

1 **Q. Reference: CA-NP-226: over the more recent period from 2003 to 2006, the CMHC**  
2 **Housing Start Forecasts have been significantly more accurate than the Conference**  
3 **Board's. What effects would arise from weighting the Housing Start Forecasts (a)**  
4 **75% CMHC - 25% Conference Board, and (b) 100% CMHC - 0% Conference**  
5 **Board for the Test Year.**

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7 A. Changing the assumption on housing starts, as outlined in the above scenarios, will  
8 impact the 2008 Test Year forecast in a number of ways.  
9

10 First, increasing the number of housing starts has a direct impact on the forecast number  
11 of customers and energy sales in the Domestic category. In turn, the increase in the  
12 number of domestic customers will have an indirect impact on the forecasts for the  
13 General Service 2.1 0-10 kW, the General Service 2.2 10-100kW (110 kVA), and the  
14 Street and Area Lighting categories. Overall, the Domestic category will account for  
15 approximately 90% of the change in energy sales resulting from the change in housing  
16 starts.  
17

18 Second, increasing the number of housing starts will have a direct impact on revenue.  
19 This includes basic customer charges, energy and demand charges, and rental revenue  
20 related to street lighting fixtures.  
21

22 Third, increasing the number of housing starts will have a direct impact on purchased  
23 power costs. The increase in energy sales and associated system losses will increase  
24 purchased energy and demand charges from Newfoundland and Labrador Hydro.  
25

26 Table 1 shows the impact of weighting the Housing Start Forecast (a) 75% Canada  
27 Mortgage & Housing Corporation (CMHC) – 25% Conference Board of Canada (CBOC)  
28 and (b) 100% CMHC – 0% CBOC for the 2008 Test Year under proposed rates.  
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**Table 1**  
**Impact of Housing Starts on 2008 Test Year**

	<b>(a) 75% CMHC / 25% CBOC (\$)</b>	<b>(b) 100% CMHC / 0% CBOC (\$)</b>
<b>Revenue</b>	316,300	676,500
<b>Purchased Power Costs</b>	317,600	683,400
<b>Contribution<sup>1</sup></b>	(1,300)	(6,900)
<b>Reduction in After Tax Earnings<sup>2</sup></b>	(850)	(4,500)

<sup>1</sup> Contribution is revenue from rates less purchased power costs.

<sup>2</sup> Assuming an income tax rate of 34.5%.

1 Overall, weighting the Housing Start Forecast (a) 75% CMHC – 25% CBOC would  
2 result in a reduction in after tax earnings in the test year of \$850 while weighting the  
3 Housing Start Forecast (b) 100% CMHC – 0% CBOC would result in a reduction in after  
4 tax earnings of \$4,500.