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

Q. Please provide a forecast, covering the 2007-2012 annual periods, of the Company's: (i) number of domestic/residential customers and general service customers, and (ii) domestic and general service energy sales (GWh), both split between rural and urban customers and sales.

a. If the figures provided in answer to (a) show a discernible shift from rural toward urban customers and sales, does this shift itself in any way reduce the likely accuracy and/or reliability of the Company's energy sales revenue forecasts over the 2007-2012 period? If so, please explain how.

b. If the figures provided in answer to (a) show a discernible shift from rural toward urban customers and sales, does this shift increase or decrease the Company's business risk in any meaningful way? Please explain all forms of business risk impact occasioned by this shift and provide an evaluation of their seriousness, including any available evidence that investors consider this customer-composition shift to be a serious business risk facing the Company.

A. Tables 1 to 8 provide the forecast of Customer and Energy Sales (GWh) by area for the 2007 to 2011 period under existing rates.

Table 1
Customer and Energy Sales (GWh) Forecast
St. John's Area

	2007	**2008**	**2009**	**2010**	**2011**
Customers:					
Domestic	83,208	84,367	85,472	86,534	87,557
General Service	7,626	7,730	7,837	7,937	8,040
Street Lighting	2,368	2,363	2,356	2,346	2,335
Total	93,202	94,460	95,665	96,817	97,932
Growth	1.6%	1.3%	1.3%	1.2%	1.2%
Energy Sales (GWh):					
Domestic	1,426.6	1,465.9	1,500.0	1,530.8	1,557.1
General Service	1,018.2	1,036.8	1,056.9	1,075.1	1,089.9
Street Lighting	16.0	16.0	16.0	16.1	16.1
Total	2,460.8	2,518.7	2,572.9	2,622.0	2,663.1
% Growth	1.6%	2.4%	2.2%	1.9%	1.6%

Table 2
Customer and Energy Sales (GWh) Forecast
Avalon Area

	2007	2008	2009	2010	2011
Customers:					
Domestic	29,278	29,483	29,690	29,898	30,109
General Service	3,299	3,300	3,302	3,302	3,303
Street Lighting	2,687	2,717	2,746	2,776	2,806
Total	35,264	35,500	35,738	35,976	36,218
% Growth	0.7%	0.7%	0.7%	0.7%	0.7%
Energy Sales (GWh):					
Domestic	393.2	399.1	404.5	409.0	412.9
General Service	186.4	188.5	189.2	189.3	191.3
Street Lighting	5.5	5.5	5.5	5.5	5.5
Total	585.1	593.1	599.2	603.8	609.7
% Growth	0.8%	1.4%	1.0%	0.8%	1.0%

Table 3
Customer and Energy Sales (GWh) Forecast
Burin Area

	2007	2008	2009	2010	2011
Customers:					
Domestic	9,728	9,740	9,753	9,767	9,781
General Service	1,106	1,102	1,097	1,092	1,087
Street Lighting	492	491	490	488	487
Total	11,326	11,333	11,340	11,347	11,355
% Growth	0.2%	0.1%	0.1%	0.1%	0.1%
Energy Sales (GWh):					
Domestic	144.3	145.7	146.8	147.6	148.4
General Service	80.5	85.6	85.4	86.2	93.1
Street Lighting	1.8	1.8	1.8	1.8	1.8
Total	226.6	233.1	234.0	235.6	243.3
% Growth	1.5%	2.9%	0.4%	0.7%	3.3%

Table 4
Customer and Energy Sales (GWh) Forecast
Clarenville / Bonavista Area

	2007	2008	2009	2010	2011
Customers:					
Domestic	13,088	13,139	13,189	13,239	13,289
General Service	1,832	1,826	1,819	1,812	1,804
Street Lighting	1,059	1,059	1,059	1,059	1,060
Total	15,979	16,024	16,067	16,110	16,153
% Growth	0.3%	0.3%	0.3%	0.3%	0.3%
Energy Sales (GWh):					
Domestic	163.8	166.0	167.9	169.6	170.6
General Service	114.2	115.1	115.5	117.4	125.8
Street Lighting	2.0	2.0	2.0	2.0	2.0
Total	280.0	283.1	285.4	289.0	298.4
% Growth	0.0%	1.1%	0.8%	1.3%	3.3%

Table 5
Customer and Energy Sales (GWh) Forecast
Gander Area

	2007	2008	2009	2010	2011
Customers:					
Domestic	16,494	16,585	16,674	16,761	16,849
General Service	1,996	1,994	1,993	1,992	1,988
Street Lighting	706	707	708	709	710
Total	19,196	19,286	19,375	19,462	19,547
% Growth	0.4%	0.5%	0.5%	0.5%	0.4%
Energy Sales (GWh):					
Domestic	220.1	223.6	226.7	229.3	231.4
General Service	162.3	168.1	169.8	171.5	172.5
Street Lighting	2.7	2.7	2.7	2.7	2.7
Total	385.1	394.4	399.2	403.5	406.6
% Growth	1.4%	2.4%	1.2%	1.1%	0.8%

Table 6
Customer and Energy Sales (GWh) Forecast
Grand Falls - Windsor Area

	2007	**2008**	**2009**	**2010**	**2011**
Customers:					
Domestic	17,376	17,460	17,541	17,619	17,697
General Service	2,202	2,207	2,213	2,217	2,224
Street Lighting	607	615	624	633	642
Total	20,185	20,282	20,378	20,469	20,563
% Growth	0.5%	0.5%	0.5%	0.4%	0.5%
Energy Sales (GWh):					
Domestic	229.5	232.8	235.6	238.0	239.9
General Service	153.1	154.4	154.9	155.6	157.4
Street Lighting	3.3	3.3	3.3	3.3	3.3
Total	385.9	390.5	393.8	396.9	400.6
% Growth	0.8%	1.2%	0.8%	0.8%	0.9%

Table 7
Customer and Energy Sales (GWh) Forecast
Corner Brook Area

	2007	**2008**	**2009**	**2010**	**2011**
Customers:					
Domestic	18,091	18,315	18,485	18,652	18,816
General Service	1,816	1,828	1,840	1,854	1,865
Street Lighting	486	494	500	506	511
Total	20,393	20,637	20,825	21,012	21,192
% Growth	1.2%	1.2%	0.9%	0.9%	0.9%
Energy Sales (GWh):					
Domestic	256.2	262.5	267.9	272.2	275.8
General Service	188.9	190.8	193.0	196.1	199.3
Street Lighting	3.1	3.1	3.1	3.1	3.1
Total	448.2	456.4	464.0	471.4	478.2
% Growth	0.6%	1.8%	1.7%	1.6%	1.4%

Table 8
Customer and Energy Sales (GWh) Forecast
Stephenville Area

	2007	2008	2009	2010	2011
Customers:					
Domestic	13,346	13,364	13,382	13,400	13,419
General Service	1,511	1,510	1,508	1,506	1,504
Street Lighting	1,313	1,318	1,324	1,329	1,334
Total	16,170	16,192	16,214	16,235	16,257
% Growth	0.2%	0.1%	0.1%	0.1%	0.1%
Energy Sales (GWh):					
Domestic	179.3	180.9	182.2	183.6	184.2
General Service	101.1	101.6	101.8	101.7	102.1
Street Lighting	1.9	1.9	1.9	1.9	1.9
Total	282.3	284.4	285.9	287.2	288.2
% Growth	0.2%	0.7%	0.5%	0.5%	0.3%

(a) Overall, the information presented in Tables 1 to 8 shows a discernible shift in customer growth and energy sales from rural to urban. It is anticipated that, in the longer term, this shift will become more pronounced as younger people move from rural to urban areas and the remaining rural population base ages and declines.

It is in the nature of economic forecasting that forecasts tend to be less accurate as the length of the forecast term increases. Short term forecasts will tend to be more accurate than longer term forecasts. Newfoundland Power's energy sales and revenue forecast is based on a wide range of economic, demographic and price assumptions. The risk to the accuracy of the forecast of the shift from rural to urban is no different than the risk associated with any other assumption used in the preparation of the forecast. Essentially, the risk is that assumptions on which a forecast is based do not develop as anticipated. In the short term, it is unlikely that the rural to urban shift, in and of itself, will reduce the accuracy or reliability of the forecast.

(b) The shift from rural to urban will increase the Company's business risk in the longer term as the Company is obliged to continue to maintain existing assets base in rural communities where population and energy sales are declining, while at the same investing in new assets to meet energy sales growth in urban centers. This tends to increase the investment that must be recovered from effectively the same customer base. This is addressed in the evidence of Ms. McShane, *Volume 3, Tab 1,* pages 12 and 13.