

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

2 Has Hydro considered to defer only the “Muskrat Falls Project Costs”, the “Net Revenues from
3 Exports”, the “Transmission Tariff Revenues”, and the “Greenhouse Gas Credit Revenues” as
4 part of the proposed Supply Cost Variance Deferral Account and wait until Hydro has more
5 certainty with regards to the commissioning of the LIL before requesting approval for the
6 remaining components of the proposed Supply Cost Variance Deferral Account?

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9 A. Yes, Newfoundland and Labrador Hydro (“Hydro”) considered the alternative of a separate
10 deferral account solely for Muskrat Falls Project (“Project”) related costs and credits. However,
11 as explained in its response to PUB-NLH-001, part b of this proceeding, Hydro has three deferral
12 accounts for which the transfers assume the Holyrood Thermal Generating Station (“Holyrood
13 TGS”) is the marginal energy source in supplying load on the Island Interconnected System. With
14 the Labrador-Island Link nearing commissioning, it is not expected that the Holyrood TGS will be
15 the marginal energy source in the future.

16 The proposed Supply Cost Variance Deferral Account includes a separate component for
17 tracking variances in Holyrood TGS No. 6 fuel costs relative to the test year No. 6 fuel costs
18 reflected in customer rates. This is a simpler approach as this deferral account component
19 clearly identifies the test year Holyrood TGS fuel savings that will offset Project costs each
20 month. The new relationship of load variations and production variations to revenue from
21 exports (i.e., rather than No. 6 fuel costs) also supported the creation of a single deferral
22 account with multiple components.

23 If the Rate Stabilization Plan (“RSP”) and the Revised Energy Supply Cost Variance Deferral
24 Accounts were maintained, then the potential existed for the fuel savings that would result from
25 the use of Project energy purchases to be provided to customers as a rate reduction through the
26 annual RSP rate update rather than applying these savings to offset the cost of the Project which
27 created the fuel savings. Hydro believes the relationship of Project purchases to reduced

1 Holyrood TGS fuel should be reflected in the same deferral account when considering
2 disposition to customers.

3 While Hydro is proposing a single deferral account, the maintenance of separate components
4 within the deferral account will provide transparency with respect to the costs/credits reflected
5 in the account. This enables the use of different allocation approaches to be employed for
6 different components, when appropriate.