Newfoundland Power Inc.

Five Year Financial Forecast - For the Years 2002 - 2006
(Based on Proposed Rate Increase of 0.96% Effective August 1, 2003)
Income Statement
(000s)

		Actual	Forecast			
		2002	**2003**	**2004**	**2005**	**2006**
1						
2	Energy Sales (GWh)	4,765	4,851	4,920	4,918	4,977
3						
4	Revenue From Rates	$ 362,772	$ 378,439	$ 385,825	$ 386,419	$ 390,577
5	2001 Excess Revenue	-	472	472		
6		362,772	378,911	386,297	386,419	390,577
7	Purchased Power Expense	210,764	226,499	229,941	229,826	232,887
8	Contribution	152,008	152,412	156,356	156,593	157,690
9						
10	Other Revenue	6,855	7,787	8,593	9,498	9,637
11						
12	Other Expenses:					
13	Operating Expenses	50,767	51,837	52,434	54,194	54,938
14	Depreciation	35,442	29,234	30,589	31,615	38,736
15	Finance Charges	26,853	30,774	31,626	32,135	33,126
16		113,062	111,845	114,649	117,944	126,800
17						
18	Income Before Income Taxes	45,801	48,354	50,300	48,147	40,527
19	Income Taxes	16,381	16,644	16,983	16,115	13,420
20						
21	Net Income	29,420	31,710	33,317	32,032	27,107
22	Preferred Dividends	613	613	613	613	613
23						
24	Earnings Applicable					
25	to Common Shares	$ 28,807	$ 31,097	$ 32,704	$ 31,419	$ 26,494
26						
27	Rate of Return on Regulated Common Equity	10.65%	10.75%	10.72%	9.87%	8.09%
28						
29	Interest Coverage - times	2.61	2.50	2.53	2.44	2.17
30						
31	Rate of Return on Rate Base	9.94%	10.55%	10.55%	10.12%	9.29%

Newfoundland Power Inc.

Five Year Financial Forecast - For the Years 2002 - 2006
(Based on Proposed Rate Increase of 0.96% Effective August 1, 2003)
Statement of Retained Earnings
(000s)

		Actual	Forecast			
		2002	2003	2004	2005	2006
1						
2	Balance at Beginning of the Period	$ 189,882	$ 209,194	$ 226,049	$ 239,763	$ 252,192
3	Net Income for the Period	29,420	31,710	33,317	32,032	27,107
4		219,302	240,904	259,366	271,795	279,299
5	Dividends					
6	Preference Shares	613	613	613	613	613
7	Common Shares	9,495	14,242	18,990	18,990	18,990
8		10,108	14,855	19,603	19,603	19,603
9						
10	Balance at End of the Period	$ 209,194	$ 226,049	$ 239,763	$ 252,192	$ 259,696

Newfoundland Power Inc.

Five Year Financial Forecast - For the Years 2002 - 2006
(Based on Proposed Rate Increase of 0.96% Effective August 1, 2003)
Balance Sheet
(000s)

	Actual	Forecast			
	2002	2003	2004	2005	2006
ASSETS					
Fixed Assets					
Property Plant and Equipment[1]	$ 949,478	$ 1,003,106	$ 1,038,203	$ 1,074,053	$ 1,109,156
Less: Accumulated Depreciation[2]	381,003	405,175	420,450	436,715	460,544
	568,475	597,931	617,753	637,338	648,612
Current Assets					
Cash	2,485	-	-	-	-
Accounts Receivable	36,846	38,249	38,399	38,948	38,936
Materials and Supplies, at average cost	4,525	4,400	4,500	4,500	4,500
Rate Stabilization Account	5,751	5,751	5,751	5,751	5,751
	49,607	48,400	48,650	49,199	49,187
Corporate Income Tax Deposit	6,949	6,949	6,949	6,949	6,949
Deferred Charges[3]	79,567	87,085	92,280	98,046	105,033
	$ 704,598	$ 740,365	$ 765,632	$ 791,532	$ 809,781
SHAREHOLDERS' EQUITY AND LIABILITIES					
Shareholders' Equity					
Common Shares	$ 70,321	$ 70,321	$ 70,321	$ 70,321	$ 70,321
Retained Earnings	209,194	226,049	239,763	252,192	259,696
Common Shareholder's Equity	279,515	296,370	310,084	322,513	330,017
Preference Shares	9,709	9,709	9,709	9,709	9,709
	289,224	306,079	319,793	332,222	339,726
Long-Term Debt	332,208	328,558	324,908	321,258	391,858
Current Liabilities					
Short-Term Borrowings	15,987	41,520	54,923	73,182	13,580
Accounts Payable and Accrued Charges	63,529	59,370	60,563	59,231	60,096
Current Installments of Long-Term Debt	3,650	3,650	3,650	3,650	4,400
	83,166	104,540	119,136	136,063	78,076
Deferred Income Taxes	-	1,188	1,795	1,989	121
	$ 704,598	$ 740,365	$ 765,632	$ 791,532	$ 809,781

Notes:
1. Property Plant and Equipment is shown net of contributions.
2. Accumulated Depreciation is shown net of amortizations on contributions.
3. Deferred Charges include the Weather Normalization Reserve.

Newfoundland Power Inc.

Five Year Financial Forecast - For the Years 2002 - 2006
(Based on Proposed Rate Increase of 0.96% Effective August 1, 2003)
Statement of Cash Flows
(000s)

	Actual	Forecast			
	2002	**2003**	**2004**	**2005**	**2006**
Cash From (Used In) Operations					
Net Income	$ 29,420	$ 31,710	$ 33,317	$ 32,032	$ 27,107
Items Not Affecting Cash:					
Depreciation	35,442	29,234	30,589	31,615	38,736
Deferred Income Taxes	-	1,188	608	194	(1,867)
Weather Normalization Reserve Transfers	(1,019)	1,126	1,126	1,126	1,126
Amortization of Deferred Charges	239	265	265	262	251
Changes in Non-Cash Working Capital	4,497	(5,436)	943	(1,881)	876
	68,579	58,087	66,848	63,348	66,229
Cash From (Used In) External Financing					
Net Proceeds from Long-Term Debt	74,325	-	-	-	74,250
Repayment of Long-Term Debt & Preferred Shares	(2,900)	(3,650)	(3,650)	(3,650)	(3,650)
Short-Term Borrowings	(59,122)	25,533	13,402	18,259	(59,602)
Contributions in Aid of Construction	1,027	1,500	1,500	1,500	1,500
	13,330	23,383	11,252	16,109	12,498
Cash From (Used In) Investing					
Net Capital Expenditures	(59,868)	(60,190)	(51,911)	(52,701)	(51,510)
Increase In Deferred Charges	(9,308)	(8,910)	(6,586)	(7,153)	(7,614)
	(69,176)	(69,100)	(58,497)	(59,854)	(59,124)
Dividends					
Preference Shares	(613)	(613)	(613)	(613)	(613)
Common Shares	(9,495)	(14,242)	(18,990)	(18,990)	(18,990)
	(10,108)	(14,855)	(19,603)	(19,603)	(19,603)
Increase (Decrease) In Cash	2,625	(2,485)	-	-	-
Bank Indebtedness, Beginning	(140)	2,485	-	-	-
Cash (Bank Indebtedness), Ending	2,485	-	-	-	-

Newfoundland Power Inc.

Five Year Financial Forecast - For the Years 2002 - 2006
(Based on Proposed Rate Increase of 0.96% Effective August 1, 2003)
Rate of Return on Regulated Common Equity
(000s)

		Actual	Forecast			
		2002	2003	2004	2005	2006
1						
2	Earnings Applicable to Common Shares	$ 28,807	$ 31,097	$ 32,704	$ 31,419	$ 26,494
3						
4	Non-Regulated Expenses - Net of Income Tax	711	725	725	725	725
5						
6	Regulated Earnings Applicable to Common Shares	$ 29,518	$ 31,822	$ 33,429	$ 32,144	$ 27,219
7						
8	Regulated Average Common Equity	$ 277,119	$ 295,920	$ 311,930	$ 325,728	$ 336,419
9						
10						
11	Rate of Return on Regulated Common Equity	10.65%	10.75%	10.72%	9.87%	8.09%

Newfoundland Power Inc.

Five Year Financial Forecast - For the Years 2002 - 2006
(Based on Proposed Rate Increase of 0.96% Effective August 1, 2003)
Financial Analysis
(Regulated)

	Actual	Forecast			
	2002	**2003**	**2004**	**2005**	**2006**
Interest Coverage - times	2.61	2.50	2.53	2.44	2.17
Regulated Average Capital Structure:					
Debt	54.63%	54.28%	54.06%	53.81%	53.86%
Preferred Equity	1.54%	1.45%	1.39%	1.34%	1.29%
Common Equity	43.83%	44.27%	44.55%	44.85%	44.85%
Total	100.00%	100.00%	100.00%	100.00%	100.00%
Regulated Cost of Capital:					
Embedded Cost of Debt	7.88%	8.54%	8.39%	8.26%	8.24%
Preferred Equity	6.31%	6.31%	6.31%	6.31%	6.31%
Common Equity	10.65%	10.75%	10.72%	9.87%	8.09%
Weighted Average Cost of Capital	9.07%	9.49%	9.40%	8.96%	8.15%

Note:

Average capital structure is the average of beginning of year and end of year balances.

Newfoundland Power Inc.

Five Year Financial Forecast - For the Years 2002 - 2006
(Based on Proposed Rate Increase of 0.96% Effective August 1, 2003)
Rate Base
(000s)

	Actual	Forecast			
	2002	**2003**	**2004**	**2005**	**2006**
Plant Investment	$ 1,005,674	$ 1,061,714	$ 1,098,641	$ 1,135,961	$ 1,172,666
Deduct:					
Accumulated Depreciation	420,736	446,100	462,560	480,157	505,369
Contributions in Aid of Construction	19,788	20,092	20,407	20,576	20,693
Deferred Income Taxes	-	1,188	1,795	1,989	121
Weather Normalization Reserve	(10,919)	(9,793)	(8,667)	(7,542)	(6,416)
	429,605	457,587	476,095	495,180	519,767
	576,069	604,127	622,546	640,781	652,899
Add - Contributions Country Homes	570	570	570	570	570
Balance - Current Year	576,639	604,697	623,116	641,351	653,469
Balance - Previous Year	553,586	576,639	604,697	623,116	641,351
Average	565,113	590,668	613,907	632,234	647,410
Cash Working Capital Allowance	4,712	4,982	5,066	5,087	5,141
Materials and Supplies	3,512	3,595	3,677	3,677	3,677
Average Rate Base	$ 573,337	$ 599,245	$ 622,650	$ 640,998	$ 656,228

Newfoundland Power Inc.

Five Year Financial Forecast - For the Years 2002 - 2006
(Based on Proposed Rate Increase of 0.96% Effective August 1, 2003)
Rate of Return on Rate Base
(000s)

	Actual	Forecast			
	2002	2003	2004	2005	2006
Return on Regulated Common Equity	$ 29,518	$ 31,822	$ 33,429	$ 32,144	$ 27,219
Return on Preferred Equity	613	613	613	613	613
	30,131	32,435	34,042	32,757	27,832
Finance Charges					
Interest on Long-Term Debt	26,094	30,500	30,164	29,829	30,462
Other Interest	1,846	1,213	2,393	3,244	3,600
Interest Earned	(872)	(900)	(950)	(950)	(950)
Interest Charged to Construction	(454)	(304)	(246)	(250)	(237)
Amortization of Debt Issue Expenses	167	199	199	198	189
Amortization of Share Issue Expenses	72	66	66	64	62
Finance Charges	26,853	30,774	31,626	32,135	33,126
Return on Rate Base	$ 56,984	$ 63,209	$ 65,668	$ 64,892	$ 60,958
Average Rate Base	$ 573,337	$ 599,245	$ 622,650	$ 640,998	$ 656,228
Rate of Return on Rate Base	9.94%	10.55%	10.55%	10.12%	9.29%

Newfoundland Power Inc.

Five Year Financial Forecast
For the years 2002-2006
(Based on Proposed Rate Increase of 0.96% Effective August 1, 2003)

Forecasts for 2003 to 2006

Specific assumptions include:

Energy Forecasts : Energy forecasts are based on economic indicators taken from the Conference Board of Canada forecast dated December 6, 2002. The elasticity impacts of estimated electricity rate increases resulting from the flow-through of increased purchased power costs from Hydro have been reflected in forecast energy sales.

Revenue Forecast : The revenue forecast is based on the Customer and Energy Sales Forecast found in Exhibit BVP-27 and interim raates approved by the Board as per Order Nos. P.U. 22 (2002-2003) and P.U. 35 (2002-2003). Rates as of August 2003 onward are based on the proposed average rate increase of 0.96% effective August 1, 2003.

Purchased Power : Rates charged by Newfoundland and Labrador Hydro, in effect at September 1 2002, that resulted from Order P.U. 21 (2002-2003), are used to forecast purchased power expense for 2003 to 2006.

Beginning January 1, 2003, $5.6 million of the 2001 balance in the Hydro Equalization Reserve is being amortized over a five year period.

Operating Costs: Regulatory expenses of $1.2 million are being amortized over a three year period beginning January 1, 2003.

Pensions : Pension expense for 2003 to 2006 is forecast using a market-related value of pension fund assets.

Pension funding is based on the latest pension valuation and is in accordance with P.U.B. approved payment schedules. Assumes special funding continues through 2006.

Depreciation Rates : Depreciation rates used for 2003 to 2006 are based on the 2002 Depreciation Study Update dated September 5, 2002, filed with the Company's 2003 General Rate Application.

Short-Term Interest Rates : Average Short-term interest rates are assumed to be 3.81 per cent in 2003 and 5.13 per cent in 2004. Short term interest rates for 2005 and 2006 are the same as at December 31, 2004. No changes are assumed.

Long-Term Debt : A $75.0 million long-term debt issue was undertaken on October 31, 2002. The debt is being issued for 30 years at a coupon rate of 7.52 per cent. Debt repayments will be in accordance with the normal sinking fund provisions for current outstanding debt.

A $75.0 million long-term debt issue is forecast to be undertaken on October 31, 2006. The debt is forecast to be issued for 30 years at an estimated coupon rate of 7.5 per cent. Debt repayments will be in accordance with the normal sinking fund provisions for current outstanding debt.

Dividends : Regular dividends on common and preference shares are estimated based on shares outstanding at the time of preparing this forecast.

Common dividends were reduced by 50% in 2002 and and are forecast to be reduced by 50% in Quarter 1 and Quarter 2 of 2003. There are no reductions in dividends forecast for the period 2004 to 2006.

Income Tax : The corporate statutory income tax rate is assumed to be 39% in 2002, 37% in 2003 and 35% thereafter.

Newfoundland Power Inc.

Five Year Financial Forecast
For the years 2002-2006
(Based on Proposed Rate Increase of 0.96% Effective August 1, 2003)

Forecasts for 2003 to 2006 (continued)

Accounts Receivable : Accounts receivable are based on a percentage of sales. The allocation factor is determined based on historical averages.

Accounts Payable : Accounts payable is based on a percentage of operating and capital expenditures. The allocation factor is based on historical averages.

Income Taxes Payable: Year end taxes payable for the years 2003 to 2006 are forecast to be zero.

Capital Expenditure : Capital expenditures for 2003 are as approved by the Board in Order No. P.U. 36 (2002-2003), plus an additional $425,000 for load research equipment proposed in this proceeding. Forecast capital expenditures for 2004 reflect the Company's current estimates of capital requirements for that year. Forecast capital expenditures for 2005 and 2006 are derived from the 2004 capital expenditure forecast less an adjustment in 2006 to reflect the conclusion of the Aliant pole purchase.

1st Revision Note: Updated for 2002 actuals and revised forecasts.