

1 Q. According to this Application, the estimated capital cost of this project is \$498,000 and page 2,
2 paragraph 5 of the Application states that SMRE will be paying all costs associated with this
3 project. However, Article A.1.1 of Schedule A of the PPA included as Attachment 1 to this
4 Application and page 2 of 4 of the agreement included in Schedule 2 of this Application indicates
5 the following:

Upon the completion of the interconnection, an adjustment shall be made so
that if the actual cost exceeds the estimate, the difference shall be paid to
Hydro forthwith, provided that the cost is not more than fifteen percent (15%)
more than the estimated cost.

6 If this Project is intended to be fully contributed, why would SMRE not be responsible for actual
7 costs in excess of 15% of the estimated costs (estimated to be approximately \$74,700)? If the
8 actual costs were in excess of 15% of the estimated costs, would Hydro anticipate recovering the
9 excess from ratepayers?

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12 A. Newfoundland and Labrador Hydro ("Hydro") does not expect actual costs to be in excess of
13 15% of the estimated costs; however, if the actual costs are in excess of 15% of the estimated
14 costs, Hydro will not recover the excess from ratepayers. Hydro will exclude any costs in excess
15 of 15% of the estimated cost from rate base.