

Q. Reference: Volume 2, Tab 6, Customer Energy and Demand Forecast

NP indicates at page 5 that (i) “Energy sales under existing rates are forecast to increase by 1.8% for 2009 and 1.7% for 2010”, (ii) “Energy sales under proposed rates are forecast to increase by 1.8% in 2009 and 1.0% in 2010”, (iii) “the number of domestic customers is forecast to grow by 1.3% in 2009 and 1.1% in 2010”, (iv) “Using proposed rates the average use of energy is forecast to increase by 0.9% in 2009 and decrease by 0.2% in 2010”, and (v) “System losses are based on historical information and are forecast to be approximately 5.4% of total produced and purchased.

- (a) Please confirm that system losses are forecast to be approximately 5.4% in 2009 and in 2010. If not, please provide the forecast for each year.
- (b) Please provide actual percentage system losses for the years 1999 to 2008 (corresponding to the years included in V2/T6/App D) and provide an explanation of any forecast trend for the 2009 to 2010 period. Also, please provide details of any explainable variances from the average system losses during the years 1999 to 2008.
- (c) Please confirm that using current rates, the average use of energy is forecast to increase by 0.9% in 2009 and increase by 0.5% in 2010.
- (d) Please confirm that the difference between the average use of energy in 2010 at current rates (increase of 0.5%) and at proposed rates (decrease by 0.2%) is explained fully by the elasticity effect associated with the proposed rate increase. If not, please provide details of all other contributing factors.

A. (a) Table 1 provides forecast system losses for 2009 and 2010.

Table 2
Forecast System Losses
(GWh)

| Year | Energy Sales | Company Use | System Losses | Produced & Purchased | % of P&P |
|----------|--------------|-------------|---------------|----------------------|----------|
| Existing | | | | | |
| 2009 | 5,303.3 | 11.8 | 303.4 | 5,618.5 | 5.40 |
| 2010 | 5,395.6 | 11.8 | 308.7 | 5,716.1 | 5.40 |
| Proposed | | | | | |
| 2009 | 5,303.3 | 11.8 | 303.4 | 5,618.5 | 5.40 |
| 2010 | 5,354.9 | 11.8 | 306.3 | 5,673.0 | 5.40 |

- (b) Table 2 provides Newfoundland Power's actual system losses for the period 1999 to 2008.

Table 2
Actual System Losses
(GWh)

| Year | Energy Sales | Company Use | System Losses | Produced & Purchased | % of P&P |
|-------------|---------------------|--------------------|----------------------|---------------------------------|---------------------|
| 1999 | 4,499.7 | 11.1 | 231.1 | 4,741.9 | 4.9 |
| 2000 | 4,554.8 | 11.5 | 289.1 | 4,855.4 | 6.0 |
| 2001 | 4,666.7 | 11.8 | 232.5 | 4,911.0 | 4.7 |
| 2002 | 4,764.9 | 11.8 | 251.3 | 5,028.0 | 5.0 |
| 2003 | 4,882.0 | 12.2 | 256.1 | 5,150.3 | 5.0 |
| 2004 | 4,978.6 | 12.5 | 274.4 | 5,265.5 | 5.2 |
| 2005 | 5,004.0 | 12.1 | 282.7 | 5,298.8 | 5.3 |
| 2006 | 4,995.1 | 11.7 | 285.9 | 5,292.7 | 5.4 |
| 2007 | 5,092.8 | 11.8 | 289.9 | 5,394.5 | 5.4 |
| 2008 | 5,208.2 | 11.7 | 293.9 | 5,513.8 | 5.3 |

Prior to 2006, the Company recognized sales on the basis of billings but recognized produced and purchased on a calendar basis. This mismatch affected system losses for years prior to 2006. Commencing in 2006, the Company began recognizing sales on a calendar basis which effectively eliminated this mismatch.

The variability in system losses in 2000 and 2001 is related to the mismatch between the number of billing and calendar days. Over the past ten years system losses has increased from approximately 4.9% to 5.4%. This change in losses is directly related to the increase in load on the system.

- (c) Using current rates the average use of energy for Domestic is forecast to increase by 0.9% in 2009 and 1.0% in 2010. Using proposed rates the average use of energy for Domestic is forecast to increase by 0.9% in 2009 and decrease by 0.2% in 2010.
- (d) The difference between the 1.0% increase in average use of energy for Domestic in 2010 at current rates and the 0.2% decrease in average use of energy for Domestic in 2010 at proposed rates is fully explained by the elasticity effects associated with the proposed rate increase.