

1 **Q. Page 63, lines 21-29: Mr. Coyne has concluded that Newfoundland Power has above**
2 **average business risk compared to other Canadian utilities. Mr. Coyne also**
3 **concluded (page 57, lines 1-9) that Newfoundland Power business risk had increased**
4 **since 2015 due primarily to increased risk associated with the Muskrat Falls project**
5 **and the forecast macroeconomic and demographic trends for the provincial**
6 **economy. In 2016 the Board determined that Newfoundland Power had average**
7 **business risk compared to other Canadian utilities. Are there any risks since 2015**
8 **other than those cited above that increase Newfoundland Power’s business risk in**
9 **comparison to other Canadian utilities?**

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11 A. The increased risk associated with higher electricity prices due to substantial cost
12 escalation at Muskrat Falls and the weak macro-economic and demographic trends in the
13 province compared to the remainder of Canada are the two major factors that lead Mr.
14 Coyne to conclude that Newfoundland Power has above average business risk compared
15 to other Canadian utilities.

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17 In addition, as discussed on pages 3-24 and 3-25 of the General Rate Application,
18 Newfoundland Power experienced declining energy sales in 2016 and 2017, marking the
19 first time in the Company’s history that energy sales have declined in consecutive years.
20 Newfoundland Power projects that average energy sales for the period 2016-2020 are
21 expected to decline by 0.2 percent. Newfoundland Power’s evidence attributes the
22 decline in sales growth to economic conditions, population and demographic changes,
23 and customer usage patterns in the Company’s service territory. As the Company
24 indicates on page 3-26 of its evidence, a shift from a period of sales growth to sales
25 decline can put pressure on Newfoundland Power’s ability to earn a fair return.