

NP-232 NLH (1st Revision - October 1, 2003)
2003 NLH General Rate Application

Page 1 of 1

1 Q. Page 18, lines 3-8 and lines 31-39 – Please provide a re-calculation of
2 forecast depreciation expense, rate base and return on rate base for 2003
3 and 2004 using a 14% downward adjustment to capital expenditures and a
4 retirement rate of 0.39% of total assets in each year.

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7 A. A 14% downward adjustment to capital expenditures, excluding the Granite
8 Canal project, and a retirement rate of 0.39% would have the following
9 effects:

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	<u>2003</u>	<u>2004</u>
	(\$000)	(\$000)
Decrease in depreciation expense	\$ (307)	\$ (372)
Decrease in return on rate base	(1,172)	(589)
Increase in loss on disposals	1,479	1,377
Net adjustment to revenue requirement	<u>0</u>	<u>416</u>
Decrease in rate of return on rate base	<u>(0.07%)</u>	<u>0</u> ¹
Decrease in average rate base	<u>(2,791)</u>	<u>(7,935)</u>

¹ Assumed rate of return held constant at 8.322%