

1    Q.    **2013 General Rate Application, Deferral and Recovery Mechanisms**

2            Hydro is proposing that the Labrador Interconnected customer allocation  
3            associated with the proposed recovery mechanisms for diesel unit cost variances  
4            and power purchases cost variances be written off to Hydro's net income. How  
5            does Hydro propose that these amounts be considered in the calculation of its net  
6            income and the Government directed return on equity of 8.80% included in the  
7            Application?

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10    A.    Between test years, increases in the costs allocated to Labrador Interconnected  
11            customers will be written off to Hydro's net income which would result in a lower  
12            return on equity. Conversely, decreases in these costs would result in a higher  
13            return on equity.