Q. Re: Drivers of the proposed rate increase, page 1-9 and page 4-3, Table 4-1

Please confirm that the required rate increase would be lower if the rate of increase in electricity sales (i.e., sales growth) were not forecast to be declining.

A. Not confirmed.

The rate of increase in electricity sales has minimal impact on the required rate increase.

To illustrate, Attachment A provides the impact on revenue requirement and the required rate increase assuming a 1% increase in peak demand and energy relative to the 2017 forecast. Attachment A shows the 2017 increase required from Final Rates is higher than proposed by $142,000. Attachment A also shows that while the revenue from Final Rates is higher, the percent increase required from final rates will be lower by 0.01%.

Detailed Impact Computations of 1% Increase in Peak Demand and Energy Relative to 2017 Forecast

Impact on 2017 Revenue Requirement and Requested Rate Increase of a 1% increase in Peak Demand and Energy Relative to Forecast ($000's)

Impact on Proposed 2017 Revenue from Rates Including RSA & MTA[1]

Proposed Total Revenue from Rates[2]	$693,036	
Change in Demand Supply Cost	$729	= 1,406.14 MW[3] x 1% x $51.84
Change in Energy Supply Cost	$6,033	= 6,344.6 GWh[4] x 1% x $0.09509
Change in RSA	($63)	= ($63)[5]
Change in Municipal Taxes	$167	= [$729 + $6,033 + ($63)] x 2.487%[6]
Revised Total Revenue from Rates	$699,902	= $693,036+ $729 + $6,033 + ($63) + $167

Impact on Existing 2017 Revenue from Rates Including RSA and MTA

Total Revenue from Existing Rates before impact	$672,401	= $675,244[7] - $2,843[8]
Change in Revenue From Existing Rates	$6,624	= $662,443[9] x 1%
Change in RSA	($63)	= ($63)[5]
Change in Municipal Taxes	$163	= [$6,624 + ($63)] x 2.487%[6]
Revised Total Revenue from Existing Rates	$679,125	= $672,401 + $6,624 + ($63) + $163

Revised Increase in Total Revenue From Final Rates	$20,777	= $699,902 - $679,125
Less: Proposed Increase in Total Revenue From Final Rates	$20,635	= $20,635[10]
Impact on 2017 total revenue from Final Rates	**$142**	
Revised Customer Rate Change	3.06%	= $20,777 ÷ $679,125
Less: Proposed Customer Rate Change[11]	3.07%	
Customer Rate Change Impact	**(0.01)%**	

1 Does not include the impact that a higher sales forecast would have on Newfoundland Power's Capital and Operating cost.
2 Revenue requirement from final rates, Exhibit 9, Page 2.
3 2016 forecast Native Peak is the basis for the proposed purchased power 2017 demand charges. Native Peak from *Customer, Energy, and Demand Forecast, Appendix C.*
4 2017 proposed Produced and Purchased Energy. Produced and Purchased Energy from *Customer, Energy, and Demand Forecast, Appendix B.*
5 RSA Impact equals 2017 proposed total energy sales of 5,990.1 GWh times 1% times the July 1, 2015 RSA factor ($0.00105). Energy sales from the *Customer, Energy, and Demand Forecast, Appendix B.*
6 MTA factor of 1.02487 effective July 1, 2015.
7 Total Existing Revenue from Rates including RSA and MTA, Exhibit 9, Page 2.
8 Total Price Elasticity Effect, Exhibit 9, Page 2.
9 Revenue from existing base rates ($665,246) less price elasticity effects ($2,803), Exhibit 9, Page 2.
10 Proposed Increase in Total Revenue from Rates including RSA and MTA, Exhibit 9, Page 2.
11 The proposed rate increase from Exhibit 9, Page 2. [$20,635/($675,244 - $2,843)].