

1 **SUBJECT: Input assumptions**

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3 **REFERENCE:**

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5 **PREAMBLE:** La Capra indicates that the perspective of MH's expert forecasters has
6 likely changed over the 2 years since they completed their work (LCA-11)

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8 **QUESTION:**

9 If the opinion of forecasters is expected to change more frequently than every 2 years, how
10 does La Capra view that forecast data should be used in an NFAT making decisions for plant to
11 come into service in 2019? 2026? Is it La Capra's view that by 2018 (when the commitment
12 decisions for Conawapa must be made) the data used in this NFAT (circa 2012) will be
13 excessively stale and will need to be updated?

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15 **RESPONSE:**

16 This response assumes the statement referenced is the sentence in the 3rd paragraph on page
17 LCA-11 of LCA's Initial Expert Analysis Report that reads: "LCA is concerned that the
18 perspective of the experts that was captured in the probabilistic analysis has likely changed in
19 the two years since the analysis was conducted."

20 LCA's view is that it is appropriate to do analysis utilizing scenario, uncertainty, risk and
21 sensitivity analyses as is described in Technical Appendices 9A & 9B to test the robustness of a
22 decision to proceed or not with any large and/or long lived project. The changing view of the
23 future notwithstanding, robust decisions (projects where all or most futures indicate a
24 beneficial investment) should go forward. Decisions on major energy projects will need to be
25 made based upon forecasts of inherently uncertain parameters. The LCA review in Technical
26 Appendices 9A & 9B cover the LCA view of ways to use a large amount of information on
27 differing assumptions about future conditions and forecasts to support decision making within
28 the context of this uncertainty.

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2 LCA's view is that it is incumbent upon the project developers, in this case MH, to be
3 continuously vigilant as to changes that occur in anticipated costs or benefits and the planning
4 assumptions that are relied upon to support investment decisions. This is true of projects
5 which are awaiting commitment whether they are idle projects or projects still spending some
6 development money.

7 The statement cited from the LCA report was offered in this context. The uncertainty analysis
8 provided by MH in its NFAT analysis relied upon experts' assessments of probabilities of future
9 values in discount rates, capital costs, and energy prices. Those assessments were made over
10 two years ago. Given that circumstances do change and that expert opinions based on what is
11 known today could be different than opinions based on what was known two years ago, LCA
12 believes it to be important to test those assumptions in light of what is known today.

13 It remains to be seen as to whether the view of the future changes appreciably between now
14 and 2018 to declare that the data used in this NFAT application and its review by experts and
15 other parties is indeed stale and needing updating. It is LCA's view that planning analysis
16 should be updated to current information at the time an investment commitment is made.