

**INTERSTATE NAVIGATION COMPANY**

**Direct Testimony  
of  
James A. Rothschild**

**March 2004**

**INTERSTATE NAVIGATION COMPANY  
TESTIMONY OF JAMES A. ROTHSCHILD**

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13

1 **I. STATEMENT OF QUALIFICATIONS OF JAMES A. ROTHSCHILD**

2

3 Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

4 A. My name is James A. Rothschild and my address is 115 Scarlet Oak Drive,  
5 Wilton, Connecticut 06897.

6

7 Q. WHAT IS YOUR OCCUPATION?

8 A. I am a financial consultant specializing in utility regulation. I have experience in  
9 the regulation of electric, gas, telephone, sewer, and water utilities throughout the  
10 United States.

11

12 Q. PLEASE SUMMARIZE YOUR UTILITY REGULATORY EXPERIENCE.

13 A. I am President of Rothschild Financial Consulting and have been a consultant  
14 since 1972. From 1979 through January 1985, I was President of Georgetown  
15 Consulting Group, Inc. From 1976 to 1979, I was the President of J. Rothschild  
16 Associates. Both of these firms specialized in utility regulation. From 1972  
17 through 1976, Touche Ross & Co., a major international accounting firm,  
18 employed me as a management consultant. Touche Ross & Co. later merged to  
19 form Deloitte Touche. Much of my consulting at Touche Ross was in the area of  
20 utility regulation. While associated with the above firms, I have worked for  
21 various state utility commissions, attorneys general, and public advocates on  
22 regulatory matters relating to regulatory and financial issues. These have  
23 included rate of return, financial issues, and accounting issues. (Appendix A.)

24

25 Q. WHAT IS YOUR EDUCATIONAL BACKGROUND?

26 A. I received an MBA in Banking and Finance from Case Western University (1971)  
27 and a BS in Chemical Engineering from the University of Pittsburgh (1967).

28

1 **II. BACKGROUND AND PURPOSE**

2

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

4 A. The Town of New Shoreham requested that I examine the proposal made by  
5 Interstate Navigation to increase its rates for Ferry service from Pont Judith, RI to  
6 Block Island, RI by \$2,750,712 or 39.82% and to advise the Town of any  
7 comments on the filing I feel are appropriate.

8 Both the Town and I appreciate the importance of the Interstate Navigation  
9 ferry service to Block Island. We want rates to be high enough to permit the  
10 company the opportunity to provide safe and adequate service, but not so high as  
11 to burden the residents and visitors to Block Island with prices that are higher  
12 than necessary.

13

1 **III. SUMMARY OF FINDINGS AND RECOMMENDATIONS**

2  
3 Q. PLEASE SUMMARIZE YOUR FINDINGS AND RECOMMENDATIONS IN  
4 THIS CASE.

5 A. Interstate Navigation has requested a rate increase way in excess of the amount  
6 needed. This testimony will show why a rate increase of \$244,160, or 3.11%  
7 will provide the Company with a reasonable opportunity to cover its reasonable  
8 operating expenses and provide a fair return on used and useful rate base. This  
9 is far less than the \$2,750,712 increase requested by the Company.

10 Rates are supposed to be set based upon normal conditions. This concept is  
11 especially important when setting rates for a company such as Interstate  
12 Navigation that has a history of many years between rate cases.<sup>1</sup>

13 Interstate Navigation is currently in a period of maximum uncertainty,  
14 making this a time to be extremely careful about how permanent rates are set.  
15 Overestimation of Interstate Navigation's cost of doing business could put the  
16 Company in a position to overcharge passengers for years.

17 Interstate Navigation's business has recently been impacted by:

- 18  
19 1. A new high-speed ferry service that provides some competition for  
20 Interstate Navigation began in mid-2001. The total impact of the  
21 new service is difficult to isolate. Passenger volume in 2003 was

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<sup>1</sup> Interstate Navigation last increased its rates in 1997. Before that, its last rate increase was 1989.

1 down because of unusually poor weather. See Schedule JAR 8.  
2 Therefore it is impossible to say if the passenger drop was all due  
3 to weather conditions or if the high-speed ferry service penetrated  
4 further into the business of Interstate Navigation. Isolating the  
5 effect is complicated by that lack of actual passenger or revenue  
6 data from the company providing the high-speed service.

7 2. The elimination of competition from ferrying automobiles from  
8 New London, CT to Block Island, RI will improve demand for  
9 Interstate's ferryboat service going forward. People who were  
10 using the New London service will now have to use the service  
11 from Point Judith to get a car onto Block Island.

12 3. The elimination of competition of normal speed passenger ferry  
13 service from New London, CT to Block Island, RI will further  
14 impact the future business of Interstate Navigation. Passengers not  
15 bringing cars who used to use the New London service who still  
16 choose to come to Block Island will now have to either use the new  
17 premium priced high-speed ferryboat service from New London or  
18 go to Point Judith and take either the high-speed ferry or an  
19 Interstate Navigation ferry.

20 4. Once the Carol Jean is renovated and back in service and the Anna  
21 C is in full-time service to Block Island, the improved capacity for  
22 both automobiles and people and improved speed of Interstate  
23 Navigation's service from Point Judith, RI, to Block Island, RI will

1                   greatly increase future revenues before considering the impact of  
2                   any rate increase. People wanting to bring cars onto Block Island  
3                   have been severely limited by available capacity. The new  
4                   automobile capacity will quickly be utilized by pent-up demand.

5                   5. The impact of normal business fluctuations from one season to  
6                   another due to factors such as weather and economic conditions  
7                   makes it challenging to isolate cause and effect.

8                   6. The need to provide an as yet uncertain amount of additional effort  
9                   for security.

10                  7. New marketing plan proposals being made by Interstate  
11                  Navigation, including expanded advertising, group discounts, and  
12                  the flexibility for mid-week discounts, if implemented could  
13                  impact future revenues in unpredictable ways. There are not even  
14                  any marketing plans to support any of the proposed discount  
15                  proposals.

16  
17                  The above issues make the determination of likely future revenues at  
18                  current rates and the level of future expenses more uncertain than usual. It  
19                  would be unfair to the Company to set permanent rates based upon an  
20                  unrealistically low future expected revenue level. Likewise, it would be  
21                  unfair to the people who rely upon the ferry service of Interstate Navigation to  
22                  pay for ferry service based upon an overly pessimistic future revenue and  
23                  expense level.

1           My analysis of both the weather conditions and the strong pent-up  
2 demand for automobile service makes me confident that my revenue forecast  
3 is realistic. I also recognize that absent hard data of what the operations of  
4 Interstate Navigation's ferryboat business looks like in a normal weather year,  
5 after the vehicle capacity is increased, and after the non-automobile service is  
6 added from New London, not all will agree on what future revenue forecast is  
7 appropriate. Therefore, to reduce the sensitivity of the revenue forecast, I  
8 recommend a safety net. To ensure that the interests of investors and  
9 ratepayers is balanced, I propose that the overall rate level Interstate  
10 Navigation be allowed to charge be dependent upon actual future revenue  
11 levels achieved in the first two years after Interstate Navigation has full use of  
12 its new and newly renovated fleet. The plan that I propose will enable  
13 permanent rates to be based upon additional key data showing how the  
14 addition of new capacity and both the addition and subtraction of competition  
15 actually impacts the business of Interstate Navigation while saving the  
16 expenses associated with a full rate case. Specifically, I propose the  
17 following:

- 18
- 19           a)           Intestate Navigation be allowed to currently increase its current  
20                       rates by \$244,160, or 3.11% for service beginning June 1, 2004.
  - 21
  - 22           b)           **FIRST ADJUSTMENT PERIOD.** If total actual revenues  
23                       earned by Interstate Navigation from April 1, 2005 through



1 March 31, 2006 plus a pro-forma adjustment to annualize the  
2 impact of any new rate increases implemented between April 1,  
3 2005 and March 31, 2006 are less than \$8,478,000<sup>2</sup>, then  
4 Interstate Navigation should be allowed to further increase its  
5 rates starting on June 1, 2006 by the lesser of the percentage  
6 that actual annualized revenues fall below \$8,478,000, or 10%.  
7 This increase is conditioned on the expectation that all three of  
8 the planned vehicle carrying vessels will be utilized to provide  
9 full service between Point Judith and Block Island during the  
10 summer season of 2005 and that there are no serious quality of  
11 service issues found by the Commission to have improperly  
12 suppressed revenues.

13 c) **SECOND ADJUSTMENT PERIOD.** If total actual revenues  
14 earned by Interstate Navigation from April 1, 2006 through  
15 March 31, 2007 plus a pro-forma adjustment to annualize the  
16 impact of the new rate increase (if any) implemented on June 1,  
17 2006 are less than \$8,092,191, then Interstate Navigation  
18 should be allowed to further increase its rates starting on June  
19 1, 2006 by the percentage that actual annualized revenues fall  
20 below \$8,092,191 with the maximum rate increase capped at no  
21 more than an additional 5%. Conversely, if revenues for this

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<sup>2</sup> \$8,092,191 I forecast plus my recommended rate increase of \$244,160.

1 second rate adjustment period are higher than \$8,092,191 then  
2 Interstate Navigation shall implement a rate decrease equal to  
3 the lesser of the actual percentage revenues exceed \$8,092,191  
4 or 10% whichever is less.<sup>3</sup> Any rate increase is conditioned on  
5 the expectation that all three of the planned vehicle carrying  
6 vessels will be utilized to provide full service between Point  
7 Judith and Block Island during the entire prime season of 2006  
8 and that there are no serious quality of service issues found by  
9 the Commission to have improperly suppressed revenues.

10  
11 The above revenue adjustment proposal assumes that the Company's  
12 request for partial price deregulation and flexible pricing will be rejected.  
13 Otherwise, the Company could use such flexibility to artificially constrain  
14 revenues until the pricing flexibility time has passed. The above plan is not  
15 perfect because future rates could be unduly influenced in the future by  
16 abnormal weather as was the case in 2003. However, absent a reliable  
17 mechanism to "normalize" revenues for weather, what I have proposed is far  
18 superior to the unrealistically pessimistic revenue forecast made by the  
19 Company. Ferryboat passengers are more at risk than the Company from the  
20 above plan because the above plan does not prohibit the Company from filing  
21 another rate case whereas it is highly unlikely that the Company would be

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<sup>3</sup> The potential rate decrease is higher than the potential rate increase because there is no provision for a potential rate decrease in the first adjustment period.

1           forced to lower its rates should the Company find itself in a position where it  
2           is over-earning.

3           The rate increase that I propose be currently allowed to Interstate  
4           Navigation is based upon an estimate of \$7,848,031 of revenues that the  
5           Company will be able to earn at current rates. This is approximately  
6           \$500,000 more than the actual revenues earned by Interstate Navigation for  
7           the Test Year, and is \$941,000 more than the \$6,907,031 proposed by  
8           Interstate Navigation for the Rate Year. The reasons why my Rate Year  
9           revenue forecast is more appropriate than the one proposed by the Company,  
10          as explained later in this testimony, is to avoid placing illogical blame on the  
11          high-speed ferry for the weather-related decline in revenues and to recognize  
12          that the increased capacity to carry more vehicles will be highly utilized in  
13          season.

14          Because the company has failed to provide any detailed plan and  
15          associated quantification of its claimed expenses for Homeland Security, I  
16          have excluded any increase in these costs from rate year expenses. This  
17          exclusion is intended to protect the Homeland Security expense from  
18          becoming a method to cause profits to become excessive. However, to the  
19          extent it is necessary for Interstate Navigation to increase Homeland Security  
20          related expenses beyond those included in the Rate Year, it is not intended for  
21          the Company to suffer a loss as a result of providing what could be a  
22          necessary and important service. Therefore, it is proposed that the Company  
23          be granted permission to accrue incremental Homeland Security Expenses for

1 the next three years or until the time of the next rate case, whichever comes  
2 first. The Company should be allowed to earn interest on any accrued  
3 balance at the same interest rate it is paying on the debt for the Anna C. At  
4 the end of the accrual period, the Commission should review the accrued  
5 expenses. To the extent these accrued expenses are found appropriate and  
6 reflective of necessary expenses that are incremental to what is allowed for in  
7 the Rate Year, the Company should be permitted to recover both the prior  
8 expenses and a reality-based estimate of future expenses in future charges to  
9 ferryboat passengers.

10 My recommended rate increase is based upon:

- 11 a) a cost of equity of 9.50% rather than the 11.50% requested by the  
12 Company. This conclusion is based upon detailed cost of capital  
13 testimony I have filed in recent rate cases.
- 14 b) a rate base of \$7,774,650 which is \$3,690,870 lower than the  
15 \$11,465,420 used by the Company. The primary differences in  
16 rate base result from the exclusion of the majority of the cost of  
17 the Anna C based upon advice from Ms. Crane that ratepayers  
18 have already been paying for the cost of this vessel based upon  
19 rate base rate of return principles. I have also adopted Ms.  
20 Crane's recommended reduction in the capital cost of the  
21 Montville Dredging project. Working capital and Capital  
22 Additions in Process have been reduced for the reasons explained  
23 later in this testimony. Additionally, I have made a subtraction

1 from rate base using an estimated amount for deferred income  
2 taxes. Deferred income taxes are routinely subtracted from rate  
3 base because such funds are a cost-free source of funds to the  
4 company.

5 c) operating expenses at current rates are based upon \$7,354,927 of  
6 expenses in the Rate Year. This is \$1,238,274 lower than the  
7 \$8,593,201 requested by the Company but does still provide the  
8 Company with \$485,515, or 6.6% more in expenses than the  
9 \$6,869,412 quantified by the Company for the adjusted Test Year.

10

11 The basis for the difference between the cost of equity, rate base, and  
12 operating expenses is explained in the appropriate sections later in this  
13 testimony.

14

15 Q. ARE THERE ANY OTHER OVERVIEW CONCLUSIONS YOU WISH TO  
16 MENTION?

17 A. Yes. This rate increase includes recognition of the costs associated with a  
18 major renovation of one of the Company's ferryboats, the acquisition of  
19 another ferryboat, and the cost of major planned renovations to pier facilities  
20 at Point Judith. Upon the completion of these projects, the company's rates  
21 will include an annual allowance for depreciation expense of approximately  
22 \$943,083 if my depreciation expense allowance is adopted and would be \$1.2  
23 million if the Company's requested depreciation expense were allowed by the

1 Commission. This means the Company will recover from passengers between  
2 \$0.9 and \$1.2 million of its capital in each year. As a percentage of rate base,  
3 this is a very high amount --- much higher than is generally encountered in  
4 utility rate cases. As depreciation accumulates, rate base declines. The  
5 revenue requirements associated with \$943,083 annual decrement to rate base  
6 will be available to the company to offset future increases in operating  
7 expenses and/or increase the future earned return on rate base.

8

1 **IV. Revenues**

2

3 Q. PLEASE EXPLAIN WHAT YOU HAVE CONSIDERED TO DETERMINE  
4 THE LEVEL OF REVENUES AT CURRENT RATES THAT SHOULD BE  
5 USED IN THIS CASE.

6 A. There are important positive factors that should result in a material improvement  
7 in the revenues earned by Interstate Navigation even without any rate increase.  
8 These factors include:

9 **1. Anna C replacing Nelseco.** The Company is planning to replace its  
10 small, non-vehicle carrying ferryboat, the Nelseco with the Anna C. The  
11 Nelseco has a capacity of 850 people and 0 cars, while the Anna C has a  
12 capacity of 1,300 people plus 35 cars. The car capacity of the Anna C is  
13 equal to the car capacity of the other two ferryboats that will be in regular  
14 peak-season service from Point Judith to Block Island. Therefore, the  
15 peak-season capacity to carry vehicles will increase by 50% as a result of  
16 adding the Anna C. The capacity to carry people will increase by about  
17 50% on those runs that the Anna C replaces the Nelseco. However, the  
18 Nelseco is currently only used for two round-trips per day in the peak  
19 season on Monday-Thursday, one trip on Friday, and between 3-4 trips  
20 on the weekends. If the Anna C is used as frequently as the other two  
21 vehicle-carrying ferries, then Interstate Navigation could increase the  
22 number of trips with ferries carrying vehicles from 6 each way to nine

1 each way on Monday-Thursday, from 6 1/2 to 9 each way on Friday,  
2 from 6 to 9 each way on Saturday, and from 6 1/2 to 9 each way on  
3 Sunday.

4 **Adding the Anna C to full-time** service between Point Judith and  
5 Block Island will not only increase revenues because of the added  
6 automobile capacity and added people capacity, but will also improve the  
7 desirability of Interstate Navigation's service compared to the High  
8 Speed Ferry service because:

9 a) As Interstate Navigation has acknowledged in the past,  
10 passengers prefer the more sea-kindly ride of the Anna C as  
11 compared to the Nelseco. While not specifically stated by  
12 Interstate Navigation, this has to mean that more passengers  
13 will chose the Anna C instead of the High Speed ferry simply  
14 because the Anna C is a more comfortable choice than the  
15 Nelesco.

16 b) The easier availability of automobile space will allow more  
17 passengers to choose to take their car over to Block Island.  
18 Those extra passengers that do take their cars will take the  
19 Interstate Navigation service instead of the Intestate High  
20 Speed Ferry Service because they will choose to ride with their  
21 car. The Company acknowledged that the great majority of its  
22 current trips, including all of its Friday, Saturday, and Sunday





1 Interstate Navigation ferry service either because of price, ability to carry  
2 automobiles, or as in the past a more flexible schedule.

3  
4 **4. Weekend Weather.** In the summer of 2003, an unusual number of  
5 weekends had cold, rainy weather. See Schedule JAR 8. This no doubt  
6 caused a material drop in people coming to Block Island either for the  
7 weekend or for weekend day trips. A return to normal weather will  
8 improve revenues for Interstate Navigation.

9  
10 Interstate Navigation's witness, Mr. Edge, only added \$174,000  
11 incremental revenues due to the increased vehicle capacity made possible by  
12 the Anna C. He did not provide any analysis of the degree that the existing  
13 ferry service was operating at full capacity for vehicles. I have substantial  
14 personal experience with Block Island, visiting there many times. I also  
15 know people who own homes on the Island. They advise me that getting a  
16 car onto and off Block Island in season is challenging. Several years ago, it  
17 used to be possible to get a car on the Island without a reservation merely by  
18 showing up at 6:00 AM and getting on a stand-by line. In recent years, this  
19 stand-by approach has become quite problematic. Furthermore, on very busy  
20 weekends such as a July 4<sup>th</sup> weekend with good weather, even the parking  
21 lots serving the ferry boats at Point Judith fill up. For that weekend in 2003,  
22 people were turned back by State Troopers because there was no space for  
23 their cars. Additional car capacity made possible because of the Anna C  
24 would not only result in greater car revenues for Interstate Navigation, but by  
25 keeping the parking lots in Point Judith less full, the extra car capacity would  
26 increase passenger utilization as well.

1           Due to the difficulties of getting a car on and off Island in the peak  
2 season, many residents leave one car at Point Judith or borrow a friend's car  
3 that has been left at Point Judith. Additional automobile capacity, if  
4 available, would enable more Islanders to use their own car rather than having  
5 to burden friends.

6           In addition to being faster, the high speed ferry service from Point Judith  
7 to Block Island is a more luxurious service than that provided by Interstate  
8 Navigation. However, it is also more expensive, and goes into the Great Salt  
9 Pond on Block Island rather than into the downtown area as does the  
10 Interstate Navigation ferry service. For those whose destination is to town,  
11 hotels that surround the town, or the major beaches near downtown, the  
12 Interstate Navigation service will get people to their ultimate destination more  
13 quickly than those who take the high speed service. Furthermore, while the  
14 price difference might be relatively modest for some people who are traveling  
15 either by themselves or with a spouse, the price difference becomes much  
16 more substantial for a family with multiple children. These factors combine  
17 to mean that the high-speed ferry service is not and will not be for everybody.  
18 It has likely taken most, if not all, of the business it is going to capture from  
19 Interstate Navigation as there are just so many of the passengers that fit the  
20 profile of those that will chose the high speed ferry service.

21           I also observed that revenues earned by Interstate Navigation in the year  
22 ending 5/31/03 totaled \$7,294,090, a number that was somewhat lower than  
23 the \$7,599,632 earned in the prior year. However, if the revenues from the  
24 sale of the NV Manisee are excluded, then revenues in the year ending  
25 5/31/03 were only very slightly below the \$7,342,784 earned in the year  
26 ending 5/31/01, and were somewhat higher than the \$7,182,732 earned in the  
27 year ending 5/31/00 and the \$7,183,955 earned in the year ended 5/31/99.

1 The drop-off in revenues for 2003 was also experienced by the ferry service  
2 from New London to Block Island. See Schedule JAR 7. Since there was no  
3 competing high speed service from New London, the drop-off in New  
4 London service confirms that at least part of the business drop-off  
5 experienced by Interstate Navigation was related to normal seasonal variation  
6 factors such as weather and the economy.

7 Schedule JAR 8 shows that weather conditions in the summer of 2003  
8 were far inferior to those of 2002. In July and August, there were 6.12 inches  
9 of rain on Block Island as compared to 1.36 inches of rain in the prior year. 5  
10 of the 9 weekends in July and August had at least some rain in 2003 as  
11 compared to no rainy weekends in 2002. There were 14 days with rain in  
12 July and August of 2003, compared to 7 rainy days in 2002.

13  
14 Q. IN CONSIDERATION OF THE ABOVE FACTORS, HOW HAVE YOU  
15 DETERMINED REVENUES AT CURRENT RATES?

16 A. While the preponderance of evidence supports the likelihood that even  
17 without a rate increase, the revenues of Interstate Navigation will be  
18 substantially higher in the future than it was in recent years, the Company's  
19 business is undergoing so much change that it is impossible to provide a  
20 precise quantification of what future normal revenues will be. Given that the  
21 capacity of the high-speed ferry is 250 people with six round-trips per day,  
22 the total capacity of the high-speed ferry is 1,500 passenger round-trips per  
23 day. The capacity of the Anna C is 1,300 passengers per trip and could make  
24 as many as three trips per day, for a total of 4,600 round-trip passengers per  
25 day. This compares to no more than 2,550 passenger round-trips per day on  
26 the Nelesco that the Anna C is replacing. The net increase in capacity from  
27 switching to the Anna C is greater than the total capacity of the high-speed

1 ferry. The elimination of automobile service from New London and the  
2 addition of a high-speed ferry service from New London will have conflicting  
3 impacts on Interstate Navigation's business. The presumably higher prices  
4 the high-speed ferry from New London will charge, the inability of the New  
5 London high speed ferry to carry cars will serve to increase demand for  
6 Interstate Navigation. The limited schedule that will also likely be available  
7 from New London will cause many who come to Block Island from points  
8 west of New London will to continue to drive to Point Judith. However,  
9 those who do not plan to bring a car onto Block Island, are not concerned  
10 about the fee for the high speed ferry, and can work around will likely be a  
11 more limited schedule from New London, the New London high speed ferry  
12 could become an attractive alternative. It follows that this New London high  
13 speed service will provide more competition to the Point Judith high speed  
14 ferry service than to the Interstate Navigation traditional ferry service unless  
15 Interstate Navigation raises its rates to the point where it loses some of its  
16 price advantage because people who are willing to pay for the higher price of  
17 the high speed ferry are more likely to be among those willing to pay a  
18 premium for high speed service from New London.

19 In consideration of the above, a conservatively low estimate of  
20 passenger revenues is achieved by estimating that revenues at present rates  
21 for Interstate Navigation will return to the levels achieved in the year ended  
22 5/31/03.

23 Automobile revenues will increase substantially once the Anna C begins  
24 full-time service from Point Judith and the Carol Jean's renovation is  
25 complete. This will happen both because of the elimination of the competing  
26 automobile service from New London and for all of the other reasons I cited.  
27 The roughly 50% increase in automobile capacity, if fully utilized, would

1 result in an annual increase in revenues of approximately \$685,000 if the  
2 increased capacity achieved the same utilization rates that are currently being  
3 achieved by the Intestate Navigation ferries from Point Judith. See Footnote  
4 [C] on Schedule JAR 2. For all of the reasons stated above, I estimate that  
5 the increased vehicle revenues due to the increased capacity for vehicles will  
6 be at least \$500,000 and probably at least \$100,000 more. To be  
7 conservative, my recommended rate increase is based upon an estimated  
8 \$500,000 of revenues from the additional automobile capacity instead of the  
9 additional \$174,000 estimated by the Company.  
10

1 **V. Cost of Capital**

2

3 Q. HOW HAVE YOU DETERMINED THE COST OF CAPITAL IN THIS  
4 PROCEEDING?

5 A. I regularly testify as a cost of capital witness in utility rate proceedings. My most  
6 recently filed cost of capital testimony is in the South Jersey Gas rate proceeding  
7 that is currently before the New Jersey Board of Public Utilities. In that  
8 proceeding, I used a DCF method and a risk premium/CAPM method to support  
9 my cost of equity recommendation of 9.50%. The stock of Interstate Navigation  
10 is not publicly traded and there are no proxy group of ferryboat companies that  
11 could be used to provide a separate cost of equity quantification for Interstate  
12 Navigation. A gas utility comparison is reasonable because both ferry boat  
13 service to Block Island and the gas utility business are seasonal and weather  
14 dependent. The season for South Jersey Gas Company is the winter heating  
15 months. Furthermore, the amount of gas South Jersey sells during the heating  
16 season is highly dependent upon winter weather conditions. Interstate Navigation  
17 has a risk advantage over a gas company in being able to move its ferryboats to  
18 another location should business conditions warrant, while a gas company cannot  
19 economically move its pipelines and storage tanks.

20 For the above reasons, I have adopted the 9.50% cost of equity I recommended  
21 for South Jersey Gas Company as appropriate in this proceeding.

22

23 Q. SINCE YOU HAVE RECOMMENDED REDUCING THE RATE BASE  
24 ALLOWANCE FOR THE ANNA C DOWN TO ITS BOOK VALUE,  
25 SHOULD YOU ALSO EXCLUDE THE COMPANY PROPOSED \$2.6  
26 MILLION FROM CAPITALIZATION?

1 A. As long as the Company is actually going to obtain that financing, it could  
2 reasonably be viewed as part of the actual capitalization. Effectively, the debt  
3 that was obtained in excess of book value that was used to finance the purchase  
4 of the Anna C is a substitute for part of the company's equity. Therefore, a strict  
5 interpretation of how to treat the financing of an asset in excess of its book value  
6 would be to reflect the debt on the balance sheet and to subtract a similar  
7 amount from the Company's equity balance. However, making such an  
8 adjustment would place Interstate Navigation in the position of having a very  
9 thin common equity ratio. I will therefore be conservative and merely exclude  
10 the debt from the company's capitalization rather than leave the debt in the  
11 capital structure and make a downward adjustment to common equity.  
12 Excluding this debt from the capitalization increases the revenue requirement  
13 because it increases the overall cost of capital.

14



1 **VI. Rate Base**

2

3 Q. PLEASE EXPLAIN HOW YOU OBTAINED YOUR RECOMMENDED  
4 RATE BASE.

5 A. I started with the rate base proposed by the Company. Division Witness Ms.  
6 Crane informed me that in prior rate cases, passengers paid for the cost of the  
7 Anna C based upon rate base, rate of return, operating expense computations.  
8 These computations included an allowance for the depreciation expense of the  
9 Anna C. Costs for the Anna C had already been established using rate base rate  
10 of return ratemaking. Therefore, it is improper for the cost basis used to charge  
11 passengers be suddenly increased even if the market value of the Anna C might  
12 be considerably higher than its net book value. I also adopted Ms. Crane's  
13 recommendations on how to treat the cost of the Montville Dredging Project.

14 I noted that Mr. Edge made a request on behalf of the company for a  
15 working capital allowance of \$655,054. His request is based in part on what he  
16 refers to as the 45 day "Rule" for working capital. See WEE 16. What needs to  
17 be understood is that this old-fashioned 45 day method is not a "rule", but a  
18 guideline that used to be used in utility rate proceedings. Its original origin is that  
19 there is usually a 45 day lag between the time a utility company provides serviced  
20 to a ratepayer and the time a utility company is paid for that service. Utility  
21 companies typically read a meter once a month – causing a lag of an average of  
22 15 days between the time service is rendered and a meter is read. Then, after  
23 reading a meter, a bill has to be prepared, mailed, received by a customer, paid  
24 and mailed back to the utility company, and deposited in the utility company's  
25 bank. All of these later steps take an average of 30 days. This 30 day billing lag  
26 is added to the 15 day lag in reading the meter to arrive at the 45 day method.  
27 This 45-day method is largely rejected in current rate proceedings because it has

1       been recognized that in addition to lags in the collection of revenues, utility  
2       companies also benefit from a lag in payment of expenses. However, considering  
3       that there is no meter reading lag or billing lag associated with the provision of  
4       ferry service, if the principles behind the 45-day “rule” were applied to Interstate  
5       Navigation, the need for working capital would be zero. If more modern  
6       modifications to the thinking behind the 45-day method were also considered,  
7       then the working capital amount for Interstate Navigation would become negative  
8       instead of positive.

9               A reading of the 5/31/03 balance sheet of Interstate Navigation (the most  
10       current one provided) shows that as of 5/31/02 Interstate Navigation was using  
11       \$211,463 of working capital to finance Accounts Receivable, and \$139,269 of  
12       working capital to finance Prepaid Taxes and Expenses for a total of \$350,732  
13       of assets in need of working capital. The same balance sheet also shows that  
14       working capital was being provided to the company through \$325,775 of  
15       Accounts Payable, \$28,000 of Accrued Profit Sharing, and \$129,996 of Deferred  
16       Revenue, for a total of \$483,771 of working capital being provided to Interstate  
17       Navigation from its business operations to finance working capital. Since the  
18       amount of working capital being provided to Interstate Navigation from its  
19       business operations exceeds the amount of working capital it need to finance its  
20       operations, at least on 5/31/02, Interstate Navigation actually had a negative  
21       need for working capital – a result that is consistent with the zero need for  
22       working capital predicted by the implementation of the principles supporting the  
23       45-day method. I therefore recommend a zero allowance for working capital.

24               I adjusted the Company’s requested rate base to eliminate the \$298,256  
25       requested for “Capital Additions Projects”. The concept of setting rates based  
26       upon an estimated rate year already gives the Company a forward-look at rate  
27       base. Additionally, as I previously noted, the Company will be accruing over \$1

1 million per year in its provision for depreciation. This annual provision for  
2 depreciation is considerably more than enough to finance \$298,256 of future  
3 Capital Additions Projects.

4 The Company has failed to make any subtraction from rate base for  
5 deferred income taxes. Accumulated deferred income taxes are routinely  
6 subtracted from rate base because such taxes are a cost-free source of capital to  
7 the Company. Deferred income taxes arise when income taxes are paid by  
8 customers prior to the time that those taxes have to be paid to the Internal  
9 Revenue Service. This delay in the requirement to pay income taxes is often for  
10 many years and can be a meaningful source of funds to the Company. The  
11 Company acknowledged that it would have deferred taxes, but was unable to  
12 provide the amount. See the response to interrogatory #12 from the Town of  
13 New Shoreham. Absent an accurate quantification from the Company, I have  
14 estimated that the Company has \$978,722 of deferred income taxes. This  
15 estimate was prepared based upon a review of the books of Narragansett Electric  
16 Company. As of June 30, 2003, Narragansett Electric Company's deferred  
17 income taxes were equal to 4.11% of its Gross Utility Plant. The average  
18 depreciable life used by Narragansett Electric on its assets is 29.67 years  
19 compared to 12.53 years for Interstate Navigation. Shorter depreciation life  
20 assets can have a higher deferred income tax balance compared to their original  
21 cost than longer-lived assets. I therefore have estimated that the provision for  
22 deferred income taxes applicable to Interstate Navigation as a percentage of  
23 assets is 50% higher than the one carried by Narragansett Electric. See Schedule  
24 JAR 9. I recognize that there could be many other differences between  
25 Narragansett Electric and Interstate Navigation which could make the actual  
26 deferred income tax balance higher or lower than I have estimated. If the  
27 Company provides the information necessary to determine its actual and rate

1 year pro-forma deferred income tax balance, I would review that submission and  
2 if appropriate recommend using the actual number instead of the estimate I have  
3 prepared.

4 The net result of the above recommendations is to lower the rate base from  
5 the \$11,465,520 requested by the Company down to \$7,774,650. See my  
6 Schedule 4.

7

8

1 **VII Operating Expenses**

2

3 Q. PLEASE EXPLAIN HOW YOU OBTAINED YOUR RECOMMENDED  
4 OPERATING EXPENSE.

5 A. I reviewed the rate year operating expense proposal made by the Company and  
6 made recommended adjustments to several that were extreme. The Commission  
7 may decide to make additional reductions beyond those I have proposed.  
8 Specifically, I lowered depreciation expense to exclude the depreciation on the  
9 Anna C for the same reasons that the Anna C investment was reduced in the  
10 computation of rate base; I lowered the request for an extraordinary increase to  
11 executive salaries and the associated increase in payroll tax because insufficient  
12 justification for such a large increase; I eliminated the additional request for  
13 advertising expense because additional advertising would only be a wise  
14 business decision if it were accompanied by more than enough of an increase in  
15 revenues to justify the increase; I eliminated the proposed increase in credit card  
16 processing expenses because there was no justification that the increase in credit  
17 card fees would continue indefinitely; I eliminated the proposed increase in  
18 telecommunications costs because there is no basis to expect costs will continue  
19 to increase just because there were large percentage increases in the past. Once  
20 the cost of having cellular telephones for the crew has been built into expenses,  
21 there is no remaining justification to expect these expenses to continue to  
22 increase in the future; and, as previously stated I have excluded the proposed  
23 increase in security costs and instead have proposed that the Company be

1        allowed to accumulate these costs and recover them in the future so that  
2        recovery is based upon known costs rather than a highly unreliable estimate of  
3        what those costs might be.

4

5

1 **VIII ADDITIONAL COMMENTS**

2

3 Q. IS IT APPROPRIATE FOR TICKET SALES TO SUMMER TOURISTS OR  
4 ANY OTHER OF THE FERRYBOAT SERVICES PROVIDED BY  
5 INTERSTATE NAVIGATION IN ITS SERVICE TO BLOCK ISLAND BE  
6 DEREGULATED?

7 A. No. Interstate Navigation operates the only service with the capacity to provide  
8 year round access to the Island for thousands of full time and summer residents  
9 and to deliver the goods and services necessary to sustain the economy and  
10 maintain life on the Island. Just because one other company is now providing a  
11 premium priced passenger and bicycle service aimed principally at non resident  
12 summer tourists does not does not change the unique and vital service being  
13 provided by Interstate Navigation nor does it alter the fact that Interstate has no  
14 significant competition in the bulk of its business. The service being provided by  
15 Interstate Navigation is still mostly a territorial monopoly that, without  
16 regulation, could be priced considerably above cost of service. Separating the  
17 round trip summer day tripper business from the other is not financially realistic.

18

19 Q. WHAT ARE THE NEW INITIATIVES BEING PROPOSED BY INTERSTATE  
20 NAVIGATION TO IMPROVE FERRYBOAT REVENUES?

21 A. New initiatives being considered by Interstate Navigation, include expanded  
22 advertising, group and mid-week fare discounts. If implemented, these plans  
23 could have an impact on future revenues, but the Company has failed to support

1 these proposed changes with any marketing plan. Furthermore, it has not even  
2 provided any projection of any benefits that it feels may result from these  
3 initiatives. Without a marketing plan, it is unknown if the proposed incentives  
4 are likely to increase revenues or decrease revenues for Interstate Navigation.

5

6 Q. DOES INTERSTATE NAVIGATION LOSE MONEY BECAUSE IT  
7 PROVIDES OFF-SEASON SERVICE TO BLOCK ISLAND?

8 A. No. The full cost of Interstate Navigation's service for the entire year is  
9 included in the determination of rates. Therefore, even IF it were true that the  
10 price of summertime service could go down if the off-season service were to be  
11 discontinued, such costs are not borne by Interstate Navigation, but are borne by  
12 the current passengers.

13

14 Q. IS THE COST OF PROVIDING OFF-SEASON SERVICE HIGH ENOUGH  
15 THAT IT IS SUBSIDIZED BY ON-SEASON SERVICE?

16 A. I do not know. Reaching such a conclusion would require an incremental cost  
17 study. An incremental cost study should exclude the fixed costs that the  
18 Company would have to incur to continue to provide in-season service. For  
19 example, the cost of the docks and the capital cost of the ferryboats would be  
20 incurred whether the boats are left in service or are taken out of service for the  
21 winter.

22



1 Q. DO YOU RECOMMEND THAT A COST STUDY BE DONE TO  
2 DETERMINE IF INTERSTATE NAVIGATION MAKES AN  
3 INCREMENTAL PROFIT ON ITS OFF-SEASON FERRY SERVICE?

4 A. No. Eliminating off-season service would have a long-reaching detrimental  
5 effect to the Island. If there were no off-season ferryboat service to Block  
6 Island, the value of the Island would deteriorate. Full-time residents could not  
7 continue to be full-time residents. The value of real-estate would decline  
8 because those with second homes on Block Island would find them less  
9 desirable to own if year-round access were denied. This decrement in the value  
10 and usefulness of Block Island would harm all those that depend on Block Island  
11 for recreation or income, including the Interstate Navigation Company.

12

13 Q. DOES INTERSTATE NAVIGATION PROVIDE LIFELINE SERVICE TO  
14 BLOCK ISLAND?

15 A. If the term lifeline service applies to any service that is sufficiently vital to the  
16 Island that its elimination would severely harm life as it is known on Block  
17 Island, the answer is yes. In addition to not being able to function without ferry  
18 service off-season, how could Block Island function without any operator  
19 providing a way for cars to get on and off the Island? How could Block Island  
20 function if the only passenger service was one high-speed ferryboat carrying no  
21 more than 250 passengers per trip? Life is sufficiently disrupted on Block Island  
22 when weather conditions force the canceling of ferryboat service for part of a

1 day showing that ferryboat service all-year round is a lifeline service to Block  
2 Island.

3

4 Q. IS IT PROPER FOR INTERSTATE NAVIGATION NOT TO OWN ASSETS  
5 THAT ARE PRIMARILY USED FOR THE PROVISION OF FERRYBOAT  
6 SERVICE TO BLOCK ISLAND AND ARE VITAL TO THE PROVISION OF  
7 THAT SERVICE?

8 A. I am concerned that selectively excluding vital pieces of what is necessary to  
9 provide ferryboat service, such as the docks on Block Island, could be a source  
10 of pricing abuse. Such abuse would be less likely if all of the vital assets to  
11 provide ferryboat service were owned by Interstate Navigation at prices  
12 reflective of what they would be if these assets had been owned by Interstate  
13 Navigation when they were originally acquired.

14

15 Q. IS A REAPPRAISAL OF THE CURRENT VALUE OF THE DOCK PROPER?

16 A. No. Rate of return regulation includes a return that already provides for an  
17 allowance for inflation. Providing a company with both a return on its  
18 investment that includes an allowance for inflation and also permits the  
19 company to earn a higher and higher return whenever the value of the property  
20 inflates provides an inappropriate duplicative allowance for inflation.

21

22 Q. DOES THIS CONCLUDE YOUR TESTIMONY?

23 A. Yes.



1 **Appendix A- Testifying Experience of James A. Rothschild**

2 **TESTIFYING EXPERIENCE OF JAMES A. ROTHSCHILD**  
3 **THROUGH FEBRUARY 29, 2004**  
4  
5

6 **ALABAMA**  
7

8 Continental Telephone of the South; Docket No. 17968, Rate of Return, January, 1981  
9

10  
11 **ARIZONA**  
12

13 Southwest Gas Corporation; Rate of Return, Docket No. U-1551-92-253, March, 1993  
14 Sun City West Utilities; Accounting, January, 1985  
15

16  
17 **CONNECTICUT**  
18

19 Connecticut American Water Company; Docket No. 800614, Rate of Return, September,  
20 1980

21 Connecticut American Water Company, Docket No. 95-12-15, Rate of Return, February,  
22 1996

23 Connecticut Light & Power Company; Docket No. 85-10-22, Accounting and Rate of  
24 Return, February, 1986

25 Connecticut Light & Power Company; Docket No. 88-04-28, Gas Divestiture, August,  
26 1988

27 Connecticut Light & Power Company, Docket No. 97-05-12, Rate of Return, September,  
28 1997

29 Connecticut Light & Power Company, Docket No. 98-01-02, Rate of Return, July, 1998

30 Connecticut Light & Power Company, Docket No. 99-02-05, Rate of Return, April, 1999

31 Connecticut Light & Power Company, Docket No. 99-03-36, Rate of Return, July, 1999

32 Connecticut Light & Power Company, Docket No. 98-10-08 RE 4, Financial Issues,  
33 September 2000

34 Connecticut Light & Power Company, Docket No. 00-05-01, Financial Issues, September,  
35 2000

36 Connecticut Light & Power Company, Docket No. 01-07-02, Capital Structure, August,  
37 2001

38 Connecticut Light & Power Company, Docket No. 03-07-02, Rate of Return, October, 2003

39 Connecticut Natural Gas; Docket No. 780812, Accounting and Rate of Return, March, 1979

40 Connecticut Natural Gas; Docket No. 830101, Rate of Return, March, 1983

41 Connecticut Natural Gas; Docket No. 87-01-03, Rate of Return, March, 1987

42 Connecticut Natural Gas, Docket No. 95-02-07, Rate of Return, June, 1995

43 Connecticut Natural Gas, Docket No. 99-09-03, Rate of Return, January, 2000

44 Southern Connecticut Gas, Docket No. 97-12-21, Rate of Return, May, 1998

45 Southern Connecticut Gas, Docket No. 99-04-18, Rate of Return, September, 1999

46 United Illuminating Company; Docket No. 89-08-11:ES:BBM, Financial Integrity and  
47 Financial Projections, November, 1989.

48 United Illuminating Company; Docket No. 99-02-04, Rate of Return, April, 1999

1 United Illuminating Company, Docket No. 99-03-35, Rate of Return, July, 1999  
2 United Illuminating Company, Docket No. 01-10-10-DPUC, Rate of Return, March 2002  
3  
4

5 **DELAWARE**  
6

7 Artesian Water Company, Inc.; Rate of Return, December, 1986  
8 Artesian Water Company, Inc.; Docket No. 87-3, Rate of Return, August, 1987  
9 Diamond State Telephone Company; Docket No. 82-32, Rate of Return, November, 1982  
10 Diamond State Telephone Company; Docket No. 83-12, Rate of Return, October, 1983  
11 Wilmington Suburban Water Company; Rate of Return Report, September, 1986  
12 Wilmington Suburban Water Company; Docket No. 86-25, Rate of Return, February, 1987  
13  
14  
15

16 **FEDERAL ENERGY REGULATORY COMMISSION (FERC)**  
17

18 Koch Gateway Pipeline Company, Docket No. RP97-373-000 Cost of Capital, December,  
19 1997  
20 Maine Yankee Atomic Power Company, Docket No. EL93-22-000, Cost of Capital, July,  
21 1993  
22 New England Power Company; CWIP, February, 1984. Rate of return.  
23  
24 New England Power Company; Docket No.ER88-630-000 & Docket No. ER88-631-000,  
25 Rate of Return, April, 1989  
26 New England Power Company; Docket Nos. ER89-582-000 and ER89-596-000, Rate of  
27 Return, January, 1990  
28 New England Power Company: Docket Nos. ER91-565-000, ER91-566-000 , FASB 106,  
29 March, 1992. Rate of Return.  
30 Philadelphia Electric Company - Conowingo; Docket No. EL-80-557/588, July, 1983. Rate  
31 of Return.  
32 Ocean State Power Company, Ocean States II Power Company, Docket No. ER94-998-000  
33 and ER94-999-000, Rate of Return, July, 1994.  
34 Ocean State Power Company, Ocean States II Power Company, Docket No ER 95-533-001  
35 and Docket No. ER-530-001, Rate of Return, June, 1995 and again in October, 1995.  
36 Ocean State Power Company, Ocean State II Power Company, Docket No. ER96-1211-  
37 000 and ER96-1212-000, Rate of Return, March, 1996.  
38 Southern Natural Gas, Docket No. RP93-15-000. Rate of Return, August, 1993, and revised  
39 testimony December, 1994.  
40 Transco, Docket No. RP95-197-000, Phase I, August, 1995. Rate of Return.  
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42 Transco, Docket Nos. RP-97-71-000 and RP97-312-000, June, 1997, Rate of Return.  
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45 **FLORIDA**  
46

47 Alltel of Florida; Docket No. 850064-TL, Accounting, September, 1985  
48 Florida Power & Light Company; Docket No. 810002-EU, Rate of Return, July, 1981  
49 Florida Power & Light Company; Docket No. 82007-EU, Rate of Return, June, 1982

1 Florida Power & Light Company; Docket No. 830465-EI, Rate of Return and CWIP, March,  
2 1984  
3 Florida Power & Light Company, Docket No. , Rate of Return, March 2002  
4 Florida Power Corporation; Docket No. 830470-EI, Rate Phase-In, June, 1984  
5 Florida Power Corp.; Rate of Return, August, 1986  
6 Florida Power Corp.; Docket No. 870220-EI, Rate of Return, October, 1987  
7 Florida Power Corp; Docket No. 000824-EI, Rate of Return, January, 2002  
8 GTE Florida, Inc.; Docket No. 890216-TL, Rate of Return, July, 1989  
9 Gulf Power Company; Docket No. 810136-EU, Rate of Return, October, 1981  
10 Gulf Power Company; Docket No. 840086-EI, Rate of Return, August, 1984  
11 Gulf Power Company; Docket No. 881167-EI, Rate of Return, 1989  
12 Gulf Power Company; Docket No. 891345-EI, Rate of Return, 1990  
13 Gulf Power Company; Docket No.010949-EI, Rate of Return, December 2001  
14 Rolling Oaks Utilities, Inc.; Docket No. 850941-WS, Accounting, October, 1986  
15 Southern Bell Telephone Company; Docket No. 880069-TL, Rate of Return, January, 1992  
16 Southern Bell Telephone Company, Docket No. 920260-TL, Rate of Return, November,  
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18 Southern Bell Telephone Company, Docket No. 90260-TL, Rate of Return, November, 1993  
19 Southern States Utilities, Docket No. 950495-WS, Rate of Return, April, 1996  
20 Tampa Electric Company; Docket No. 820007-EU, Rate of Return, June, 1982  
21 Tampa Electric Company; Docket No. 830012-EU, Rate of Return, June, 1983  
22 United Telephone of Florida; Docket No. 891239-TL, Rate of Return, November, 1989  
23 United Telephone of Florida; Docket No. 891239-TL, Rate of Return, August, 1990  
24 Water and Sewer Utilities, Docket No 880006-WS, Rate of Return, February, 1988.

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27 **GEORGIA**

28  
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Georgia Power Company; Docket No. 3397-U, Accounting, July, 1983

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32 **ILLINOIS**

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Ameritech Illinois, Rate of Return and Capital Structure, Docket 96-0178, January and July,  
35 1997.

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Central Illinois Public Service Company; ICC Docket No. 86-0256, Financial and Rate of  
Return, October, 1986.

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Central Telephone Company of Illinois, ICC Docket No. 93-0252, Rate of Return, October,  
1993.

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Commonwealth Edison Company; Docket No. 85CH10970, Financial Testimony, May,  
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Commonwealth Edison Company; Docket No. 86-0249, Financial Testimony, October,  
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2 Affidavit, March, 1991.  
3 Commonwealth Edison Company; Financial Affidavit, December, 1991.  
4 Commonwealth Edison Company, ICC Docket No. 87-0427, Et. Al., 90-0169 (on Second  
5 Remand), Financial Testimony, August, 1992.  
6 Genesco Telephone Company, Financial Testimony, July, 1997.  
7 GTE North, ICC Docket 93-0301/94-0041, Cost of Capital, April, 1994  
8 Illinois Power Company, Docket No. 92-0404, Creation of Subsidiary, April, 1993  
9 Illinois Bell Telephone Company, Dockets No. ICC 92-0448 and ICC \_\_\_\_\_, Rate of  
10 Return, July, 1993  
11 Northern Illinois Gas Company; Financial Affidavit, February, 1987.  
12 Northern Illinois Gas Company; Docket No. 87-0032, Cost of Capital and Accounting  
13 Issues, June, 1987.  
14 Peoples Gas Light and Coke Company; Docket No. 90-0007, Accounting Issues, May, 1990.  
15

16  
17 **KENTUCKY**  
18

19 Kentucky- American Water Company, Case No. 97-034, Rate of Return, June, 1997.  
20 Kentucky Power Company; Case No. 8429, Rate of Return, April, 1982.  
21 Kentucky Power Company; Case No. 8734, Rate of Return and CWIP, June, 1983.  
22 Kentucky Power Company; Case No. 9061, Rate of Return and Rate Base Issues,  
23 September, 1984.  
24 West Kentucky Gas Company, Case No. 8227, Rate of Return, August, 1981.  
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26  
27 **MAINE**  
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29 Bangor Hydro-Electric Company; Docket No. 81-136, Rate of Return, January, 1982.  
30 Bangor Hydro-Electric Company; Docket No. 93-62, Rate of Return, August, 1993  
31 Maine Public Service Company; Docket No. 90-281, Accounting and Rate of Return, April,  
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34  
35 **MARYLAND**  
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37 C & P Telephone Company; Case No. 7591, Fair Value, December, 1981  
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40 **MASSACHUSETTS**  
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42 Boston Edison Company; Docket No. DPU 906, Rate of Return, December, 1981  
43 Fitchburg Gas & Electric; Accounting and Finance, October, 1984  
44 Southbridge Water Company; M.D.P.U., Rate of Return, September, 1982  
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1 **MINNESOTA**

2

3 Minnesota Power & Light Company; Docket No. EO15/GR-80-76, Rate of Return, July,  
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6

7 **NEW JERSEY**

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9 Atlantic City Sewage; Docket No. 774-315, Rate of Return, May, 1977

10 Atlantic City Electric Company, Docket Nos. EO97070455 and EO97070456, Cost of  
11 Capital, Capital Cost Allocation, and Securitization, December, 1997.

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18 Bell Atlantic-New Jersey, Docket No. TO99120934, Financial Issues and Rate of Return,  
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20 Consumers New Jersey Water Company, BPU Docket No. WR00030174, September 2000

21 Conectiv/Pepeco Merger, BPU Docket No. EM01050308, Financial Issues, September 2001

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24 Elizabethtown Water Company; Docket No. 781-6, Accounting, April, 1978

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30 Elizabethtown Water Company, Docket No. WR 92070774J, and PUC 06173-92N, Rate of  
31 Return and Financial Integrity, January, 1993.

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34 Elizabethtown Water Company, BPU Docket No. WR 95110557, OAL Docket No. PUC  
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37 2001.

38 Elizabethtown Water Company, BPU Docket No. WR060307511, Cost of Capital,  
39 December 2003.

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42 GPU/FirstEnergy proposed merger; Docket No. EM 00110870, Capital Structure Issues,  
43 April 2001

44 GPU/FirstEnergy securitization financing, Docket No. EF99080615, Financial issues,  
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46 Hackensack Water Company; Docket No. 776-455, October, 1977 and Accounting,  
47 February, 1979

48 Hackensack Water Company; Docket No. 787-847, Accounting and Interim Rate Relief,  
49 September, 1978

50 Hackensack Water Company; AFUDC & CWIP, June, 1979



1 Hackensack Water Company; Docket No. 804-275, Rate of Return, September, 1980  
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3 Inquiry Into Methods of Implementation of FASB-106, Financial Issues, BPU Docket No.  
4 AX96070530, September, 1996  
5 Jersey Central Power & Light Company, Docket No. EO97070459 and EO97070460, Cost  
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7 Jersey Central Power & Light Company, Docket No. EF03020133, Financial Issues, January  
8 2004.  
9 Middlesex Water Company; Docket No. 793-254, Tariff Design, September, 1978  
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11 Middlesex Water Company; Docket No. WR890302266-J, Accounting and Revenue  
12 Forecasting, July, 1989  
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16 Middlesex Water Company, Docket No. WR00060362, Rate of Return, October, 2000  
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19 National Association of Water Companies; Tariff Design, 1977  
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26 December 2003.  
27 New Jersey Bell Telephone; Docket No. 7711-1047, Tariff Design, September, 1978  
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