

1 **Volume 2: Tab 3, Customer, Energy and Demand Forecast Report**

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3 **Q. Volume 2, Tab 3, page 6 of 8. “In 2022, energy sales increased due to increased**
4 **domestic average usage. This resulted from the increased price of furnace oil and**
5 **the province’s population growth, both of which were influenced by geopolitical**
6 **events that resulted in higher immigration to the province.” Please explain if the**
7 **price of furnace oil is an explanatory variable in the energy sales econometric**
8 **model. If not, please explain.**

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10 A. The price of furnace oil is not an explanatory variable in the energy sales econometric
11 model.¹ The price of furnace oil has been historically used by the Company to estimate
12 oil to electric conversions in the forecast period, which increases overall domestic
13 average use. For the 2024 to 2026 forecast, the Government of Newfoundland and
14 Labrador’s (the “Government”) Oil to Electric program supersedes that analysis. This is
15 due to the presumption that a customer intending to convert to electric heat as a result of
16 higher furnace oil prices would take advantage of the Government funding available to
17 lower the cost of that conversion.² As such, Newfoundland Power has forecasted oil to
18 electric conversions in its sales forecast based on the anticipated uptake of the
19 Government’s Oil to Electric program in the Company’s service territory.

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21 For information on the Government’s Oil to Electric program and the impact it has on the
22 Company’s sales forecast, see the response to Request for Information PUB-NP-097.

¹ In order to utilize the price of furnace oil in the econometric model, a reliable medium-term forecast of the price of furnace of oil would be required, which depends heavily on the future global price of oil. The global price of oil is influenced by many external factors and, in Newfoundland Power’s view, there is no such forecast that is reliable enough for use in the econometric model.

² This concept is typically referred to as free ridership.