

Qualifications of Michael Gorman

1 Q PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

2 A Michael Gorman. My business address is 16690 Swingley Ridge Road, Suite 140,
3 Chesterfield, MO 63017.

4 Q PLEASE STATE YOUR OCCUPATION.

5 A I am a consultant in the field of public utility regulation and a Managing Principal with
6 Brubaker & Associates, Inc., energy, economic and regulatory consultants.

7 Q PLEASE SUMMARIZE YOUR EDUCATIONAL BACKGROUND AND WORK
8 EXPERIENCE.

9 A In 1983 I received a Bachelors of Science Degree in Electrical Engineering from
10 Southern Illinois University, and in 1986, I received a Masters Degree in Business
11 Administration with a concentration in Finance from the University of Illinois at
12 Springfield. I have also completed several graduate level economics courses.

13 In August of 1983, I accepted an analyst position with the Illinois Commerce
14 Commission (ICC). In this position, I performed a variety of analyses for both formal
15 and informal investigations before the ICC, including: marginal cost of energy, central
16 dispatch, avoided cost of energy, annual system production costs, and working
17 capital. In October of 1986, I was promoted to the position of Senior Analyst. In this
18 position, I assumed the additional responsibilities of technical leader on projects, and
19 my areas of responsibility were expanded to include utility financial modeling and
20 financial analyses.

1 In 1987, I was promoted to Director of the Financial Analysis Department. In
2 this position, I was responsible for all financial analyses conducted by the staff.
3 Among other things, I conducted analyses and sponsored testimony before the ICC
4 on rate of return, financial integrity, financial modeling and related issues. I also
5 supervised the development of all Staff analyses and testimony on these same
6 issues. In addition, I supervised the Staff's review and recommendations to the
7 Commission concerning utility plans to issue debt and equity securities.

8 In August of 1989, I accepted a position with Merrill-Lynch as a financial
9 consultant. After receiving all required securities licenses, I worked with individual
10 investors and small businesses in evaluating and selecting investments suitable to
11 their requirements.

12 In September of 1990, I accepted a position with Drazen-Brubaker &
13 Associates, Inc. In April 1995, the firm of Brubaker & Associates, Inc. (BAI) was
14 formed. It includes most of the former DBA principals and Staff. Since 1990, I have
15 performed various analyses and sponsored testimony on cost of capital, cost/benefits
16 of utility mergers and acquisitions, utility reorganizations, level of operating expenses
17 and rate base, cost of service studies, and analyses relating industrial jobs and
18 economic development. I also participated in a study used to revise the financial
19 policy for the municipal utility in Kansas City, Kansas.

20 At BAI, I also have extensive experience working with large energy users to
21 distribute and critically evaluate responses to requests for proposals (RFPs) for
22 electric, steam, and gas energy supply from competitive energy suppliers. These
23 analyses include the evaluation of gas supply and delivery charges, cogeneration
24 and/or combined cycle unit feasibility studies, and the evaluation of third-party
25 asset/supply management agreements. I have also analyzed commodity pricing

1 indices and forward pricing methods for third party supply agreements, and have also
2 conducted regional electric market price forecasts.

3 In addition to our main office in St. Louis, the firm also has branch offices in
4 Phoenix, Arizona and Corpus Christi, Texas.

5 **Q HAVE YOU EVER TESTIFIED BEFORE A REGULATORY BODY?**

6 A Yes. I have sponsored testimony on cost of capital, revenue requirements, cost of
7 service and other issues before the Federal Energy Regulatory Commission and
8 numerous state regulatory commissions including: Arkansas, Arizona, California,
9 Colorado, Delaware, Florida, Georgia, Idaho, Illinois, Indiana, Iowa, Kansas,
10 Louisiana, Michigan, Missouri, Montana, New Jersey, New Mexico, New York, North
11 Carolina, Oklahoma, Oregon, South Carolina, Tennessee, Texas, Utah, Vermont,
12 Virginia, Washington, West Virginia, Wisconsin, Wyoming, and before the provincial
13 regulatory boards in Alberta and Nova Scotia, Canada. I have also sponsored
14 testimony before the Board of Public Utilities in Kansas City, Kansas; presented rate
15 setting position reports to the regulatory board of the municipal utility in Austin, Texas,
16 and Salt River Project, Arizona, on behalf of industrial customers; and negotiated rate
17 disputes for industrial customers of the Municipal Electric Authority of Georgia in the
18 LaGrange, Georgia district.

19 **Q PLEASE DESCRIBE ANY PROFESSIONAL REGISTRATIONS OR**
20 **ORGANIZATIONS TO WHICH YOU BELONG.**

21 A I earned the designation of Chartered Financial Analyst (CFA) from the CFA Institute.
22 The CFA charter was awarded after successfully completing three examinations
23 which covered the subject areas of financial accounting, economics, fixed income and

- 1 equity valuation and professional and ethical conduct. I am a member of the CFA
- 2 Institute's Financial Analyst Society.

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Pennichuck Water Works, Inc.

Development of Production O&M in FSC Rate

<u>Line</u>	<u>Description</u>	<u>PWW Proposed</u> <u>Costs</u> ¹ (1)	<u>A-B</u> <u>Allocation</u> (2)	<u>A-B Revised</u> <u>Costs</u> (3)
<u>Source of Supply</u>				
1	Base Cost	\$ 392,217	10.92%	\$ 42,830
2	Extra Capacity Max Day Cost	\$ 294,197	2.54%	\$ 7,473
3	Extra Capacity Max Hour Cost	\$ -	2.38%	\$ -
4	Less Purchased Water Base	\$ (135,447)	10.92%	\$ (14,791)
5	Less Purchased Water Max Day	\$ (101,597)	2.54%	\$ (2,581)
6	Less Purchased Water Max Hour	\$ -	2.38%	\$ -
<u>Pumping</u>				
7	Base Cost	\$ 588,283	10.92%	\$ 64,241
8	Extra Capacity Max Day Cost	\$ 155,614	2.54%	\$ 3,953
9	Extra Capacity Max Hour Cost	\$ 135,879	2.38%	\$ 3,234
<u>Water Treatment</u>				
10	Base Cost	\$ 801,111	10.92%	\$ 87,481
11	Extra Capacity Max Day Cost	\$ 196,917	2.54%	\$ 5,002
12	Extra Capacity Max Hour Cost	\$ -	2.38%	\$ -
13	Total Production Cost	\$ 2,327,174		\$ 196,841
14	Volume (CCF)	5,049,090		551,400
15	Unit Production Cost (per CCF)	\$ 0.4609		\$ 0.3570
<u>Over Allocation of Costs</u>				
16	Per Unit Overstatement (per CCF)			\$ 0.1039
17	Annual Overpayment			\$ 57,304

Source:

¹ Revised Report on Cost Allocations and Water Rate Design, Palko Schedule 13, Pages 1-3.