

1 Q. (Re: October 2014 Evidence submitted as part of Application, page 6, lines 8 to 16)
2 If Hydro had a traditional fuel adjustment clause ; would there be a need for the
3 energy supply cost component of the capacity-related costs in this Application?
4 Please provide support for the response.

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7 A. If there was another regulatory mechanism in place that provided Hydro with
8 recovery for any portion of the capacity-related costs in the Application, then Hydro
9 would not need to seek separate deferred recovery of such costs from the Board.
10 Whether or not a “traditional fuel adjustment clause” would provide recovery for
11 any of the capacity-related costs included in this Application would depend on the
12 specific terms and conditions that were approved for the operation of that
13 particular mechanism.

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15 As stated in Hydro’s evidence provided with the Application, mechanisms that
16 permit recovery of energy supply costs by utilities are common in Canadian
17 regulatory practice.¹ Newfoundland Power is permitted to recover its fuel costs
18 resulting from operating its thermal generation to serve its customers through its
19 Rate Stabilization Account.² When Hydro requests Newfoundland Power to run
20 thermal generation, Hydro reimburses Newfoundland Power for the incremental
21 fuel cost. However, Hydro’s current regulatory mechanism with respect to supply
22 cost recovery provides for cost recovery of Holyrood fuel cost variances and does
23 not provide for recovery of capacity-related cost variances.

¹ Source: Report on Supply Cost Mechanisms filed by Newfoundland Power in 2013/2014 General Rate Application.

² See Section II, 1(ii) of the Rate Stabilization Clause on page 15 of Newfoundland Power’s Schedule of Rates, Rules and Regulations.