Q. **Reference: Exhibit 12, page 12 and 14**

Hydro states "*If the demand-and-energy approach represents a better estimate of the cost responsibility of each class than does the energy-only allocation, then a move to the demand-and-energy approach results in an appropriate small cost shift toward the Utility customer and away from the Island Industrial customers.*" Hydro also states "*Hydro could elect to recover/reimburse costs/credits based solely on energy consumption. This is a simple and well-founded practice in rider pricing bearing on generation-related costs, based on the jurisdictional review.*" Given this, and the fact that under Hydro's planning criteria the Muskrat Falls assets provide 0 MW during a LIL shortfall event, why is Hydro not recommending recovery and reimbursement of costs/credits based solely on energy?

A. A Labrador-Island Link shortfall event or other generating facility unplanned outage would not influence the proposed allocation of costs in the Cost of Service Study or deferral account supply cost variances.