

*Requests for Information*

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1 **Q. In reference to Exhibit BVP-1, page 3, please provide explanations for the**  
2 **significant increase in both short-term borrowings and long-term debt between 1998**  
3 **and forecasted 2004?**

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5 A. The increase in debt over the period principally relates to the continued investment in the  
6 Company's electrical system.

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8 Capital requirements are initially financed with short-term debt until short-term debt  
9 reaches a level that allows a long-term debt issue to be completed on an economic basis.

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11 As shown in the *Finance & Accounting Evidence*, page 9, table 2, the average cost of  
12 debt for the period from 1998 to 2004 is expected to decline from 8.93% to 8.35%. The  
13 long-term reduction in the average cost of debt benefits consumers by reducing the  
14 overall cost of providing electrical service.