Q. **On page 18 of Schedule 1 of the COS Methodology Review Report**, *Hydro proposes that "net export revenues be classified in the same manner as the classification of the Muskrat Falls Project costs in the cost of service study" and that "net export revenues be included in the test year cost of service study for rate making with variations from forecast net export revenues be dealt with through a deferral account mechanism."*

Considering the net export revenues in the cost of service study are proposed to be classified in the same manner as the classification of the Muskrat Falls Project costs, how would the proposed deferral account allocate the costs? Would Hydro use the cost of service classification factors to allocate variances (demand and energy), or would it use energy ratios in a manner similar to the Energy Supply Cost Variance Deferral Account? Please explain.

A. Please refer to Newfoundland and Labrador Hydro's ("Hydro") "Supply Cost Recovery Mechanism Review" report included in Hydro's response to PUB-NLH-040. Hydro will provide deferral account definitions including proposed allocation and recovery methodologies with its next General Rate Application.