Q. Exhibit BVP-27, page 6, states that an analysis of customer response to price change indicates that an overall 1% increase in electricity prices will result in a 0.23% decrease in energy sales. Please provide a copy of the research supporting this analysis.

A. Newfoundland Power forecasts its energy sales based on a number of economic and demographic variables, one of which is the price of electricity. Customers' response to changes in the price of electricity was therefore determined by comparing the results of two forecast simulations. The first simulation assumed no electricity price increases during the forecast period. The second simulation assumed a 1.0 per cent increase in the price of electricity, effective January 1 of Year 1. In both simulations all other forecast inputs were identical. Customers' response to the 1.0 per cent rate change was determined by comparing the results of the two simulations.

Table 1 below summarizes the forecast simulation results, and the impact of a 1.0 per cent increase in the price of electricity on energy sales by rate category over time. The cumulative total Company impact after year 3, as shown, is 0.23%.

Table 1
Impact of Electricity Price Changes on Energy Sales

	Year 1	Year 2	Year 3
Domestic			
Annual	(0.09)%	(0.22)%	(0.03)%
Cumulative	(0.09)%	(0.31)%	(0.34)%
General Service			
Rate 2.1 & 2.2			
Annual	(0.20)%	0.00%	0.00%
Cumulative	(0.20)%	(0.20)%	(0.20)%
Rate 2.3 & 2.4			
Annual	0.00%	0.00%	0.00%
Cumulative	0.00%	0.00%	0.00%
Total General Service			
Annual	(0.07)%	0.00%	0.00%
Cumulative	(0.07)%	(0.07)%	(0.07)%
Total Company			
Annual	(0.08)%	(0.13)%	(0.02)%
Cumulative	(0.08)%	(0.21)%	**(0.23)%**