1	Q.	Based on the existing Automatic Adjustment Formula, please provide what
2		Newfoundland Power's rate of return on rate base and equity would be for the year
3		2003.
4		

- A. Based on the Automatic Adjustment Formula as prescribed by the Board in P.U. 36
- (1998 1999) and using the Company's February 10, 2003 pre-filed evidence, the mid-
- point of the range of return on rate base for 2003 would be 10.15%. Based on the
- 5 6 7 8 9 formula, the cost of common equity would be 9.18%. Please refer to the calculation of
- the formula for 2003 as attached.

## Newfoundland Power Inc. 2003 General Rate Application Automatic Adjustment Formula

2003:								
Return on Rate Base	=	<b>Invested</b> Capital	X	WACC	+	Z		
		Rate Base				Rate Base		
Return on Rate Base	=	668,416	x	9.13%	+	(220)	=	10.15%
(mid point of range)		599,245				599,245		
Range:								
High	=	10.33%						
Low	=	9.97%						

## WACC:

% Debt x Cost of Debt	=	54.08%	x	9.18%	=	4.96%
% Pref shares x Cost	=	1.83%	X	6.33%	=	0.12%
% Common Equity x Cost	=	44.09%	Х	9.18%	=	4.05%
					_	9.13%

## Cost of Equity:

Data	8.0% Series	5.75% Series	<b>A</b>
Date	Maturing 2027	Maturing 2029	Average
Oct. 25	5.75%	5.71%	5.73%
Oct. 28	5.77%	5.73%	5.75%
Oct. 29	5.70%	5.67%	5.69%
Oct. 30	5.68%	5.64%	5.66%
Oct. 31	5.60%	5.56%	5.58%
Nov. 1	5.62%	5.58%	5.60%
Nov. 4	5.64%	5.59%	5.62%
Nov. 5	5.70%	5.66%	5.68%
Nov. 6	5.69%	5.65%	5.67%
Nov. 7	5.60%	5.55%	5.58%
Average	5.68%	5.63%	5.66%
Forecast Long Canada Bond Y	ield		5.66%
Long Canada Bond Yield: Ord		5.50%	
Change in Long Canada Bond	0.16%		
Change in Cost of Common Ed	quity		0.13%
Cost of Common Equity: Orde	er No. P.U. 28 (2001-2002)		9.05%
Change from reduced Long Ca	nada Bond Yield		0.13%
Revised Cost of Common Equ	ity		9.18%