

- 1 Q. Further to response to Requests for Information NP-NLH-038 and NP-NLH-039:
2 Please demonstrate using the scenario set forth below that there is no duplication
3 of cost recovery through the operation of the proposed Power Purchases Cost
4 Variance Account and the proposed Diesel Unit Cost Variance Deferral Account. In
5 the scenario, assume: (i) MWh purchases increase by 20% in a single year and test
6 year diesel production decreases by a corresponding MWh amount; (ii) average
7 purchase price increases by 10%; (iii) customer MWh energy requirements increase
8 by 5% and (iv) the average diesel fuel price increases by 10%.
9 For the requested scenario, show the account transfers and reconcile the end result
10 to the 2013 Test Year average cost for the Isolated diesel systems.
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12
13 A. Please see NP-NLH-140 Attachment 1. Please note that while the above scenario
14 produces an over-recovery of costs due to the displacement of fuel with power
15 purchases, Hydro does not believe such a scenario is plausible. The available supply
16 of power purchases on Hydro's Isolated Systems would not likely be capable of
17 producing an extra 4,832,188 kWh to displace diesel production.

Line No.	A	B Diesel Fuel litres	C Power Purchases kWh	D Diesel Fuel \$	E Power Purchases \$	
	2013 Test Year					
1	Island Isolated	2,230,200	519,060	2,558,555	155,154	
2	Labrador Isolated	13,119,400		14,697,487		
3	L'Anse au Loup	475,100	23,641,880	533,749	3,353,241	
4	Tots	15,824,700	24,160,940	17,789,791	3,508,395	Lines 1 to 3
5	Cost per unit			1.12	0.15	Cost / Units
	Total					
	Isolated System Production - Gross Energy	kWh				
6	Island Isolated	8,508,000				
7	Labrador Isolated	44,319,000				
8	L'Anse au Loup	25,276,000				
9	Tots	78,103,000				Lines 6 to 8
10	Less: Power Purchases	-24,160,940				Line 4, Col C
11	kWh supplied by diesel	53,942,060				Line 9 - Line 10
12	Cost per kWh	0.33				Line 4 / Line 11
13	Litres per kWh	0.29				Line 4 / Line 11
		Diesel Fuel kWh	Power Purchases kWh	Diesel Fuel \$	Power Purchases \$	
	Assumptions					
14	MWh purchases increase by 20% in a single year		4,832,188		724,828	Line 4, Col C, Line 5, Col E
15	Test year diesel production decreases by a corresponding MWh amount	(4,832,188)		(1,594,622)		Line 14, Line 12
16	average purchase price increases by 10%;				373,287	Lines 4 and 14, Line 5 * 10%
17	customer MWh energy requirements increase by 5%	3,905,150		1,288,700		Line 9 x .05, Line 12
18	the average diesel fuel price increases by 10%			1,620,626		Lines 11 and 15, Line 12 * 10%
19	Increase (Decrease) from Test Year			1,314,704	1,098,115	
20	Revised Total	53,015,022	28,993,128	19,104,495	4,606,510	
21	Revised Litres	15,374,356				Line 20 x Line 13
22	Revised Cost per unit			1.24	0.16	Cost / Units

	A	B	C	D	
	Actual Quantity Fuel Consumed (litres)	Cost of Service Average Weighted Cost (\$/litre)	Cost of Service Average Weighted Cost (\$/litre)	Cost Variance \$ (C-B)	Diesel Unit Cost Variation \$ (AxD)
Diesel Unit Variance					
23	15,374,356	1.12	1.24	0.12	1,844,923

	A	B	C
	Cost of Service Power Purchases \$	Actual Power Purchases \$	Power Purchase Variation \$ (B-A)
Power Purchase Cost Variation			
24	3,508,395	4,606,510	1,098,115

Actual Costs

25 Fuel	19,104,495	Line 20
26 Power Purchases	4,606,510	Line 20
27 Total Isolated Supply Costs	23,711,005	Lines 25, 26
28 Diesel Unit Variance	(1,844,923)	Line 23
29 Power Purchase Cost Variation	(1,098,115)	Line 24
30 Net Costs	20,767,967	Lines 27 to 29
31 Test Year Costs	21,298,186	Line 4
32 Difference	-530,219	Lines 30, 31