



Investment Analysis to determine if the Wholesale, Residential and General Service rates must change. If the change is significant then the entire process is repeated.

10. The load forecast is prepared to 2029, but the period of entire analysis for our assignment extends to 2067. The last few forecast years are averaged and projected as annual growth beyond 2029. In the extended long term, the annual load growth is reduced to 62 GW.h after the electric space heating requirement is assumed to be saturated.
11. The only new customer addition to the Industrial class occurs in the 2013-15 for the Vale smelter. Since the load forecast assumes no new customer additions in 2016-2029, therefore the extrapolation assumes that there will be no new large Industrial additions during the extended analysis period ending in 2067. This seems like a very long time with no large Industrial load growth.
12. I anticipate that when I analyze the forecast accuracy by sector, that the Residential and General Service econometric models will perform well and that most of the forecast error will be associated with over-forecasting the Industrial class. I saw some historical Industrial sales data today that showed the Industrial class consumed about 2,700 GW.h in 2001. The 2010 load forecast is projecting this class to use 1,278 GW.h in 2010. That's one hell of a drop in ten years. Most of this drop will come from the closure of two Abitibi pulp & paper mills in Steenville (2006) and Grand Falls (2009). Having said that, the 2010 load forecast assumes that the pulp & paper mill at Cornerbrook will continue operation throughout the entire period of analysis. Someone told me that the government had to bail out Cornerbrook twice already. I was also told that Cornerbrook is a low cost producer, but it's difficult to think that this operation will make it long term. NF doesn't make a determination as to a customer's viability in the future, even though the largest source of forecast error in the past is the failure of the pulp & paper industry. Very interesting.
13. The fact of the matter is that the closure at Cornerbrook is a game changer. Cornerbrook consumes 970 GW.h of energy, of which 870 GW.h is self-generated and only 100 GW.h is supplied by NF. They also use about 140 MW, of which 120 MW is self-generated and only 20 MW is supplied by NF. Now, if their self-generation was from wood chips then the company could close and the NF load would only drop 100 GW.h and 20 MW. But their generation is hydro-based, so if the company goes out of business, NF would potentially take over the plant. This means that the load forecast would be reduced by 970 GW.h and 140 MW, which would negate the need for Muskrat Falls for quite some time. I would assume that NF has probably conducted some kind of a sensitivity analysis regarding this situation. I need to discuss this critical issue with you because I am quite confused as to rationalizing this whole situation.

Yours truly,

Very Confused Expertito