

Newfoundland Power Inc.
Pro Forma Calculation of Return on Rate Base
(Including Deferred Charges)
(000s)

PUB-259
Attachment A
NP 2003 GRA
Page 1 of 2

	Pro Forma 2003	Pro Forma 2004
1 Plant Investment	\$ 1,066,385	\$ 1,104,409
2 Deduct:		
3 Accumulated Depreciation	454,368	472,405
4 Contributions in Aid of Construction	20,456	20,771
5 Deferred Income Taxes	1,031	1,171
6 Weather Normalization Reserve	(10,141)	(9,015)
7	<u>465,714</u>	<u>485,332</u>
8 <i>Add:</i> ¹		
9 <i>Unamortized Debt Discount And Expense</i>	<i>3,217</i>	<i>3,023</i>
10 <i>Unamortized Capital Stock Issue Expense</i>	<i>392</i>	<i>325</i>
11 <i>Deferred Pension Costs</i>	<i>72,354</i>	<i>78,889</i>
12 <i>Deferred Regulatory Costs</i>	<i>800</i>	<i>400</i>
13	<u>76,763</u>	<u>82,637</u>
14		
15	677,434	701,714
16		
17 Add - Contributions Country Homes	<u>500</u>	<u>500</u>
18		
19 Balance - Current Year	677,934	702,214
20		
21 Balance - Previous Year	<u>644,737</u> ²	<u>677,934</u>
22		
23 Average	661,336	690,074
24		
25 Cash Working Capital Allowance	4,972	5,074
26		
27 Materials and Supplies	<u>3,595</u>	<u>3,677</u>
28		
29 Average Rate Base - Revised	<u>\$ 669,903</u>	<u>\$ 698,825</u>
30		
31 Rate of Return on Rate Base (from Exhibit BVP-18) ³	9.36%	9.30%
32		
33 Return on Rate Base (line 34 times line 36)	62,703	64,991
34		
35		

¹ These deferred assets are not currently included in Newfoundland Power's rate base.

² The previous year balance for 2003 (i.e., the year-end 2002 balance) includes year-end 2002 ratebase (\$576,160,000 from Exhibit BVP-9, line 17) and year-end 2002 deferred assets included in pro forma calculation (\$68,577,000 from Exhibit BVP-11, lines 13, 14, and 15).

³ Rate of return on rate base is equal to the proposed weighted average cost of capital calculated in Exhibit BVP-18 which is based upon the regulated common equity balance. Use of observed equity balances (i.e., book equity) decreases the rate of return on rate base to 9.34% in 2003 and 9.28% in 2004.

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	2003	2004
1 Pro Forma Return on Rate Base - Attachment A, page 1	\$ 62,703	\$ 64,991
2		
3 Proposed Return on Rate Base - Exhibit BVP-16	\$ 62,612	\$ 64,894
4		
5 Difference	\$ 91	\$ 97