

1 Q. Given the magnitude of the proposed rate increases, does Hydro continue to
 2 believe that it is appropriate to credit the savings allocated to the Labrador
 3 Interconnected system to Hydro's net income?

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6 A. Hydro believes it is reasonable that both the allocation of the costs and the
 7 allocation of the savings to the Hydro Rural Labrador Interconnected customers be
 8 absorbed by Hydro. Hydro's application provides for a reduction in net income to
 9 Hydro as the deferred supply costs allocated to the Hydro Rural customers on
 10 Labrador interconnected System exceeds the allocated savings to Hydro rural
 11 customers on the Labrador Interconnected System.

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13 Table 1 provides a summary of the allocations to the Hydro Rural Labrador
 14 Interconnected customers as provided in the evidence to deferred supply cost
 15 recovery application.

Table 1 Allocation of Deferred Supply Costs – Labrador interconnected (\$000)¹

	2015	2016	Total
Isolated Systems	0	(96)	(96)
Energy Supply	42	75	117
Holyrood Conversion	11	7	18
Total	53	(14)	39

16 Under Hydro's proposal, Hydro will absorb the allocation of the approximately
 17 \$40,000 in cost allocation to the Hydro Rural Labrador Interconnected customers.

¹ Source: Table 10, page 14 of evidence.