

## APPENDIX A

PROFESSIONAL QUALIFICATIONS

OF

FRANK J. HANLEY, PRESIDENT

AUS CONSULTANTS - UTILITY SERVICES

**PROFESSIONAL QUALIFICATIONS OF FRANK J. HANLEY**EDUCATIONAL BACKGROUND

I am a graduate of Drexel University where I received a Bachelor of Science Degree from the College of Business Administration. The principal courses required for this Degree include accounting, economics, finance and other related courses. I am also Certified by the Society of Utility and Regulatory Financial Analysts, formerly the National Society of Rate of Return Analysts, as a Rate of Return Analyst (CRRRA).

PROFESSIONAL EXPERIENCE

In 1959, I was employed by American Water Works Service Company, Inc., which is a wholly-owned subsidiary of American Water Works Company, Inc., the largest investor-owned water works operation in the United States. I was assigned to its Treasury Department in Philadelphia until 1961. During that period of time, I was heavily involved in the development of cash flow projections and negotiations with banks for the establishment of lines of credit for all of the operating and subholding companies in the system, which normally aggregated more than \$100 million per year.

In 1961, I was assigned to its Accounting Department where I remained until 1963. During that two-year period, I became intimately familiar with all aspects of a service company accounting system, the nature of the services performed, and the methods of allocating costs. In 1963, I was reassigned to its Treasury Department as a Financial Analyst. My duties consisted of those previously performed, as well as the expanded responsibilities of assisting in the preparation of testimony and exhibits to be presented to various public utility commissions in regard to fair rate of return and other financial matters. I also designed and recommended financing programs for many of American's operating subsidiaries and negotiated sales of long-term debt securities and preferred stock on their behalf either directly with institutional investors or through investment bankers. I was elected Assistant Treasurer of a number of operating

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subsidiaries in the Fall of 1967, just prior to accepting employment with the Communications and Technical Services Division of the Philco-Ford Corporation located in Fort Washington, Pennsylvania. While in the employ of the Philco-Ford organization, as a Senior Financial Analyst, I had responsibility for the pricing negotiations and analysis of acceptable rates of return to the corporation for all types of contract proposals with various agencies of the U.S. Government and foreign governments.

In the Summer of 1969, I accepted a position with the Financial Division of The Philadelphia National Bank. I was elected Financial Planning Officer of the bank in December 1970. While employed with The Philadelphia National Bank, my responsibilities included preparation of the annual and five-year profit plans. In the compilation of these plans, I had to perform detailed analyses and measure the various levels of profitability for each organizational unit. I also assisted correspondent banks in matters of recapitalization and merger, made recommendations and studies for their use before the various regulatory bodies having jurisdiction over them.

In September 1971, I joined AUS Consultants - Utility Services Group as Vice President. I was elected Senior Vice President in May 1975. I was elected President in September 1989.

EXPERT WITNESS QUALIFICATIONS

I have offered testimony as an expert witness on the subjects of fair rate of return and utility financial matters before the Alaska Public Utilities Commission, the Arizona Corporation Commission, the Arkansas Public Service Commission, the California Public Utilities Commission, the Public Utilities Control Authority of Connecticut, the Delaware Public Service Commission, the Florida Public Service Commission, Hawaii Public Utilities Commission, the Idaho Public Utilities Commission, the Indiana Public Utility Regulatory Commission, the Iowa Utilities Board, the Public Service Commission of Kentucky, the Maryland Public Service Commission, the Massachusetts Department of Public Utilities, the Michigan Public Service

Commission, the Missouri Public Service Commission, the Public Service Commission of Nevada, the New Jersey Board of Public Utilities, the New Mexico State Corporation Commission, the Public Service Commission of the State of New York, the North Carolina Utilities Commission, the Ohio Public Utilities Commission, the Oklahoma Corporation Commission, the Pennsylvania Public Utility Commission, the Rhode Island Public Utilities Commission, the Tennessee Public Service Commission, the Public Service Board of the State of Vermont, the Virginia State Corporation Commission, the Washington Utilities and Transportation Commission, the Public Service Commission of West Virginia, the Wisconsin Public Service Commission, the Federal Power Commission and its successor the Federal Energy Regulatory Commission. I have testified before the New Jersey Division of Tax Appeals and the United States Bankruptcy Court - Middle District of Pennsylvania with regard to the economic valuation of utility property. Also, I have testified before the U.S. Tax Court in Washington D.C. as an expert witness on the value of closely held utility common stock in a contested Federal Estate Tax case.

In addition, I have appeared as a Staff rate of return witness for the Arizona Corporation Commission and the Delaware Public Service Commission in a number of proceedings. I have testified on the fair rate of return on behalf of the City of New Orleans, Louisiana, and also acted as project manager for my firm in representing the City in the 1980-1981 rate proceeding of New Orleans Public Services, Inc. The City of New Orleans then had, as it does now, regulatory authority with regard to the retail rates charged by New Orleans Public Service, Inc., for electric and natural gas service. I have also acted as a consultant to the District of Columbia Public Service Commission itself -- not in the capacity of Staff.

I have testified before a number of local and county regulatory bodies in various states on the subject of fair rate of return on behalf of cable television companies as well as before an arbitration panel in Ohio and a State District Court in Texas. I have testified before the Public

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Works Committee of the Nebraska State Senate in relation to Legislative Bill 731 which proposed permitting Public Power Districts and Municipalities to enter the Cable Television field.

PROFESSIONAL ASSOCIATIONS,  
PUBLICATIONS AND GUEST SPEAKER APPEARANCES

I am a Member and Director of the Society of Utility and Regulatory Financial Analysts (SURFA), formerly known as the National Society of Rate of Return Analysts. I am a Certified Rate of Return Analyst (CRRRA), Founding Member. I am on the Advisory Council of New Mexico State University's Center for Public Utilities which is endorsed by the National Association of Regulatory Utility Commissioners (NARUC). I am also a member of the American Gas Association, The Pennsylvania Gas Association, and the National Association of Water Companies, of which I am a member of its Finance Committee. I often attend SURFA meetings during which considerable information on the subject of rate of return is exchanged. I have also attended corporate bond rating seminars held by Standard & Poor's Corporation. I continuously review financial publications of institutions such as Standard & Poor's, Moody's Investors' Service, Value Line Investment Survey, and periodicals of various agencies of the U.S. Government.

I co-authored an article with A. Gerald Harris entitled "Does Diversification Increase the Cost of Equity Capital?" which was published in the July 15, 1991 issue of Public Utilities Fortnightly. Also, an article which I co-authored with Pauline M. Ahern entitled "Comparable Earnings: New Life for an Old Precept" was published in the American Gas Association's Financial Quarterly Review, Summer 1994. I also authored an article entitled "Why Performance-Based Incentives Are Essential" which was published in THE CITY GATE, Fall 1995, a magazine published by the Pennsylvania Gas Association.

I have appeared as a guest speaker before an annual convention of the Mid-American Cable Television Association in Kansas City, Missouri and as a guest panelist on the small water companies' operation seminar of the National Association of Water Companies' 77th Annual

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Convention in Hollywood, Florida. I addressed the Second Annual Seminar on Regulation of Water Utilities sponsored by N.A.R.U.C., at the University of South Florida's St. Petersburg campus. I have spoken on fair rate of return to the Third and Fourth Annual Utilities Conferences, as well as the special conference on the cost of capital in El Paso, Texas sponsored by New Mexico State University. In 1983 I also made a presentation on the Cost of Capital in Atlantic City, New Jersey, at a seminar co-sponsored by Temple University. I have also addressed the Public Utility Law Section of the American Bar Association's Third Institute on Fundamentals of Ratemaking which was held in Washington, D.C. and I addressed a Conference on Cable Television sponsored by The University of Texas School of Law at Austin, Texas. Also, I addressed a meeting of the New England Water Works Association at Boxborough, Massachusetts, on the subject of Enterprise Financing. In addition, I was a speaker and mock witness in three different Utility Workshops for Attorneys sponsored by the Financial Accounting Institute held in Boston and Washington, D.C. I also was on a panel at the 23rd Financial Forum sponsored by the National Society of Rate of Return Analysts. The topic was Rate of Return Determination in the Diversified and/or Partially Deregulated Environment. I addressed the 83rd Annual Meeting of the Pennsylvania Gas Association in Hershey, PA. My topic was the Cost of Capital Implications of Demand Side Management. In June 1993, I lectured on the cost of capital at the American Gas Association's Gas Rate Fundamentals Course. In October 1993, I was a guest speaker at the University of Wisconsin's Center for Public Utilities -- my topic was "Diversification and Corporate Restructuring in the Electric Utility Industry - Trends and Cost of Capital Implications." In October 1994, I was a guest speaker on a panel at the Fourteenth Annual Electric & Natural Gas Conference in Atlanta, Ga., sponsored by the Bonbright Utilities Center of the University of Georgia and the Georgia Public Service Commission. The panel topic was "Responses to Competition and Incentive Rates." In October 1994, I was a guest speaker on a panel at a conference and workshop called "Navigating the

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Shoals of Cable Rate Regulation" sponsored by EXNET in Washington, D.C. The panel topic was "Rate of Return." Also, in March 1995, I was a guest speaker on a panel at a conference entitled, "Current Issues Challenging the Regulatory Process" sponsored by New Mexico State University - Center for Public Utilities. My panel topic concerned the electric industry and was titled, "Impact of a Competitive Structure on the Financial Markets". In May 1995, I was a guest speaker at the 87th Annual Meeting of the Pennsylvania Gas Association in Hershey, PA. My topic was "The Pennsylvania Economy and Utility Regulation: Impact on Industry, Consumers and Investors." In May 1996, I was on a panel at the 28th Financial Forum of the Society of Utility and Regulatory Financial Analysts. The panel's topic was "Revisiting the Risk Premium Approach" and was held in Richmond, Virginia. Since May 1996, I have participated as an instructor in 2-3 seminars per year on the "Basics of Regulation" (and the ratemaking process in a changing environment) and also in a program called "A Step Beyond the Basics", all sponsored by New Mexico State University's Center for Public Utilities and NARUC.