

1 Q. Further to JAB-1, Schedule 1.1, page 1 of 2, the diesel fuel cost forecast for
2 2002 is \$6,323,748. Assume the proposed diesel cost is approved for the
3 test year, but actual diesel costs in 2002 are 10% less than forecast. Explain
4 the impact of the price variation on Hydro's earnings.

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6 A. If actual diesel costs in 2002 are 10% less than the \$6,323,748 forecast,
7 Hydro's earnings will be higher than forecast by \$632,375 since variations in
8 diesel fuel cost are not accounted for in the rate stabilization plan.