

NEWFOUNDLAND AND LABRADOR HYDRO

RATE STABILIZATION PLAN

Section E: Historical Plan Balances:

1. August 2002 Balance:

Newfoundland Power and Island Industrial customer balances accumulated in the Plan as at August 2002 will be recovered over a 5-year collection period, with adjustment rates established each December 31, commencing December 31, 2002. Financing charges on the plan balances will be calculated monthly using Hydro's approved Test Year annual weighted average cost of capital.

Newfoundland Power

The adjustment rate for each year of the five-year adjustment period will be determined as follows:

$$A = (B - C + D) \div E \div F$$

where

A = adjustment rate (\$ per kWh) for the 12-month period commencing the following July 1.

B = Balance December 31

C = projected recovery to the following June 30 (if any), estimated using the most recent energy sales (kWh) for the period January to June.

D = projected financing charges to the following June 30

E = number of years remaining in the adjustment period

F = energy sales (kWh) (firm and firmed-up secondary) to Newfoundland Power for the most recent 12 months ended December 31

Recovery and financing will be applied to the balance each month. At the end of the five-year recovery period, any remaining balance will be added to the plan then in effect.

Island Industrial Customers

The adjustment rate for each year of the five-year adjustment period will be determined as follows:

$$G = H \div I \div J$$

where

G = adjustment rate (\$ per kWh) for the 12-month period commencing the following January 1.

H = Balance December 31

I = number of years remaining in the adjustment period

J = firm energy sales (kWh) to Industrial Customers for the most recent 12 months ended December 31

Recovery and financing will be applied to the balance each month. At the end of the five-year recovery period, any remaining balance will be added to the plan then in effect.



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RATE STABILIZATION PLAN (continued)

2. RSP Balance, December 31, 2003:

Newfoundland Power and Island Industrial customer balances accumulated in the Plan as at December 31, 2003 will be consolidated with the outstanding August 2002 customer balances as of December 31, 2003, and will be included with the Newfoundland Power and Island Industrial customer balances respectively for rate-setting purposes as of December 31, 2003.