Q. **Reference: Volume 1, pages 165, 167; Volume 3 (Exhibit 12), page 714**

For each proposed deferral or variance account, identify whether Hydro proposes any materiality threshold, deadband, cap, sharing mechanism, prudence review, or annual review before recovery from customers. If Hydro proposes no such feature for an account, explain why full pass-through is appropriate for that account.

A. Newfoundland and Labrador Hydro ("Hydro") is not proposing any overall materiality threshold, deadband, cap, or sharing mechanism for the proposed Long-Term Supply Cost Variance Deferral Account ("SCVDA"), consistent with the existing SCVDA. One component of the account, the Other Island Interconnected System Supply Cost Variance component, has a cost variance threshold of +/- $500,000. This cost variance threshold is consistent with the existing SCVDA.

The purpose of the account is to capture variances between actual supply costs, rate mitigation funding, and other specified components and the amounts included in Hydro's most recently approved test year. Consistent with other supply-cost variance mechanisms, like the existing SCVDA and the Rate Stabilization Plan, with the exception of the component noted above, Hydro's proposal is that all qualifying variances be recorded in the account and allocated among customer classes using allocators proposed for approval, as the variances are largely outside of Hydro's control. Hydro will apply to the Board in the future regarding the disposition of any accumulated balances.