Q. At page 9, lines 18 through 21, Dr. Kalymon states: "Potential long-term slower growth would become problematic only if capacity was made redundant through sudden decreases beyond the rate of depreciation. This is not a condition currently anticipated by economic forecasts." Please explain what Dr. Kalymon means by the conclusion contained in the first sentence and identify the economic forecasts relied upon in reaching the conclusion.

A. The statement refers to the fact that for a regulated utility only a drastic reduction in demand could create issues of ability to recover costs. Within a regulated environment, Newfoundland Power would have the right to apply to the Board for permission to recover costs on a lower demand base through rate increases if required. If sudden and extensive reductions occur beyond the rate of depreciation substantial rate increases would be needed and could create consumer resistance. The economic forecasts referred to were those presented in Newfoundland Power submissions under which no such drastic reductions in demand would occur.