

1 Q. (Reference 2017 GRA Volume I, page 1.11) If improved conservation reduced  
2 customer demand by 5% in 2021 what would be the impact on the expected  
3 customer rate in 2021 of 26.32¢ per kWh?  
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6 A. The question poses a scenario of a hypothetical reduction in customer “demand” of  
7 5%. Hydro has assumed that the reduction in “demand” in this question refers to  
8 reduced customer energy consumption on the Island Interconnected System. Hydro  
9 also notes that the 2021 rate of 26.32 cents/kWh cited in this question is the  
10 forecast rate for island residential customers, inclusive of 15% tax.<sup>1</sup>  
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12 A 5% reduction in customer energy consumption in 2021 would reduce retail  
13 energy billings from customers by approximately 5%. The energy not used by  
14 customers could be sold in external markets to recover approximately 25%<sup>2</sup> of the  
15 lost retail revenue. Overall, Hydro estimates a reduction of 5% of energy usage by  
16 customers would increase customer rates, on average, by approximately 4%.<sup>3</sup>  
17 Applying the same approach, Hydro estimates a reduction of 10% of energy usage  
18 by customers would increase customer rates on average by approximately 8%.<sup>4</sup>

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<sup>1</sup> Nalcor’s June 2017 forecast island residential electricity rate for 2021 = 22.89 cents/kWh x 15% HST = 26.32 cents/kWh.

<sup>2</sup> Based on forecast energy markets.

<sup>3</sup> 4% equals approximately ((100% Revenue divided by 95% sales)-1) x less 25% recovery through export sales.

<sup>4</sup> 8% equals approximately ((100% Revenue divided by 90% sales)-1) x less 25% recovery through export sales.