

Newfoundland Power Inc.

Variance Analysis
Impact on Rates of Return on Equity
Achieved Rates of Return Vs. Test Year Forecasts
1998-2002F
%

	1998	1999	2000	2001	2002F
1 Rate of Return on Regulated Equity in Rates	9.25	9.25	9.59	9.59	9.05
<i>Variance of Actual Results From Test Year Revenue Requirement Forecast</i>					
2 Revenue From Rates ¹	(0.22)	(0.71)	(1.82)	3.10	6.77
3 Purchased Power	<u>(0.25)</u>	<u>0.24</u>	<u>(2.35)</u>	<u>(3.49)</u>	<u>(5.87)</u>
4 Contribution From Rates	<u>(0.47)</u>	<u>(0.47)</u>	<u>(4.17)</u>	<u>(0.39)</u>	<u>0.90</u>
5 Other Revenue	0.09	0.10	2.81	2.02	1.72
6 Other Operating Expenses	0.33	0.83	0.89	0.69	1.17
7 Depreciation Expense	0.01	(0.04)	(0.04)	(1.71)	(2.21)
8 Finance Costs	0.17	0.07	0.01	(0.01)	(0.10)
9 Taxes	0.22	0.15	1.96	1.72	0.70
10 Non-Regulated Expenses	<u>0.06</u>	<u>0.08</u>	<u>0.07</u>	<u>0.09</u>	<u>0.07</u>
11	<u>0.79</u>	<u>1.09</u>	<u>2.89</u>	<u>0.78</u>	<u>(0.37)</u>
12 Impact of Increased Rate Base on Rate of Return on Equity ²	(0.08)	(0.16)	(0.32)	(0.65)	(0.98)
13 Total Variance From Forecast ³	<u>0.33</u>	<u>0.56</u>	<u>1.21</u>	<u>1.76</u>	<u>1.27</u>
14 Achieved Rate of Return on Regulated Equity	<u>9.58</u>	<u>9.81</u>	<u>10.80</u>	<u>11.35</u>	<u>10.32</u>

¹ Adjusted for excess revenue for years 2000 and 2001.

² Represents the net effect of increased common equity required to finance the increase in actual rate base from test year forecast.

³ Represents total of lines 4, 5, 11 and 12.