Q. Explain the 23.8% over-estimate of transmission losses from test year 2004 to actual 2004 as appears on Schedule III from the evidence of J.R. Haynes.

A. Hydro's forecast of the system transmission loss rate is based on the most recent ten year average of operating history available during the preparation of the load forecast. This loss rate is a moving average that reflects system load characteristics and generation configurations as they change over time.

The forecast of transmission losses for the test year 2004 was 3.4% and it was based on Hydro's actual transmission loss rates for the years 1993 to 2002. Hydro's actual loss rate in 2004 was 2.7%.

Hydro's actual loss rate will vary from forecast due to a complex interaction of generation issues such as hydro-thermal split and the location of incremental generation, weather variation from normals, system load patterns, voltage levels and line outages. Taken together, these factors resulted in a lower overall system transmission loss rate in 2004 than the applicable historical average.