

1 **Q. Evidence of Dr. Vander Weide: Business risk Pages 10-14: Dr. Vander Weide refers**
2 **to elements of business risk such as demand uncertainty, operating cost uncertainty,**
3 **operating leverage etc and then discusses regulations. Is Dr. Vander Weide aware**
4 **that almost all regulators in Canada provide their utilities with extensive use of**
5 **deferral (balancing) accounts to pass on the impact of such risks to rate payers**
6 **rather than shareholders?**
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8 A. Dr. Vander Weide is aware that almost all U.S. and Canadian regulators allow utilities to
9 recover a significant portion of their costs through special cost recovery mechanisms or
10 deferral accounts. From his experience in providing cost of capital testimony, Dr. Vander
11 Weide believes that Newfoundland Power's cost recovery mechanisms are typical for
12 electric utilities throughout North America. Please also see Dr. Vander Weide's filed
13 evidence, Answer 34 and Answer 73.