

1 **Q. Please provide tabulations reconciling the difference in each year (2001, 2002F, 2003**  
2 **proposed and 2004 proposed) between the Company's average rate base and**  
3 **average invested capital. Referring to Table 15, please state the estimated**  
4 **accumulated reserve variance at 12/31/02 and provide revised depreciation expense**  
5 **for 2003 and 2004 based on 3-year amortization of this amount.**  
6

7 **A. *Reconciliation of Average Rate Base and Average Invested Capital***  
8 Attachment A provides a reconciliation of the Company's average invested capital to  
9 average rate base for 2001, 2002F, 2003 proposed and 2004 proposed.  
10

11 ***Estimated Accumulated Reserve Variance at 12/31/02***

12 The 2002 depreciation study update completed by Gannett Fleming, and filed with the  
13 Board on October 11, 2002 as part of Newfoundland Power's 2003 General Rate  
14 Application, is based on electric plant in service as at December 31, 2001. This provided  
15 an update to the depreciation study previously filed with the Board in December 2001  
16 based on electric plant in service as at December 31, 2000.  
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18 The accumulated reserve variance identified in the 2002 depreciation study update is  
19 based on Gannett Fleming's review and analysis of detailed plant additions, plant  
20 retirements and individual plant account balances as of December 31, 2001. Calculating  
21 the accumulated reserve variance as at December 31, 2002 would require further detailed  
22 analysis of individual plant account activity (vintage additions and retirements) for 2002  
23 and individual plant account balances as of December 31, 2002. This review and analysis  
24 has not commenced, and would be similar in nature to the additional work completed by  
25 Gannett Fleming in 2002. As a result, a reliable estimate of the accumulated reserve  
26 variance as at December 31, 2002 cannot be calculated at this time.