

1 Q. **Reference: Schedule 1: Evidence**

2 Please explain Hydro's rationale to defer the collection of the net costs accumulated in the  
3 following components of the proposed Supply Cost Variance Deferral Account until after the  
4 next general rate application:

- 5 ● Holyrood Thermal Generating Station Fuel Cost Variance
- 6 ● Other Island Interconnected System Supply Cost Variance
- 7 ● Rural Rate Alteration
- 8 ● Isolated Systems Supply Cost Variance
- 9 ● Greenhouse Gas Credit Revenues Variance

10 Please confirm whether or not these costs/revenues are specifically related to the supply of  
11 energy from the Muskrat Falls Project. If not, please explain why there is a delay in  
12 collecting/refunding these costs from/to ratepayers.

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15 A. **Holyrood Thermal Generating Station ("Holyrood TGS") Fuel Cost Variance**

16 Based on the supply source projections later in 2021 and 2022, Newfoundland and Labrador  
17 Hydro ("Hydro") forecasts material savings in Holyrood TGS fuel costs as a result of power  
18 purchases under the Muskrat Fall Project ("Project") agreements. Hydro believes it is  
19 appropriate that the fuel cost savings that result from Project purchases should be deferred to  
20 partially offset the Project costs that are also proposed to be deferred.

21 **Other Island Interconnected System Supply Cost Variance**

22 Variations in the amount of energy purchases or production impact the amount of energy  
23 available for export. Therefore, Hydro believes it would be appropriate for disposition of the

1 deferred revenue from exports at the same time as the balance that accumulates in this  
2 component.

3 **Rural Rate Alteration**

4 The Rural Rate Alteration is transferred to the RSP Utility Plan balance each month and as a  
5 result would be used in computing the Utility RSP Current Plan Adjustment in 2022.

6 **Isolated Systems Supply Cost Variance**

7 Hydro is required to file a report annually on rural deficit management to support the  
8 disposition of the Isolated Systems Supply Cost Variance balance. Without this report being  
9 available to the Board of Commissioners of Public Utilities or Newfoundland Power Inc.  
10 (“Newfoundland Power”), Hydro did not propose the allocation of the Newfoundland Power  
11 portion of the balance to be transferred to the Utility RSP Current Plan balance for recovery  
12 through the RSP rate adjustment.

13 **Greenhouse Gas Credit Revenues Variance**

14 As future Greenhouse Gas Credit revenues, resulting from reduced production at the Holyrood  
15 TGS, are related to the increased purchase of energy from the Project, Hydro believes it would  
16 be appropriate to defer the Greenhouse Gas Credit revenues to partially offset the deferred  
17 Project costs.