

1 **Section 1: Introduction**
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3 **Q. (Section 1, Table 1-1) Please confirm that sales are forecast to decrease in 2026**
4 **owing to elasticity effects associated with increased rates.**
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6 A. It is confirmed that elasticity effects are resulting in lower forecast sales in 2026.
7 Changes in energy prices have an impact on customer usage. In general, as electricity
8 rates increase energy usage will decrease.¹ Given the lag effect that price changes have
9 on consumption, the elasticity impact is larger in the second year of a rate change.

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11 Sales are forecast to decrease by approximately 39.6 GWh in 2026.² Elasticity impacts
12 are forecast to reduce energy sales by 48 GWh in 2026 as a result of the 5.5% average
13 rate increase proposed for July 1, 2025.³ Other contributors to the forecast decrease in
14 energy sales are the challenging economic conditions in the Company's service territory
15 and conservation efforts undertaken by customers.

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17 These forecast reductions are partially offset by forecast increases in energy sales related
18 to: (i) higher load requirements for Memorial University's addition of electric boilers; (ii)
19 customer electrification initiatives, such as conversion from oil to electric heating
20 sources; and (iii) higher load requirements related to electric vehicle adoption.

¹ Current analysis indicates that a 1% increase in the price of electricity will result in a 0.19% decrease in energy sales. See Newfoundland Power's 2025/2026 General Rate Application, Volume 2, Supporting Materials, Tab 3, Customer, Energy and Demand Forecast (1st Revision), page 5, Section 3.2.

² 5,978.3 GWh in 2026 – 6,017.9 GWh in 2025 = 39.6 reduction in GWh.

³ See Newfoundland Power's 2025/2026 General Rate Application, Volume 1, Application, Company Evidence and Exhibits, Section 5, Customer Rates, page 5-4 for a fulsome review of the Company's sales forecast.