

NP-286 PUB

With reference to Page 26, lines 16 to 20, the Sample Rate as shown in Exhibit RDG-2 has a ratchet that will result in NP's monthly demand reflecting the annual maximum native load. Please confirm that the \$700,000 referred to on line 19 is an estimate of the monthly impact on NP rate revenues if the actual peak were 100 MW over forecast, and that the estimate annual impact would be 12 times that amount, or \$8.4 million (3.3 percent of total annual NP rate revenues based on the \$258 million reported in Schedule 1.2 of Exhibit RDG-1)?

Response:

EES Consulting unable to confirm that the annual impact of a 100 MW forecast variance is \$8.4 million. The annual impact strongly depends on the specific ratchet level, which EES Consulting recommends only be chosen pending further discussion and analysis by participating parties. However, there are three factors that would make the total annual impact less than \$8.4 million:

- If the forecast variance did not occur at the winter peak, the financial impact would not be felt for a full 12 months. There may even be no financial impact at all if the forecast variance does not exceed 90% (or whatever ratchet level is chosen) of the winter peak.
- Even if the forecast variance occurred at the system peak, only 90% (or whatever ratchet level is eventually chosen) of the 100 MW forecast variance would be carried forward into future billing periods.
- If the sum of billing determinants under a ratchet framework is less than the sum of Hydro's forecast weather normalized billing determinants, then the per-kW rate will be need to be lower to collect the same amount of revenues. Thus, the value of a 100 MW forecast variance would also be lower.

For a more detailed discussion on comparing a ratchet framework to the proposed weather normalized billing determinant, please refer to NLH-211 PUB.