term Debt | 52.0% | 32.2% | 42.0% |
| Preferred Stock | 1.4 | 2.0 | -- |
| Customer Deposits | 0.7 | -- | -- |
| Common Equity | 45.9 | 66.8 | 58.0 |
| **Total** | **100.0%** | **100.0%** | **100.0%** |

Source: RAR-CS-11

Note: The claimed PSE&G ratemaking capital structure excludes $2.1 billion of securitized debt.

**PUBLIC SERVICE ELECTRIC & GAS COMPANY**

Exelon Utility Money Power Borrowings,
January 2004 - February 205
($ Millions, Month ending)

| | Exelon Generation | BSC* | PECO | ComEd |
|---|---|---|---|---|
| January 2005 | $192.5 | $99.0 | $0.0 | $0.0 |
| February | 407.0 | 132.0 | 0.0 | 0.0 |
| March | 226.0 | 0.0 | 0.0 | 0.0 |
| April | 176.0 | 0.0 | 0.0 | 0.0 |
| May | 244.0 | 20.0 | 0.0 | 0.0 |
| June | 198.0 | 35.0 | 0.0 | 0.0 |
| July | 386.0 | 104.5 | 0.0 | 0.0 |
| August | 6.0 | 142.5 | 0.0 | 0.0 |
| September | 0.0 | 125.0 | 0.0 | 17.0 |
| October | 125.0 | 147.0 | 0.0 | 0.0 |
| November | 0.0 | 88.0 | 0.0 | 20.0 |
| December | 283.0 | 59.0 | 0.0 | 0.0 |
| January 2005 | 255.0 | 100.0 | 0.0 | 0.0 |
| February | 95.0 | 101.0 | 0.0 | 0.0 |
| **Average** | **$185.3** | **$82.4** | **$0.0** | **$2.6** |

Source: RAR-CS-19

*BSC refers to the Exelon Business Services Company that both manages the Money Pool and participates in it.

# APPENDIX A

## QUALIFICATIONS OF

## MATTHEW I. KAHAL

## MATTHEW I. KAHAL

Mr. Kahal is currently an independent consulting economist, specializing in energy economics, public utility regulation and financial analysis. Over the past two decades, his work has encompassed electric utility integrated resource planning (IRP), power plant licensing and a wide range of utility financial issues. In the financial area he has conducted numerous cost of capital studies and addressed other financial issues for electric, gas, telephone and water utilities. Mr. Kahal's work in recent years has shifted to electric utility restructuring, mergers and competition.

Mr. Kahal has provided expert testimony on more than 250 occasions before state and federal regulatory commissions and the U.S. Congress. His testimony has covered need for power, integrated resource planning, cost of capital, purchased power practices and contracts, merger economics, industry restructuring and various other regulatory policy issues.

**Education:**

B.A. (Economics) - University of Maryland, 1971.

M.A. (Economics) - University of Maryland, 1974.

Ph.D. candidate - University of Maryland, completed all course work and qualifying examinations.

**Previous Employment:**

1981-2001 - Exeter Associates, Inc. (founding Principal).

1980-1981 - Member of the Economic Evaluation Directorate, The Aerospace Corporation, Washington, D.C. office.

1977-1980 - Economist, Washington, D.C. consulting firm.

1972-1977 - Research/Teaching Assistant and Instructor, Department of Economics, University of Maryland (College Park).

1975-1977 - Lecturer in Business/Economics, Montgomery College.

**Professional Work Experience:**

Mr. Kahal has more than twenty years experience managing and conducting consulting assignments relating to public utility economics and regulation. In 1981, he and five colleagues founded the firm of Exeter Associates, Inc. and for the next 20 years he served as a Principal and corporate officer in the firm. During that time, he supervised multi-million dollar support contracts with the State of Maryland and directed the technical work conducted both by Exeter professional staff and numerous subcontractors. Additionally, Mr. Kahal took the lead role at

Exeter in consulting to the firm's other governmental and private clients in the areas of financial analysis, utility mergers, electric restructuring and utility purchase power contracts.

At the Aerospace Corporation, Mr. Kahal served as an economic consultant to the Strategic Petroleum Reserve (SPR). In that capacity he participated in a detailed financial assessment of the SPR, and developed an econometric forecasting model of U.S. petroleum industry inventories. That study has been used to determine the extent to which private sector petroleum stocks can be expected to protect the U.S. from the impacts of oil import interruptions.

Before entering consulting, Mr. Kahal held faculty positions with the Department of Economics at the University of Maryland and with Montgomery College teaching courses on economic principles, business and economic development.

<u>**Publications and Consulting Reports**</u>:

<u>Projected Electric Power Demands of the Baltimore Gas and Electric Company</u>, Maryland Power Plant Siting Program, 1979.

<u>Projected Electric Power Demands of the Allegheny Power System</u>, Maryland Power Plant Siting Program, January 1980.

<u>An Econometric Forecast of Electric Energy and Peak Demand on the Delmarva Peninsula</u>, Maryland Power Plant Siting Program, March 1980 (with Ralph E. Miller).

<u>A Benefit/Cost Methodology of the Marginal Cost Pricing of Tennessee Valley Authority Electricity</u>, prepared for the Board of Directors of the Tennessee Valley Authority, April 1980.

<u>An Evaluation of the Delmarva Power and Light Company Generating Capacity Profile and Expansion Plan</u>, (Interim Report), prepared for the Delaware Office of the Public Advocate, July 1980, (with Sharon L. Mason).

<u>Rhode Island-DOE Electric Utilities Demonstration Project, Third Interim Report on Preliminary Analysis of the Experimental Results</u>, prepared for the Economic Regulatory Administration, U.S. Department of Energy, July 1980.

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A Survey and Evaluation of Demand Forecast Methods in the Gas Utility Industry, prepared for the Public Utilities Commission of Ohio, Forecasting Division, November 1985, (with Terence Manuel).

A Review and Evaluation of the Load Forecasts of Houston Lighting & Power Company and Central Power & Light Company -- Past and Present, prepared for the Texas Public Utility Commission, December 1985, (with Marvin H. Kahn).

Power Plant Cumulative Environmental Impact Report for Maryland, principal author of three of the eight chapters in the report (Paul E. Miller, ed.), PPSP-CEIR-5, March 1986.

"Potential Emissions Reduction from Conservation, Load Management, and Alternative Power," published in Acid Deposition in Maryland: A Report to the Governor and General Assembly, Maryland Power Plant Research Program, AD-87-1, January 1987.

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Excess Deferred Taxes and the Telephone Utility Industry, April 1988, prepared on behalf of the National Association of State Utility Consumer Advocates.

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An Economic Perspective on Competition and the Electric Utility Industry, November 1994. Prepared for the Electric Consumers' Alliance.

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The FERC Open Access Rulemaking: A Review of the Issues, prepared for the Indiana Office of Utility Consumer Counselor and the Pennsylvania Office of Consumer Advocate, June 1995.

A Status Report on Electric Utility Restructuring: Issues for Maryland, prepared for the Maryland Power Plant Research Program, November 1995 (with Daphne Psacharopoulos).

Modeling the Financial Impacts on the Bell Regional Holding Companies from Changes in Access Rates, prepared for MCI Corporation, May 1996.

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The Economic Feasibility of Power Plant Retirements on the Entergy System, September 2005 with Phil Hayet (prepared for the Louisiana Public Service Commission).

**Conference and Workshop Presentations:**

Workshop on State Load Forecasting Programs, sponsored by the Nuclear Regulatory Commission and Oak Ridge National Laboratory, February 1982 (presentation on forecasting methodology).

Fourteenth Annual Conference of the Michigan State University Institute for Public Utilities, December 1982 (presentation on problems in forecasting).

Conference on Conservation and Load Management, sponsored by the Massachusetts Energy Facilities Siting Council, May 1983 (presentation on cost-benefit criteria).

Maryland Conference on Load Forecasting, sponsored by the Maryland Power Plant Siting Program and the Maryland Public Service Commission, June 1983 (presentation on overforecasting power demands).

The 5th Annual Meetings of the International Association of Energy Economists, June 1983 (presentation on evaluating weatherization programs).

The NARUC Advanced Regulatory Studies Program (presented lectures on capacity planning for electric utilities), February 1984.

The 16th Annual Conference of the Institute of Public Utilities, Michigan State University (discussant on phase-in and excess capacity), December 1984.

U.S. Department of Energy Utilities Conference, Las Vegas, Nevada (presentation of current and future regulatory issues), May 1985.

The 18th Annual Conference of the Institute of Public Utilities, Michigan State University, Williamsburg, Virginia, December 1986 (discussant on cogeneration).

The NRECA Conference on Load Forecasting, sponsored by the National Rural Electric Cooperative Association, New Orleans, Louisiana, December 1987 (presentation on load forecast accuracy).

The Second Rutgers/New Jersey Department of Commerce Annual Conference on Energy Policy in the Middle Atlantic States, Rutgers University, April 1988 (presentation on spot pricing of electricity).

The NASUCA 1988 Mid-Year Meeting, Annapolis, Maryland, June 1988, sponsored by the National Association of State Utility Consumer Advocates (presentation on the FERC electricity avoided cost NOPRs).

The Thirty Second Atlantic Economic Society Conference, Washington, D.C., October 1991 (presentation of a paper on cost of capital issues for the Bell Operating Companies).

The NASUCA 1993 Mid-Year Meeting, St. Louis, Missouri, sponsored by the National Association of State Utility Consumer Advocates, June 1993 (presentation on regulatory issues concerning electric utility mergers).

The NASUCA and NARUC annual meetings in New York City, November 1993 (presentations and panel discussions on the emerging FERC policies on transmission pricing).

The NASUCA annual meetings in Reno, Nevada, November 1994 (presentation concerning the FERC NOPR on stranded cost recovery).

U.S. Department of Energy Utilities/Energy Management Workshop, March 1995 (presentation concerning electric utility competition).

The 1995 NASUCA Mid-Year Meeting, Breckenridge, Colorado, June 1995, (presentation concerning the FERC rulemaking on electric transmission open access).

The 1996 NASUCA Mid-Year Meeting, Chicago, Illinois, June 1996 (presentation concerning electric utility merger issues).

Conference on "Restructuring the Electric Industry," sponsored by the National Consumers League and Electric Consumers Alliance, Washington, D.C., May 1997 (presentation on retail access pilot programs).

The 1997 Mid-Atlantic Conference of Regulatory Utilities Commissioners (MARUC), Hot Springs, Virginia, July 1997 (presentation concerning electric deregulation issues).

Power-Gen '97 International Conference, Dallas, Texas, December 1997 (presentation concerning utility embedded costs of generation supply).

Consumer Summit on Electric Competition, sponsored by the National Consumers League and Electric Consumers' Alliance, Washington, D.C., March 2001 (presentation concerning generation supply and reliability).

National Association of State Utility Consumer Advocates, Mid-Year Meetings, Austin, Texas, June 16-17, 2002 (presenter and panelist on RTO/Standard Market Design issues).

Louisiana State Bar Association, Public Utility Section, October 2, 2002. (Presentation on Performance-Based Ratemaking and panelist on RTO issues). Baton Rouge, Louisiana.

Virginia State Corporation Commission/Virginia State Bar, Twenty Second National Regulatory Conference, May 10, 2004. (Presentation on Electric Transmission System Planning.) Williamsburg, Virginia.

Expert Testimony
of Matthew I. Kahal

| | Docket Number | Utility | Jurisdiction | Client | Subject |
|---|---|---|---|---|---|
| 1. | 27374 & 27375<br>October 1978 | Long Island Lighting Company | New York Counties | Nassau & Suffolk | Economic impacts of proposed rate increase |
| 2. | 6807<br>January 1978 | Generic | Maryland | MD Power Plant Siting Program | Load forecasting |
| 3. | 78-676-EL-AIR<br>February 1978 | Ohio Power Company | Ohio | Ohio Consumers' Counsel | Test year sales and revenues |
| 4. | 17667<br>May 1979 | Alabama Power Company | Alabama | Attorney General | Test year sales, revenues, costs and load forecasts |
| 5. | None<br>April 1980 | Tennessee Valley Authority | TVA Board | League of Women Voters | Time-of-use pricing |
| 6. | R-80021082 | West Penn Power Company | Pennsylvania | Office of Consumer Advocate | Load forecasting, marginal cost pricing |
| 7. | 7259 (Phase I)<br>October 1980 | Potomac Edison Company | Maryland | MD Power Plant Siting Program | Load forecasting |
| 8. | 7222<br>December 1980 | Delmarva Power & Light Company | Maryland | MD Power Plant Siting Program | Need for plant, load forecasting |
| 9. | 7441<br>June 1981 | Potomac Electric Power Company | Maryland | Commission Staff | PURPA standards |
| 10. | 7159<br>May 1980 | Baltimore Gas & Electric | Maryland | Commission Staff | Time-of-use pricing |
| 11. | 81-044-E-42T | Monongahela Power | West Virginia | Commission Staff | Time-of-use rates |
| 12. | 7259 (Phase II)<br>November 1981 | Potomac Edison Company | Maryland | MD Power Plant Siting Program | Load forecasting, load management |
| 13. | 1606<br>September 1981 | Blackstone Valley Electric and Narragansett | Rhode Island | Division of Public Utilities | PURPA standards |
| 14. | RID 1819<br>April 1982 | Pennsylvania Bell | Pennsylvania | Office of Consumer Advocate | Rate of return |
| 15. | 82-0152<br>July 1982 | Illinois Power Company | Illinois | U.S. Department of Defense | Rate of return, CWIP |
| 16. | 7559 | Potomac Edison Company | Maryland | Commission Staff | Cogeneration |

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|---|---|---|---|---|---|
| | September 1982 | | | | |
| 17. | 820150-EU<br>September 1982 | Gulf Power Company | Florida | Federal Executive Agencies | Rate of return, CWIP |
| 18. | 82-057-15<br>January 1983 | Mountain Fuel Supply Company | Utah | Federal Executive Agencies | Rate of return, capital structure |
| 19. | 5200<br>August 1983 | Texas Electric Service Company | Texas | Federal Executive Agencies | Cost of equity |
| 20. | 28069<br>August 1983 | Oklahoma Natural Gas | Oklahoma | Federal Executive Agencies | Rate of return, deferred taxes, capital structure, attrition |
| 21. | 83-0537<br>February 1984 | Commonwealth Edison Company | Illinois | U.S. Department of Energy | Rate of return, capital structure, financial capability |
| 22. | 84-035-01<br>June 1984 | Utah Power & Light Company | Utah | Federal Executive Agencies | Rate of return |
| 23. | U-1009-137<br>July 1984 | Utah Power & Light Company | Idaho | U.S. Department of Energy | Rate of return, financial condition |
| 24. | R-842590<br>August 1984 | Philadelphia Electric Company | Pennsylvania | Office of Consumer Advocate | Rate of return |
| 25. | 840086-EI<br>August 1984 | Gulf Power Company | Florida | Federal Executive Agencies | Rate of return, CWIP |
| 26. | 84-122-E<br>August 1984 | Carolina Power & Light Company | South Carolina | South Carolina Consumer Advocate | Rate of return, CWIP, load forecasting |
| 27. | CGC-83-G & CGC-84-G<br>October 1984 | Columbia Gas of Ohio | Ohio | Ohio Division of Energy | Load forecasting |
| 28. | R-842621<br>October 1984 | Western Pennsylvania Water Company | Pennsylvania | Office of Consumer Advocate | Test year sales |
| 29. | R-842710<br>January 1985 | ALLTEL Pennsylvania Inc. | Pennsylvania | Office of Consumer Advocate | Rate of return |
| 30. | ER-504<br>February 1985 | Allegheny Generating Company | FERC | Office of Consumer Advocate | Rate of return |

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|---|---|---|---|---|---|
| 31. | R-842632<br>March 1985 | West Penn Power Company | Pennsylvania | Office of Consumer Advocate | Rate of return, conservation, time-of-use rates |
| 32. | 83-0537 & 84-0555<br>April 1985 | Commonwealth Edison Company | Illinois | U.S. Department of Energy | Rate of return, incentive rates, rate base |
| 33. | Rulemaking Docket No. 11, May 1985 | Generic | Delaware | Delaware Commission Staff | Interest rates on refunds |
| 34. | 29450<br>July 1985 | Oklahoma Gas & Electric Company | Oklahoma | Oklahoma Attorney General | Rate of return, CWIP in rate base |
| 35. | 1811<br>August 1985 | Bristol County Water Company | Rhode Island | Division of Public Utilities | Rate of return, capital structure |
| 36. | R-850044 & R-850045<br>August 1985 | Quaker State & Continental Telephone Companies | Pennsylvania | Office of Consumer Advocate | Rate of return |
| 37. | R-850174<br>November 1985 | Philadelphia Suburban Water Company | Pennsylvania | Office of Consumer Advocate | Rate of return, financial conditions |
| 38. | U-1006-265<br>March 1986 | Idaho Power Company | Idaho | U.S. Department of Energy | Power supply costs and models |
| 39. | EL-86-37 & EL-86-38<br>September 1986 | Allegheny Generating Company | FERC | PA Office of Consumer Advocate | Rate of return |
| 40. | R-850287<br>June 1986 | National Fuel Gas Distribution Corp. | Pennsylvania | Office of Consumer Advocate | Rate of return |
| 41. | 1849<br>August 1986 | Blackstone Valley Electric | Rhode Island | Division of Public Utilities | Rate of return, financial condition |
| 42. | 86-297-GA-AIR<br>November 1986 | East Ohio Gas Company | Ohio | Ohio Consumers' Counsel | Rate of return |
| 43. | U-16945<br>December 1986 | Louisiana Power & Light Company | Louisiana | Public Service Commission | Rate of return, rate phase-in plan |
| 44. | Case No. 7972<br>February 1987 | Potomac Electric Power Company | Maryland | Commission Staff | Generation capacity planning, purchased power contract |
| 45. | EL-86-58 & EL-86-59 | System Energy Resources and | FERC | Louisiana PSC | Rate of return |

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|---|---|---|---|---|---|
| | March 1987 | Middle South Services | | | |
| 46. | ER-87-72-001<br>April 1987 | Orange & Rockland | FERC | PA Office of Consumer Advocate | Rate of return |
| 47. | U-16945<br>April 1987 | Louisiana Power & Light Company | Louisiana | Commission Staff | Revenue requirement update phase-in plan |
| 48. | P-870196<br>May 1987 | Pennsylvania Electric Company | Pennsylvania | Office of Consumer Advocate | Cogeneration contract |
| 49. | 86-2025-EL-AIR<br>June 1987 | Cleveland Electric Illuminating Company | Ohio | Ohio Consumers' Counsel | Rate of return |
| 50. | 86-2026-EL-AIR<br>June 1987 | Toledo Edison Company | Ohio | Ohio Consumers' Counsel | Rate of return |
| 51. | 87-4<br>June 1987 | Delmarva Power & Light Company | Delaware | Commission Staff | Cogeneration/small power |
| 52. | 1872<br>July 1987 | Newport Electric Company | Rhode Island | Commission Staff | Rate of return |
| 53. | WO 8606654<br>July 1987 | Atlantic City Sewerage Company | New Jersey | Resorts International | Financial condition |
| 54. | 7510<br>August 1987 | West Texas Utilities Company | Texas | Federal Executive Agencies | Rate of return, phase-in |
| 55. | 8063 Phase I<br>October 1987 | Potomac Electric Power Company | Maryland | Power Plant Research Program | Economics of power plant site selection |
| 56. | 00439<br>November 1987 | Oklahoma Gas & Electric Company | Oklahoma | Smith Cogeneration | Cogeneration economics |
| 57. | RP-87-103<br>February 1988 | Panhandle Eastern Pipe Line Company | FERC | Indiana Utility Consumer Counselor | Rate of return |
| 58. | EC-88-2-000<br>February 1988 | Utah Power & Light Co. PacifiCorp | FERC | Nucor Steel | Merger economics |
| 59. | 87-0427<br>February 1988 | Commonwealth Edison Company | Illinois | Federal Executive Agencies | Financial projections |

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| 60. | 870840<br>February 1988 | Philadelphia Suburban Water Company | Pennsylvania | Office of Consumer Advocate | Rate of return |
| 61. | 870832<br>March 1988 | Columbia Gas of Pennsylvania | Pennsylvania | Office of Consumer Advocate | Rate of return |
| 62. | 8063 Phase II<br>July 1988 | Potomac Electric Power Company | Maryland | Power Plant Research Program | Power supply study |
| 63. | 8102<br>July 1988 | Southern Maryland Electric Cooperative | Maryland | Power Plant Research Program | Power supply study |
| 64. | 10105<br>August 1988 | South Central Bell Telephone Co. | Kentucky | Attorney General | Rate of return, incentive regulation |
| 65. | 00345<br>August 1988 | Oklahoma Gas & Electric Company | Oklahoma | Smith Cogeneration | Need for power |
| 66. | U-17906<br>September 1988 | Louisiana Power & Light Company | Louisiana | Commission Staff | Rate of return, nuclear power costs<br>Industrial contracts |
| 67. | 88-170-EL-AIR<br>October 1988 | Cleveland Electric Illuminating Co. | Ohio | Northeast -Ohio Areawide Coordinating Agency | Economic impact study |
| 68. | 1914<br>December 1988 | Providence Gas Company | Rhode Island | Commission Staff | Rate of return |
| 69. | U-12636 & U-17649<br>February 1989 | Louisiana Power & Light Company | Louisiana | Commission Staff | Disposition of litigation proceeds |
| 70. | 00345<br>February 1989 | Oklahoma Gas & Electric Company | Oklahoma | Smith Cogeneration | Load forecasting |
| 71. | RP88-209<br>March 1989 | Natural Gas Pipeline of America | FERC | Indiana Utility Consumer Counselor | Rate of return |
| 72. | 8425<br>March 1989 | Houston Lighting & Power Company | Texas | U.S. Department of Energy | Rate of return |
| 73. | EL89-30-000<br>April 1989 | Central Illinois Public Service Company | FERC | Soyland Power Coop, Inc. | Rate of return |

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|---|---|---|---|---|---|
| 74. | R-891208<br>May 1989 | Pennsylvania American Water Company | Pennsylvania | Office of Consumer Advocate | Rate of return |
| 75. | 89-0033<br>May 1989 | Illinois Bell Telephone Company | Illinois | Citizens Utility Board | Rate of return |
| 76. | 881167-EI<br>May 1989 | Gulf Power Company | Florida | Federal Executive Agencies | Rate of return |
| 77. | R-891218<br>July 1989 | National Fuel Gas Distribution Company | Pennsylvania | Office of Consumer Advocate | Sales forecasting |
| 78. | 8063, Phase III<br>Sept. 1989 | Potomac Electric Power Company | Maryland | Depart. Natural Resources | Emissions Controls |
| 79. | 37414-S2<br>October 1989 | Public Service Company of Indiana | Indiana | Utility Consumer Counselor | Rate of return, DSM, off-system sales, incentive regulation |
| 80. | October 1989 | Generic | U.S. House of Reps. Comm. on Ways & Means | NA | Excess deferred income tax |
| 81. | 38728<br>November 1989 | Indiana Michigan Power Company | Indiana | Utility Consumer Counselor | Rate of return |
| 82. | RP89-49-000<br>December 1989 | National Fuel Gas Supply Corporation | FERC | PA Office of Consumer Advocate | Rate of return |
| 83. | R-891364<br>December 1989 | Philadelphia Electric Company | Pennsylvania | PA Office of Consumer Advocate | Financial impacts (surrebuttal only) |
| 84. | RP89-160-000<br>January 1990 | Trunkline Gas Company | FERC | Indiana Utility Consumer Counselor | Rate of return |
| 85. | EL90-16-000<br>November 1990 | System Energy Resources, Inc. | FERC | Louisiana Public Service Commission | Rate of return |
| 86. | 89-624<br>March 1990 | Bell Atlantic | FCC | PA Office of Consumer Advocate | Rate of return |
| 87. | 8245<br>March 1990 | Potomac Edison Company | Maryland | Depart. Natural Resources | Avoided Cost |

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|---|---|---|---|---|---|
| 88. | 000586<br>March 1990 | Public Service Company of Oklahoma | Oklahoma | Smith Cogeneration Mgmt. | Need for Power |
| 89. | 38868<br>March 1990 | Indianapolis Water Company | Indiana | Utility Consumer Counselor | Rate of return |
| 90. | 1946<br>March 1990 | Blackstone Valley Electric Company | Rhode Island | Division of Public Utilities | Rate of return |
| 91. | 000776<br>April 1990 | Oklahoma Gas & Electric Company | Oklahoma | Smith Cogeneration Mgmt. | Need for Power |
| 92. | 890366<br>May 1990,<br>December 1990 | Metropolitan Edison Company | Pennsylvania | Office of Consumer Advocate | Competitive Bidding Program<br>Avoided Costs |
| 93. | EC-90-10-000<br>May 1990 | Northeast Utilities | FERC | Maine PUC, et. al. | Merger, Market Power, Transmission Access |
| 94. | ER-891109125<br>July 1990 | Jersey Central Power & Light | New Jersey | Rate Counsel | Rate of return |
| 95. | R-901670<br>July 1990 | National Fuel Gas Distribution Corp. | Pennsylvania | Office of Consumer Advocate | Rate of return<br>Test year sales |
| 96. | 8201<br>October 1990 | Delmarva Power & Light Company | Maryland | Depart. Natural Resources | Competitive Bidding, Resource Planning |
| 97. | EL90-45-000<br>April 1991 | Entergy Services, Inc. | FERC | Louisiana PSC | Rate of return |
| 98. | GR90080786J<br>January 1991 | New Jersey Natural Gas | New Jersey | Rate Counsel | Rate of return |
| 99. | 90-256<br>January 1991 | South Central Bell Telephone Co. | Kentucky | Attorney General | Rate of return |
| 100. | U-17949A<br>February 1991 | South Central Bell Telephone Co. | Louisiana | Louisiana PSC | Rate of return |
| 101. | ER90091090J<br>April 1991 | Atlantic City Electric Company | New Jersey | Rate Counsel | Rate of return |

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|---|---|---|---|---|---|
| 102. | 8241, Phase I<br>April 1991 | Baltimore Gas & Electric Co. | Maryland | Dept. of Natural Resources | Environmental controls |
| 103. | 8241, Phase II<br>May 1991 | Baltimore Gas & Electric Company | Maryland | Dept. of Natural Resources | Need for Power, Resource Planning |
| 104. | 39128<br>May 1991 | Indianapolis Water Company | Indiana | Utility Consumer Counselor | Rate of return, rate base, financial planning |
| 105. | P-900485<br>May 1991 | Duquesne Light Company | Pennsylvania | Office of Consumer Advocate | Purchased power contract and related ratemaking |
| 106. | G900240<br>P910502<br>May 1991 | Metropolitan Edison Co.<br>Pennsylvania Electric Co. | Pennsylvania | Office of Consumer Advocate | Purchased power contract and related ratemaking |
| 107. | GR901213915<br>May 1991 | Elizabethtown Gas Co. | New Jersey | Rate Counsel | Rate of return |
| 108. | 91-5032<br>August 1991 | Nevada Power Co. | Nevada | U.S. Dept. of Energy | Rate of return |
| 109. | EL90-48-000<br>November 1991 | Entergy Services | FERC | Louisiana PSC | Capacity transfer |
| 110. | 000662<br>September 1991 | Southwestern Bell Telephone | Oklahoma | Attorney General | Rate of return |
| 111. | U-19236<br>October 1991 | Arkansas Louisiana Gas Company | Louisiana | Louisiana PSC Staff | Rate of return |
| 112. | U-19237<br>December 1991 | Louisiana Gas Service Company | Louisiana | Louisiana PSC Staff | Rate of return |
| 113. | ER91030356J<br>October 1991 | Rockland Electric Company | New Jersey | Rate Counsel | Rate of return |
| 114. | GR91071243J<br>February 1992 | South Jersey Gas Company | New Jersey | Rate Counsel | Rate of return |
| 115. | GR91081393J<br>March 1992 | New Jersey Natural Gas Company | New Jersey | Rate Counsel | Rate of return |

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|---|---|---|---|---|---|
| 116. | P-870235 et al.<br>March 1992 | Pennsylvania Electric Company | Pennsylvania | Office of Consumer Advocate | Cogeneration contracts |
| 117. | 8413<br>March 1992 | Potomac Electric Power Company | Maryland | Dept. of Natural Resources | IPP purchased power contracts |
| 118. | 39236<br>March 1992 | Indianapolis Power & Light Company | Indiana | Utility Consumer Counselor | Least-cost planning<br>Need for power |
| 119. | R-912164<br>April 1992 | Equitable Gas Company | Pennsylvania | Office of Consumer Advocate | Rate of return |
| 120. | ER-91111698J<br>May 1992 | Public Service Electric & Gas Company | New Jersey | Rate Counsel | Rate of return |
| 121. | U-19631<br>June 1992 | Trans Louisiana Gas Company | Louisiana | PSC Staff | Rate of return |
| 122. | ER-91121820J<br>July 1992 | Jersey Central Power & Light Company | New Jersey | Rate Counsel | Rate of return |
| 123. | R-00922314<br>August 1992 | Metropolitan Edison Company | Pennsylvania | Office of Consumer Advocate | Rate of return |
| 124. | 92-049-05<br>September 1992 | US West Communications | Utah | Committee of Consumer Services | Rate of return |
| 125. | 92PUE0037<br>September 1992 | Commonwealth Gas Company | Virginia | Attorney General | Rate of return |
| 126. | EC92-21-000<br>September 1992 | Entergy Services, Inc. | FERC | Louisiana PSC | Merger Impacts (Affidavit) |
| 127. | ER92-341-000<br>December 1992 | System Energy Resources | FERC | Louisiana PSC | Rate of return |
| 128. | U-19904<br>November 1992 | Louisiana Power & Light Company | Louisiana | Staff | Merger analysis, competition competition issues |
| 129. | 8473<br>November 1992 | Baltimore Gas & Electric Company | Maryland | Dept. of Natural Resources | QF contract evaluation |
| 130. | IPC-E-92-25 | Idaho Power Company | Idaho | Federal Executive | Power supply |

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|---|---|---|---|---|---|
| | January 1993 | | | Agencies | clause |
| 131. | E002/GR-92-1185<br>February 1993 | Northern States<br>Power Company | Minnesota | Attorney General | Rate of return |
| 132. | 92-102, Phase II<br>March 1992 | Central Maine<br>Power Company | Maine | Staff | QF contracts prudence and<br>procurements practices |
| 133. | EC92-21-000<br>March 1993 | Entergy Corporation | FERC | Louisiana PSC | Merger issues |
| 134. | 8489<br>March 1993 | Delmarva Power &<br>Light Company | Maryland | Dept. of Natural<br>Resources | Power plant certification |
| 135. | 11735<br>April 1993 | Texas Electric<br>Utilities Company | Texas | Federal Executives<br>Agencies | Rate of return |
| 136. | 2082<br>May 1993 | Providence Gas<br>Company | Rhode Island | Division of Public<br>Utilities | Rate of return |
| 137. | P-00930715<br>December 1993 | Bell Telephone Co.<br>of Pennsylvania | Pennsylvania | Office of Consumer<br>Advocate | Rate of return, financial<br>projections, Bell/TCI merger |
| 138. | R-00932670<br>February 1994 | Pennsylvania-American<br>Water Company | Pennsylvania | Office of Consumer<br>Advocate | Rate of return |
| 139. | 8583<br>February 1994 | Conowingo Power Co. | Maryland | Dept. of Natural<br>Resources | Competitive bidding<br>for power supplies |
| 140. | E-015/GR-94-001<br>April 1994 | Minnesota Power &<br>Light Co. | Minnesota | Attorney General | Rate of return |
| 141. | CC Docket No. 94-1<br>May 1994 | Generic Telephone | FCC | MCI Comm. Corp. | Rate of return |
| 142. | 92-345, Phase II<br>June 1994 | Central Maine Power Co. | Maine | Advocacy Staff | Price Cap Regulation<br>Fuel Costs |
| 143. | 93-11065<br>April 1994 | Nevada Power Co. | Nevada | Federal Executive<br>Agencies | Rate of return |
| 144. | 94-0065<br>May 1994 | Commonwealth Edison Co. | Illinois | Federal Executive<br>Agencies | Rate of return |

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|---|---|---|---|---|---|
| 145. | GR94010002J<br>June 1994 | South Jersey Gas Co. | New Jersey | Rate Counsel | Rate of return |
| 146. | WR94030059<br>July 1994 | New Jersey-American Water Co. | New Jersey | Rate Counsel | Rate of return |
| 147. | RP91-203-000<br>June 1994 | Tennessee Gas Pipeline Company | FERC | Customer Group | Environmental Externalities (oral testimony only) |
| 148. | ER94-998-000<br>July 1994 | Ocean State Power | FERC | Boston Edison Co. | Rate of return |
| 149. | R-00942986<br>July 1994 | West Penn Power Co. | Pennsylvania | Office of Consumer Advocate | Rate of return, emission allowances |
| 150. | 94-121<br>August 1994 | South Central Bell Telephone Co. | Kentucky | Attorney General | Rate of return |
| 151. | 35854-S2<br>November 1994 | PSI Energy, Inc. | Indiana | Utility Consumer Counsel | Merger savings and allocations |
| 152. | IPC-E-94-5<br>November 1994 | Idaho Power Co. | Idaho | Federal Executive Agencies | Rate of return |
| 153. | November 1994 | Edmonton Water | Alberta, Canada | Regional Customer Group | Rate of return<br>(rebuttal only) |
| 154. | 90-256<br>December 1994 | South Central Bell Telephone Co. | Kentucky | Attorney General | Incentive Plan True-Ups |
| 155. | U-20925<br>February 1995 | Louisiana Power & Light Company | Louisiana | PSC Staff | Rate of return<br>Industrial contracts<br>Trust fund earnings |
| 156. | R-00943231<br>February 1995 | Pennsylvania-American Water Company | Pennsylvania | Consumer Advocate | Rate of return |
| 157. | 8678<br>March 1995 | Generic | Maryland | Dept. Natural Resources | Electric Competition<br>Incentive Regulation<br>(oral only) |
| 158. | R-000943271<br>April 1995 | Pennsylvania Power & Light Company | Pennsylvania | Consumer Advocate | Rate of return<br>Nuclear decommissioning |

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| | | | | | Capacity Issues |
| 159. | U-20925<br>May 1995 | Louisiana Power & Light Company | Louisiana | Commission Staff | Class cost of service issues |
| 160. | 2290<br>June 1995 | Narragansett Electric Company | Rhode Island | Division Staff | Rate of return |
| 161. | U-17949E<br>June 1995 | South Central Bell Telephone Company | Louisiana | Commission Staff | Rate of return |
| 162. | 2304<br>July 1995 | Providence Water Supply Board | Rhode Island | Division Staff | Cost recovery of capital spending program |
| 163. | ER95-625-000 et al.<br>August 1995 | PSI Energy, Inc. | FERC | Office of Utility Consumer Counselor | Rate of return |
| 164. | P-00950915 et al.<br>September 1995 | Paxton Creek Cogeneration Assoc. | Pennsylvania | Office of Consumer Advocate | Cogeneration contract amendment |
| 165. | 8702<br>September 1995 | Potomac Edison Company | Maryland | Dept. of Natural Resources | Allocation of DSM Costs (oral only) |
| 166. | ER95-533-001<br>September 1995 | Ocean State Power | FERC | Boston Edison Co. | Cost of equity |
| 167. | 40003<br>November 1995 | PSI Energy, Inc. | Indiana | Utility Consumer Counselor | Rate of return<br>Retail wheeling |
| 168. | P-55, SUB 1013<br>January 1996 | BellSouth | North Carolina | AT&T | Rate of return |
| 169. | P-7, SUB 825<br>January 1996 | Carolina Tel. | North Carolina | AT&T | Rate of return |
| 170. | February 1996 | Generic Telephone | FCC | MCI | Cost of capital |
| 171. | 95A-531EG<br>April 1996 | Public Service Company of Colorado | Colorado | Federal Executive Agencies | Merger issues |
| 172. | ER96-399-000<br>May 1996 | Northern Indiana Public Service Company | FERC | Indiana Office of Utility Consumer Counselor | Cost of capital |

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|---|---|---|---|---|---|
| 173. | 8716<br>June 1996 | Delmarva Power & Light Company | Maryland | Dept. of Natural Resources | DSM programs |
| 174. | 8725<br>July 1996 | BGE/PEPCO | Maryland | Md. Energy Admin. | Merger Issues |
| 175. | U-20925<br>August 1996 | Entergy Louisiana, Inc. | Louisiana | PSC Staff | Rate of return<br>Allocations<br>Fuel Clause |
| 176. | EC96-10-000<br>September 1996 | BGE/PEPCO | FERC | Md. Energy Admin. | Merger issues<br>competition |
| 177. | EL95-53-000<br>November 1996 | Entergy Services, Inc. | FERC | Louisiana PSC | Nuclear Decommissioning |
| 178. | WR96100768<br>March 1997 | Consumers NJ Water Company | New Jersey | Ratepayer Advocate | Cost of Capital |
| 179. | WR96110818<br>April 1997 | Middlesex Water Co. | New Jersey | Ratepayer Advocate | Cost of Capital |
| 180. | U-11366<br>April 1997 | Ameritech Michigan | Michigan | MCI | Access charge reform/financial condition |
| 181. | 97-074<br>May 1997 | BellSouth | Kentucky | MCI | Rate Rebalancing financial condition |
| 182. | 2540<br>June 1997 | New England Power | Rhode Island | PUC Staff | Divestiture Plan |
| 183. | 96-336-TP-CSS<br>June 1997 | Ameritech Ohio | Ohio | MCI | Access Charge reform<br>Economic impacts |
| 184. | WR97010052<br>July 1997 | Maxim Sewerage Corp. | New Jersey | Ratepayer Advocate | Rate of Return |
| 185. | 97-300<br>August 1997 | LG&E/KU | Kentucky | Attorney General | Merger Plan |
| 186. | Case No. 8738<br>August 1997 | Generic<br>(oral testimony only) | Maryland | Dept. of Natural Resources | Electric Restructuring Policy |

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|---|---|---|---|---|---|
| 187. | Docket No. 2592<br>September 1997 | Eastern Utilities | Rhode Island | PUC Staff | Generation Divestiture |
| 188. | Case No.97-247<br>September 1997 | Cincinnati Bell Telephone | Kentucky | MCI | Financial Condition |
| 189. | Docket No. U-20925<br>November 1997 | Entergy Louisiana | Louisiana | PSC Staff | Rate of Return |
| 190. | Docket No. D97.7.90<br>November 1997 | Montana Power Co. | Montana | Montana Consumers Counsel | Stranded Cost |
| 191. | Docket No. EO97070459<br>November 1997 | Jersey Central Power & Light Co. | New Jersey | Ratepayer Advocate | Stranded Cost |
| 192. | Docket No. R-00974104<br>November 1997 | Duquesne Light Co. | Pennsylvania | Office of Consumer Advocate | Stranded Cost |
| 193. | Docket No. R-00973981<br>November 1997 | West Penn Power Co. | Pennsylvania | Office of Consumer Advocate | Stranded Cost |
| 194. | Docket No. A-1101150F0015<br>November 1997 | Allegheny Power System<br>DQE, Inc. | Pennsylvania | Office of Consumer Advocate | Merger Issues |
| 195. | Docket No. WR97080615<br>January 1998 | Consumers NJ Water Company | New Jersey | Ratepayer Advocate | Rate of Return |
| 196. | Docket No. R-00974149<br>January 1998 | Pennsylvania Power Company | Pennsylvania | Office of Consumer Advocate | Stranded Cost |
| 197. | Case No. 8774<br>January 1998 | Allegheny Power System<br>DQE, Inc. | Maryland | Dept. of Natural Resources<br>MD Energy Administration | Merger Issues |
| 198. | Docket No. U-20925 (SC)<br>March 1998 | Entergy Louisiana, Inc. | Louisiana | Commission Staff | Restructuring, Stranded Costs, Market Prices |
| 199. | Docket No. U-22092 (SC)<br>March 1998 | Entergy Gulf States, Inc. | Louisiana | Commission Staff | Restructuring, Stranded Costs, Market Prices |
| 200. | Docket Nos. U-22092 (SC) and U-20925(SC)<br>May 1998 | Entergy Gulf States and Entergy Louisiana | Louisiana | Commission Staff | Standby Rates |

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|---|---|---|---|---|---|
| 201. | Docket No. WR98010015<br>May 1998 | NJ American Water Co. | New Jersey | Ratepayer Advocate | Rate of Return |
| 202. | Case No. 8794<br>December 1998 | Baltimore Gas & Electric Co. | Maryland | MD Energy Admin./Dept. Of Natural Resources | Stranded Cost/ Transition Plan |
| 203. | Case No. 8795<br>December 1998 | Delmarva Power & Light Co. | Maryland | MD Energy Admin./Dept. Of Natural Resources | Stranded Cost/ Transition Plan |
| 204. | Case No. 8797<br>January 1998 | Potomac Edison Co. | Maryland | MD Energy Admin./Dept. Of Natural Resources | Stranded Cost/ Transition Plan |
| 205. | Docket No. WR98090795<br>March 1999 | Middlesex Water Co. | New Jersey | Ratepayer Advocate | Rate of Return |
| 206. | Docket No. 99-02-05<br>April 1999 | Connecticut Light & Power | Connecticut | Attorney General | Stranded Costs |
| 207. | Docket No. 99-03-04<br>May 1999 | United Illuminating Company | Connecticut | Attorney General | Stranded Costs |
| 208. | Docket No. U-20925 (FRP)<br>June 1999 | Entergy Louisiana, Inc. | Louisiana | Staff | Capital Structure |
| 209. | Docket No. EC-98-40-000 et. al.<br>May 1999 | American Electric Power/ Central & Southwest | FERC | Arkansas PSC | Market Power Mitigation |

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|---|---|---|---|---|---|
| 210. | Docket No. 99-03-35<br>July 1999 | United Illuminating Company | Connecticut | Attorney General | Restructuring |
| 211. | Docket No. 99-03-36<br>July 1999 | Connecticut Light & Power Co. | Connecticut | Attorney General | Restructuring |
| 212. | WR99040249<br>Oct. 1999 | Environmental Disposal Corp. | New Jersey | Ratepayer Advocate | Rate of Return |
| 213. | 2930<br>Nov. 1999 | NEES/EUA | Rhode Island | Division Staff | Merger/Cost of Capital |
| 214. | DE99-099<br>Nov. 1999 | Public Service New Hampshire | New Hampshire | Consumer Advocate | Cost of Capital Issues |
| 215. | 00-01-11<br>Feb. 2000 | Con Ed/NU | Connecticut | Attorney General | Merger Issues |
| 216. | Case No. 8821<br>May 2000 | Reliant/ODEC | Maryland | Dept. of Natural Resources | Need for Power/Plant Operations |
| 217. | Case No. 8738<br>July 2000 | Generic | Maryland | Dept. of Natural Resources | DSM Funding |
| 218. | Case No. U-23356<br>June 2000 | Entergy Louisiana, Inc. | Louisiana | PSC Staff | Fuel Prudence Issues<br>Purchased Power |
| 219. | Case No. 21453 et. al<br>July 2000 | SWEPCO | Louisiana | PSC Staff | Stranded Costs |
| 220. | Case No. 20925 (B)<br>July 2000 | Entergy Louisiana | Louisiana | PSC Staff | Purchase Power Contracts |
| 221. | Case No. 24889<br>August 2000 | Entergy Louisiana | Louisiana | PSC Staff | Purchase Power Contracts |
| 222. | Case No. 21453 et. al.<br>February 2001 | CLECO | Louisiana | PSC Staff | Stranded Costs |
| 223. | P-00001860<br>and P-0000181<br>March 2001 | GPU Companies | Pennsylvania | Office of Consumer Advocate | Rate of Return |
| 224. | CVOL-0505662-S | ConEd/NU | Connecticut Superior Court | Attorney General | Merger (Affidavit) |

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|---|---|---|---|---|---|
| | March 2001 | | | | |
| 225. | U-20925 (SC)<br>March 2001 | Entergy Louisiana | Louisiana | PSC Staff | Stranded Costs |
| 226. | U-22092 (SC)<br>March 2001 | Entergy Gulf States | Louisiana | PSC Staff | Stranded Costs |
| 227. | U-25533<br>May 2001 | Entergy Louisiana/<br>Gulf States | Louisiana<br>Interruptible Service | PSC Staff | Purchase Power |
| 228. | P-00011872<br>May 2001 | Pike County Pike | Pennsylvania | Office of Consumer Advocate | Rate of Return |
| 229. | 8893<br>July 2001 | Baltimore Gas & Electric Co. | Maryland | MD Energy Administration | Corporate Restructuring |
| 230. | 8890<br>September 2001 | Potomac Electric/Conectiv | Maryland | MD Energy Administration | Merger Issues |
| 231. | U-25533<br>August 2001 | Entergy Louisiana /<br>Gulf States | Louisiana | Staff | Purchase Power Contracts |
| 232. | U-25965<br>November 2001 | Generic | Louisiana | Staff | RTO Issues |
| 233. | 3401<br>March 2002 | New England Gas Co. | Rhode Island | Division of Public Utilities | Rate of Return |
| 234. | 99-833-MJR<br>April 2002 | Illinois Power Co. | U.S. District Court | U.S. Department of Justice | New Source Review |
| 235. | U-25533<br>March 2002 | Entergy Louisiana/<br>Gulf States | Louisiana | PSC Staff | Nuclear Uprates<br>Purchase Power |
| 236. | P-00011872<br>May 2002 | Pike County Power<br>& Light | Pennsylvania | Consumer Advocate | POLR Service Costs |
| 237. | U-26361, Phase I<br>May 2002 | Entergy Louisiana/<br>Gulf States | Louisiana | PSC Staff | Purchase Power Cost<br>Allocations |
| 238. | R-00016849C001 et al.<br>June 2002 | Generic | Pennsylvania | Pennsylvania OCA | Rate of Return |

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|---|---|---|---|---|---|
| 239. | U-26361, Phase II<br>July 2002 | Entergy Louisiana/<br>Entergy Gulf States | Louisiana | PSC Staff | Purchase Power<br>Contracts |
| 240. | U-20925(B)<br>August 2002 | Entergy Louisiana | Louisiana | PSC Staff | Tax Issues |
| 241. | U-26531<br>October 2002 | SWEPCO | Louisiana | PSC Staff | Purchase Power Contract |
| 242. | 8936<br>October 2002 | Delmarva Power & Lt. | Maryland | Energy Administration<br>Dept. Natural Resources | Standard Offer Service |
| 243. | U-25965<br>November 2002 | SWEPCO/AEP | Louisiana | PSC Staff | RTO Cost/Benefit |
| 244. | 8908 Phase I<br>November 2002 | Generic | Maryland | Energy Administration<br>Dept. Natural Resources | Standard Offer Service |
| 245. | 02S-315EG<br>November 2002 | Public Service Co.<br>of Colorado | Colorado | Fed. Executive Agencies | Rate of Return |
| 246. | EL02-111-000<br>December 2002 | PJM/MISO | FERC | MD PSC | Transmission Ratemaking |
| 247. | 02-0479<br>February 2003 | Commonwealth<br>Edison | Illinois | Dept. of Energy | POLR Service |
| 248. | PL03-1-000<br>March 2003 | Generic | FERC | NASUCA | Transmission<br>Pricing (Affidavit) |
| 249. | U-27136<br>April 2003 | Entergy Louisiana | Louisiana | Staff | Purchase Power Contracts |
| 250. | 8908 Phase II<br>July 2003 | Generic | Maryland | Energy Admin.<br>Dept. of Natural Resources | Standard Offer Service |
| 251. | U-27192<br>June 2003 | Entergy Louisiana<br>and Gulf States | Louisiana | LPSC Staff | Purchase Power Contract<br>Cost Recovery |
| 252. | C2-99-1181<br>October 2003 | Ohio Edison Co. | U.S. District Court | U.S. Department of Justice<br>et. al. | Clean Air Act Compliance<br>Economic Impact (Report) |
| 253. | RP03-398-000<br>December 2003 | Northern Natural<br>Gas Co. | FERC | Municipal Distributors<br>Group/Gas Task Force | Rate of Return |

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|---|---|---|---|---|---|
| 254. | 8738<br>December 2003 | Generic | Maryland | Energy Admin Department<br>of Natural Resources | Environmental Disclosure<br>(oral only) |
| 255. | U-27136<br>December 2003 | Entergy Louisiana, Inc. | Louisiana | PSC Staff | Purchase Power Contracts |
| 256. | U-27192, Phase II<br>October/December 2003 | Entergy Louisiana<br>& Entergy Gulf States | Louisiana | PSC Staff | Purchase Power Contracts |
| 257. | WC Docket 03-173<br>December 2003 | Generic | FCC | MCI | Cost of Capital (TELRIC) |
| 258. | ER 030 20110<br>January 2004 | Atlantic City Electric | New Jersey | Ratepayer Advocate | Rate of Return |
| 259. | E-01345A-03-0437<br>January 2004 | Arizona Public Service Co. | Arizona | Federal Executive Agencies | Rate of Return |
| 260. | 03-10001<br>January 2004 | Nevada Power Co. | Nevada | U.S. Dept. of Energy | Rate of Return |
| 261. | R-00049255<br>June 2004 | PPL Elec. Utility | Pennsylvania | Office of Consumer Advocate | Rate of Return |
| 262. | U-20925<br>July 2004 | Entergy Louisiana, Inc. | Louisiana | PSC Staff | Rate of Return<br>Capacity Resources |
| 263. | U-27866<br>September 2004 | Southwest Electric<br>Power Co. | Louisiana | PSC Staff | Purchase Power Contract |
| 264. | U-27980<br>September 2004 | Cleco Power | Louisiana | PSC Staff | Purchase Power Contract |
| 265. | U-27865<br>October 2004 | Entergy Louisiana, Inc.<br>Entergy Gulf States | Louisiana | PSC Staff | Purchase Power Contract |
| 266. | RP04-155<br>December 2004 | Northern Natural<br>Gas Co. | FERC | Municipal Distributors<br>Group/Gas Task Force | Rate of Return |
| 267. | U-27836<br>January 2005 | Entergy Louisiana/<br>Gulf States | Louisiana | PSC Staff | Power plant purchase<br>and cost recovery |
| 268. | U-199040 et al.<br>February 2005 | Entergy Gulf States/<br>Louisiana | Louisiana | PSC Staff | Global Settlement,<br>Multiple rate proceedings |

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|---|---|---|---|---|---|
| 269. | EF03070532<br>March 2005 | Public Service Electric<br>and Gas | New Jersey | Ratepayers Advocate | Securitization of<br>Deferred Costs |
| 270. | 05-0159<br>June 2005 | Commonwealth<br>Edison | Illinois | Department of Energy | POLR Service |
| 271. | U-28804<br>June 2005 | Entergy Louisiana | Louisiana | LPSC Staff | QF Contract |
| 272. | U-28805<br>June 2005 | Entergy Gulf States | Louisiana | LPSC Staff | QF Contract |
| 273. | 05-0045-EI<br>June 2005 | Florida Power & Lt. | Florida | Federal Executive Agencies | Rate of Return |
| 274. | 9037<br>July 2005 | Generic | Maryland | MD. Energy Administration | POLR Service |
| 275. | U-28155<br>August 2005 | Entergy Louisiana<br>Entergy Gulf States | Louisiana | LPSC Staff | Independent Coordinator<br>of Transmission Plan |