

1 Q. Provide details of the higher operating risks specific to Hydro (DGH, page 9,
2 lines 18-20).

3

4 A. There are a number of areas where the Utility faces higher operating risks
5 than the Canadian peer group referred to in the referenced report.

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7 The Utility services a wide area in Newfoundland with a low population
8 density, which exposes it to more weather related outages and higher
9 delivery costs than NP, which services the larger centres.

10

11 Unlike other utilities in its peer group, the Utility lacks a diversity of revenue
12 sources, in that it is primarily dependent upon the performance of generating
13 stations and its transmission system, and does not have access to revenues
14 from distribution to high-density urban areas. In addition, production is largely
15 dependent upon factors that cannot be controlled; i.e. water levels and
16 international oil prices. Some of the other utilities have ready access to
17 adjacent coal feedstock.

18

19 The Utility (and NP) has the only system that is not interconnected to the
20 continental grid. This limits options as they relate to purchased power in the
21 event of abnormal load requirements.