

Q. In P.U. 36 (1998-1999) the Board's Financial Consultant proposed an expanded range on rate base of 36 basis points. Please advise, on a table, as to how much revenue was generated by the Board's decision to expand the range on rate base to 36 basis points for each of the years the automatic adjustment formula was in place. Please advise in dollars as to how much revenue was earned by Newfoundland Power because of the Board's order to expand the range on rate base to 36 basis points from the previous range for each of the years the automatic adjustment formula was in place.

A. Prior to the Board's decision in P.U. 36 (1998-1999) to expand the range of return on rate base to 36 basis points, the range of return on rate base was derived based on a 50 basis point range in return on equity, which in 1998 translated into a 24 basis point range in rate of return on rate base. For each of the years the automatic adjustment was in place, this increase in the range resulted in a 6 basis points increase on the upper end of the ranges. The impact of this change is detailed in the table below:

	<u>2000</u>	<u>2001</u>	<u>2002⁽¹⁾</u>
Average rate base	\$ 520,979	\$ 545,162	\$ 573,337
Midpoint of range set by formula	10.28%	10.28%	10.06%
Top of range using 36 basis points	10.46%	10.46%	10.24%
Top of range using 24 basis points	10.40%	10.40%	10.18%
Actual return on rate base	10.46%	10.46%	9.94%
Additional return due to 36 basis points increase	\$ 312,587	\$ 327,097	-
Additional revenue (assuming all of additional return was earned on equity - tax effect using 2000 - 45%, 2001 - 44%)	\$ 568,340	\$ 584,102	-

(1) As per the February 10, 2003 revised application.