

1 Q. With reference to IC-98 and IC-206, confirm the forecast industrial rates for
 2 the years 2001 to 2005. Reconcile the apparent differences in increases
 3 between 2001 and 2004 in table 8 on page 14 of IC-98 and the chart of page
 4 4 in the response to IC-206. What is the forecast percentage increase in
 5 Industrial rates (including RSP) between 2001 and 2004?
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7 A. The forecast industrial rates are as outlined in the table below.
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	Industrial Rate (IC) as of January 1			Industrial Rate ⁴ Index
	Energy ¹ (¢ per kWh)	Demand ² (\$ per KW)	Average Rate ³ (¢ per kWh)	
2001F	2.214	7.36	3.251	1.000
2002F	2.867	7.01	3.855	1.186
2003F ⁵			4.130	1.270
2004F ⁵			4.390	1.350
2005F ⁵			4.310	1.326

Notes:

1. Energy is the actual Industrial Rate as of January 1 each year inclusive of all adjustments, including RSP.
2. Demand is the actual Industrial Rate as of January 1 each year.
3. Average Rate =

$$\text{Column 1} + (\text{Column 2} \div ((365 \text{ days} \times 24 \text{ hours} \times 81\% \text{ Load factor}^*) \div 1000))$$
 * Median industrial load factor of 81% for the period used to express energy rate.
4. Industrial Rate Index = Current Year Average Rate ÷ 2001 Average rate
5. 2003F to 2005F average rates were extracted from page 14 of the Newfoundland and Labrador Hydro Financial Plan as filed in response to IC-98.

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 11 The 2001 Industrial rate (after RSP adjustment) reported in the 5 Year Plan
 12 filed in response to IC-98 contains an error and a revision will be issued.
 13 However, there are differences in the increases reported in the response to
 14 IC-206 and the Five Year Plan since there are two different methods used in
 15 reporting the rate effects. The response to IC-206, and as indicated in the
 16 table above, uses a typical Island Industrial customer with an 81% load factor
 17 for 2001 and 2002. It is necessary to make some assumptions in regard to

1 usage in both of these years since the 2001 and 2002 forecast is developed
2 on the basis of a two-part rate. The increases reported using this
3 methodology are not directly comparable to the data reported in the Five
4 Year Plan. The data in the Five Year Plan uses total customer class data in
5 calculating rates, specifically, total Island Industrial revenue divided by total
6 Island Industrial sales.

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8 As outlined in the table above, assuming an 81% customer load factor for
9 2001 and 2002 and assuming the 2003 and 2004 average rates as outlined
10 in the Five Year Plan, there is a projected 35% increase in rates including
11 RSP adjustments projected between 2001 and 2004. As outlined in the
12 commentary on page 13 of the Five Year Plan regarding projected rates
13 *“Detailed cost of service studies have not been completed for 2003 and*
14 *beyond, however, rates have been estimated using Hydro’s planning models*
15 *that use simplifying assumptions. Projected rates and rate changes are*
16 *believed to be indicative based on the assumptions used but not as finite as*
17 *if detailed cost of service studies were available.”*