

1 Q. **Reference: Supply Cost Accounting Application, paragraph 17.**

2 Please illustrate how the proposed supply cost mechanisms will work with the current wholesale
3 rate charged to Newfoundland Power by Hydro in each of 2021 and 2022. Please provide a
4 comparable illustration using existing supply cost mechanisms. Please state all assumptions,
5 including any amounts that had to be excluded from the analysis due to their uncertainty at this
6 time (e.g. rate mitigation amounts).

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9 A. The excess rate component in the Utility Rate (i.e., 18.165¢/kWh) is currently used in calculation
10 of the Rate Stabilization Plan (“RSP”) load variation component. This rate will continue to be
11 used in the calculation of the load variation component of the Supply Cost Variation Deferral
12 Account. However, in the RSP, the revenue impact in the load variation component is offset by
13 the fuel cost impact. In the proposed Supply Cost Variance Deferral Account, there is no
14 offsetting fuel cost as the change in utility load impacts the energy available for exports. The
15 impact of load variations on exports is tracked separately in the Net Revenue From Exports
16 component of the proposed deferral account.

17 Table 1 illustrates the adjustment to revenue remains the same under both mechanisms.

**Table 1: Load Variation Formula
 Existing vs. Proposed**

Existing Rate Stabilization Plan ("RSP")

$$(I-J) \times \{(D/C)-K\}$$

Where:

C = Test Year Cost of Service Holyrood Net Conversion Factor (kWh/bbl)	583
D = Annual Average Test Year Cost of Service No. 6 Fuel Cost (\$/Can/bbl)	105.9
I = Actual Sales, by customer class	593,672,805
J = Test Year Cost of Service Sales, by customer class (kWh)	646,000,000
K = Firm energy rate, by customer class	0.18165

Result 175

Components

Revenue	9,505,235
Fuel	-9,505,060
	175

Proposed Supply Cost Variance Deferral Account Definition

$$(J_T - J_A) \times K_R$$

Where:

J _T = Test Year Cost of Service Sales, by customer class (kWh)	646,000,000
J _A = Actual Firm Sales, by customer class (kWh)	593,672,805
K _R = Firm Energy Rate, by customer class	0.18165

Result 9,505,235