Volume 2, Tab 7 – An Analysis of Current Supply Cost Dynamics

Q. (page 2, Footnote 6) In light of NP's demand management initiatives, is it appropriate to assume the load curve will remain constant going forward? In NP's demand forecast documented in Volume 2, Tab 8, is the load curve assumed to remain constant going forward without any improvement in system load factor?

A. Newfoundland Power's forecast is updated annually to reflect changes in system load factor. The marginal demand supply cost of purchases provided in Table 1 on page 2 of the *Analysis of Current Supply Cost Dynamics*, *Volume 2, Tab 7*, was computed based on an approximate load factor of 50% to enable the presentation of the marginal demand cost on a cents-per-kilowatt-hour basis.

Newfoundland Power's native peak is determined using a load factor based methodology. The load factor used in the calculation is the average of 15 years of normalized annual load factors. The forecast native peak is calculated by applying the average load factor to forecast of total produced and purchased power. The forecast native peak is then reduced to reflect the impact of the demand management initiatives of customer load curtailment and load reduction at Company-owned facilities.

Newfoundland Power is participating in a joint Conservation and Demand Management Potential Study with Hydro in 2007. Any resulting demand management initiatives implemented will be considered when preparing future native peak forecasts.