

1 **Q. Referring to Table 7, please recalculate this table with the proposed accounting**
2 **changes and no change in electrical rates.**

3
4 A. Pro-forma financial results for 2003 and 2004 based on existing electricity rates as per
5 Exhibit BVP-7 and including the proposed accounting changes as presented in Table 20,
6 Page 75 of the *Finance & Accounting Evidence*, are provided in the Company's response
7 to NLH-242, Attachment A. The calculation of the pro-forma rate of return on rate base
8 is contained on page 8 of 10. The calculation of the pro-forma rate of return on regulated
9 common equity is contained on page 5 of 10. The calculation of the pro-forma interest
10 coverage is contained on page 9 of 10.

11
12 Table 1 below provides a summary of the pro-forma interest coverage, pro-forma rate of
13 return on rate base, and pro-forma rate of return on regulated common equity for 2003
14 and 2004, calculated on this basis.
15

Table 1 Pro-forma Financial Results ¹ 2003-2004		
	2003	2004
Interest Coverage (times)	2.43	2.36
Rate of Return on Rate Base	10.20%	9.95%
Rate of Return on Regulated Common Equity	10.20%	9.65%

16 1. Based on existing electricity rates as per Exhibit BVP-7 and including the proposed accounting
17 changes as presented in Table 20, Page 75 of the *Finance & Accounting Evidence*.

18
19 The pro-forma interest coverage ratios in Table 1 fall below the target range of 2.5 to 2.7
20 times identified in the Company's 2003 General Rate Application as required to maintain
21 the Company's A bond rating.