

Calculation of Reduction in Return on Rate Base

Newfoundland Power Inc.

Impact of Disallowing \$100,000,000 in Rate Base
(000s)

Proposed Return on Rate Base¹

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

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

Return on Rate Base with \$100 million disallowed from rate base and invested capital

$$\begin{aligned}
 & \text{2003 Recalculated} = \frac{\$ 568,416}{\$ 499,245} \times 9.49\% + \frac{\$ 66 + \$ 30 - \$ 304}{\$ 499,245} \\
 & = 10.76\%
 \end{aligned}$$

$$\begin{aligned}
 & \text{2003 Recalculated} = \$ 499,245 \times 10.76\% \\
 & = \$ 53,719
 \end{aligned}$$

Reduction in Return on Rate Base \$ 9,490 = 9.49% 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.