Response to Undertaking by Newfoundland Power to Board Hearing Counsel:

On page 148 of the December 9, 2003 transcript, Mr. Kennedy requested a graph comparable to Chart 5 on page 21 of the Perry - Henderson Pre-filed Evidence comparing forecast to actual for both demand and energy for the period 1993 to 2002.

Chart 1 on page 2 of 4 provides the requested information comparing winter season forecast demand[1] to weather normalized demand[2] and forecast annual energy to weather normalized annual energy. Chart 1 indicates that since 1993 the variance in weather normalized demand versus forecast demand has ranged from plus 6.3% to minus 10.4%[3]. The energy forecast variance has ranged from plus 2.4% to minus 2.3%.

In addition to the information requested, Chart 2 on page 3 of 4 provides the pro-forma impact of the forecast variances identified in Chart 1 on pre-tax earnings for each year from 1993 to 2002[4].

Chart 3 on page 4 of 4 provides the pro-forma difference in Newfoundland Power's pre-tax earnings in moving from the Energy-Only rate to the Sample Rate[5] based on the forecast variances identified in Chart 1.

Chart 3 indicates that for 7 of the 10 years the earnings of Newfoundland Power would have been negatively affected. Furthermore, the negative earnings impacts are larger than the positive earnings impacts primarily because of the floor included in the Sample Rate by Hydro to minimize its earnings risk.

---

[1] Differs from calendar year forecast provided in NP-156 NLH as the winter season of December – March encompasses portions of two calendar years.

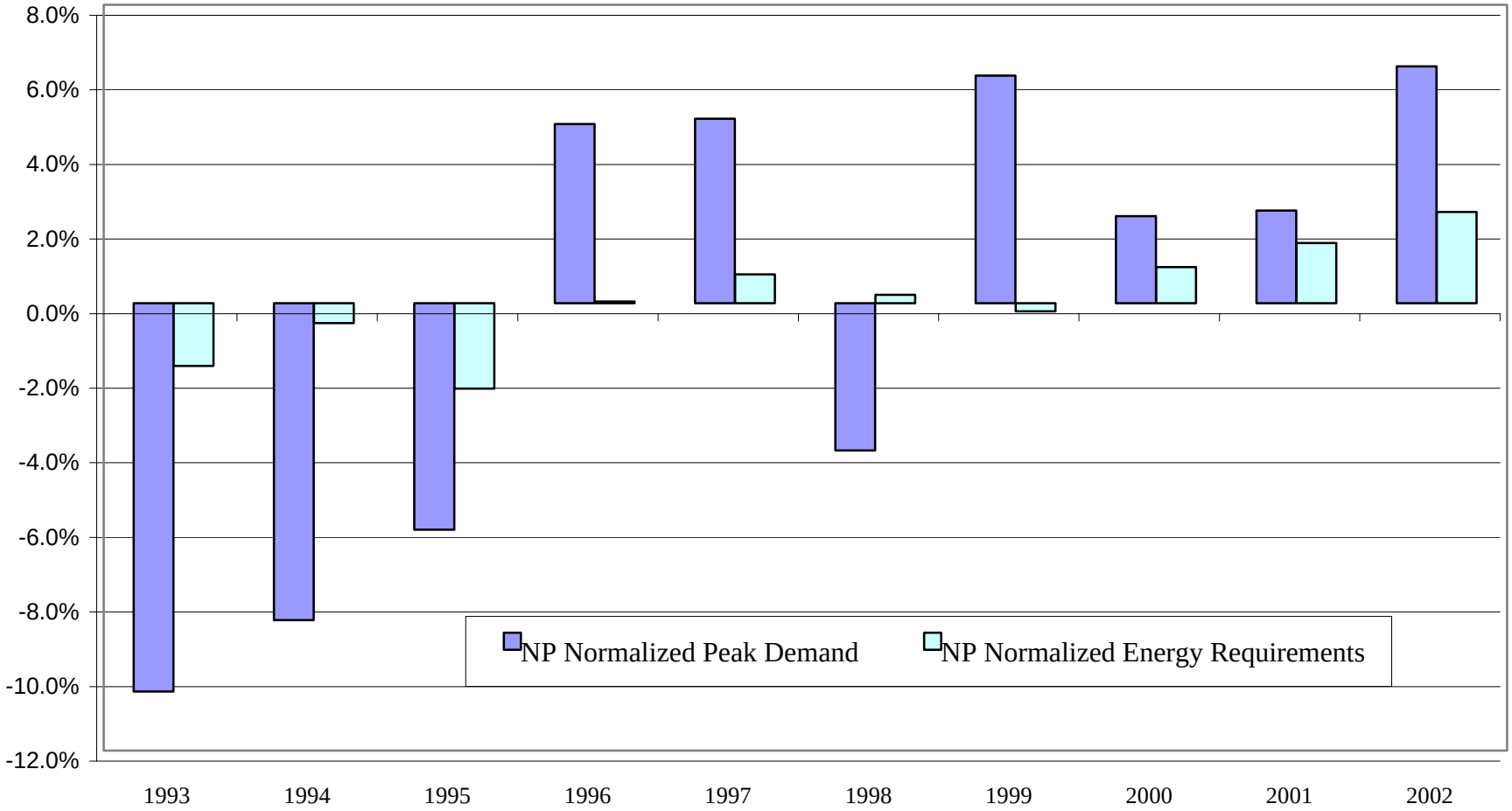
[2] Using the weather normalization provided by Hydro in response to Request for Information NP-282 NLH.

[3] This compares to the plus or minus 5 % used by Newfoundland Power as the basis for the analysis contained in its pre-filed evidence. The 5 % was based on Hydro's response to Request for Information PUB-151 NLH which states that, "since 1996, the difference between Hydro's forecast for NP native peak and the weather adjusted actual has been within a range of plus or minus 5 percent".

[4] Using the same methodology as described in the Perry - Henderson Pre-filed Evidence.

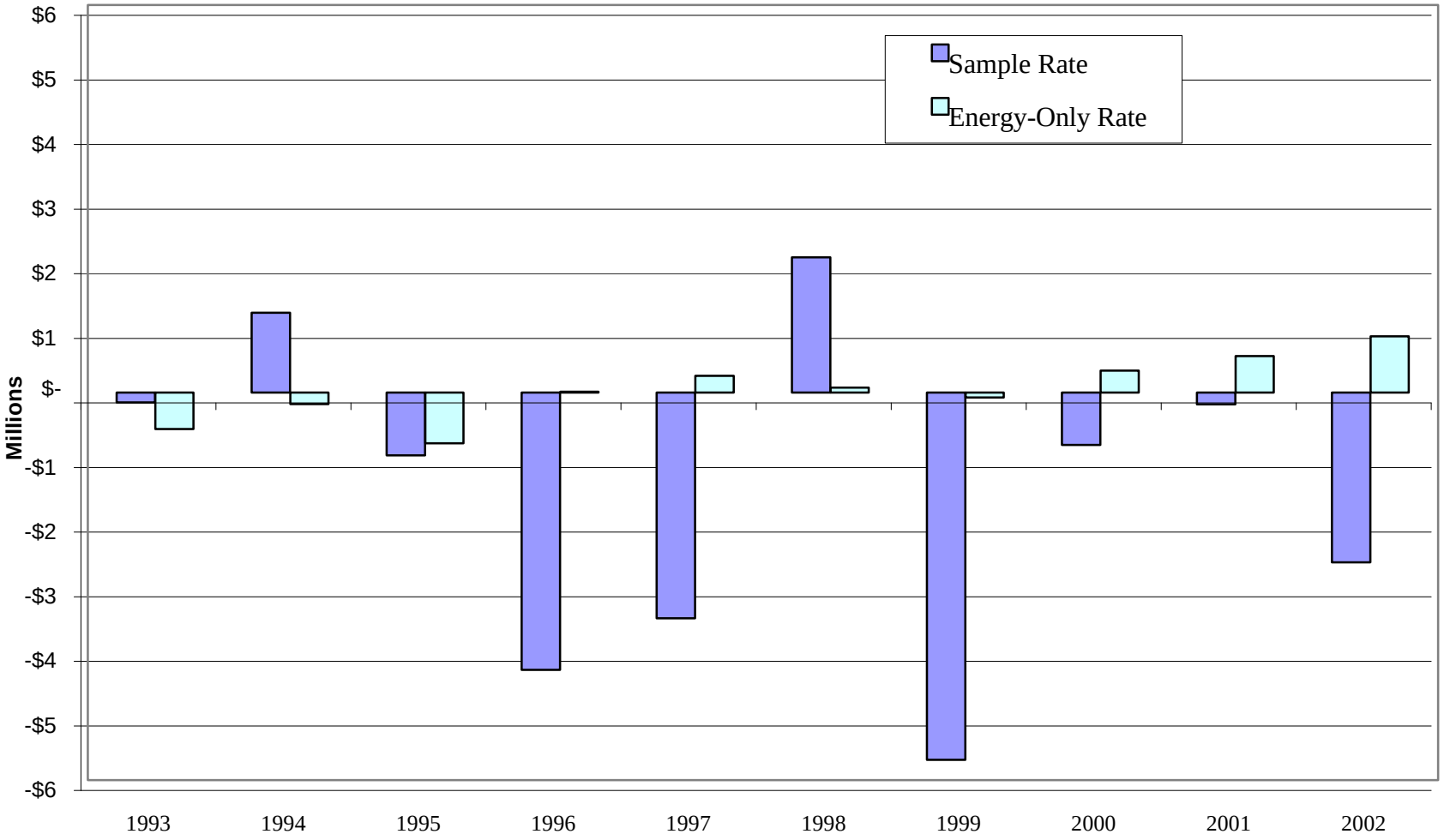
[5] Chart 3 reflects the difference in pre-tax earnings (sample rate versus an energy-only rate) as shown in Chart 2 for each of the years 1993 to 2002.

Chart 1: Forecast Variances in Newfoundland Power's Peak Demand and Energy Requirements - Weather Normalized



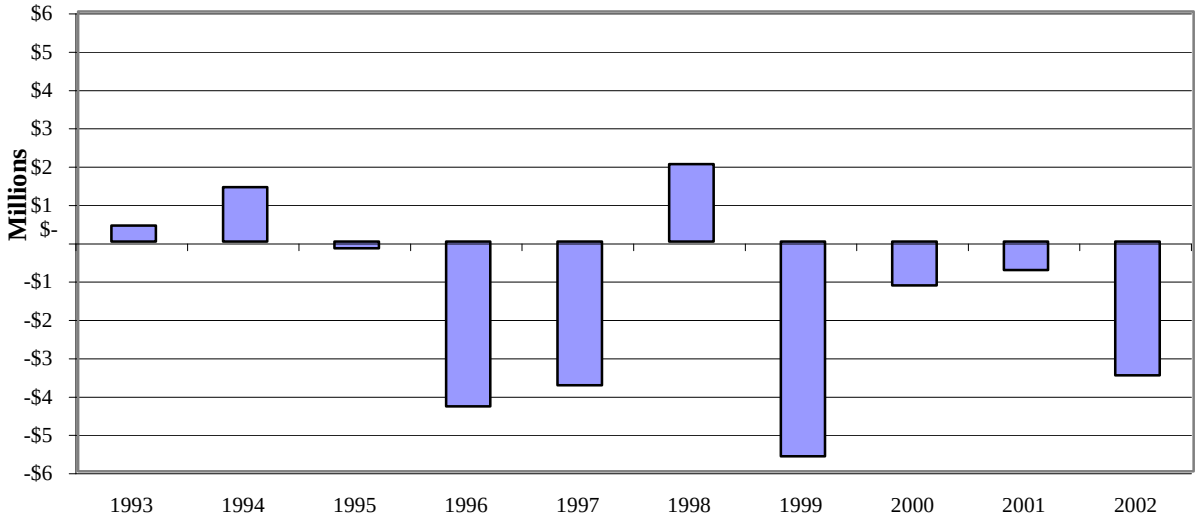
Note: Positive variances from forecast indicate actual was higher than forecast and vice versa .

Chart 2: Analysis of Pre-tax Earnings Volatility - Sample Rate vs. Energy Only Rate



Note: Positive numbers indicate increased pre-tax earnings and vice versa .

Chart 3
Difference in Pre-tax Earnings of Newfoundland Power in
Changing from Energy-Only Rate to Sample Rate



Note: Positive numbers indicate increased pre-tax earnings and vice versa .