

1 Q. On page 3 of Schedule 1: Evidence of the Application Hydro notes that “Hydro proposes to file a
2 future application with the Board of Commissioners of Public Utilities (“Board”), subsequent to
3 the next GRA Order, to deal with allocation and recovery of the balance in the Supply Cost
4 Variance Deferral Account that accumulates prior to the conclusion of the next GRA.” On page 7
5 of the Application Hydro also notes that it “anticipates that its next GRA is not likely to conclude
6 before 2023.”

7 Please indicate why Hydro is proposing to apply a full weighted average cost of capital to the
8 Project cost variances if Hydro is proposing recovery mechanism within the next couple of years.
9 Would it be more appropriate to apply a short-term rate considering the financing period, and
10 the cost pressures the customers will face?

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13 A. As noted in Newfoundland and Labrador Hydro’s (“Hydro”) application:¹

14 Hydro is uncertain when rate mitigation will be available to offset the costs that
15 would be deferred in the proposed Supply Cost Variance Deferral Account.
16 Without knowing the magnitude of the amounts to be recovered from
17 customers, Hydro is not yet prepared to propose a recovery period for the
18 deferred costs. Hydro also believes it is appropriate to know the amount of
19 costs deferred in the proposed deferral account prior to proposing an allocation
20 and recovery approach among customer classes. [Emphasis Added]

21 While the recovery mechanism may be proposed before 2023, the recovery period is not known
22 at this time; however, Hydro does not expect that recovery of costs will be complete by 2023.
23 Rather, Hydro expects that the proposed Supply Cost Variance Deferral Account will operate in a
24 manner consistent with the Rate Stabilization Plan and will require financing beyond the short-
25 term.

¹ “Supply Cost Accounting Application,” Newfoundland and Labrador Hydro, July 29, 2021, p. 5, para. 25.