Q. Further to response to Request for Information NP-NLH-029, Attachment 1: Please confirm that Attachment 1 shows Hydro's revenues at proposed rates when compared to 2014 forecast costs (derived from a 2014 forecast cost of service study) indicate that the 2014 revenue to cost ratio for the Island Industrial Customers would equal 1.05. If confirmed, please explain why a revenue to cost ratio of 1.05 is appropriate when setting rates for the Island Industrial Customers for 2014.

A. It is confirmed. The 2014 forecast is based on proposed 2013 Test Year rates, rather than a 2014 Test Year, and is therefore not used for setting rates. Changes in customers' load and overall cost levels result in changes to revenue to cost ratios between test years. An overearnings mechanism is in place to limit Hydro's ability to increase its rate of return on rate base between test years.