

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 Base¹**

$$\begin{array}{rclcl}
 \text{2003 Proposed} & = & \frac{\$ 668,416}{\$ 599,245} & \times & 9.49\% & + & \frac{\$ 66 + \$ 30 - \$ 304}{\$ 599,245} \\
 & = & & & 10.55\% & &
 \end{array}$$

$$\begin{array}{rclcl}
 \text{2003 Proposed} & = & \$ 599,245 & \times & 10.55\% \\
 & = & \$ 63,209 & &
 \end{array}$$

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

$$\begin{array}{rclcl}
 \text{2003 Recalculated} & = & \frac{\$ 658,416}{\$ 589,245} & \times & 9.49\% & + & \frac{\$ 66 + \$ 30 - \$ 304}{\$ 589,245} \\
 & = & & & 10.57\% & &
 \end{array}$$

$$\begin{array}{rclcl}
 \text{2003 Recalculated} & = & \$ 589,245 & \times & 10.57\% \\
 & = & 62,260 & &
 \end{array}$$

$$\text{Reduction in Return on Rate Base} \quad \$ 949 \quad = \quad 9.49\% \text{ of the disallowed amount.}$$

¹ Source: Exhibit BVP-19, lines 17-24 page 2 of 2

1st Revision Note: Updated to reflect revised proposed forecasts for 2003 and 2004