

1 **Volume 2, Tab 8 – Customer, Energy and Demand Forecast**
2

3 **Q. (page 4) “The forecast assumes no changes in the price of electricity on July 1, 2007**
4 **as a result of the rate stabilization mechanism. The forecast includes an electricity**
5 **rate decrease of 2.1 percent on July 1, 2008. This reduction reflects the net impact of**
6 **an expected base increase in rates by Newfoundland and Labrador Hydro and a**
7 **reduction related to the full recovery of the December 2003 outstanding balance in**
8 **Newfoundland and Labrador Hydro’s Rate Stabilization Plan.” Do these**
9 **assumptions remain valid; i.e., why does the sales energy sales forecast assume no**
10 **changes in the price of electricity on July 1, 2007? If updating these assumptions to**
11 **reflect a decrease in the price of electricity on July 1, 2007, what would be the**
12 **impact on NP’s energy sales forecast in the test year, the test year revenue**
13 **requirement, the rate changes proposed in the Application, and “the 2008 elasticity**
14 **effects of 32.9 GWh directly resulting from the proposed 2008 customer rate**
15 **increase of 5.3 percent” referenced at footnote 2, page 108 of Section 4?**

16
17 **A.** Newfoundland Power’s *Customer, Energy and Demand Forecast 2007 – 2008* which
18 forms the basis of the test year forecast used in the Application, was completed on
19 January 8, 2007, and was based on the rate increases anticipated when the forecast was
20 being prepared. At the time the forecast was prepared, there was no basis upon which a
21 forecast of a July 1, 2007 rate change resulting from the annual review of the rate
22 stabilization mechanism could be made.

23
24 To date, Newfoundland Power has not completed a forecast model run incorporating the
25 impact of the July 1, 2007 rate decrease. Consequently, the impact on Newfoundland
26 Power’s Customer, Energy and Demand Forecast or its forecast of test year revenue and
27 purchased power costs is not known. However, it is reasonable to expect that the July 1,
28 2007 rate decrease would result in higher energy sales, demand, revenue and purchased
29 power costs in 2007 and 2008.

30
31 As indicated in the response to CA-NP-176, Newfoundland Power expects to update its
32 forecasts to reflect the best information available approximately one month prior to the
33 scheduled commencement of the hearing.