

1 **Q. Exhibit BVP-1, page 2, indicates that retained earnings are forecasted to grow in**
2 **excess of 33% from the beginning of 1999 to the end of 2004. By what percentage**
3 **did retained earnings grown (sic) from the beginning of 1993 up to the end of 1998.**
4 **Please provide a statement of retained earnings for this period.**
5

6 A. Exhibit BVP-1, page 2 indicates that retained earnings are forecast to grow by 49.7 per
7 cent from the beginning of 1999 to the end of 2004. Total shareholders equity for the
8 same period, shown on Exhibit BVP-1, page 3, is expected to grow by 33.0 per cent.
9

10 Total long term and short term debt for the same period, shown in Exhibit BVP-1, page 3,
11 is expected to grow by 31.6 per cent.
12

13 The growth in shareholders equity and debt represents the funds invested in assets
14 necessary for the provision of reliable electrical service. The total assets of the Company
15 is expected to grow by approximately 30 percent for the period from the beginning of
16 1999 to the end of 2004.
17

18 Given the long life of most utility assets, the replacement cost of assets will tend to be
19 significantly higher than current embedded costs simply as a result of inflation.
20

21 As shown on BVP-1, page 6, from the beginning of 1999 to the end of 2004 the
22 percentage of debt, and common equity (which includes retained earnings) in the
23 Company's capital structure has been relatively constant.
24

25 Retained earnings grew by 9.2 % from the beginning of 1993 to the end of 1998.
26 Attachment A contains a summary of changes to retained earnings for the years 1993 to
27 1998.