

Reconciliation of Accumulated Depreciation

In the August filing, the 2003 projected ending balances of accumulated depreciation were based on a forecast for 2002 and therefore did not reflect some changes to plant that occurred in 2002 on an actual basis. These included: an adjustment to the way the purchase of Aliant support structures was recorded to reflect original cost and accumulated depreciation, rather than simply the net book value amount; additional retirements at the Holyrood Thermal plant following a physical verification of assets; and an increase in retirements relative to the 2002 budget primarily in the areas of Telecontrol, Distribution and General Properties. Additionally there were changes in projected retirements and depreciation expense in 2003 from the August filing to the October filing, which arise from the incorporation of actual results for 2002 and changes to the 2003 forecast.

The change in the 2004 projected ending balance is the result of the flow-through of the changes affecting 2003, as well as a reduction in retirements and depreciation expense resulting from the cancellation of the capital projects which were not approved by the Board, as well as the inclusion of the retirement of assets associated with the discontinuation of service in Davis Inlet.

Accumulated Depreciation (\$ thousands)	August Filing	October Filing	Difference
Actual Jan 1, 2002 Balance	407,100	407,100	
Depreciation Expense	31,100	31,101	1
Aliant Support Structures		2,947	2,947
Retirements: Telecontrol	(74)	(566)	(492)
Distribution	(304)	(555)	(251)
General Properties	(1,791)	(1,900)	(109)
Holyrood Thermal		(3,034)	(3,034)
Other	<u>(1,438)</u>	<u>(1,521)</u>	<u>(83)</u>
Closing 2002 - Forecast	434,593		
Closing 2002 - Actual		433,572	(1,021)
Retirements	(2,045)	(1,677)	368
Retire Petites		(25)	(25)
Depreciation expense	<u>32,786</u>	<u>32,464 *</u>	<u>(322)</u>
Closing 2003 - Forecast	465,334	464,334	(1,000)
Retirements	(1,814)	(1,612)	202
Retire Davis Inlet		(1,513)	(1,513)
Depreciation Expense	<u>33,932</u>	<u>33,672</u>	<u>(260)</u>
Closing 2004 - Forecast	<u>497,452</u>	<u>494,881</u>	<u>(2,571)</u>

* The depreciation expense, per the Revenue Requirement, Schedule II, J.C. Roberts, also includes the amortization of PUB costs of \$603 thousand.