

1 Q. **Volume 1 (1<sup>st</sup> Revision), Chapter 6: Supplemental Evidence**

2 What is Hydro's current estimate of the balance that may accumulate in the Off-  
3 Island Purchases Deferral account by December 31, 2018 and December 31, 2019?  
4 (Volume I (1st Revision), Chapter 6: Supplemental Evidence, Pages 6.3, Line 4, et.  
5 seq.)

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8 A. Hydro has updated the estimated balance that may accumulate in the proposed  
9 Off-Island Purchases Deferral Account should Hydro use Recapture Energy and pre-  
10 commissioning energy from the Muskrat Falls Generating Station to displace  
11 thermal generation at Holyrood. The revised NP-NLH-115, Attachment 1 provides  
12 the results of Hydro's most recent analysis. Based on this updated analysis, Hydro  
13 projects that for the period from 2018 until full commissioning of the Muskrat Falls  
14 Project, the use of CF(L)Co. Recapture Energy and pre-commissioning energy of the  
15 Muskrat Falls Generating Station could create a balance in the Off-Island Purchases  
16 Deferral account of \$174.3 million, by August 31, 2020. The deferral account  
17 balance was forecast based on the proposals provided in Section 6.3 of Hydro's  
18 Supplemental Evidence dated September 15, 2017.

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20 Hydro is engaged in confidential commercial negotiations for the purchase of  
21 additional power to further reduce thermal generation at Holyrood. Hydro is unable  
22 to provide an estimate of the deferral account balance should such purchases  
23 materialize. Should Hydro be successful in entering commercial arrangements  
24 which would impact the balance of the deferral account, it will file revised  
25 projections with the Board.

**Table 1 Off-Island Deferral Account**  
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	2018	2019	2020
<b>Fuel Consumption Savings</b>			
A CF(L)Co Recapture (GWh) <sup>1</sup>	453	1,055	133
B Muskrat Falls Pre-Commissioning (GWh) <sup>1</sup>	-	-	733
C Out-of-Province Purchases (GWh)	-	-	-
D Less: Losses LTA / LIL (GWh)	65	136	91
E Delivery of Off-Island Power Purchases (GWh) <sup>2</sup>	388	919	775
F Test Year Holyrood conversion rate (kWh/barrel)	618	616	616
G Test year price of No. 6 <sup>3</sup>	\$ 64.41	\$ 87.11	\$ 87.11
<b>H = (E / F) x G</b>	<b>\$ 40,454</b>	<b>\$ 129,934</b>	<b>\$ 109,601</b>
<b>Fuel Inventory Savings<sup>4</sup></b>			
I Test year No. 6 inventory barrels	634,795	600,125	629,732
J Forecast No. 6 inventory barrels	624,751	565,950	116,178
K Test year price of No. 6	\$ 64.41	\$ 87.11	\$ 87.11
L Test year WAAC	6.61%	5.68%	5.68%
<b>M = (I - J) x K x L</b>	<b>\$ 43</b>	<b>\$ 169</b>	<b>\$ 2,541</b>
<b>Cost of Off-Island Purchases<sup>5</sup></b>			
N CF(L)Co Recapture	\$ 886	\$ 1,946	\$ 260
O Muskrat Falls Pre-Commissioning	\$ -	\$ -	\$ -
P Out-of-Province Purchases	\$ -	\$ -	\$ -
Q Total Off-Island Purchase Cost	\$ 886	\$ 1,946	\$ 260
R OpEx for LIL \ LTA	\$ 27,300	\$ 52,900	\$ 35,700
<b>S = Q + R</b>	<b>\$ 28,186</b>	<b>\$ 54,846</b>	<b>\$ 35,960</b>
<b>T = H + M - S</b>			
Off-Island Supply Deferral Transfer	\$ 12,310	\$ 75,257	\$ 76,182
Interest @ WACC	\$ 407	\$ 2,860	\$ 7,323
<b>Off-Island Supply Deferral Balance</b>	<b>\$ 12,717</b>	<b>\$ 90,834</b>	<b>\$ 174,338</b>

<sup>1</sup> Off-Island purchases expressed at Churchill Falls with losses, shown in D, to express energy delivered to the Island Interconnected System.

<sup>2</sup> Expressed at Island Interconnected System.

<sup>3</sup> The 2018 Test Year price of No 6 fuel reflects the 2015 Test Year.

<sup>4</sup> For the purpose of the calculation of fuel inventory savings, if the forecast 13 month Average Volume of No. 6 Fuel Inventory in barrels exceeds the Test Year 13 month Average Volume of No. 6 fuel inventory in barrels the difference will be assumed to be zero.

<sup>5</sup> The commissioning date for the Muskrat Falls project is assumed to be Q3 2020.