TENNESSEE-AMERICAN WATER COMPANY
CASE NO. ____________
DIRECT TESTIMONY
MICHAEL A. MILLER

1. Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

   A. My name is Michael A. Miller, 1600 Pennsylvania Avenue, Charleston, West Virginia.

2. Q. WHAT POSITION DO YOU HOLD WITH TENNESSEE AMERICAN WATER?

   A. I am the Treasurer/Comptroller of the Company.

3. Q. PLEASE DESCRIBE YOUR PROFESSIONAL EDUCATION AND EXPERIENCE.

   A. Please see my resume attached to this testimony as Appendix A.

4. Q. WHAT ARE YOUR RESPONSIBILITIES AS TREASURER AND COMPTROLLER?

   A. I am responsible for overseeing the rates and revenue, accounting, finance, budgets, and cash management functions for each of the operating Companies in the Southeast Region, including Tennessee American Water.

5. Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

   A. I will address (i) the Capital Structure and overall cost of capital that includes the return on equity which will be addressed by Dr. Vander Weide,

(ii) cost of service allocations, (iii) proposed ratemaking treatment regarding public fire service, (iv) the current reorganization underway at American Water, (v) management fees, and (vi) the low income tariff proposed by the Company.

CAPITAL STRUCTURE AND OVERALL COST OF CAPITAL

6. Q. WHAT CAPITAL STRUCTURE DID THE COMPANY USE IN CALCULATING THE RATES IN THIS CASE?

A. The Company used a forecasted capital structure for the midpoint of the attrition year, June 30, 2005. The capital structure includes the permanent financing that will be consummated in 2005 and the level of short-term debt that will be in place after the 2005 permanent debt financing is completed. The proposed capital structure is included in the filing and is attached to this testimony as Exhibit MAM-1.

7. Q. WHY IS THIS LEVEL OF SHORT-TERM DEBT APPROPRIATE FOR SETTING RATES IN THIS CASE?

A. The Company uses short-term debt to finance capital improvements and meet other short-term cash requirements. This type of financing is used to bridge the gap between permanent financings. This permits the Company to time permanent financings in a cost-effective manner and to take advantage of the optimum permanent debt market conditions as they occur. The Company believes the capital structure included in this case reflects the capital components that will be in place to finance the rate base on which rates will be set in this case.

8. Q. HOW WERE THE WEIGHTED COSTS OF LONG-TERM DEBT AND PREFERRED STOCK DETERMINED?

A. The face value of each issue was reduced by the unamortized issuance cost and the result was divided by the total capital to arrive at the percentage each series had to total capital. This result was then multiplied by the cost rate to arrive at the overall cost for both long-term debt and preferred stock.

9. Q. HOW WAS THE COST RATE FOR SHORT-TERM DEBT DETERMINED?

A. The Company reviewed market forecasts to determine a cost rate for short-term debt that will likely be in place during the rate year.

10. Q. IN WHAT MANNER IS THE COMPANY CURRENTLY OBTAINING ITS LONG-TERM AND SHORT-TERM DEBT?

A. The Company is currently utilizing the services of American Water Capital Corp. (AWCC) to place its required financing needs. AWCC is an American Water Works Company affiliate and was created to consolidate the financing activities of the operating subsidiaries to effect economies of scale on debt issuance and legal costs, to attract lower debt interest rates through larger debt issues in the public market. The Company believes the use of AWCC has accomplished the goal of reducing issuance costs and attracting capital at lower interest rates though the purchasing power of the entire American System.

11. Q. HAS THE COMMISSION APPROVED PLACING THE COMPANY'S FINANCING NEEDS WITH AWCC?

A. Yes. By Order entered October 10, 2000 in Case No. 00-00637, the Commission authorized the Company to enter into a Financial Services Agreement with AWCC to issue up to $30,100,000 of debt obligations.

12. Q. WHAT FACTORS REQUIRE THE COMPANY TO SEEK ADDITIONAL CAPITAL?

A. The Company has documented in past rate cases and in this filing that capital improvements it has made in order to meet the new and changing regulations in the water industry, replace aged treatment and distribution facilities, and provide quality, reliable water service to its customers have driven and will continue to drive the need for new capital. In addition, the Company will be required to replace several maturing debt series in the next five years. It is important that the Company maintain a strong financial position to attract this capital at the lowest possible price in order to provide those service improvements at the least possible cost to its customers.

13. Q. DOES THE COMPANY HAVE A BOND SERIES MATURING IN 2005?

A. Yes. The $3.2 million, 8.25% issues matures on June 1, 2005.

14. Q. WILL THE COMPANY REFINANCE THIS ISSUE?

A. Yes the Company will place a $3.2 million bond issue to replace the 8.25% series.

15. Q. WHAT INTEREST RATE IS THE COMPANY PROPOSING FOR THE 2005 SERIES BOND?

A. The Company included the $3.2 million 2005 series bond in its capital structure at an interest rate of 6.76%. Given the current bond market conditions and forecasts the Company will lock the rate in for a 30-year term.

16. Q. HOW DID THE COMPANY ARRIVE AT THAT INTEREST RATE?

A. As shown on Exhibit MAM-2 attached to this testimony, the Company calculated the latest two and four-quarter spread between 30-year A-rated utility bonds and 30-year T-bonds. The two and four quarter spreads (73.7 and 80.6 basis points, respectfully) were applied to the 2005 Value Line Publication Forecast (publication of August 27, 2004) for 30-year T-bonds to arrive at a reasonable projection for the interest rates on the 2005 series bond. The Company used the average of the projections based on the latest two and four quarter spreads on which to project the interest rate on its 30-year, 2005 series bond at 6.76%.

17. Q. WHAT IS THE OVERALL COST OF CAPITAL REQUESTED IN THIS

CASE?

A. The overall weighted cost of capital being requested is 8.00%. The weighted cost of Long-term debt is 6.26% or a reduction of 39 basis points from the weighted cost of Long-term Debt approved in the Company's 2003 rate case. The reduction results from the favorable results of the permanent debt financings completed since the previous rate case and the continued favorable interest rates and issuance costs obtained through the utilization of American Water Capital Corp.

18. Q. HAVE YOU REVIEWED THE TESTIMONY OF COMPANY WITNESS VANDER WEIDE IN THIS CASE REGARDING THE COST OF EQUITY?

A. Yes. The Company has elected to request an ROE of 10.7%, which is within the range of ROE determined by Dr. Vander Weide. The Company has incorporated the 10.7% ROE into the capital structure and weighted cost of capital utilized by the Company in its filing. The Company has reviewed the current bond rate projections and the authorized ROE's in recent orders across the country and determined that the 10.7% ROE is fair, reasonable, and representative of the current investor expectations regarding ROE.

<u>COST OF SERVICE (TARIFF) ALLOCATIONS</u>

19. Q. HAS THE COMPANY PREPARED A COST OF SERVICE STUDY AS

PART OF THIS CASE?

A. No. The Company proposed a cost of service study in its prior rate case. The Company did not provide a Tennessee American (TAWC) specific demand study to support the cost of service study. The interveners in the prior case were reluctant to move towards the recommendations in that cost of service study absent the demand study. The Company is in the process of obtaining the metering devices to perform a TAWC specific demand study and expects to provide a demand study and cost of service study in its next rate case.

20. Q. HOW IS THE COMPANY PROPOSING TO ALLOCATE THE INCREASED RATES IN THIS CASE?

A. The Company is proposing to increase rates to all classes of customers (except public fire protection) in an across the board percentage increase of 9.2% to the metered tariffs.

PUBLIC FIRE PROTECTION

21. Q. WHAT IS THE COMPANY'S PROPOSAL REGARDING PUBLIC FIRE PROTECTION IN THIS CASE?

A. The public fire protection was a major issue in the previous rate case. The Company was able to reach agreement with the parties to that case on an overall revenue requirement and all other issues except for the handling of public fire protection charges. This issue went before the TRA which eventually set the public fire protection fees at the approximate mid-point of the current tariffs at the time of the hearing and the full cost of service determination, allocating the remaining cost of public fire protection to the remaining customer classifications. In this case the Company is proposing to eliminate the public fire protection fees, and allocate those fees proportionately to the remaining customer classifications by the proposed across the board percentage increase of 9.2%.

22. Q. WHY IS THE COMPANY PROPOSING TO ELIMINATE THE PUBLIC FIRE PROTECTION FEES CHARGED TO THE VARIOUS MUNICIPALITIES?

A. On May 18, 2004 the Tennessee Legislature enacted an amendment to Tennessee Code Annotated, Section 65-5-201 relative to Public Utilities that prohibits the Company from collecting the cost of public fire protection from the municipalities in its service area.

23. Q. WHAT DOES THE AMENDMENT TO THE CODE INDICATE?

A. The amendment to the code reads as follows.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

<u>Section 1</u>. Tennessee Code Annotated, Sections 65-5-201, is amended by adding a new subpart (c) that reads as follows:

> In fixing rates, joint rates, tolls, fares, charges, or schedules for service, no privately owned public utility that supplies water to municipal governments is allowed to charge rates, joint rates, tolls, fares, charges, or schedules of any kind whatsoever in connection with fire hydrant service to a municipal government providing fire

> protection services within the service area. The utility, however, may recover its costs of providing fire hydrant service by charging rates, joint rates, tolls, fares, charges or schedules to its non-municipal government customers within the service area as approved by the Tennessee regulatory authority. New rates shall take effect as prescribed by the Tennessee regulatory authority in a rate proceeding. Such rate proceeding shall be initiated by the utility or the Tennessee regulatory authority itself. Such rate proceeding shall be commenced within 120 days following passage of this act. The utility shall continue to collect its current authorized rates from a municipality until new rates are placed into effect by the Tennessee regulatory authority. The municipal government will reimburse the State of Tennessee for any consequent increase in expenditures to the State of Tennessee, up to $50,000, which results directly from this act.
>
> Section 2. The provisions of this act shall not apply to utility districts heretofore or hereafter created under the "Utility District Act of 1937," compiled in Title 7, chapter 82.
>
> Section 3. This act shall take effect upon becoming law, the public welfare requiring it.

23. Q. IS THE COMPANY'S FILING IN COMPLIANCE WITH THE LEGISLATION?

A. Yes. The Company believes its filing requesting elimination of the public fire hydrant fees is consistent with the legislation. The Company believes its proposal to spread the cost of public fire protection to the remaining customer classifications through the proposed across the board percentage increase of 9.2% is also consistent with the legislation. The Company's filing of this case on September 10, 2004 is within the 120 days prescribed by the legislation and will permit the Company to continue charging the municipalities for the public hydrant fees until the TRA makes its determination of fair and reasonable rates in this case.

RATE CASE DRIVERS

17. Q. OTHER THAN THE COST OF CAPITAL DESCRIBED ABOVE WHAT ARE THE COST OF SERVICE COMPONENTS THAT ARE THE PRIMARY DRIVERS OF THE REQUESTED RATE INCREASE?

A. The Company's rate base has increased by approximately $550,000, but the Company has transferred its Customer Information System (ORCOM) to utility plant since the 2003 case. The return on and associated depreciation of rate base result in an increased revenue requirement of $496,000 or 25% of the total requested rate increase. Operation and Maintenance expenses have increased by $579,995 or 3.6% from the level recognized in the 2003 rate case. This increase accounts for 29.4% of the total requested rate increase. The primary drivers of the increase in O&M expenses are pension expense and production costs. The ERISA pension expense has been impacted by lower plan earnings and lower discount rates; however, the pension expense could have been much higher if not for the Pension Reform Act that was signed into law on April 10, 2004 by President Bush. The Company has also experienced increased production costs related to power cost increases and increased chemical costs related to treatment changes and contract price increases. Mr. Diskin will speak in more detail about the rate base and O&M expenses in his testimony.

AMERICAN WATER REORGANIZATION

18. Q. YOU MENTIONED EARLIER THAT YOU WOULD DISCUSS THE REORGANIZATION THAT IS UNDERWAY AT AMERICAN WATER. PLEASE DESCRIBE THE STATUS OF THAT REORGANIZATION EFFORT?

A. American Water has completed four phases of restructuring its organization. After the purchase of American Water, Bill Alexander (CEO of Thames Water) assumed the position of CEO at American Water upon the retirement of Jim Barr. Mr. Alexander remains Chairman of the Board of American Water and CEO of Thames Water. Jeremy Pelczer has been appointed President and Deputy CEO of American Water. The appointment of Mr. Pelczer has been confirmed by the American Water Board of Directors.

19. Q. WHAT OTHER CHANGES HAVE OCCURRED TO DATE IN THE REORGANIZATION?

A. The American Water System operates in 27 states, 4 Canadian providences, and Puerto Rico. They also are the contract operator for operations in Chile and Brazil in South America. The new American Water has the responsibility for all former American Water properties, as well as the entities operated previously by Thames Water in both North and South America. The merger of these business units into the new American Water required a careful review of the alignment of the operating units and it was decided that in order to manage the new American Water effectively a realignment of the business units was necessary.

20. Q. WHAT ARE THE NEW REGIONAL ALIGNMENTS?

A. Prior to January 1, 2004, the regulated utilities of American Water operated under seven regional offices located in Chula Vista, CA; St. Louis, MO; Granite City, IL; Indianapolis, IN; Hershey, PA; Haddon Heights, NJ: and Charleston, WV. The new structure will consolidate the seven regions into four regional offices located in Chula Vista, CA; St. Louis, MO; Hershey, PA; and Haddon Heights, NJ.

21. Q. WHAT REGIONAL OFFICE WILL BE RESPONSIBLE FOR THE OPERATIONS OF TENNESSEE AMERICAN WATER?

A. As the TRA is aware there have been several realignments of the Regions of American Water prior to the change of control completed on January 10, 2003. Previous realignments of the regions at American Water were driven by changing business conditions and that is no different in the present realignment. In fact, in the Company's previous rate cases we explained that TAW had been realigned to the Southeast Region Office located in Charleston, WV, after reporting for several years to the Regional Office in Marlton, NJ. From 1984 to 1994 the Company was aligned with and its operations were administered from the Southern Division Office located in Charleston, WV, and after a period of reporting to the Regional Service Company Office in Marlton, NJ was placed back under the Charleston, WV office in January, 2000. Effective January 1, 2004, the Company and the operating companies in Pennsylvania, West Virginia, Kentucky, Virginia and Maryland will come under the direction of the American Water Regional Office located in Hershey, PA.

22. Q. HOW WILL THIS IMPACT TENNESSEE AMERICAN WATER?

A. We do not see any significant impact on the Company. The main purpose of the realignment is to more effectively manage the business and to foster increased efficiencies and uniform best practices across the various operating units. The reorganization has created some synergies, and those synergies will be discussed in the section of this testimony titled Management Fees. There will be transition costs associated with the reorganization. To the extent of those savings, the Company intends to amortize those transition costs until they are fully addressed in a rate filing. The Company does have a new General Manager, John Watson, who has replaced Bill L'Ecuyer upon his retirement. Although several other supervisory employees have elected to retire there are no significant changes regarding the local management of the Company. The Company will simply be reporting to a different Regional Office of the Service Company.

23. Q. WHAT IMPACT WILL THE REALIGNMENT HAVE ON THE SERVICE PROVIDED BY THE COMPANY?

A. The Company has undertaken many transitions in the past, and most recently moved to a national shared services organization for customer service and certain transactional accounting functions. Those initiatives were undertaken to operate as efficiently and cost effectively as possible, while at the same time providing enhanced service to our customers. This realignment is no different, and we believe the realignment will improve standardization of processes, increase efficiencies, and improve the service provided to the customers of the Company.

MANAGEMENT FEES

24. Q. PLEASE DESCRIBE THE COMPANY'S FILING REGARDING MANAGEMENT FEES, THE IMPACT OF THE REORGANIZATION, AND SYNERGIES GENERATED?

A. The Company's filing includes an increase in management fees of $555,664 over the level recognized in the 2003 rate filing. The Company is however requesting a level of 106 employees in this case down from the 119 included in the 2003 rate filing. Almost all of the reduction in staffing has been handled through attrition and retirements. Under the new organization the Company's operation departments (network distribution, engineering, production, water quality, commercial, HR etc.) will report functionally to regional directors (responsible for two or more states) who will oversee operational issues and pursue efficiencies though uniform best practices. Through this structure the Company was able to eliminate some layers of its supervision. The enhanced sharing of knowledge and best practices across the American System will enable the Company to operate more efficiently and cost effectively while at the same time improving and enhancing the service that the Company provides. The Company's labor expense requested in this case is $682,783 lower than the level included in its 2003 rate filing.

25. Q. WHAT ARE THE LEVEL OF SAVINGS EMBEDDED IN THIS CASE FOR THE NET EFFECT OF THE REORGANIZATION?

A. When payroll overheads are taken into account, the Company has provided a synergy savings of over $400,000 in this case.

26. Q. WILL THERE BE ANY DETERIORATION OF SERVICE RESULTING FROM THE REORGANIZATION?

A. No. The Company believes service will be enhanced through the various technological advances it is pursuing. There has been no reduction in the hourly staffing, and the Company believes the new organization is better aligned to focus on improving the already excellent service provided by the Company.

27. Q. DOES THIS MEAN THAT THE COMPANY WILL HAVE NO LOCAL PRESENCE FOR CUSTOMER SERVICE?

A. No. The Company will still have its Corporate Office in Chattanooga. There will still be a clerical staff to coordinate billing and collections for the entities for which we perform this function. We will still provide customer contact as required, resolve customer issues relayed from Alton, and respond to TRA inquiries. In addition, the field personnel will continue to be available to address the needs of our customers. The local payment locations will remain unchanged. This transition should be transparent to the customers.

LOW INCOME TARIFF

28. Q. PLEASE ADDRESS THE LOW INCOME TARIFF BEING PROPOSED IN THIS CASE?

A. The Company is requesting for the first time as part of this case a discount of 25% on the service charge for households who qualify. The discount would, if approved, be applied to those customers at or below the federal poverty levels who register with an independent third party agency. This discount would generate a $2.43 reduction in the monthly residential water bill (for Chattanooga tariff, slightly more for Lookout Mountain tariff) for those customers who qualify and register for the program at an annual cost estimated at $21,000.

29. Q. WHO WOULD PAY FOR THE LOWER REVENUE GENERATED BY THE DISCOUNT TO THOSE WITH LOW INCOMES THAT REGISTER?

A. The Company proposes the cost of the discount be spread across all customer classes. If approved ın the manner proposed by the Company, this tariff would cost each customer only an additional $2.4 cents per month.

30. Q. WHY SHOULD THE LOW INCOME TARIFF BE APPROVED?

A. These types of low income tariffs are present in several states to assist those customers who have financial difficulty paying utility bills. They have historically been more prevalent in the energy utility area, but are also now being implemented for water companies. Pennsylvania American Water has had a similar tariff in place for a number of years and a similar tarıff is being proposed in West Virginia and Kentucky. The Company believes the low income tariff will assist those customers who have the most difficulty in meeting monthly payments and should be approved in this case.

31. Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes.

Appendix A

Resume of Michael A. Miller

I received my B.S. degree in Accounting from West Virginia Tech in May of 1976, and my West Virginia Certified Public Accounting Certificate on February 2, 1987.

I joined the American Water Works Service Company - Southern Division ("Service Company") in July of 1976, and have held various positions in the American Water System ("AWS") for over 28 years. I served as a Junior Accountant in the rate department until August 1977, at which time I was transferred to the Huntington Water Corporation as Accounting Superintendent. I held this position until July 1978, when I was transferred to the Southern Division Service Company as the Director - Budget Procedures, which position I held until April 1981. At that time, I became Customer Service Superintendent at West Virginia-American Water Company. In December 1981, I became Assistant Director of Accounting for the Southern Region Service Company. I held this position until August 1991, when I became the Business Manager at West-Virginia American Water Company. On January 1, 1994, I was promoted to Vice President and Treasurer at West-Virginia American Water Company. On April 1, 2000, I became an employee of the Service Company as Treasurer for the Southeast Region Companies located in West Virginia, Kentucky, Tennessee, Virginia, and Maryland. In January 2002 I was also named the Comptroller for each of the five Southeast Region Companies.

TENNESSEE REGULATORY AUTHORITY

STATE OF WEST VIRGINIA

COUNTY OF KANAWHA

BEFORE ME, the undersigned authority, duly commissioned and qualified in and for the State and County aforesaid, personally came and appeared Michael A. Miller, being by me first duly sworn deposed and said that:

He is appearing as a witness on behalf of Tennessee-American Water Company before the Tennessee Regulatory Authority, and if present before the Authority and duly sworn, his testimony would set forth in the annexed transcript consisting of 21 pages.

Michael A. Miller

Michael A. Miller

Sworn to and subscribed before me
this 3rd day of September 2004.

Vanessa S. Turner

Notary Public

My commission expires July 6, 2012

OFFICIAL SEAL
NOTARY PUBLIC
STATE OF WEST VIRGINIA
VANESSA S. TURNER
95 Oakwood Drive
Madison, WV 25130
My Commission Expires July 6 2012

Rate of Return Summary
At the Mid-Point of the Attrition Year, June 30, 2005

Tennessee Regulatory Authority
Company: Tennessee-American Water Company
Case No:

Exhibit MAM-1

Line No.	Class of Capital	Reference	Amount	Percent of Total	Cost Rate	Weighted Cost of Capital
3	Long-term Debt	Schedule 2	$43,040,110	48 88%	6.26%	3.06%
5	Short-term Debt		4,699,624	5.34%	2 40%	0.13%
7	Preferred Equity	Schedule 3	1,400,000	1.59%	5.00%	0.08%
9	Common Equity					
10	Common Stock		18,537,633	21.05%	10 70%	2.25%
11	Retained Earnings		20,384,057	23 15%	10 70%	2 48%
13	Total Capitalization		88,061,424	100.01%		8.00%
18	Total Common Equity Return Proposed		10.70%			

Tennessee American Water
Analysis of Interest Rates of Past Year

Value Line Publication Date	As of Market Date	"A" Rated Utility Bonds	30-year Treasury Bonds	Spread	10-year Corporate Bonds	10-year Treasury Bonds	Spread	13-Week Treasury Bills	Federal Reserve Rate
4/11/2003	4/3/2003	6 780%	4 930%	1.850%	5 130%	3 910%	1.220%	1.100%	1 250%
4/18/2003	4/10/2003	6 330%	4 940%	1.390%	5 160%	3 940%	1.220%	1 130%	1 250%
4/25/2003	4/16/2003	6 320%	4 910%	1.410%	5 100%	3 940%	1.160%	1 660%	1 250%
5/2/2003	4/24/2003	6 330%	4 840%	1.490%	5 260%	3 920%	1.340%	1 140%	1 250%
5/9/2003	5/1/2003	6 190%	4 780%	1.410%	5 070%	3 840%	1.230%	1 090%	1 250%
5/16/2003	5/8/2003	6 040%	4 680%	1.360%	4 840%	3 680%	1.160%	1 090%	1 250%
5/23/2003	5/15/2003	5 810%	4 480%	1.330%	4 660%	3 530%	1.130%	1 050%	1 250%
5/30/2003	5/22/2003	5 480%	4 260%	[illegible]	4 400%	3 310%	1.090%	1 070%	1 250%
6/6/2003	5/29/2003	5 620%	4 340%	1.280%	4 560%	3 340%	1.220%	1 090%	1 250%
6/13/2003	6/5/2003	5 740%	4 410%	[illegible]	4 490%	3 340%	1.150%	1 040%	1 250%
6/20/2003	6/12/2003	5 500%	4 210%	[illegible]	4 280%	3 160%	1.120%	0 910%	1 250%
6/27/2003	6/19/2003	5 710%	4 410%	1.300%	4 520%	3 340%	1.180%	0 810%	1 250%
7/4/2003	6/26/2003	5 500%	4 560%	0.940%	4.670%	3 540%	1.130%	0 880%	1 000%
Quarterly Average		**5.950%**	**4.596%**	**1.354%**	**4.780%**	**3.599%**	**1.181%**	**1.082%**	**1.231%**
7/11/2003	7/2/2003	5 540%	4 580%	0.960%	4 660%	3 540%	1.120%	0 860%	1 000%
7/18/2003	7/10/2003	5 540%	4 700%	0.840%	4 840%	3 660%	1.180%	0 880%	1 000%
7/25/2003	7/17/2003	5 750%	4 890%	0.860%	5 070%	3 920%	1.150%	0 890%	1 000%
8/1/2003	7/24/2003	5 950%	5 090%	0.860%	5 310%	4 170%	1.140%	0 910%	1 000%
8/8/2003	7/31/2003	6 290%	5 360%	[illegible]	5 600%	4 410%	1.190%	0 940%	1 000%
8/15/2003	8/7/2003	6 170%	5 210%	0.960%	5 360%	4 220%	1.140%	0 930%	1 000%
8/22/2003	8/14/2003	6 370%	5 400%	0.970%	5 670%	4 530%	1.140%	0 950%	1 000%
8/29/2003	8/21/2003	6 240%	5 280%	0.960%	5 640%	4 480%	1.160%	0 960%	1 000%
9/5/2003	8/28/2003	6 190%	5 210%	0.980%	5 560%	4 410%	1.150%	0 970%	1 000%
9/12/2003	9/4/2003	6 280%	5 310%	0.970%	5 650%	4 500%	1.150%	0 960%	1 000%
9/19/2003	9/11/2003	6 190%	5 200%	0.990%	5 410%	4 310%	1.100%	0 950%	1 000%
9/26/2003	9/18/2003	6 020%	5 070%	0.950%	5 260%	4 160%	1.100%	0 950%	1 000%
10/3/2003	9/25/2003	5 970%	4 990%	0.980%	5 190%	4 080%	1.110%	0.930%	1.000%
Quarterly Average		**6 038%**	**5.099%**	**0.939%**	**5.325%**	**4.184%**	**1.141%**	**0.929%**	**1.000%**
10/10/2003	10/2/2003	5 910%	4 930%	0.980%	5 130%	3 990%	1.140%	0 930%	1 000%
10/17/2003	10/9/2003	6 090%	5 210%	0.880%	5 550%	4 290%	[illegible]	0 900%	1 000%
10/24/2003	10/16/2003	6 150%	5 310%	0.840%	5 680%	4 460%	1.220%	0 920%	1 000%
10/31/2003	10/23/2003	6 020%	5 200%	0.820%	5 450%	4 320%	1.130%	0 940%	1 000%
11/7/2003	10/30/2003	6 200%	5 190%	[illegible]	5 460%	4 340%	1.120%	0 950%	1 000%
11/14/2003	11/6/2003	6 070%	5 240%	0.830%	5 610%	4 410%	1.200%	0 940%	1 000%
11/21/2003	11/13/2003	5 920%	5 100%	0.820%	5 480%	4 270%	1.210%	0 950%	1 000%
11/28/2003	11/20/2003	5 770%	5 010%	0.760%	5 320%	4 150%	1.170%	0 940%	1 000%
12/5/2003	11/26/2003	5 830%	5 070%	0.760%	5 430%	4 250%	1.180%	0 930%	1 000%
12/12/2003	12/4/2003	5 930%	5 160%	0.770%	5 530%	4 370%	1.160%	0 910%	1 000%
12/19/2003	12/11/2003	5 860%	5 100%	0.760%	5 380%	4 230%	1.150%	0 890%	1 000%
12/26/2003	12/18/2003	5 670%	4 940%	[illegible]	5 250%	4 130%	1.120%	0 880%	1 000%
1/2/2004	12/23/2003	5 750%	5 050%	[illegible]	5 380%	4 260%	1.120%	0 890%	1 000%
1/9/2004	12/30/2003	5 770%	5 080%	[illegible]	5.400%	4 260%	1.140%	0 930%	1 000%
Quarterly Average		**5.924%**	**5.114%**	**0.811%**	**5.432%**	**4.266%**	**1.166%**	**0.921%**	**1.000%**

Value Line Publication Date	As of Market Date	"A" Rated Utility Bonds	30-year Treasury Bonds	Spread	10-year Corporate Bonds	10-year Treasury Bonds	Spread	13-Week Treasury Bills	Federal Reserve Rate
1/16/2004	1/8/2004	5 770%	5 090%	0.680%	5 370%	4 260%	1.110%	0 870%	1 000%
1/23/2004	1/15/2004	5 560%	4 860%	0.700%	5 070%	3 970%	1.100%	0 870%	1 000%
1/30/2004	1/21/2004	5 550%	4 840%	0.710%	5 080%	3 950%	1.130%	0 870%	1 000%
2/6/2004	1/29/2004	5 720%	5 000%	0.720%	5 250%	4 170%	1.080%	0 930%	1 000%
2/13/2004	2/5/2004	5 700%	4 980%	0.720%	5 240%	4 170%	1.070%	0 930%	1 000%
2/20/2004	2/12/2004	5 660%	4 930%	0.730%	5 110%	4 040%	1.070%	0 910%	1 000%
2/27/2004	2/19/2004	5 570%	4 890%	0.680%	4 980%	4 030%	0.950%	0 930%	1 000%
3/5/2004	2/27/2004	5 620%	4 910%	0.710%	5 020%	4 030%	0.990%	0 950%	1 000%
3/12/2004	3/4/2004	5 580%	4 880%	0.700%	4 970%	4 020%	0.950%	0 963%	1 000%
3/19/2004	3/11/2004	5 410%	4 660%	0.750%	4 640%	3 700%	0.940%	0 940%	1 000%
3/26/2004	3/19/2004	5 470%	4 700%	0.770%	4 700%	3 750%	0.950%	0 930%	1 000%
4/2/2004	3/25/2004	5 490%	4 690%	0.800%	4 680%	3 740%	0.940%	0 930%	1 000%
4/4/2003	3/27/2003								
Quarterly Average		**5.592%**	**4.869%**	**0.723%**	**5.009%**	**3.986%**	**1.023%**	**0.919%**	**1 000%**
4/9/2004	4/1/2004	5 580%	4 800%	0.780%	4 890%	3 880%	1.010%	0 930%	1 000%
4/16/2004	4/7/2004	5 800%	5 010%	0.790%	5 190%	4 160%	1.030%	0.930%	1 000%
4/23/2004	4/15/2004	5 970%	5 210%	0.760%	5 420%	4 400%	1.020%	0 940%	1 000%
4/30/2004	4/22/2004	5 960%	5 190%	0.770%	5 360%	4 380%	0.980%	0 950%	1 000%
5/7/2004	4/29/2004	6 060%	5 310%	0.750%	5 480%	4 540%	0.940%	0 970%	1 000%
5/14/2004	5/6/2004	6 120%	5 370%	0.750%	5 580%	4 600%	0.980%	0 990%	1 000%
5/21/2004	5/13/2004	6 340%	5 560%	0.780%	5 800%	4 850%	0.950%	0 990%	1 000%
5/28/2004	5/20/2004	6 170%	5 420%	0.750%	5 600%	4 700%	0.900%	1 020%	1 000%
6/4/2004	5/27/2004	6 080%	5 320%	0.760%	5 500%	4 600%	0.900%	1 060%	1 000%
6/11/2004	6/3/2004	6 140%	5 410%	0.730%	5 570%	4 710%	0.860%	1 160%	1 000%
6/18/2004	6/10/2004	6 180%	5 470%	0.710%	5 660%	4 790%	0.870%	1 270%	1 000%
6/25/2004	6/17/2004	6 070%	5 350%	0.720%	5 590%	4 680%	0.910%	1 250%	1 000%
7/2/2004	6/24/2004	6 050%	5 340%	0.710%	5 530%	4 640%	0.890%	1 270%	1 000%
Quarterly Average		**6.040%**	**5.289%**	**0.751%**	**5.475%**	**4.533%**	**0.942%**	**1.056%**	**1.000%**

	2005 Projected 30-Yr. "A" Rated Util. Bond Rate	2005 Value Line Forecast	Average Spread
2004 Value Line Projection (05-28-04): "A" Rated Utility Bonds 30-Yr & 10-Yr Corp Bonds based on			
Latest 2 Qtr Avg Spread	6 74%	6 00%	0 737%
Latest 4 Qtr Avg Spread	6 81%	6 00%	0 806%