

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

2 On page 32 Hydro states that it will provide additional evidence on the long-term approach to
3 the proposed Supply Cost Variance Deferral Account in its next general rate application but
4 proposes to file a future application subsequent to the receipt of an order from the Board
5 relating to the next general rate application to deal with the allocation and recovery of the
6 balance in the account. Please clarify what will be provided and required for approval in relation
7 to the proposed Supply Cost Variance Deferral Account in Hydro's next general rate application
8 and whether the subsequent application will be for approval of the allocation and disposition of
9 funds as approved in the general rate application.

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12 A. In its next general rate application ("GRA"), Newfoundland and Labrador Hydro ("Hydro") will
13 provide evidence to incorporate Muskrat Falls Project ("Project") costs and rate mitigation into
14 customer rates and present additional evidence on a long-term approach (i.e., post-conclusion
15 of Hydro's next GRA) to the Supply Cost Variance Deferral Account. This evidence will include: (i)
16 proposals with respect to allocation and recovery periods for future balances in each
17 component of the supply cost variance deferral account; (ii) proposals on the timing of customer
18 rate changes for disposition of annual deferral account balances; (iii) a long-term approach to
19 incorporating rate mitigation funding into the development of customer rates and (iv) a review
20 of whether changes are required to the load variation component of the deferral account (i.e.,
21 potentially to deal with customer demand variations to ensure Hydro has the opportunity to
22 recover all Project costs).

23 Hydro believes the Board of Commissioners of Public Utilities' decisions on the long-term
24 allocation approach to the new components of the Supply Cost Variance Deferral Account (i.e.,
25 Project costs, export values, Greenhouse Gas Credit revenues, transmission tariff revenues, rate
26 mitigation funding) will provide a sound basis for the subsequent application proposals for
27 allocation of the historical balances that have accumulated prior to the conclusion of the GRA.
28 Hydro also believes it is necessary to have knowledge of the magnitude of the balance in the

- 1 Supply Cost Variance Deferral Account to be recovered prior to finalizing a proposal on the
- 2 balance recovery period from customers.