

1 **Q. Reference: Dr. Cleary's Evidence, Page 17, Line 9 to Page 18, Line 11**

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3 **Dr. Cleary provides an assessment of Newfoundland Power's revenue growth.**
4 **Has Dr. Cleary considered the relevance of declining energy sales, as opposed**
5 **to revenue, in relation to the Newfoundland Power's business risk? If not, why**
6 **not?**

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8 A. Dr. Cleary's analysis of NP's revenue relative to NL's GDP growth spans the 1996-
9 2017 period. He used revenue to assess NP's sensitivity to economic growth since
10 it has an obvious relationship to NP's profits, the volatility of which in turn is a
11 measure of NP's business risk. This is true of all companies, but especially so for a
12 regulated utility that is allowed to pass through legitimate costs to consumers in
13 pursuit of earning an allowed ROE, which NP achieved in all 22 years since 1996,
14 exceeding the allowed ROE by an average of 0.46%.

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16 In addition to the foregoing rationale for using revenue in his analysis, Dr. Cleary
17 notes that energy sales have not been provided in NP's annual reports on a regular
18 basis since 1999, so this would have limited his ability to obtain the data necessary
19 to examine the 1996-2017 period, even if he believed energy sales were a better
20 measure of NP's risk associated with generating profits, which he doesn't. In any
21 event, it is obvious that NP's revenue will be highly correlated with energy sales.
22 Further, the forecast decline in energy sales according to NP is very small at 0.2%
23 annually over the 2015-2020 period, and nowhere in Dr. Cleary's evidence did he
24 assume an increase in energy sales in his assessment of NP's business risk.