

BEFORE THE  
STATE OF NEW YORK  
PUBLIC SERVICE COMMISSION

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In the Matter of  
  
Niagara Mohawk Power Corporation d/b/a National Grid  
  
Case 12-E-0201  
  
August 2012

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Prepared Testimony (Corrected)  
of:

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1 forecasts appearing in Exhibit\_\_(JFG-9) and  
2 Exhibit\_\_(JFG-13CU). Taking into consideration  
3 the comparative results, I then will present my  
4 recommendations regarding the sales forecast to  
5 be used in this case.

6

7 Q. Are you sponsoring any exhibits?

8 A. Yes, I am. Exhibit\_\_(GPS-1 Corrected) shows my  
9 customers and gWh sales forecasts, and  
10 Exhibit\_\_(GPS-2) shows the details of my  
11 regression results.

12

13 Q. Are you familiar with the forecasting method  
14 used by Mr. Gredder?

15 A. Yes, I am.

16

17 Q. Please describe the method he used.

18 A. Forecasts for individual rate classes were  
19 obtained in multiple steps, through a blending  
20 of rate class specific and revenue class  
21 (Residential, Commercial, and Industrial)  
22 aggregate forecasts. First, historical customer  
23 counts and sales for each rate class were  
24 divided into their applicable components. Like

1 different from zero. But it is illogical to  
2 believe the GDP coefficient is truly zero; a  
3 zero coefficient would imply that additional  
4 service-area output could be produced with no  
5 contribution from these large customers, or that  
6 they could produce that additional output  
7 without using additional electricity.  
8 Therefore, in my equation I have retained real  
9 GDP as a forecast driver, with the coefficient  
10 set at 0.178 (the corresponding Staff  
11 coefficient estimate in Case 10-E-0050).

12

13 | **Q.** Turning to Exhibit\_\_ (GPS-1, Corrected), please  
14 provide a brief comparison of your forecasts  
15 against Mr. Gredder's, beginning with the  
16 customer forecasts.

17 **A.** For the customer forecasts, differences lie  
18 inside of a one percent band (plus or minus) -  
19 with street lighting (-2.5) being the lone  
20 exception. The SC 2 Non-Demand forecast has the  
21 next largest negative percentage difference  
22 (-0.8), although my forecast for SC 2 Demand  
23 customers is higher.

24

1 Q. Are your sales forecasts similarly close?

2 A. No, they are not. While my sales forecasts for  
3 classes SC 1 and SC 2 Non-Demand are reasonably  
4 close to his (0.4% and 0.6% higher,  
5 respectively), my forecasts for SC 2 Demand, SC  
6 3, SC 3A, and Street Lighting are each  
7 noticeably - approximately two percent - lower  
8 (-1.9%, -2.1%, -2.3%, and -2.0%, respectively).  
9 Overall, my combined forecast for these six  
10 classes is below Mr. Gredder's by approximately  
11 one percent.~~Half of my sales forecasts are~~  
12 ~~noticeably higher in percentage terms (a minimum~~  
13 ~~of 1.8 percent); my SC 3A forecast is somewhat~~  
14 ~~higher (0.7); my SC 2 Demand forecast is~~  
15 ~~marginally lower (-0.3), and my Street Lighting~~  
16 ~~forecast is noticeably lower (-2.0).~~

17

18 Q. Are these differences mainly the result of  
19 higher sales per customer forecasts?

20 A. That is correct; for all but class SC 2 Demand,  
21 my corresponding sales per customer forecast is  
22 higher.

23

24 Q. Do any forecast discrepancies result from

1 **A.** No, I don't believe so. Both Mr. Gredder and I  
2 make use of multiple forecast drivers that  
3 represent the level of economic activity:  
4 income, employment, real output. ~~The likely~~  
5 ~~explanation is that my set of equations contains~~  
6 ~~a higher overall level of responsiveness to~~  
7 ~~economic activity, which, combined with a~~  
8 ~~relatively rosy economic outlook from~~  
9 ~~Economy.com, produced higher numbers.~~

10

11 ~~Q.~~ ~~What do you mean by "a relatively rosy economic~~  
12 ~~outlook"?~~

13 ~~A.~~ ~~As shown in Mr. Gredder's Exhibit (JFG-3), by~~  
14 ~~fiscal year 2014 the Rate Year economic~~  
15 ~~recovery in "Upstate NY" is projected to be~~  
16 ~~complete: real income, total employment, and~~  
17 ~~real output are all forecast to be above their~~  
18 ~~peak pre recession levels. In Mr. Gredder's own~~  
19 ~~words, "... the economic indicators for~~  
20 ~~employment, gross product and real income show~~  
21 ~~strong growth cycles during [Fiscal Years] 2013~~  
22 ~~through 2016."~~

23

24 Q. Is there a simple explanation for the

1        discrepancies in the forecasts?

2        **A.**    For some classes, yes. The two Street Lighting  
3        sales forecasts are similar on a per customer  
4        basis; the main source of the disparity in  
5        projected total sales is the different downward  
6        trends expected for the number of Street  
7        Lighting customers. For SC 1, the opposite is  
8        true: the two forecasts of the number of  
9        customers are very close, but given the higher  
10       responsiveness to income growth in my sales  
11       equation, I have higher projected sales per  
12       customer. For the other classes, there is no  
13       consistent pattern of differences, and the  
14       explanation lies in the different forecasting  
15       methods themselves, not a single trend or  
16       elasticity.

17  
18       **Q.**    Do you believe your customer and sales forecasts  
19       should be updated if/when an updated economic  
20       forecast is procured from Economy.com?

21       **A.**    Yes, I do. In Mr. Gredder's own words, "... the  
22       economic indicators for employment, gross  
23       product and real income show strong growth  
24       cycles during [Fiscal Years] 2013 through 2016."

1     My forecasts, as well as Mr. Gredder's, are  
2     conditional on these expectations; should these  
3     expectations change, the forecasts should change  
4     as well.

5

6     **Q.**    What, therefore, is your recommendation to the  
7            Commission?

8     **A.**    With the economic conditions indicated in Mr.  
9            Gredder's Exhibit\_\_ (JFG-3) taken as a given for  
10           the Rate Year, I recommend that the Commission  
11           adopt my present rate class forecasts for SC 1,  
12           SC 2 Non-Demand, SC 2 Demand, SC 3, SC 3A, and  
13           Street Lighting because of the concerns  
14           associated with Mr. Gredder's forecasting method  
15           that I explained earlier.

16

17     **Q.**    Does this conclude your testimony at this time?

18     **A.**    Yes, it does.