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

Please prepare a table showing the rate increase that would be required if electricity sales were forecast to increase by 2.0% in 2016 and 2017 for each customer class, taking into account the related increases in costs and revenues.

A. ***An electricity sales increase in 2017***

As indicated in the response to Request for Information CA-NP-213 the rate of increase in electricity sales has minimal impact on the required rate increase.

A 4% increase in peak demand and energy relative to the 2017 forecast (2% in each of 2016 and 2017) would result in the required increase in revenue from Final Rates to be higher than proposed by $563,000 and the required rate increase would be lower by 0.04%.

An electricity sales increase in 2016

The proposed rate increase is based on 2017 costs and sales not 2016 costs and sales. As a result a change in sales in 2016 would, in of itself, not change the required rate increase. However a change in sales in 2016 would impact the 2016 shortfall and consequently affect the cost of the 2017 proposed amortization of the 2016 revenue shortfall. The proposed 2017 amortization of the 2016 revenue shortfall is estimated to be 0.2% of the proposed rate increase.[1] An increase in sales forecast for 2016 would tend to reduce the 2016 shortfall resulting in a reduction in the 2017 proposed amortization of the 2016 revenue shortfall.

[1] See the response to Request for Information PUB-NP-015.