

1 **Q. Recalculate Exhibit BVP-7 incorporating the accounting changes proposed in this**  
2 **application. Separately identify the impact of each accounting change.**

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4 A. Attachment A provides the pro-forma financial results for 2003 and 2004 based on  
5 existing electricity rates as per Exhibit BVP-7 and the inclusion of the proposed  
6 accounting changes as presented in Table 20, page 75, of the *Finance & Accounting*  
7 *Evidence*.

8  
9 Table 1 on page 2 identifies the impact of each proposed accounting change for 2003,  
10 based on existing rates.

11  
12 Table 2 on page 3 identifies the impact of each proposed accounting change for 2004,  
13 based on existing rates.

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15 The pro-forma interest coverage ratios in Tables 1 and 2 fall below the target range of 2.5  
16 to 2.7 times identified in the Company's 2003 General Rate Application as required to  
17 maintain the Company's A bond rating.  
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<b>Table 1</b> <b>Pro-forma Impact of Accounting Proposals on</b> <b>Rates of Return and Interest Coverage</b> <b>2003<sup>1</sup></b>			
	<b>Impact on Rate of Return on Regulated Common Equity (%)</b>	<b>Impact on Rate of Return on Rate Base (%)</b>	<b>Impact on Interest Coverage (times)</b>
<b>As Per Exhibit BVP-7</b>	<b>7.59</b>	<b>8.91</b>	<b>2.15</b>
<b><u>Accounting Proposals</u></b>			
Revised Depreciation Rates <sup>2</sup>	.80	.38	.08
Amortization of Depreciation Reserve Variance <sup>3</sup>	1.52	.77	.16
Amortization of Weather Normalization Reserve <sup>4</sup>	(.36)	(.18)	(.05)
Pension Expense Changes <sup>5</sup>	.39	.19	.04
Deferral of Regulatory Costs <sup>6</sup>	.16	.08	.03
2001 Excess Revenue <sup>7</sup>	.10	.05	.02
<b>Pro-forma</b>	<b>10.20</b>	<b>10.20</b>	<b>2.43</b>

<sup>1</sup> Based on existing electricity rates.

<sup>2</sup> Revised depreciation rates as filed in the 2002 Depreciation Study Update dated September 5, 2002.

<sup>3</sup> Amortization of the accumulated depreciation reserve variance of \$17.2 million identified in the 2002 Depreciation Study Update dated September 5, 2002 over 3 years beginning January 1, 2003. The impact on deferred taxes has also been included.

<sup>4</sup> Amortization of the \$5.6 million balance that has accumulated in the Weather Normalization Reserve over a 5-year period, beginning January 1, 2003.

<sup>5</sup> Adoption on a prospective basis of the market-related method of valuing pension assets for the purposes of determining pension expense.

<sup>6</sup> Amortization of the Board and Consumer Advocate's estimated costs of \$1.2 million incurred with respect to this Application over a 3-year period beginning January 1, 2003.

<sup>7</sup> Recovery of 2001 Excess Revenue equally over 2003 and 2004.

<b>Table 2</b> <b>Pro-forma Impact of Accounting Proposals on</b> <b>Rates of Return and Interest Coverage</b> <b>2004<sup>1</sup></b>			
	<b>Impact on Rate of Return on Regulated Common Equity (%)</b>	<b>Impact on Rate of Return on Rate Base (%)</b>	<b>Impact on Interest Coverage (times)</b>
<b>As Per Exhibit BVP-7</b>	<b>7.58</b>	<b>8.92</b>	<b>2.15</b>
<b><u>Accounting Proposals</u></b>			
Revised Depreciation Rates <sup>2</sup>	.74	.35	.08
Amortization of Depreciation Reserve Variance <sup>3</sup>	1.62	.81	.17
Amortization of Weather Normalization Reserve <sup>4</sup>	(.35)	(.16)	(.06)
Pension Expense Changes <sup>5</sup>	.05	.04	.01
Deferral of Regulatory Costs <sup>6</sup>	(.09)	(.05)	(.01)
2001 Excess Revenue <sup>7</sup>	.10	.04	.02
<b>Pro-forma</b>	<b>9.65</b>	<b>9.95</b>	<b>2.36</b>

<sup>1</sup> Based on existing electricity rates.

<sup>2</sup> Revised depreciation rates as filed in the 2002 Depreciation Study Update dated September 5, 2002.

<sup>3</sup> Amortization of the accumulated depreciation reserve variance of \$17.2 million identified in the 2002 Depreciation Study Update dated September 5, 2002 over 3 years beginning January 1, 2003. The impact on deferred taxes has also been included.

<sup>4</sup> Amortization of the \$5.6 million balance that has accumulated in the Weather Normalization Reserve over a 5-year period, beginning January 1, 2003.

<sup>5</sup> Adoption on a prospective basis of the market-related method of valuing pension assets for the purposes of determining pension expense.

<sup>6</sup> Amortization of the Board and Consumer Advocate's estimated costs of \$1.2 million incurred with respect to this Application over a 3-year period beginning January 1, 2003.

<sup>7</sup> Recovery of 2001 Excess Revenue equally over 2003 and 2004.