

1 **Q. In reference to Exhibit BVP-1, page 7, why are assets and accumulated depreciation**
2 **used in rate base calculation not the net of the contributions referred to in Exhibit**
3 **BVP-1, page 3? Please show the effects on rate base for 1998 – forecasted 2004 if**
4 **these numbers were net of contributions.**

5
6 A. The calculation of average rate base shown in Exhibit BVP-1, page 7 is completed in
7 accordance with Section 78 of the Public Utilities Act, in the format prescribed in the
8 Company's approved System of Accounts. The calculation of average rate base begins
9 with total plant investment, which includes the original cost of all Company assets. Both
10 accumulated depreciation and contributions in aid of construction are then deducted (as
11 shown in Exhibit BVP-1, page 7, lines 5 and 7 respectively) to arrive at the net property
12 plant and equipment which is included in rate base.