Q. Re: Energy Sales and Demand Forecast, Tables 6-3 and 6-4

Please prepare a table comparing the annual percentage increases in forecast energy sales and demand. Explain the drivers for any deviations between the rates of increase.

A. Table 1 shows the annual percentage changes in forecast energy sales by rate category.

Table 1
Energy Sales Forecast
2015F to 2017F
(Percent Change)

	2015F	2016F	2017F
Domestic	1.2	0.6	0.3
General Service			
0-100 kW (110 kVA)	1.1	1.2	0.5
110-1000 kVA	3.9	0.2	1.1
1000 KVA and Over	-4.8	-2.6	-4.6
Total General Service	1.0	-0.1	-0.3
Street and Area Lighting	0.6	0.3	0.6
Total Energy Sales	1.1	0.4	0.1

A copy of Newfoundland Power's Customer, Energy and Demand Forecast is provided in *Volume 2, Exhibits & Supporting Materials, Reports, Tab 4*. This report provides a description of the forecast methodology and the various assumptions used in preparing the forecast.

Energy sales growth rates in the Domestic category are forecast to decline. This is attributed to both lower customer growth and declining average use per customer. The lower customer growth reflects a decline in the forecast number of housing starts.

The decline in average use per customer is attributed to a number of factors including:

- higher electricity prices[1],
- lower household disposable income, and
- the impact of energy conservation programs.

Energy sales growth rates in the General Service category are forecast to decline. In the small general service category 0-100 kW (110 KVA) declining energy sales growth is attributed to low growth in the service-producing sector of the economy, higher electricity prices and the impact of energy conservation programs.

In the larger general service categories 110-1000 kVA, and 1000 kVA and Over, energy sales is attributed to larger customers in the goods-producing sector of the economy. The winding down of construction at Vale's hydromet facility and the completion of the Hebron offshore platform will negatively impact energy sales by 23.5 GWh in 2016 and 23.6 GWh in 2017. Larger general service categories are also impacted by energy conservation programs. Growth rates in 2015 and 2016 are also impacted by the movement of customers between the larger general service categories.

Table 2 shows the annual percentage changes in demand.

Table 2
Demand Forecast
2015F to 2017F
(Percent Change)

	2015F	**2016F**	**2017F**
Native Peak	0.9	0.1	0.4
Purchased	0.9	0.1	0.4

Newfoundland Power native peak demand is determined by applying a 15 year average normalized load factor to total produced and purchased. Purchased peak is calculated by subtracting load curtailment and the generation credit. Variations in annual percentage changes in demand are attributed to changes in energy growth. Detailed calculations of peaks in provided in *Volume 2, Exhibits & Supporting Materials,* Reports, Tab 4, Appendix C.

[1] Electricity price changes include: 2.0% increase on July 1, 2014 related to the annual review of the Rate Stabilization Account; 5.25% decrease on July 1, 2015 related to the annual review of the Rate Stabilization Account and Newfoundland Hydro Interim Rate increase; the elimination of the 8% Residential Rebate on July 1, 2015; the increase in HST from 13% to 15% effective January 1, 2016; and Newfoundland Power's proposed 3.1% increase in customer rates effective July 1, 2016.