

1 **Q. Reference Evidence of Newfoundland power, pages 4-15: Please confirm that the**
2 **fixed component of its non-energy costs has declined since 1991 according to Table**
3 **1? In the company's view does this indicate increasing or decreasing business risk?**
4

5 A. Table 1 does not indicate that the fixed component of Newfoundland Power's non-energy
6 costs has declined as the question suggests.
7

8 Please refer to the Evidence of Newfoundland Power, page 12, line 15 *et. seq.* where it is
9 stated that:

10
11 "While reducing operating costs on a real basis is reflective of sound
12 management, the decreasing *proportion* of operating costs reduces the
13 Company's flexibility to respond to extraordinary operating events such as
14 those related to weather."
15

16 Please refer to the Response to Request for Information CA NP 001 for the Company's
17 evidence regarding changes in business risk.