

1 New Brunswick Board of Commissioners of Public Utilities

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3 In the Matter of an application by the NBP Distribution &

4 Customer Service Corporation (DISCO) for changes to its Charges,

5 Rates and Tolls - Load Forecast

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7 Board Premises, Saint John, N.B.

8 July 11th 2006

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VICE-CHAIRMAN: David S. Nelson

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COMMISSIONERS: Jacques A. Dumont
Ms. Diana Ferguson Sonier
Ken F. Sollows
Randy Bell

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BOARD COUNSEL: Ms. Ellen Desmond

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BOARD STAFF: Doug Goss
John Lawton

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BOARD SECRETARY: Lorraine Légère

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VICE CHAIRMAN: This hearing is the continuation in the

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matter of an application by NB Power Distribution &

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Customer Service Corporation (DISCO) for changes to its

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charges, rates and tolls. This is the long term load

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forecast portion.

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Could I have appearances please?

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MR. MORRISON: Good morning, Mr. Chairman, Commissioners.

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Terry Morrison on behalf of Disco. And with me today is

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Neil Larlee and Lori Clark.

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VICE CHAIRMAN: Formal Intervenors? Canadian Manufacturers & Exporters?

MR. BURKE: Pat Burke representing Canadian Manufacturers in place of Dave Plante.

VICE CHAIRMAN: And you have Formal status?

MR. BURKE: I believe so.

VICE CHAIRMAN: Yes. J.D. Irving Limited?

MR. BOOKER: Good morning, Mr. Vice Chair and Commissioners. Andrew Booker for the J.D. Irving group.

VICE CHAIRMAN: The NBSO?

MR. ROHERTY: Good morning, Mr. Chair and Commissioners. Kevin Roherty for New Brunswick System Operator. With me today are Margaret Tracy and Ian MacPherson.

VICE CHAIRMAN: Vibrant Communities? Mr. Peacock isn't with us today. Public Intervenor?

MR. GOULD: Good morning, Mr. Chairman. My name is William Gould. I'm not the Public Intervenor. But I'm appearing on behalf of the Attorney General.

VICE CHAIRMAN: Could you repeat your name please?

MR. GOULD: William Gould.

VICE CHAIRMAN: Informal Intervenors? New Brunswick Generation Corporation? The Municipalities?

MR. YOUNG: Good morning, Dana Young on behalf of the Municipal Utilities.

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2 VICE CHAIRMAN: Are there any others in the room that are
3 seeking either Formal or Informal status?

4 MR. ROWINSKI: Yes, Mr. Vice Chairman and Commissioners.
5 Jan Rowinski, self-appointed.

6 VICE CHAIRMAN: I need you to come up to the mike.

7 MR. ROWINSKI: Yes, Mr. Vice Chair. Jan Rowinski, self-
8 appointed as well as joining with me, Mr. Stuart Jamieson
9 as an observer.

10 VICE CHAIRMAN: Did you want -- you are self-represented
11 individuals?

12 MR. ROWINSKI: Yes, please. Thank you.

13 VICE CHAIRMAN: Okay. And do you want Formal status or
14 Informal status?

15 MR. ROWINSKI: Informal please.

16 VICE CHAIRMAN: Okay. Thank you. So that takes care of all
17 the Intervenors. There is no one else.

18 Let's move on to preliminary matters. Is there any
19 preliminary matters?

20 MR. MORRISON: Yes, Mr. Vice Chairman. I have the affidavit
21 with respect to publication that I will file with the
22 Board Secretary.

23 I would like to point out a couple of anomalies in the
24 publication, just so -- I don't think there is any
25 material prejudice to anyone. But the order called for

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2 publication by June 20th in the newspapers. And the order
3 came out I believe on June 13th.

4 Some of the newspapers are weekly papers. And because of
5 the timings, we couldn't get it in on the appropriate
6 date. So there are a couple of weekly papers where the
7 notice went in after the 20th.

8 There is one other anomaly. And that is that there was an
9 oversight on part of the communications people in booking
10 some publication of space in one of the daily papers. And
11 the notice wasn't in by June 20th. It went in on June
12 30th.

13 Again I don't think there is any material prejudice to
14 anyone. But I would like to point out that it isn't in
15 strict compliance with the Board's publication order. And
16 with that, Vice Chairman, I will file the affidavit with
17 the Board Secretary.

18 VICE CHAIRMAN: Thank you. I notice Mr. Peacock arrived.

19 Do you want formal status as an Intervenor?

20 MR. PEACOCK: Hello Vice Chair. Kurt Peacock here
21 representing Vibrant Communities Saint John.

22 VICE CHAIRMAN: Thank you. Is there any other preliminary
23 matters?

24 MR. GOULD: Yes, Mr. Chair. Perhaps many of my comments
25 should be viewed as preliminary to this proceeding. And
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it's William Gould on behalf of the Attorney General.

It may be not a surprise to the Board or will become apparent through several of my comments that the Crown, the Attorney General, objects to this proceeding generally. And before it proceeds I would with respect ask for a clear articulation by the Board as to the authority under which it presumes that this matter may proceed in light of the government's position on the old Board versus the new and specifically Bill 81 and specifically Section 89(5), of that Bill, which does now have the force of law.

VICE CHAIRMAN: Thank you, Mr. Gould. I think we will deal with that at the end. We are going to carry on with some other matters -- preliminary matters.

MR. GOULD: By the end, sir, you mean --

VICE CHAIRMAN: During -- after some discussions on some other points.

MR. GOULD: Very good.

VICE CHAIRMAN: The Board has some opening remarks. In recognition of recent events the Board considers it appropriate to provide Disco with an opportunity to update its evidence with respect to its load forecast methodology. If Disco accepts this opportunity, the Board proposes to proceed as follows:

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2 A technical conference will be held by the end of August
3 at which time interested parties may discuss with Disco
4 their suggestions for modifications to the methodology and
5 describe the data that they will require from Disco.

6 After the technical conference and by the end of
7 September, Disco will file with the Board and interested
8 parties a proposed timetable that will identify the dates
9 for the following: Filing of Disco's evidence.

10 Interrogatories by parties to Disco. Responses by Disco,
11 Filing of evidence by parties. Interrogatories on
12 evidence of parties. Responses by parties and Public
13 Hearing.

14 If Disco decides not to accept this opportunity, the Board
15 will establish a timetable as follows: Interrogatories on
16 Disco's evidence as currently filed, Responses by Disco,
17 Second set of interrogatories to Disco, Responses by
18 Disco, Motions Day, if necessary, to hear argument on the
19 adequacy of Disco's responses, Filing of Evidence by
20 parties, Interrogatories to parties, Responses by parties
21 and Public Hearing.

22 The Board expects Disco to inform it by Friday, July 14th,
23 as to whether or not it will accept this opportunity.

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2 The Board will now like to hear comments from the parties
3 on this proposal. Disco will comment first, followed by
4 the other parties, and then Disco will have a chance to
5 respond to the comments of the other parties.

6 MR. MORRISON: Thank you, Vice Chair. I became aware of
7 this late yesterday afternoon in terms of what might be
8 proposed by the Board, and I do have some questions with
9 respect to the technical conference aspect of it.

10 If I understand the proposal or what is being put forward,
11 the technical conference would be held some time before
12 the end of August or thereabouts. I guess the question
13 that my client had to me last night was -- I guess to
14 start we filed our load forecast evidence in the course of
15 the application. There isn't a new load forecast
16 available yet, and of course Disco does a load forecast
17 internally for its own purposes every year in any event,
18 but that would be some months off yet before that would be
19 finalized.

20 The methodology that Disco has employed in its load
21 forecast is the methodology that has been approved by the
22 Board on several occasions. And that would normally be
23 the methodology that Disco would employ in using its -- in
24 preparing its upcoming load forecast.

25 Disco has I guess in an evolutionary fashion attempted
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to improve its load forecast methodology over time, and one of the concerns that we had when we looked at Mr. Jackson's report for example is that he appears to be taking, for want of a better term, a revolutionary approach. In other words, changing the methodology or proposing a change in methodology quite suddenly or all at one time.

We don't necessarily -- my client doesn't necessarily agree with all of the methodologies that are being proposed by Mr. Jackson in his preliminary report. And quite frankly we also think that there are some errors in his report.

So our concern is that if we go for this technical conference, and I'm assuming that the technical conference is to allow Intervenors and others to make proposals with respect to those changes in methodology, and I'm assuming that Mr. Jackson's comments will be taken into consideration at that time. I guess the question then becomes, is Disco required after that technical conference -- is it bound then to take those comments and prepare a load forecast based on the comments that come forward in the technical conference. I guess that's the first question.

And I guess our other -- probably our overriding

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2 concerning probably has to do with something that Mr. Gould
3 has already alluded to, and Disco takes no position with
4 respect to the new Bill and whether it applies here or
5 not, I will leave that to others to debate. However, I
6 think it's fair to say that we are living in kind of
7 uncertain regulatory times. And our primary concern quite
8 frankly is if we embark on a road which requires Disco to
9 expend a great deal of resources, both human and
10 financial, and then a new Board is put in place that may
11 have a different view of what is required of Disco,
12 whether it be to do additional studies or to change the
13 studies or to change the load forecast, we are very
14 concerned that given this climate of uncertainty that, you
15 know, the time and effort and money will have been wasted
16 and we will have to start from scratch all over again.
17 Quite frankly that is our concern, because I don't know
18 what the effect of the new Bill is and I'm not going to
19 offer any comments on it. But I do have concerns that we
20 end up doing the work twice quite frankly.
21 So I guess those are all the comments I have, my question
22 with respect to the effect of the technical conference and
23 my comments generally as to whether we should be
24 proceeding at this time.
25 I think it's important to remember that given the
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uncertainty that we have that we are faced with, it's not something that there is a tremendous amount of urgency over in terms of the load forecast, the 10 year load forecast. It's normally done for purposes of generation planning and we know we don't need generation for at least another eight or nine years, perhaps longer. So there is no real burning platform that we must proceed right now. And again I'm not trying to in any way retreat from Disco's obligations to this Board to conduct a load forecast hearing and of course we are at the Board's pleasure on that. I guess my concern is that we don't reinvent -- do something that we have to reinvent in a couple of months' time.

Thank you, Vice Chairman.

VICE CHAIRMAN: Thank you. Canadian Manufacturers & Exporters?

MR. BURKE: I have two statements that were prepared by Dave Plante that I'm just going to read. In its representation to the PUB the CME was clear that industry doesn't envision that New Brunswick will have a competitive electric market in the near to medium future. There are still significant technical and regulatory issues that have to be a result of lack of competition. CME supports the efforts to introduce competition.

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But actions taken over the next few years should reflect the actual state of the market. This includes recognition of the fact that NB Power is still essentially a vertically integrated utility.

With regard to steps taken to ensure Genco doesn't have early access to the results of the load forecast, it isn't clear how the generation unit might use this to their advantage.

However, in principle it would seem improper to provide one market participant early access to market intelligence in advance to others.

Given major changes New Brunswick's electrical market is undergoing, it is essential that accurate load forecasting data be available when making decisions that might have significant implications for the province's economy.

In principle CME supports the PUB proposal to engage outside expertise to undertake such an activity. It must be ensured, however, that the costs of any such study is reasonable and are not in addition to the work that the utility has or will do and are managed with a focus on value statements.

VICE CHAIRMAN: Thank you. J.D. Irving Limited?

MR. BOOKER: Thank you, Mr. Vice Chair. J.D. Irving agrees

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2 with the position outlined in the Board's July 5th

3 correspondence that load forecast data must be as accurate
4 as possible.

5 This is necessary to ensure that business decisions are
6 made using accurate data to ensure that costs for all
7 customers are minimized and to ensure reliable electricity
8 supply at predictable costs. Therefore accuracy in the
9 data must be of the highest priority.

10 As we understand the proposal in the July 5th letter from
11 the Board, the PUB is proposing to engage Mr. Jackson to
12 undertake the load forecast study to supplement studies by
13 Disco and the NBSO.

14 In principle we support the Board's proposal under Section
15 121 of the Act as it should address these concerns. We
16 would, however, ask that the Board carefully consider the
17 relative cost versus benefits involved and take steps to
18 ensure that costs are managed and passed along
19 appropriately while avoiding any duplicate efforts. Thank
20 you.

21 VICE CHAIRMAN: Thank you. The NB System Operator?

22 MR. ROHERTY: Thank you, Mr. Chair. With respect to the two
23 options that you put forward, the New Brunswick System
24 Operator really takes no position as one over the other.
25 We are happy to abide by whatever decision the Board

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2 makes on that. And similarly, we take no position on the
3 matter of the effect of the new bill on whether or not
4 this proceeding should continue or not.

5 And I'm assuming that comments, the general comments on
6 Dr. Jackson's proposal are for a later portion of today.
7 We have comments to make on that at that time.

8 VICE CHAIRMAN: Mr. Peacock?

9 MR. PEACOCK: Thank you, Mr. Vice Chair. The Vibrant
10 Communities feels that the regulator has every right to
11 bring in independent expertise in regards to the load
12 forecast.

13 So we would certainly welcome your initiatives in that
14 area. We feel that we will likely play a very small role
15 in any load forecast that is brought forward.

16 We would specifically address some of the issues we had
17 brought forward earlier on the question of demand side
18 management and how that may influence future load.

19 Finally, perhaps we can discuss this later on in this
20 hearing. But one of the reasons we decided to come in
21 today was also to see -- to question the status of the
22 customer service hearing.

23 There were of course some pledges made by different
24 intervenors some months back that that would take place
25 around the time of any load forecasts.

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2 And so we are curious to see, given the regulatory
3 evolution that has taken place, when such a hearing would
4 in fact move forward. Thank you.

5 VICE CHAIRMAN: Thank you. Public Intervenor?

6 MR. GOULD: Thank you. Again, Mr. Vice Chair, I would like
7 to approach it perhaps in two ways. I'm not here today to
8 discuss in any way the merits of independent expertise by
9 the Board or Professor Jackson's report or anything other
10 than first to concur with some of the comments made by
11 Mr. Morrison with respect to the expenditure of time and
12 energy that will be made by everyone in this room if this
13 matter proceeds in circumstances where government has made
14 clear articulation regarding its intentions. We now have
15 by virtue of the introduction of Section 89(5) of the bill
16 circumstances where this Board may not commence any
17 hearing.

18 I think if we discuss this matter fully we are going to
19 come down to a point where that is the rub. Is this a
20 continuation of the rate hearing? Or is this in fact a
21 hearing in and of itself? And the issue then becomes one
22 of functus officio or jurisdiction.

23 But setting aside the law for a moment and staying just
24 with facts and a little common sense here that I would
25 hope would prevail, if in the intervening months
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2 Section 89 of the bill becomes law, then this Board is truly
3 and unequivocally functus. It will not have any standing
4 whatsoever to carry on.

5 And in those circumstances, given the likelihood of this
6 matter unfolding over many, many months, there is the
7 probability that, as Mr. Morrison said, a great deal of
8 time and effort may be expended, at which point everyone
9 may be asked to reinvent the wheel.

10 And in light of that I would ask that the Board exercise
11 perhaps Section -- let's say Section 118 of the
12 Electricity Act and forebear any further proceedings in
13 this matter until those issues can be straightened up.
14 Because that would surely be in keeping with the --
15 consistent with the purposes of the Act.

16 Having said that, and also looking at it not just from
17 that factual point of view but from a legal point of view,
18 are we in fact here dealing with a continuation of the
19 previous rate hearing? I don't know. I'm new to this
20 process. But frankly I don't think so.

21 If I look to the old record I see that the Chairman at
22 page 689 of the August 25th record -- and that
23 incidentally, sir, is the record that in the Board's July
24 5th 2006 letter references as being the agreement by all
25 parties, quote, "that evidence pertaining to load forecast
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beyond the current year would be examined after the rate decision was delivered", end quote. I'm not so sure of that.

The Board said on page 689, quote, After we conclude the hearing on this rate matter, et cetera and then get our position out, or at least be in a position to get it out, we can then reconvene after we conclude one hearing.

And there are other references in a similar fashion on the August 25th record to the conclusion of that hearing. And there are also references. Public Intervenor

Mr. Hyslop wanted to make it clear that there could be evidence adduced at the subsequent matter.

Now in those circumstances, from a legal point of view, sir, I think we are dealing with a hearing in these circumstances and not the continuation.

And then if we refer to the new bill and Section 89(5) we have, and I quote, Notwithstanding Section 123 of the Electricity Act, the Board of Commissioners of Public Utilities shall not commence any hearings under Section 123 of the Electricity Act, effective as of the date that this provision was introduced as part of a bill in the Legislative Assembly of New Brunswick. That, sir, has happened.

So both from a common sense perspective and from a

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2 legal perspective, I'm here today to say that the Attorney
3 General objects to these proceedings, that the Board is
4 functus officio and that this matter should be adjourned
5 sine die until these matters can be resolved.

6 Thank you.

7 VICE CHAIRMAN: All the formal Intervenors have been heard
8 from. Mr. Morrison, do you want to go back to --

9 MR. MORRISON: As I said earlier I take no position with
10 respect to the comments of Mr. Gould. Again our only
11 concern again is one of cost and time and that type of
12 thing.

13 Just so I'm clear on what the Board has said this morning,
14 I assume that we have until the 14th to consider this
15 proposal and then write to the Board with respect to our
16 position with respect to that, Vice Chairman?

17 VICE CHAIRMAN: Yes.

18 MR. MORRISON: And that is appreciated because I think we do
19 have some things that we have to -- I have to discuss with
20 my clients and we did have a chance late yesterday
21 afternoon to discuss it but I haven't spoken to everyone
22 that needs to be spoken to.

23 I have no further comments at all with respect to the
24 matters raised by Mr. Gould. And, of course, we will take
25 your proposal under very serious consideration and advise
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2 the Board by the 14th as to what our position is.

3 VICE CHAIRMAN: The Panel will take a short break now and
4 return in ten minutes.

5 (Recess)

6 VICE CHAIRMAN: Thank you for your patience.

7 The Board has carefully reviewed the comments made this
8 morning. The Board considers that it has jurisdiction to
9 continue with the review of Disco's load forecast
10 methodology.

11 The Board has taken note of the concerns raised about the
12 possibility of effort and money being expended that may
13 prove -- to prove to be unnecessary. However, the
14 schedule as proposed by the Board only requires Disco to
15 attend one meeting before the end of September, that is
16 the technical conference. Disco will not be obligated to
17 adopt any suggestions made at that conference. After the
18 conference they only need to prepare a timetable. They do
19 not have to do any work related to the load forecast until
20 some time after September 30th. By September 30th the
21 Board expects that the Government will have proclaimed the
22 new Act and a new Board will exist. Disco can consult
23 with the new Board to determine how Disco should proceed.
24 Given the importance of accurate load forecast information
25 as mentioned this morning, the Board believes

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that the process should proceed if the new Act is not proclaimed by September 30th.

Mr. Peacock, you raised the comments this morning about the customer service policy. The Board believes that it is very important both to the company and the customers. This matter should proceed at the earliest convenience. However, the Board is also concerned about dealing with a number of matters in a timely fashion. The System Operator, the WPS Energy have all been patient as the Board juggled its various responsibilities. The Board is also anticipating matters concerning Corridor Resources, Atlantic Wallboard, as well the Board's new jurisdiction over petroleum pricing. The Board believes that it must clear some of these issues before taking on other matters. As a result the Board will not set a date to begin the customer service policy proceeding at this time. We will revisit the matter at a future date.

And, Mr. Roherty, you wanted to make some comments as to the letter of July 5th. Are they procedural or technical?

MR. ROHERTY: I wanted to respond to the Board's letter asking for comment on the points raised by the Board. I am prepared to do that now, if that's appropriate.

VICE CHAIRMAN: Are they more procedural or more technical?

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MR. ROHERTY: They are not procedural. They are in response to the very question as to whether or not -- as I understand it the Board asked for comment on whether it would be advisable to have Dr. Jackson conduct an independent load forecast.

VICE CHAIRMAN: Okay. Carry on.

MR. ROHERTY: Thank you, Mr. Chair.

Dr. Jackson's report talks about three areas, the load forecast, load research and time of use rates. And the nub of the discussion is about the load forecast. I just wanted to touch briefly on the other two points made by Dr. Jackson.

In short, the NBSO agrees with Dr. Jackson's assertion found near the end of the executive summary of his report, the time of use and alternative demand response programs should be actively considered for large industrial customers. The NBSO is supportive of the time of use rates and agrees that accurate price signals are important to attaining efficiency in the electricity market.

More significant to the NBSO, however, are the recommendations respecting demand response programs. The NBSO in conjunction with the Market Advisory Committee is developing proposals for Market Rule changes which will allow large industrial customers to submit prices for

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reducing their loads to meet system demand rather than looking for additional generation.

The NBSO expect to have this program operational by this fall.

It is important to note, however, that this is more of a market initiative and would be a market response based on economics.

But turning to the main issue which is the load forecast.

The Board's letter of July 5th, 2006, and attached report of Dr. Jackson were read by the NBSO with great interest.

The NBSO agrees that it has responsibilities under the Electricity Act and the Market Rules for power system planning and the related tasks of producing and publishing forecasts and assessments of capacity and energy requirements for periods ranging from day-ahead to 10-years out. The issue at hand is long-term planning and the adequacy of load forecast information presently available to the NBSO, more specifically, the load forecast produced by Disco.

At the outset the NBSO would like to make it clear that it has no objection to the Board retaining Dr. Jackson to prepare a load forecast as has been suggested in the Board's letter. As noted, the NBSO has the responsibility to produce and publish short, medium and

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2 long-term forecasts and assessments. Thus the NBSO would
3 welcome a forecast prepared by Dr. Jackson as valuable
4 additional input. The NBSO does, however, wish to raise a
5 number of points it believes the Board should consider
6 when weighing this option, and as a lead-in to this
7 discussion I would like to briefly outline how the NBSO
8 meets its responsibilities related to load forecasting.
9 The NBSO's obligations and the obligations of Market
10 Participants with respect to Forecasts and Assessments are
11 found at Section 5.3 of the Market Rules, and the Market
12 Rules can be accessed on the NBSO website. Simply put,
13 the NBSO must produce and publish energy and demand
14 forecasts for New Brunswick and assessments of the
15 capacity and adequacy of the Integrated Electricity System
16 in four elements. They do it on each business day for the
17 following days, they do it weekly for the next 28 days,
18 quarterly for the next 18 months, and annually for the
19 following 10 years. To allow the NBSO to meet these
20 requirements, the Market Rules require Market Participants
21 to furnish to the NBSO their respective energy and demand
22 forecasts. The required information particulars of that
23 information are set out in Market Procedure number 10, and
24 that can also be accessed on the website.
25 So turning specifically to the long-term forecast, the
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2 NBSO is required to annually produce and publish a 10- year
3 forecast. And the NBSO has published two such forecasts,
4 along with the related 10-year assessments since they came
5 into existence in 2004. The most recent was published on
6 the NBSO website on April 10th, 2006. It's entitled, "Ten
7 Year Outlook: An Assessment of the Adequacy of Generation
8 and Transmission Facilities in New Brunswick". And in
9 this document you will find a 10-year Load Forecast for
10 New Brunswick. Now there are two Market Participants
11 serving load in New Brunswick presently. NB Power Disco
12 serves over 99 percent of the load in New Brunswick as the
13 Standard Service Provider, with the balance of the load
14 being Perth-Andover served by WPS Generation Canada Inc.
15 NB Power Disco, as per the Market Rules, is obligated to
16 provide the data and information required by the NBSO in
17 respect to its standard service customers, and Disco meets
18 this obligation presently by providing its load forecast.

19 The last full Load Forecast submitted by Disco was for
20 the year 2004, and Disco provided information in 2005 to
21 the NBSO sufficient to allow the NBSO to update its 10-
22 Year Outlook. The process respecting Perth-Andover is
23 somewhat less formal, owing to the relative size of the
24 load.

25 As to the adequacy of the NB Power Disco Load

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Forecast, the NBSO notes that the Board has conducted formal reviews of its adequacy, including scrutiny by Intervenors through the interrogatory process and under cross-examination on at least two occasions, most recently in 2002 in connection with the Point Lepreau refurbishment hearing. In its decision of May 2nd 2002, the Board concluded at the top of page 2 that, "on balance, the updated load forecast is reasonable." I note for the record as well that in its decision the Board strongly recommended that the Disco model be modified to include the ability to specifically adjust for price elasticity of demand. It is my understanding that Disco incorporated this recommendation to its model and that has been present in the last two load forecasts.

So having described how the NBSO meets its obligations I want to turn to the specific points raised by the Board in its letter.

In its letter of July 5th the Board indicates at the end of the third paragraph that Dr. Jackson's report "identified that, in his opinion, Disco's load forecast methodology requires considerable enhancement in order to provide the accuracy suitable for long-term planning by market participants". Now as noted earlier, NBSO staff reviewed Dr. Jackson's report very carefully and, with

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2 respect, the NBSO does not draw the same conclusion as the
3 Board. In both the Executive Summary and the report
4 itself, Dr. Jackson states that: "While NB Disco's
5 residential end-use, General Service and small industrial
6 econometric modelling approaches are appropriate
7 methodologies, all three models suffer from a variety of
8 specification and estimation errors that contribute the
9 larger than necessary forecast errors".

10 The NBSO believes there is a significant difference
11 between larger than necessary forecast errors as stated by
12 Dr. Jackson and the Board's conclusion that the Disco load
13 forecast does not provide the accuracy suitable for long-
14 term planning by market participants. Dr. Jackson
15 suggests a number of enhancements to improve the accuracy
16 of the forecast and NBSO takes no issue with these
17 suggestions. It's a matter of balancing the cost in terms
18 of dollars and resources and the degree of improved
19 accuracy that would result in the forecast. It is
20 important to remember that we are dealing with a forecast
21 and almost by definition, it's going to be wrong.

22 I will come back to that matter of cost shortly, but I
23 want to move for the moment to the Board's concern at the
24 top of page 2 of its letter of July 5th as to whether the
25 NBSO has staff with specific expertise to complete the

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2 detailed analysis required to prepare a sufficiently accurate
3 long-term forecast, and the assertion that the lack of an
4 accurate long-term forecast of inprovince load could
5 impede market development and transmission or generation
6 investments.

7 Given current circumstances where nearly 100 percent of
8 New Brunswick's load takes its service from NB Power Disco
9 under standard service and given Disco's obligation to
10 provide all necessary forecast data respecting that load
11 to the NBSO, the NBSO submits that its current staff level
12 is sufficient to properly scrutinize Disco's load
13 forecast.

14 Now if and when the market develops and customers leave
15 standard service, and there are a number of market
16 participants submitting load forecast data, it may then be
17 appropriate to either hire additional staff at the NBSO or
18 to contract out this service so that the proper analysis
19 from multiple sources of data can be done.

20 But in the meantime the NBSO is fully confident in its
21 ability to bring the required engineering and statistical
22 review to the Disco forecast.

23 And it must be noted as well that the history of actuals
24 compared to Disco's forecasts gives the NBSO a reasonable
25 degree of comfort.

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2 Now I have been told that in the world of forecast an
3 error of 1 percent per year is considered good. In other
4 words if a 10-year forecast is within plus or minus 10
5 percent of actual results then you have done well.

6 Now in New Brunswick that situation is complicated,
7 further complicated by the volatility associated with
8 temperature swings and the impact of the economy or labour
9 issues on individual large industrial customers.

10 And Disco's performance, based on the evidence filed in
11 their load forecast, which I think is exhibit A-6,
12 indicates that its load forecasting record is reasonable,
13 particularly in light of those additional variables that
14 exist in this province.

15 Now as for the impact on market development, it must be
16 noted that the accuracy of long-term load forecasting is
17 only one factor in such development. And it may not be
18 the most significant one.

19 For even if a load forecast was done perfectly, it is the
20 NBSO's submission that uncertainties and volatilities
21 about future fuel prices and the large industrial load
22 variability present larger risks for developers and
23 investors than a less than perfect load forecast.

24 In addition transmission or generation investment may be
25 more dependent on the potential for importing or
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2 exporting electricity than on the domestic load forecast.

3 The last two points I would like to deal with relate to
4 Disco's affiliation with other NB Power companies and the
5 cost/benefit analysis I raised earlier.

6 In the Board's letter there was a concern raised that
7 relying on Disco's forecast may give an unfair advantage
8 to its sister companies.

9 Now the NBSO makes no comment as to how the information
10 may or may not be shared between and among the NB Power
11 family of companies.

12 We point out, however, that the NBSO publishes an 18-month
13 forecast on a quarterly basis. And every year, as I have
14 noted, we publish a 10-year forecast.

15 And while it is true that at present almost all of the
16 data supporting those forecasts comes from Disco, it is
17 questionable how much long-term advantage might be gained
18 by another NB Power company if this information was
19 available slightly before an 18-month forecast, which is
20 published quarterly, or a 10-year forecast published every
21 year.

22 Our final point then has to do with cost versus benefit of
23 a load forecast produced by Dr. Jackson. And in respect
24 of that the NBSO simply asks the following questions.

25 What will be the cost of having this load
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forecast done? Who will pay those costs? And is it the

Board's intention to have such a forecast done each year on a go-forward basis?

In other words if it is done this year, what will be done with that report? Will it become a standard? And I think that was mentioned earlier by Mr. Morrison.

And lastly, if we go down this road and have this report done, has there been any analysis done as to what the benefit associated with increasing the accuracy of the load forecast by 1 percent or 5 percent or 10 percent? Has that kind of analysis been done to determine whether this is a cost-effective means of doing things?

So in conclusion then, the NBSO has no objection to the Board having Dr. Jackson complete a load forecast. Such a forecast would be an additional input along with the Disco forecast and the forecast respecting Perth-Andover load to the data the NBSO would rely upon to produce its load forecast in accordance with the market rules.

The NBSO asks, however, that the Board carefully consider the points made earlier and in particular that it consider the questions raised as to the cost and benefits.

And as an alternative to the Board having Dr. Jackson complete his own load forecast, the NBSO suggests that the

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Board utilize Dr. Jackson's expertise through the

Interrogatory and cross examination portions of a hearing
to fully explore the adequacy of the load forecast.

Thank you. Those are the NBSO comments.

VICE CHAIRMAN: Thank you very much, Mr. Roherty. Is there
any other comments?

MR. MORRISON: Yes, Vice Chair. Just in response to some of
the comments Mr. Roherty made, in light of the comments
and proposal that was made by the Board this morning, I
don't think it is necessary for me to deal with the July
5th letter. And I won't.

We do have a question, however. Maybe this -- I don't
know if it is more appropriate to get it clarified here or
perhaps through Board staff. The technical conference in
terms of is it going to be facilitated by the Board or
will it be facilitated by NB Power or Disco, as has been
the case in some technical conferences and sort of the
parameters around the technical conference?

VICE CHAIRMAN: That would be better suited with the staff.

MR. MORRISON: Okay. I will deal with Mr. Goss then on that
one.

VICE CHAIRMAN: Yes. You can deal with Mr. Goss.

MR. MORRISON: Thank you, sir.

VICE CHAIRMAN: Is there any other comments? Thank you very
much.

(Adjourned)

Certified to be a true transcript of the proceedings of this
hearing as recorded by me, to the best of
my ability.

Reporter