

1 **Q. Appendix A, page 10: Explain any change in Newfoundland Power’s business risk**
2 **since 2013 related to its size relative to other investor owned utilities and its**
3 **operating risk that has occurred or will occur in the period 2013-2018.**
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5 A. Mr. Coyne does not believe there has been any material change in Newfoundland Power
6 business risk since 2012 related to its size relative to other investor owned utilities.
7 However, the impact of Newfoundland Power’s small size on the Company’s business
8 risk profile has increased to some degree. The Board has recognized that the small size
9 of Newfoundland Power limits the Company’s financial flexibility and makes it more
10 risky than other electric utilities in Canada.

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12 As discussed in Appendix A, page 11, small size is considered to be a risk factor for
13 Newfoundland Power because it makes the Company more susceptible to adverse
14 economic conditions that could result in reduced customer demand for electricity among
15 residential and commercial customers, even as Newfoundland Power needs to continue
16 investing capital to maintain and modernize its aging infrastructure so that service quality
17 and reliability are not compromised. As Mr. Coyne explains in Appendix A, pages 13-
18 14, the long-term macroeconomic and demographic trends for Newfoundland and
19 Labrador are less favorable than for the rest of Canada. Consequently, the risk associated
20 with the small size of Newfoundland Power is magnified more than at the time of the
21 Company’s previous GRA filing in 2012.

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23 As discussed on page 15 of Appendix A, the major change in operating risk that has
24 occurred or will occur in the period 2013-2018 is that Newfoundland Power’s primary
25 electricity supplier plans to shift a significant portion of its electric generation to the
26 Muskrat Falls development. As a result, the load center in and around St. John’s will be
27 served by a new 1,100 kilometer transmission line that crosses several different climatic
28 zones. This shift in the source of electricity supply increases the weather-related risk for
29 Newfoundland Power.