

1 Q. **Load Forecast, Generation, and Purchases**

2 On page 3.15 lines 24-25 [Volume I, section 3.5.1] Hydro notes “lower
3 Newfoundland Power and Hydro Rural requirements that mirror expected
4 provincial economic conditions”. Please provide details of the review of economic
5 conditions to arrive at this conclusion.

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8 A. The statement on page 3.15 lines 24-25 (Volume I, section 3.5.1) was based on
9 economic outlooks for the province published by the Provincial Government in the
10 Spring of 2016 and Spring of 2017 in conjunction with the provincial government
11 budget forecasts. Both economic outlooks indicated declines in provincial real gross
12 domestic product, real personal disposable income, retail sales and population for
13 2017 relative to 2016. The changes in the economic indicator variables from 2016 to
14 2017, if realized, would be expected to have a negative influence on provincial retail
15 electricity consumption. Please refer to IC-NLH-079, Attachment 1 and Attachment
16 2, for the economic outlook forecasts published by the provincial government.

Selected Economic Indicators, Newfoundland and Labrador
2007 - 2021f

Indicator	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016e	2017f	2018f	2019f	2020f	2021f
GDP (\$m)	29,065	31,572	25,001	29,085	33,539	32,032	34,462	34,022	30,100	29,967	30,503	31,486	32,905	33,562	34,344
% change	18.3	8.6	-20.8	16.3	15.3	-4.5	7.6	-1.3	-11.5	-0.4	1.8	3.2	4.5	2.0	2.3
% change, real	11.3	-1.5	-10.1	5.5	2.9	-4.4	5.2	-1.0	-2.0	-0.7	-3.8	-0.2	0.3	-0.6	0.2
Final Domestic Demand* (\$m)	22,075	23,660	24,872	26,990	29,629	32,170	34,628	36,900	37,368	36,951	36,174	34,128	33,941	33,910	33,384
% change	6.3	7.2	5.1	8.5	9.8	8.6	7.6	6.6	1.3	-1.1	-2.1	-5.7	-0.5	-0.1	-1.6
% change, real	4.6	4.2	2.9	6.6	7.1	6.6	6.0	4.1	0.1	-3.2	-4.1	-7.5	-2.5	-2.5	-3.6
Household Income (\$m)	16,620	17,861	18,604	19,424	20,905	22,403	23,530	24,315	25,260	25,430	25,348	25,244	25,630	26,091	26,467
% change	8.4	7.5	4.2	4.4	7.6	7.2	5.0	3.3	3.9	0.7	-0.3	-0.4	1.5	1.8	1.4
% change, real	6.9	4.5	3.9	1.9	4.1	5.0	3.3	1.4	3.4	-2.0	-3.2	-2.8	-0.7	-1.9	-1.0
Household Disposable Income (\$m)	10,905	11,824	12,712	13,402	14,319	15,287	16,025	16,626	17,271	17,217	17,153	17,107	17,387	17,717	17,987
% change	9.0	8.4	7.5	5.4	6.8	6.8	4.8	3.8	3.9	-0.3	-0.4	-0.3	1.6	1.9	1.5
% change, real	7.4	5.4	7.2	2.9	3.3	4.6	3.1	1.8	3.4	-2.9	-3.2	-2.6	-0.6	-1.8	-0.9
Retail Sales (\$m)	6,528	7,009	7,121	7,453	7,833	8,182	8,589	8,882	8,900	8,982	8,966	8,838	8,857	9,018	9,128
% change	8.6	7.4	1.6	4.7	5.1	4.5	5.0	3.4	0.2	0.9	-0.2	-1.4	0.2	1.8	1.2
% change, real	7.6	7.2	2.5	3.0	3.2	3.5	4.3	1.4	-0.7	-1.6	-3.0	-2.6	-1.4	0.2	-0.3
CPI (2002=100)	111.1	114.3	114.6	117.4	121.4	123.9	126.0	128.4	129.0	132.5	136.4	139.7	142.8	148.2	151.8
% change	1.5	2.9	0.3	2.4	3.4	2.1	1.7	1.9	0.5	2.7	2.9	2.4	2.2	3.8	2.4
Capital Investment (\$m)	4,425	5,306	5,293	6,341	7,952	9,825	11,566	12,946	12,868	12,050	11,116	9,018	8,850	8,371	7,575
% change	-4.0	19.9	-0.2	19.8	25.4	23.6	17.7	11.9	-0.6	-6.4	-7.8	-18.9	-1.9	-5.4	-9.5
% change, real	-4.4	13.8	-3.2	19.1	24.8	20.6	16.4	8.6	-2.5	-7.9	-9.1	-20.1	-3.6	-7.1	-10.9
Housing Starts	2,649	3,261	3,057	3,606	3,488	3,885	2,862	2,119	1,697	1,398	1,350	1,251	1,192	1,105	1,076
% change	18.6	23.1	-6.3	18.0	-3.3	11.4	-26.3	-26.0	-19.9	-17.6	-3.4	-7.3	-4.7	-7.3	-2.6
Employment (000s)	217.0	221.1	215.1	222.8	231.9	240.8	242.7	238.6	236.2	232.6	228.3	221.8	217.2	214.5	211.5
% change	1.2	1.9	-2.7	3.6	4.1	3.8	0.8	-1.7	-1.0	-1.5	-1.9	-2.8	-2.1	-1.2	-1.4
Labour Force (000s)	251.0	255.2	254.6	261.2	265.3	274.5	274.5	270.9	270.8	268.7	265.1	262.5	260.1	257.1	255.5
% change	-0.2	1.7	-0.2	2.6	1.6	3.5	0.0	-1.3	0.0	-0.8	-1.3	-1.0	-0.9	-1.2	-0.6
Unemployment Rate (%)	13.5	13.4	15.5	14.7	12.6	12.3	11.6	11.9	12.8	13.4	13.9	15.5	16.5	16.6	17.2
Participation Rate (%)	59.0	59.6	58.9	59.7	60.2	62.0	61.7	61.0	61.1	60.5	60.0	59.6	59.4	59.0	59.0
Population (000s)	509.0	511.5	516.7	522.0	525.0	526.5	527.4	528.3	528.7	530.1	527.3	525.0	522.1	519.4	516.3
% change	-0.3	0.5	1.0	1.0	0.6	0.3	0.2	0.2	0.1	0.3	-0.5	-0.4	-0.5	-0.5	-0.6

* Final domestic demand measures demand in the local economy by summing consumption, investment and government expenditures. It excludes net exports.

GDP: Gross Domestic Product at market prices; CPI: Consumer Price Index

Source: Statistics Canada; CMHC; Economic and Project Analysis Division, Department of Finance

e:estimate; f: forecast, Department of Finance (March 2017)

Major Forecast Assumptions, 2017-2021

These assumptions indicate the expectations for major factors that will affect the provincial economy in the medium term. They were prepared in mid-March for Budget 2017 which was released on April 6, 2017.

Offshore Oil Production

- Oil production is expected to total 70.8 million barrels in 2017 and average roughly 99 million barrels per year over the 2018 to 2021 period.
- The Hebron oil project is expected to begin production in late 2017 and ramp up over the next several years.

Mining

- The value of mineral shipments is expected to rise in 2017 as production increases at IOC and Tata more than offset lower nickel production at Voisey's Bay.

Investment Spending and Construction

- Capital investment is expected to remain high in 2017 due to significant spending on major projects, particularly Hebron and Muskrat Falls.
- Capital investment is expected to decline significantly over the remainder of the forecast period as several major projects, in particular Hebron and Muskrat Falls are completed.
- Total employment associated with major projects is expected to steadily decline over the forecast period.

Other Assumptions

- Oil prices are expected to gradually rise over the forecast period. Brent crude oil is expected to average US\$55.51/barrel in calendar year 2017 and rise to US\$72.50 by 2021.
- The Canadian dollar is expected to average approximately US\$0.75 cents in calendar year 2017, on par with 2016. It is expected to slowly rise beyond 2017 as oil prices recover.
- Government spending and revenue are consistent with the goals and measures outlined in Budget 2017.

Provincial Economic Indicators

	2015e	2016f	2017f	2018f	2019f	2020f	2021f
GDP at Market Prices (\$ M)	30,133	29,656	30,301	30,616	31,191	31,902	32,975
% Change	-10.1	-1.6	2.2	1.0	1.9	2.3	3.4
% Change, real	-2.3	1.0	-3.3	-3.4	-1.1	-0.6	1.4
Final Domestic Demand* (\$ M)	35,078	35,337	33,423	30,319	29,812	29,245	29,286
% Change	-1.6	0.7	-5.4	-9.3	-1.7	-1.9	0.1
% Change, real	-2.8	-0.5	-6.7	-10.7	-3.5	-3.6	-1.5
Household Income (\$ M)	24,883	25,139	24,179	23,548	23,841	24,233	24,694
% Change	1.6	1.0	-3.8	-2.6	1.2	1.6	1.9
% Change, real	1.1	-1.2	-5.7	-4.8	-1.0	-0.4	0.1
Household Disposable Income (\$ M)	17,164	17,257	16,522	16,107	16,326	16,603	16,919
% Change	1.7	0.5	-4.3	-2.5	1.4	1.7	1.9
% Change, real	1.2	-1.6	-6.2	-4.7	-0.8	-0.3	0.1
Retail Sales (\$ M)	8,921	9,055	8,890	8,609	8,503	8,546	8,708
% Change	0.4	1.5	-1.8	-3.2	-1.2	0.5	1.9
% Change, real	0.5	-0.7	-3.9	-4.4	-2.4	-0.6	0.6
Consumer Price Index (2002=100)	129.0	131.9	134.6	137.6	140.6	143.5	146.0
% Change	0.5	2.2	2.0	2.2	2.2	2.0	1.8
Capital Investment (\$ M)	10,895	10,958	9,600	7,210	6,930	6,260	5,956
% Change	-8.1	0.6	-12.4	-24.9	-3.9	-9.7	-4.9
% Change, real	-9.9	-0.6	-13.3	-25.7	-5.4	-11.0	-6.5
Housing Starts (Units)	1,697	1,434	1,055	840	786	908	1,059
% Change	-19.9	-15.5	-26.4	-20.4	-6.4	15.5	16.6
Employment (000s)	236.2	233.7	221.9	208.8	203.1	201.3	200.7
% Change	-1.0	-1.0	-5.1	-5.9	-2.7	-0.9	-0.3
Labour Force (000s)	270.8	268.1	261.5	255.6	253.2	250.1	247.4
% Change	0.0	-1.0	-2.4	-2.3	-0.9	-1.2	-1.0
Unemployment Rate (%)	12.8	12.8	15.2	18.3	19.8	19.5	18.9
Population (000s)	527.8	527.1	523.3	517.2	513.6	510.4	507.2
% Change	-0.2	-0.1	-0.7	-1.2	-0.7	-0.6	-0.6

* Final domestic demand measures demand in the local economy by summing consumption, investment and government expenditures; it excludes net exports.

e: estimate; f: forecast, Department of Finance, March 2016

Source: Statistics Canada; Department of Finance