

Re: Page 54, line 19

Q. Could a cap of \$50 or \$100 million lead to significant lags in collection or repayment of historical fluctuations in hydrology, and could such lags lead to inter-generational inequity?

A. Yes, that is possible. Deferring costs in any format may lead to intergenerational inequity, and that must be balanced against consideration of rate stability. However, the estimate of \$50 million to \$100 million for a hydrology stabilization fund is outlined at page 65 to 66 of Mr. Osler and Mr. Bowman's pre-filed testimony and is well founded on past practice in Newfoundland (pre-1985) and in other similar non-interconnected jurisdictions.

However, based on the normal variability in hydrology, the key principle is that there should never be "collection or repayment" so long as reliable hydrological estimate are used over time, and that customers throughout time are all charged rates that reflect average hydrological capability.