

1 Q. **2018 Cost Deferral and Interim Rates Evidence - Revision 2, November 14, 2018**
2 Evidence, Schedule 1, page 6 of 81, lines 16-22 - It is stated that Hydro has updated
3 its capacity assistance cost forecast for 2019 to reflect new agreements for the
4 2018/2019 winter season. Appendix H to Schedule 1 which sets out Hydro's revised
5 proposals, at page 69 of 81, section (10) asks the Board to approve section 22 of the
6 Settlement Agreement which removed capacity assistance costs from the 2019
7 revenue requirement. Please clarify whether Hydro is proposing to amend the 2019
8 revenue requirement to include the new costs and state the amount of such 2019
9 costs if Hydro proposes to recover them in the 2019 revenue requirement.

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11 A. Hydro is proposing to revise the 2019 Test Year revenue requirement to include the
12 costs associated with the capacity assistance agreements it has entered into for the
13 2018/2019 winter season. The total cost associated with these agreements is
14 \$3,373,000. This reflects an increase of approximately \$240,000 from the capacity
15 assistance cost reflected in the 2017 GRA filing in July 2017.

16 The language in Section 22 of the Supplemental Settlement Agreement is as
17 follows: "Hydro will reduce its 2019 Test Year revenue requirement to reflect the
18 capacity assistance agreements to be in effect for the 2018/2019 Winter Season."
19 At the time the Supplemental Settlement Agreement was signed, Hydro was not
20 planning to renew its capacity assistance agreements for Vale and Praxair and, as a
21 result, the anticipated adjustment to 2019 capacity assistance costs would have
22 provided a decrease in revenue requirement for 2019. However, with the
23 uncertainty of available supply over the Labrador-Island Link for the 2018-19 winter
24 season, Hydro has renewed its agreements with Vale and entered into an
25 agreement for increased capacity assistance from Corner Brook Pulp and Paper.

1 The intention of Section 22 of the Supplemental Settlement Agreement was to
2 revise capacity assistance costs for 2019 “to reflect the capacity assistance
3 agreements to be in effect for the 2018/2019 Winter Season.” Therefore, Hydro
4 believes its proposed recovery of the revised capacity assistance costs in the 2019
5 Test Year, as reflected in its October 26, 2018 filing, is consistent with the intent of
6 Section 22 of the Supplemental Settlement Agreement.