

*Requests for Information*

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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 76, of the *Finance & Accounting*  
7     *Evidence*.

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

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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</b> <b>Rate of Return</b> <b>on Regulated</b> <b>Common Equity</b> <b>(%)</b>	<b>Impact on</b> <b>Rate of Return</b> <b>on</b> <b>Rate Base</b> <b>(%)</b>	<b>Impact on</b> <b>Interest</b> <b>Coverage</b> <b>(times)</b>
<b>As Per Exhibit BVP-7</b> <b><u>Accounting Proposals</u></b> Revised Depreciation Rates <sup>2</sup> Amortization of Depreciation Reserve Variance <sup>3</sup> Amortization of Weather Normalization Reserve <sup>4</sup> Pension Expense Changes <sup>5</sup> Deferral of Regulatory Costs <sup>6</sup> 2001 Excess Revenue <sup>7</sup> <b>Pro-forma</b>	<b>7.90</b>  .77 1.48 (.36) .47 .16 .10 <b>10.52</b>	<b>9.12</b>  .37 .74 (.17) .24 .08 .05 <b>10.43</b>	<b>2.18</b>  .08 .16 (.05) .05 .03 .02 <b>2.47</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.

<p style="text-align: center;"><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></p>			
	<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>8.04</b>	<b>9.18</b>	<b>2.19</b>
<b><u>Accounting Proposals</u></b>			
Revised Depreciation Rates <sup>2</sup>	.70	.34	.07
Amortization of Depreciation Reserve Variance <sup>3</sup>	1.47	.72	.17
Amortization of Weather Normalization Reserve <sup>4</sup>	(.33)	(.16)	(.05)
Pension Expense Changes <sup>5</sup>	.11	.08	.01
Deferral of Regulatory Costs <sup>6</sup>	(.09)	(.04)	(.01)
2001 Excess Revenue <sup>7</sup>	.09	.05	.02
<b>Pro-forma</b>	<b>9.99</b>	<b>10.17</b>	<b>2.40</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.

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<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.