

Q. Please provide an estimate of the incremental revenues to NP from sales to its customers if sales in 2004 exceed the load forecast by 5% (i.e. due to a cold winter).

A. If the energy sales of Newfoundland Power exceed forecast by 5% due to a cold winter, Newfoundland Power does not recognize any additional revenue. The estimated additional monies collected from customers due to such additional energy sales is credited to the Weather Normalization Reserve.

However, if Newfoundland Power's energy sales exceed forecast for reasons other than abnormal weather, incremental revenue will be recognized based on the tail block rate for the applicable rate class.

If demand billing exceeds forecast by 5% due to a cold winter, Newfoundland Power would recognize incremental revenue based on the demand charge for the applicable rate class. Demand revenue from the General Service Classes 2.2, 2.3 and 2.4 represent less than 10% of the Company's annual revenue.