

1 Q. (page 7, Footnote 23 of Second Interim Rates Application Evidence) The footnote  
2 states "*A portion of the shortfall may be allocated for recovery from customers on*  
3 *the Labrador Interconnected System. As these customers have not contributed to*  
4 *the credit balance in the RSP, an amortization in the 2013 Test Year revenue*  
5 *requirement may be required for recovery in this circumstance*". Specifically, what is  
6 Hydro proposing with respect to cost recovery of any shortfall from Labrador  
7 Interconnected customers? Are there other customers on the system who may be  
8 responsible for paying a portion of the shortfall, and if so, how does Hydro propose  
9 to recover costs from these customers?

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12 A. Hydro will be proposing to amortize the 2014 actual net income shortfall from  
13 Labrador Interconnected Customers over a three-year recovery period in the 2015  
14 test year cost of service study to be filed with the amended application in the fall of  
15 2014.

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17 Based upon the forecast \$29.4 million 2014 net income shortfall and the  
18 percentage of revenue requirement attributable to Labrador Interconnected  
19 Customers in the 2013 Test Year forecast, Hydro estimates the three-year recovery  
20 will impact customer rates by approximately 2%.