TOM LEE
President

Harold McLean
Public Counsel

ORIGINAL

ALLAN BENSE
Speaker

Joseph A. McGlothlin
Associate Public Counsel

STATE OF FLORIDA
OFFICE OF PUBLIC COUNSEL

c/o THE FLORIDA LEGISLATURE
111 WEST MADISON ST.
ROOM 812
TALLAHASSEE, FLORIDA 32399-1400
850-488-9330

EMAIL: OPC_WEBSITE@LEG.STATE.FL.US
WWW.FLORIDAOPC.GOV

January 31, 2005

Ms. Blanca S. Bayó, Director
Division of the Commission Clerk
and Administrative Services
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0870

Re: Docket No. 041272-EI

Dear Ms. Bayó:

I am enclosing, for filing and appropriate distribution, the original and 15 copies of the prefiled testimony and exhibits of James A. Rothschild on behalf of the Citizens of the State of Florida in the above docket.

I am also enclosing the original and one copy of the testimony and exhibits of Michael J. Majoros, Jr. on behalf of the Citizens of the State of Florida, together with a copy of Progress Energy Florida, Inc.'s (PEF) Notice of its intent to request that portions of Mr. Majoros' testimony be designated as confidential. Pending the completion of PEF's review of the filing, the confidentiality of Mr. Majoros' testimony and exhibits should be maintained.

Copies of Mr. Majoros' testimony will be delivered today to PEF and to parties of record who entered confidentiality agreements with PEF.

OPC and PEF were unable to identify, the portions of Mr. Majoros' testimony and testimony that PEF deems confidential in time to enable OPC to prepare redacted versions to accompany this original testimony. OPC will prepare and submit the redacted copies as soon as that process has been completed. PEF has agreed to this procedure. Staff, FIPUG, and Mr. Twomey have been informed of the arrangement, and no party has objected.

CMP
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Thank you for your assistance.

Yours truly,

Joe A. McGlothlin

Joseph A. McGlothlin
Associate Public Counsel

JAM/dsb

cc: Parties of Record

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for approval of storm cost recovery clause for recovery of extraordinary expenditures related to Hurricanes Charley, Frances, Jeanne, and Ivan, by Progress Energy Florida, Inc.	)	Docket No. 041272-EI Filed: January 31, 2005

DIRECT TESTIMONY

OF

JAMES A. ROTHSCHILD

On Behalf of

The Citizens of the State of Florida

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 041272-EI

TESTIMONY

OF

JAMES A. ROTHSCHILD

I. <u>STATEMENT OF QUALIFICATIONS OF JAMES A. ROTHSCHILD</u>

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

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

Q. WHAT IS YOUR OCCUPATION?

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

Q. PLEASE SUMMARIZE YOUR UTILITY REGULATORY EXPERIENCE.

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

Q. WHAT IS YOUR EDUCATIONAL BACKGROUND?

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

II. BACKGROUND AND PURPOSE

Q. PLEASE EXPLAIN THE BACKGROUND FOR THIS TESTIMONY.

A. Severe damage was inflicted on Florida by four hurricanes during 2004: Charlie, Frances, Ivan and Jeanne. Progress Energy Florida (PEF) claims that as a result of these hurricanes, it incurred $366 million in storm damage related costs. Of this amount, $55 million was capitalized and $311 million of restoration costs associated with these storms were charged to its storm damage reserve rather than being expensed. Since the Company had $45 million in its storm damage reserve fund before charging the extraordinary storm damage costs to the reserve, the result of the charges made by the company (prior to any adjustments the Commission may make in this case) is a $266 million negative balance in its storm damage reserve fund. The Company proposes to recover $252 million of this deficit from retail customers over a two-year period, with the remaining $14 million being attributable to wholesale customers. Since no amortization of this deficit in the storm damage reserve fund has begun, none of the storm damage costs that PEF charged to the storm damage reserve have yet impacted the earnings of PEF. (Source: PEF 3^{rd} quarter 2004 10Q report to the U.S. Securities & Exchange Commission [SEC] obtained from the SEC website.) Currently, PEF's rates are based upon a settlement agreement entered into in March 2002, with terms that are to remain in effect between May 1, 2002 and December 31, 2005. As explained in the Company's 3^{rd} quarter 2004 10Q report:

> In March 2002, the parties in PEF's rate case entered into a Stipulation and Settlement Agreement (the Agreement) related to retail rate matters. The Agreement was approved by the FPSC and is generally effective May 1, 2002 through December 31, 2005; provided, however, that if PEF's base rate earnings fall below a 10% return on equity, PEF may petition the FPSC to amend its base rates.

The rate stipulation under which PEF is currently operating also specifically states that:

> FPC will not petition for an increase in its base rates and charges, including interim increases, that would take effect prior to December 31, 2005, except as provided in Section 7.

(Order No. PSC-02-0655-AS-EI, p. 15)

Section 7 of the stipulation says:

> If FPC's retail base rates earnings fall below a 10.0% ROE as reported on an FPSC adjusted pro-forma basis on an FPC monthly earnings surveillance report during the term of this Stipulation and Settlement, FPC may petition the Commission to amend its base rates notwithstanding the provisions of Section 4.

I am advised that the Office of Public Counsel's position is that the legal effect of the stipulation is such that prior to December 31, 2005, the source for amortization of the negative balance in the storm damage reserve must first come from earnings to the extent that earnings exceed 10.0% on equity. In other words, only after the company pays enough of the cost of the storm damage to bring the earned return on equity down to 10.0% is the company entitled to request authority to adjust its rates so as to recover the balance of storm damage costs. OPC has asked me to provide my opinion on the following subjects that are related to the decisions the Commission must make in this case:

(1) Is it appropriate to require a regulated electric utility such as PEF to bear some portion of the risk associated with storm damage losses?

(2) Given that the 10% return on equity is a matter of agreement, is it nonetheless reasonable under prevailing economic conditions?

(3) In the event the Commission decides that the threshold in the stipulation does not legally govern the situation, on what basis should the Commission apportion the burden of the storm damage costs between the utility and its ratepayers?

III. <u>SUMMARY OF FINDINGS AND RECOMMENDATIONS</u>

Q. PLEASE SUMMARIZE YOUR FINDINGS.

A. For reasons stated later in this testimony:

a) There is a requirement flowing from the stipulation that PEF first has to experience an earnings drop to no more than 10.0% on equity before it is entitled to request incremental recovery of any expenses. This requirement of the stipulation is applicable to all unanticipated expenses that may be incurred by the company, be they storm damage expenses or anything else. While it may be true that the company would have been able to earn more than the stipulated minimum 10.0% return on equity absent a storm, putting the portion of the 2004 storm damage losses that lower the return on equity down to 10.0% is fully consistent with the nature of risk and investment, as well as applicable principles of regulation. Investors are paid an allowance for risks, including the risk of storm casualty losses. The function of regulation is not to insulate the company from all risks that may cause earnings to decline below the levels they would have been without the realization of the risk. Because ratepayers pay rates that compensate investors for all risks, including storm damage, it would be entirely inappropriate to shift the full risk of such costs to ratepayers. In view of this, it would be proper to require PEF to absorb a portion of the storm damage losses even if there were no stipulation.

b) The 10% return on equity that PEF would be required to demonstrate under the terms of the stipulation before being allowed to request a rate increase is reasonable, if not conservatively high, under current economic conditions. More than half of the electric companies covered by Value Line in its Eastern edition are expected to earn 10% or less in 2004. Furthermore, as explained later in this testimony, the cost of equity determined by the Social Security Administration in its evaluation of what could be earned by allowing people to invest a portion of their Social Security funds in the stock market is 6.5% plus the inflation rate. Given investors' current expectations for inflation, this makes the current cost of equity based upon the Social Security Administration's approach equal to approximately 9.35%.

IV. RISK ALLOWANCE

Q. IS IT APPROPRIATE TO REQUIRE PEF TO BEAR A PORTION OF THE RISK ASSOCIATED WITH CATASTROPHIC STORM LOSSES?

A. Yes, especially if the risk being borne is confined to the risk of reducing earnings to the extent that they are in excess of the stipulated return on equity floor of 10.0%. That PEF bears this portion of the risk associated with extraordinary storm casualty losses is fully consistent with the nature of business risks and investments. Investors understand that the companies in which they invest are exposed to a variety of risks. The possibility of having some reasonable exposure to storm casualty losses is but one example of the variety of risks that investors take—and for which they are compensated in the return on investment that the company is given an opportunity to achieve. Accordingly, to provide the appropriate opportunity to earn a fair return, given a company's overall risk profile, *and* to simultaneously require ratepayers to bear all of the risk of the storm losses that they are paying investors to accept, would be unfair to the company's customers.

Q. CAN YOU DEMONSTRATE THAT PEF AND OTHER COMPANIES ARE COMPENSATED FOR TAKING BUSINESS RISKS?

A. Yes. The return on long-term treasury bonds is indicative of a fully guaranteed (i.e., risk-free return). Because of the risk-free nature of the bonds, investors are willing to buy billions of dollars worth of long-term treasury bonds that are currently priced to yield 4.85%. The returns on equity that PEF and other companies are allowed to earn are significantly higher than this "risk-free" return. This means that ratepayers are paying investors a risk allowance in the range of 5% or more because the return on equity is not guaranteed. In other words, PEF ratepayers are paying investors millions of dollars every year to take risk.

Q. TO WHAT BENEFITS ARE RATEPAYERS ENTITLED AS A RESULT OF PAYING THIS LARGE RISK ALLOWANCE?

A. Ratepayers are supposed to be at least partially shielded from risks because, through the risk premium, they have already paid for that privilege. Investors understand they are paid to take a risk. Because of this understanding, they will still provide equity capital on reasonable terms to electric companies. This availability of capital on reasonable terms will happen so long as investors are confident that prospective rates continue to be set at a level that provides them with a reasonable opportunity to earn the cost of equity. Because ratepayers are making such payments, it is they, and not the company, who should be protected from having to bear the entire risk of storm damage losses.

Q. HAS THE FLORIDA PSC ADDRESSED WHETHER IT IS REASONABLE FOR ELECTRIC COMPANIES TO ABSORB SOME OF THE RISK OF STORM DAMAGE?

A. Yes. On pages 4-5 of its Order No. PSC-93-0918-FOF-EI issued in Docket No. 930405-EI, the Commission stated:

> FPL seeks approval for a Storm Loss Recovery Mechanism that would guarantee 100% recovery of expenses from ratepayers, over and above base rates in effect at the time of implementation. **This would effectively transfer all risk associated with storm damage directly to ratepayers, and would completely insulate the utility from risk.** We decline to approve such a mechanism at this time.
>
> FPL's cost recovery proposal goes beyond the substitution of self-insurance for its existing policy. The utility wants a guarantee that storm losses will have no effect on its earnings. We believe it would be inappropriate to transfer all risk of storm loss directly to ratepayers. **The Commission has never required ratepayers to indemnify utilities from storm damage.** Even with traditional insurance, utilities are not free from this risk. This type of damage is a normal business risk in Florida.

(Bold emphasis added.)

The principle that the Commission articulated in its 1993 order is not only fully applicable here, it is further reinforced by the Stipulation. The company is compensated for its entire risk profile, including the risk of storm damage. Even if there were no stipulation, or even if the Commission were to decide that the stipulation does not dictate the amount of storm losses that PEF must absorb, there would be a need to apportion the responsibility for the storm casualty losses between the company and ratepayers in a way that recognizes the risk that the company bears. The following section of my testimony shows that the 10% ROE criterion that OPC advocates as a consequence of the stipulation would be a reasonable basis for this decision even if there were no stipulation.

V. <u>UPDATED EXAMIMATION OF STIPULATED 10.0% MAXIMUM RETURN ON EQUITY PRIOR TO SEEKING AN ADJUSTMENT IN RATES</u>

Q. IS THE STIPULATED 10.0% MAXIMUM RETURN THAT PEF MUST DEMONSTRATE TO BE ELIGIBLE TO REQUEST A RATE INCREASE ADEQUATE TO PROVIDE A FAIR RETURN TO INVESTORS AND ENABLE PEF TO RAISE CAPITAL ON REASONABLE TERMS?

A. Yes. If anything, it is more than adequate. Since the date of the stipulation, there have been some electric companies that have been awarded a cost of equity of less than 10.0%. These companies include Public Service Electric and Gas Company, Jersey Central Power & Light Company, Atlantic City Electric Company, and Connecticut Light and Power Company.

Schedule 1 of my testimony shows the actual earned returns on equity Value Line estimates the electric companies in the edition that covers Eastern electric companies will actually earn on equity in 2004. A review of the Value Line Eastern edition results reveals that in 2004 more than half of the 23 electric companies covered by Value Line are estimated to actually earn 10.0% or less with some companies, including Allegheny Energy, Central Vermont, Northeast Utilities, and TECO expected to earn 8.0% or less on equity. In other words, Progress Energy Florida's stipulated settlement that provides for actual earnings of 10.0% or higher produces results that place the Company at or above the median earned return on equity.

Q. HOW DOES THE FINANCIAL RISK OF THE 23 ELECTRIC COMPANIES IN THE VALUE LINE EASTERN EDITION COMPARE TO THE CURRENT CAPITAL STRUCTURE OF FPC?

A. The financial risk of a company is dependent upon the level of common equity in its capital structure. The higher the common equity ratio, the lower the financial risk. According to PEF's July 2004 report to the Commission, its capital structure contains 47.65% common equity. However, to be consistent with the way that Value Line reports common equity ratios, the impact of short-term debt, customer deposits, the investment tax credit, the FAS 109 asset and deferred income taxes must all be excluded. Excluding these amounts makes the common equity ratio of PEF'S 56.9%. At 56.9%, PEF has a lower financial risk than all but two of the 23 companies in Value Line's Eastern Edition of electric companies and is a considerably higher ratio than the 44% median common equity ratio for the group. The reduced financial risk associated with a 56.9% common equity ratio causes a reduction in the cost of equity of about 0.50% compared to an electric company with a common equity ratio equal to the 44% group median.

Q. HAVE THERE BEEN CHANGES IN THE CAPITAL MARKETS SINCE THE 10.0% WAS ESTABLISHED?

A. Yes. PEF'S stipulated 10.0% was the result of proceedings based upon direct evidence filed no later than very early in 2002. A revisiting of the 10.0%

maximum earnings standard before rate relief could be requested was not specified as a condition of the settlement. Furthermore, since the time of the evidence on which the 10.0% standard was based, long-term interest rates have declined. Therefore, even if one wanted to go beyond the settlement and update the 10% threshold, an updating would cause a revisiting of the threshold to be lowered. As of early January 2005, the interest rate on long-term U.S. treasury bonds is approximately 4.85% compared to the 5.64% as of the March 2002 date that the settlement agreement was made. Therefore, if the 10.0% maximum earnings threshold requirement were updated to reflect current conditions, the minimum required before rate relief should be approximately 9.2%.

Q. YOU SAID THAT THE SOCIAL SECURITY ADMINISTRATION HAS DETERMINED THE COST OF EQUITY. PLEASE EXPLAIN.

A. President Bush has proposed to allow people to choose to invest a portion of their Social Security funds in the stock market. As part of his argument in favor of this approach, it is anticipated that those who choose to invest in the stock market will be able to earn higher returns than if the funds are merely sent to the Social Security Administration in the old way. The cover article that appeared in the January 24, 2005 issue of Business Week addresses this topic. The article, entitled "Special Report. SOCIAL SECURITY. Are Private Accounts A Good Idea?" notes on page 69 that Stephen C. Goss, the SSA's chief actuary has determined that the total return on the stock market will be 6.5% over the inflation rate during the next 75 years. Currently, the future expectation for inflation is about 2.85%, a number I obtained by comparing the difference in yield between normal long-term U.S. treasury bonds and the yield on inflation-indexed U.S. treasury bonds. Adding the 6.50% and the 2.85% produces a cost of equity expectation of 9.35%. This 9.35% is before any risk reduction adjustment that would be applicable.

Q. ARE YOU RECOMMENDING THAT THE STIPULATION UPON WHICH CURRENT RATES ARE BASED SHOULD BE LOWERED FROM 10.0%?

A. No. The stipulation does not provide for a revision of the 10.0% prior to 12/31/05. However, I have provided the 9.2% (based upon an update to the 10.0% finding based upon interest rate changes) or the 9.35% (based upon the method chosen by the Social Security Administration) to show the Commission that if the 10.0% return on equity was appropriate when the stipulation was entered into in March 2002, it is more than reasonable in today's financial climate.

Q. SHOULD THE COMMISSION BE CONCERNED THAT ENFORCING THE 10% ROE CRITERION COULD CAUSE RATING AGENCIES TO DOWNGRADE PEF, RESULTING IN AN INCREASE IN ITS COST OF CAPITAL?

A. No. The terms of the stipulation are not new news to the bond rating agencies. If the Commission allows PEF to earn a return on equity that is commensurate with its risk profile and prevailing economic circumstances, rating agencies would have no reason to be concerned about PEF's ability to meet its debt service requirements. Additionally, for the reasons stated, providing PEF the opportunity to earn 10% on its equity capital while affording it the ability to recover the balance of storm-related costs would be fully adequate to enable PEF to access capital markets on reasonable terms in the current environment.

VIII. CONCLUSION

Q. PLEASE SUMMARIZE YOUR RECOMMENDATIONS IN THIS CASE.

A Requiring PEF to bear some of the costs associated with repairs to 2004 storm damage that exceeded the positive balance in its storm damage reserve is consistent with the nature of business risk inherent in investments. To induce them to take on risk, investors have been paid millions of dollars to provide a return greater than a risk-free rate. Because they are paid such a large amount to do so, occasionally requiring them to actually bear some of this risk is well within the parameters to which ratepayers are entitled and investors expect. Indeed, because ratepayers have been paying rates that compensate PEF's investors for such risks, it is they, and not shareholders, who are entitled to a degree of insulation from storm damage costs.

Applying the 10% ROE criterion in PEF"s stipulation will not result in the inability of PEF to earn its cost of capital. **The 10.0% earned return on equity** is still as high or higher a return on equity than the return on equity Value Line expects more than half of the electric companies in its Eastern edition to actually earn, and was established at a time when long-term interest rates on U.S. treasury bonds were higher than they are today.

I recommend that the Commission use the 10% ROE criterion to quantify the portion of PEF's negative storm damage reserve balance for which PEF's shareholders should be responsible. While this position flows from OPC's position regarding the effect of the ratemaking stipulation to which PEF is a party, in my opinion it would be an appropriate basis for assigning the company's responsibility even in the absence of a stipulation.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes.

APPENDIX A

TESTIFYING EXPERIENCE OF JAMES A. ROTHSCHILD

THROUGH DECEMBER 31, 2004

ALABAMA

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

ARIZONA

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

CONNECTICUT

Aquarion Water Company, Docket No. 04-02-14, Rate of Return, June 2004
Connecticut American Water Company; Docket No. 800614, Rate of Return, September, 1980
Connecticut American Water Company, Docket No. 95-12-15, Rate of Return, February, 1996
Connecticut Light & Power Company; Docket No. 85-10-22, Accounting and Rate of Return, February, 1986
Connecticut Light & Power Company; Docket No. 88-04-28, Gas Divestiture, August, 1988
Connecticut Light & Power Company, Docket No. 97-05-12, Rate of Return, September, 1997
Connecticut Light & Power Company, Docket No. 98-01-02, Rate of Return, July, 1998
Connecticut Light & Power Company, Docket No. 99-02-05, Rate of Return, April, 1999
Connecticut Light & Power Company, Docket No. 99-03-36, Rate of Return, July, 1999
Connecticut Light & Power Company, Docket No. 98-10-08 RE 4, Financial Issues, September 2000
Connecticut Light & Power Company, Docket No. 00-05-01, Financial Issues, September, 2000
Connecticut Light & Power Company, Docket No. 01-07-02, Capital Structure, August, 2001
Connecticut Light & Power Company, Docket No. 03-07-02 , Rate of Return, October, 2003
Connecticut Natural Gas; Docket No. 780812, Accounting and Rate of Return, March, 1979
Connecticut Natural Gas; Docket No. 830101, Rate of Return, March, 1983
Connecticut Natural Gas; Docket No. 87-01-03, Rate of Return, March, 1987
Connecticut Natural Gas, Docket No. 95-02-07, Rate of Return, June, 1995
Connecticut Natural Gas, Docket No. 99-09-03, Rate of Return, January, 2000
Southern Connecticut Gas, Docket No. 97-12-21, Rate of Return, May, 1998
Southern Connecticut Gas, Docket No. 99-04-18, Rate of Return, September, 1999
United Illuminating Company; Docket No. 89-08-11:ES:BBM, Financial Integrity and Financial Projections, November, 1989.
United Illuminating Company; Docket No. 99-02-04, Rate of Return, April, 1999
United Illuminating Company, Docket No. 99-03-35, Rate of Return, July, 1999
United Illuminating Company, Docket No. 01-10-10-DPUC, Rate of Return, March 2002

DELAWARE

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

FEDERAL ENERGY REGULATORY COMMISSION (FERC)

Koch Gateway Pipeline Company, Docket No. RP97-373-000 Cost of Capital, December, 1997
Maine Yankee Atomic Power Company, Docket No. EL93-22-000, Cost of Capital, July, 1993
New England Power Company; CWIP, February, 1984. Rate of return.

New England Power Company; Docket No.ER88-630-000 & Docket No. ER88-631-000, Rate of Return, April, 1989
New England Power Company; Docket Nos. ER89-582-000 and ER89-596-000, Rate of Return, January, 1990
New England Power Company: Docket Nos. ER91-565-000, ER91-566-000 , FASB 106, March, 1992. Rate of Return.
Philadelphia Electric Company - Conowingo; Docket No. EL-80-557/588, July, 1983. Rate of Return.
Ocean State Power Company, Ocean States II Power Company, Docket No. ER94-998-000 and ER94-999-000, Rate of Return, July, 1994.
Ocean State Power Company, Ocean States II Power Company, Docket No ER 95-533-001 and Docket No. ER-530-001, Rate of Return, June, 1995 and again in October, 1995.
Ocean State Power Company, Ocean State II Power Company, Docket No. ER96-1211-000 and ER96-1212-000, Rate of Return, March, 1996.
Southern Natural Gas, Docket No. RP93-15-000. Rate of Return, August, 1993, and revised testimony December, 1994.
Transco, Docket No. RP95-197-000, Phase I, August, 1995. Rate of Return.

Transco, Docket Nos. RP-97-71-000 and RP97-312-000, June, 1997, Rate of Return.

FLORIDA

Alltel of Florida; Docket No. 850064-TL, Accounting, September, 1985
Florida Power & Light Company; Docket No. 810002-EU, Rate of Return, July, 1981
Florida Power & Light Company; Docket No. 82007-EU, Rate of Return, June, 1982
Florida Power & Light Company; Docket No. 830465-EI, Rate of Return and CWIP, March, 1984
Florida Power & Light Company, Docket No. , Rate of Return, March 2002
Florida Power Corporation; Docket No. 830470-EI, Rate Phase-In, June, 1984
Florida Power Corp.; Rate of Return, August, 1986

Florida Power Corp.; Docket No. 870220-EI, Rate of Return, October, 1987
Florida Power Corp; Docket No. 000824-EI, Rate of Return, January, 2002
GTE Florida, Inc.; Docket No. 890216-TL, Rate of Return, July, 1989
Gulf Power Company; Docket No. 810136-EU, Rate of Return, October, 1981
Gulf Power Company; Docket No. 840086-EI, Rate of Return, August, 1984
Gulf Power Company; Docket No. 881167-EI, Rate of Return, 1989
Gulf Power Company; Docket No. 891345-EI, Rate of Return, 1990
Gulf Power Company; Docket No.010949-EI, Rate of Return, December 2001
Rolling Oaks Utilities, Inc.; Docket No. 850941-WS, Accounting, October, 1986
Southern Bell Telephone Company; Docket No. 880069-TL, Rate of Return, January, 1992
Southern Bell Telephone Company, Docket No. 920260-TL, Rate of Return, November, 1992
Southern Bell Telephone Company, Docket No. 90260-TL, Rate of Return, November, 1993
Southern States Utilities, Docket No. 950495-WS, Rate of Return, April, 1996
Tampa Electric Company; Docket No. 820007-EU, Rate of Return, June, 1982
Tampa Electric Company; Docket No. 830012-EU, Rate of Return, June, 1983
United Telephone of Florida; Docket No. 891239-TL, Rate of Return, November, 1989
United Telephone of Florida; Docket No. 891239-TL, Rate of Return, August, 1990
Water and Sewer Utilities, Docket No 880006-WS, Rate of Return, February, 1988.

GEORGIA

Georgia Power Company; Docket No. 3397-U, Accounting, July, 1983
BellSouth; Docket No. 14361-U, Rate of Return Rebuttal Testimony, October 2004.

ILLINOIS

Ameritech Illinois, Rate of Return and Capital Structure, Docket 96-0178, January and July, 1997.
Central Illinois Public Service Company; ICC Docket No. 86-0256, Financial and Rate of Return, October, 1986.
Central Telephone Company of Illinois, ICC Docket No. 93-0252, Rate of Return, October, 1993.
Commonwealth Edison Company; Docket No. 85CH10970, Financial Testimony, May, 1986.
Commonwealth Edison Company; Docket No. 86-0249, Financial Testimony, October, 1986.
Commonwealth Edison Company; ICC Docket No. 87-0057, Rate of Return and Income Taxes, April 3, 1987.
Commonwealth Edison Company; ICC Docket No. 87-0043, Financial Testimony, April 27, 1987.
Commonwealth Edison Company; ICC Docket Nos. 87-0169, 87-0427,88-0189,880219,88-0253 on Remand, Financial Planning Testimony, August, 1990.
Commonwealth Edison Company; ICC Docket Nos. 91-747 and 91-748; Financial Affidavit, March, 1991.
Commonwealth Edison Company; Financial Affidavit, December, 1991.
Commonwealth Edison Company, ICC Docket No. 87-0427, Et. Al., 90-0169 (on Second Remand), Financial Testimony, August, 1992.
Genesco Telephone Company, Financial Testimony, July, 1997.
GTE North, ICC Docket 93-0301/94-0041, Cost of Capital, April, 1994

Illinois Power Company, Docket No. 92-0404, Creation of Subsidiary, April, 1993
Illinois Bell Telephone Company, Dockets No. ICC 92-0448 and ICC ______, Rate of Return, July, 1993
Northern Illinois Gas Company; Financial Affidavit, February, 1987.
Northern Illinois Gas Company; Docket No. 87-0032, Cost of Capital and Accounting Issues, June, 1987.
Peoples Gas Light and Coke Company; Docket No. 90-0007, Accounting Issues, May, 1990.

KENTUCKY

Kentucky- American Water Company, Case No. 97-034, Rate of Return, June, 1997.
Kentucky Power Company; Case No. 8429, Rate of Return, April, 1982.
Kentucky Power Company; Case No. 8734, Rate of Return and CWIP, June, 1983.
Kentucky Power Company; Case No. 9061, Rate of Return and Rate Base Issues, September, 1984.
West Kentucky Gas Company, Case No. 8227, Rate of Return, August, 1981.

MAINE

Bangor Hydro-Electric Company; Docket No. 81-136, Rate of Return, January, 1982.
Bangor Hydro-Electric Company; Docket No. 93-62, Rate of Return, August, 1993
Maine Public Service Company; Docket No. 90-281, Accounting and Rate of Return, April, 1991.

MARYLAND

C & P Telephone Company; Case No. 7591, Fair Value, December, 1981

MASSACHUSETTS

Boston Edison Company; Docket No. DPU 906, Rate of Return, December, 1981
Fitchburg Gas & Electric; Accounting and Finance, October, 1984
Southbridge Water Company; M.D.P.U., Rate of Return, September, 1982

MINNESOTA

Minnesota Power & Light Company; Docket No. EO15/GR-80-76, Rate of Return, July, 1980

NEW JERSEY

Atlantic City Sewage; Docket No. 774-315, Rate of Return, May, 1977
Atlantic City Electric Company, Docket Nos. EO97070455 and EO97070456, Cost of Capital, Capital Cost Allocation, and Securitization, December, 1997.

Atlantic City Electric Company, Docket Nos. ER 8809 1053 and ER 8809 1054, Rate of Return, April, 1990

Atlantic City Electric Company, Securitization, 2002

Atlantic City Electric Company, BPU Docket No. ER03020121, Securitization, August, 2003

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CERTIFICATE OF SERVICE
DOCKET NO. 041272-EI

I HEREBY CERTIFY that a true and exact copy of the foregoing Direct Testimony of James A. Rothschild, has been furnished by U.S. Mail or hand-delivery(*) this 31st day of January, 2005 to the following parties:

Jennifer Brubaker
Division of Legal Services
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

Progress Energy Service Company, LLC
R. Alexander Glenn
100 Central Avenue, Suite 1D
St. Petersburg, FL 33701

James A. McGee
Progress Energy Service Company
100 Central Avenue
St. Petersburg, FL 33701-3324

Michael B. Twomey
Post Office Box 5256
Tallahassee, FL 32314-5256

John W. McWhirter, Jr.
McWhirter Reeves Law Firm
Post Office Box 3350
Tampa, FL 33602

Progress Energy Florida, Inc.(*)
Paul Lewis, Jr.
106 East College Avenue, Suite 800
Tallahassee, FL 32301-7740

Vicki Gordon Kaufman(*)
Timothy J. Perry
McWhirter Reeves Law Firm
117 S. Gadsden Street
Tallahassee, FL 32301

John Burnett
Carlton Fields Law Firm
Post Office Box 3239
Tampa, FL 33607-5736

Joseph A. McGlothlin

Joseph A. McGlothlin
Associate Public Counsel