

1 Q. **Reference: Schedule 1: Evidence**

2 (a) Hydro is proposing to transfer the balance in the RSP Hydraulic Production Variation
3 component to the proposed Supply Cost Variance Deferral Account upon the approved
4 effective date. Since the balance accumulated in the RSP Hydraulic Production Variation
5 component reflects Holyrood TGS fuel cost variances not yet recovered through customer
6 rates, please explain why Hydro is proposing to continue to defer this balance with the costs
7 associated with the supply of energy from the Muskrat Falls Project instead of recovering
8 these costs earlier.

9 (b) Please confirm whether or not hydraulic production variances will be tracked in the Supply
10 Cost Variance Deferral Account when the Project is fully commissioned.

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13 A. (a) Newfoundland and Labrador Hydro's ("Hydro") proposed approach will enable Hydro to be
14 better informed on potential customer rate impacts giving consideration to the rate
15 mitigation plan prior to finalizing a plan for the recovery of Holyrood Thermal Generating
16 Station ("Holyrood TGS") fuel costs currently owed from customers.

17 As of the end of July 2021, the balance in the Rate Stabilization Plan ("RSP") Hydraulic
18 Variation component is approximately \$56 million owing from customers. There is also
19 approximately \$21 million in No. 6 fuel costs owed from customers, as of July 31, 2021, in
20 the Revised Energy Supply Cost Variance Deferral Account primarily due to lower off-island
21 purchases than reflected in test year rates. Hydro also notes that the conclusion of the
22 Industrial RSP fuel rider in 2022 of negative 0.823 cents per kWh and the transfer of
23 \$4.1 million in 2020 deferred supply costs to the Industrial Customer Current Plan for
24 recovery will put material upward pressure on Island Industrial customer rates in 2022. The
25 release of the rate mitigation plan will also provide critical information to consider in
26 establishing customer rates in 2022. Hydro believes all these factors need to be considered
27 prior to developing a plan for recovery of Holyrood TGS fuel costs currently owed from
28 customers. Therefore, Hydro is not presenting a proposal at this time to accelerate the

1 recovery of the current balance in the RSP Hydraulic Production Variation component.
2 Please refer to Hydro's response to NP-NLH-010 for projections of the customer rate
3 impacts of the RSP update for 2022 reflecting Hydro's application proposals.

4 (b) Hydraulic production variances will not be tracked in the Supply Cost Variance Deferral
5 Account. Both customer load variations and supply variations on the Island Interconnected
6 System (i.e., variations from test year forecasts for hydraulic, variations in island and off-
7 island power purchases, and variations in thermal production) relative to the test year
8 forecast will impact the amount credited to the net revenues from the export component of
9 the Supply Cost Variance Deferral Account. Hydro plans to file a report with the Board of
10 Commissioners of Public Utilities as part of its annual returns to provide support for the
11 annual net revenues from exports recorded in the Supply Cost Variance Deferral Account.
12 This report will include details on hydraulic supply variations.