

1 Q. **Reference: Customer, Energy and Demand Forecast: Peak Load Forecast**

2 Does Hydro consider the same price elasticity assumptions in forecasting energy sales as it  
3 applies to forecasting system peak demand? Please explain.

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6 A. No, Newfoundland and Labrador Hydro (“Hydro”) does not consider the same price elasticity  
7 assumption in forecasting energy sales and system peak demand.

8 Hydro’s econometric load forecast model contains different regression equations for predicting  
9 Newfoundland Power Inc.’s (“Newfoundland Power”) retail energy requirements and  
10 Newfoundland Power’s system peak demand. These equations feature price/price elasticity as a  
11 determinant of electricity consumption levels within the Residential customer class and  
12 Newfoundland Power’s total system peak. Hydro’s load forecast modeling construct for the  
13 Residential customer class has regularly indicated a short-term price elasticity estimate for  
14 residential customers to be between -0.25 and -0.35 meaning a 100% increase in price would  
15 lead to a 25–35% decrease in average consumption level, all else being equal; current year  
16 modeling would have the value of -0.30. Hydro’s load forecast modelling construct for  
17 Newfoundland Power’s system peak demand for the current year has a price elasticity value  
18 of -0.20.