

1 **Q. Page 57, lines 1-9: Mr. Coyne has concluded that Newfoundland Power’s business**  
2 **risk is higher than it was in 2015 due to greater risks associated with future higher**  
3 **electricity prices, reliability concerns associated with Muskrat Falls, and the**  
4 **forecast macroeconomic and demographic trends for the provincial economy. Please**  
5 **explain the degree to which these risks have increased since 2015. In the response**  
6 **include Mr. Coyne’s opinion on whether the change in each risk since 2015 is minor**  
7 **or material and whether it is possible to quantify the degree of change.**  
8

9 A. The risk of higher electricity prices has materially increased since 2015 because the cost  
10 of the Muskrat Falls project has increased from \$9.1 billion to \$12.7 billion since Mr.  
11 Coyne’s evidence was filed in 2015, as stated on pages 54-55 of his report. Reliability  
12 concerns have not materially changed since 2015, but they continue to be a consideration.  
13 There is an ongoing investigation by the Board into the future reliability of  
14 Newfoundland and Labrador Hydro’s generation once Muskrat Falls is placed in service.  
15 The macroeconomic and demographic trends in the province were weak in 2015 and are  
16 weaker in 2018. As shown in Figure 26, GDP growth in the province is expected to be  
17 negligible from 2017-2040, while the population and the labor force in the province are  
18 expected to decline over this period. As discussed on pages 52-53 of Mr. Coyne’s report,  
19 the Conference Board of Canada’s Long-Term Outlook indicates that there is concern  
20 with how the aging population will affect economic growth, the workforce, and the cost  
21 of health care services in the province.  
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23 In terms of quantification and materiality, the degree of change in the cost of Muskrat  
24 Falls, and economic indicators can be quantified; the change in reliability cannot be  
25 quantified at this time. The most material change since 2015 is the known increase in  
26 cost for Muskrat, which will have a significant impact on the cost of electricity for  
27 Newfoundland’s electricity consumers, and greater than any known shift in the cost of  
28 power supply for any company in the peer groups.