

1 **Q. Evidence of Dr. Vander Weide: Business risk Pages 10-14: In assessing NP's**
2 **business risk did Dr. Vander Weide ask for data on NP's ability to earn its allowed**
3 **ROE over the last say ten years to determine whether the risks he cites were**
4 **material?**

5
6 A. No. "Data on NP's ability to earn its allowed ROE over the last ... ten years" would not
7 address the materiality of the future risk that Newfoundland Power's equity investor will
8 not have an opportunity to earn its required rate of return on equity. For example, if
9 Newfoundland Power's allowed ROE were less than its required ROE over the last ten
10 years, information that Newfoundland Power was able to earn its allowed ROE would not
11 assure investors that Newfoundland Power was able to earn its required rate of return on
12 equity. In addition, with regard to the future risk that Newfoundland Power will not be
13 able to earn its required ROE, Dr. Vander Weide notes that current commissioners have
14 no way to bind future commissioners to the use of cost adjustment mechanisms and
15 deferral accounts.