

## **Calculation of Reduction in Return on Rate Base**

Newfoundland Power Inc.

Impact of Disallowing \$10,000,000 in Rate Base  
(000s)

Proposed Return on Rate Base<sup>1</sup>

$$\begin{array}{rclclcl} \text{2003 Proposed} & = & \frac{\$ 670,191}{\$ 597,232} & \times & 9.36\% & + & \frac{\$ 66 + \$ 30 - \$ 216}{\$ 597,232} \\ & = & & & 10.48\% & & \end{array}$$

$$\begin{array}{rclcl} \text{2003 Proposed} & = & \$ 597,232 & \times & 10.48\% \\ & = & \$ 62,610 & & \end{array}$$

Return on Rate Base with \$10 million disallowed from rate base and invested capital

$$\begin{array}{rclclcl} \text{2003 Recalculated} & = & \frac{\$ 660,191}{\$ 587,232} & \times & 9.36\% & + & \frac{\$ 66 + \$ 30 - \$ 216}{\$ 587,232} \\ & = & & & 10.50\% & & \end{array}$$

$$\begin{array}{rclcl} \text{2003 Recalculated} & = & \$ 587,232 & \times & 10.50\% \\ & = & 61,674 & & \end{array}$$

$$\text{Reduction in Return on Rate Base} \quad \$ 936 \quad = \quad 9.36\% \text{ of the disallowed amount.}$$

<sup>1</sup> Source: Exhibit BVP-19, lines 17-24 page 2 of 2