

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

PUB-259
Attachment A
(1st Revision)
February 12, 2003
NP 2003 GRA
Page 1 of 2

	Pro Forma 2003	Pro Forma 2004
1 Plant Investment	\$ 1,061,714	\$ 1,098,641
2 Deduct:		
3 Accumulated Depreciation	446,100	462,560
4 Contributions in Aid of Construction	20,092	20,407
5 Deferred Income Taxes	1,188	1,795
6 Weather Normalization Reserve	(9,793)	(8,667)
7	<u>457,587</u>	<u>476,095</u>
8 <i>Add:</i> ¹		
9 <i>Unamortized Debt Discount And Expense</i>	<i>3,290</i>	<i>3,092</i>
10 <i>Unamortized Capital Stock Issue Expense</i>	<i>392</i>	<i>325</i>
11 <i>Deferred Pension Costs</i>	<i>72,794</i>	<i>79,780</i>
12 <i>Deferred Regulatory Costs</i>	<i>800</i>	<i>400</i>
13	<u>77,276</u>	<u>83,597</u>
14		
15	681,403	706,143
16		
17 Add - Contributions Country Homes	<u>570</u>	<u>570</u>
18		
19 Balance - Current Year	681,973	706,713
20		
21 Balance - Previous Year	<u>645,271</u> ²	<u>681,973</u>
22		
23 Average	663,622	694,343
24		
25 Cash Working Capital Allowance	4,982	5,066
26		
27 Materials and Supplies	<u>3,595</u>	<u>3,677</u>
28		
29 Average Rate Base - Revised	<u>\$ 672,199</u>	<u>\$ 703,086</u>
30		
31 Rate of Return on Rate Base (from Exhibit BVP-18) ³	9.47%	9.38%
32		
33 Return on Rate Base (line 34 times line 36)	63,657	65,949
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 rate base (\$576,639,000 from Exhibit BVP-9, page 1 of 2, line 17) and year-end 2002 deferred assets included in pro forma calculation (\$68,632,000 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 9.47% in 2003 and 9.38% in 2004.

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	<u>2003</u>	<u>2004</u>
1 Pro Forma Return on Rate Base - Attachment A, page 1	\$ 63,657	\$ 65,949
2		
3 Proposed Return on Rate Base - Exhibit BVP-16	\$ 63,209	\$ 65,668
4		
5 Difference	\$ 448	\$ 281

1st Revision Note: Updated for 2002 actuals and revised forecasts for 2003 and 2004.