

1 Q. **Reference: Application, para. 8**

2 It is stated "On March 30, 2023, Hydro received correspondence from the Minister of Industry,  
3 Energy and Technology providing a grant of \$190,404,321 for the purposes of rate mitigation.  
4 This grant has been credited to the Rate Mitigation Fund component of the Supply Cost Variance  
5 Deferral Account."

6 a) Please provide a table showing all components of the Supply Cost Variance Deferral  
7 Account including financing charges and actual amounts owing monthly and  
8 cumulatively since the effective date of the account through to the end of March 2023  
9 (and April 2023 if actual data are available).

10 b) Please provide a table showing all components of the Supply Cost Variance Deferral  
11 Account including financing charges and forecast amounts owing monthly and  
12 cumulatively for each month from April 2023 through December 2025. Please include a  
13 list of assumptions in the forecast.

14 c) Please identify the projected rate impacts on NP's customers on July 1, 2024 and July 1,  
15 2025 owing to recovery of amounts in the Supply Cost Variance Deferral Account.

16 d) For the Island Industrial Customers, please provide the rate impact on January 1, 2023,  
17 and the projected rate impacts on January 1, 2024 and January 1, 2025 owing to  
18 recovery of amounts in the Supply Cost Variance Deferral Account.

19

20

21 A. a) Please refer to CA-NLH-003, Attachments 1 and 2 for the year-end 2022 and March 2023  
22 balances, respectively, within the Supply Cost Variance Deferral Account. Newfoundland and  
23 Labrador Hydro ("Hydro") is currently confirming the balance in the Supply Cost Variance  
24 Deferral Account as of the end of April 2023, which will be reported to the Board of  
25 Commissioners of Public Utilities ("Board") on May 25, 2023.

- 1           **b)** Hydro is unable to provide a forecast for the balance of the Supply Cost Variance Deferral  
2           Account without knowing the details of the Government of Newfoundland and Labrador’s  
3           final rate mitigation plan.
- 4           **c)** Disposition of balances in the Supply Cost Variance Deferral Account are subject to a further  
5           Order of the Board. Hydro is unable to provide forecasted rate impacts for Newfoundland  
6           Power Inc. as a result of recovery of balances in the Supply Cost Variance Deferral Account.  
7           Please refer to part b) of this response.
- 8           **d)** There was no rate impact to the Island Industrial Customers as a result of recovery of the  
9           balance in the Supply Cost Variance Deferral Account on January 1, 2023 as disposition of  
10          balances in the Supply Cost Variance Deferral Account are subject to a further Order of the  
11          Board. Further, Hydro is unable to provide forecasted rate impact for Island Industrial  
12          Customers as a result of the recovery of balances in the Supply Cost Variance Deferral  
13          Account. Please refer to part b) of this response.



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

February 9, 2023

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

Attention: Cheryl Blundon  
Director of Corporate Services and Board Secretary

**Re: Supply Cost Variance Deferral Account Monthly Report – Revision 1**

Enclosed please find Revision 1 of Newfoundland and Labrador Hydro's report on the activity and balance of the Supply Cost Variance Deferral Account to the end of December 2022. The year-end accrual for the December export value was drafted at the time of the release of the monthly report. The accrual was adjusted as part of the regular year-end process and is reflected in the attached revision. The amounts reflected in the report are unaudited.

Should you have any questions, please contact the undersigned.

Yours truly,

**NEWFOUNDLAND AND LABRADOR HYDRO**

A handwritten signature in blue ink, appearing to read "Shirley A. Walsh", written over a horizontal line.

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

Encl.

ecc:

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

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

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

**Labrador Interconnected Group**  
Senwung F. Luk, Olthuis Kleer Townshend LLP  
Nicholas E. Kennedy, Olthuis Kleer Townshend LLP

**Consumer Advocate**  
Dennis M. Browne, KC, 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, KC

**Teck Resources Limited**  
Shawn Kinsella

**Linde Canada Inc.**  
Sheryl E. Nisenbaum  
Peter Strong

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

*Supply Cost Variance Deferral Account Report for December 2022 (Unaudited)*

---

## Revision History

Revision	Date	Location	Reason
1	9-Feb-2023	Supply Cost Deferral Account Summary Table, p. 1 of 4; and Supply Cost Variance Deferral Account Section A: Summary Table, p. 2 of 4.	The year-end accrual for the December export value was draft at the time of the release of the monthly report.

---

# Supply Cost Variance Deferral Account Report (Unaudited)

December 2022

Original Submission: January 25, 2023

Revision 1: February 9, 2023

A report to the Board of Commissioners of Public Utilities



*Supply Cost Variance Deferral Account Report for December 2022 (Unaudited)*  
 Page 1 of 4

**Supply Cost Variance Deferral Account  
 Summary  
 December 31, 2022**

	<b>Supply Cost Variance Deferral Account Balance<sup>1,2</sup> (\$) (from page 2)</b>	<b>Utility Balance (\$) (from page 3)</b>	<b>Industrial Balance (\$) (from page 4)</b>	<b>Total to Date (\$)</b>
Opening Balance	18,989,681	(729,396)	-	18,260,285
Adjustment <sup>1,3</sup>	(1,263,179)	(123,374)	-	(1,386,553)
<b>Adjusted Opening Balance</b>	<b>17,726,502</b>	<b>(852,770)</b>	-	<b>16,873,732</b>
January	34,259,161	(1,703,067)	-	32,556,094
February	56,309,399	(2,433,486)	-	53,875,913
March	78,810,697	(3,240,286)	-	75,570,411
April	76,182,112	(3,784,567)	-	72,397,545
May	102,265,091	(4,152,419)	-	98,112,672
June	123,274,718	(4,309,654)	-	118,965,064
July	136,722,125	(4,344,604)	-	132,377,521
August	155,244,173	(4,495,624)	-	150,748,549
September	170,009,759	(5,384,218)	-	164,625,541
October	189,273,151	(4,602,990)	-	184,670,161
November	198,891,673	(5,145,040)	-	193,746,633
December	196,185,156	(5,784,457)	-	190,400,699

<sup>1</sup> 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 compensating Hydro for incremental costs of fuel and/or imports over the Maritime Link. The opening adjustment and 2022 balances reflect adjustments to the calculation to eliminate incremental costs incurred by Hydro as a result of reduced deliveries.

<sup>2</sup> Prior monthly balances may reflect immaterial adjustments.

<sup>3</sup> 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.



Supply Cost Variance Deferral Account Report for December 2022 (Unaudited)  
 Page 3 of 4

Supply Cost Variance Deferral Account  
 Section B: Utility Customer Balance  
 December 31, 2022

	Allocation Rural Rate Alteration <sup>1</sup> (\$)	Financing Charges <sup>2</sup> (\$)	Transfers (\$)	Cumulative Net Balance (\$)
Opening Balance	(729,046)	(350)	-	(729,396)
Adjustments	(123,374)	-	-	(123,374)
<b>Adjusted Opening Balance<sup>3</sup></b>	<b>(852,420)</b>	<b>(350)</b>	-	<b>(852,770)</b>
January	(849,000)	(1,297)	-	(1,703,067)
February	(727,829)	(2,590)	-	(2,433,486)
March	(803,100)	(3,700)	-	(3,240,286)
April	(539,354)	(4,927)	-	(3,784,567)
May	(362,097)	(5,755)	-	(4,152,419)
June	(150,921)	(6,314)	-	(4,309,654)
July	(28,397)	(6,553)	-	(4,344,604)
August	(144,414)	(6,606)	-	(4,495,624)
September	(881,758)	(6,836)	-	(5,384,218)
October <sup>4</sup>	789,415	(8,187)	-	(4,602,990)
November	(535,051)	(6,999)	-	(5,145,040)
December	(540,862)	(98,555)	-	(5,784,457)
<b>Year-to-Date</b>	<b>(4,773,368)</b>	<b>(158,319)</b>	-	<b>(4,931,687)</b>
<b>Total</b>	<b>(5,625,788)</b>	<b>(158,669)</b>	-	<b>(5,784,457)</b>

<sup>1</sup> 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 reflect immaterial adjustments.

The only transactions posted to the Utility's Customer Balance is Newfoundland Power's allocation of Rural Rate Alteration and associated interest until further approval is obtained from the Board.

<sup>2</sup> For the period January to November, the interest rate applied to the deferral account balance was 1.84% based on the prior year-end rate. In December, the interest expense was trueed-up for the year based on the short-term interest rate for 2022 of 4.32%. In the calculation of the interest rate to be applied to the account balance for 2022 only a portion of the fixed fees were included due to the lower than anticipated promissory note balances. A detailed calculation of the short-term interest rate will be included in the Quarterly Regulatory Report for the quarter ended December 31, 2022.

<sup>3</sup> There was a correction to the volume calculation for November and December 2021 Rural Rate Alteration that is reflected as an adjustment to the opening balance for 2022.

<sup>4</sup> October activity includes an adjustment to the volume variation for September of \$0.8 million related to a correction to the rural revenue accrual.



*Supply Cost Variance Deferral Account Report for December 2022 (Unaudited)*  
 Page 4 of 4

Supply Cost Variance Deferral Account  
 Section B: Industrial Customers Balance<sup>1</sup>  
 December 31, 2022

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

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



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

April 25, 2023

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

Attention: 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),<sup>1</sup> please find enclosed Newfoundland and Labrador Hydro's report on the activity and balance of the Supply Cost Variance Deferral Account to the end of March 2023.

Should you have any questions, please contact the undersigned.

Yours truly,

**NEWFOUNDLAND AND LABRADOR HYDRO**

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

Encl.

ecc:

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

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

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

**Labrador Interconnected Group**  
Senwung F. Luk, Olthuis Kleer Townshend LLP  
Nicholas E. Kennedy, Olthuis Kleer Townshend LLP

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

**Teck Resources Limited**  
Shawn Kinsella

**Linde Canada Inc.**  
Sheryl E. Nisenbaum  
Peter Strong

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

<sup>1</sup> *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 (Unaudited)

March 2023

April 25, 2023

A report to the Board of Commissioners of Public Utilities



*Supply Cost Variance Deferral Account Report for March 2023 (Unaudited)*  
 Page 1 of 4

**Supply Cost Variance Deferral Account  
 Summary  
 March 31, 2023**

	<b>Supply Cost Variance Deferral Account Balance (\$)<sup>1</sup> (from page 2)</b>	<b>Utility Balance (\$) (from page 3)</b>	<b>Industrial Balance (\$) (from page 4)</b>	<b>Total to Date (\$)</b>
Opening Balance	196,185,156	(5,784,457)	-	190,400,699
Adjustment	-	-	-	-
<b>Adjusted Opening Balance</b>	<b>196,185,156</b>	<b>(5,784,457)</b>	-	<b>190,400,699</b>
January	207,626,354	(6,387,985)	-	201,238,369
February	192,413,524	(7,469,300)	-	184,944,224
March	20,708,246	(8,219,619)	-	12,488,627
April				
May				
June				
July				
August				
September				
October				
November				
December				

<sup>1</sup> In March 2023, Government provided \$190.4 million for the purpose of mitigating projected future customer rate increases that would be required to recover net supply costs incurred to the end of 2022.

Supply Cost Variance Deferral Account Report for March 2023 (Unaudited)

Supply Cost Variance Deferral Account  
 Section A: Summary  
 March 31, 2023

	Project Cost Recovery Rider				Load Variation				Financing Charges				Cumulative Net Balance (\$)			
	Muskat Falls Project Cost Variance (\$)	Rate Mitigation Fund <sup>1</sup> (\$)	Utility <sup>2</sup> (\$)	Industrial (\$)	Hollyrood TGS <sup>3</sup> Fuel Cost Variance <sup>4</sup> (\$)	Other IIS <sup>5</sup> Supply Cost Variance <sup>4</sup> (\$)	Net Revenue From Exports Variance (\$)	Transmission Tariff Revenue Variance (\$)	Utility (\$)	Industrial (\$)	Greenhouse Gas Credit Revenue Variance (\$)	Subtotal Monthly Variances (\$)		Utility (\$)	Other (\$)	Transfers (\$)
Opening Balance Adjustment	277,547,131	-	(18,942,087)	-	(65,302,273)	(28,114,785)	(33,075,710)	(10,113,160)	63,550,645	18,294,888	(12,412,517)	191,432,132	(133,641)	4,886,665	-	196,185,156
Adjusted Opening Balance	277,547,131	-	(18,942,087)	-	(65,302,273)	(28,114,785)	(33,075,710)	(10,113,160)	63,550,645	18,294,888	(12,412,517)	191,432,132	(133,641)	4,886,665	-	196,185,156
January	19,795,154	-	(5,134,003)	-	(16,219,114)	(789,036)	(499,872)	(862,075)	13,086,281	1,367,244	3,962	10,748,541	(66,877)	759,534	-	207,626,354
February	19,400,443	-	(5,471,265)	-	(17,767,631)	(4,643,889)	(385,775)	(1,179,438)	(6,743,241)	1,080,034	(235,119)	(15,945,881)	(85,004)	818,055	-	192,413,524
March	20,390,107	(190,404,321)	(5,338,713)	-	12,517,521	(4,903,144)	(653,313)	(1,107,140)	(4,180,062)	1,295,997	(950)	(172,384,618)	(104,321)	783,661	-	20,708,246
April																
May																
June																
July																
August																
September																
October																
November																
December																
Year-to-Date	59,585,704	(190,404,321)	(15,942,087)	-	(21,469,224)	(10,336,069)	(1,539,560)	(5,148,653)	2,162,978	3,743,275	(232,107)	(177,581,958)	(356,202)	2,361,250	-	(175,476,910)
Total	337,132,835	(190,404,321)	(34,856,068)	-	(86,771,497)	(38,450,854)	(34,615,270)	(13,261,813)	65,713,623	22,038,163	(12,644,624)	13,850,174	(389,843)	7,247,515	-	20,708,246

<sup>1</sup> In March 2023, Government provided \$190.4 million for the purpose of mitigating projected future customer rate increases that would be required to recover net supply costs incurred to the end of 2023.

<sup>2</sup> As per Order No. P.U. 19(022), the Board of Commissioners of Public Utilities ("Board") approved a Project Cost Recovery Rider of 0.78 cents per kWh that became effective as of July 1, 2022.

<sup>3</sup> Hollyrood Thermal Generating Station ("Hollyrood TGS").

<sup>4</sup> In 2021, Nalcor commenced delivery of the Nova Scotia Block that, combined with limited ILL 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 2023 balances reflect adjustments to the calculation to eliminate incremental costs incurred by Hydro as a result of reduced deliveries. In March, Hydro received updated estimates for February which were retroactively updated.

<sup>5</sup> Island Interconnected System ("IIS").

**Supply Cost Variance Deferral Account Report for March 2023 (Unaudited)**  
 Page 3 of 4

Supply Cost Variance Deferral Account  
 Section B: Utility Customer Balance  
 March 31, 2023

	Allocation	Financing	Transfers	Cumulative
	Rural Rate	Charges		Net
	Alteration <sup>1</sup>			Balance
	(\$)	(\$)	(\$)	(\$)
Opening Balance	(5,625,788)	(158,669)	-	(5,784,457)
Adjustments	-	-	-	-
<b>Adjusted Opening Balance</b>	<b>(5,625,788)</b>	<b>(158,669)</b>	-	<b>(5,784,457)</b>
January	(583,105)	(20,423)	-	(6,387,985)
February	(1,058,761)	(22,554)	-	(7,469,300)
March	(723,948)	(26,371)	-	(8,219,619)
April				
May				
June				
July				
August				
September				
October				
November				
December				
<b>Year-to-Date</b>	<b>(2,365,814)</b>	<b>(69,348)</b>	-	<b>(2,435,162)</b>
<b>Total</b>	<b>(7,991,602)</b>	<b>(228,017)</b>	-	<b>(8,219,619)</b>

<sup>1</sup> 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 reflect immaterial adjustments.

The only transactions posted to the Utility's Customer Balance are Newfoundland Power's allocation of Rural Rate Alteration and associated interest until further approval is obtained from the Board.

**Supply Cost Variance Deferral Account Report for March 2023 (Unaudited)**  
 Page 4 of 4

**Supply Cost Variance Deferral Account**  
**Section B: Industrial Customers Balance<sup>1</sup>**  
**March 31, 2023**

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

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