Q. **Reference: Volume I, Section 6.2.3, Section 6.11, and Volume 3, Exhibit 20, Issue Topic: Newfoundland Power Generation Credit**

Would Hydro object to having a one-sided $500,000 cost threshold on each component of the Other Island Interconnected System Supply Cost Variance component of its Supply Cost Variance Deferral Account as opposed to the ±$500,000 cost threshold currently in place on the overall balance? If so, please explain. If not, why not?

A. Newfoundland and Labrador Hydro ("Hydro") would object to having a one-sided $500,000 cost threshold on each component of the Other Island Interconnected System Supply Cost Variance component of the Supply Cost Variance Deferral Account as opposed to the +/- $500,000 cost threshold currently in place on the overall balance. The balances in certain individual components of the account can be relatively small and a $500,000 threshold, in Hydro's opinion, would be excessive for each portion of the balance since it could result in a $1,500,000 decrease in net income when the ability to control costs may be limited. Similarly, the threshold should remain +/- so the incentive remains to control costs.