

1 Q. **Reference: Application**

2 Please provide the increase in total rates (monetary and percentage) that will be charged to
3 each customer rate class of Hydro, by billing determinant, as a result of the Muskrat Falls Project
4 coming into service. Please provide the expected impact on electricity demand by rate class as a
5 result of these rate increases. Include details of the price elasticity assumptions used relative to
6 the elasticity assumptions used in quantifying the impact of rate increases on demand. Please
7 provide copies of all elasticity studies that Hydro has undertaken or commissioned in the past
8 five years.

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11 A. Newfoundland and Labrador Hydro (“Hydro”) notes that this request for information (“RFI”)
12 does not relate to the current capital budget application before the Board of Commissioners of
13 Public Utilities, but rather forecast rate impacts as a result of the in-service of the Muskrat Falls
14 Project.

15 Given the ongoing rate mitigation work being undertaken by the Government of Newfoundland
16 and Labrador and the Government of Canada, Hydro does not have the necessary information
17 with which to provide the rate change information requested in this RFI.

18 Hydro has not undertaken any formal elasticity studies over the past five years; however, Hydro
19 does reflect the impacts of price elasticity in its load forecasting.¹

¹ Hydro’s internal econometric load forecast model for predicting Island interconnected System retail energy requirements has always featured price/price elasticity as a determinant of electricity consumption levels within the residential customer class. The short-term price elasticity associated with residential load on the Island Interconnected System is estimated at -0.3, which means a 10% increase in residential prices in real dollar terms results in a 3% decrease in average annual consumption levels by residential customers.