



State of West Virginia
 Department of Administration
 Purchasing Division
 2019 Washington Street East
 Post Office Box 50130
 Charleston, WV 25305-0130

Request for Quotation

RFQ NUMBER
PSC09502

PAGE
1

ADDRESS CORRESPONDENCE TO ATTENTION OF
FRANK WHITTAKER 304-558-2316

VENDOR

*709025511 ⁷³⁴~~735~~-522-3420
 LARKIN & ASSOCIATES
 15728 FARMINGTON ROAD
 LIVONIA MI 48154-2858

SHIP TO

PUBLIC SERVICE COMMISSION
 OF WEST VIRGINIA
 201 BROOKS STREET
 CHARLESTON, WV 25301 340-0323

DATE PRINTED	TERMS OF SALE	SHIP VIA	F.O.B.	FREIGHT TERMS
07/15/2008				

BID OPENING DATE: 07/30/2008 BID OPENING TIME 01:30PM

LINE	QUANTITY	UOP	CAT NO	ITEM NUMBER	UNIT PRICE	AMOUNT
0001	1	EA		964-63-00-001	49,700	49,700
<p>EXPERT WITNESS</p> <p>THE WEST VIRGINIA PURCHASING DIVISION, FOR THE AGENCY, THE WEST VIRGINIA PUBLIC SERVICE COMMISSION, IS SOLICITING BIDS FROM RESPONSIBLE VENDORS TO PROVIDE CONSULTING SERVICES IN THE WEST VIRGINIA AMERICAN WATER COMPANY CASE BEFORE THE PUBLIC SERVICE COMMISSION AS CASE NO. 08-0900-W-42T AS DEFINED IN THE ATTACHED SPECIFICATIONS.</p> <p>EXHIBIT 3</p> <p>LIFE OF CONTRACT: THIS CONTRACT BECOMES EFFECTIVE ON AND EXTENDS FOR A PERIOD OF ONE (1) YEAR</p> <p>UNLESS SPECIFIC PROVISIONS ARE STIPULATED ELSEWHERE IN THIS CONTRACT DOCUMENT, THE TERMS, CONDITIONS AND PRICING SET HEREIN ARE FIRM FOR THE LIFE OF THE CONTRACT.</p> <p>CANCELLATION: THE DIRECTOR OF PURCHASING RESERVES THE RIGHT TO CANCEL THIS CONTRACT IMMEDIATELY UPON WRITTEN NOTICE TO THE VENDOR IF THE COMMODITIES AND/OR SERVICE SUPPLIED ARE OF AN INFERIOR QUALITY OR DO NOT CONFORM TO THE SPECIFICATIONS OF THE BID AND CONTRACT HEREIN</p> <p>OPEN MARKET CLAUSE: THE DIRECTOR OF PURCHASING MAY AUTHORIZE A SPENDING UNIT TO PURCHASE ON THE OPEN MARKET, WITHOUT THE FILING OF A REQUISITION OR COST</p>						

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 2008 JUL 30 A 10:00
 PURCHASING DIVISION
 STATE OF WV

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<p>ESTIMATE, ITEMS SPECIFIED ON THIS CONTRACT FOR IMMEDIATE DELIVERY IN EMERGENCIES DUE TO UNFORESEEN CAUSES (INCLUDING BUT NOT LIMITED TO DELAYS IN TRANSPORTATION OR AN UNANTICIPATED INCREASE IN THE VOLUME OF WORK.)</p> <p>QUANTITIES: QUANTITIES LISTED IN THE REQUISITION ARE APPROXIMATIONS ONLY, BASED ON ESTIMATES SUPPLIED BY THE STATE SPENDING UNIT. IT IS UNDERSTOOD AND AGREED THAT THE CONTRACT SHALL COVER THE QUANTITIES ACTUALLY ORDERED FOR DELIVERY DURING THE TERM OF THE CONTRACT, WHETHER MORE OR LESS THAN THE QUANTITIES SHOWN.</p> <p>BANKRUPTCY: IN THE EVENT THE VENDOR/CONTRACTOR FILES FOR BANKRUPTCY PROTECTION, THIS CONTRACT IS AUTOMATICALLY NULL AND VOID, AND IS TERMINATED WITHOUT FURTHER ORDER.</p> <p>THE TERMS AND CONDITIONS CONTAINED IN THIS CONTRACT SHALL SUPERSEDE ANY AND ALL SUBSEQUENT TERMS AND CONDITIONS WHICH MAY APPEAR ON ANY ATTACHED PRINTED DOCUMENTS SUCH AS PRICE LISTS, ORDER FORMS, SALES AGREEMENTS OR MAINTENANCE AGREEMENTS, INCLUDING ANY ELECTRONIC MEDIUM SUCH AS CD-ROM.</p> <p>REV. 04/11/2001</p> <p style="text-align: center;">VENDOR PREFERENCE CERTIFICATE</p> <p>CERTIFICATION AND APPLICATION* IS HEREBY MADE FOR PREFERENCE IN ACCORDANCE WITH WEST VIRGINIA CODE, 5A-3-37 (DOES NOT APPLY TO CONSTRUCTION CONTRACTS).</p> <p>A. APPLICATION IS MADE FOR 2.5% PREFERENCE FOR THE REASON CHECKED:</p>						

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<p>() BIDDER IS AN INDIVIDUAL RESIDENT VENDOR AND HAS RESIDED CONTINUOUSLY IN WEST VIRGINIA FOR FOUR (4) YEARS IMMEDIATELY PRECEDING THE DATE OF THIS CERTIFICATION; OR</p> <p>() BIDDER IS A PARTNERSHIP, ASSOCIATION OR CORPORATION RESIDENT VENDOR AND HAS MAINTAINED ITS HEAD-QUARTERS OR PRINCIPAL PLACE OF BUSINESS CONTINUOUSLY IN WEST VIRGINIA FOR FOUR (4) YEARS IMMEDIATELY PRECEDING THE DATE OF THIS CERTIFICATION; OR 80% OF THE OWNERSHIP INTEREST OF BIDDER IS HELD BY ANOTHER INDIVIDUAL, PARTNERSHIP, ASSOCIATION OR CORPORATION RESIDENT VENDOR WHO HAS MAINTAINED ITS HEADQUARTERS OR PRINCIPAL PLACE OF BUSINESS CONTINUOUSLY IN WEST VIRGINIA FOR FOUR (4) YEARS IMMEDIATELY PRECEDING THE DATE OF THIS CERTIFICATION; OR</p> <p>() BIDDER IS A CORPORATION NONRESIDENT VENDOR WHICH HAS AN AFFILIATE OR SUBSIDIARY WHICH EMPLOYS A MINIMUM OF ONE HUNDRED STATE RESIDENTS AND WHICH HAS MAINTAINED ITS HEADQUARTERS OR PRINCIPAL PLACE OF BUSINESS WITHIN WEST VIRGINIA CONTINUOUSLY FOR THE FOUR (4) YEARS IMMEDIATELY PRECEDING THE DATE OF THIS CERTIFICATION.</p> <p>B. APPLICATION IS MADE FOR 2.5% PREFERENCE FOR THE REASON CHECKED:</p> <p>() BIDDER IS A RESIDENT VENDOR WHO CERTIFIES THAT, DURING THE LIFE OF THE CONTRACT, ON AVERAGE AT LEAST 75% OF THE EMPLOYEES WORKING ON THE PROJECT BEING BID ARE RESIDENTS OF WEST VIRGINIA WHO HAVE RESIDED IN THE STATE CONTINUOUSLY FOR THE TWO YEARS IMMEDIATELY PRECEDING SUBMISSION OF THIS BID; OR</p>						

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<p>() BIDDER IS A NONRESIDENT VENDOR EMPLOYING A MINIMUM OF ONE HUNDRED STATE RESIDENTS OR IS A NONRESIDENT VENDOR WITH AN AFFILIATE OR SUBSIDIARY WHICH MAINTAINS ITS HEADQUARTERS OR PRINCIPAL PLACE OF BUSINESS WITHIN WEST VIRGINIA EMPLOYING A MINIMUM OF ONE HUNDRED STATE RESIDENTS WHO CERTIFIES THAT, DURING THE LIFE OF THE CONTRACT, ON AVERAGE AT LEAST 75% OF THE EMPLOYEES OR BIDDERS' AFFILIATE'S OR SUBSIDIARY'S EMPLOYEES ARE RESIDENTS OF WEST VIRGINIA WHO HAVE RESIDED IN THE STATE CONTINUOUSLY FOR THE TWO YEARS IMMEDIATELY PRECEDING SUBMISSION OF THIS BID.</p> <p>BIDDER UNDERSTANDS IF THE SECRETARY OF TAX & REVENUE DETERMINES THAT A BIDDER RECEIVING PREFERENCE HAS FAILED TO CONTINUE TO MEET THE REQUIREMENTS FOR SUCH PREFERENCE, THE SECRETARY MAY ORDER THE DIRECTOR OF PURCHASING TO: (A) RESCIND THE CONTRACT OR PURCHASE ORDER ISSUED; OR (B) ASSESS A PENALTY AGAINST SUCH BIDDER IN AN AMOUNT NOT TO EXCEED 5% OF THE BID AMOUNT AND THAT SUCH PENALTY WILL BE PAID TO THE CONTRACTING AGENCY OR DEDUCTED FROM ANY UNPAID BALANCE ON THE CONTRACT OR PURCHASE ORDER.</p> <p>BY SUBMISSION OF THIS CERTIFICATE, BIDDER AGREES TO DISCLOSE ANY REASONABLY REQUESTED INFORMATION TO THE PURCHASING DIVISION AND AUTHORIZES THE DEPARTMENT OF TAX AND REVENUE TO DISCLOSE TO THE DIRECTOR OF PURCHASING APPROPRIATE INFORMATION VERIFYING THAT BIDDER HAS PAID THE REQUIRED BUSINESS TAXES, PROVIDED THAT SUCH INFORMATION DOES NOT CONTAIN THE AMOUNTS OF TAXES PAID NOR ANY OTHER INFORMATION DEEMED BY THE TAX COMMISSIONER TO BE CONFIDENTIAL.</p> <p>UNDER PENALTY OF LAW FOR FALSE SWEARING (WEST VIRGINIA CODE 61-5-3), BIDDER HEREBY CERTIFIES THAT THIS CERTIFICATE IS TRUE AND ACCURATE IN ALL RESPECTS; AND</p>						

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<p>THAT IF A CONTRACT IS ISSUED TO BIDDER AND IF ANYTHING CONTAINED WITHIN THIS CERTIFICATE CHANGES DURING THE TERM OF THE CONTRACT, BIDDER WILL NOTIFY THE PURCHASING DIVISION IN WRITING IMMEDIATELY.</p> <p>BIDDER: <u>Larkin & Associates, PLLC</u></p> <p>DATE: <u>7-29-2008</u></p> <p>SIGNED: <u>Hugh Larkin Jr</u></p> <p>TITLE: <u>Partner</u></p> <p>* CHECK ANY COMBINATION OF PREFERENCE CONSIDERATION(S) IN EITHER "A" OR "B", OR BOTH "A" AND "B" WHICH YOU ARE ENTITLED TO RECEIVE. YOU MAY REQUEST UP TO THE MAXIMUM 5% PREFERENCE FOR BOTH "A" AND "B". (REV. 12/00)</p> <p>NOTICE</p> <p>A SIGNED BID MUST BE SUBMITTED TO:</p> <p>DEPARTMENT OF ADMINISTRATION PURCHASING DIVISION BUILDING 15 2019 WASHINGTON STREET, EAST CHARLESTON, WV 25305-0130</p> <p>THE BID SHOULD CONTAIN THIS INFORMATION ON THE FACE OF</p>						

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<p>THE ENVELOPE OR THE BID MAY NOT BE CONSIDERED: SEALED BID</p> <p>BUYER: 44</p> <p>RFQ. NO.: PSC09502</p> <p>BID OPENING DATE: 07/30/08</p> <p>BID OPENING TIME: 1:30 PM</p> <p>PLEASE PROVIDE A FAX NUMBER IN CASE IT IS NECESSARY TO CONTACT YOU REGARDING YOUR BID: <u>734-522-1410</u></p> <p>CONTACT PERSON (PLEASE PRINT CLEARLY): <u>Ralph C. Smith</u></p> <p>***** THIS IS THE END OF RFQ PSC09502 ***** TOTAL: <u>49,700</u></p>						

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**RFQ # PSC09502
PROPOSAL FOR
CONSULTING SERVICES ON
REVENUE REQUIREMENT ISSUES
IN REGARD TO THE RATE FILING OF
WEST VIRGINIA-AMERICAN WATER COMPANY
CASE NO. 08-0900-W-42T**

SUBMITTED TO:

**Frank Whittaker
Public Service Commission of West Virginia
201 Brooks Street
Charleston, WV 25301
304-558-2316**

SUBMITTED BY:

Larkin & Associates

PLLC

**Certified Public Accountants
And Regulatory Consultants
15728 Farmington Road
Livonia, Michigan 48154
(734) 522-3420**

July 29, 2008

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Attachments:

Appendix I – Resumes and Qualifications of Larkin & Associates, PLLC Personnel

Appendix II – Illustrative Water and Sewer Utility Case Summaries for Larkin & Associates

I. COMPANY PROFILE

Larkin & Associates, PLLC is a firm of certified public accountants and regulatory consultants, with offices at 15728 Farmington Road, Livonia, Michigan 48154. The firm is organized as a PLLC in the state of Michigan.

In April 1970, the certified public accounting firm of Larkin, Chapski & Co., was formed by former employees of Peat, Marwick, Mitchell & Co., then a "big eight" accounting and auditing concern. In addition to the auditing, accounting, and tax work typical of CPA firms, Larkin, Chapski & Co., specialized in the area of utility regulation. In September 1982 the firm was reorganized into Larkin & Associates, a certified public accounting and consulting firm with Hugh Larkin, Jr., as senior partner. As such, Mr. Larkin has primary responsibility for all regulatory consulting work performed by the firm. Larkin & Associates performs a wide variety of auditing and accounting services, but concentrates in the area of utility regulation and ratemaking. The firm has performed regulatory consulting services for an abundant number of clients.

Larkin & Associates performs independent regulatory consulting primarily for public service/utility commission staffs and consumer interest groups (public counsels, public advocates, consumer counsels, attorneys general, etc.).

Larkin & Associates currently employs six professional staff members. Of these six professional staff members, there are four senior professionals and two regulatory analysts. The firm also employs a part-time research analyst and secretarial/word processing personnel.

Hugh Larkin, Jr., CPA, is founder and senior partner of Larkin & Associates. As such, Mr. Larkin has ultimate responsibility for all regulatory consulting work performed by the firm and actively participates in the firm's regulatory engagements and presents testimony on a regular basis.

There are three senior regulatory consultants on the Larkin & Associates project team: Messrs. Smith and Schultz and Ms. DeRonne. These individuals have extensive experience in a variety of public utility regulatory engagements. Each of our senior regulatory consultants is a CPA and presents expert testimony before utility regulatory commissions on a regular basis, and each have at least ten years experience testifying on revenue requirement issues involving regulated utilities.

The other members of our professional staff are regulatory analysts. Regulatory analysts are extensively utilized in regulatory engagements reviewing prior Commission decisions, verifying schedules and workpapers, preparing, reviewing and tracking data requests, and assisting in the preparation of reports and testimony under the supervision of the firm's senior professionals.

Resumes for Larkin & Associates' professionals participating on this project are attached to this proposal as Appendix I.

II. PROJECT SUMMARIES

Approach to Scope of Work

Larkin & Associates PLLC (“Larkin”) proposes to assist the Public Service Commission of West Virginia (“PSC” or “Commission”) Consumer Advocate Division (“CAD”) with a thorough evaluation of revenue requirement issues in regard to the application of West Virginia-American Water Company (“WVAWC” or “Company”). The specific areas to be addressed by Larkin are:

REVENUE REQUIREMENT

RATE BASE

- Plant in Service, including projected additions
- Construction Work in Progress (CWIP), including projected additions
- Accumulated Depreciation
- Working Capital, including cash working capital and lead-lag study
- Customer Advances and CIAC
- Deferred Taxes
- Deferred Tank Painting Costs

NET OPERATING INCOME

- Revenue
- Operating and Maintenance Expenses
- Increases in Affiliated charges by American Water Works Service (AWWS)
- Projected Staffing Increases
- Pension and Benefit Expenses
- Depreciation Expense
- Other Taxes
- Income Taxes

This proposal covers the review of the items listed above, as well as coordination with other CAD consultants that may be employed to address rate design issues. It is not anticipated for this case that the CAD would employ a cost of capital consultant; in order to calculate the CAD’s recommended revenue requirement, we may be able to use the cost of capital recommendation sponsored by the Commission Staff. Larkin will also be responsible for calculating the adjusted rate base, net operating income and jurisdictional revenue requirement to incorporate all of the quantified recommendations of the CAD’s project team.

WVAWC provides residential, commercial, industrial, and municipal water service, as well as public and private fire protection, to approximately 168,000 customers in West Virginia.

WVAWC is requesting an increase in annual revenues of approximately \$14.755 million or an increase of approximately 12.4% in total base rates. WVAWC’s rate increase request is based on a test year ended December 31, 2007 with pro forma adjustments.

Major elements of the requested rate increase are attributed by WVAWC to increases in staffing and support services, rate base increases, a request for a higher return on equity,

and increases in the cost of chemicals and other expenses. WVAWC anticipates several “going level” adjustments.¹ The evaluation of projected post-test year rate base additions and cost increases in the current WVAWC rate case will need to be evaluated under the provisions of the applicable West Virginia statutes and Commission rules.

Revenue Requirement

Larkin proposes to provide technical assistance to the CAD by performing a comprehensive analysis of WVAWC’s requested increase in base rates. Larkin proposes to address the revenue requirement issues, including affiliate expense issues.

The ultimate objective of this project involves presenting our conclusions and recommendations, in the form of oral testimony before the Commission. We will assess, in light of the CAD’s regulatory philosophies and goals, an appropriate revenue requirement for WVAWC, which will be finalized at the hearing. Thus, we will determine a revenue requirement that can be effectively and convincingly supported at the proceeding. Our recommended revenue requirement will incorporate the impact of other CAD witnesses addressing rate of return and/or rate design issues that have an impact on the revenue requirement.

In order to meet these objectives, we will perform a thorough review of the Company’s filing and supporting workpapers underlying the request for an increase in rates. From this initial review, we will develop discovery which will extensively question the Company’s representations in the filing, as well as the underlying methodologies and philosophies. An on-site review is optional as part of our work. All information obtained through discovery, along with other publicly available information, will not only address the issues set forth in the Company’s filing and testimony, but also to identify other issues that could have an impact on West Virginia ratepayers.

Our findings will be presented first in the form of discussions with the CAD staff working on the project. Upon completion of the analytical work, we will prepare and submit to the appropriate personnel, drafts of testimony. Subsequent to discussions with these persons, and following their approval, our findings will be presented to the Commission in the form of written testimony and exhibits. This will be followed with direct oral testimony and cross-examination at the hearings. In order to present a convincing and accurate case to the Commission, we will utilize to the fullest extent possible, our accumulated expertise in accounting, taxation and utility ratemaking.

Specific Tasks

The work on this project will be divided into multiple tasks that provide a sensible, chronological series of expected activities encompassing the required work areas within the established time constraints. The major tasks described below represent the anticipated approach to the overall scope of work. Interaction with CAD Staff is expected to coincide with all tasks, to provide for substantial input by these persons for the purpose of optimizing project team performance.

¹ See WVAWC’s Rule 42 Exhibit and related testimony for details.

1. We will discuss with the CAD Staff assigned to the project, the specific approach that the CAD wishes to follow in this case. This preliminary discussion will cover the areas that are of particular concern to the CAD in this case and the time line for all project deadlines.
2. We will perform a detailed review of the Company's filing in the current case and all related testimony and supporting workpapers, as well as any updates and revisions to any of the information filed. We will determine if any new issues are raised by reviewing the Order in the prior case. This will include an analysis, review, and evaluation of all pertinent evidence filed on behalf of all parties in the current case. Based on this analysis, we will advise and recommend an approach to each specific issue that will have an impact on the Company's customers.
3. We will conduct discovery of WVAWC, sufficient to make a complete analysis of the Company's case. This will include preparation of a comprehensive assortment of written requests for information as may be necessary for a thorough analysis of the case. Our discovery files contain many standardized data requests designed to obtain the information necessary to thoroughly evaluate typical issues that we have encountered in other rate cases. These requests for information provide an efficient, effective starting point in developing the first set of discovery to serve upon the Company. In addition, we will develop Company specific data requests to clarify issues, pinpoint problem areas, obtain follow-up information, and address issues and quantifications unique to this Company and rate case.
4. We will carefully analyze and evaluate the information received in steps 1 through 3. Detailed analyses and evaluations will consider all possible material issues, which affect ratepayers. Based on this evaluation, we will discuss our findings with the CAD Staff to determine which items should form the basis for proposed adjustments as part of our formal testimony.
5. We will submit drafts of testimony and exhibits in advance of the filing date to provide the CAD Staff and Counsel assigned to the project ample time for review.
6. We will thoroughly review, verify, and correct the draft testimony and exhibits to meet the satisfaction of the CAD in order to have finished copies ready for filing prior to the filing date.
7. We will assist in the drafting of cross-examination questions, as requested by counsel. The primary goal of such cross-examination will be to demonstrate weaknesses and/or errors in the utility's case, and to elicit agreement from the utility's witnesses concerning appropriate ratemaking theory.
8. We will prepare and present direct oral testimony and stand cross-examination on same. As a result of our extensive experience presenting expert testimony before regulatory boards, we believe that the best preparation for responding to cross-

examination by others is to present well conceived, clearly worded, and thoroughly verifiable prefiled written testimony at the onset.

9. We will analyze the written and oral testimony of other witnesses, and will prepare oral and/or written rebuttal/surrebuttal as appropriate and as allowed for in the procedural schedule.
10. We will respond to discovery directed to us.
11. We will provide technical assistance subsequent to the hearing in order to assist the CAD in the preparation of post-hearing briefs and the evaluation of issues for possible rehearing, as requested.

Substantive Work Plan

This section of our work plan addresses our overall approach to addressing water utility rate case filings. This approach will be modified to address the specifics included in the actual filing of the Company.

1. Rate Base

We would expect to perform the following analysis pertaining to the determination of the rate base:

Analyze any adjustments proposed by the Company to ensure that there is a proper synchronization of rate base with revenue and expense levels. Consideration of West Virginia ratemaking policy will be applied to additions proposed and whether they are known and measurable and/or growth related.

Review the Company's accounting data to assure that the per book balances included in the rate base are stated appropriately. Also assure that all major balance sheet accounts have, in some way, been accounted for through either the rate base or capital structure ratemaking components.

Review all projections, methodologies, assumptions, budget developments, and any supporting studies or analyses to ensure the reasonableness of the data providing the basis for the test year.

Review all pro forma rate base additions requested by the Company, if any. The Company's filing may include pro forma adjustments to the rate base to account for (1) investment additions taking place beyond the end of the test year and (2) pro forma impact on rate base components consistent with associated requested pro forma expense and/or tax increases/decreases (e.g., the pro forma change in the depreciation reserve and deferred tax balances resulting from a requested depreciation/amortization expense increase).

Analyze sources of non-investor supplied capital. Determine whether all non-investor supplied capital has either been appropriately deducted from the rate base, or included in the capital structure at zero cost. Balances that should be appropriately deducted from rate base include:

- A. Accumulated deferred income taxes, reflecting the fact that this represents non-investor supplied capital.
- B. Determine whether customer advances or contributions in aid of construction are present on the Company's books and propose recommendations accordingly. Review proposed plant additions, and recommend that customer advances that are to be received on proposed plant additions, be deducted from rate base. We will also consider any possible contributions from the state or other sources.
- C. Review the balance sheet for any other types of non-investor supplied capital, which should be deducted from rate base. These would include reserves for items such as injuries and damages, property damage, self-insurance, etc.

Review all Company adjustments to rate base to assure their propriety. Rate base value adjustments are normally made to update items such as plant in service to a specified date, to adjust the working capital allowance and the depreciation reserve so that they correspond with adjusted expenses, and to also include adjustments to deferred tax offsets to the rate base. Any adjustments must meet the requirements of being known and measurable. We will propose alternative adjustments and explain through testimony, reasons for rejecting Company adjustments, when said adjustments are believed to be inappropriate.

Review any Company adjustments which increase expense based on end of year rate base levels, such as depreciation, for prior Commission precedent, and to ensure that the rate base is correspondingly reduced to reflect the higher expense level, e.g., for increases in depreciation expense.

Review the work orders of each plant-in-service addition to evaluate the expenditures made to date, the need for such expenditures, the cost/benefit of such investment, and determine if such investment was the result of customer or load growth. Pro forma plant-in-service additions will be cross-referenced with CWIP balances to ensure that there are no items double counted. The Company has updated rate base for non-revenue producing plant additions and CWIP. We will review the assumptions and actual costs incurred.

Ensure that components of rate base are determined on a consistent basis with components of capital employed (e.g., 13 month averages, beginning and end of year average balances).

If prepaid balances are included, we will ensure that the Company's accounting for these items is proper. We will investigate the interrelationship of prepaid balances with the determination of cash working capital under the lead/lag study approach, to ensure that no double counting is included in the rate base.

We will ensure that any inclusion of deferred debits is appropriate, and deferred credits will be reviewed so that we may determine whether any accounts or individual sub-accounts are proper as offsets to the rate base.

Evaluate the level of M&S inventory included in rate base, and then determine whether the period used to compute the M&S inventory amount represents a normal level of inventory based on a historical review.

Construction Work in Progress/Allowance for Funds Used During Construction. We will review and analyze the Company's rate base and income amounts relating to this issue.

We will address the amount of cash working capital to be included in rate base. Cash working capital is a rate base item that reflects the Company's need for cash to conduct its day-to-day operations. Cash working capital should represent investor supplied capital, which the Company must have on hand during the time interval between incurring expenses in the provision of service and the reimbursement of those expenditures through the collection of revenues from ratepayers. If the reimbursement occurs before the Company pays the expense, this results in a negative working capital requirement. We will closely evaluate the Company's cash working capital request and make adjustments as necessary.

The Company may propose rate base additions for legal or non-legal asset retirement obligations (AROs). We are familiar with the requirements of Statement of Financial Accounting Standards No. 143 (SFAS 143) which provides the generally accepted accounting guidance for AROs. AROs are closely related to the determination of the Company's depreciation rates, and specifically the negative net salvage component of depreciation rates. We are also familiar with FERC Order 631, which provides additional background on this area.

2. Operating Income and Expense

In general, we will review operating income and expenses, including going-level and pro forma adjustments. Our review of the operating income statement will include the following areas:

A. Revenues and Sales in the Test Year

Ensure that current revenues reflect the revenues, which should be generated based on the rates currently in effect. This will be done by verifying billing determinants to historical experience.

Analyze the Company's filing to determine if test year sales and revenues are representative of normal going-forward conditions, and propose any necessary adjustments.

Operating revenues will be analyzed to ensure that the proper levels of revenue are reflected in these accounts. We will consider adjustments to annualize sales for year-end customer levels and usage, or weather normalization adjustments after review.

We will closely examine the impact of any large industrial or commercial customers closing operations or adding new operations in the Company's service territory.

The components of "other revenues" will be reviewed to ensure that an appropriate level of each type has been reflected in the test year.

Uncollectible accounts will be analyzed to ensure that the adjusted test year balance is representative of normal conditions. We will review the correlation of uncollectibles to revenues. Test year uncollectibles will be compared to historical results. Additionally, we will:

1. Examine the historical results experienced by the Company in the past in order to determine whether the proposed uncollectibles rate is reasonable, and whether it will likely reflect future occurrences.
2. Examine the method the Company used to calculate uncollectibles for reasonableness and compliance with Commission policy.
3. Determine an appropriate provision for uncollectibles in conjunction with the calculation of the gross revenue conversion factor.
4. Evaluate the level of uncollectibles by computing uncollectibles-to-sales ratios, comparing to historical experience.

We will review test year late payment charge revenues. This review will be coordinated with an analysis of uncollectibles.

Determine if a weather normalization adjustment is necessary, based upon the following type of analysis:

1. Evaluate weather information gathered from weather monitoring stations (airports and other weather stations) and information available from government resources.
2. Compare data to historical averages (which represent "normal") to determine if the test year weather falls outside the range of what is considered normal.
3. Test year weather that falls significantly outside the normal range requires that test year revenues be adjusted as if the weather had been classified as "normal".

B. Operation and Maintenance Expenses

Maintenance expense will be examined to ensure that the test year does not include unusual or non-recurring maintenance, which should be amortized over a longer period for rate case purposes.

Review labor and fringe benefit costs for reasonableness. In addition, we shall review any adjustments for increased labor costs based on actual and/or projected wage increases and projected changes in employee levels.

Compare budgeted with actual wages and staffing levels for a representative historical period. Evaluate whether the Company budgets for unfilled employee positions, or otherwise tends to over-project budgeted wages. We will consider an adjustment for average vacancies.

Review relocation expense. Review any austerity measures, such as a temporary hiring freeze, leaving unfilled job vacancies produced by attrition, and offering voluntary early retirement. Investigate the impact upon test year employee costs of these programs. Evaluate the amortization of any large one-time costs, such as those relating to an early retirement program.

Review any employee bonuses and/or incentive plans included within test year expenses. Review incentive plan documents to determine if associated goals serve to benefit ratepayers, or if such goals predominantly benefit the Company's shareholders. Evaluate overall incentive compensation levels for overall reasonableness. Also determine past Commission precedent with regards to incentive compensation.

If the Company has supplemental retirement plans for officers and directors, or an Employee' Investment Plan (i.e., 401k), ensure that the costs of these plans reflected in the test year reflects a normal, reasonable level of costs.

Review for major plant maintenance expense. Compare test year and pro forma amounts with historic experience. If appropriate, adjust expense to a normalized level.

Review the Company's accounting for legal expense to ensure that unusual or inappropriate costs are not charged to retail ratepayers. The test year should reflect a normal level of legal expense. Remove any penalties or unusual settlements from test year expenses, which should reflect normal operations. Consider deferral of large legal expenditures for litigation in progress concerning questionable areas, e.g., lawsuits against officers and directors for alleged imprudence.

Review dues for membership in industry associations. Remove lobbying and institutional advertising portion of such dues. Obtain data concerning benefits of association programs to the Company. Review other membership dues for appropriateness as test year expenses.

Analyze test year advertising and marketing expenses. Determine which programs and activities benefit ratepayers and provide a recommendation based on this determination for recovery of advertising and marketing expenses.

1. Review copies of advertisements run and bill inserts sent during the test year. Review Company categorization of advertisements.
2. Review test year advertising to ensure that no advertising disallowed in the last docket has been included in the current docket.
3. Review customer surveys the Company may have.
4. Review Commission Orders in recent utility cases to ascertain treatment (allowance or disallowance) of promotional activities. Use such orders as guidance for treatment of marketing programs.

Analyze operating and maintenance accounts by primary and sub-accounts to determine whether any significant increases or decreases in these accounts have occurred. Investigate and document the reasons for any significant changes in operating and maintenance expenses. Recommend adjustments for inappropriate increases and for unexplained, or unjustified cost increases.

Review proposed increase for chemical costs and actual recent costs incurred.

Review purchased water and purchased power costs. Review the Company's elimination of revenue for purchased water costs for any such costs that are recovered pursuant to a separate rate rider.

The Company has proposed adjustments for chemicals and purchased water and power costs. We will review those adjustments for reasonableness and for correlation with actual costs being incurred.

Review to determine whether there were any unusual or non-recurring write-offs made by the Company during the test year that should be either excluded or amortized for ratemaking purposes.

Review the allocation to WVAWC of American Water Works Service Company (AWWSC) charges. Review the costs being included in the AWWSC cost pools which are being allocated to WVAWC. Review for duplicative functions and charges, and for charges from AWWSC that would be disallowed if incurred directly by WVAWC. Our review of AWWSC charges will be focused based on the responses to initial discovery and areas likely to present issues. We do not anticipate being able to conduct an exhaustive and detailed audit of AWWSC charges within the scope of this proceeding. Because AWWSC charges comprise a significant expense to WVAWC, the basis for such charges will be questioned in discovery and adjustments made where they appear necessary and can be quantified.

C. Taxes Other than Income Taxes

Analyze other taxes by type to determine that the tax expense is related only to the test period under consideration.

Verify tax rates to current state statutes. Evaluate trend in property taxes and tax-assessed valuation over a representative historical period. Use the most recent actual tax rates for all property.

Analyze the rate used by the Company to determine whether the use of that rate is appropriate for state and municipal taxes.

Examine the tax rates for the major components of state and municipal taxes to ensure that there has been no decrease in state and municipal taxes, which should be reflected in the period being examined.

D. Below-the-Line Revenues and Expenses

Analyze revenues and expenses in so-called "below-the-line" accounts. Examine these accounts with the intention of determining that these revenues and expenses are properly excluded from the cost of service.

Determine whether the Company has sold any property during the test year or before, and realized a gain on such sales. Determine whether sold property was previously included in rate base to earn a return, or in depreciation expense or property taxes, i.e., included in rates. Consider whether any gain on the sale of such property should accrue to the benefit of the ratepayers.

E. Income Taxes

Review all tax computations in the rate filing.

Review the Company's federal tax returns with particular emphasis on Schedule M adjustments.

Review the Company's deferred income taxes, focusing on any Company proposed normalization treatment deviating from established Commission policy and procedures.

Ensure that the income tax expense rates used by the Company are the correct rates.

Ensure that the impact of the Bonus Depreciation allowance for tax purposes resulting from the Economic Stimulus Act of 2008 (ESA) of 2008 is fully reflected in calculating the Accumulated Deferred Income Tax offset to rate base.

Ensure that the production tax credit (§199 deduction relating to income attributable to domestic production activities) resulting from the 2004 Tax Act is reflected accurately in the Company's filing.

F. Depreciation and Amortization Expense

Analyze the Company's calculation of test year depreciation expenses to ensure that the depreciation rates used have been approved by the Commission.

Ensure that the depreciable assets used in calculating the depreciation expense agree with the books and records of the Company, or are based on reasonable projections of plant to be in service.

Ensure proper "matching" between depreciation expense reflected in adjusted net operating income and net plant amounts reflected in the rate base, paying particular attention to new additions to rate base.

Review each item being amortized as test year expense. Remove amortizations which will be completed prior to rates set in this proceeding going into effect.

G. Administrative and General Expenses

Ascertain the reasonableness of the Company's test year claims for administrative and general expenses. Examine the individual items by account and sub-account detail, to determine whether such amounts properly relate to the provision of gas service to ratepayers.

Examine all membership association dues and the related expenses to ascertain the benefit to ratepayers.

Examine all adjustments made by the Company to the test year expenses for reasonableness. Where we find that such adjustments seem unreasonable and do not reflect actual past experience, we will provide alternative amounts to be included as expenses.

Examine all costs associated with Company sponsored programs in order to determine whether such amounts are reasonable, and whether the benefits to ratepayers are commensurate with the cost of the programs.

4. Revenue Requirement

We will review the revenue requirement projected by the Company, and in light of all the recommended adjustments to the Company presentation, independently develop a revenue requirement. The revenue level should be sufficient to enable the utility to

recover all of its prudently incurred costs found to be includable in the adjusted test year, plus an adequate return on its capital invested in used and useful assets devoted to the provision of jurisdictional utility service. In other words, total allowed revenues should equal total operating expenses, plus depreciation and an adequate return on investment. This is inclusive of a sufficient level of income taxes to provide the utility an opportunity to earn such return on an after-tax basis.

Work Products

Upon completion of the major work elements described above, Larkin & Associates will submit the following work products:

1. The CAD's desired number of copies of written direct testimony prior to the time and date that it must be filed. In addition, we will provide copies of draft testimony prior to the filing date.
2. Oral testimony and technical support at the hearings.
3. Copies of all data requests.

III. QUALIFICATIONS

Larkin & Associates PLLC

Larkin & Associates has extensive experience in the utility regulatory field as expert witnesses in over 600 regulatory proceedings regarding a variety of issues involving numerous electric, gas, telephone and water and sewer utilities. Senior members of Larkin & Associates regularly provide written and oral testimony in regulatory proceedings.

Larkin & Associates' proposed project team recently filed testimony in a similar rate case review of WVAWC's affiliate Virginia-American Water Company and filed expert testimony on behalf of the Virginia Consumer Counsel. Members of the Larkin & Associates project team have extensive experience providing consulting expertise in public utility regulation to regulatory agencies. Our team includes expert consultants and CPAs who are thoroughly familiar with all aspects of utility regulation.

Members of Larkin & Associates have also provided utility regulatory consulting services to the West Virginia CAD on prior cases, although not in the past few years. Thus, we are somewhat familiar with West Virginia ratemaking policies and principles, along with CAD preferences.

Appendix I presents resumes for Larkin & Associates professionals.

Appendix II presents a summary of recent electric utility regulatory engagements in which Larkin & Associates have performed work similar to that required in this project. Each case summary conveniently lists the name of the client, a summary of the scope of work performed, and indicates the professional personnel who participated in the engagement.

Conflict Statement

Larkin & Associates, PLLC is not engaging in any cases that would be in conflict with this case. None of Larkin & Associates, PLLC's past cases would be in conflict with this case.

IV. PERSONNEL

Larkin & Associates, PLLC's professional staff assigned to this project would bring to this engagement over 100 years cumulative business, public accounting and utility related experience. Larkin & Associates has extensive experience in the utility regulatory field as expert witnesses in over 600 regulatory proceedings, including numerous gas, electric, telephone and water and sewer utilities. Our professionals are familiar with a variety of regulatory issues affecting gas, electric, telephone and water and sewer utilities. Thus, in performing our work for the CAD on this project, we will draw on knowledge gained through comparable studies performed in other utility cases. In order to present well-supported recommendations, we will utilize to the fullest extent possible our accumulated expertise in accounting, auditing, law, taxation and utility regulation.

Each of our senior project team members, as well as our proposed case manager and expert witness in this case are CPAs and have over ten years experience testifying as expert witnesses on rate making and regulatory matters.

As senior partner of Larkin & Associates, Hugh Larkin, Jr., CPA, will assume ultimate responsibility for the completion of each phase of the project and the quality of the resulting work product. Mr. Larkin has worked in the regulatory field for over 35 years and has testified in over 400 regulatory proceedings. Mr. Larkin's regulatory experience includes rate cases, management audits, and litigation assistance.

Helmuth W. Schultz, CPA, is a senior consultant and has over 32 years of experience with regulatory issues. Mr. Schultz has supervised many projects and presented testimony on numerous occasions.

Ralph Smith, CPA, is a senior consultant and has over 28 years of experience as a regulatory consultant. Mr. Smith is also a certified financial planner and an attorney. Mr. Smith has been a key member and presented testimony in numerous regulatory engagements involving electric, gas, and water and sewer utilities.

Donna DeRonne, CPA is a senior consultant. She has over 16 years experience as a regulatory consultant and has supervised numerous projects. Ms. DeRonne has provided testimony in numerous regulatory cases, including many water utility cases.

We propose that Mr. Smith serve as project manager and lead consultant on the case. He has over 28 years of experience testifying on revenue requirement issues involving regulated utilities. The project manager coordinates the work efforts of all professional staff, monitors the progress of the project and ensures that all deadlines are met. The project manager will also serve as the expert witness in the case.

Mark Dady, CPA is a regulatory analyst. He has prepared calculations, performed analyses and prepared schedules, exhibits, and reports on several Larkin & Associates' engagements, including the last Appalachian Power Company/Wheeling Power Company

rate case in West Virginia. He will perform analytical work, prepare data requests and exhibits, draft and edit written testimony, and verify data.

Tina Miller is a regulatory analyst. She has prepared calculations, performed analyses and prepared schedules, exhibits, and reports on several Larkin & Associates' engagements. She will perform analytical work, prepare data requests and exhibits, draft and edit written reports, and verify data, on an as-needed basis.

Dawn Bisdorf is a research analyst with Larkin & Associates. Ms. Bisdorf assists with the review and analysis of regulatory filings by preparing computer spreadsheets and models, and performing accounting and regulatory research. Ms. Bisdorf will provide technical assistance on this project by preparing calculations and analysis, as well as organizing responses to data requests.

On-site review. It is not anticipated that an on-site review at the utility's offices will be necessary for this project. However, we will keep the option open to conduct one, if necessary.

V. PRICE PROPOSAL

Revenue Requirement

Larkin & Associates, PLLC proposes to complete the revenue requirement project for a price not to exceed \$49,700. This includes all professional fees and expenses. The hourly rate of the project manager/expert witness on this case is \$135.

For billing purposes, we will use the following hourly rates for each of our professional Staff. We will not bill secretarial costs. Our proposed price is based on the following estimates of professional time devoted to the project:

Estimated Total Cost for Revenue Requirement Issues

Professional	Project Function	Hours	Hourly Rate	Total
Hugh Larkin, Jr., CPA	Advisory/As-Needed		\$ 150	\$ -
Ralph C. Smith, CPA	Project Manager/Expert Witness	160	\$ 135	\$ 21,600
Helmuth W. Schultz III, CPA	Senior Analyst	20	\$ 125	\$ 2,500
Donna M. DeRonne, CPA	Senior Analyst	80	\$ 125	\$ 10,000
Mark S. Dady, CPA	Regulatory Analyst	120	\$ 95	\$ 11,400
Tina Miller	Regulatory Analyst, as needed		\$ 75	\$ -
Dawn Bisdorf	Research Associate	60	\$ 45	\$ 2,700
Total Professional		440		\$ 48,200
Travel and Out-of-Pocket Expenses		Units	Per Unit	
On-site Review	[Optional]			\$ -
	2 professionals, 1 week each			
	Hotel, nights	10		
	Local Transportation			
	Meals, days	10		
Hearings	Airfare, round trips	1	\$ 750	\$ 750
	Hotel, nights	3	\$ 110	\$ 330
	Local Transportation			\$ 125
	Meals, days	3	\$ 65	\$ 195
Other Expenses	Overnight delivery			\$ 75
	Copying, telephone & misc.			\$ 25
Total Travel and Out-of-Pocket Expenses				\$ 1,500
Total Cost Estimate, All Larkin Revenue Requirement Issues				\$ 49,700

APPENDIX I

**BACKGROUND & QUALIFICATIONS - RESUMES OF
KEY PROJECT PERSONNEL**

The personnel Larkin & Associates proposes for this project are ideally suited to the project's requirements. The project team includes professionals with educational backgrounds in accounting, finance, economics, statistics, business management, taxation, law and computers as well as expertise in addressing regulatory and valuation issues for electric, gas, telecommunications, water and sewer utilities.

Members of this team have extensive experience providing consulting to regulatory agencies concerning a wide range of issues affecting public utilities. The professionals proposed for this project have worked as consultants on numerous projects for regulatory commission staffs and intervenors, and have provided litigation assistance on behalf of law firms representing utilities and others. Our team includes expert consultants and CPAs who are thoroughly familiar with the issues in utility regulatory consulting engagements.

Concise resumes emphasizing water and waste water utility experience for the professionals proposed for this project follow:

	<u>Page</u>
HUGH LARKIN, JR., CPA	1
RALPH C. SMITH, CPA	6
HELMUTH W. SCHULTZ, III, CPA	11
DONNA M. DERONNE, CPA	16
MARK S. DADY, CPA	20
TINA MILLER	25
DAWN BISDORF	30

HUGH LARKIN, JR., CPA

Mr. Larkin is a certified public accountant, founder and senior partner of Larkin & Associates. He is thoroughly versed in independent auditing, as well as the design and review of accounting systems and the presentation of data for management and financial reporting. Mr. Larkin is licensed in the states of Michigan and Florida.

For 39 years, Mr. Larkin has concentrated in the field of public accounting and public utility regulation. He has served as project leader for numerous financial and compliance audits and regulatory consulting engagements, and has testified as an expert witness on issues dealing with public utility management and regulation in over 300 proceedings. His testimony has been sponsored by public utility/service commission staffs, state attorneys general, groups of municipalities, a district attorney, people's counsel, public counsel, and other such entities. Jurisdictions in which Mr. Larkin has presented expert testimony include: Alabama, Alaska, Arizona, California, Connecticut, Delaware, Florida, Georgia, Hawaii, Idaho, Illinois, Indiana, Kentucky, Kansas, Louisiana, Maine, Maryland, Michigan, Minnesota, Mississippi, Missouri, Nevada, New Jersey, New York, North Carolina, Ohio, Pennsylvania, South Carolina, South Dakota, Texas, Vermont, Utah, Washington, Wisconsin, West Virginia, FERC and Canada.

Relevant Regulatory Experience

- Project member in the review of the rate increase request by Aloha Utilities, Inc. for its Seven Springs Water Division. Issues addressed in testimony included: working capital for pilot plant project; corrections to Company's filing; bad debt expense; pension expense; payroll – employee levels and salary annualization; officer/owner salary; purchase water expense; chemical and purchase power costs; unaccounted for water disallowance; rate case expense; capital structure; debt in capital structure along with associated weighted cost; and problems with the Company's proposed new rate design. We also addressed in testimony the Company's failure to meet a competitive standard for service. This resulted in our recommendation that prices not be raised because of the overwhelming level of evidence that the quality of the water was below comparable service from other water companies, with the significant quality problems continuing for numerous years.
- Project Director in the evaluation of a proposed water rate increase request. Larkin & Associates was retained by the Florida Office of Public Counsel to review the rate increase request by Utilities, Inc. for a rate increase in Marion, Orange, Pasco, Pinellas and Seminole Counties. Issues addressed in testimony included: revenues – index rate increase annualizations corrections, amortization of non-recurring costs – TV video inspection, amortization on books for retired WWT plants - Summertree and Weathersfield, employee costs, purchase water expense – Oakland Shores, Uncollectible Expense – Weathersfield, excessive lost and unaccounted for water, excessive inflow and infiltration, Lincoln Heights Purchase Wastewater Treatment Expense, non-used and useful facilities, removal of non-used and useful wastewater treatment plants, and rate of return – return on equity penalty.
- Project Director in the review of a proposed rate increase request. Larkin & Associates was retained by the Florida Office of Public Counsel to review the rate increase request by Aloha Utilities, Inc. for its Seven Springs Water Division. Issues addressed in testimony include: working capital for pilot plant project; corrections to Company's filing; bad debt expense; pension expense; payroll – employee levels and salary annualization; officer/owner salary; purchase water expense; chemical and purchase power costs; unaccounted for water disallowance; rate case expense; capital structure; debt in capital structure along with associated weighted cost; and problems with the Company's proposed new rate design. We also addressed in testimony the Company's failure to meet a competitive standard for service. This resulted in our recommendation that prices not be raised because of the overwhelming level of evidence that the quality of the water was below comparable service from other water companies, with the significant quality problems continuing for numerous years.

Resume of Hugh Larkin, Jr., CPA, continued

- Project Director in the review of the rate increase request by Aloha Utilities, Inc., its Seven Spring Wastewater Division. Issues addressed in testimony included: disallowances from prior orders (rate case expense, write-off of chemical expense), contractual services-legal, miscellaneous expenses, salaries and wages, purchased power, materials and supplies, customer growth and inflation, contractual services-accounting, contractual services-other, depreciation expense, AFUDC, CIAC, taxes other than income taxes, property taxes, deferred income taxes, recommended rate base, plant in service, CWIP, land/land rights, accumulated depreciation, working capital, interest income, and the company's proposed capital structure and rate of return.
- Project Director in a review of the Proposed Agency Action (PAA) Order No. PSC-00-1528-PAA-WU (PAA Order), issued August 23, 2000, and to address certain issues in that Order which were protested by Wedgefield Utilities, Inc. and the Citizens of the State of Florida. Mr. Larkin submitted testimony with respect to negative acquisition adjustment issues and the impacts of Citizens Witness Ted Biddy's recommendations with regards to used and useful plant.
- Project Director. Retained by the Pennsylvania Office of Consumer Advocate to review the salient accounting and revenue requirement issues in the filing for rate increase presented by United Water Pennsylvania, Inc. Issues addressed in Mr. Larkin's testimony included: plant additions, cash working capital, payroll expense including new employees' salary and capitalization factor, OPEB expense, flood cost amortization, failed acquisition costs, computer costs, inflation, depreciation expense including changes in depreciation rates and consolidated tax savings adjustment.
- Project Director in the review of the accounting and revenue requirement issues in the filing for a water and wastewater rate increase requested by United Water Florida. Issues addressed in Mr. Larkin's testimony included: 13-month average vs. year end rate base; amortization of acquisition adjustment; revisions to projected increases in plant in service; accumulated depreciation; late payment fee revenues; inappropriate expense items; salary & wage expense; medical expense; employee savings plans, depreciation expense; Company proposed amortization and interest synchronization.
- Project Director in the review of a rate case filing of Southern States Utilities before the Florida Public Service Commission. Issues addressed in Mr. Larkin's testimony included: parent company's investment in utility; non-used and useful facilities; margin reserve; plant held for future use; slippage in plant in service additions; purchase agreement; water source of supply costs; accumulated depreciation; acquisition adjustments; salary & wage expense; corporate insurance; property tax expense and discounts; and income tax expense.
- Project Director in addressing Jacksonville Suburban Utilities Corporation's request to include in rate base a positive acquisition adjustment related to its purchase of Ponte Vedra Utilities; the Company' request to include in rate base costs associated with the acquisition of Ponte Vedra; and the valuations performed to date concerning a parcel of land purchased by Ponte Vedra from a related party.
- Project Director in the review of issues pertaining to SFAS No. 106 and the rate recovery of costs for postretirement benefits other pensions requested by Indianapolis Water Company. Mr. Larkin's testimony summarized the background and requirements of FAS; discussed the Company's proposed ratemaking treatment of FAS 106; identified concerns regarding the FAS 106 accrual, and recommended alternatives to full accrual for recovery of OPEB expenses through rates.
- Project Director in the review of the application for authority to increase water and wastewater rates and charges filed by General Development Utilities, Inc. for its Silver Springs Shores and Port LaBelle Divisions. Issues addressed: non-used and useful, margin reserve, salary and wage expense, workmen's compensation insurance premium, employee benefits - group

Resume of Hugh Larkin, Jr., CPA, continued

insurance, miscellaneous expense, property taxes - non-used and useful, income taxes, and parent debt adjustment.

- Project Director in the rate base and accounting issues review of 21 water and 9 sewer systems in 6 counties owned by three affiliated companies (Southern States Utilities, Inc.). Issues included: non-used and useful facilities, working capital allowance, acquisition adjustments accumulated deferred income tax debit, projected capital additions, and allowance for funds used during construction.
- Project Director in the examination of the management efficiency of the Artesian Water Company, Inc. as it related to cost control. Other areas examined were: affiliated transactions and data processing expense.
- Project Director in the review of Citrus Springs Utilities. Areas reviewed included: non-used and useful mains and services transferred to water plant in service, non-used and useful sewer plant and allocation of general plant, working capital, cash, unbilled revenues, materials and supplies inventory, motor fuel and diesel fuel inventory, deferred debits and accrued wages, capital structure, purchased power, labor adjustment, customer accounts - supplies and expenses, rate case expense and income tax expense.
- Project Director in the review of Century Utilities for the Florida Public Counsel. Issues addressed were: pro forma effluent disposal plant addition, non-used and useful plant in service, accumulated depreciation association with pro forma sewer plant, departure from Order #13060, working capital, cash, customer accounts receivable, deferred data processing program costs, deferred maintenance costs, deferred rate case expense, capital structure, general structure, deferred taxes, accumulated unamortized investment tax credit, revenue, O&M expense, officers' and employees' bonuses, chemical expense, non-recurring expenses, rate case expense, amortization of deferred data processing costs, damage repairs, outside laboratory testing-sewer, general liability insurance, miscellaneous expense, management fees, payroll taxes, fringe benefits, and property taxes.
- Project Director in the review of Orange Osceola Utilities, Inc, request for an increase in rates. Issues were: effluent disposal land costs, including prudency, spray irrigation, parent recovery of land costs and non-arms length transactions, working capital, O&M expenses, and property taxes.
- Project Director in the review of Florida Cities Water Company. Issues included used and useful calculations, accumulated depreciation, advances for construction, property held for future use, electric power expense, non-recurring expenses, rate case expense, investment tax credit amortization, parent company debt adjustment to income tax expense, allocation of parent company expenses to the local operating utility and imputing an interest deduction to accumulated deferred investment tax credit.
- Project Director in the review of the rate increase request of Marco Island Utilities for the Florida Public Counsel. Issues included: cost of land, plant in service, non-used and useful plant, CIAC, working capital, cost of debt, revenue, O&M expense, including labor capitalization, rate case expense, index adjustment and non-regulated operation expenses, and income taxes.
- Project Director in the review of the application for an increase in rates for the St. Augustine Shores Utilities, Inc. Issues included: proper value of utility land, appropriate level of recoverable costs related to the utility's customer relations program and implementation of the parent company's uniform billing system, appropriate balance of contributions in aid of construction to be included in rate base, inclusion of expenses related to abnormal maintenance projects in cost of service, proper level of administrative and general salaries allocated to the utility from the parent company, and calculation of federal income taxes on a consolidated vs. stand-alone basis.

Resume of Hugh Larkin, Jr., CPA, continued

- Project Director in the evaluation of North Naples Utilities, Inc.'s rate base including: water treatment plant site/land, CWIP, non-used and useful plant in service, chemical expense - lime and depreciation expense.
- Project Director in the review of Pennsylvania Gas & Water Company's application for an increase in annual revenues related to its water operations. Issues addressed: propriety of the Company's plant projections, application of a change in the depreciation method, CWIP, rate base deductions including operating reserves and deferred taxes, appropriate level of cash working capital based on the utility performed lead/lag study, proper level of revenues considering the flat-to-metered customer conversion program, appropriate level of salaries and wages, appropriate level of Directors' and Officers' Liability insurance considering pending litigation, and propriety of the utility's inflation adjustment over and above pro forma adjustments for known and measurable changes.
- Lead Consultant retained to determine the appropriate rate base and operating income for Key Haven Utilities Corporation for establishing rates. Specific issues addressed in testimony include utility owners investment, non-used plant, escrow account included in working capital, depreciation, management contract, maintenance expense and depreciation on collection lines.
- Project Director in the review of the rate increase request in water and sewer rates of the Poinciana Utilities, Inc. Testimony dealt with consolidated capital structure, land, CWIP, CIAC, cash working capital, payroll and benefits, accrued interest, maintenance expense, purchased power, legal expenses, taxes other than income and income tax expense.

A complete list of cases in which Mr. Larkin has participated/testified will be provided upon request.

Previous Positions

- Employed by the international certified public accounting firm Peat, Marwick, Mitchell and Company from 1963 through 1969. Supervised major audits of the Detroit office.
- Partner in the public accounting firm of Tischler & Lipson, 1969-1970.
- Formed the certified public accounting firm of Larkin, Chapski and Company in 1970 (reorganized in 1982 as Larkin & Associates).

Education

- Bachelor of Science, Accounting, Michigan State University, East Lansing, Michigan, 1960.
- Certified Public Accountant, 1966.
- Continuing professional education necessary to maintain CPA license.

Professional Affiliations

- Michigan Association of Certified Public Accountants
- American Institute of Certified Public Accountants

References

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Resume of Hugh Larkin, Jr., CPA, continued

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RALPH C. SMITH, CPA

Mr. Smith's professional credentials include being a Certified Financial Planner™ professional, a Certified Rate of Return Analyst (CRRRA), a licensed certified public accountant and attorney. He functions as project manager on consulting projects involving utility regulation, regulatory policy and ratemaking and utility management. His involvement in public utility regulation has included project management and in-depth analyses of numerous issues involving telephone, electric, gas, and water and sewer utilities.

Mr. Smith has performed work in the field of utility regulation on behalf of industry, public service commission staffs, state attorney generals, municipalities, and consumer groups concerning regulatory matters before regulatory agencies in Alabama, Alaska, Arkansas, Arizona, California, Connecticut, Delaware, Florida, Georgia, Hawaii, Illinois, Indiana, Kentucky, Louisiana, Maine, Michigan, Minnesota, Mississippi, Missouri, New Jersey, New York, Nevada, North Dakota, Ohio, Pennsylvania, South Carolina, South Dakota, Texas, Utah, Vermont, Washington, Washington D.C., Canada, the Federal Energy Regulatory Commission and various state and federal courts of law. He has presented expert testimony in regulatory hearings on behalf of utility commission staffs and intervenors on several occasions.

Relevant Regulatory Experience

- Key Project Member in the evaluation and audit of California Water Service Company's General Office, unregulated activities, cost allocation methods and affiliate transactions, along with an analysis of California Water Service Company's general rate case test year estimates for the General Office. Issues addressed in testimony/report include: cost allocations and allocations to unregulated activities, changes in methodology for an allocation factor, reduction to proposed employee levels, property insurance, workers compensation insurance, injuries and damages, outside services, plant additions, IS projects, and working capital.
- Project Manager in the review of the revenue requirement studies (RRS) proposals presented in this proceeding by Anchorage Water and Wastewater Utilities (AWWU), Anchorage Water Utility (AWU) and Anchorage Sewer Utility (ASU). The principal objective of the review was to assess whether or not the revenue requirements for AWU and ASU proposed by AWWU will result in just and reasonable rates and to recommend modifications where appropriate to the Company's proposals.
- Project Manager. Larkin & Associates was retained to assist the City of Danville in the valuation of the water system serving the Vermillion County area. Using a variety of valuation methods, Larkin & Associates provided a report concerning the estimated value of the water utility system. Specific valuation methods reported upon were Multiple of Book Investment, Multiple of Sales and Multiple of Earnings. Mr. Smith also used the acquisition from the Consumers Water Company merger as a reasonableness test of the water system valuation estimate. The ability of the municipality to finance an acquisition of the water system and the potential rate impacts were also addressed.
- Project Manager. Larkin & Associates was retained by Crawford, Murphy & Tilly, Inc. (CMT), an Engineering Consulting firm to assist in formulating a decision about whether to proceed further with an acquisition of the University Park water and sewer systems. Larkin & Associates was responsible for estimating the value of the water and sewer utility systems serving the Village of University Park from a financial and economic perspective, using information available from Consumer Illinois Water Company's rate cases and publicly available information. Reports were prepared by CMT and submitted to the Village of University Park, reflecting various stages of completion of the analysis. Our valuation estimates were included in CMT's reports to the Village. The November 1998 report included an Appendix prepared by Larkin & Associates containing a synopsis of selected cases and authorities concerning valuation of an investor-owned public utility being acquired by a municipality, along with the full text of several of the

cases. Mr. Smith was responsible for drafting the report, supporting schedules and documentation as well as analysis of research information.

- Project Manager. Larkin & Associates was retained by Zeeland Board of Public Works to independently review Holland's books and methods of calculating Zeeland's water rates under a long term water supply contract. Larkin & Associates reviewed the calculation of the capital recovery charge and the underlying documentation and accounting records maintained by Holland relative to that calculation. Larkin & Associates reviewed documentation concerning Holland's Plant and Accounting Records, interviewed the Finance Director and Accounting Supervisor, and took a "generic tour" of Holland BPW's water treatment plant. Copies of selected "as built" (blue print) diagrams of the plant were made while on site. Mr. Smith also prepared a report, made a presentation to the Zeeland BPW, and assisted Zeeland in the preparation and drafting of "go forward" proposals and in the evaluation of Holland's go forward proposals. Mr. Smith also testified as an expert on behalf of Zeeland in subsequent arbitration proceedings.
- Project Manager in the review of Citizens Utilities Company's request for a rate increase for four water companies and two wastewater companies operating in Arizona. Issues addressed by Larkin & Associates in testimony include: plant in service; plant allocated from parent company; AR-13 accrual amounts; acquisition and related adjustments; deferred income taxes; customer annualization; payroll expense; rate case expense; quality management program; tank painting expense; FAS 106 accrual; costs allocated from parent and affiliates; purchase power expense; income taxes; investment tax credit amortization and interest synchronization. Mr. Smith presented expert testimony concerning the adjusted net operating income, revenue requirement and rate base valuation (original cost and fair value) for each of the six utilities.
- Project Manager and expert witness in the evaluation of a proposed water rate increase. Larkin & Associates was employed by rate counsel for the City of Kankakee, Illinois to review the filing for a rate increase by the Consumers Illinois Water Company, a subsidiary of Consumers Water Company. We obtained and reviewed data and performed other procedures as necessary to determine a fair revenue requirement and rate of return. These procedures included requesting and reviewing discovery, discussions with counsel and co-consultants, and preparing testimony and exhibits. Addressed in testimony the following issues: workers compensation; tank painting; depreciation expense; sludge hauling; rate case expense; incentive compensation; nonpension postretirement benefits accounts payable supporting materials and supplies; gain on sale of land; TQM program cost; labor cost for Shell Oil contamination; cash working capital; interest synchronization; payroll taxes; CWIP error; envelope billing; state income tax credits; capital structure and cost rates. Rate base valuation was one of the issues addressed in Mr. Smith's expert testimony.
- Project Manager in the evaluation of the proposed rates of Inter-State Water Company. Addressed in testimony the following issues: plant that would not be in service by a cut-off date of 15 months after the end of the utility's selected historic test year; coordination of Accumulated Depreciation with the other elements of rate base; adjust Depreciation and Accumulated Depreciation for continuation of presently authorized depreciation rates; Accrued Real Estate Taxes as a rate base offset; impact of FAS 109 accrual on Accumulated Deferred Income Tax balance; normalized expenses in rate base; cash working capital; revenue from new customers; late payment fee revenues; real estate taxes; uncollectibles expense; pension expense; payroll expense; incentive bonuses; payroll taxes; nonpension postretirement benefits; capitalization of benefits and payroll taxes; depreciation expense; negative net salvage/cost of removal; TQM program cost; insurance cost; affiliated company charges; interest synchronization; state income tax credits and enterprise zone credits; capital structure and cost rates; return on common equity for water company using "leverage graph" approach. Rate base valuation, as well as ongoing cost levels, were among key issues addressed in Mr. Smith's expert testimony.
- Project Manager in the review of a Pennsylvania American Water Company requested rate increase. Testimony addressed the following issues: cash working capital - revenue lag, check

clearing lag, specific lags for chemical expense, group insurance, other insurance, labor, leased carbon, leased equipment, rents, leased vehicles, miscellaneous expenses, gas cost, power cost, purchased water, telephone expense, and other expenses; Skyline Water Company improvements; sales for resale; "early window" costs for a water treatment plant; payroll expense; payroll tax expense; group insurance; pension; expense for new 401(k) plan; purchased power; purchased water; chemical expense; change in consumption; insurance; legal expense for sewer-data billing dispute; personal use of Company vehicles; rate case expense normalization; miscellaneous expenses; inflation, including inflation rate used in general inflation adjustment; cessation of previously allowed amortizations; depreciation expense; fines; FAS 106; affiliated Service Company charges; and interest synchronization.

- Project Manager and expert witness concerning a requested water rate increase by Citizens Utilities Company (Agua Fria Water Division). Larkin & Associates reviewed Citizens Utilities Company, Agua Fria Water Division's request for a revenue increase, and thoroughly analyzed rate base and net operating income issues. This case was settled prior to filing of Commission Staff and intervenor testimony. In Arizona, the rate base valuation includes both an original cost valuation and a fair value cost estimate.
- Project Manager in the evaluation of a Pennsylvania American Water Company proposed water rate increase. Issues addressed included projected plant additions; materials and supplies inventory; cash working capital; cost for management audit compared with cost-savings produced; period for recovery of management audit cost; rescheduled amortizations; affiliated Service Company charges, including pro forma payroll, inflation, and other costs; leases with affiliate, Occoquan Land Corporation; post-in-service AFUDC; inclusion of bad debt reserve in taxable income; consolidated tax savings; capital structure; vacant positions; membership dues; relocation expense; consumption related expenses; PAWC's revisions to its expense claims; interest synchronization; gross revenue conversion factor; accumulated depreciation; Company-paid spousal travel; penalties; purchased power; pension costs and funding; demand study cost; CIAC projection; math errors in Company's rate filing; and transfer of employees from Service Company to Water Company.
- Lead Consultant in the review of General Development Utilities, Port Malabar and West Coast Divisions, water rate increases. Review, analyze and provide testimony regarding the appropriate revenue requirements for two divisions of a multi-divisional water and sewer company. Issues addressed included imputation of CIAC, CIAC in escrow, effects of parent company bankruptcy on utility capital structure, used and useful plant and future income tax requirements.
- Project Manager in the analysis of the Sun City Water Company's request for a rate increase and rate base valuation. Analysis, review and recommendations concerning the Utility's rate increase request. Areas addressed in testimony included: cash working capital; accumulated deferred income taxes on unbilled revenues; public authority revenues; other revenues; Stamford Administrative Office charges for rate case expense; payroll annualization, vacancies and new positions; payroll tax expense; contract payments to former Citizens executives; uncollectibles; miscellaneous expenses; general insurance; workers compensation expense; employee benefits expense; pension expense; group medical expense; group life insurance expense; compensation - incentive bonuses; SAO expense; pumping power expense; groundwater withdrawal fee; federal superfund tax; investment credit amortization; interest synchronization; and capital structure.
- Project Manager in the evaluation of the Havasu Water Company's request for a rate increase and rate base valuation. Review of revenue requirements including operating income and rate base. Issues addressed in testimony included: accumulated deferred income taxes on unbilled revenue; cash working capital; plant in service; acquisition adjustments; revenue annualization; depreciation expense; rate case expense; pro forma payroll; property taxes; administrative and general expense; Stamford Administrative Office charges; other unexplained and unjustified expense increases, using O&M benchmark analysis; and interest synchronization.

Resume of Ralph C. Smith, CPA, continued

- Project Manager in the analysis of the Artesian Water Company management efficiency and affiliated transactions. Larkin & Associates was retained by the Delaware Public Service Commissioners to examine the management efficiency of the Artesian Water Company, Inc. as it relates to cost control. We also examined the affiliated transactions of the Water Company with its parent Artesian Resources Corporation and an affiliated company, subsidiaries, and addressed data processing operations and expense.
- Lead Consultant in the evaluation of a Florida Cities Water Company water rate increase request. Issues addressed included: used and useful calculations; accumulated depreciation; advances for construction; property held for future use; electric power expense; non-recurring expenses; rate case expense; investment tax credit amortization; parent company debt adjustment to income tax expense; allocation of parent company expenses to the local operating utility, and imputing an interest deduction to accumulated deferred investment tax credit.
- Key project team member in the review of a water and sewer rate increase request filed by Marco Island Utilities, Inc. Review water and sewer utility request for rate increase. Major issues addressed included: cost of land; plant in service; non-used and useful plant; CIAC; working capital; cost of debt; revenue; O&M expense, including labor capitalization; rate case expense; index adjustment, and non-regulated operation expenses, and income taxes.
- Project Manager in the analysis of a water rate increase request filed by the Pennsylvania Gas & Water Company. Review Utility's application for an increase in annual revenues of \$8.7 million related to its water utility operations. Major issues addressed included: The propriety of the Company's plant projections included in rate base; appropriate application of a change in the depreciation method; inclusion of CWIP in rate base; rate base deductions including operating reserves and deferred taxes; appropriate level of cash working capital based on the Utility-performed lead-lag study; proper level of revenues considering the flat-to-metered customer conversion program; inclusion of various miscellaneous revenues; appropriate level of salaries and wages; appropriate level of Directors' and Officers' Liability insurance considering pending litigation; and propriety of the Utility's inflation adjustment over and above proforma adjustments for known and measurable changes.
- Key team member in the firm's management audit of the Anchorage Water and Wastewater Utility on behalf of the Alaska Commission Staff, which assessed the effectiveness of the Utility's operations in several areas; responsible for in-depth investigation and report writing in areas involving information systems, finance and accounting, affiliated relationships and transactions, and use of outside contractors. Testified before the Alaska Commission concerning certain areas of the audit report.

A complete list of cases in which Mr. Smith has participated/testified in will be provided upon request.

Education

- Bachelor of Science in Administration in Accounting, with distinction, University of Michigan, Dearborn, 1979.
- Master of Science in Taxation, Walsh College, Michigan, 1981. Master's thesis dealt with investment tax credit and property tax on various assets.
- Juris Doctor, cum laude, Wayne State University Law School, Detroit, Michigan, 1986. Recipient of American Jurisprudence Award for academic excellence.
- Continuing education required to maintain CPA license and CFP certificate.
- Received CPA certificate in 1981 and Certified Financial Planner™ certificate in 1983. Admitted to Michigan and Federal bars in 1986.
- Certified Rate of Return Analyst (CRRA) 1995

Resume of Ralph C. Smith, CPA, continued

Professional Affiliations

- Michigan Association of Certified Public Accountants, Committee on Management Consulting Services
- Michigan Bar Association
- American Bar Association, sections on public utility law and taxation
- Society of Utility and Regulatory Financial Analysts

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HELMUTH W. SCHULTZ, III, CPA

Helmuth ("Bill") Schultz, a certified public accountant and management consultant, was employed with Larkin & Associates' predecessor firm, Larkin, Chapski & Company, in 1975. He is presently a Larkin & Associates partner and, as such, is responsible for all the accounting and much of the auditing work done by the firm. Mr. Schultz has evaluated numerous issues affecting regulated public utilities including capital structure, cost of capital, rate base, sales, fuel and purchased power expenses, O&M expenses, taxes of all types, and management controls over operations and expenses. Made projections in the areas of sales, required generation, capital structure, rate base, overhead, O&M expenses, taxes, and cost of debt. Mr. Schultz has also conducted several reviews of utilities cost allocation manuals and procedures. He has testified as an expert witness in numerous regulatory proceedings.

Relevant Regulatory Experience

- Project Member in the evaluation of San Gabriel Valley Fontana Water Company's results of operation in conjunction with the Company's application for authorization to increase its revenues. Larkin & Associates issued a report discussing its recommendations and conclusions. Issues addressed in the report included: customers, sales, revenues, operation & maintenance expenses, administrative and general expenses, taxes other than income, income taxes, net to gross multiplier, utility plant in service, depreciation expense and reserve, rate base, customer service, rate design, and miscellaneous matters.
- Project manager in the review of Intercoastal's request for a limited proceeding. The limited proceeding consisted of a request for recovery of and on a water treatment plant expansion project that was previously disallowed by the St. Johns County Water and Sewer Authority (Authority). Larkin & Associates reviewed and analyzed the Company's request, assisted the Authority in hearings and developed the Authority's revenue requirement position with regards to the water treatment plant expansion project. Adjustments were recommended by Larkin & Associates in the Authority's position statement with regards to affiliate overhead charges, unsupported vendor costs, affiliate profit included in project, allowance for funds used during construction, rebooking of costs to appropriate accounts and rate case expense.
- Project Manager in a review Intercoastal's filing of a pro forma rate base and income statement. Larkin & Associates was retained by St. Johns County Water and Sewer Authority to review Intercoastal's filing of a pro forma rate base and income statement, as set forth in the MFRs, as part of an overearnings investigation and make appropriate recommendations. Results of analysis indicated a revenue sufficiency existed. Significant analysis was conducted regarding the Company's inability to provide proper support or justification for specific costs and excessive affiliate billings. This raises concerns as to the reliability of the Company's related party transactions. Issues investigated and addressed in testimony include related party transactions, unsupported costs, excess plant and affiliate charges, nonrecurring costs, and depreciation associated with disallowed plant.
- Project manager in a review of Intercoastal's 1999 rate base and income statement. Larkin & Associates was retained by St. Johns County Water and Sewer Authority to review Intercoastal's 1999 rate base and income statement, as part of an overearnings investigation and make appropriate recommendations. Results of the analysis indicated a revenue sufficiency existed. Significant analysis was conducted regarding the Company's proper support or justification for specific costs and excessive affiliate billings. This raised concerns as to the reliability of the Company's related party transactions. Issues investigated and addressed a report filed in April of 2001 included related party transactions, unsupported costs, excess plant and affiliate charges, nonrecurring costs, and depreciation associated with disallowed plant. The Company was ordered to escrow refund amounts and to file MFR's using a 2000 test year to determine whether earnings were excessive and if so, the amount of refund to be made to customers.
- Project Manager in the review of Intercoastal's filing of a pro forma rate base and income

statement. Larkin & Associates was retained by St. Johns County Water and Sewer Authority to review Intercoastal's filing of a pro forma rate base and income statement, as set forth in the MFRs, as part of an overearnings investigation and make appropriate recommendations. Results of the analysis indicated a revenue sufficiency existed. Significant analysis was conducted regarding the Company's inability to provide proper support or justification for specific costs and excessive affiliate billings. This raised concerns as to the reliability of the Company's related party transactions. Issues investigated and addressed in testimony include related party transactions, unsupported costs, excess plant and affiliate charges, nonrecurring costs, and depreciation associated with disallowed plant. The Company was ordered to issue refunds to its water and wastewater customers as a result of its failure to provide supporting documentation for plant costs and operating expenses.

- Project Manager in a project requested by St. Johns County Water and Sewer Authority to review Intercoastal's filing of a pro forma rate base and income statement, as set forth in the MFRs, as part of an overearnings investigation and make appropriate recommendations. Results of analysis indicated a revenue sufficiency existed. Significant analysis was conducted regarding the Company's inability to provide proper support or justification for specific costs and excessive affiliate billings. This raises concerns as to the reliability of the Company's related party transactions. Issues investigated and addressed in testimony include related party transactions, unsupported costs, excess plant and affiliate charges, nonrecurring costs, and depreciation associated with disallowed plant.
- Project member retained by Zeeland Board of Public Works to independently review Holland's books and methods of calculating Zeeland's water rates. In particular, Larkin & Associates reviewed the calculation of the capital recovery charge and the underlying documentation and accounting records maintained by Holland relative to that calculation. Larkin & Associates reviewed documentation concerning Holland's Plant and Accounting Records, interviewed the Finance Director and Accounting Supervisor, and took a "generic tour" of Holland BPW's water treatment plant. Copies of selected "as built" (blue print) diagrams of the plant were made while on site.
- Project Manager in the review of Narragansett Bay Commission's (a municipality) request for an increase in sewer rates. Tasks included coordination with staff and counsel assigned to case, the preparation and analysis of data requests; analysis of the Company's filing, preparation of schedules and assisting with the preparation of direct testimony. Mr. Schultz also testified as an expert witness in this case. Issues addressed by Larkin & Associates include: late charge revenues; employee training expense; out-of-state travel costs; sludge loading and disposal; various chemical expenses; rent expense; advertising; cost of gas; water expense; regulatory expense; inflation; and projected debt service costs.
- Key team member in the firm's management audit of the Anchorage Water and Wastewater Utility on behalf of the Alaska Commission Staff, which assessed the effectiveness of the Utility's operations in several areas; responsible for in-depth investigation and report writing in areas involving information systems, finance and accounting, affiliated relationships and transactions, and use of outside contractors. Testified before the Alaska Commission concerning certain areas of the audit report.
- Key project team member in the analysis of the Consolidated Edison Company's rate filing. Issues included: Mid-Hudson Generating Site; accumulated depreciation, Material and supplies projection, plant held for future use, accumulated deferred income taxes, cash working capital, labor cost projection and productivity offset, management incentive compensation, strike contingency cost, general escalation and inflation rates used, Alliance for a New New York (ANNY) expense, ratemaking treatment for Indian Point Steam Generators, Con Edison's proposals for accelerated amortization of Plant, ratemaking treatment for the net unrecovered cost of certain generating units, payroll taxes, Environmental Protection Agency (EPA) auction proceeds, write-off of obsolete M&S, site remediation/environmental expense, real estate taxes,

employee welfare expenses, nuclear decommissioning cost estimates and current expense levels, unbilled revenues, miscellaneous expenses, IPP purchases and NUG Buy-Outs, Federal income tax audit adjustment, and amortization of excess taxes accrued.

- Project Manager in review of Citizens Utilities Company's Vermont Electric Divisions' compliance filing before the Vermont Public Utilities Board. Mr. Schultz testified as an expert witness in this case. Issues addressed in testimony include: DSM costs in rate base and operating expenses, plant allocated from affiliates, deferred income taxes, working capital, land donation, weather normalization, employee discounts, revenues, payroll, employee benefits, corporate and affiliate cost allocations, maintenance expense, quality management plan, relocation costs, audit costs, corporate insurance, property taxes and income taxes.
- Key project team member in the analysis of El Paso Electric's request for an increase in rates. Issues analyzed included: deferred carrying costs, alternative recommendation rate base value of Palo Verde Units 2 & 3 if not sold, alternative recommendation - remove lease payments from Palo Verde Unit 3 deferred expenses, capitalization of administrative and general expense, payroll, benefits associated with payroll reduction, employee benefits - medical/dental, supplemental retirement plan, safety incentive and sick leave incentive, CSWS billing, APS gain sharing, environmental expense, capital improvement project write-offs, non-reconcilable fuel costs, professional services, corporate restructuring expense, corporate expenses, revolving credit facility fees, out of period expense, lobbying expense, O&M specific and level expense adjustment, amortization of mirror CWIP, Texas excess capacity, reasonable value assigned to the acquisition of Palo Verde 2 & 3, reduction to Rio Grande and copper test year O&M expense, decommissioning expense, alternative recommendation - reduction to Palo Verde Unit 3 plant in service balance and deferred expense, recommended return on equity, actual taxes, acquisition adjustment, fuel reconciliation and rate case expense.
- Project Manager in the review of the rate increase request by Connecticut Light & Power Company. Areas reviewed included: nuclear plant phase-ins, nuclear performance enhancement program costs, cash working capital, kWh sales, transmission revenues, fossil/hydro outage costs, merger costs, salary and wages, including benefits, GUAC deferral, capacity costs, and depreciation.
- Project Manager in the review of Tampa Electric Company's request for an increase in rates. Issues reviewed included: construction work in progress, plant in service, accumulated depreciation, plant held for future use, working capital, tree trimming, advertising expense, rate case expense, payroll, fringe benefits and supplemental executive retirement program, depreciation expense, FAS 106, and interest synchronization.
- Project Manager in the review of the Florida Power Company's rate increase request. Major issues discussed in testimony included: construction work in progress, flight equipment, revenues, tree trimming expense, advertising expense, payroll expense, fringe benefit expense, and FPC's request for a Performance Reward.
- Project Director in the review of the rate increase request of the Green Mountain Power Corporation. Major issues addressed included: demand side management programs, CWIP, accumulated depreciation reserve and working capital.
- Project Manager in the review of the cost of service and rate base analysis of the Green Mountain Power Corporation. Specific issues addressed included: budget variances, post-retirement benefits, power costs, advertising, plant additions, CWIP in rate base, investments in affiliates and the appropriateness of the amortization and rate base treatment of various projects and demand-side management programs,
- Project Manager in the analysis of Gulf Power Company's filing regarding proper revenue requirements. Testimony discussed: budgeting process, payroll, turbine and boiler inspections,

Resume of Helmuth W. Schultz, III, CPA, continued

plant expenses, transmission line rentals, uncollectibles, benefits, productivity, bank fees, obsolete materials, customer service, marketing, economic development and variances.

- Key project team member in the review of the requested rate increase of the United Illuminating Company. Issues of this case were: cash working capital, FCA credits overstated, nuclear fuel expense, overstatement of fuel costs, capacity sales, transmission charges, payroll overstatement, pension expense, overhaul expense, rate case expense, professional fees, advertising expense, inflation adjustment, EPRI dues, conservation costs, storm damage expense, DFIS computer system, personal use of company automobiles, inflation adjustment, depreciation expense, property tax and tax expense.
- Key project team member in the detailed review of Georgia Power Company's operating budget for the fiscal year 1987 and budgetary test year used in conjunction with the Company's rate case.
- Mr. Schultz has represented clients before various state and Internal Revenue Service auditors, advised clients on the sale of businesses, analyzed the profitability of product lines, and made recommendations based upon such analyses.
- Assisted in the design, implementation and revision of accounting systems for various businesses, including manufacturing, service and sales companies, a credit union and a railroad. An illustrative package developed by Mr. Schultz, detailing a system that enables the sponsoring organizations of the Michigan Child Care Food Program to fulfill all monthly record keeping requirements, is presently in use by the State of Michigan.

A complete list of cases in which Mr. Schultz has participated/testified will be provided upon request.

Education

- Bachelor of Science in Accounting, Ferris State College, 1975.
- Continuing education required to maintain CPA license.
- Certified Public Accounting Certificate, 1980.

Professional Affiliations

- Michigan Association of Certified Public Accountants

References

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Resume of Helmuth W. Schultz, III, CPA, continued

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DONNA M. DeRONNE, CPA

As a certified public accountant with Larkin & Associates, duties include the analysis of utility rate cases, researching accounting and regulatory developments, preparing computer models and spreadsheets, assisting on financial audits, the preparation of written testimony and testifying as an expert witness in regulatory proceedings. Jurisdictions in which Ms. DeRonne has participated in the analysis of regulatory filings include: Alaska, Arizona, California, Connecticut, Florida, Guam, Hawaii, Illinois, Indiana, Pennsylvania, Rhode Island, Utah, Vermont, Virginia, Washington, West Virginia and Wisconsin.

Relevant Regulatory Experience

- Project Manager in the evaluation and audit of California Water Service Company's General Office, unregulated activities, cost allocation methods and affiliate transactions, along with an analysis of California Water Service Company's general rate case test year estimates for the General Office. Issues addressed in testimony/report include: cost allocations and allocations to unregulated activities, changes in methodology for an allocation factor, reduction to proposed employee levels, property insurance, workers compensation insurance, injuries and damages, outside services, plant additions, IS projects, and working capital.
- Project Manager in the evaluation of San Gabriel Valley Fontana Water Company's results of operation in conjunction with the Company's application for authorization to increase its revenues. Larkin & Associates issued a report discussing its recommendations and conclusions. Issues addressed in the report included: customers, sales, revenues, operation & maintenance expenses, administrative and general expenses, taxes other than income, income taxes, net to gross multiplier, utility plant in service, depreciation expense and reserve, rate base, customer service, rate design, and miscellaneous matters.
- Project member in the review of the rate increase request by Aloha Utilities, Inc. for its Seven Springs Water Division. Issues addressed in testimony included: working capital for pilot plant project; corrections to Company's filing; bad debt expense; pension expense; payroll – employee levels and salary annualization; officer/owner salary; purchase water expense; chemical and purchase power costs; unaccounted for water disallowance; rate case expense; capital structure; debt in capital structure along with associated weighted cost; and problems with the Company's proposed new rate design. We also addressed in testimony the Company's failure to meet a competitive standard for service. This resulted in our recommendation that prices not be raised because of the overwhelming level of evidence that the quality of the water was below comparable service from other water companies, with the significant quality problems continuing for numerous years.
- Project member in the review of Intercoastal's request for a limited proceeding. The limited proceeding consisted of a request for recovery of and on a water treatment plant expansion project that was previously disallowed by the St. Johns County Water and Sewer Authority (Authority). Larkin & Associates reviewed and analyzed the Company's request, assisted the Authority in hearings and developed the Authority's revenue requirement position with regards to the water treatment plant expansion project. Adjustments were recommended by Larkin & Associates in the Authority's position statement with regards to affiliate overhead charges, unsupported vendor costs, affiliate profit included in project, allowance for funds used during construction, rebooking of costs to appropriate accounts and rate case expense.
- Project Manager in the evaluation of a proposed water rate increase request. Larkin & Associates was retained by the Florida Office of Public Counsel to review the rate increase request by Utilities, Inc. for a rate increase in Marion, Orange, Pasco, Pinellas and Seminole Counties. Issues addressed in testimony included: revenues – index rate increase annualizations corrections, amortization of non-recurring costs – TV video inspection, amortization on books for retired WWT plants - Summertree and Weathersfield, employee costs, purchase water expense – Oakland Shores, Uncollectible Expense – Weathersfield, excessive

lost and unaccounted for water, excessive inflow and infiltration, Lincoln Heights Purchase Wastewater Treatment Expense, non-used and useful facilities, removal of non-used and useful wastewater treatment plants, and rate of return – return on equity penalty.

- Project Manager in the review of a proposed rate increase request. Larkin & Associates was retained by the Florida Office of Public Counsel to review the rate increase request by Aloha Utilities, Inc. for its Seven Springs Water Division. Issues addressed in testimony include: working capital for pilot plant project; corrections to Company's filing; bad debt expense; pension expense; payroll – employee levels and salary annualization; officer/owner salary; purchase water expense; chemical and purchase power costs; unaccounted for water disallowance; rate case expense; capital structure; debt in capital structure along with associated weighted cost; and problems with the Company's proposed new rate design. We also addressed in testimony the Company's failure to meet a competitive standard for service. This resulted in our recommendation that prices not be raised because of the overwhelming level of evidence that the quality of the water was below comparable service from other water companies, with the significant quality problems continuing for numerous years.
- Project Manager in a Larkin & Associates was retained by the Florida Office of Public Counsel to review the Company's application for increase in water rates for Seven Springs System in Pasco County by Aloha Utilities, Inc. Issues addressed in testimony included: correction of errors in MFRs, items that should have been capitalized, bad debt expense, pension expense, salaries and wages-open positions, correction to salary and wage annualization, officers salary and wages, purchased water expense, chemical and purchase power expense, rate case expense, accumulated depreciation related to computers, working capital – pilot plant project, accumulated amortization of contributed taxes, rate of return and rate design.
- Project Manager. Retained by the Pennsylvania Office of Consumer Advocate to review the salient accounting and revenue requirement issues in the filing for rate increase presented by United Water Pennsylvania, Inc. Issues addressed in testimony by Larkin & Associates include: plant additions, cash working capital, payroll expense including new employees salary and capitalization factor, OPEB expense, flood cost amortization, failed acquisition costs, computer costs, inflation, depreciation expense including changes in depreciation rates and consolidated tax savings adjustment.
- Project team member employed by rate counsel for the City of Kankakee, Illinois to review the filing for a rate increase by the Consumers Illinois Water Company, a subsidiary of Consumer Water Company. Larkin & Associates obtained and reviewed data and performed other procedures as necessary to determine a fair revenue requirement and rate of return. These procedures included requesting and reviewing discovery, discussions with counsel and co-consultants, and preparing testimony and exhibits. Larkin & Associates addressed in testimony the following issues: workers compensation; tank painting; depreciation expense; sludge hauling; rate case expense; incentive compensation; nonpension postretirement benefits accounts payable supporting materials and supplies; gain on sale of land; TQM program cost; labor cost for Shell Oil contamination; cash working capital; interest synchronization; payroll taxes; CWIP error; envelope billing; state income tax credits; capital structure and cost rates.
- Project manager in the review of United Water Florida's request for a rate increase on behalf of the Florida Office of Public Counsel. Issues addressed in testimony by Ms. DeRonne and Mr. Larkin include the following: 13-month average vs. year end rate base; amortization of acquisition adjustment; revisions to projected increases in plant in service; accumulated depreciation; late payment fee revenues; inappropriate expense items; salary & wage expense; medical expense; employee savings plans, depreciation expense; Company proposed amortization and interest synchronization.

- Project Manager in the review of a rate case filing of Southern States Utilities before the Florida Public Service Commission. Ms. DeRonne testified as an expert witness in this case. Issues addressed in testimony include: parent company's investment in utility; non-used and useful facilities; margin reserve; plant held for future use; slippage in plant in service additions; purchase agreement; water source of supply costs; accumulated depreciation; acquisition adjustments; salary & wage expense; corporate insurance; property tax expense and discounts; and income tax expense. Project manager in the review of Narragansett Bay Commission's (a municipality) request for an increase in sewer rates. Tasks included coordination with staff and counsel assigned to case, the preparation and analysis of data requests; analysis of the Company's filing, preparation of schedules and assisting with the preparation of direct testimony. Issues addressed by Ms. DeRonne include: late charge revenues; employee training expense; out-of-state travel costs; sludge loading and disposal; various chemical expenses; rent expense; advertising; cost of gas; water expense; regulatory expense; inflation; and projected debt service costs.
- Project team member in the review of the Pennsylvania American Water Company. Testimony addressed the following issues: cash working capital - revenue lag, check clearing lag, specific lags for chemical expense, group insurance, other insurance, labor, leased carbon, leased equipment, rents, leased vehicles, miscellaneous expenses, gas cost, power cost, purchased water, telephone expense, and other expenses; Skyline Water Company improvements; sales for resale; "early window" costs for a water treatment plant; payroll expense; payroll tax expense; group insurance; pension; expense for new 401(k) plan; purchased power; purchased water; chemical expense; change in consumption; insurance; legal expense for sewer-data billing dispute; personal use of Company vehicles; rate case expense normalization; miscellaneous expenses; inflation, including inflation rate used in general inflation adjustment; cessation of previously allowed amortizations; depreciation expense; fines; FAS 106; affiliated Service Company charges; and interest synchronization.
- Project team member in the analysis of the Pennsylvania Gas & Water Company. Review Utility's application for an increase in annual revenues of \$8.7 million related to its water utility operations. Major issues addressed included: The propriety of the Company's plant projections included in rate base; appropriate application of a change in the depreciation method; inclusion of CWIP in rate base; rate base deductions including operating reserves and deferred taxes; appropriate level of cash working capital based on the Utility-performed lead-lag study; proper level of revenues considering the flat-to-metered customer conversion program; inclusion of various miscellaneous revenues; appropriate level of salaries and wages; appropriate level of Directors' and Officers' Liability insurance considering pending litigation; and propriety of the Utility's inflation adjustment over and above proforma adjustments for known and measurable changes.
- Project team member in the analysis of General Development Utilities, Inc.'s filing for a rate increase. Tasks included the analysis of Company schedules and data responses and the preparation of written testimony and exhibits. The following issues were addressed: non-used and useful plant; margin reserve; salary and wage expense; workmen's compensation insurance premiums; group insurance; property taxes on non-used and useful plant; income taxes; and parent company debt adjustment.
- Project team member in the evaluation of the Pennsylvania American Water Company. Analyzed numerous rate base and net operating income issues. Duties also included preparation of testimony and schedules in the case. Issues analyzed and addressed by Ms. DeRonne in the case include: rate base adjustment for granular activated carbon; sales for resale; "Early Window Costs" for treatment plant; purchased power and water; payroll and benefits; group insurance; chemical expense; rate case expense; legal fees; inflation; depreciation and previously allowed amortizations.
- Project team member in the analysis of the Sun City Water Company. Areas addressed by Larkin & Associates in testimony included: cash working capital; accumulated deferred income

Resume of Donna M. DeRonne, CPA, continued

taxes on unbilled revenues; public authority revenues; other revenues; Stamford Administrative Office charges for rate case expense; payroll annualization, vacancies and new positions; payroll tax expense; contract payments to former Citizens executives; uncollectibles; miscellaneous expenses; general insurance; workers compensation expense; employee benefits expense; pension expense; group medical expense; group life insurance expense; compensation - incentive bonuses; SAO expense; pumping power expense; groundwater withdrawal fee; federal superfund tax; investment credit amortization; interest synchronization; and capital structure.

- Project Manager in the review of the treatment of Contribution in Aid of Construction (CIAC) for tax purposes by several water utilities in the State of Hawaii. Reviewed each of the Hawaiian water utilities proposals and prepared a report making specific recommendations concerning the treatment of taxes or CIAC. Recommended that in determining the required amount of CIAC, the contributors should be grossed-up to include the respective impact on the utilities income tax expenses.
- Performed training seminars on behalf of the Department of Defense, Navy Rate Intervention on Measuring Financial Capabilities of Firms. Ms. DeRonne prepared the training manuals and participated as one of the instructors. Training was provided to naval contracting employees, engineers and naval officers at five locations.

A complete list of cases in which Ms. DeRonne has participated/testified will be provided upon request.

Education

- Oakland University - Rochester, MI
Bachelor of Science: Accounting, April 1991
Graduated with University Honors
GPA 3.53 of 4.0
- Continuing education necessary to maintain CPA license

Professional Associations

- Michigan Association of Certified Public Accountants

References

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(850) 488-9330
- Dan Gimble
Utah Committee of Consumer Services
Heber M. Wells Building
160 East 300 South, Room 408
Salt Lake City, Utah 84111
(801) 530-6798

MARK S. DADY, CPA

Mr. Dady is a regulatory analyst and staff accountant with Larkin & Associates. Since joining the firm in November 2001, Mr. Dady has worked on a diverse range of regulatory projects under the supervision of senior members of the firm. He has prepared data requests, analyzed issues, prepared schedules, and assisted in the determination of the jurisdictional revenue requirements for a variety of regulated public utilities

Relevant Regulatory Experience

Following are examples of recent regulatory cases in which Mr. Dady has participated.

- Key Project Member in the evaluation and audit of California Water Service Company's General Office, unregulated activities, cost allocation methods and affiliate transactions, along with an analysis of California Water Service Company's general rate case test year estimates for the General Office. Issues addressed in testimony/report include: cost allocations and allocations to unregulated activities, changes in methodology for an allocation factor, reduction to proposed employee levels, property insurance, workers compensation insurance, injuries and damages, outside services, plant additions, IS projects, and working capital.
- Project team member in the review of Appalachian Power Company and Wheeling Power Company's rate request. Issues addressed by Larkin & Associates in testimony included: utility plant held for future use, prior period accumulated depreciation, prepayments, cash working capital, inactive to zero usage material and supplies inventory, self funded reserve accruals, rate base related asset retirement obligation adjustments, pole rental expense, remodeling expense, airplane costs, club initiation fees, written off obsolete inventory, incentive compensation, rate case expense, life insurance premiums, public relations expense, Edison Electric Institute Dues, Other Membership Dues, Three-Year Amortization from Loss on Sale of Bluefield and Wheeling Office Buildings, Amortization of Deferred RTO Formation, Service Company Billings, Institutional Advertising Expense, Interest on Customer Deposits, Expanded Net Energy Cost (ENEC), T&D Management, Consolidated Income Taxes, Interest Synchronization, Depreciation & Amortization Related to Asset Retirement Obligations, Maintenance of Boiler Plant Account 512, Maintenance of Electric Plant Account 513, Income Tax Expense.
- Project Team Member in the Financial and Management/Performance Audit of the Fuel and Purchased Power Rider of the Cincinnati Gas & Electric Company with Energy Ventures Analysis, Inc. (EVA) Larkin & Associates focused on the Financial Audit of CG&E's Fuel, Economy Purchased Power and Emission Allowance Component (FPP Component) for the audit period of January through June, 2005. EVA and Larkin & Associates issued a report detailing their findings and conclusions.
- Project Member in the review of the application for an increase in rates filed by Questar Gas Company. Issues address included: conversion of Company's filing to an average test year, contractor retainage, banked vacations, annualization of customers and revenues resulting from mergers with two other gas companies, gain on sale of property, increase in industrial customer revenues, allocation factors, employee levels, advertising, postage, dues, amortization expense, incentive compensation, outside services, office closures, uncollectibles and rate of return adjustment from affiliates. This case settled prior to hearings.
- Project Member in the review of Florida Public Utilities Company's request for an increase in rates. Issues addressed included: construction work in progress, allocation adjustments associated with discontinued operations, retiree medical costs, stock issuance expense, payroll outsourcing costs, tree trimming crew costs, consulting fees, audit exceptions, projection factors storm reserve accrual, economic development costs, accumulated deferred income taxes, and

Resume of Mark S. Dady, continued

contributions associated with addition of new large industrial customers. The case settled after testimony was filed and prior to hearings.

- Project Member in the review of the rate increase request by Utilities, Inc. for a rate increase in Marion, Orange, Pasco, Pinellas and Seminole Counties. Issues addressed reviewed included: revenues – index rate increase annualizations corrections, amortization of non-recurring costs – TV video inspection, amortization on books for retired WWT plants - Summertree and Weatherfield, employee costs, purchase water expense – Oakland Shores, Uncollectible Expense – Weatherfield, excessive lost and unaccounted for water, excessive inflow and infiltration, Lincoln Heights Purchase Wastewater Treatment Expense, non-used and useful facilities, removal of non-used and useful wastewater treatment plants, and rate of return – return on equity penalty.
- Project Member in a review of Washington Gas Light Company's proposed construction budget and incentive rate plan. Larkin & Associates testimony addressed: reasonableness of the construction budget and budget variances, reasonableness of the Company's proposed incentive rate plan (IRP), whether incentives above and beyond traditional rate of return regulation are needed, impact on ratepayers of proposed IRP, customer service quality standards, experience in other jurisdiction with alternative rate forms of recommendations. Ultimately, the Commission agreed with our recommendations that the proposed IRP be denied.
- Project Member in the review of a request by PacifiCorp for an increase in rates. As part of the analysis, Larkin & Associates also reviewed and addressed the Company's request to modify the test year provisions that had long been adopted and approved by the Commission. This case settled prior to filing testimony; however, schedules and exhibits were completed and submitted in order to facilitate settlement negotiations. Larkin & Associates was actively involved in the settlement discussions. Issues addressed by Larkin & Associates in our exhibits and schedules include: major plant additions including a transmission replacement and upgrade program, accounts receivable from associated company, cash working capital, increased revenues from system expansion and upgrade, change in method of accounting for unbilled revenues, normalization of overhaul expense, payroll expense including employee level impacts, incentive compensation, employee benefits, costs of canal failure, depreciation on retired assets, write-off of canceled projects, insurance expense, property taxes, IRS audit settlement adjustments, and amortization of costs associated with early retirement of Company owned coal mine.
- Project Member in the review of Connecticut Light & Power Company's request for an amendment in rates for the period 2004 through 2007. Issues addressed included: adjustments to CL&P's proposed initiatives, deferred assets, Storm Damage Accrual reserves, working capital, revenues, recovery of six specific items identified by the Company as exogenous costs under its Incentive Rate Plan. Larkin & Associates testimony first addressed the appropriate definition and specific qualifications for items to be considered as exogenous costs under the Company's incentive rate plan. The testimony then addressed the following six specific items for which the Company was requesting an increase in rates for exogenous cost recovery: uncollectible expense, pension expense, other post retirement benefit expense, personal property taxes, raise in Connecticut Corporate Business Tax rate and Three-Way Payment Plan deferrals.
- Project Member in the audit of the Rockland Electric Company's restructuring related deferred balances that have been accruing by the Utility in the course of its implementation of various New Jersey Board of Public Utilities Orders providing for rate reductions and other requirements, pursuant to the Electric Discount and Energy Competition Act (EDECA), N.J.S.A.48:3-49 et seq. The audit is separated into two phases. Phase I covered the period of August 1, 1999 through July 31, 2002. Larkin & Associates audited the deferred accounts, transactions and supporting calculations/documentation for this period to determine whether the Utility's Deferred Balances are correct and include only those costs that are reasonable, prudently incurred, accurately calculated, correctly recorded and in compliance with all applicable Board Orders. Subcontractor, Synapse Energy Economics analyzed prudence issues relating to the Utility's purchase of power

at reasonable prices consistent with market conditions in the competitive wholesale marketplace and consistent with appropriate hedging techniques, along with mitigation efforts with respect to above-market non-utility generation contract costs during the Transition Period. Larkin & Associates and Synapse Energy Economics issued a combined report discussing their findings and conclusions.

- Project team member in United Illuminating Company's rate case. Larkin & Associates was retained by the Connecticut Office of Consumer Counsel to address the calculation of the revenue requirement and adjustments to the calculations of rate base and net operating income presented in UI's filing. Larkin & Associates also addressed the sharing proportions that should be applied if the Department adopts a multi-year rate plan for UI in this proceeding. Issues discussed in testimony included rate plan, over-earnings sharing proportions, subsidiary income tax expense, starting point for 2002 rate year rate base, customer deposits, materials and supplies, rate-a-meter timers, injuries and damages reserve, severance expense, rate case expense, other O&M expense increase, ADIT on pension liability and Bad Debt reserve, accrued vacation and related ADIT, Steel Point remediation, depreciation expense, income tax expense correction, interest synchronization, property tax expense, accelerated amortization.
- Project team member in the review of Citizens Utilities Company's application for a rate increase. Issues addressed in testimony included: an overall financial summary, accounting concerns, rate base (interim accumulated depreciation, rate year accumulated depreciation, used and useful, deferred income taxes, deferred costs, IRP Twenty Year Plan, PCB Costs, 1999 Windstorm and Hurricane Floyd costs, HQ Arbitration, Working capital), operating income (revenue adjustments, SAO expense, DAO expense, PSO expense, Rate Case Expense, Legal and Regulatory, Income Tax Expense, Tree Trimming) and summary of accounting problems.
- Project team member in the review of ACS of Alaska, Inc.'s, d/b/a as Alaska Communications Systems, local rate case filing. Issues investigated and analyzed during the project included: Depreciation Expense, Accumulated Depreciation, Universal Service Fund Revenue, Management Fees, Customer Deposits, Interest Expense, Donations and Corporate Image Expense, Vancouver Office Rent Expense, Rate Case Expense, Depreciation Study Expense, Uncollectibles, Interest Synchronization, Inter-Company Allocations, Weighted Access Lines and Relative Size Factors, Unusual 2000 Expense for Legal Settlement Costs, AFUDC on Telephone Plant Under Construction, Materials and Supplies Inventory, Cellular Access Revenue, Lost Revenue from Discounts/Promotions, Directory Revenue, Insurance Expense, Bonus Expense and Cobra Expense.
- Project team member in the review of ACS of Anchorage, Inc.'s, d/b/a as Alaska Communications Systems, local rate case filing. Issues investigated and analyzed during the project included: Depreciation Expense, Accumulated Depreciation, Universal Service Fund Revenue, Management Fees, Customer Deposits, Interest Expense, Donations and Corporate Image Expense, Vancouver Office Rent Expense, Rate Case Expense, Depreciation Study Expense, Uncollectibles, Interest Synchronization, Inter-Company Allocations, Weighted Access Lines and Relative Size Factors, Unusual 2000 Expense for Legal Settlement Costs, AFUDC on Telephone Plant Under Construction, Materials and Supplies Inventory, Cellular Access Revenue, Lost Revenue from Discounts/Promotions, Directory Revenue, Insurance Expense, Bonus Expense and Cobra Expense.
- Project team member in the review of ACS of Fairbanks, Inc.'s, d/b/a as Alaska Communications Systems, local rate case filing. Issues investigated and analyzed during the project included: Depreciation Expense, Accumulated Depreciation, Universal Service Fund Revenue, Management Fees, Customer Deposits, Interest Expense, Donations and Corporate Image Expense, Vancouver Office Rent Expense, Rate Case Expense, Depreciation Study Expense, Uncollectibles, Interest Synchronization, Inter-Company Allocations, Weighted Access Lines and Relative Size Factors, Unusual 2000 Expense for Legal Settlement Costs, AFUDC on Telephone Plant Under Construction, Materials and Supplies Inventory, Cellular Access Revenue, Lost

Resume of Mark S. Dady, continued

Revenue from Discounts/Promotions, Directory Revenue, Insurance Expense, Bonus Expense and Cobra Expense.

- Project team member in the review of ACS of the Northland, Inc.'s, d/b/a as Alaska Communications Systems, local rate case filing. Issues investigated and analyzed during the project included: Depreciation Expense, Accumulated Depreciation, Universal Service Fund Revenue, Management Fees, Customer Deposits, Interest Expense, Donations and Corporate Image Expense, Vancouver Office Rent Expense, Rate Case Expense, Depreciation Study Expense, Uncollectibles, Interest Synchronization, Inter-Company Allocations, Weighted Access Lines and Relative Size Factors, Unusual 2000 Expense for Legal Settlement Costs, AFUDC on Telephone Plant Under Construction, Materials and Supplies Inventory, Cellular Access Revenue, Lost Revenue from Discounts/Promotions, Directory Revenue, Insurance Expense, Bonus Expense and Cobra Expense.
- Key project team member in the annual audit of Lake State Railway and Huron Leasing. Duties included verification of cash receipts and disbursements, payroll, and inventory.

A complete list of cases in which Mr. Dady has participated will be provided upon request.

Education

- Davenport University, Dearborn, MI
Bachelor of Business Administration: Accounting
March 2001 - Graduated with high honors
- Walsh College, Troy, MI
Master of Science: Accounting
December 2006
- Certified Public Accounting Certificate 2007, Continuing Professional Education Necessary to Maintain CPA License

Professional Affiliations

- Michigan Association of Certified Public Accountants

References

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Resume of Mark S. Dady, continued

Richmond, VA 23219
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TINA MILLER

Ms. Miller is staff accountant and regulatory analyst with Larkin & Associates. Since joining the firm in October 1999, Ms. Miller has worked on a diverse range of regulatory projects under the supervision of senior members of the firm. She has prepared data requests, analyzed issues, prepared schedules, and assisted in the determination of the jurisdictional revenue requirements for a variety of regulated public utilities.

Regulatory Experience

Following are examples of regulatory cases in which Ms. Miller has participated.

- Project team member in the review of United Illuminating Company's application for an increase in distribution rates for the four year period, 2006 through 2009. Issues addressed in testimony included gross revenue conversion factor, additions to plant in service, central facility, compensation expense, medical expense, dental expense, 401(k) expense, pension expense, OPEB-Medical expense, training expense, storm expenses & reserve, DOL insurance, sublease income, membership dues, postage, advertising expense, line clearance expense, outside services-environmental costs, income tax expense, and earnings sharing plan.
- Project team member in a review of New York State Electric & Gas Company's request for an increase in gas rates. Issues addressed in testimony filed by Larkin and Associates included payroll, capital expenditures, pension expense, other post employment benefits expense, supplemental executive retirement plan, hydraulic power generation, legal services, regulatory commission expense, rent expense allocated from USSC, outside services, tree trimming, and stray voltage.
- Project team member in a review of review Orange & Rockland's request for an increase in gas rates. Issues addressed in testimony filed by Larkin & Associates included pension and other post employment benefit costs, payroll additions, manufactured gas plant site remediation costs, property taxes, uncollectibles, other O&M expense and late payment charges.
- Project team member in Civil Action No. C2-05-360 where Larkin & Associates was retained by the U.S. Department of Justice to review American Electric Power Company's accounting expenditures for construction projects in association with the provisions in the Clean Air Act. Larkin & Associates issued a report detailing its finding and conclusions.
- Project team member in Civil Action No. 04-34-KSF where Larkin & Associates was retained by the U.S. Department of Justice to review East Kentucky Power Cooperative's accounting expenditures for construction projects in association with the provisions in the Clean Air Act. Larkin & Associates issued a report detailing its finding and conclusions.
- Project team member in Civil Action No. IP99-1693 C-M/S where Larkin & Associates was retained by the U.S. Department of Justice to review Cinergy Corporation's accounting expenditures for construction projects in association with the provisions in the Clean Air Act. Larkin & Associates issued a report detailing its finding and conclusions.
- Project team member in Civil Action No. C2-99-1182, C2-99-1250 (consolidated) where Larkin & Associates was retained by the U.S. Department of Justice to review American Electric Power Company's accounting expenditures for construction projects in association with the provisions in the Clean Air Act. Larkin & Associates issued a report detailing its finding and conclusions.
- Project team member in Civil Action No. 1:00 CV 1262 where Larkin & Associates was retained by the U.S. Department of Justice to review Duke Power Company's accounting expenditures for construction projects in association with the provisions in the Clean Air Act. Larkin & Associates

Resume of Tina Miller, continued

issued a report detailing its finding and conclusions. Project team member in Civil Action No. C2-99-1181 where Larkin & Associates was retained by the U.S. Department of Justice to review Ohio Edison Company's accounting expenditures for construction projects in association with the provisions in the Clean Air Act. Larkin & Associates issued a report detailing its finding and conclusions.

- Project Member in the audit of the Rockland Electric Company's restructuring related deferred balances that accrued by the Utility in the course of its implementation of various New Jersey Board of Public Utilities Orders providing for rate reductions and other requirements, pursuant to the Electric Discount and Energy Competition Act (EDECA), N.J.S.A.48:3-49 et seq. The audit was separated into two phases. Phase I covered the period of August 1, 1999 through July 31, 2002. Phase II covered the period of August 1, 2002 through July 31, 2003. Larkin & Associates audited the deferred accounts, transactions and supporting calculations/documentation for this period to determine whether the Utility's Deferred Balances are correct and include only those costs that are reasonable, prudently incurred, accurately calculated, correctly recorded and in compliance with all applicable Board Orders. Subcontractor, Synapse Energy Economics analyzed prudence issues relating to the Utility's purchase of power at reasonable prices consistent with market conditions in the competitive wholesale marketplace and consistent with appropriate hedging techniques, along with mitigation efforts with respect to above-market non-utility generation contract costs during the Transition Period. Larkin & Associates and Synapse Energy Economics issued a combined report discussing their findings and conclusions.
- Project Member in a review of the application of PacifiCorp for approval of its proposed electric rate schedules and electric service regulations. Issues addressed in testimony filed by Larkin & Associates included: incentive compensation, payroll, pensions/post-retirement benefits, working capital, Bridger Coal Company Rate Base, Environmental Settlements, Revenue Normalization Correction, Distribution Expense Correction, Accounting Write-Offs, Assets under construction write-off, Cholla Assets Under Construction Write-Off, Additional Assets Under Construction Written Off, Obsolete Inventory Write-Offs/Reserve, FERC Contingency Write-Off, Blue Sky Program, Stoel Rives Pricing Settlement, Transition Team Costs, Miscellaneous Outside Service Expense, Annualization of Contract Cost Savings, Dave Johnston (Glenrock) mine closure, systems applications and products software (SAP), re-engineering, 1997 computer software write-down, Company's proposed 1999 software write-off, uncollectible expense, and potential updates (pending additional information from the Company).
- Key project team member in the review of Delaware Electric Cooperative's Restructuring Plan for Retail Competition. Larkin & Associates was retained by the Delaware Public Service Commission (DPSC) to provide consulting services to the Hearing Examiner of the DPSC. Duties included: review of filings and briefs of the parties, review of the hearing transcripts, summarizing the positions of the parties, and assisting in the preparation of the Hearing Examiners Report.
- Key project member in the review of Delmarva Power & Light's billing system conversion problems. Consulting services were provided to the Hearing Examiner of the Delaware Public Service Commission. Relevant issues addressed included: compensation and economic damages to customers, proration, arbitration procedures. Non-economic issues included: "reaching back" problem, budget plans, tariff rates on bills, high bill parameters, PriceWaterhouseCoopers audit report, payment posting sequence, emergency phone number, issue list, lost customers, walk-in offices, and a summit for unresolved issues. Duties included: review of filings and briefs of the parties, review of the transcript of the hearing, summarizing the positions of the parties, and assisting in the preparation of the Hearing Examiners Report.
- Project member in the review of Delmarva Power & Light's application for Approval of a Cost Accounting Manual and a Code of Conduct. Ms. Miller assisted by reviewing filings, transcripts, the Cost Accounting Manual, Code of Conduct, summarizing the positions of the parties, and assisting in the draft of the Hearing Examiners Report. Key project member in the review of Chesapeake Utilities Corporation application for Approval of a Cost Accounting Manual and a

Resume of Tina Miller, continued

Code of Conduct. Ms. Miller reviewed filings, responses to data requests, the proposed Cost Accounting Manual, and proposed Code of Conduct.

- Key project team member in the Management Audit and Market Power Mitigation Analysis of the Merged Gas System Operation of Pacific Enterprises and Enova Corporation. The project involved performing an extensive investigation of the combined utilities gas system, tariffs, contracts, and operations, and analyzing the combined utilities compliance with market power safeguards adopted in the Commissions Decision D.98-03-073 to ensure open and nondiscriminatory service. Ms. Miller assisted with the analysis of key issues, drafting of data requests, performed on-site reviews at the company's offices, attended numerous interviews with company personnel, reviewed over 4,000 recorded telephone calls of the Gas Scheduling and Control Departments, and assisted with drafting of the final report and exhibits. Project Member in the review of Southwest Gas Corporation's (SWG) application to amend its rate schedules. Larkin & Associates' focused in the area of revenue requirement. Issues addressed included: rate base, adjustments to operating income, and the relationship between SWG and Utility Partners, Inc, and the costs and resultant litigation associated with a failed merger. Ms. Miller assisted with the analysis of key issues, and company documents.
- Project Member. Larkin & Associates was retained by the Kansas Corporation Commission Staff to analyze S&T Telephone Cooperative's rate case filing and submit testimony on the reasonableness of such proposals. The following issues were analyzed and discussed in testimony submitted by Larkin & Associates: post-test year plant-in-service additions, cash working capital, unfounded other post employment benefits (OPEB), allocation of jointly used general support facility assets to nonregulated services and operations, allocation of interactive television assets to nonregulated services and operations, depreciation expense on post-test year plant additions, depreciation expense, year-end annualization, property tax expense, nonrecurring expenses, allowance for funds used during construction, rate case expense, allocation of jointly used general support facility expenses and depreciation to nonregulated operations, allocation of board of directors' fees and expense to nonregulated operations, general manager cost allocated to nonregulated operations, and ITV revenue and expense.
- Project Member. Larkin & Associates was retained by the Kansas Corporation Commission Staff to analyze Blue Valley Telephone Company's rate case filing and submit testimony on the reasonableness of such proposals. The following issues were analyzed and discussed in testimony submitted by Larkin & Associates: cash working capital, RTB stock, unfounded other post-employment benefits (OPEB), allocation of jointly used general support facility assets to nonregulated services and operations, depreciation expense, property tax expense, new USAC universal service charges, rate case expense, nonrecurring expenses, legal expense for revision of corporate articles and by-laws, 2000 insurance adjustments refunded by employees, miscellaneous accounting adjustments, allocation of jointly used general support facility expenses and depreciation to nonregulated operations, allocation of board of directors' fees and expenses to nonregulated operations, and work force changes.
- Project member in an investigation of rates charged by Connections, ETC. for toll-free calling to the Minneapolis/St. Paul Toll-Free Calling area. Issues investigated during the project included: Plant in Service, Accumulated Depreciation, Telephone Plant Under Construction, Materials and Supplies, Cash Working Capital, Rate Case Expense, Advertising Expense, STSI Management Fee, Big Lake Computer Charges, Directors Fees and Expenses, Officer Compensation Expense, Shareholder/Officer Life Insurance Expense, Shareholder Income Taxes Expense, Interest Synchronization, Accumulated Deferred Income Taxes, Telephone Plant Under Construction and Interest During Construction, Revenue Growth, and Universal Service.
- Project Team Member in the review of ACS of Alaska's local rate case filing. Project duties included issuing data requests, investigating issues, analyzing data, preparing exhibits, and developing revenue requirement and adjustment schedules. Adjustments quantified included: Depreciation Expense, Accumulated Depreciation, Universal Service Fund Revenue,

Resume of Tina Miller, continued

Management Fees, Customer Deposits, Interest Expense, Donations and Corporate Image Expense, Vancouver Office Rent Expense, Rate Case Expense, Depreciation Study Expense, Uncollectibles, Interest Synchronization, Inter-Company Allocations, Weighted Access Lines and Relative Size Factors, Unusual 2000 Expense for Legal Settlement Costs, AFUDC on Telephone Plant Under Construction, Materials and Supplies Inventory, Cellular Access Revenue, Lost Revenue from Discounts/Promotions, Directory Revenue, Insurance Expense, Bonus Expense and Cobra Expense.

- Project Team Member in the review of ACS of Alaska's local rate case filing. Project duties included issuing data requests, investigating issues, analyzing data, preparing exhibits, and developing revenue requirement and adjustment schedules. Adjustments quantified included: Depreciation Expense, Accumulated Depreciation, Universal Service Fund Revenue, Management Fees, Customer Deposits, Interest Expense, Donations and Corporate Image Expense, Vancouver Office Rent Expense, Rate Case Expense, Depreciation Study Expense, Uncollectibles, Interest Synchronization, Inter-Company Allocations, Weighted Access Lines and Relative Size Factors, Unusual 2000 Expense for Legal Settlement Costs, AFUDC on Telephone Plant Under Construction, Materials and Supplies Inventory, Cellular Access Revenue, Lost Revenue from Discounts/Promotions, Directory Revenue, Insurance Expense, Bonus Expense and Cobra Expense.
- Project Team Member in the review of ACS of Anchorage's local rate case filing. Project duties included issuing data requests, investigating issues, analyzing data, preparing exhibits, and developing revenue requirement and adjustment schedules. Adjustments quantified included: Depreciation Expense, Accumulated Depreciation, Universal Service Fund Revenue, Management Fees, Customer Deposits, Interest Expense, Donations and Corporate Image Expense, Vancouver Office Rent Expense, Rate Case Expense, Depreciation Study Expense, Uncollectibles, Interest Synchronization, Inter-Company Allocations, Weighted Access Lines and Relative Size Factors, Unusual 2000 Expense for Legal Settlement Costs, AFUDC on Telephone Plant Under Construction, Materials and Supplies Inventory, Cellular Access Revenue, Lost Revenue from Discounts/Promotions, Directory Revenue, Insurance Expense, Bonus Expense and Cobra Expense.
- Project Team Member in the review of ACS of Fairbank's local rate case filing. Project duties included issuing data requests, investigating issues, analyzing data, preparing exhibits, and developing revenue requirement and adjustment schedules. Adjustments quantified included: Depreciation Expense, Accumulated Depreciation, Universal Service Fund Revenue, Management Fees, Customer Deposits, Interest Expense, Donations and Corporate Image Expense, Vancouver Office Rent Expense, Rate Case Expense, Depreciation Study Expense, Uncollectibles, Interest Synchronization, Inter-Company Allocations, Weighted Access Lines and Relative Size Factors, Unusual 2000 Expense for Legal Settlement Costs, AFUDC on Telephone Plant Under Construction, Materials and Supplies Inventory, Cellular Access Revenue, Lost Revenue from Discounts/Promotions, Directory Revenue, Insurance Expense, Bonus Expense and Cobra Expense.
- Project Team Member in the review of ACS of the Northland's local rate case filing. Project duties included issuing data requests, investigating issues, analyzing data, preparing exhibits, and developing revenue requirement and adjustment schedules. Adjustments quantified included: Depreciation Expense, Accumulated Depreciation, Universal Service Fund Revenue, Management Fees, Customer Deposits, Interest Expense, Donations and Corporate Image Expense, Vancouver Office Rent Expense, Rate Case Expense, Depreciation Study Expense, Uncollectibles, Interest Synchronization, Inter-Company Allocations, Weighted Access Lines and Relative Size Factors, Unusual 2000 Expense for Legal Settlement Costs, AFUDC on Telephone Plant Under Construction, Materials and Supplies Inventory, Cellular Access Revenue, Lost Revenue from Discounts/Promotions, Directory Revenue, Insurance Expense, Bonus Expense and Cobra Expense.

Resume of Tina Miller, continued

- Project Member. Larkin & Associates was retained by the Kansas Corporation Commission Staff to analyze Sunflower Telephone Company's rate case filing and submit testimony on the reasonableness of such proposals. The following issues were analyzed and discussed in testimony submitted by Larkin & Associates: Plant in Service, Accumulated Depreciation, Other Rate Base Components, Cash Working Capital, Depreciation Expense, Property Tax Expense, Federal High Cost Fund Support, KUSF Revenue, Political and Charitable Contributions, Rate Case Expense, Directory Annualization, Interest Synchronization Adjustment, Marketing Expense, Management Fees Charged by Affiliates, and Reversal of a "Highly Irregular" Journal Entry.
- Project Member. Larkin & Associates was retained by the Kansas Corporation Commission Staff to analyze Bluestem Telephone Company's rate case filing and submit testimony on the reasonableness of such proposals. Testimony submitted by Larkin & Associates addressed the following issues: Plant in Service, Accumulated Depreciation, Other Rate Base Components, Cash Working Capital, Depreciation Expense, Property Tax Expense, Federal High Cost Fund Support, KUSF Revenue, Political and Charitable Contributions, Rate Case Expense, Interest Synchronization Adjustment, Marketing Expense, and Management Fees Charged by Affiliates.

Education

- Eastern Michigan University - Ypsilanti MI.
Bachelor of Business Administration: Accounting
April 1996

References

- Jason Dunn
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ENRD/EES
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Ben Franklin Station
Washington, DC 20044-7611
(202) 514-1111
- Jon Martin
State of New Jersey, Division of Law
Hughs Justice Complex
25 Market Street
Trenton, NJ 08625
(609) 292-6945

DAWN BISDORF

Dawn Bisdorf is a part-time research analyst with Larkin & Associates, PLLC. As such, Ms. Bisdorf assists with the review and analysis of regulatory filings by preparing computer spreadsheets and models and performing accounting and regulatory research.

Relevant Regulatory Experience

Ms. Bisdorf's primary focus is case organization, regulatory research, and research of technical accounting and tax issues. She also assists in the preparation of various spreadsheets and models as part of her participation in regulatory engagements.

Education

Ms. Bisdorf holds an BA in Social Science from Madonna University in Livonia, Michigan and an Associates degree in Accounting from Schoolcraft College in Livonia.

Relevant Prior Experience

From 2002 – 2006, Ms. Bisdorf held various accounting positions where she dealt with accounts receivable, accounts payable and bank reconciliations, along with assisting in general office duties.

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LARKIN & ASSOCIATES, PLLC
WATER AND SEWER CASE SUMMARIES
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Request for an Order Authorizing the Sale by Thames GmbH of up to 100% of the Common Stock of American Water Works Company, Inc. Resulting in Change of Control of California-American Water Company, A. 06-05-025

Client: California Public Utilities Commission
Division of Ratepayer Advocates
505 Van Ness Avenue, Room 4205
San Francisco, CA 94102
(415) 703-2771

Contact: Dan Sanchez

Assignment: Larkin & Associates was retained the Division of Ratepayer Advocates to review the Joint Applicants, California-American Water Company ("Cal-Am"), RWE Aktiengesellschaft ("RWE") - a corporation organized under the laws of the Federal Republic of Germany, Thames Water Aqua Holdings GmbH ("Thames") - a corporation organized under the laws of the Federal Republic of Germany, and American Water Works Company, Inc. ("American Water"), request for authorization for the sale by Thames GmbH of up to 100% of the common stock of American Water, resulting in change of control of Cal-Am. As part of the Application, the Joint Applicants also requested removal of all conditions placed upon them as a result of the approval by the Commission of the acquisition by RWE of American Water in Decision ("D") 02-12-068. Larkin & Associates issued a report detailing its findings and conclusions. Issues discussed in the report included: scope of proceeding and public utilities code sections, history of prior transaction, rationale for divestiture presented in joint application, review standard, perceived benefits according to joint applicants, corporate structure, employees, financial issues, ratepayers, request to remove conditions of acquisition, DRA review process, RWE divestiture considerations, public interest contentions and findings, financial concerns, additional costs from proposed transaction, and recommendations.

Key Participants: Helmuth W. Schultz, III
Donna DeRonne

Geographic Location: California

Contract Duration: 2006 – 2007

California Water Service Company's General Office, A. 07-07-001

Client: California Public Utilities Commission
Division of Ratepayer Advocates
505 Van Ness Avenue, Room 4205
San Francisco, CA 94102
(415) 703-2771

Contact: Dan Sanchez

Assignment: Larkin & Associates was retained the Division of Ratepayer Advocates to perform an evaluation and audit of California Water Service Company's General Office, unregulated activities, cost allocation methods and affiliate transactions, along with an analysis of California Water Service Company's general rate case test year estimates for the General Office. Issues addressed in testimony/report include: cost allocations and allocations to unregulated activities, changes in methodology for an allocation factor, reduction to proposed employee levels, property insurance, workers compensation insurance, injuries and damages, outside services, plant additions, IS projects, and working capital.

Key Participants: Mark Dady
Ralph Smith
Donna DeRonne

Geographic Location: California

Contract Duration: 2007-2008

Aquarion Water Company; Docket No. 07-05-19

Client: State of Connecticut
Office of Consumer Counsel
10 Franklin Square
New Britain, Connecticut 06051-2644
(860) 827-2900

Contact: Richard Sobolewski

Assignment: Larkin & Associates was retained by the Office of Consumer Counsel of the State of Connecticut to review Aquarion Water Company's application for an increase in rates. Issues addressed in testimony included: plant additions, general liability self-insured reserve, salary and wage expenses, employee bonuses, uncollectibles, legal expense, load response program and management fees from parent Company.

Key Participants: Donna DeRonne

Geographic Location: Connecticut

Contract Duration: 2007

In the Matter of the Revenue Requirement and Cost of Service Studies of Golden Heart Utilities, Inc. and College Utilities Corporation for Sewer and Public Utility Service, Docket No. U-05-44

Client: Attorney General of the State of Alaska
Regulatory Affairs and Policy Advocacy Section (RAPA)
701 West Eighth Avenue, Suite #300
Anchorage, AK 99501-3469

Contact: Lew Craig

Assignment: Larkin & Associates was retained by the Attorney General (AG) of the State of Alaska Regulatory Affairs and Policy Advocacy Section (RAPA) to review the revenue requirement studies (RRS) proposals presented in this proceeding by Anchorage Water and Wastewater Utilities (AWWU), Anchorage Water Utility (AWU) and Anchorage Sewer Utility (ASU). The principal objective of the review was to assess whether or not the revenue requirements for AWU and ASU proposed by AWWU will result in just and reasonable rates and to recommend modifications where appropriate to the Company's proposals.

Key participants: Ralph C. Smith

Geographic Location: Alaska

Contract Duration: 2005

San Gabriel Valley Water Company's Fontana Water Company Division, A. 05-08-021

Client: California Public Utilities Commission
Division of Ratepayer Advocates
505 Van Ness Avenue, Room 4205
San Francisco, CA 94102
(415) 703-2771

Contact: Dan Sanchez

Assignment: Larkin & Associates was retained the Division of Ratepayer Advocates to review SGVWC's results of operation in conjunction with the Company's application for authorization to increase its revenues. Larkin & Associates issued a report discussing its recommendations and conclusions. Issues addressed in the report included: customers, sales, revenues, operation & maintenance expenses, administrative and general expenses, taxes other than income, income taxes, net to gross multiplier, utility plant in service, depreciation expense and reserve, rate base, customer service, rate design, and miscellaneous matters.

Key Participants: Helmuth W. Schultz, III
Donna DeRonne

Geographic Location: California

Contract Duration: 2005 – 2006

Intercoastal Utilities, Inc., Limited Proceeding, Docket No. 2004-0007-0011-0001

Client: St. Johns County Water and Sewer Authority
4020 Lewis Speedway
St. Augustine, FL 32085
(800) 781-0122

Contact: John Schwab

Assignment: Larkin & Associates was retained by St. Johns County Water and Sewer Authority to review Intercoastal's request for a limited proceeding. The limited proceeding consisted of a request for recovery of and on a water treatment plant expansion project that was previously disallowed by the St. Johns County Water and Sewer Authority (Authority). Larkin & Associates reviewed and analyzed the Company's request, assisted the Authority in hearings and developed the Authority's revenue requirement position with regards to the water treatment plant expansion project. Adjustments were recommended by Larkin & Associates in the Authority's position statement with regards to affiliate overhead charges, unsupported vendor costs, affiliate profit included in project, allowance for funds used during construction, rebooking of costs to appropriate accounts and rate case expense.

Key Participants: Helmuth W. Schultz, III
Donna DeRonne

Geographic Location: Florida

Contract Duration: 2004 – 2005

Application for Authority to Sell, Assign or Transfer Utility Facilities of The Woodlands of Lake Placid, L.P. and Application to Transfer Majority Organization Control of L.P. Utilities Corporation to Camp Florida Property Owners Association, Inc., Dkt. No. 030102-WS

Client: Office of the Public Counsel
111 W. Madison – Room 812
Tallahassee, Florida 32399-1400
(850) 488-9330

Contact: Charlie Beck

Assignment: Larkin & Associates was retained by the Florida Office of Public Counsel to review the application for authority to transfer the utility facilities of the Woodlands of lake Placid LP and to transfer majority organization control of L.P. Utilities Corporation to the Camp Florida Property Owners Association (POA). The vast majority of the members of the property owners association, who were also the customers of the utility, were opposed to the transfer of majority organization control. Larkin & Associates filed testimony demonstrating that the proposed transfer to the property owners association was not in the public interest and should not be approved by the Commission. Larkin & Associates testified that the individual customers should not be forced to purchase a business, should not be forced into a business relationship with someone whose ethics they question, and should not be forced to purchase a business whose management they seriously question and has alliances that are counter to the financial health of the business. The testimony also raised questions regarding whether the business would be a going-concern under the proposed transfer agreement and the inability to pay the full proposed mortgage payments under the proposed agreement under existing rates.

Key Participant: Donna DeRonne

Geographic Location: Florida

Contract Duration: 2004

Application of Utilities, Inc. of Florida for a rate increase in Marion, Orange, Pasco, Pinellas and Seminole Counties, Docket No. 020071-WS

Client: Office of the Public Counsel
111 W. Madison - St. 801
Tallahassee, Florida 32399-1400
(850) 488-9330

Contact: Charlie Beck

Assignment: Larkin & Associates was retained by the Florida Office of Public Counsel to review the rate increase request by Utilities, Inc. for a rate increase in Marion, Orange, Pasco, Pinellas and Seminole Counties. Issues addressed in testimony included: revenues – index rate increase annualizations corrections, amortization of non-recurring costs – TV video inspection, amortization on books for retired WWT plants - Summertree and Weatherfield, employee costs, purchase water expense – Oakland Shores, Uncollectible Expense – Weathersfield, excessive lost and unaccounted for water, excessive inflow and infiltration, Lincoln Heights Purchase Wastewater Treatment Expense, non-used and useful facilities, removal of non-used and useful wastewater treatment plants, and rate of return – return on equity penalty.

Key Participants: Hugh Larkin, Jr.
Donna DeRonne

Geographic Location: Florida

Contract Duration: 2003

Application for staff-assisted rate case in Highlands County by The Woodlands of Lake Placid, L.P.

Client: Office of the Public Counsel
111 W. Madison – Room 812
Tallahassee, Florida 32399-1400
(850) 488-9330

Contact: Charlie Beck

Assignment: Larkin & Associates was retained by the Florida Office of Public Counsel to review the Staff-assisted rate case (SARC), along with the resulting Proposed Agency Action Order, Order No. PSC-02-1830-PAA-WS, issued December 10, 2002. Issues addressed in testimony included: Ownership – Impact on Refunds, Refund – Offset for Wastewater Rates, Contributions in Aid of Construction, Rent for Office, Revenue from Rental RV Lots, Negative Acquisition Adjustment, Additional Areas for Downward Adjustment and Rate Case Expense.

Key Participants: Hugh Larkin, Jr.
Donna DeRonne

Geographic Location: Florida

Contract Duration: 2003

Investigation of Possible Overearnings of Intercoastal Utilities, Inc., Docket No. 2001-0007-0023

Client: St. Johns County Water and Sewer Authority
4020 Lewis Speedway
St. Augustine, FL 32085
(904) 823-2780

Contact: John Schwab

Assignment: Larkin & Associates was retained by St. Johns County Water and Sewer Authority to review Intercoastal's filing of a pro forma rate base and income statement, as set forth in the MFRs, as part of an overearnings investigation and make appropriate recommendations. Results of the analysis indicated a revenue sufficiency existed. Significant analysis was conducted regarding the Company's inability to provide proper support or justification for specific costs and excessive affiliate billings. This raised concerns as to the reliability of the Company's related party transactions. Issues investigated and addressed in testimony include related party transactions, unsupported costs, excess plant and affiliate charges, nonrecurring costs, and depreciation associated with disallowed plant. The Company was ordered to issue refunds to its water and wastewater customers as a result of its failure to provide supporting documentation for plant costs and operating expenses.

Key Participants: Helmuth W. Schultz, III

Geographic Location: Florida

Contract Duration: 2001- 2002

Aloha Utilities – Seven Springs Water Division; Docket No. 010503-WU

Client: Office of the Public Counsel
111 W. Madison - St. 801
Tallahassee, Florida 32399-1400
(850) 488-9330

Contact: Charlie Beck

Assignment: Larkin & Associates was retained by the Florida Office of Public Counsel to review the rate increase request by Aloha Utilities, Inc. for its Seven Springs Water Division. Issues addressed in testimony include: working capital for pilot plant project; corrections to Company's filing; bad debt expense; pension expense; payroll – employee levels and salary annualization; officer/owner salary; purchase water expense; chemical and purchase power costs; unaccounted for water disallowance; rate case expense; capital structure; debt in capital structure along with associated weighted cost; and problems with the Company's proposed new rate design. We also addressed in testimony the Company's failure to meet a competitive standard for service. This resulted in our recommendation that prices not be raised because of the overwhelming level of evidence that the quality of the water was below comparable service from other water companies, with the significant quality problems continuing for numerous years.

Key Participants: Hugh Larkin, Jr.
Donna DeRonne

Geographic Location: Florida

Contract Duration: mid-2001 – early 2002

Investigation of Possible Overearnings of Intercoastal Utilities, Inc., Docket No. 2000-0007-0004-0005

Client: St. Johns County Water and Sewer Authority
4020 Lewis Speedway
St. Augustine, FL 32085
(800) 781-0122

Contact: George Flint

Assignment: Larkin & Associates was retained by St. Johns County Water and Sewer Authority to review Intercoastal's 1999 rate base and income statement, as part of an overearnings investigation. Results of the analysis indicated a revenue sufficiency existed. Significant analysis was conducted regarding the Company's proper support or justification for specific costs and excessive affiliate billings. This raised concerns as to the reliability of the Company's related party transactions. Issues investigated and addressed in a report filed in April of 2001, included related party transactions, unsupported costs, excess plant and affiliate charges, nonrecurring costs, and depreciation associated with disallowed plant. The Company was ordered to escrow refund amounts and to file MFR's using a 2000 test year to determine whether earnings were excessive and if so, the amount of refund to be made to customers.

Key Participants: Helmuth W. Schultz, III

Geographic Location: Florida

Contract Duration: 2001

Aloha Utilities, Inc.- Seven Springs Division Wastewater Division Docket No. 991643-SU

Client: Office of the Public Counsel
c/o The Florida Legislature
111 West Madison Street
Room 812
Tallahassee, FL 32399-1400
(850) 488-9330

Contact: Charlie Beck

Assignment: Larkin & Associates was retained by the Florida Office of Public Counsel to review the rate increase request by Aloha Utilities, Inc., its Seven Spring Wastewater Division. Issues addressed in testimony included: disallowances from prior orders (rate case expense, write-off of chemical expense), contractual services-legal, miscellaneous expenses, salaries and wages, purchased power, materials and supplies, customer growth and inflation, contractual services-accounting, contractual services-other, depreciation expense, AFUDC, CIAC, taxes other than income taxes, property taxes, deferred income taxes, recommended rate base, plant in service, CWIP, land/land rights, accumulated depreciation, working capital, interest income, and the company's proposed capital structure and rate of return.

Key Participants: Hugh Larkin, Jr.

Geographic Location: Florida

Contract Duration: 2000

Wedgefield Utilities, Inc.; Docket No. 991437-WU

Client: Office of the Public Counsel
c/o The Florida Legislature
111 West Madison Street
Room 812
Tallahassee, FL 32399-1400
(850) 488-9330

Contact: Charlie Beck

Assignment: Larkin & Associates was retained by the Florida Office of Public Counsel to review the Proposed Agency Action (PAA) Order No. PSC-00-1528-PAA-WU (PAA Order), issued August 23, 2000, and to address certain issues in that Order which were protested by Wedgefield Utilities, Inc. and the Citizens of the State of Florida. Mr. Larkin submitted testimony with respect to negative acquisition adjustment issues and the impacts of Citizens Witness Ted Bidby's recommendations with regards to used and useful plant.

Key Participants: Hugh Larkin, Jr.

Geographic Location: Florida

Contract Duration: 2000

Zeeland Water Contract with the City of Holland, Michigan

Client: Zeeland Board of Public Works

Contact: Don M. Schmidt, Attorney
Miller, Canfield, Padock & Stone, P.L.C.
444 West Michigan Avenue
Kalamazoo, MI 49007-3751
(616) 381-7030

David R. Walters, General Manager
Zeeland Board of Public Works
350 E. Washington Avenue
Zeeland, MI 49464-1334
(616) 772-6212

Assignment: Larkin & Associates was retained by Zeeland Board of Public Works to independently review Holland's books and methods of calculating Zeeland's water rates. In particular, Zeeland requested Larkin & Associates to review the calculation of the capital recovery charge and the underlying documentation and accounting records maintained by Holland relative to that calculation.

Key Participants: Ralph C. Smith

Geographic Location: Zeeland, Michigan

Contract Duration: 1999 - 2000

Investigation of Wastewater Rates of Intercoastal Utilities, Inc., Docket No. 98007-0013-003

Client: St. Johns County Water and Sewer Authority
4020 Lewis Speedway
St. Augustine, FL 32085
(800) 781-0122

Contact: George Flint

Assignment: Larkin & Associates was retained by St. Johns County Water and Sewer Authority to review Intercoastal's 1998 wastewater income statement as part of a rate investigation. Results of the analysis indicated a revenue sufficiency existed. Significant analysis was conducted of the Company's support or justification for specific costs and affiliate billings. A report was issued on the findings and supplemented with an oral presentation followed by cross examination. The St. John's County Board of County Commissioners determined in Order No. 2000-00009 that a complete analysis of 1999 water and wastewater annual report was to be conducted.

Key Participants: Helmuth W. Schultz, III

Geographic Location: Florida

Contract Duration: 1999

City of Danville, Illinois - Valuation of Water System

Client: Leuders, Roberson & Konzen
809 ½ N. Gilbert Street
Danville, Illinois 61832
For the City of Danville, Illinois

Contact: Paul Foran, Attorney
(217) 443-0305

Assignment: Larkin & Associates was retained to assist the City of Danville in the valuation of the water system serving the Vermillion County area. Using a variety of valuation methods, Larkin & Associates provided a report concerning the estimated value of the water utility system. Specific valuation methods reported upon were Multiple of Book Investment, Multiple of Sales and Multiple of Earnings. We also used the acquisition from the Consumers Water Company merger as a reasonableness test of the water system valuation estimate.

Key Participants: Ralph C. Smith

Geographic Location: Danville, Illinois

Contract Duration: 1998

Village of University Park, Illinois - Valuation of Water and Sewer System

Client: Village of University Park Crawford, Murphy & Tilly, Inc.
Village Hall Consulting Engineers
698 Burnham Drive 600 North Commons Drive
University Park, IL 60466-2708 Suite 107
Aurora, IL 60504

Contact: Elbert B. Shaw, Executive Director Bernard D. Held, P.E.
Economic & Comm. Development Theresa O'Grady, P.E.
Michael G. Grubermann (630) 820-1022
Village Manager
(708) 534-6451

Assignment: Larkin & Associates was retained by Crawford, Murphy & Tilly, Inc. (CMT), an Engineering Consulting firm to assist in formulating a decision about whether to proceed further with investigating an acquisition of the University Park water and sewer systems. Larkin & Associates was responsible for estimating the value of the water and sewer utility systems serving the Village of University Park from a financial and economic perspective, using information available from Consumer Illinois Water Company's rate cases and publicly available information. Reports were prepared by CMT and submitted to the Village of University Park, reflecting various stages of completion of the analysis. Our valuation estimates were included in CMT's reports to the Village. The November 1998 report included an Appendix prepared by Larkin & Associates containing a synopsis of selected cases and authorities concerning valuation of an investor-owned public utility being acquired by a municipality, along with the full text of several of the cases.

Key Participants: Ralph C. Smith

Geographic Location: University Park, Illinois

Contract Duration: 1998 – 1999

City of Zeeland, Michigan - Water contract with City of Holland, Michigan

Client: Zeeland Board of Public Works

Contact: Don M. Schmidt, Attorney
Miller, Canfield, Padock & Stone, P.L.C.
444 West Michigan Avenue
Kalamazoo, MI 49007-3751
(616) 381-7030

David R. Walters, General Manager
Zeeland Board of Public Works
350 E. Washington Avenue
Zeeland, MI 49464-1334
(616) 772-6212

Assignment: Larkin & Associates was retained by Zeeland Board of Public Works to independently review Holland's books and methods of calculating Zeeland's water rates. In particular, Zeeland wanted Larkin & Associates to review the calculation of the capital recovery charge and the underlying documentation and accounting records maintained by Holland relative to that calculation. Ralph C. Smith and Helmuth W. Schultz, III of Larkin & Associates reviewed documentation concerning Holland's Plant and Accounting Records, interviewed the Finance Director and Accounting Supervisor, and took a "generic tour" of Holland BPW's water treatment plant. Copies of selected "as built" (blue print) diagrams of the plant were made while on site. Mr. Smith also prepared a report, made a presentation to the Zeeland BPW, and assisted Zeeland in the preparation and drafting of "go forward" proposals and in the evaluation of Holland's go forward proposals.

Key Participants: Ralph C. Smith
Helmuth W. Schultz, III

Geographic Location: Zeeland, Michigan

Contract Duration: 1998

United Water Pennsylvania, Inc.; Docket No. R-00973947

Client: Pennsylvania Office of Consumer Advocate
555 Walnut Square
Forum Place, 5th Floor
Harrisburg, PA 17101-1923
(717) 783-5048

Contact: Diane Dusman

Assignment: Retained by the Pennsylvania Office of Consumer Advocate to review the salient accounting and revenue requirement issues in the filing for rate increase presented by United Water Pennsylvania, Inc. Issues addressed in testimony by Larkin & Associates include: plant additions, cash working capital, payroll expense including new employees salary and capitalization factor, OPEB expense, flood cost amortization, failed acquisition costs, computer costs, inflation, depreciation expense including changes in depreciation rates and consolidated tax savings adjustment.

Key Participants: Hugh Larkin, Jr.
Donna DeRonne

Geographic Location: Pennsylvania

Contract Duration: 1997

Citizens Utility Company, Maricopa Water/Wastewater Companies: Docket No. E-1032-95-417 et al.

Client: Arizona Corporation Commission
Utilities Division
1200 West Washington Street
Phoenix, Arizona 85007
(602) 542-0745

Contact: Janice Alward

Assignment: Larkin & Associates' reviewed Citizens Utilities Company's request for rate increases for four water companies and two wastewater companies operating in Arizona. We were responsible for analyzing rate base and net operating income issues, quantifying adjustments, and writing testimony. Specific issues addressed included: plant in service; Stamford Administrative Office common plant balance; AR-13 accrual amounts; Town of Youngtown acquisition and related acquisition adjustment; accumulated deferred income taxes; customer annualization; Town of Youngtown revenue annualization; payroll expense; prior rate case expense; current rate case expense; Target: Excellence expense; tank painting expense; donations expense; FAS 106 accrual; Stamford Administrative Office expense; Phoenix Administrative Office expense; purchased power expense reduction; income tax expense; investment tax credit amortization; and interest synchronization. We coordinated with ACC Staff on numerous issues in this case, including: price elasticity adjustment; Central Arizona Project water costs; water testing expense; conservation amortization expense; and allowance for conservation education expense.

Key Participants: Ralph C. Smith

Geographic Location: Phoenix, Arizona

Contract Duration: December 1995 - January 1997

Consumers Illinois Water Company; Docket No. 97-0351

Client: Carney & Brothers, Ltd.
30 N. LaSalle, Suite 3100
Chicago, IL 60602
For the City of Kankakee, Illinois

Contact: Paul Foran
(217) 443-0305

Assignment: Larkin & Associates was employed by rate counsel for the City of Kankakee, Illinois to review the filing for a rate increase by the Consumers Illinois Water Company, a subsidiary of Consumer Water Company. We obtained and reviewed data and performed other procedures as necessary to determine a fair revenue requirement and rate of return. These procedures included requesting and reviewing discovery, discussions with counsel and co-consultants, and preparing testimony and exhibits. Addressed in testimony the following issues: workers compensation; tank painting; depreciation expense; sludge hauling; rate case expense; incentive compensation; nonpension postretirement benefits accounts payable supporting materials and supplies; gain on sale of land; TQM program cost; labor cost for Shell Oil contamination; cash working capital; interest synchronization; payroll taxes; CWIP error; envelope billing; state income tax credits; capital structure and cost rates.

Key Participants: Ralph C. Smith
Donna DeRonne

Geographic Location: Kankakee and Springfield, Illinois

Contract Duration: September 1995 - March 1996

United Water Florida; Docket No. 960451-WS

Client: Office of the Public Counsel
111 W. Madison - Suite 801
Tallahassee, Florida 32399-1400
(850) 488-9330

Contact: Charlie Beck

Assignment: Larkin & Associates was employed by the Office of the Public Counsel to review accounting and revenue requirement issues in the filing for a water and wastewater rate increase presented by United Water Florida. Testimony addressed the following issues: 13-month average vs. year end rate base; amortization of acquisition adjustment; revisions to projected increases in plant in service; accumulated depreciation; late payment fee revenues; inappropriate expense items; salary & wage expense; medical insurance expense; employee savings plans; depreciation expense; Company proposed amortizations and interest synchronization.

Key Participants: Hugh Larkin, Jr.
Donna DeRonne

Geographic Location: Jacksonville, Florida

Contract Duration: October 1996 - March 1997

Southern States Utilities; Docket No. 950495-WS

Client: Office of the Public Counsel
111 W. Madison - Suite 801
Tallahassee, Florida 32399-1400
(850) 488-9330

Contact: Charlie Beck
Charlie Beck

Assignment: Larkin & Associates was employed by the Office of the Public Counsel to review accounting and revenue requirement issues in the filing for a water and wastewater rate increase presented by Southern States Utilities. Testimony addressed the following issues: Parent Company's investment in SSU; non-used and useful facilities; margin reserve; plant held for future use; slippage in plant in service additions; purchase agreement; water source of supply costs; accumulated depreciation; acquisition adjustments; salary & wage expense; corporate insurance property tax expense and discounts; and income tax expense - parent debt adjustment.

Key Participants: Hugh Larkin, Jr.
Donna DeRonne

Geographic Location: Apopka / Tallahassee, Florida

Contract Duration: September 1995 - March 1996

Narragansett Bay Commission; Docket No. 2216

Client: State of Rhode Island and Providence Plantations
Division of Public Utilities and Carriers
100 Orange Street
Providence, Rhode Island 02903
(401) 277-3500

Contact: Stephen Scialabba, Chief Accountant

Assignment: Larkin & Associates was employed by the Division of Public Utilities and Carriers to review salient accounting and revenue requirement issues in the filing for a rate increase presented by Narragansett Bay Commission, a municipal owned sewer utility. Testimony addressed the following issues: pro forma user fee usage and revenues, late charge revenues, uncollectibles, payroll and benefit expenses, employee training expense, out-of-state travel costs, sludge loading and disposal, proposed sludge disposal contract costs, various chemical expenses, rent expense, advertising, cost of gas, water expense, regulatory expense, inflation and projected debt service costs.

Key Participants: Helmuth W. Schultz, III
Donna DeRonne

Geographic Location: Providence, Rhode Island

Contract Duration: August 1994 - Mid 1995

Inter-State Water Company; Docket No. 94-0270

Client: Carney & Brothers, Ltd.
30 N. LaSalle, Suite 3100
Chicago, IL 60602
For the City of Danville, Illinois

Contact: Paul Foran
(217) 443-0305

Assignment: Larkin & Associates was employed by the City of Danville, Illinois to review the filing for a rate increase by the Inter-State Water Company. We obtained and reviewed data and performed other procedures as necessary to determine a fair revenue requirement and rate of return. These procedures included requesting and reviewing discovery, discussions with counsel and co-consultants, and preparing testimony and exhibits. Addressed in testimony the following issues: plant that would not be in service by a cut-off date of 15 months after the end of the utility's selected historic test year; coordination of Accumulated Depreciation with the other elements of rate base; adjust Depreciation and Accumulated Depreciation for continuation of presently authorized depreciation rates; Accrued Real Estate Taxes as a rate base offset; impact of FAS 109 accrual on Accumulated Deferred Income Tax balance; normalized expenses in rate base; cash working capital; revenue from new customers; late payment fee revenues; real estate taxes; uncollectibles expense; pension expense; payroll expense; incentive bonuses; payroll taxes; nonpension postretirement benefits; capitalization of benefits and payroll taxes; depreciation expense; negative net salvage/cost of removal; TQM program cost; insurance cost; affiliated company charges; interest synchronization; state income tax credits and enterprise zone credits; capital structure and cost rates; return on common equity for water company using "leverage graph" approach.

Key Participants: Ralph C. Smith

Geographic Location: Danville, Illinois

Contract Duration: July 1994-early 1995

Jacksonville Suburban Utilities Corporation; Docket No. 930204-WS

Client: Office of the Public Counsel
111 W. Madison - Suite 801
Tallahassee, Florida 32399-1400
(850) 488-9330

Contact: Charlie Beck

Assignment: Larkin & Associates was retained by the Florida Office of Public Counsel to address: (1) Jacksonville Suburban Utilities Corporation's request to include in rate base a positive acquisition adjustment related to its purchase of Ponte Vedra Utilities; (2) the Company's request to include in rate base \$249,418 in costs associated with the acquisition of Ponte Vedra; and, (3) the valuations performed to date concerning a parcel of land purchased by Ponte Vedra from a related party. This case was settled.

Key Participants: Hugh Larkin, Jr.

Geographic Location: Jacksonville, Florida

Contract Duration: 1994

Pennsylvania American Water Company; Docket No. R-00932670

Client: Pennsylvania Office of Consumer Advocate
555 Walnut Square
Forum Place, 5th Floor
Harrisburg, PA 17101-1923
(717) 783-5048

Contact: Dianne Dusman

Assignment: Larkin & Associates was employed by the Pennsylvania Office of Consumer Advocate ("OCA") to review accounting and revenue requirement issues in the filing for rate increase presented by Pennsylvania American Water Company. Larkin & Associates testimony discusses the development of the OCA's recommended measure of value, net operating income, and revenue requirement. Testimony addressed the following issues: cash working capital - revenue lag, check clearing lag, specific lags for chemical expense, group insurance, other insurance, labor, leased carbon, leased equipment, rents, leased vehicles, miscellaneous expenses, gas cost, power cost, purchased water, telephone expense, and other expenses; Skyline Water Company improvements; sales for resale; "early window" costs for a water treatment plant; payroll expense; payroll tax expense; group insurance; pension; expense for new 401(k) plan; purchased power; purchased water; chemical expense; change in consumption; insurance; legal expense for sewer-data billing dispute; personal use of Company vehicles; rate case expense normalization; miscellaneous expenses; inflation, including inflation rate used in general inflation adjustment; cessation of previously allowed amortizations; depreciation expense; fines; FAS 106; affiliated Service Company charges; and interest synchronization.

Key Participants: Ralph C. Smith
Donna DeRonne

Geographic Location: Harrisburg, PA

Contract Duration: 1993-1994

Indianapolis Water Company & Zionsville Water Corporation; Cause No. 39713

Client: Office of Utility Consumer Counselor
Indiana Government Center North
100 N. Senate Avenue, Room N501
Indianapolis, Indiana 46204
(317) 232-2494

Contact: Robert Glennon

Assignment: Larkin & Associates was under contract with the Indiana Office of the Utility Consumer Counselor to review issues pertaining to Statement of Financial Accounting Standards No. 106 and the rate recovery of costs for postretirement benefits other than pensions requested by Indianapolis Water Company. We obtained and reviewed data and performed other procedures as necessary to (1) obtain an understanding of the Company's rate filing relating to OPEB costs, and (2) formulate an opinion concerning the reasonableness of the Company's proposed treatment of such. Our testimony summarized the background and requirements of FAS 106; discussed IGC's proposed ratemaking treatment of FAS 106; identified concerns regarding the FAS 106 accrual, and recommended alternatives to full accrual for recovery of OPEB expenses through rates.

Key Participants: Hugh Larkin, Jr.

Geographic Location: Indianapolis, Indiana

Contract Duration: 1993

Pennsylvania Gas & Water Company: Docket No. R-932667

Client: Pennsylvania Office of Consumer Advocate
555 Walnut Square
Forum Place, 5th Floor
Harrisburg, PA 17101-1923
(717) 783-5048

Contact: Dianne Dusman

Assignment: Larkin & Associates was employed by the Pennsylvania Office of Consumer Advocate to review salient accounting and revenue requirement issues in the filing for rate increase presented by the Pennsylvania Gas and Water Company. We obtained and reviewed data and performed other procedures as necessary to (1) obtain an understanding of the Company's rate filing package as it related to the measure of value, operating income and revenue requirement and (2) formulate an opinion concerning the reasonableness of amounts included within the Company's rate filing. These procedures included requesting and reviewing extensive discovery, issuing follow-up information requests in many instances and discussions with counsel and co-consultants for the project.

Key Participants: Ralph C. Smith
Donna DeRonne

Geographic Location: Harrisburg, Pennsylvania

Contract Duration: 1993

General Development Utilities, Inc. (Silver Springs Shores Division/Port LaBelle Division);
Docket Nos. 920733-WS & 920734-WS

Client: Office of the Public Counsel
111 W. Madison - Suite 801
Tallahassee, Florida 32399-1400
(850) 488-9330

Contact: Charlie Beck

Assignment: Larkin & Associates was employed by the Florida Office of Public Counsel to review the application for authority to increase water and wastewater rates and charges filed by General Development Utilities, Inc., for its Silver Springs Shores and Port LaBelle Divisions. The following issues were addressed: Non-Used and Useful; Margin Reserve; Salary and Wage Expense; Workmen's Compensation Insurance Premium; Employee Benefits - Group Insurance; Miscellaneous Expense; Property Taxes - Non-Used and Useful; Income Taxes; Parent Debt Adjustment.

Key Participants: Hugh Larkin, Jr.
Donna DeRonne

Geographic Location: Florida

Contract Duration: Larkin & Associates enters into an annual contract with the Florida Public Counsel which is renewed each December 31.

Citizens Utilities Company (Agua Fria Water Division); Docket Nos. E-1032-92-083 et al

Client: Residential Utility Consumer Office
2828 N. Central Avenue
Suite 1200
Phoenix, Arizona 85004
(602) 297-5659

Contact: Greg Patterson

Assignment: Larkin & Associates reviewed Citizens Utilities Company, Agua Fria Water Division's request for a \$202,021 revenue increase. Rate base and net operating income issues were thoroughly analyzed. Case was settled prior to filing of testimony.

Key Participants: Ralph C. Smith

Geographic Location: Arizona

Contract Duration: 1992

Pennsylvania American Water Company; Docket No. R00922428

Client: Office of Attorney General
Pennsylvania Office of Consumer Advocate
555 Walnut Square
Forum Place, 5th Floor
Harrisburg, PA 17101-1923
(717) 783-5048

Contact: Dianne Dusman

Assignment: To obtain and review data and perform other procedures as necessary to (1) obtain an understanding of the Company's rate filing package as it relates to the measure of value, operating income and revenue requirement and (2) formulate an opinion concerning the reasonableness of amounts included within the Company's rate filing. These procedures included requesting and reviewing extensive discovery, issuing follow-up information requests in many instances, an on-site review, telephone discussions with Company representatives, and discussions with counsel and co-consultants for the project.

Key Participants: Ralph C. Smith
Donna DeRonne

Geographic Location: Harrisburg, PA

Contract Duration: 1992

General Development Utilities - Port Malabar and West Coast Divisions; Docket Nos. 911030-WS & 911067-WS

Client: Office of the Public Counsel
111 W. Madison - Suite 801
Tallahassee, Florida 32399-1400
(850) 488-9330

Contact: Steve Reilley

Assignment: Review, analyze and provide testimony regarding the appropriate revenue requirements for two divisions of a multi-divisional water and sewer company. Issues addressed included imputation of CIAC, CIAC in escrow, effects of parent company bankruptcy on utility capital structure, used and useful plant and future income tax requirements.

Key Participants: Ralph C. Smith

Geographic Location: Florida

Contract Duration: Larkin & Associates enters into an annual contract with the Florida Public Counsel which is renewed each December 31.

Pennsylvania Gas & Water Company: Docket No. R-911966

Client: Pennsylvania Public Utilities Commission
1425 Strawberry Square
Harrisburg, PA 17120
(717) 783-5048

Contact: Chris Maloni
Sue Davis

Assignment: Larkin & Associates was retained by the Pennsylvania Public Utilities Commission to review the accounting and revenue requirement issues in the Pennsylvania Gas & Water Company rate case. Issues included: water chemical and sludge hauling expenses, customer advances, plant-in-service and consolidated tax savings.

Key Participants: Ralph C. Smith

Geographic Location: Harrisburg

Contract Duration: 1991

Sun City Water Company; Docket No. U-1656-91-134

Client: Residential Utility Consumer Office
2828 N. Central Avenue
Suite 1200
Phoenix, Arizona 85004
(602) 297-5659

Contact: Greg Patterson
Marylee Diaz Cortez

Assignment: Analysis, review and recommendations concerning the Utility's rate increase request. Areas investigated and addressed included: accumulated deferred income taxes on unbilled revenues, payroll annualization, workers' compensation insurance and investment tax credit amortization.

Key Participants: Ralph C. Smith
Donna DeRonne

Geographic Location: Arizona

Contract Duration: 1991

Havasu Water Company; Docket No. U-2013-91-133

Client: Residential Utility Consumer Office
2828 N. Central Avenue
Suite 1200
Phoenix, Arizona 85004
(602) 297-5659

Contact: Greg Patterson

Assignment: Review of revenue requirements including operating income and rate base. Issues addressed included: accumulated deferred income taxes on unbilled revenue, annualization of revenues and cash working capital.

Key Participants: Ralph C. Smith

Geographic Location: Arizona

Contract Duration: 1991

Southern States Utilities, Inc.: Docket No. 900329-WS

Client: Florida Public Service Commission
111 W. Madison Suite 801
Tallahassee, Florida 32399-1400
(850) 488-9330

Contact: Charlie Beck

Assignment: Rate base and accounting issues for 21 water and 9 sewer systems in 6 Florida counties owned by three affiliated companies. Issues included non-used and useful facilities, working capital allowance, acquisition adjustments, accumulated deferred income tax debit, projected capital additions, and allowance for funds used during construction.

Key Participants: Hugh Larkin, Jr.
Ralph C. Smith

Geographic Location: Orlando, Florida

Contract Duration: Larkin & Associates enters into an annual contract with the Florida Public Counsel which is renewed each December 31.

Artesian Water Company: Docket No. 90-10

Client: Delaware Public Service Commission
1560 South Dupont Highway
Dover, Delaware 19903
(302) 736-4247

Contact: Connie S. McDowell
(302) 739-3230

Assignment: Larkin & Associates was retained by the Delaware Public Service Commissioners to examine the management efficiency of the Artesian Water Company, Inc. as it relates to cost control. We also examined the affiliated transactions of the Water Company with its parent Artesian Resources Corporation and its subsidiaries, and addressed data processing expense.

Key participants Hugh Larkin, Jr.
Ralph C. Smith

Geographic Location: Delaware

Contract Duration: 1990

Anchorage Water and Wastewater Utility; Docket No. U-8747

Client: Alaska Public Utilities Commission
420 L Street
Suite 100
Anchorage, Alaska 99501
(907) 276-6222

Contact: Mr. Ted Moniski
Ms. Paula Benepe

Assignment:

I. Objectives and Scope

In 1987 Larkin & Associates conducted a management audit of Anchorage Water and Wastewater utility ("Utility" or "AWWU"). AWWU is owned by the Municipality of Anchorage ("Municipality" or "MOA"). The management audit was ordered by the Alaska Public Utility Commission ("APUC" or "Commission") in response to several problematic areas of concern which had been identified during previous years. The overall management audit objective was to evaluate these areas of concern in order to provide the APUC and AWWU with an assessment of the efficiency and effectiveness of AWWU's operations in those specific areas, and to provide recommendations for improvement. The five areas of concern are as follows:

Concern No. 1: Project Management and Contract Administration Practices

This area of concern involved an evaluation of whether the Utility employs effective and reasonable long and short range planning and management practices to ensure that projects are effectively and efficiently prioritized and implemented. It also involved an investigation as to whether a proper needs assessment analysis is conducted for projects, whether costs are reasonable and justifiable, and whether an acceptable quality of work is maintained. The scope included an examination of both in-house and contractor projects. The following questions were to be answered as a result of the audit work done with respect to this area of concern:

1. Does the utility's engineering staff monitor actual accumulated costs and compare these to the budget?
2. Are proper job acceptance procedures used?
3. Is there adequate planning for jobs, and if not, does that result in an excessive amount of change orders?

Concern No. 2: Management Accounting and Control Practices

This area involved an evaluation and recommendations regarding management accounting issues of concern to the Commission. These concerns included the Utility's overall planning processes with respect to capital improvement programs, distribution of responsibilities and authority, accountability of personnel, organization structure, and span of supervision.

Concern No. 3: Cash Management Practices and Procedures

This area of concern involved reviewing the Utility's procedures and policies for cash management, including the coordination of debt issues with construction projects. It also encompassed recommending improved procedures and policies where such improvements were viewed as necessary.

Concern No. 4: Ratemaking and Regulatory Practices and Procedures

This area of concern involved a review of the Utility's history with respect to regulatory practices. The investigation focused on the negotiations the Utility has been conducting with two large customers, Fort Richardson and Elmendorf. The investigation also involved an evaluation of current procedures and suggestions for improved procedures with respect to rate case processing, costs, and customer acceptance for future regulatory proceedings.

Concern No. 5: Data Processing Management and Planning

This area of concern involved reviewing management issues and planning practices related to overall Utility data processing. In addition, it involved addressing the following subjects:

1. Planning, development and maintenance of Utility computer software and data base systems.
2. Utilization, system development and acquisition of Utility computer hardware.
3. Identification of improvements that should be made to eliminate problems identified during the course of the investigation.
4. Formulation of an opinion concerning whether major data processing contracts have been effectively and reasonably administered, and whether contractual costs and scope of work have been reasonably monitored and managed.

II. Study Methodology

The study was conducted in three phases — orientation, technical review, and report preparation.

During the orientation phase, Larkin & Associates conducted initial interviews with the Commission staff and Utility top management, and gathered several documents providing background information on Utility policies, procedures, and operations. The intention was to develop an understanding of the Utility and its environment, to introduce Utility managers to the audit process and audit team, to develop sufficient data to give technical definition and direction to the project team, and to verify Larkin & Associates' understanding of the key areas for investigation. Upon completion of the orientation process, Larkin & Associates assigned project team members to various functional areas and scheduled time at the Utility's offices for interviews with Utility personnel. The approach to the scope of work was discussed with the APUC staff who were responsible for reviewing the progress of the audit.

Technical review activities including interviews of responsible Utility personnel and examination of documentation and responses to data requests were then performed for each of the areas of inquiry. The technical review process consisted of two major steps, data collection and analysis.

The data collection step was performed through interviews, review of documents and reports, and observations while on site at the Utility's offices. Interviews were conducted with key Utility management personnel, a number of whom were interviewed more than once. Numerous documents

were collected and reviewed. These included reports, testimony, contracts, accounting records, request for proposals, bids received, memoranda, correspondence, studies, policies and procedures, etc. Where appropriate, facilities locations were also visited.

Each study area was analyzed both during and after data collection. Data was reviewed as received, those areas where additional information was required were identified, and the additional data was requested from the Utility. The analysis consisted of summarizing the factual data gathered during the audit, and evaluating the Utility's performance. The objective of the analytical process was to evaluate performance using both qualitative and quantitative measurements. These evaluations identified Utility strengths as well as areas for potential improvement.

A draft report was prepared and presented to the APUC audit review committee, and to Utility management. Applicable responses were subsequently incorporated into the final report.

Key Participants: Hugh Larkin, Jr.
 Helmuth W. Schultz, III
 Ralph C. Smith

Geographic Location: Anchorage, Alaska

Contract Duration: June 1987 – May 1988

Florida Cities Water Company, Golden Gate Division; Docket No. 890509-WU

Client: Office of Public Counsel
111 West Madison Street - Suite 801
Tallahassee, FL 32399-1400
(850) 488-9330

Contact: Charlie Beck

Assignment: Larkin & Associates was retained by the Office of Public Counsel to review the rate increase granted to Florida Cities Water Company, Golden Gate Division as it relates to various accounting and revenue requirement issues. Our purpose was to outline the approach which should be used to determine the appropriate rate base and net operating income of Golden Gate for establishing rates. Adjustments were made to rate base, capital structure and operating income and expenses. Issues involved included: CIAC, amortization of CIAC, long and short term debt, margin reserve, regulatory fees, state and federal income taxes, employee pensions and benefits.

Key Participants: Hugh Larkin, Jr.

Geographic Location: Tallahassee, Florida

Contract Duration: Larkin & Associates enters into an annual contract with the Florida Public Counsel, which is renewed each December 31.