Q. (Reference CA-NP-141) Over what range of rate increases is Newfoundland Power's elasticity estimate relevant? Is it common for elasticity to change depending on the magnitude of the rate change? Newfoundland Power (Customer, Energy and Demand Forecast, page 5 of 8) suggests that in the short-term electricity is relatively price-inelastic. Please define "short-term" and does Newfoundland Power have a long-term estimate of the price elasticity?

A. Since 1990, customer rate increases have been in the approximate range of 1% to 10% annually. In Newfoundland Power's view, price elasticity effects are relevant for rate increases in that range.

Short-term, or short-run, is considered as less than a year from the effective date of the rate increase. This reflects the limited ability for customers to immediately respond to increases in customer rates. Long-term, or long-run, is the amount of time that customers take to fully respond to a change in price. Newfoundland Power's energy sales forecast for the 2023-2026 period includes the effects of short-run and long-run price elasticity.[1] Newfoundland Power's forecast for long-run price elasticity assumes a 1% increase in the price of electricity will result in a 0.19% decrease in energy sales.[2] The Company's sales forecast is not completed on a long-term basis, and therefore, Newfoundland Power does not have a long-term estimate of price elasticity beyond what is included in the Company's forecast.

[1] See the response to Request for Information PUB-NP-103, page 1, lines 22-30.

[2] See Newfoundland Power's *2025/2026 General Rate Application, Volume 2: Supporting Materials, Customer, Energy and Demand Forecast (1st Revision),* section *3.2 Energy Prices Outlook,* page 5 of 8.