

The PUB specifies Newfoundland Power's method of accounting for income taxes. Commencing January 1, 1981, the PUB allowed the tax allocation method with respect to the timing difference between amortization and capital cost allowances for all depreciable assets. Since the full tax allocation method of accounting has not always been followed, Newfoundland Power has an unrecorded future income tax liability of \$76.8 million at December 31, 2001 (2000 - \$72.0 million).

The accounting policies which follow relate to the real estate operations of the Corporation.

Revenue

Real estate revenue is derived from leasing retail and office space to tenants for varying periods of time. The leases are primarily of a net nature with tenants paying basic rental plus a pro rata share of defined overhead expenses. Certain retail tenants pay additional rent based on

a percentage of the tenant's sales. An allocated portion of the Corporation's overhead costs are recovered from tenants and recorded as revenue. The Corporation's overhead costs are recorded as operating expenses.

Income Producing Properties

Income producing properties, which include office buildings, shopping malls, hotels and land, are recorded at cost.

Amortization

Fortis Properties amortizes income producing buildings by the sinking fund method using an imputed interest rate of 6% over the estimated useful life of sixty years from date of acquisition. Fortis Properties amortizes tenant inducements over the initial terms of the lease to which they relate, except where a write-down is required to reflect permanent impairment. The lease terms range from three to twenty years.

1. Deferred Charges	2001	<i>(in thousands)</i>	2000
Deferred pension costs	\$ 57,330		\$ 48,357
Weather normalization account	9,900		8,740
Unamortized debt discount and expenses	7,413		6,020
Capital charge - Point Lepreau	5,229		-
Other	1,026		1,655
Deferred recoverable costs	1,799		1,743
Unamortized capital stock issue expenses	527		597
	\$ 83,224		\$ 67,112
2. Utilities' Capital Assets	2001	<i>(in thousands)</i>	2000
Utilities' capital assets	\$ 1,662,616		\$ 1,466,133
Accumulated amortization	598,359		557,343
	\$ 1,064,257		\$ 908,790
3. Income Producing Properties	2001	<i>(in thousands)</i>	2000
Land, buildings and tenant inducements	\$ 244,083		\$ 228,009
Accumulated amortization	23,745		22,444
	\$ 220,338		\$ 205,565
4. Long-Term Investments	2001	<i>(in thousands)</i>	2000
Caribbean Utilities Company, Ltd.	\$ 80,326		\$ 79,901
Other investments	1,885		1,614
	\$ 82,211		\$ 81,515

The quoted market value of the Corporation's interest in Caribbean Utilities is \$92.8 million at December 31, 2001 (2000 - \$85.5 million).

5. Short-Term Borrowings

The credit facilities of the Corporation and its subsidiaries, consisting of bankers' acceptances and demand loans issued against unsecured bank lines of credit, bear interest at rates ranging from 2.5% to 4.0% at December 31, 2001 (2000 - 5.8% to 7.5%). The Corporation and its subsidiaries had authorized lines of credit of \$255 million of which \$125 million was unused at year end.