Q. In the 2000 Capital Budget (paragraph 12), and the 2001 Capital Budget (paragraph 8), reference is made to upward changes in the Capital Budgets increasing rate base. In each particular case, please describe the changes made to the Capital Budget which required the revisions and what percentage of increase in the rate base these revisions caused.

A. In any given year, if the level of capital expenditures exceeds the annual depreciation accrual, then this will tend to increase the Company's average rate base in that year. Conversely, if the level of capital expenditures in that year is less than the annual depreciation accrual, then this will tend to decrease the Company's average rate base in that year.

Paragraph 12 of the 2000 Capital Budget Application states that all approved capital expenditures for 2000 should be reflected in forecast average rate base and invested capital used in the automatic adjustment formula to calculate the allowed rate of return on rate base for 2000. Paragraph 8 of the 2001 Capital Budget Application as it pertains to the Company's forecast average rate base for 2000 reflects changes in various factors, only a small percentage of which relate to changes in 2000 forecast capital expenditures.

Table 1 below shows the increase in 2000 forecast capital expenditures from the $41,771,000 presented in the 2000 Capital Budget Application to the $42,584,000 indicated during the 2001 Capital Budget Proceeding. Table 1 also shows the change in forecast average rate base for 2000.

Table 1
Changes in 2000 Forecast Capital Expenditures and Forecast Average Rate Base
($000s)

	2000 Forecast Capital Expenditures	**2000 Forecast Average Rate Base**
2000 Capital Budget Application	$41,771	$511,088
2001 Capital Budget Proceeding	$42,584	$518,724
Increase	**$ 813**	**$ 7,636**

The increase in forecast capital expenditures by category for 2000 is shown in Schedule E to the 2001 Capital Budget Application, a copy of which is included in Attachment G to the Company's response to Request for Information CA-78. This forecast increase in capital expenditure, if looked at in isolation, increased the forecast average rate base for 2000 by only $0.4 million, or approximately 5 % of the total $7.6 million increase in 2000 forecast average rate base.

Other, more significant, factors affecting the 2000 forecast average rate base were changes in the forecast amount of year-end work in progress, net salvage, and the Weather Normalization Reserve balance.