Q. **a)** Does Hydro anticipate any circumstance where IDC would be greater than AFUDC? If so, explain.

b) Confirm that if the embedded cost of debt used to calculate IDC is greater than the approved rate of return on average rate base, a credit will be included in the AFUDC Deferral Account. If not, explain why.

A. **a)** In a circumstance where Newfoundland and Labrador Hydro's embedded cost of debt used to calculate Interest During Construction ("IDC") is greater than its approved rate of return on average rate base, IDC would be greater than Allowance for Funds Used During Construction.

b) It is confirmed.