



Newfoundland and Labrador Hydro
Hydro Place, 500 Columbus Drive
P.O. Box 12400, St. John's, NL
Canada A1B 4K7
t. 709.737.1400 | f. 709.737.1800
nlhydro.com

July 25, 2022

Board of Commissioners of Public Utilities
Prince Charles Building
120 Torbay Road, P.O. Box 21040
St. John's, NL A1A 5B2

Attention: Ms. Cheryl Blundon
Director of Corporate Services and Board Secretary

Re: Supply Cost Variance Deferral Account Monthly Report

Further to correspondence from the Board of Commissioners of Public Utilities accompanying Board Order No. P.U. 4(2022),¹ please find enclosed Newfoundland and Labrador Hydro's ("Hydro") report on the activity and balance of the Supply Cost Variance Deferral Account to the end of June 2022.

Should you have any questions, please contact the undersigned.

Yours truly,

NEWFOUNDLAND AND LABRADOR HYDRO

Shirley A. Walsh
Senior Legal Counsel, Regulatory
SAW/sk

Encl.

ecc:

Board of Commissioners of Public Utilities
Jacqui H. Glynn
PUB Official Email

Consumer Advocate
Dennis M. Browne, QC, Browne Fitzgerald Morgan Avis & Wadden
Stephen F. Fitzgerald, Browne Fitzgerald Morgan Avis & Wadden
Sarah G. Fitzgerald, Browne Fitzgerald Morgan Avis & Wadden
Bernice Bailey, Browne Fitzgerald Morgan Avis & Wadden
Bernard M. Coffey, QC

Iron Ore Company of Canada
Gregory A.C. Moores, Stewart McKelvey

Labrador Interconnected Group
Senwung F. Luk, Olthuis Kleer Townshend LLP
Joshua H. Favel, Olthuis Kleer Townshend LLP

Island Industrial Customer Group
Paul L. Coxworthy, Stewart McKelvey
Denis J. Fleming, Cox & Palmer
Dean A. Porter, Poole Althouse

Teck Resources Limited
Shawn Kinsella

Praxair Canada Inc.
Sheryl E. Nisenbaum
Peter Strong

Newfoundland Power Inc.
Dominic J. Foley
Lindsay S.A. Hollett
Regulatory Email

¹ *Public Utilities Act*, RSNL 1990, c P-47, Board Order No. P.U. 4(2022), Board of Commissioners of Public Utilities, February 21, 2022.



Supply Cost Variance Deferral Account Report For June 2022 (Unaudited)

July 25, 2022



A report to the Board of Commissioners of Public Utilities

**Supply Cost Variance Deferral Account
Summary
June 30, 2022**

	Supply Cost Variance Deferral Account Balance (\$)	Utility Balance (\$)	Industrial Balance (\$)	Total To Date (\$)
Opening Balance	18,989,681	(729,396)	-	18,260,285
Adjustment ^{1, 2}	(1,263,179)	(123,374)	-	(1,386,553)
Adjusted Opening Balance	17,726,502	(852,770)	-	16,873,732
January	34,376,346	(1,702,118)	-	32,674,228
February	56,447,649	(2,428,860)	-	54,018,789
March	78,951,174	(3,235,471)	-	75,715,703
April	76,332,458	(3,777,764)	-	72,554,694
May	102,440,250	(4,141,033)	-	98,299,217
June	123,456,515	(4,302,167)	-	119,154,348
July				
August				
September				
October				
November				
December				

¹ There was a correction to the volume calculation for November and December 2021 rural rate alteration, which is reflected as an adjustment to the opening balance for 2022, totalling \$0.1 million.

² In August 2021, Nalcor Energy ("Nalcor") commenced delivery of the Nova Scotia Block that, combined with limited Labrador-Island Link ("LIL") capacity, meant Newfoundland and Labrador Hydro ("Hydro") could not be delivered as much energy from the Muskrat Falls Hydroelectric Generating Facility as it would otherwise. Nalcor committed to indemnify Hydro for any damages suffered as a result of this reduction in deliveries including by compensating Hydro for incremental costs of fuel and/or imports over the Maritime Link. The opening adjustment is the result of refining the calculation to identify incremental costs as a result of these reduced deliveries.

Supply Cost Variance Deferral Account
Section A - Summary
June 30, 2022

	Muskrat Falls Project Cost		Rate Mitigation Fund		Project Cost Recovery		Holyrood TGS ¹		Other IIS ² Supply Cost		Net Revenue From Exports		Transmission Tariff Revenue		Load Variation		Greenhouse Gas Credit Revenues		Subtotal Monthly		Financing Charges		Transfers		Cumulative Net Balance		
	Variance (\$)	(\$)	(\$)	(\$)	Utility (\$)	Industrial (\$)	Fuel Cost (\$)	Variance (\$)	Variance (\$)	Variance (\$)	Variance (\$)	Variance (\$)	Variance (\$)	Variance (\$)	Utility (\$)	Industrial (\$)	Variance (\$)	Variance (\$)	Variance (\$)	Variance (\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Opening Balance	39,876,511	-	-	-	-	-	(26,879,560)	(3,220,124)	-	-	(700,298)	10,532,226	2,485,599	(3,096,317)	-	-	18,998,037	(3,096,317)	-	18,998,037	(8,356)	-	-	-	-	18,989,681	
Adjustment ³	-	-	-	-	-	-	(1,391,304)	129,804	-	-	-	-	-	-	-	-	(1,261,500)	-	-	(1,261,500)	(1,679)	-	-	-	-	(1,263,179)	
Adjusted Opening Balance	39,876,511	-	-	-	-	-	(28,270,864)	(3,090,320)	-	-	(700,298)	10,532,226	2,485,599	(3,096,317)	-	-	17,736,537	(3,096,317)	-	17,736,537	(10,035)	-	-	-	-	17,726,502	
January	32,631,191	-	-	-	-	-	(23,253,578)	(2,235,242)	-	-	(818,277)	9,116,758	1,182,038	-	-	-	16,622,890	-	-	16,622,890	26,954	-	-	-	-	34,376,346	
February	32,657,316	-	-	-	-	-	(13,670,459)	(3,683,542)	-	-	(970,188)	8,443,002	976,640	-	-	-	22,019,032	-	-	22,019,032	52,271	-	-	-	-	56,447,649	
March ⁴	17,324,542	-	-	-	-	-	11,038,375	(6,506,569)	-	-	(303,488)	2,224,383	1,163,972	-	-	-	22,417,693	-	-	22,417,693	85,832	-	-	-	-	78,951,174	
April ⁵	(9,535,425)	-	-	-	-	-	2,154,738	(539,120)	-	-	(842,928)	4,892,177	1,459,257	-	-	-	(2,738,765)	-	-	(2,738,765)	120,049	-	-	-	-	76,332,458	
May	21,568,529	-	-	-	-	-	3,532,182	(1,063,789)	-	-	(851,265)	2,386,638	1,226,502	-	-	-	25,991,725	-	-	25,991,725	116,067	-	-	-	-	102,440,250	
June	20,977,982	-	-	-	-	-	(3,102,552)	(1,099,851)	-	-	(518,174)	3,702,433	1,132,808	-	-	-	20,860,499	-	-	20,860,499	155,766	-	-	-	-	123,456,515	
July																											
August																											
September																											
October																											
November																											
December																											
Year-to-Date	115,624,135	-	-	-	-	-	(23,301,294)	(15,128,113)	(5,623,942)	(4,304,320)	30,765,391	7,141,217	-	-	-	105,173,074	-	-	105,173,074	556,939	-	-	-	-	-	105,730,013	
Total	155,500,646	-	-	-	-	-	(51,572,158)	(18,218,433)	(5,623,942)	(5,004,618)	41,297,617	9,626,816	(3,096,317)	-	-	122,909,611	-	-	122,909,611	546,904	-	-	-	-	-	123,456,515	

¹ Holyrood Thermal Generating Station ("Holyrood TGS").

² Island Interconnected System ("IIS").

³ In August 2021, Nalcor commenced delivery of the Nova Scotia Block that combined with limited LIL capacity, meant Hydro could not be delivered as much energy from the Muskrat Falls Hydroelectric Generating Facility as it would otherwise. Nalcor committed to indemnify Hydro for any damages suffered as a result of this reduction in deliveries including compensating Hydro for incremental costs of fuel and/or imports over the Maritime Link. The opening adjustment is the result of refining the calculation to identify incremental costs as a result of these reduced deliveries.

⁴ In March 2022, the payments for the Muskrat Falls Power Purchase Agreement ("Muskrat Falls PPA") were adjusted to reflect the financial restructuring of the project resulting in a revised amount to be transferred to the deferral account of approximately \$20.7 million. The amount for March 2022 was further reduced by \$3.4 million primarily due to the adjustment of billed operating costs to actual from November 23, 2021 to March 31, 2022 resulting in a total transfer to the deferral account of \$17.3 million in March 2022.

⁵ In April 2022, Hydro received a credit for \$30.4 million adjusting the payments made under the agreement from November 23, 2021 to February 28, 2022. The credit was applied against the April 2022 invoices, which totalled \$20.9 million, this resulted in a credit of \$9.5 million for the month.

Supply Cost Variance Deferral Account
Section B: Utility Customer Balance
June 30, 2022

	Allocation			Cumulative	
	Rural Rate Alteration ¹	Financing Charges	Transfers	Net Balance	
	(\$)	(\$)	(\$)	(\$)	(\$)
Opening Balance	(729,046)	(350)	-	(729,396)	
Adjustments	(123,374)	-	-	(123,374)	
Adjusted Opening Balance ²	(852,420)	(350)	-	(852,770)	
January	(848,051)	(1,297)	-	(1,702,118)	
February	(724,154)	(2,588)	-	(2,428,860)	
March	(802,918)	(3,693)	-	(3,235,471)	
April	(537,373)	(4,920)	-	(3,777,764)	
May	(357,525)	(5,744)	-	(4,141,033)	
June	(154,837)	(6,297)	-	(4,302,167)	
July					
August					
September					
October					
November					
December					
Year-to-Date	(3,424,858)	(24,539)	-	(3,449,397)	
Total	(4,277,278)	(24,889)	-	(4,302,167)	

¹ The rural rate alteration is allocated between Utility and Labrador Interconnected customers in the same proportion that the rural deficit was allocated in the approved 2019 Cost of Service Study, which is 96.1% and 3.9%, respectively. The Labrador Interconnected amount is then removed from the plan and written off to net income (loss).

Monthly balances may change to reflect adjustments.

No other transactions will be applied to this balance until further approval is obtained from the Board of Commissioners of Public Utilities ("Board").

² There was a correction to the volume calculation for November and December 2021 rural rate alteration, which is reflected as an adjustment to the opening balance for 2022.

Supply Cost Variance Deferral Account
Section B: Industrial Customers Balance¹
June 30, 2022

	Financing Charges (\$)	Transfers (\$)	Cumulative Net Balance (\$)
Opening Balance	-	-	-
January	-	-	-
February	-	-	-
March	-	-	-
April	-	-	-
May	-	-	-
June	-	-	-
July			
August			
September			
October			
November			
December			
Year-to-Date	-	-	-
Total	-	-	-

¹ No transactions will be applied to this balance until further approval is obtained from the Board.