

1 Q. Further to the response to Request for Information IC-NLH-122:

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3 Attachment 1 is a copy of Nalcor Energy's June 23, 2017 project update for the
4 Muskrat Falls project. At Page 19 of 26, there are NL Hydro Island Interconnected
5 Sales.

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7 Please describe fully how the elasticity effects associated with rising consumer
8 electricity prices are reflected in the NL Hydro Island Interconnected Sales.

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11 A. The load forecasts for Hydro Island Interconnected Sales as depicted at page 19 of
12 26 of Nalcor Energy's June 23, 2017 project update for the Muskrat Falls Project
13 include and reflect Hydro's internally prepared load forecasts of Island retail energy
14 requirements at May 2016 and May 2017.

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16 Hydro's internally prepared load forecasts of Island retail energy requirements for
17 the initial twenty year forecast period were derived using Hydro's econometric
18 based load forecast model that features price elasticity as one of the determinants
19 of future electricity consumption levels. The price elasticity impacts on future retail
20 electricity consumption levels are based on estimated price elasticities measured
21 from retail customers' historical electricity consumption and price level patterns.
22 The price elasticity impacts for both the May 2016 and May 2017 load forecasts are
23 visually depicted in the chart (Hydro's response to IC-NLH-122, Attachment 1 page
24 19 of 26) by the downward sloping lines between the years 2017 and 2022. There is
25 little or no price elasticity impacting loads beyond 2022 in either load forecast
26 because the changes in forecast electricity prices mirror forecast inflation.

1 There is also a cross-price elasticity effect associated with furnace oil that can
2 impact residential electricity consumption levels in the load forecast model. In both
3 the May 2016 and May 2017 load forecasts, cross-price effects can be considered to
4 have modest impacts on the changes in Hydro's Island Interconnected sales across
5 the forecast period.