BEFORE THE PUBLIC UTILITIES COMMISSION

OF THE STATE OF CALIFORNIA

Application of California-American Water Company (U210W) for Approval of the Monterey Peninsula Water Supply Project and Authorization to Recover All Present and Future Costs in Rates.	A.12-04-019 (Filed April 23, 2012)

REBUTTAL TESTIMONY OF MICHAEL E. BARRETT OF ERNST & YOUNG, LLP ON BEHALF OF CALIFORNIA-AMERICAN WATER COMPANY

Lori Anne Dolqueist
Manatt, Phelps & Phillips, LLP
One Embarcadero Center
30th Floor
San Francisco, CA 94111
(415) 291-7400
ldolqueist@manatt.com

Attorneys for Applicant
California-American Water Company

Sarah E. Leeper
Javier Naranjo
California-American Water Company
333 Hayes Street, Suite 202
San Francisco, CA 94102
(415) 863-2960
sarah.leeper@amwater.com

Attorneys for Applicant
California-American Water Company

March 8, 2013

TABLE OF CONTENTS

BEFORE THE PUBLIC UTILITIES COMMISSION

OF THE STATE OF CALIFORNIA

Application of California-American Water Company (U210W) for Approval of the Monterey Peninsula Water Supply Project and Authorization to Recover All Present and Future Costs in Rates.	A.12-04-019 (Filed April 23, 2012)

REBUTTAL TESTIMONY OF MICHAEL E. BARRETT OF ERNST & YOUNG, LLP ON BEHALF OF CALIFORNIA-AMERICAN WATER COMPANY

I. INTRODUCTION

Q1. Please state your name, current position and business address.

A1. My name is Michael E. Barrett. I am a partner in Ernst & Young LLP. My business address is 55 Ivan Allen Boulevard, Atlanta, Georgia 30308.

Q2. On whose behalf are you testifying in this proceeding?

A2. I am testifying on behalf of California-American Water Company ("California American Water").

Q3. What is your educational and professional background?

A3. I graduated cum laude from the University of Scranton in 1976 with a Bachelor of Science in Accounting. After completing my degree, I joined the Federal Energy Regulatory Commission (the "FERC"), formerly the Federal Power Commission, as a field auditor. In 1981, I joined Coopers & Lybrand's national utility industry program as a supervisor responsible for audits and consulting projects to utilities. I was admitted into the partnership in 1988 and served as the national utility industry leader for the business assurance services. In 1998, I joined Ernst & Young, LLP as National Director-Utilities. In September 2006, I became Ernst & Young's Southeast Area Power & Utilities Sector

Leader. I specialize in providing audit and consulting services to the electric, gas, water and wastewater industries. I am a Certified Public Accountant in several states including Pennsylvania, Georgia, and Florida. I have practiced public accounting for over 36 years. My experience includes financial audits of electric and gas utilities, rural electric cooperatives, and energy marketers and traders. During the course of my career, I have worked with clients on a number of complex accounting and finance transactions including the securitization of stranded costs, lease/leaseback to transfer tax benefits, long term power contract consolidation due to variable interest entity accounting guidance, and private use requirements for a power contract on a plant financed with tax exempt debt. All of which are being touched on in the various proposals in this case. I have testified as an expert witness in regulatory proceedings and arbitrations. I also co-authored a biennial report "Survey of FERC Compliance Audit Findings" published by the Corporate Accounting Committee. My curriculum vita is attached at Attachment 1.

II. PURPOSE OF REBUTTAL TESTIMONY

Q4. What is the purpose of your rebuttal testimony in this proceeding?

A4. The purpose of my testimony is to explain the general accounting principles and the potential financial accounting consequences associated with the different proposals for financing the Monterrey Peninsula Water Supply Project (the "Project"). Since the parties have not agreed to pursue a specific financing proposal at this time, my testimony does not offer an opinion on the actual accounting and financial statement consequences of any specific proposal. Rather, I will discuss the potential accounting and financial statement consequences of certain proposals.

III. OVERVIEW OF THE FINANCING PROPOSALS

Q5. Can you explain your understanding of the financing proposals?

A5. Yes, each proposal contains two to four elements, the sum of which will fund the Project.

The first is the equity component, which represents a direct investment in the Project by

California American Water. The second element is Surcharge 2, which is the portion of the Project financed through a direct contribution of funds from customers.[1] The third element is the debt component, which is the portion of the Project funded by borrowed funds. The fourth element involves the public agency financing proposals, which involve a proposed "contribution" of funds to California American Water by a public agency such as the Monterey Peninsula Water Management District ("MPWMD"), a Special Purpose Entity (an "SPE") established by a governmental entity or another governmental entity.

Note that I use the term "contribution" in a non-technical sense when discussing the public agency financing proposals. As explained later in this testimony, and in Michael Reno's testimony, the proceeds California American Water receives from the public agency may be either sales proceeds or loan proceeds and the classification of those proceeds may have significant financial accounting and tax consequences.

Q6. Can you explain the public agency financing proposals?

A6. Mr. Larkins, on behalf of MPWMD, recommends:[2] (1) that California American Water engage in tax-exempt securitization borrowing; or (2) that California American Water engage in traditional tax-exempt borrowing through the issuance of tax-exempt Certificates of Participation ("COPs") by MPWMD.[3]

The testimonies of Mr. Larkins, Mr. Stoldt (also on behalf of MPMWD), and DRA assume that the use of tax-exempt securitization borrowing and traditional tax-exempt

---

[1] See generally the Direct Testimony of David P. Stephenson filed April 23, 2012, Sections IV, V, and VI. The Division of Ratepayer Advocates (the "DRA") proposes certain modifications to Surcharge 2. See generally the DRA Report on California-American Water Company's Application For The Monterey Peninsula Water Supply Project, A.12-04-019 filed February 22, 2013, Chapter 6.

[2] See generally the Direct Testimony of Robert Larkins, filed February 22, 2013. Mr. Larkins's testimony indicates that his alternatives are designed to reduce or replace Surcharge 2 but it appears that he also intends for his alternatives to reduce or replace portions of the debt component proposed by California American Water as well.

[3] Mr. Stoldt, on behalf of MPWMD, also discusses tax-exempt securitization borrowing and tax-exempt Certificates of Participation in detail. See generally the Direct Testimony of David J. Stoldt, filed February 22, 2013.

borrowing through the issuance of tax-exempt COPs by MPWMD would be treated as a public agency "contribution" for ratemaking purposes. According to DRA and MPWMD, if those alternatives are considered public agency "contributions," the portion of the Project funded by either of those methods would be excluded from the rate base as well as the book basis of the Project. As I will explain, the proceeds California American Water receives from the public agency will likely be treated as loan proceeds for financial accounting purposes. If the proceeds are treated as debt for financial accounting purposes, the increased debt on California American Water's balance sheet may increase California American Water's future borrowing costs and, consequently, increase the rates its customers pay. The remainder of my Testimony explains the general accounting rules of and the potential financial statement and ratemaking consequences of the public agency financing proposals.

Q7. What capital structure does California American Water expect the Commission to use when computing the project's revenue requirement?

A7. California American Water requested that the Commission authorize a revenue requirement for the Project based on the California American Water's then-in-place authorized capital structure.[4] California American Water's current capital structure is 53% equity and 47% debt.

IV. ACCOUNTING CONSEQUENCES OF SURCHARGE 2

Q8. Can you explain how California American Water proposes to finance the project?

A8. Yes, California American Water proposes to finance the project partly with equity, partly with long-term debt, and partly with funds from Surcharge 2. The Company will also use up to $20 million of short-term debt during construction.

Q9. Can you explain Surcharge 2?

[4] Direct Testimony of David P. Stephenson filed April 23, 2012, Section II.

A9. Yes, Surcharge 2, was proposed by California American Water. In its report, DRA recommends that the Commission make certain changes to Surcharge 2. Surcharge 2 is a surcharge imposed on California American Water's customer's bills during the period the Project is under construction. The revenue collected from Surcharge 2 be would be treated as a customer contribution to reduce the Project's capital cost. California American Water would track the surcharge collections in a separate account and use the collections to offset a portion of the construction costs. The portion of the Project funded by Surcharge 2 would be excluded from rate base, thereby, reducing rates.

Q10. Why is the DRA concerned about California American Water's proposed accounting for Surcharge 2?

A10. The DRA is concerned that California American Water would not record the money it receives from Surcharge 2 as a public contribution. Thus, if California American Water sold the Project for fair market value, California American Water would receive a windfall because the portion of the Project funded by Surcharge 2 would not be included in the Project's acquisition cost.

Q11. How does the DRA propose that California American Water account for Surcharge 2?

A11. The DRA proposes that California American Water account for the funds it receives from Surcharge 2 as a public contribution and remove the portion of the Project funded by Surcharge 2 from the rate base.

Q12. Why are you concerned about the DRA's proposed modification to Surcharge 2?

A12. It does not appear that the DRA considered how the Generally Accepted Accounting Principles ("GAAP") require California American Water to account for the funds it receives from Surcharge 2. I am concerned that the DRA's proposed modifications may violate GAAP in that ratemaking proposals like those that would reduce plant value with debt issued do not conform with established GAAP.

Q13. Are there specific accounting rules that govern the accounting for Surcharge 2?

A13. Yes, in accounting parlance, Surcharge 2 appears to be Mirror Construction Work In Process ("Mirror CWIP") arrangement. GAAP provides specific rules that govern accounting for Mirror CWIP arrangements in Accounting Standards Codification 980 ("ASC 980"), which addresses Regulated Operations. See Attachment 2 for the pertinent sections of ASC 980.

Q14. What is a Mirror CWIP arrangement?

A14. ASC 980 paragraph 55-4 defines a Mirror CWIP arrangement as a means of moderating a sudden, one-time increase in rates that would otherwise result from placing a newly completed utility plant in service. The reasoning behind Surcharge 2 appears to be consistent with the definition of a Mirror CWIP arrangement.

Q15. How does a Mirror CWIP arrangement mitigate rate increases?

A15. ASC 980 paragraph 55-4 further provides that under Mirror CWIP arrangement, increasing amounts of CWIP are included in the current rate base in the periods before the plant goes into service, providing the utility with a current return on a portion of its investment in construction while the construction proceeds. After the plant is placed in service, a decreasing amount of plant-in-service is excluded from the rate base each year, mirroring the pattern in which the construction was included in the rate base. The result of this procedure is to increase rates while the plant is under construction and to reduce the increase in rates in the initial years of the plant's service life. The current proposals are similar but not exactly as described in the guidance however the accounting guidance on how to account for the revenues would still apply.

Q16. How does ASC 980 account for a Mirror CWIP arrangement?

A16. ASC 980 paragraph 55-7 explains that if an arrangement is known to be a Mirror CWIP arrangement at the time of the construction (for example, if that arrangement is required by law or has been specifically ordered by the regulator), California American Water should accrue an allowance for funds used during construction (an "AFUDC") on the total cumulative construction cost in each period for financial reporting. The revenue California American Water collects as a result of inclusion of construction in the current rate base should be recorded as a liability to customers, with disclosure of the approximate timing of the repayment that will be required under the Mirror CWIP arrangement. The liability is amortized as customers are repaid and the plant is depreciated.

Q17. How is a Mirror CWIP arrangement treated for ratemaking p0urposes?

A17. ASC 980 paragraph 55-5 provides that for rate-making purposes, California American Water would not recognize AFUDC on the portion of the construction that is included in the rate base while the asset is under construction, and would recognize AFUDC on the portion of the plant-in-service excluded from the rate base after the plant is placed in service. The same total amount is capitalized as if no construction had been included in the current rate base. In effect, the customer liability related to Surcharge 2 increases at the same rate as the portion of the Project funded by Surcharge 2 that is included in rate base.

Q18. Is it appropriate to account for Surcharge 2 as if it is a Mirror CWIP arrangement?

A18. Although the details of the Surcharge 2 fact pattern are slightly different than the accounting guidance, I believe it is likely that the accounting guidance provided in ASC 980 would still apply. This accounting would also help satisfy the DRA's separate accounting concerns because the funds collected would be held as a regulatory liability and not as a reduction of the asset value. Since the amounts are not used to reduce the cost of the asset, should it be sold, the gain would not therefore include these amounts. The funds received are accounted for in the separate liability to customers account.

Q19. What are the financial accounting and ratemaking consequences if California American Water does not account for Surcharge 2 as if it is a Mirror CWIP arrangement?

A19. If California American Water does not follow ASC 980, their published financial statements would not be in accordance with GAAP. If California American Water's the failure to comply with GAAP is material to California American Water's parent company's consolidated financial statements, the parent company would receive a qualified audit opinion. The consequences or receiving a qualified opinion can be severe.

Q20. Can you summarize this portion of your testimony?

A20. Yes, Surcharge 2 appears to be a Mirror CWIP arrangement. If Surcharge 2 is a Mirror CWIP arrangement, California American Water must account for it in accordance with ASC 980. If California American Water fails to account for Surcharge 2 under ASC 980, their published financial statements would not be in accordance with GAAP and the audit opinion on the financial statements would be qualified if the deviation from GAAP results in a material misstatement.

V. ACCOUNTING FOR THE PUBLIC AGENCY FINANCING PROPOSALS

Q21. Can you review the MPWMD's public agency financing proposals?

A21. Yes, Mr. Larkins and Mr. Stoldt make two public agency financing proposals, tax-exempt securitization borrowing and traditional tax-exempt borrowing through the issuance of tax-exempt COPs by the MPWMD.

Q22. Can you briefly explain the tax-exempt securitization borrowing proposed by MPWMD?

A22. Yes, under the proposed tax-exempt securitization borrowing, the California legislature would authorize the California PUC to issue a financing order. Pursuant to the financing order, California American Water would acquire an intangible property right authorizing it to impose and collect a non-bypassable surcharge on California American Water customers sufficient to pay-off tax-exempt debt issued by a public agency. California

American Water would sell the intangible property right to the public agency in exchange for the proceeds of debt issued by the agency. California American Water then collects the non-bypassable surcharge from its customers and remits the proceeds to the public agency, which uses the proceeds to service the debt.

Q23. In your experience what are the major considerations in a securitization similar to the tax-exempt securitization proposed by MPWMD?

A23. First, a stranded cost securitization usually relies on shorter-term debt. In most instances, the term of the debt is tied to the rate recovery being provided, generally around 10 years although longer term debt may be available in certain limited instances with the goal to balance the cost of debt and interest savings with the term of the debt. Tying the debt repayment term to the rate recovery period increases the current cost to customers, as opposed to recovering the same amounts over the asset's life. Mr. Larkins and Mr. Stoldt posit that their proposed tax-exempt securitization will achieve cost savings. Nevertheless, to the extent the term of that debt is less, the proposed tax-exempt securitization would increase the current cost to the customer.

Second, as I will explain, it is likely that arrangement under which California American Water receives funds from the public agency would be debt of California American Water. Credit rating agencies would review this debt when evaluating California American Water's credit worthiness.

Third, the tax-exempt securitization, as outlined by Mr. Stoldt, appears to make the public agency issuing the debt a variable interest entity, which would be consolidated with California American Water on California American Water's financial statements. In other words, Mr. Stoldt appears to posit the creation of a new public agency to issue the debt. Additional costs, e.g., transaction fees, time, and potentially higher interest rates, would be incurred to create the new public agency.

Q24. Can you briefly explain the traditional tax-exempt borrowing through the issuance of tax-exempt cops by MPWMD?

A24. Yes, under this proposal, California American Water effectively sells an intangible right, participation in a revenue stream, to a public agency in exchange for proceeds of COPs issued by the public agency. California American Water then collects a surcharge from its customer and remits the surcharge proceeds to the public agency, which uses the proceeds to service the COPs.

Q25. In your experience what are the major considerations in the transfer of an intangible right in a transaction similar to the traditional tax-exempt borrowing proposed by Mr. Stoldt?

A25. As I understand the proposal, Mr. Stoldt would create an intangible asset, a water right. California American Water would transfer the water right to the public agency for a period of time in exchange for funds that the public agency receives from issuing tax-exempt debt. It appears that California American Water would buy the water right back over time and the public agency would use those funds to the debt. Based on my experience, it appears likely that California American Water's long-term obligation to repurchase the water would be a debt on its financial statements. Credit rating agencies would review this debt when evaluating California American Water's credit worthiness. Also, as I explained above when discussing tax-exempt securitization, if the term of the repayment obligation is shorter than the life of the asset, the current cost to the customer would increase.

In my experience negotiating complex transactions like this one, is very difficult, time-consuming and expensive. I expect that negotiating the sale of water rights in exchange for the proceeds of tax-exempt debt received by a public agency will require a considerable amount of time and money.

Q26. Can you summarize the public agency financing proposals?

A26. Yes, in both instances, California American Water sells an intangible right to a public agency in exchange for the proceeds from tax-exempt debt issued by the public agency. In addition, in both instances, California American Water collects a surcharge from its customers that it remits to the public agency and the public agency uses those proceeds to service the debt or the COPs. As I understand them, the proposals exclude the portion of the Project funded through the public agency "contribution" from the rate base.

It is important to note that in explaining the public agency financing proposals, I use the words "sell" and "contribution" in a non-technical sense. Because the public agency financing proposals are vague, it is not clear whether California American Water is selling an intangible right to a future revenue stream to the public agency or whether California American Water is issuing debt secured by a future revenue stream to the public agency. As I will explain, for financial accounting purposes whether California American Water sells the intangible asset to the public agency or uses it secure a debt to the public agency is significant. My colleague Michael Reno will explain, the potential tax consequences that may arise if California American Water sells the intangible asset to, or uses the asset to secure a debt with, the public agency.

Q27. Can you summarize the major considerations in structuring transactions similar to public agency financing proposals?

A27. Generally speaking, the more complex a transaction is the longer it takes to finalize. Also, the financial risks of failing to complete the transaction increase exponentially with the transaction's complexity.

From an accounting perspective the rules related to accounting for a variable interest entity make it virtually impossible to eliminate debt from a company's balance sheet. The public agency financing proposals appear to attempt to remove the debt from California American Water's financial statements but in today's accounting environment that is very difficult and costly to accomplish and the outcome is uncertain.

Q28. Can you explain a typical structured transaction and how the accounting rules that apply?

A28. Yes, in a typical structured transaction a financial asset is transferred to an SPE. The SPE then issues debt, which is used to fund the transfer of the asset. Historically, and in Mr. Stoldt's proposals, the company transferring the financial asset retains all of the performance risk associated with the transferred asset. Said another way, the company transferring the asset agrees to make the receiving party whole in the event the revenue stream associated with the transferred asset are inadequate to repay the debt. ASC 810, which discusses variable interest entities, requires the company that transfer the intangible asset, in this case California American Water, to record the SPE's debt on its financial statement. The accounting rules accomplish this by requiring the company to consolidate its financial statements with the SPE's financial statements.

ASC 810 requires the consolidation of the SPE unless all risks related to the financial asset are transferred to other company, i.e., California American Water. Thus, under both public agency contributions proposed in this case, California American Water would reflect the funds it receives from the SPE as debt on its financial statements.

Q29. Can you explain how MPWMD and DRA propose to treat the public agency contributions for rate making purposes?

A29. Yes, Mr. Larkins proposes that California American Water exclude any funding it receives from a public agency "contribution" from both rate base and capital structure. Mr. Stoldt's testimony is consistent with Mr. Larkins. DRA does not make a specific proposal regarding the public agency financing proposals but it does ask the Commission to order California American Water to explore the use of public agency financing to reduce its reliance on either California American Water long-term corporate debt or SRF loans.

Q30. Can you explain how MPWMD and DRA propose to treat the public agency contributions for financial accounting purposes?

A30. By not adjusting California American Water's capital structure, the various models imply that MPWMD and DRA do not consider the public agency financing proposals to constitute long-term debt. The different models appear to treat the SRF loans differently, some as long-term debt, and others as a public contribution.

Q31. Can you explain the financial statement consequences to California American Water if the public agency financing is considered debt?

A31. Yes, if the proposed public agency "contributions" are considered debt for financial accounting purposes, California American Water's overall capital structure will change. Specifically, California American Water's capital structure will reflect a higher percentage of debt and a lower percentage of equity. The increased debt may cause California American Water's lenders to perceive California American Water as a more risky investment. In the future, lenders may demand higher interest rates from California American Water to compensate them for taking on the increased risk. In addition, California American Water may not be able to borrow enough funds to pay for future plant improvements or additions.

Q32. What are the ratemaking consequences of the increased risk?

A32. If investors demanded higher interest rates from California American Water, California American Water's cost of capital would increase, thereby causing rates to increase. In California American Water is unable to fund future plant improvements or additions, the quality of service California American Water provides to its customers may decrease.

Q33. Could California American Water mitigate the increased financial statement risk?

A33. Maybe, but it would be difficult. For California American Water to achieve the approved capital structure of 47% debt and 53% equity and reduce the added risk of the leverage from a total or corporate standpoint, California American Water would need to rebalance its capital structure by either adding equity and/or removing debt. To accomplish this immediately, California American Water would need to pay down its existing debt with the additional equity contributions that would be required to rebalance the capital structure.

Q34. What ratemaking consequences would result if California American Water opted to rebalance its capital structure by paying down debt?

A34. If California American Water opted to rebalance its capital structure by paying down existing debt to achieve the approved capital structure, the amount of debt not assigned to the Project would be significantly less. Since the proposals add significant leverage to the Project, there would be limited debt available to support California American Water's existing rate base. Said differently, because a disproportionate share of California American Water's debt is assigned to the Project, the existing rate base for California American Water's other regulated operations would be funded predominantly with equity which would increase rates.

Q35. Can you summarize this portion of your testimony?

A35. Yes, no matter how they are treated for ratemaking purposes, the proposed public agency "contributions" would more than likely be considered debt for financial accounting purposes. The increased debt would alter California American Water capital structure and potentially increase California American Water's rates related to its current rate base. Attempting to structure the public agency contributions in a manner that would not cause California American Water to report them as debt for financial accounting purposes would be extremely difficult, time consuming and expensive. Further, regardless of the time and expense incurred, the parties cannot be certain that an auditor would not require California American Water to report the public agency contributions as debt on its financial statements.

VI. CONCLUSION

Q36. Can you summarize your testimony?

A36. Yes, the proposed alternatives have financial accounting consequences that occur independently of how the Commission accounts for them for ratemaking purposes. Those financial accounting consequences may indirectly affect the ratemaking process, for example by altering California American Water's capital structure. These effects could be significant over time and result in higher rates and/or a lower quality of service for California American Water's customers.

Q37. Does this conclude your testimony?

A37. Yes, it does.

Attachment 1

Michael E. Barrett, CPA
Curriculum Vitae and Summary of Professional Testimony

Michael Barrett is a partner with the firm of Ernst & Young LLP. Ernst & Young is one of the "Big Four" accounting firms and one of the largest professional services firms in the world. At Ernst & Young Mr. Barrett specializes in providing audit and consulting services to the electric, gas, water and wastewater industries. He is a Certified Public Accountant in several states including Pennsylvania, Georgia, and Florida. Mr. Barrett graduated cum laude from the University of Scranton in 1976 with a Bachelor of Science in Accounting. In 1976, Mr. Barrett started his career with the Federal Power Commission, which later became the Federal Energy Regulatory Commission, as a field auditor responsible for completing audits of electric and gas utilities for compliance with the Commission's Uniform System of Accounts. In 1980, he joined Harvey Hubbell, Inc. a manufacturing company in Orange, CT., as a senior internal auditor. There he was responsible for financial and operational audits of the various divisions of the Company. In 1981, he joined Coopers & Lybrand in their national utility industry program as a supervisor responsible for audits and consulting projects to utilities. He was admitted into the partnership in 1988 and served as the Firm's national utility industry leader for the business assurance line of business. In 1998, he joined the firm of Ernst & Young as National Director-Utilities. He relinquished that role in September 2006 and is currently the Firm's Southeast Area Power & Utility Sector Leader.

Mr. Barrett's experience includes financial audits of numerous electric and gas utilities including rural electric cooperatives, and several energy marketers and traders. He has also performed contract audits of power purchase agreements. He has also testified as an expert in regulatory proceedings and arbitrations. In addition to his audit experience his non-audit client experience has included examinations of prospective financial information and analysis of projections, assistance in mergers and acquisitions including due diligence and financial analysis, financial systems design and implementation and organization and staffing assessments.

Mr. Barrett is a member of the American Institute of Certified Public Accountants. He is a member of the Corporate Accounting Committee of the Edison Electric Institute and American Gas Association. He has served as the Treasurer of the Alliance to Save Energy. Mr. Barrett also co-authored a biennial report "Survey of FERC Compliance Audit Findings" published by the Corporate Accounting Committee. He has also spoken at numerous industry conferences and training courses sponsored by both industry associations, Coopers & Lybrand and Ernst & Young. Below is a listing of his professional testimony, including his recent testimony before the LPSC.

Year	Matter	Reference
2012	Niagara Mohawk Power Corporation Before the State of New York Public Service Commission	Docket Nos. NIMO 12-E-0201 and 12-G-0202
2012	Yankee Gas Services Company Before the Connecticut Public Utility Regulatory Authority	Docket No. 10-12-02
2010	South Jersey Gas Company In the Matter of Petition for Approval Of Increased Base Tariff Rates	BPU Docket No. GR 10010035
	United States of America vs. Louisiana Generating LLC	Civil Action No. 09-CV-100-RET-CN
2009	Entergy Gulf States, Inc. Before the Louisiana Public Service Commission	Consolidated Dockets U-21453, U-20925, U22092 (Subdocket J)
2008	United States of America vs. Kentucky Utilities Company	Civil Action No. 5:07-CV-75-KSF

Year	Matter	Reference
	New Jersey Natural Gas Company Before the New Jersey Board of Public Utilities	Docket No. GR06060415
2006	Columbia Gas of Virginia, Inc. Before the Commonwealth of Virginia State Corporation Commission	Case Nos. PUE – 2005 – 00098, 10000
2005	United States of America vs. East Kentucky Power Cooperative, Inc.	Civil Action No. 04-34-KSF
	Florida Power & Light Company Before the Florida Public Utility Commission	Docket No, 050045-EI
	Application of Nevada Power for Authority to Adjust Electric Rates Before the Nevada Public Service Commission	N/A
2004	The United States et. al. vs. American Electric Power Company, et. al.	Civil Action Nos. C2 99-1182, C2 99-1250
	South Jersey Gas Company In the Matter of Petition for Approval Of Increased Base Tariff Rates	BPU Docket no. GR 03080683
	Application of Madison Gas and Electric Company for Authority to Adjust Electric and Natural Gas Rates Before the Wisconsin Public Service Commission	N/A
	Application of Wisconsin Public Service Company for Authority to Adjust Electric Rates Before the Wisconsin Public Service Commission	N/A
	Nicor Gas Company vs. Illinois Commerce Commission	Docket No. 01-0705, 02-0067, 02-0725
2001	Cinergy Corporation vs. The United States	N/A
2000	South Jersey Gas Company and Elizabethtown Gas Company Before the New Jersey Board of Public Utilities	N/A
1999	Delaware Electric Cooperative Before the Delaware Public Service Commission	Docket 99-457
	Investigation by the D.T.E. into Boston Edison's Compliance With the Department's Order in D.P.U. 93-37	DPU 97-95
1998	Public Service of New Hampshire, North Atlantic Energy Corporation, Northeast Utilities and Northeast Utilities Service Company vs. Public Utilities Commission of the State of New Hampshire	N/A
	Duquesne Light Company vs. State of Ohio	Re: Property Tax Assessment
1997	City of Warton, Pasadena and Galveston Texas Individually and as Class Representatives vs. Houston Lighting & Power Company and Houston Industries Finance, Inc.	Pursuant to Texas Rule of Civil Procedures Regarding Cause No. 96-016613

Year	Matter	Reference
	Application of ODEC for correction of Assessments of Gross Receipts Taxes and for a Refund - tax year 1997	Case No. PST970002
	American Bituminous Power Partners, L.P. vs. Monongahela Power Company	Case No 55-198-012-96 DAW
1992	Florida Cities Water Company vs. Hillsborough County, FL	N/A
	City of Palm Bay, FL and City of North Port, FL vs. Generation Development Utilities, Inc.	Arbitration
	North Carolina Municipal Power Agency No. 1 and Piedmont Municipal Power Agency vs. Duke Power Co.	Fourth Arbitration
	Seaboard Water Co. vs. Hillsborough County, FL	N/A
	The Florida Public Service Commission vs. General Development Utilities, Inc. Port Malabar and West Coast Divisions	Docket No. 911030-WS & Docket No. 911067-W
1991	City of Austin – City Commissions vs. Southern Union Gas Company	N/A
	Nevada Public Service Commission vs. Sierra Power Company	Docket No. 91-7079, et. al.
1989	Public Service Commission of The State of Tennessee vs. United Cities Gas Company	Docket No. 89-10017
1987	Central Florida Gas Company vs. Florida Public Service Commission	Docket No. 8970118-GU
1985	Public Service Commission of Delaware vs. Chesapeake Utilities Corporation Delaware Division	Docket No. 85-17
1983	Eastern Shore Natural Gas Company vs. Federal Energy Regulatory Commission	Docket No. RP83-32-000
	Chesapeake Utilities - Citizens Division vs. Maryland Public Service Commission	Case No. 7952
1982	Chesapeake Utilities - Delaware Division vs. Delaware Public Service Commission	Docket No. 82-10

Attachment 2

Portion of ASC 980 pertaining to Mirror CWIP accounting

Inclusion of Construction Work in Progress in Rate Base

55-4 Mirror construction work in progress is one means of moderating the sudden, one-time increase in rates that would otherwise result from placing a newly completed utility plant in service. Under mirror construction work in progress, increasing amounts of construction work in progress are included in the current rate base in the periods before the plant goes into service, providing the utility with a current return on a portion of its investment in construction while the construction proceeds. After the plant is placed in service, a decreasing amount of plant-in-service is excluded from the rate base each year, mirroring the pattern in which the construction was included in the rate base. The result of this procedure is to increase rates while the plant is under construction and to reduce the increase in rates in the initial years of the plant's service life.

55-5 For rate-making purposes, no allowance for funds used during construction is recognized on the portion of the construction that is included in the rate base while the asset is under construction, and an allowance for funds used during construction is recognized on the portion of the plant-in-service that is subsequently excluded from the rate base after the plant is placed in service. The same total amount is capitalized as if no construction had been included in the current rate base.

55-6 The mirror construction work in progress arrangement described is not a phase-in plan under the definition used in this Subtopic because it does not defer recovery of costs that would not have been deferred under the methods of rate making used prior to 1982. Rather, it effectively provides a temporary loan from customers to the utility during construction and requires repayment of that loan after the plant is placed in service.

55-7 If the arrangement is known to be a mirror construction work in progress arrangement at the time of the construction (for example, if that arrangement is required by law or has been specifically ordered by the regulator), an allowance for funds used during construction should be accrued on the total cumulative construction cost in each period for financial reporting. The revenue collected as a result of inclusion of construction in the current rate base should be recorded as a liability to customers, with disclosure of the approximate timing of the repayment that will be required under the mirror construction work in progress arrangement.