

- Q. At p. 12, line 6, Dr. Kalymon refers to "improper forecasting of revenues". Please identify each example of improper forecasting of revenues that are referred to, including when the improper forecast occurred.
- A. **The ability of Newfoundland Power to overachieve the targeted return on equity came as a result of several factors, as identified by the company's submission. The forecasting of revenues was clearly deficient as it failed to recognize the future revenues which were actually achieved. The forecast error was made in setting the initial rates for Newfoundland Power within the previous rate case which failed to recognize an important future potential source of revenues which would allow the company to exceed its target return.**