**Q. In CA223, page 2 of 2, earnings applicable to common shares for 2003 and 2004 are stated at $30.9 million and $32.5 million respectively; in CA223 (1st Rev.), these earnings applicable to common shares for 2003 and 2004 are stated at $31.1 million and $32.7 million, respectively. Please detail particulars as to how this difference was achieved.**

A. The change in earnings applicable to common shares for 2003 and 2004 in CA-223 (1st Revision) reflects financial forecast changes from October 2002 to February 2003, based on actual 2002 results.

Table 1 below provides a reconciliation of the individual items which impact forecast earnings for 2003 and 2004. Items shown in brackets reduce forecast earnings, while items without brackets increase forecast earnings.

**Table 1**
**Change in Forecast Earnings Applicable to Common Shares**
**2003 and 2004**
**($000s)**

| | **2003F** | **2004F** |
|---|---|---|
| **Earnings Applicable to Common Shares – October 2002 Forecast** | **30,894** | **32,492** |
| Revenue - net of purchased power[1] | (1,084) | (1,205) |
| Other Revenue[2] | 130 | 36 |
| Operating Expenses[3] | 1,280 | 1,658 |
| Depreciation[4] | 336 | 295 |
| Finance Charges[5] | (469) | (637) |
| Income Taxes[6] | 10 | 65 |
| **Earnings Applicable to Common Shares – February 2003 Forecast** | **31,097** | **32,704** |

[1] Forecast revenue is lower due to the reduction in the proposed rate increase from 1.39% effective May 1, 2003 to 0.96% effective August 1, 2003.
[2] Other revenue is forecast to be higher based on 2002 results.
[3] Operating expenses are forecast to be lower in 2003 and 2004 based on actual 2002 results. See Exhibit EAL-2 (1st revision) for a breakdown of revised forecast operating expenses.
[4] Depreciation expense is forecast to be lower based on 2002 results.
[5] Finance charges are forecast to increase to reflect the actual interest rate of 7.52% on the Series AJ bonds issued on October 31st, 2002. The forecast interest rate in the original October filing was 6.85%.
[6] Income taxes are forecast to be lower primarily as a result of lower depreciation, lower pension expense and lower capital cost allowance.