Q. Please advise if non-regulated expenses are used for purposes of calculating interest coverage ratios and, if so, provide a sample calculation.

A. All expenses, whether regulated or non-regulated, are included in the calculation of interest coverage ratios. When calculating interest coverage, the pre-tax income to be included in the calculation is net of all expenses.

The Company's calculation of interest coverage is based on the CBRS methodology as follows:

> Interest Coverage = (net income + income taxes + interest costs net of interest capitalized) / gross interest costs.

The interest coverage ratio is an industry standard measure of the creditworthiness and financial strength of a company. It is one of the primary financial ratios used by the bond rating agencies and markets to assess the financial strength of a company that is issuing bonds.

The removal of non-regulated expenses would overstate pre-tax income, thus inflating the result of the interest coverage calculation. This would not provide an accurate picture of the Company's financial position and would likely be rejected as a suitable method of calculation by the financial markets.

Exhibit BVP-7, page 9, outlines the calculation of interest coverage. < > Earnings to common shares < > on line 2 of page 9 reflect the deduction of non-regulated expenses as per the Company's income statement found on page 1 of Exhibit BVP-7. For < > 2002 the interest coverage is 2.61 times.