1 **Q.**   **Reference: "2022/2023 General Rate Application," Newfoundland Power, May 27,**
2   **2021, Volume 2, Section 3.**
3
4   **a) Does Newfoundland Power apply any subjective judgment to its demand**
5   **forecast before it is finalized?**
6   **b) Does Newfoundland Power make any judgmental adjustments to its demand**
7   **forecast for the purpose of purchased power costs?**
8
9 A.   a) In 2021, Newfoundland Power adopted a 5-year average load factor methodology to
10   forecast peak demand. This replaced the 15-year average load factor methodology
11   that was previously used by the Company.[1] Use of a 5-year average system load
12   factor, as opposed to a 15-year average system load factor, increases Newfoundland
13   Power's peak demand forecast by approximately 9 MW.
14
15   The decision to adopt a 5-year average load factor methodology was based on
16   objective evidence and consideration of the lower forecast peak demand estimated by
17   the 15-year average load factor methodology.
18
19   In 2021, Newfoundland Power surveyed 12 Canadian utilities to understand their
20   peak demand forecasting methodologies. Of the 12 surveyed utilities, 6 use
21   methodologies similar to Newfoundland Power's load factor methodology, which
22   relies on forecast energy consumption and historic energy and demand data. The
23   survey indicated that, for utilities using a similar forecast approach, Newfoundland
24   Power used the longest historic time period to forecast its peak demand.[2] The most
25   commonly used time period was between 3 and 5 years.
26
27   In addition to adopting a 5-year average load factor methodology, Newfoundland
28   Power applied judgment in excluding the 2020 average system load factor from the
29   calculation of the Company's peak demand.[3] Including the 2020 system load factor
30   would have reduced the Company's peak demand forecast by approximately 4 MW.
31
32   b) Newfoundland Power relies on the results produced by its demand forecast
33   methodology to forecast purchased power costs. The Company does not apply any
34   judgmental adjustments to its demand forecast for the purposes of forecasting
35   purchased power costs.

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[1]   See the *2022/2023 General Rate Application, Volume 2, Tab 3, Customer, Energy and Demand Forecast,
       Section 2.5: Peak Demand.*
[2]   Of the 6 utilities using a peak demand forecast methodology similar to Newfoundland Power, 1 utility used 1
       year of historical data, 3 utilities used 3 to 5 years of historical data, and 2 utilities used 10 years of historical
       data.
[3]   Newfoundland Power's load factor in 2020 was the highest recorded system load factor in at least 30 years and
       was influenced by public health measures in effect to manage the COVID-19 pandemic.