

1 Q. Assume that NLH's proposed rates had been imposed on January 1, 2014. Does
2 NLH have an estimate of how much electricity consumption by Labrador
3 Interconnected customers might have fallen as a result? Does NLH agree that such
4 large increases in rates would result in reduced consumption?

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7 A. Hydro relies on estimates of price elasticity to estimate the impact that price
8 changes have on customers' overall electricity consumption. Price elasticity of
9 demand is a measure used in economics to show the responsiveness, or elasticity,
10 of the quantity demanded of a good or service to a change in its price. The price
11 elasticity for electricity demand in the short term is inelastic which means that
12 changes in price have a relatively small effect on the quantity of the good
13 demanded.

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15 As indicated in its response to LWHN-NLH-036, Hydro does not have specific price
16 elasticity estimates for Labrador Interconnected Customers on which to estimate
17 how much electricity consumption by Labrador Interconnected Customers might
18 have fallen as a result of Hydro's proposed rates had they been imposed on January
19 1, 2014.

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21 Hydro submits that the rate increases as proposed are likely to result in reduced
22 consumption for some, but not all, customers and that overall Labrador
23 Interconnected System load requirements will continue to grow.