

1     Q.     Reference: Interim Rate Application, Jan. 28, 2015, Evidence, Section 2. 3.2, pages 6  
2             to 8

3             Further to TIR-V-NLH-001, please fully explain Hydro's procedure for forecasting the  
4             currency exchange, the forecasted exchange rate used in calculating the \$65.63 per  
5             barrel, and Hydro's current confidence level on the forecast as a result of recent  
6             volatility in the Canadian dollar exchange rates.

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9     A.     Please note that the \$65.63 per barrel referred to in Hydro's 2015 Interim Rate  
10            Application, Evidence, Section 2.3.2, pages 6 to 8 reflects the consumption price of  
11            fuel used by Hydro for the period based on a forecast of monthly fuel prices. For  
12            preparing its near term monthly fuel price forecasts, Hydro relies on currency  
13            exchange forecasts published by Canadian financial and banking institutions. The  
14            Canadian financial and banking institutions typically publish currency exchange  
15            forecasts on a regular basis from which Hydro calculates a composite forecast  
16            based on an average of the published forecasts. The table below provides the  
17            forecasted exchange rate used to determine the forecasted monthly fuel prices for  
18            2015 that resulted in a consumption fuel price forecast of \$65.63 per barrel.

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**Forecast Exchange (Cost of 1 US Dollar)**

Q1 2015	1.158
Q2 2015	1.168
Q3 2015	1.183
Q4 2015	1.189

Note: Forecast exchange as of January 1, 2015

- 1 Please note that the Canadian financial and banking institutions do not provide a
- 2 confidence level for their exchange forecasts.