

1 **Q. Have the variances of past years in expenditures for load growth caused NP to**
2 **investigate the use of information from other sources for inclusion in the annual**
3 **capital budget process?**
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5 A. Newfoundland Power regularly monitors all publicly available economic forecasts for its
6 service territory, and assesses the reasonableness of its forecast methodology and
7 information inputs on an ongoing basis.
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9 Newfoundland Power requires detailed medium term (5-year) projections of the economy
10 in its service territory in preparing its customer, energy and demand forecast. This
11 economic forecast information must be available in a timely manner and at a reasonable
12 cost. The information sources available to meet these requirements are limited. For
13 example, banks and other financial institutions provide only short term (1- to 2-year)
14 economic forecasts with little detail available at a provincial level. The Government of
15 Newfoundland and Labrador prepares detailed medium term economic forecasts,
16 however limited information is made available for public use. The only agency which
17 publishes comprehensive forecast information that meets Newfoundland Power's
18 requirements is the *Conference Board of Canada*.
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20 The Company observes that variances in capital expenditures related to load growth in
21 recent years have been primarily related to higher than anticipated numbers of new
22 customer connections which have impacted Distribution project costs. These variances
23 reflect a strong local housing market which has consistently exceeded *all* forecasters'
24 expectations in recent years.¹ Newfoundland Power considers it appropriate to rely on
25 independent expert forecast sources, despite recent widespread difficulties with this
26 forecast parameter. The Company will also continue to use a variety of forecast
27 information sources, as described in Response to Request for Information PUB NP 003.

¹ Newfoundland Power obtains housing start projections from sources including Conference Board of Canada, Canada Mortgage and Housing Corporation, Royal Bank of Canada, Toronto Dominion, Bank of Montreal, and the Government of Newfoundland and Labrador. In 2010, for example, the available forecasts ranged from 1,947 to 3,000 housing starts, and averaged 2,615 units. The actual number of housing starts was 3,606 units, exceeding the highest forecast by over 20%.