

- 1 **Q. Newfoundland Power states (Volume 1, Tab 2021 Capital Plan, page 40, lines 24-26)**
 2 **“The potential impacts of the ongoing COVID-19 public health crisis on**
 3 **Newfoundland Power’s future operations and capital program are currently**
 4 **unclear. The capital plan has not been adjusted to reflect any potential impacts of**
 5 **COVID-19.”**
- 6 **i. Has NP contacted potential manufacturers/suppliers to discuss the**
 7 **availability of the materials and contract labor required to complete the**
 8 **requested 2021 projects? If yes, please discuss. If no, why not?**
- 9 **ii. What impact, if any, does COVID-19 have on Newfoundland Power’s load**
 10 **forecast over the next three years? Please describe the potential impacts of a**
 11 **reduced load forecast, should it occur, on this year’s and future years’ capital**
 12 **budgets.**
- 13
- 14 **A. i.** Newfoundland Power maintains regular contact with suppliers and contractors
 15 throughout the year to ensure material deliveries are on track and that no delays
 16 are anticipated.
- 17
- 18 Inventory levels are monitored regularly and replenished, as required, to ensure
 19 adequate material is available for both system maintenance and planned capital
 20 projects. High-usage items are on annual contracts with suppliers to provide
 21 consistency of supply and to ensure additional stock is available at supplier or
 22 distributor warehouses.
- 23
- 24 Throughout the 2020 construction season, Newfoundland Power has experienced
 25 no delays in material supply or issues with contractor availability due to the
 26 COVID-19 pandemic. With respect to projects proposed for 2021, the Company
 27 is continuing its normal practice of monitoring material supply and contractor
 28 availability. To date, no issues have been identified that may lead to disruptions
 29 in either material deliveries or the availability of contract labour.
- 30
- 31 **ii.** Newfoundland Power’s most recent Customer, Energy and Demand Forecast was
 32 prepared in April 2020. The Company’s customer, energy and demand forecasts
 33 are developed using economic inputs from the Conference Board of Canada.
 34 Table 1 provides the Company’s current forecast of energy sales and demand over
 35 the period 2020 to 2022.¹

Table 1
Customer, Energy and Demand Forecast
2020F to 2022F

	2020F	2021F	2022F
Customers	270,192	271,347	272,502
Energy Sales (GWh)	5,793.0	5,788.5	5,778.9
Demand (MW)	1,367.3	1,361.1	1,363.3

¹ The economic assumptions used in preparing the forecast were based on the Conference Board of Canada *Provincial Outlook Medium-Term, Economic Forecast*, dated February 12, 2020.

1 Based on the April 2020 forecast, Newfoundland Power's energy sales are
 2 forecast to decline by 0.9%, 0.1% and 0.2% in 2020, 2021 and 2022,
 3 respectively.² This is consistent with declining sales that have been experienced
 4 annually since 2016.³ Declining sales over this period are driven by lower
 5 average usage among residential and commercial customers, reflecting the weak
 6 economic conditions in Newfoundland Power's service territory.

7
 8 Newfoundland Power is monitoring trends in energy sales in 2020. On a year-to-
 9 date basis, energy sales as of July 31, 2020 are 26 GWh, or 0.7%, lower than
 10 forecast.⁴ The lower energy sales are attributed to shutdowns in the commercial
 11 sector associated with the COVID-19 pandemic.

12
 13 The potential impact of the COVID-19 pandemic on future energy sales is
 14 uncertain. For example, the Conference Board of Canada has not yet provided a
 15 direct linkage between its forecast housing starts and completions and the ongoing
 16 COVID-19 pandemic.⁵ Therefore, the impact on the Company's customer and
 17 energy forecasts cannot be quantified at this time.⁶

18
 19 With respect to the current year's capital budget, Newfoundland Power is
 20 forecasting a reduction in new customer connections. Based on the Company's
 21 April 2020 forecast, new customer connections are forecast to be approximately
 22 10% less in 2020 than what was forecasted at the time of filing the *2020 Capital*
 23 *Budget Application*.⁷ This reduction is the result of lower housing starts and
 24 completions, but is not related to the ongoing COVID-19 pandemic.⁸

25
 26 With respect to future years' capital budgets, the potential impact of the COVID-
 27 19 pandemic remains unclear. Newfoundland Power currently expects that the

² Newfoundland Power's energy sales in 2019 were 5,846.6 GWh. $(5,793.0 / 5,846.6 - 1) \times 100\% = -0.9\%$;
 $(5,788.5 / 5,793.0 - 1) \times 100\% = -0.1\%$. $(5,778.9 / 5,788.5 - 1) \times 100\% = -0.2\%$.

³ Over the period 2016 to 2019, Newfoundland Power's energy sales declined by 0.1%, 0.5%, 0.8%, and 0.5% annually.

⁴ For comparison, differences in actual energy sales from forecast energy sales have ranged from a high of 1.3% to a low of 0.0% over the last 10 years. As an example, in 2019 actual sales were 0.7% lower than forecast.

⁵ For example, in its Spring Provincial Outlook dated June 17, 2020, the Conference Board of Canada indicates demand for new housing has been stymied by the shrinking of the population of Newfoundland and Labrador.

⁶ Given the nature of Newfoundland Power's customer base, customer growth is primarily influenced by housing starts and completions.

⁷ Newfoundland Power's *2020 Capital Budget Application* was based on the Conference Board of Canada's forecast of housing starts and completions dated February 5, 2019. The forecast at the time of filing the budget in July 2019 was 2,639. Upon updating the Company's forecast in 2020, the forecast number of new connections was reduced to 2,378 $((2,639 - 2,378) / 2,639 = 0.099)$.

⁸ This variance is explained in Newfoundland Power's *2020 Capital Expenditure Status Report*. The status report shows a reduction of approximately \$1.7 million in 2020 forecast distribution expenditures due to a reduction in the forecast of new customer connections. See the *2021 Capital Budget Application, Volume 1, 2020 Capital Expenditure Status Report*, page 1 of 13.

- 1 impact of the COVID-19 pandemic on energy sales in 2021 will be less than the
2 impact in 2020 as restrictions related to the pandemic continue to be lifted.⁹
3
4 Should customer or load growth vary from forecast during current or future years,
5 so too will the capital expenditures that are sensitive to growth.

⁹ For example, in its *Spring Provincial Outlook* dated June 17, 2020, the Conference Board of Canada expects Real GDP growth will be strong in 2021, at 5.6 per cent, as economic activity picks up once the COVID-related restrictions are lifted.