Q. **Reference: Rates and Regulations**

Provide the proposed account definition for the Diesel Unit Cost Variance Deferral Account. If the proposed recovery is to be dealt with through the RSP, provide the proposed RSP clause for which Hydro is requesting approval.

A. Please see NP-NLH-038 Attachment 1. It is not proposed that the recovery be dealt with through the RSP.

Newfoundland and Labrador Hydro

Diesel Unit Cost Variance Deferral Account Proposed Definition

This account shall be charged with variations between Test Year and actual diesel costs incurred on Hydro's isolated diesel systems, including L'Anse au Loup, on a monthly basis,

The cost variance will be calculated as follows:

> Litres of Actual Fuel consumed x (Actual Weighted Average Cost($) per litre - Cost of Service Weighted Average Cost ($) per litre)

The diesel unit cost variation will be allocated between Newfoundland Power and Rural Labrador Interconnected customers in the same proportion which the Rural Deficit was allocated in the approved Test Year Cost of Service Study. The portion allocated to Rural Labrador Interconnected will be written off to Hydro's net income (loss).

Disposition of any Balance in this Account

Hydro shall file an Application with the Board no later than the 1st day of May each year for the disposition of any balance in this account.