NLH-211 PUB (Re: Pages 26, lines 11-32)

Please show the $/kW-month rate that would apply using the example ratcheted billing determinants using the NP Native Peak Assumptions in the following table. Show the 2004 annual cost to NP using this example rate, the 2004 annual cost to NP if the actual peak was 100 MW over forecast and compare this to the SWMCI proposed method under the same conditions.

NP Native Peak Assumptions (MW)

	2003	2004
January	1157	1179
February	1099	1120
March	1007	1026
April	908	921
May	814	825
June	696	705
July	566	574
August	542	550
September	625	634
October	790	801
November	955	968
December	1108	1124

Response:

EES Consulting is unable to fully compare the two alternative methods with the data provided. The suggested ratchet framework requires at least three years of data from a consistent data source. With the data provided, EES Consulting would be able to begin calculating a one-year trailing ratchet beginning in 2004, or the proposed two-year ratchet beginning in 2005. However, EES Consulting has not been provided with Hydro's forecasted weather normalized billing determinants beyond 2003. Finally, the evidence of EES Consulting did not specifically advocate the 90% and 85% ratchet figures, but instead provided these as an illustrative example pending further discussion and analysis.

As a general principle however, EES Consulting would expect that a comparison of the two alternatives would differ depending upon the final ratchet percentage chosen. For example:

- A higher ratchet percentage would tend to be relatively more stable month-to-month as compared to Hydro's proposal and would reduce financial variability for peak demand forecast variances in off-peak months. For load variations that are less than 90% (or whatever percentage is chosen) of previous peak demand that is

carried forward, the financial variability is eliminated. However a higher ratchet percentage will carry forward a larger financial impact due to a forecast variance in winter peak month. The duration of this financial impact would depend on the percentage of the two-year trailing ratchet.

- A lower ratchet percentage would tend to reduce the long-term financial impact arising from forecast variances in the winter peak month. However, this would forego some degree of month-to-month stability and introduce some financial variability caused by peak demand forecast variances in off-peak months.