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2 **Volume 2, Tab 8 – Customer, Energy and Demand Forecast**
3

4 **Q. How does the compositional shift of the Company’s customers from rural to urban**
5 **impact upon its competition for the space and water heating markets against**
6 **furnace oil, propane, and wood? Please explain.**
7

8 A. Under current market conditions, a shift in population within the province from rural to
9 urban areas should result in an increase in the market share of electric space heating.
10 Due to the already high market share of electric water heating, the impact of the
11 compositional shift from rural to urban would likely be minimal.
12

13 As of the end of 2006, Newfoundland Power customer data indicated that 58.2 per cent
14 of the Company’s domestic customers used electricity as their primary space heating
15 fuel. The movement of population from rural to urban areas would increase demand for
16 new housing in urban areas and decrease demand in rural areas. Currently, between 85
17 and 90 percent of newly constructed homes install electricity as their primary space
18 heating fuel.
19

20 The movement of population from rural to urban areas would therefore be expected to
21 increase urban customer growth, thereby increasing the overall market share of electric
22 space heating and increasing energy sales in urban areas.
23

24 The movement of population from rural to urban areas would also be expected to result
25 in either an increase in home vacancies in rural areas or the disconnection of electrical
26 service to rural homes. Because non-electric space heating has a higher market share in
27 rural areas, it is more likely that non electrically-heated homes would be disconnected
28 from the grid as a result of the population shift, further increasing the market share of
29 electric space heating.
30

31 The movement of population from rural to urban would therefore be expected to decrease
32 customer growth in rural areas, increase electric space heating market share, and decrease
33 energy sales in rural areas.
34

35 Since electric water heating currently has a market share of approximately 85 per cent,
36 the impact on the water heating market of the movement of population from rural to
37 urban areas would be expected to be minimal.